
# REPORT AND ACCOUNTS 2024

NFU Mutual
INSURANCE | PENSIONS | INVESTMENTS

## Contents



# CHAIRMAN'S STATEMENT

Jim McLaren
**Chairman**

As Chairman of NFU Mutual, I can reflect on 2024 as a year of progress, resilience, and service to our members and communities. During the year we achieved significant milestones, supporting customers through our insurance, pensions and investments offering as well as charitable work and community campaigns. Our commitment to mutuality is underpinned by being there for our members when they need us, paying claims and providing financial advice while continuing to be a responsible business. Putting customers first is extremely important to us and unlike many other insurers, we've also been rewarding our loyal General Insurance customers with Mutual Bonus savings for more than 20 years.

I am pleased to report that our long-term objectives of being a great place to work, a great company to do business with, and to deliver sustainable profitable growth continued to serve us well, and the Group achieved an overall profit of £360m (2023: £164m).

### Making a difference for our members

As members began to recover from the severe storms of 2023, they were hit with a further three in January 2024 and another two as the year ended, which resulted in a total of 11,000 claims for customers impacted by flood and storm damage. In the face of some of the largest flooding events in the UK for several years, we continued to make a difference for customers, providing same-day payments for emergency purchases, making alternative accommodation arrangements, and quickly commencing repairs.

Our commitment to members reaches beyond insurance, and we strive to deliver positive change for the communities we support. A powerful way to provide direct support to customers and their communities is through donations to charities. This community support plays a key role in delivering NFU Mutual's Environmental, Social and Governance (ESG) ambition to 'Protect Rural Lives and Livelihoods' and we have distributed £3.25m of funding annually over the past three years to local and national charities across the UK.

We know these are challenging times for charities, and as a member-based, purpose-led organisation we're proud to be increasing our annual charitable giving in 2025 from £3.25m to £4m. Delivered through the NFU Mutual Agency Giving Fund, NFU Mutual Charitable Trust, Community Champions Scheme, and the Farm Safety Foundation, this enables front-line charities to keep delivering their vital services.

We also campaign for change that benefits members and have called for improvements to rural road safety by raising awareness of the unique hazards in the countryside. In 2024, we published the first Code for Countryside Roads. Developed following consultation with partners and feedback from more than 700 members of the public, we hope it will help steer a course towards safer rural roads for all.

### Supporting the farming community

Farming is our heritage and our close links to the industry mean we understand the challenges they face and continue to provide financial and practical support to help. Tackling rural crime is one of those challenges and as a farmer myself I know the severe stress and disruption it causes.

We invested more than £400,000 in initiatives to tackle rural crime in 2024, including financial support for the National Rural Crime Unit (NRCU), taking total investment in tackling rural crime over the past three years to more than £1.2m. We also have a dedicated team which shares claims data and insight with police to identify areas at risk and find patterns to assist recoveries.

We continue to support the UK's main farming unions, as we have done for 114 years. In 2024, a year that was particularly tough for farming businesses and families, we made a voluntary donation of £8.7m (2023: £8.4m) to the four main farming unions to support their vital role in championing the needs of the farming community.

### A warm welcome

On the subject of farming, I am delighted to welcome Sarah Simpson, who joined the Board as a non-executive director in September 2024. Sarah has a distinguished career in rural policy, amassing over 20 years of invaluable experience. A farmer herself, she holds various agricultural Board roles and was awarded a Fellowship by the Royal Agricultural Societies in 2023.

This experience equips Sarah to be a valuable asset to NFU Mutual as we continue to adapt to the evolving demands of the farming sector and the wider rural economy.

### Climate change

I have written before about how we take the impact of our operations seriously and how we are striving to both reduce our own environmental footprint and support our members in their climate efforts.

In 2024, NFU Mutual published its first standalone Climate Change Report, as well as our first Climate Transition Plan, outlining the actions we have already taken, and those we are committing to take. One example in 2024 was the installation of 560 solar panels on the roof of our head office in Stratford-upon-Avon – another step in our journey to becoming a net zero business by 2050, supporting the UK's transition to a low-carbon economy.

### Looking ahead

As we enter 2025, we do so with optimism and a renewed commitment to serving our members and communities. We are confident in our ability to navigate future challenges with resilience and purpose.

I would like to extend my heartfelt thanks to our members for their continued loyalty and trust in NFU Mutual. Your support inspires us to stay true to our values and deliver on our promises. I would also like to thank our employees, Agents, and partners, whose dedication and hard work underpin our success.

I look forward to another year of mutual success as we continue to support our members.

Jim McLaren
**Chairman**



# FINANCIAL HIGHLIGHTS

## GROUP

**£360m**
Consolidated profit for the financial year
2023: £164m profit

**£20.9bn**
Total Funds under Management*
2023: £20.2bn

## GENERAL INSURANCE

**£2,459m**
GWPI before Mutual Bonus*
2023: £2,222m

**£168m**
Underwriting profit*
2023: £156m Loss

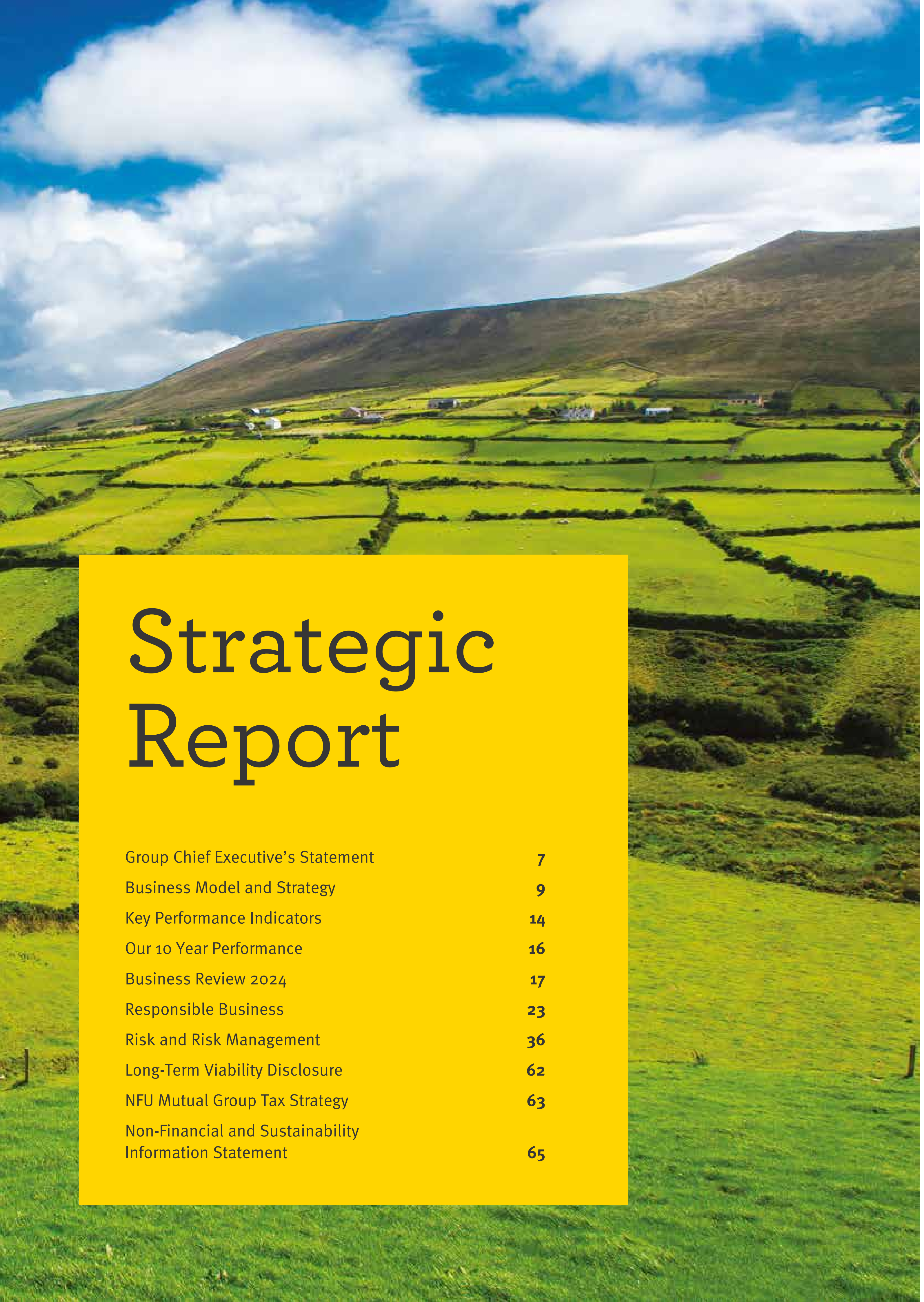
**92.4%**
Combined Operating Ratio (COR)*
2023: 108.0%

## FINANCIAL SERVICES LIFE

**£77.4m**
APE – New Business*
2023: £66.9m

**£12.6bn**
Life Funds under Management*
2023: £12.3bn

* 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 182).



# Strategic Report



# CHIEF EXECUTIVE'S STATEMENT

Nick Turner
**Chief Executive**

During a significant year of geopolitical change NFU Mutual has demonstrated its strength and adaptability once again. Throughout the year we made significant progress towards strengthening the business for the benefit of members, while continuing to deliver our core strategic aim of protecting and enhancing the lives of customers and rural communities.

## Financial performance

The benefits of lower inflation and falling interest rates led to a relatively supportive environment for the Group which generated an overall profit of £360m (2023: £164m) and a General Insurance underwriting profit of £168m (2023: £156m loss).

Our persistency levels remained high at 94.6% (2023: 95%) with many of our members choosing to remain loyal and renew their policies with us. I strongly believe this reflects the hard work and dedication of our agency network and employees who deliver the high levels of service NFU Mutual is known for.

## Meaningful mutuality

NFU Mutual is a member-centric organisation that puts customers first. In 2024 we continued our tradition of rewarding member loyalty through Mutual Bonus and provided £238m (2023: £244m) in savings to our renewing General Insurance policyholders.

We also shared £71m (2023: £54m) with eligible With-Profits customers in 2024 through our Mutual Investment Bonus, which is an uplift to investments in addition to the annual bonus that many customers receive. 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 current and expected economic conditions.

We continue to provide superior levels of customer service, and don't charge members extra to pay monthly by direct debit, for cancelling policies or for making mid-term adjustments.

The Chairman has mentioned some of the campaigns we run for the greater good of our membership and as a responsible mutual we work hard to do the right thing for both current and future generations.

Listening to our members is vital and, during 2024, we developed our 'Voice of the Customer' programme – an integrated approach to understanding customers, reviewing and analysing their feedback and looking for trends and key insights. It's work like this that will ensure that we stay close to our membership and can continue to provide the quality service they expect while delivering change that benefits them.

### Our people

Ensuring we exceed our customer's expectations and anticipate their future needs is key to our organisation's success and I would like to thank everyone at NFU Mutual for the part they play.

I'm extremely proud to say in 2024 we were named Which? Insurance Brand of the Year for the third year running – the only insurer ever to achieve this. We were also the only Which? Recommended Provider for both home and car insurance in the UK. Which? standards are incredibly high, and I know this independent recognition is down to our employees and everyone in our agency network, who genuinely care about our customers.

Teams from our Regional Service Centres were also named winners in several categories at the 2024 UK Customer Contact Forum Awards, which recognise excellence within the contact centre industry.

We were also recognised as a Gallup Exceptional Workplace in 2024, making it the ninth consecutive year that NFU Mutual has received this award. As a further testament to our commitment to our people, in 2024 we were also certified as a UK Top Employer by the Top Employers Institute for the second year running.

### Building for the future

Throughout our 114-year history, NFU Mutual has adapted to a great deal of change, and we continue to build from strong foundations.

In 2024 we laid some fundamental groundwork for the future of the organisation to improve the way we work and serve our customers. One of these is to introduce a new General Insurance policy administration system which will make our products easier for customers to buy, and easier for customer-facing teams to manage. The programme is making headway, alongside the introduction of a new online account and further developments to our digital capability.

It's crucial that we evolve NFU Mutual to meet the differing communication preferences of our members and this includes investing in our unique network of over 280 agency offices. During 2024 we began an initiative to support the evolution of the agency network so they can provide the local, personal service many of our members expect, complemented by emerging digital channels. Our agency network plays a pivotal role in providing a service that makes us stand out from our competitors, and I would like to thank our Agents and their employees for everything they do to go above and beyond.

Another key building block for the future is transitioning our physical data centre operations to a more agile and cost-effective hybrid solution, meaning more of the infrastructure will be moved to the cloud. This change will offer improvements to our IT infrastructure, creating a modernised, stable and resilient digital environment. We also bolstered our cyber security measures, keeping us ahead of the latest threats to protect our customers information.

We are building these foundations to protect and enhance the lives of our customers both today and in the future, and so I would like to finish by expressing my gratitude to you, our members. Your loyalty is genuinely appreciated by us all at NFU Mutual and really does drive our dedication to you.

Nick Turner
**Chief Executive**

# 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.

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 basis via our Financial Advisers. A broad range of products is offered 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

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

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, Pensions 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 Profit for the financial year
- 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 £20.9bn (2023: £20.2bn) 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.

> “Our customers are at the heart of our organisation, and we value their loyalty.”

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



**We are here to protect and enhance the lives of our customers and rural communities.**

## 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

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

## 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 Group continues to understand and 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 superior service and competitive cost base. We will continue to develop and improve access to our products and services through other channels, including digital, 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 the Key Performance Indicators on pages 14 to 15 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 Advisers, 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.

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 the Key Performance Indicators on pages 14 to 15 for more information.

# KEY PERFORMANCE INDICATORS

## Sustainable Profitable Growth (Group)

### PROFIT FOR THE FINANCIAL YEAR

**£360m**

2024: £360m
2023: £164m

NFU Mutual delivered a strong 2024 performance with a return to profitability on our underwriting result as well as healthy returns on our investments. This led to an overall Group profit for the year of £360m (2023: £164m).

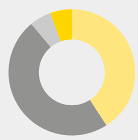
Our 2024 solvency ratio, which measures our ability to survive the most extreme plausible loss over the course of a year, remains high at 221% (2023: 218%).

### FUNDS UNDER MANAGEMENT*

**£20.9bn**

2024: £20.9bn
2023: £20.2bn

In a year of geopolitical change, funds under management grew by 3.7% (2023: 5.3%) to £20.9bn (2023: £20.2bn) as markets reacted well to lower inflation and falling interest rates.



- NFU Mutual General £8.3bn (2023: £7.9bn)
- NFU Mutual Life £9.6bn (2023: £9.4bn)
- OEIC** Funds £2.0bn (2023: £1.9bn)
- NFUMIS Pension Fund £1.0bn (2023: £1.0bn)

## Great company to do business with

### PERSISTENCY (GENERAL INSURANCE BUSINESS)*

**94.6%**

2024: 94.6%
2023: 95.0%

Our persistency levels remained high at 94.6% (2025: 95%) with many of our members choosing to remain loyal and renew their policies with us despite price rises to reflect the higher cost of paying claims.

## Great place to work

### EMPLOYEE ENGAGEMENT

**GALLUP**

In 2024 we were recognised as a Gallup Exceptional Workplace for the ninth consecutive year and were certified as a UK Top Employer by the Top Employers Institute for the second year running.

## Sustainable profitable growth (General business)

### UNDERWRITING PROFIT AND LOSS*

**£168m**

2024: £168m
2023: £(156m)

The General Insurance business delivered a profitable underwriting result of £168m (2023: £156m loss). Lower claims frequency, alongside favourable movements on prior year claims more than offset the impact of higher claims inflation and the additional weather claims costs following the named storms in the first and last quarter.

### COMBINED OPERATING RATIO (COR)*

**92.4%**

2024: 92.4%
2023: 108.0%

A COR below 100% indicates profitable underwriting and we remain aligned with our aim to achieve a COR of 98% over the long-term. Following a number of years of extreme inflationary pressure and weather events, our COR of 92.4% (2023: 108.0%) reflects a combination of higher average premiums and continued resilience of persistency, further supported this year by one-off releases on prior year claims, including the changes to the Personal Injury Discount Rate.

### GROSS WRITTEN PREMIUM INCOME (GWPI)*

**£2,459m**

2024: 2,459m
2023: £2,222m

GWPI before Mutual Bonus grew by 10.7% (2023: 11.8%) to £2,459m (2023: £2,222m), underpinned by consistent persistency levels and increases in average premiums necessary to offset the impact of inflation and increased weather costs.

### NEW BUSINESS*

**£155m**

2024: £155m
2023: £137m

New Business increased to £155m (2023: £137m), reflecting our ambitions for strategic business growth.

## Sustainable profitable growth (Life business)

### ANNUAL PREMIUM EQUIVALENT (APE)*

**£77.4m**

2024: £77.4m
2023: £66.9m

Political change combined with the Autumn Budget saw an increase in customers seeking financial advice with APE rising 15.7% (2023: 4.2% fall) to £77.4m (2023: £66.9m).

### LIFE FUNDS UNDER MANAGEMENT*

**£12.6bn**

2024: £12.6bn
2023: £12.3bn

Healthy gains from our equity portfolios saw Life Funds Under Management increase to £12.6bn in 2024 (2023: £12.3bn).

* 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 182).
** Open Ended Investment Company.

# OUR 10 YEAR PERFORMANCE

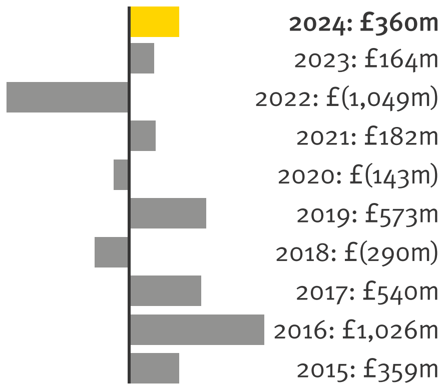
NFU Mutual's long-term focus means that we have the financial strength to steadily support our members as the external environment and market fluctuates.

## GROUP FINANCIAL PERFORMANCE

Our profitability changes year to year, however our ability to support customers remains constant. Since 2015 we've awarded a total of £2.1bn in Mutual Bonus savings to our loyal members.

The overall profit result reflects, after tax, the profit/(loss) from our insurance business, our investment returns and the cost of Mutual Bonus. Over a ten year period we have made a profit of £1.7bn.

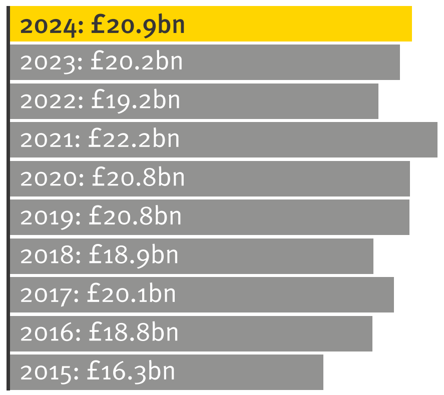
**Group Profit and Loss**




**Mutual Bonus**


## GROUP FUNDS UNDER MANAGEMENT

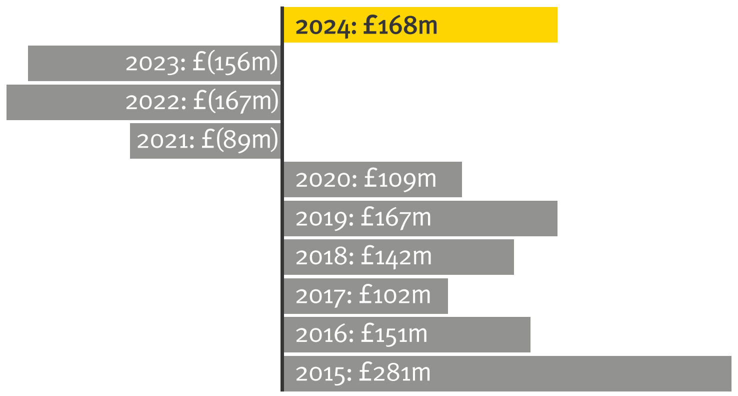
Our investment strategy is focused on long-term growth to ensure resilience during market volatility and funds under management have grown from £16.3bn to £20.9bn over the last 10 years.




## GENERAL BUSINESS

Paying claims is what we're here to do and our long-term approach means that we can be there for our members when they need us, offering outstanding levels of customer service and adapting to a continually changing environment. Across a 10 year rolling period we have made a net profit of £708m, with a return to profitability in 2024 following three years of underwriting losses. All of this underpins our commitment to provide savings in renewal premiums to our loyal customers through the form of Mutual Bonus.

**Underwriting Profit and Loss**






# BUSINESS REVIEW 2024

Finance Director,
**Richard Morley**

NFU Mutual delivered a strong 2024 performance with a return to profitability on our underwriting result as well as healthy returns on our investments, leading to an overall Group profit for the year of £360m (2023: £164m). The Group remains focused on long-term growth which has enabled us to award our loyal members with Mutual Bonus savings of £238m (2023: £244m).

> "Our 2024 solvency ratio, of 221% remains high, ensuring we continue to have the capital strength to focus on our members"

| | 2024 | 2023 |
|---|---|---|
| Underwriting Profit / (Loss) | £168m | (£156m) |
| Mutual Bonus Earned* | (£243m) | (£244m) |
| Allocated Investment Return | £110m | £101m |
| **Balance on the Technical Account** | **£35m** | **(£299m)** |
| Investment Return | £478m | £551m |
| Other Income and Expenses | (£132m) | (£89m) |
| Taxation | (£21m) | £1m |
| **Profit for the year** | **£360m** | **£164m** |

* The Mutual Bonus earned of £243m (2023: £244m) is calculated as the Mutual Bonus written of £238m (2023: £244m) and the movement in the unearned mutual bonus reserve of £5m (2023: £0m).

Investment markets have reacted well to lower inflation and falling interest rates despite a year which consisted of political change across the world as well as significant geopolitical events. This has resulted in a 3.7% growth (2023: 5.3% growth) of funds under management to £20.9bn (2023: £20.2bn). Our underlying financial, capital and solvency position remains strong, and our 2024 solvency ratio, of 221% (2023: 218%), remains high, ensuring we continue to have the capital strength to focus on our members.

The General Insurance business has delivered a profitable underwriting result of £168m (2023: £156m loss) as the business benefited from one-off releases on prior year claims and lower claims frequency. Storm activity continued to impact our members in 2024, with Storms Henk, Isha and Jocelyn at the beginning of the year and Storms Bert & Darragh towards the end of the year, and as a business we are proud to support our members when they need us most.

Our pensions and investments business achieved an Annual Premium Equivalent (APE) of £77.4m in 2024 (2023: £66.9m). Many customers reached out to our incredible team of Financial Advisers both before and after the announcement of the Chancellor's Autumn Budget, providing us with the opportunity to advise our customers and help with any concerns.

**£238m**

awarded in Mutual Bonus for year ending 2024

**£71m**

Mutual Investment Bonus shared with eligible With-Profits customers in 2024

## General Insurance

### Gross Written Premium Income

**GWPI of £2,459m, a growth of 10.7%, with healthy persistency of 94.6%.**

Gross Written Premium Income has increased to £2,459m with a 10.7% growth on last year (2023: £2,222m). This performance is underpinned by consistent persistency levels (the percentage of policies renewed each year) of 94.6% (2023: 95.0%), alongside increases in average premiums necessary to offset the impact of inflation and increased weather costs.

Our local, personal approach continues to see higher volumes of advised sales generated than in previous years.

New Business also increased to £155m (2023: £137m), with strong growth in strategic target areas including Commercial and High Net Worth business.

### Underwriting result

**The positive underwriting result of £168m (2023: £156m loss) reflects a return to profit following three consecutive years of underwriting losses, as the business benefited from one-off releases on prior year claims, including the changes to the Personal Injury Discount Rate, as well as lower claims frequency.**

Claims costs in 2024 continued to be impacted by the higher inflationary environment, with claims inflation remaining elevated across the book. We saw another year of adverse weather in 2024 with significant storm and flooding events both at the start and end of the year. We have continued to adjust our prices to reflect the higher cost of paying our customers' claims in this challenging economic environment.

These pressures from inflation and adverse weather were partly offset in 2024 by lower claims frequency, particularly for motor claims, as vehicle safety continues to improve. The change in the Personal Injury Discount Rate also provided a welcome reduction in the cost of claims, with a one-off reduction in prior year reserves.

Cost control remains a continued 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 92.4% (2023: 108.0%) reflects an improved result on recent years, with premiums now better reflecting the cost of claims following a number of years of inflationary pressure and weather events, further supported this year by some one-off releases on prior year claims.**

The combination of higher average premiums and the continued resilience of persistency has helped to support underlying profitability in the face of ongoing inflationary pressures. This has been supported in 2024 by a favourable movement in the Personal Injury Discount Rate which has moved from -0.25% to +0.5% in England & Wales, better reflecting the economic environment and requiring less provision for long term costs for significant injuries.

Last year was the fifth 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 remains a key factor in the cost of providing cover for our members and we continue to price for weather over the long term.

Across a 10 year rolling period we remain below our 98% long term COR aim, despite three years of underwriting losses from 2021 to 2023, due to the strong performance seen in the previous six years and now again in 2024. 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 2024 we provided £238m (2023: £244m) in Mutual Bonus.**

Mutual Bonus enables us to reward the loyalty of our General Insurance customers with a saving on the renewal premium of their GI policies. Given our continued financial strength and focus on long term investment growth we are again able to provide a significant Mutual Bonus going forward for all renewing members.

# Life, Pensions and Investments

## Annual Premium Equivalent (APE)

**The continued political and economic uncertainties, combined with the Chancellor's Autumn Budget saw an increase in customers seeking Financial Advice with APE growing to £77.4m, up 16% in 2024 (2023: £66.9m). The year has seen strong results for pensions business, with customers continuing to maximise tax efficient savings, as well as those accessing retirement funds taking advantage of higher Annuity rates.**

The year started slowly with customers continuing to feel the pressure of the increased cost of living impacting their ability to invest, alongside political uncertainties reducing consumer and investor confidence. However, in the lead up to and following the Chancellor's Autumn Budget, an increased level of interest was generated, with customers reaching out to our 70+ strong Financial Adviser force for advice on navigating the changes. Pensions continued their favourable performance throughout the year, especially customers looking to take pension benefits, with many who did not require advice utilising our non-advised telephone team, or our enhanced self-service channel if they preferred to transact online.

Policy persistency levels reduced in 2024 to 96.4% (2023: 99.6%) driven by customers in financial hardship, funding capital projects or consolidating funds. However, whilst persistency was below historical levels it was still relatively high demonstrating our customer's loyalty to NFU Mutual.

## With-Profits

**In 2024 we shared £71m (2023: £54m) with eligible With-Profits customers through our Mutual Investment Bonus. This is applied as an uplift to investments and is in addition to the annual bonus that many customers receive.**

Mutual Investment Bonus is applied as an uplift to investments and is in addition to the annual bonus that many customers receive. 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 (£82m in 2024, £65m in 2023). People continued to invest with NFU Mutual in 2024 and 26% (2023: 27%) of these new customers chose a With-Profits option when investing into ISAs, pensions and bonds. 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.

## My Investments

The My Investments platform continues to grow, with 42k customers (2023: 39k) having their investments on the platform. Assets under management on the My Investments platform broke through the £2bn mark in 2024, increasing to £2.07bn (2023: £1.74bn), of which £225m is With-Profits business (2023: £121m). 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 £4.5m (2023: £6.0m).**

Avon Insurance is a wholly owned subsidiary which specialises in personal accident and accidental death insurance products. Avon Insurance has been closed to new business since 2013 but continues to service the existing book of more than 385k policies (2023: 420k 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 2024 was £15.6m (2023: £16.8m), with profit before tax and dividends of £5.9m (2023: £7.8m). Avon returned dividends to the Group of £6.5m (2023: £3.5m).

## Risk Management Services Limited (RMS)

RMS is a wholly owned subsidiary of NFU Mutual whose primary objective is to add value to our farming and commercial customers by helping them to identify and manage health and safety risks within their business. In doing so, this results in fewer accidents, losses and business interruptions, deepening relationships as well reducing insurance claims to the NFU Mutual Group.

In 2024 RMS saw unprecedented demand for its services with an uplift in both sales and customers site visits compared to previous years. This was achieved despite employee attrition throughout the year which impacted our ability to generate revenue and resulted in a loss before tax of £0.8m (2023: £0.6m loss).

# Group funds under management

**Another year of growth across our investment assets saw the overall Group funds under management increase to £20.9bn (2023: £20.2bn). The General Business Fund saw an investment return of 6.4% in 2024 which took 3-year annualised returns to 1.6%, with both periods outperforming the Fund's internal benchmark.**

Despite an extended period of elevated political and geopolitical uncertainty, the investment markets continued to largely focus on the broadly positive fundamental investment factors such as resilient global economic and corporate growth, the improving inflation situation and the prospects for a series of interest rate cuts. Led by the dominant US market and its large technology companies, equities had another good year. Fixed income markets saw weakness in government bonds but gains elsewhere, whilst there were also healthy returns from our UK commercial property and cash assets. This led to our overall investment assets under management increasing by 3.7% in 2024 to £20.9bn.

## General funds under management

A 2024 investment return of 6.4% saw the General Business Fund outperform its internal benchmark and increased the value of its assets to £8.3bn at year end (2023: £7.9bn). UK and international equities together comprise around a third of the overall Fund, and alongside our emerging market debt portfolio these areas all achieved double-digit gains in 2024. Whilst we saw modest losses on our UK government bond holdings, there were gains for our corporate bond, high yield bond, cash, property and infrastructure portfolios.

Despite a very challenging 3-year period for fixed income assets due to elevated inflation and higher interest rates, the Fund still achieved 3-year annualised returns of 1.6%, comfortably ahead of our 0.2% benchmark return. The mix of asset classes in the portfolio was relatively stable in 2024, with the main feature seeing a modest shift during the year from corporate bonds to UK government bonds. Further diversification of assets and geographic exposure was seen with the introduction of investment in infrastructure and the gentle building up of exposure to overseas property.

### Life funds under management

Healthy gains from our equity portfolios helped drive an increase in the overall Life funds under management to £12.6bn in 2024 (2023: £12.3bn). Our With-Profits and mixed asset retail funds form the bulk of these Life funds, with some further diversification seen in 2024 but overall, the mix of assets remained broadly stable. The main Life fund achieved a return of 8.9% in 2024, which resulted in a 3-year annualised return of 3.3% against an internal benchmark return of 2.6%. 2024 saw healthy positive returns across most of our range of unitised retail funds, led by growth in our mixed asset and equity funds. Outside of a period of relative weakness for some of our equity funds, performance elsewhere sees a good majority of our funds ahead of relevant peer averages in 2024 and over 3 and 5-year periods.

Richard Morley
**Finance Director**



# RESPONSIBLE BUSINESS

## Our shared responsibility

In this section, we share how our activities and plans across an Environmental, Social and Governance (ESG) framework deliver against a commitment that's always been core to who we are – to do business in a responsible way.

We've stood side by side with our customers through over a century of change. We understand their needs and challenges, so can focus on safeguarding the things that matter most to them. Whether it's helping our communities to build resilience for the future or adapting to address the shifting risks of climate change, we work hard to do the right thing for both current and future generations.

We take our duties as a Responsible Business seriously and aim to make a positive, long-term difference for our partners, employees and the communities we serve. That means going much further than providing insurance. We actively champion the countryside, support our people, care for the environment and maintain effective governance across our operations.

## Our Responsible Business Strategy

Led by our commitment statement, NFU Mutual's Responsible Business Strategy sets out our four strategic ambitions.

We're incredibly proud of how far we've come since the launch of our evolved Responsible Business Strategy in 2022. However, we won't stand still – we know that ESG best practice and regulations are constantly evolving.

### NFU Mutual's Responsible Business Strategy

| 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.<br>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.<br>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.<br>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.** | | | |

By continuing to monitor the external landscape, as well as challenge ourselves on the pace and scale of our targets, we strive for progress in the areas that matter most to our stakeholders.

To help you understand our performance, we've been working hard to embed clearer and more transparent reporting. In 2024, we published our first set of long-term Responsible Business targets. With measurement processes now in place across the business, we'll be disclosing our performance annually in our Responsible Business Report, so you can see how we're tracking.

To learn more about our Responsible Business activity and progress, visit **nfumutual.co.uk/responsible-business**

In 2024, we continued to work hard to support our customers, their families and communities across the UK. We're pleased to have taken strides in all areas of our Responsible Business Strategy, and below we've shared just some of our key activity from last year.

## Protecting Rural Lives and Livelihoods

Our mutuality sets us apart, and we go beyond insurance to launch and fund initiatives that reflect our members' values, keep our customers and their families safe and help rural communities to thrive. More than simply paying claims, our Responsible Business approach sees us share knowledge and resources to help members build their resilience over the long-term.

### Rural Road Safety

NFU Mutual has been campaigning for several years to improve rural road safety by raising awareness of the unique hazards of countryside roads. In 2024, we published the first Code for Countryside Roads to provide a clear guide on how people should use rural roads safely.

The Code for Countryside Roads has been developed following consultation with our expert partners: the UK Farming Unions, British Horse Society, Older Drivers Forum, The Farm Safety Foundation and the Royal Society for the Prevention of Accidents. We also gathered feedback from over 700 members of the public to ensure common concerns are addressed. It is available to everyone, free of charge, on the NFU Mutual website and we hope it will help steer a course towards safer rural roads for all.

### Rural Crime

Our close links to farming mean we understand the severe stress and disruption that rural crime can cause. Every year we gather claims statistics, survey people in the heart of rural communities and seek views from experts – including the police – to provide a detailed picture of rural crime's financial and social impact.

In 2024, we invested over £400,000 in initiatives to tackle rural crime and are proud to be a major funder of the National Rural Crime Unit (NRCU). In addition to financial support, NFU Mutual has a dedicated team that works closely with the NRCU to share claims data and insights, help identify areas at risk and find patterns in crime incidents to assist with recoveries. This collaboration helped the National Construction and Agri Theft Team, which sits under the NRCU, to seize £4.4m worth of stolen vehicles and machinery in 2024.

**£4.4m**

**This collaboration helped the National Construction and Agri Theft Team, which sits under the NRCU, to seize £4.4m worth of stolen vehicles and machinery in 2024.**

### 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 2024, NFU Mutual donated £8.7m to farming unions to carry out their vital role.

### Emergency claims response

As members began to recover from the severe storms of 2023, they were hit with a further three in January 2024 and another two as the year came to a close. These resulted in a total of 11,000 claims for customers impacted by flood and storm damage in 2024. We exist to be there for our members in times of need, so we work hard to offer quick and effective support during events like these. Through our network of over 280 agency offices, we are part of the communities we serve and, along with our supply partners, are well equipped to help customers and local businesses impacted by bad weather. This support includes providing same-day payments for emergency purchases, making alternative accommodation arrangements and quickly commencing repairs. The frequency of extreme weather events is on the rise, and we're prepared to support our customers when they need us most.

### Flood-resilient repairs

Storm Babet in October 2023, followed by storms Henk, Bert and Darragh in 2024, led to the largest flooding events in the UK for several years. As a result, over 800 NFU Mutual household customers were impacted by flooding. We go further than supporting customers as floods happen, offering advice on how to rebuild and protect against future flooding, as well as sharing the cost of flood-resilient repairs under our Personal policies. We also 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. Together, we can help those who have sadly been affected, or are at risk of flooding in the future, to take steps to limit the impacts. In 2024, we paid over £340,000 towards flood resilient repairs, which supported our members to build back better.

### Supporting our communities

At NFU Mutual, we value the important role our business plays in supporting our communities. One of the ways we do this is through financial donations to charitable organisations. In 2024, we distributed £3.25m of funding to local and national charities across the UK. We recognise that these are challenging times, and our support will help enable charities to deliver their vital services to those in need.

Alongside our financial donations, we're proud to support some of our national recipients with partner projects. In 2024, we continued our two-year partnership with The UK Sepsis Trust, maintaining our drive to raise awareness of the risk of sepsis to the farming community. In July 2024, The Farm Safety Foundation supported our partnership during its Farm Safety Week campaign. Working with The UK Sepsis Trust and NFU Mutual, the Farm Safety foundation produced a compelling and informative film on a farming sepsis survivor story to help raise awareness of sepsis risks and the symptoms to look out for.

### The Farm Safety Foundation

NFU Mutual founded the Farm Safety Foundation back in 2014 as an independent registered charity with the aim of preserving and protecting the physical and mental wellbeing of the next generation of farmers. To achieve this, the Foundation works closely with partners in the industry to engage, educate and communicate strong and relatable farm safety messages.

Their award-winning education programme has delivered innovative farm safety training to over 28,000 young farmers in 44 different land-based colleges and universities across the UK and through the Young Farmers Clubs




network. Through national campaigns, such as Farm Safety Week and Mind Your Head, the Farm Safety Foundation is tackling the dangers which come from a culture of risk taking as well as the stigma of poor mental health, ensuring that the next generation of farmers is resilient and equipped with smart strategies and specific skills to live well and farm well.

NFU Mutual has remained committed to supporting the charity over the the past 10 years and the Board has recently pledged a further three years of financial support.

## The NFU Mutual Charitable Trust – supporting agricultural an rural charities

Established in 1998, The NFU Mutual Charitable Trust is our principal way of supporting national charities. Last year, the funding helped to deliver a range of initiatives, including rural poverty relief, helping small farming businesses to thrive, educating and mentoring young people and supporting mental wellbeing. In 2024, the NFU Mutual Charitable Trust made donations to 23 organisations including RABI, RSABI, Rural Support, Samaritans, FareShare, The Royal Countryside Fund and FCN.

The donations were made possible by a pledge of £1m from NFU Mutual to the NFU Mutual Charitable Trust in 2024.

## The NFU Mutual Agency Giving Fund – supporting local communities

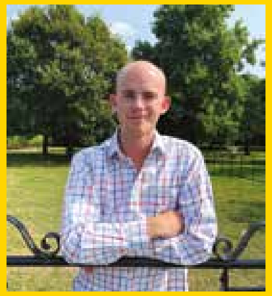
The Agency Giving Fund is a national fund that was first set up in 2020, in response to the pandemic, to provide emergency support for local charities and assist communities with recovery. We're proud to have made the fund an annual initiative. Over the fund's first five years, a total of £8.76m has been distributed to local frontline charities.

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

## Supporting the next generation of farmers

Four promising postgraduate agricultural students from across the UK received a Centenary Award bursary from The NFU Mutual Charitable Trust in 2024. The Centenary Award was launched by NFU Mutual to celebrate the company's 100th anniversary back in 2010. It provides annual bursaries to pay up to 75% of course fees for selected postgraduate students in agriculture. To date, it has supported 56 young people on their journey as future leaders and champions of research and innovation within the industry.

**Centenary Award Recipients 2024**


Alexander Cumming


Eleanor Cameron


Esther Rowntree


Jemima Brown

## Building a Healthy Community

Being a great place to work is a key objective for NFU Mutual. We strive to be an organisation that our employees feel proud to belong to, where they can learn, develop and bring their best. We were delighted to be recognised as a Gallup Exceptional Workplace in 2024, making it the 9th consecutive year that NFU Mutual has received this award. As a further testament to our commitment to our people, 2024 saw NFU Mutual ranked 17th in Glassdoor's Best Places to Work list for the UK, up from 43rd the year before. We were also proud to be certified as a UK Top Employer by the Top Employers Institute for the second year running.

Turn to page 68 to learn more about Our People Strategy, including our approach to diversity and inclusion, our support for employee health and wellbeing and our commitment to developing our people.

### Diversity and Inclusion

NFU Mutual is committed to delivering our Diversity and Inclusion (D&I) Strategy to create a culture that encourages and celebrates diversity, promotes inclusivity and supports our employees to thrive. We took several actions to make progress towards that commitment in 2024. For example, we maintained our affiliation with the Race at Work Charter and Disability Confident Scheme. We also implemented an enhanced approach to corporate recruitment that focusses on skills-based hiring, removing barriers and reducing bias. In September 2024, we launched an inclusive language learning programme for employees to support them when engaging with colleagues and customers.

### Health and Wellbeing

We are committed to promoting healthy ways of working, providing employees with appropriate support to enable them to feel and be their best. Support includes access to a virtual GP 24 hours a day, seven days a week, 365 days a year. Meanwhile, our Employee Assistance Programme provides instant access to on-demand health and wellbeing services, including in-the-moment support from highly qualified counsellors and a wide range of tools and resources to help manage day-to-day wellbeing. We also provide a year-round calendar of activities covering a broad range of wellbeing topics and, in partnership with The Wellbeing Project, delivered 1,265 hours of interactive Health and Wellbeing training in 2024.

### Employee volunteering

NFU Mutual's employee volunteering programme enables employees to take one day each year to help a good cause as part of a team. We offer guidance to assist our employees in finding the right volunteering opportunity. The programme not only advances our community support ambitions, but it also offers employees an enjoyable and rewarding teambuilding day with their colleagues, where they can learn something new, meet different people and make a difference to our communities.

During 2024, 794 NFU Mutual staff members (representing 17% of our workforce) dedicated more than 5,460 of their working hours to help community causes as part of our employee volunteering programme. Those hours supported a wide range of causes, such as local foodbanks, hospices, schools, community farms and forests.

## Caring for the Environment

We take the impact of our operations on the world we all live in seriously. We are aiming to both reduce our own environmental impact and support our members in their climate efforts.

For more information on NFU Mutual's Climate Change Strategy and Net Zero Roadmap, please visit page 45 of this report.

In 2024, NFU Mutual published its first standalone Climate Change Report, aligned to the Financial Conduct Authority (FCA) requirements. We were also proud to publish our first Climate Transition Plan. This is a detailed outline of the actions we have already taken, and those we are committing to take, as part of our ongoing journey to reach net zero by 2050 and to support the UK's transition to a low-carbon economy.

## 55% reduction in emissions

**Now that our York Service Centre renovations have been in place for more than a year, we're pleased to share that they have contributed to a 55% (105.9 $tCO_2e$) reduction in emissions at this property between 2023 and 2024.**

### Seeing the impact of our property improvements

We have a long-running programme in place to maximise the energy efficiency of our office premises. In 2023, significant investment in our York Regional Service Centre allowed us to replace gas boilers with more energy-efficient alternatives, alongside other environmentally beneficial changes. Now that these renovations have been in place for more than a year, we're pleased to share that they have contributed to a 55% (105.9 $tCO_2e$) reduction in emissions at this property in 2024, compared to 2023.

### Employee climate change training

The journey towards a more sustainable future is one we all need to take together. We want NFU Mutual employees to understand what climate change is, why it matters and the small changes they can make to help tackle it. That's why we developed bespoke climate change training for our employees in 2024. The interactive training aims to raise climate awareness and motivate employees to take action. The training also explains what NFU Mutual is doing in response to climate change.

### A sustainable approach to motor claims

In recent years, we have developed several solutions to reduce the emissions associated with motor claims. This includes offering customers the option to choose recycled parts for motor repairs. Repair quality and safety are of paramount importance to NFU Mutual and we will guide the best approach for vehicle repairs. Use of recycled parts is offered to customers and uptake in 2024 saved an estimated 5,692kg of $CO_2$. When a member opts to use green parts, we issue a $CO_2$ savings certificate to help them understand the positive impact of their decision.

Repairing rather than replacing more parts reduces waste and encourages our repairers to work more sustainably in the long-term. For example, NFU Mutual worked with one of its glass suppliers and repair partners to repair over 5,000 windscreens in 2024 that would otherwise have needed full replacement. Of the windscreens that were not suitable for repair, our partners were able to send 100% of the material for recycling.

### Evolving our company car offering

NFU Mutual launched an evolved Company Car Scheme in 2024 with a focus on offering a more varied range of sustainable options, which now includes a wide choice of plug-in hybrid and electric cars. The cost of a home charge point with standard installation is included in these car packages.

The scheme has seen a significant uptake so far, with over 360 cars ordered and 66% of eligible employees joining the scheme between its launch in February 2024 and the end of that year. This will contribute towards the reduction of our business travel emissions and support the achievement of our net zero targets. As part of a wider programme to enable employees to access more environmentally-friendly modes of travel, we also offer season ticket loans for public transport and a cycle to work scheme to support with bike costs.

### Nature and biodiversity

Nature provides modern-day society with vital resources. As so much of nature is inter-reliant, there are significant potential dependencies and impacts for all businesses. These must be understood to help protect and preserve the balance of our eco-systems. Our global supply chains, food production and water supply are all susceptible to nature-related risks. That is why NFU Mutual is committed to helping conserve and enhance nature and biodiversity through our own activities and influence.

In 2024, we collaborated with external partners such as Arup, the Association of British Insurers (ABI) and ClimateWise to ensure our Nature and Biodiversity approach aligns with industry standards. We have also established an internal working group, conducted stakeholder training and completed a baseline biodiversity assessment of our Head Office site.

Using these foundations, we have established a plan to adopt the Taskforce on Nature-related Financial Disclosures (TNFD) framework to measure and report nature-related risks, valuing ecosystems as environmental assets. We have completed initial TNFD scoping and heatmaps for our direct operations. This has allowed us to identify our property portfolios as a priority for nature and biodiversity activity in 2025.

### Recycling that supports our communities

We take pride in our commitment to sustainable and responsible waste management. The disposal of every item we no longer need, from office furniture to equipment, is carefully considered.

For example, we've been donating surplus furniture to local organisations for over a decade. We find these items a second home so they can be of use in our local communities. In 2024, we donated 906 pieces of furniture to local groups, including community centres, schools and food banks. These donations help organisations to update key spaces and redirect funding to support them in delivering valuable services to our communities.

# Doing Business the Right Way

Our strategic ambition to do business the right way sets out our aim 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.

## Strong stewardship

Our investment activities form a key part of our overall Responsible Business approach. We focus on strong stewardship of our investment assets, active engagement and voting policies, and consider Environmental, Social and Governance factors alongside other investment criteria. We believe that, in addition to supporting investment outcomes, this approach can lead to improved corporate behaviours and help accelerate positive change.

Our commitment to stewardship is exemplified by our affiliations to both the UK Stewardship Code and the Principles for Responsible Investment (supported by the United Nations). We are also a member of the Investor Forum, a not-for-profit organisation set up by institutional investors of UK equities to position stewardship at the heart of decision-making.

## Responsible property investments

NFU Mutual's property investment team manages around £1.8bn of UK real estate investments. Making a positive contribution to our Responsible Business Strategy is a significant focus for how these assets are managed. For example, we work to improve energy performance ratings. At the end of 2024, 98% of our property investment portfolio was rated C or above and 66% rated B or above. That means we're tracking ahead of expected Minimum Energy Efficiency Standards (MEES) legislation, anticipated to require a minimum performance rating of B by 2030.

We are aiming to decarbonise our property investment portfolios in line with our Net Zero Roadmap, and we are committed to a 100% emissions reduction by 2050. As an interim aspiration, the Property Investment Team is looking to reduce carbon emissions by 50% by 2030, largely through a strategy of tilting the investment portfolio towards more sustainable investments. Figures for the 2024 calendar year show a carbon reduction of over 70% compared to a 2019 baseline year.* As this result will fluctuate depending on transactional activity, we also monitor carbon intensity, which reduced by over 70% per square metre across the same period.

*This carbon data is based on estimates for our direct property investment portfolio only, measured through NFU Mutual's subscription to MSCI.

**98%**

**of our property investment portfolio has an energy performance rating of C or above.**

## Key milestones in our sustainable procurement approach

Engaging with our suppliers is vital to meeting our Responsible Business objectives. Only by working together will we reach common goals, such as transitioning to a low-carbon economy, protecting natural habitats and resources and promoting the health and wellbeing of the workforce.

Last year saw the launch of NFU Mutual's Supplier Relationship Code. The first of its kind for the business, the code explains the expectations we have of all our suppliers and third parties. It sets out the requirements and ways of working that NFU Mutual applies to its supply chain and is a key milestone in how we engage with our suppliers.


NFU Mutual was also proud to host its first Supplier Summit in October 2024, inviting representatives from our key and strategic suppliers to come together to discuss Environmental, Social and Governance best practice, problem solving and collaboration opportunities.

## Suppliers that make a difference

NFU Mutual is a proud partner of Social Enterprise UK's Buy Social Corporate Challenge. In 2024, we spent £1.6m with 51 social enterprise businesses and not-for-profit organisations. We're proud to direct corporate spend to these organisations, supporting the changes they drive by investing at least 50% of their profits into environmental and/or social good.

NFU Mutual's 2024 spend with social enterprises and not-for-profit organisations represents an 102% increase on the previous year.

**NFU Mutual is a proud partner of Social Enterprise UK's Buy Social Corporate Challenge. In 2024, we spent £1.6m with 51 social enterprise businesses and not-for-profit organisations.**

# OUR RESPONSIBLE BUSINESS ACTIONS IN 2024

**£3.25m**
donated to local and national charities

**Over 3,800**
young farmers received farm safety training through the Farm Safety Foundation

**1,800**
hours of employee coaching delivered through our internal network of coaches

**560**
solar panels installed at our Head Office generating around 17% of our energy needs annually

**Launched**
climate change awareness training for NFU Mutual employees

**5,460**
hours of employee volunteering, a 32% increase on 2023

**£1.6m**
spent with social enterprises, a 102% increase on the previous year

**906**
items of furniture donated to the local community

**£8.7m**
of voluntary donations to UK farming unions

To learn more about our Responsible Business activity and progress, visit **nfumutual.co.uk/responsible-business**

# 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 frameworks and tools are easy to use whilst also being robust enough to manage risk appropriately;
- Supporting senior management to continually develop the internal control environment, enabling risk-based decision making;
- The ongoing attraction, retention, and development, of the appropriate resource in the Risk Management 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. The Risk Division is also responsible for managing Group risk governance and oversight.

Risk Division has close relationships with the wider business, including governance committees and departmental managers.

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 strength and validity 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 adding value for members and policyholders.

NFU Mutual's risk culture encompasses the general awareness, attitude, and behaviour of all employees to risk and the management of risk within the organisation.

Our risk management principles aim to drive a strong risk culture where individuals and decision-making bodies take the right risks in an informed way in order to achieve our long-term strategic objectives of sustainable profitable growth, being a great company to do business with, and being a great place to work.

Risk culture permeates all levels of our organisation and all activities, including decision making. It also extends beyond NFU Mutual to the supply chain of strategic partners, vendors and service providers that work alongside us, either directly or indirectly, to deliver our services

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. The mandated Solvency II governance roles are allocated to the Lines of Defence as follows:

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 and are assessed with regard to the impact on the Own Risk Solvency Assessment (ORSA);
- 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; and
- Emerging risks are identified, assessed, and reported as part of the Risk Management Framework;

| Three Lines of Defence | |
|---|---|
| **1st Line of Defence** | Adhere to the Risk Management Framework components to ensure that risks are identified, assessed, managed, monitored, and recorded on the tools provided by the Risk Division. |
| **2nd Line of Defence** | Act as the Centre of Excellence for Risk Management across the Group including setting policy, driving strategy, and acting as the primary source of risk management advice and guidance for the business. Line 2 define key components of the control environment and provide assurance that risks are being effectively managed, across the organisation. |
| **3rd Line of Defence** | Provided by an internal audit function that sits outside the risk management processes of the first two lines of defence to provide the Board with an independent, objective, and impartial view that the risk and control environment is appropriate and operating effectively. |

- 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 Management Framework**


- 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 142 to 153. Additional detail on NFU Mutual's regulatory capital requirements as of 31st December 2024 can be found in the Solvency and Financial Condition Report, available on NFU Mutual's website from the end of May 2025.

## 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.

Climate change is considered a principal risk due to the significant impact it will have on our business and our customers. Details of how NFU Mutual manages risks from climate change, aligned to the Taskforce for Climate-related Financial Risks (TCFD) disclosure framework can be found on page 45.

# Principal risks and uncertainties

KEY: Sustainable profitable growth | A great company to do business with | A great place to work

## 1. INFORMATION SECURITY

### Description

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

In 2024 we enhanced the control environment to keep pace with the evolving threat landscape. The risk exposure has been reduced by identifying security vulnerabilities, remediating them, segregating our environment, 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. Further to this, in 2024, an Information Security Strategy has been developed which outlines NFU Mutual's strategy, priorities for 2025-2027, and delivery mechanisms which will be monitored by enhanced governance structures.

### Mitigating activities/controls

We continue to review the security threat landscape and development in security controls, and we regularly discuss and enhance our security strategy and maturity with our risk committees. This includes reviewing key security metrics across a range of controls. This ensures the IT systems and data are being managed in line with industry positions/or within our Group risk appetites. Governance and oversight has been significantly enhanced to ensure that all activities that impact NFU Mutual's Cyber Risk profile are understood and monitored.

## 2. INFRASTRUCTURE

### Description

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 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. In 2024, a Data Centre Exit project was launched to transition the NFU Mutual's IT estate to the cloud. Much of the planning and preparation for this has taken place in 2024, with the majority of migrations due to take place in 2025. The move to the cloud is expected to provide a more secure environment due to greater scalability, flexibility, and resilience.

### Mitigating activities/controls

We continue to deliver updated technology platforms as part of our strategic change programmes. These platforms are built and maintained to standards and are subject to close risk and control scrutiny. Our Supplier Outsourcing and Third-Party Policy ensures effective management and oversight of our external partners.



## 3. SUPPLIER, OUTSOURCING AND THIRD-PARTY RISK

### Description

There is a risk that the failure of a critical supplier could have an intolerable impact on a key service leading to loss of customer service, lost data, business interruption, compliance breaches, regulatory fines, and reputational damage.

### Change over reporting period

To reduce the impact of a critical supplier failure, Exit Strategies have been updated and reviewed. In addition, critical supplier business continuity plans will be periodically reviewed and, where appropriate, tested to confirm suitability.

### Mitigating activities/controls

Robust selection and supplier management processes already exist which, where appropriate, include due diligence across a range of financial and operational risk areas. Business area continuity plans are in place and reviewed/tested.

The NFU Mutual onsite audit programme for critical suppliers is being reviewed to increase the scope of suppliers as well as frequency at which they are conducted.

The current onsite audit programme provides confirmation of critical suppliers control environment on a rolling 36-month basis, however there is a plan to reduce this to at least every 24 months.

## 4. INSURANCE RISK

### Description

There is a risk that 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

The exposure to insurance risk has not materially changed over the reporting period.

### Mitigating activities/controls

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.

**KEY** Sustainable profitable growth | A great company to do business with | A great place to work

## 5. INVESTMENT MARKET VOLATILITY

### Description

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 of exposure to investment market movements is shown via the sensitivities in the notes to the financial statements on page 146.

### 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, emerging market debt and infrastructure have been introduced to give increased diversification in the investment portfolio.

### Mitigating activities/controls

The company maintains a Financial Risk Response Plan, with actions approved by the Board to ensure solvency coverage is maintained within the company's Risk Appetite.

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.

## 6. NFU MUTUAL IS UNABLE TO DELIVER CRITICAL CHANGE INITIATIVES

### Description

The risk of insufficient, inefficient, or ineffective change delivery, adversely impacting operational capability and/or NFU Mutual's reputation.

### Change over reporting period

NFU Mutual is currently focussing on the delivery of two key change programmes: Data Centre Exit (DCX) and Bridge +. To facilitate both these efforts – and the broader portfolio of business change – an updated Change Management framework has been introduced including revised governance. DCX and Bridge + have both recently successfully achieved critical milestones and robust plans are in place for 2025. DCX is an essential piece of work to future proof NFU Mutual's technology infrastructure, and Bridge + will deliver important enhancements and flexibility to policy processing that are critical in ensuring that the Group maintains its reputation for outstanding customer service.

### Mitigating activities/controls

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. The newly formed Enterprise Change Group (ECG) and Enterprise Impact Group (EIG) will be focussed on understanding the impact of multiple change programmes on the Group's risk profile and provision of oversight of the controls being applied.

## 7. CLIMATE CHANGE

### Description

There is a risk that climate change has a material impact on NFU Mutual's business model because 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

We continue to assess potential impacts of climate change on our business, through scenario analysis and modelling, to ensure effective consideration in business planning and decision making. A key focus in 2024 has been weather impacts on our general insurance portfolio.

Incoming legislative and regulatory disclosure requirements have led to an increase in climate-related information shared publicly in 2024, including the publication of a standalone Climate Change Report and retail fund level emissions information to comply with FCA expectations.

### Mitigating activities/controls

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 the impact and continued relevance to NFU Mutual continues to be monitored.

Each business area identifies and monitors a range of emerging risks and those with a longer proximity and lower impact are reviewed and monitored locally within those areas and through the risk governance arrangements.

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

| | |
|---|---|
| **Risk** | **Emerging technology**<br>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** | **Volume of Regulatory Change**<br>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.<br><br>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.<br><br>Work has been undertaken to embed processes to ensure fair pricing and consumer duty requirements are continuously met and can be evidenced.<br><br>The Risk Division continues to work closely with the business to ensure that we stay ahead of these evolving requirements and trends. |



# CLIMATE CHANGE

Climate change requires action on a global scale to limit catastrophic impacts and to transition the world to a low carbon economy. At NFU Mutual we are committed to taking action to respond to the impacts of climate change. We established a Climate Change Strategy in 2020, to ensure we remain resilient to the impacts of climate change and take advantage of opportunities in core markets. Our strategy also acknowledges our duty to de-carbonise our business as part of world-wide efforts to limit global warming.

As a UK based insurer, NFU Mutual is required to comply with the following UK Government legislation:

- Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (CFD)
- Streamlined Energy and Carbon Reporting (SECR).

The climate change disclosures in our Annual Report and Accounts have been structured to meet both requirements, setting out how we identify and respond to financial risks from climate change and reporting on our emissions performance in 2024.

Further information on NFU Mutual's climate related activities can be found in the following publications on our website:

### Climate Changes Report

Published for the first time in 2024, this report sets out NFU Mutual's Climate Change Strategy and how we are robustly identifying and managing the risks and opportunities arising from climate change.

### Climate Transition Plan

Published for the first time in 2024, our Climate Transition Plan outlines the action we're taking to reduce our emissions footprint and promote environmentally sustainable practices and has been developed in line with the Transition Plan Taskforce (TPT) guidance.

### NFU Mutual Responsible Business Report

This publication explains our Responsible Business Strategy and includes information on activity we're undertaking across our business. Climate change is the highest priority area within our Responsible Business Strategy; to learn more about our activity in this area, turn to page 29.

### Retail Investment Climate Disclosures

For the first time in 2024, we published climate-related metrics for our retail investment funds, so that customers can access a summary of emissions performance for each fund when making investment decisions.

### Stewardship Report

We are proud signatories of the UK's Stewardship code and annually publish our performance, including how we embed consideration of climate change within our investment activities.

# Managing the risks and opportunities from climate change

NFU Mutual has designated climate change as a principal risk (see page 43), which recognises the material impact it could have on our business. Consideration of climate change is embedded throughout our Group-wide risk management framework and this section summarises how we identify and manage risks and opportunities from climate change.

## Effective management and oversight

NFU Mutual's Board is ultimately accountable for oversight of climate related risks and opportunities. Our Board is also accountable for our Climate Change Strategy and overseeing its effective implementation, including progress against targets.

The Board maintains effective oversight through the Group's governance framework, with each committee having defined responsibilities in relation to climate change. Updates are provided to the Board and governance committees at least annually, to ensure effective oversight and enable climate change to be considered in decision-making, including strategy, business, planning and capital expenditure.

The Board has delegated responsibility for NFU Mutual's response to climate change to a senior manager. Our Risk Director is therefore responsible for ensuring that climate change is embedded in the Group's risk management framework and that risks are appropriately identified and managed. The Risk Director also has responsibility for ensuring that our Climate Change Strategy remains appropriate and is implemented effectively across the whole business.

More information on risk governance at NFU Mutual can be found on pages 36 to 39 of this document and for climate change specifically in section 2 of our Climate Change Report.

## Identifying and managing risks and opportunities from climate change

NFU Mutual's Climate Change Strategy recognises the importance of embedding consideration of climate change across the Group. Risks from climate change are therefore managed within our single Group risk management framework, alongside all other risks facing our business.

Risk management is a continuous process, with risks being identified, assessed, managed and monitored by accountable business managers, in line with defined risk appetites, and escalated to appropriate management and governance where appetites are exceeded.

We identify risks and opportunities from climate change through a range of both qualitative and quantitative methods including scenario analysis, risk modelling, analysis of past performance and trends, expert judgement, risk events, emerging risk assessments and horizon scanning.

Risks that pose threats to the success of the business may also present opportunities to adapt and succeed, NFU Mutual recognises that material risks from climate change can have both positive and negative impacts.

Support is in place to enable accountable managers to identify and manage risks from climate change, including specialist climate change and ESG teams, regular updates provided to relevant governance committees at least annually, a dedicated climate change site on our internal intranet and climate change awareness e-learning.

More information on risk management at NFU Mutual can be found on pages 36 to 39 of this document and for climate change specifically in section 2 of our Climate Change Report.



## NFU Mutual's material risks from climate change

As a UK composite insurer, offering both general insurance and financial services products, we consider how climate change could impact different parts of our business over different time horizons. We recognise that 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. We therefore define short term as 0 – 3 years, medium term as 3 – 10 years and long term as 10 years plus when considering risks from climate change.

We define a material risk as one that has potential to affect achievement of our long-term objectives or that exceeds our Group level risk appetites for financial or non-financial impacts.

We identify and assess a range of different risks through our Group risk management framework to understand potential financial and non-financial impacts on different parts of our business and the Group overall, in order to identify material risks.

The future outcomes of climate change are highly uncertain; therefore, scenario analysis is a key tool used to assess the resilience of our business. Climate scenario analysis is undertaken on an annual basis, which enables us to evaluate a range of different climate-related risks over time, including acute risks, such as windstorm and flood, and chronic risks, such as sea level rise and life expectancy.

We take a collaborative approach to climate scenario analysis, using input from experts across the business to identify potential impacts across different time horizons, and assess the resilience of our business model using a combination of qualitative and quantitative modelling techniques. This enables us to understand potential risk exposures, which are used to inform business decision making, including business planning and our Own Risk and Solvency Assessment (ORSA).

When identifying the material impacts from climate change, we allow for future uncertainty by evaluating different potential climate pathways.  We consider the following three pathways that are derived from the Network for Greening the Financial System (NGFS), and are commonly used across the industry:

| Early Policy Action (An orderly transition) |
|---|
| 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 (A disorderly transition)** |
| 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 transition)** |
| No new climate policies are introduced beyond those already implemented. This leads to increasing global temperatures and chronic changes in the physical environment. |

We have identified three material risks from climate change for NFU Mutual Group:

| Climate Change Risk | 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) | ● | ● | ● |
| Changing customer demand for products and services as a result of climate change (transition and physical) | ○ | ● | ● |
| Asset values impacted by climate driven environmental changes (physical) and/or investee's climate response (transition) | ○ | ● | ● |

● Material Impact ○ Non-material Impact

These material risks are described in more detail below, including potential impacts to our business model, how the risks are measured and actions we're taking to ensure we remain resilient in different scenarios and over different timescales.

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

We use weather models and scenario analysis to understand the potential impacts of different weather perils. We expect the biggest impact for NFU Mutual to arise from UK flooding, which could present a material risk to our property insurance portfolio through increased flood losses occurring. We also consider windstorm, freeze and extreme heat.

We use Risk Acceptance Tolerances (RATs) internally to measure exposures to physical climate impacts, including windstorm, flood, freeze, subsidence and extreme heat, including those shown in the table below.

| Peril | Metric |
|---|---|
| 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<br>% of total sum insured in higher risk subsidence postcodes<br>% poultry risks with heat stress extensions |

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. Over the course of 2024 we have remained within our risk tolerance levels.

To ensure we remain resilient to physical climate change, 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 and we reinsure part of our weather exposure to limit the impact on our business. We are members of Flood Re and were one of the first insurers to sign up to their 'Build Back Better' initiative when it launched in 2022. The scheme encourages insurers to undertake flood resilient repairs to properties in high flood risk areas, following a claim for flooding.

We also annually review the impact that climate change could have on our actuarial reserving practices and methodologies, and therefore our booked reserves, to ensure long term financial resilience.

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

As a UK-based insurer with a focus on rural communities, a 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. Whilst this could be a threat to the long-term success of our business, we also see climate change adaptation and mitigation as an opportunity. We aim to develop insurance-related products and services to help mitigate the impacts of climate change and support the transition to a low-carbon economy.

Our ability to identify and adapt to customer demand, whether driven by climate change or other factors, will impact our success as a business. We use a set of core measures to track business performance at Group level. Where these indicate variation against expectations, we investigate to identify underlying causes, including climate-related causes.

| Measure | Metric |
|---|---|
| Changing demand for products and covers | % electric vehicles insured as part of overall private car account |
| | £ gross written premium for renewable technologies |

To adapt effectively, it is important we understand how our customers and our industry are being impacted by the physical and transitional impacts from climate change. We monitor external developments, including government policy, peer insurer activity and customer expectations. We also maintain close relationships with our farming members, farming unions and specialist agricultural financial services partners.

We undertake forward-looking strategic reviews for our core business lines, to ensure that our propositions and strategy adapt appropriately. Completing forward-looking reviews safeguards the resilience of our business over the medium to long term by enabling timely identification and response to potential risks and opportunities. These have led to the development of new insurance propositions and extensions of cover, including a parametric insurance product for heat stress in dairy herds and insurance cover for renewable technologies. We also continue to grow our wider market business to diversify our exposures and reduce the reliance on farming.

### 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 the potential to reduce asset values due to both transitional and physical impacts, for example if physical climate change causes market volatility or assets fail to adapt effectively to climate impacts.

The table below sets out the estimated impacts of climate change over various time horizons on the main asset classes invested in by the Group, excluding government bonds which are out-of-scope of the third-party tool used to perform the scenario analysis. The results are cumulative; include only the impacts from climate change (physical and transitional); and do not account for mitigation measures being adopted, for example divestment from more climate-exposed companies. The 'Total' results include only in-scope assets, government bonds are excluded.

**Figure 1 – Changes to Group asset values under each scenario over various timeframes. Short (0-3 years), Medium (3-10 years), Long (10+ years).**

| Scenario | Late Policy Action | | | No Additional Policy Action | | |
|---|---|---|---|---|---|---|
| Timeframe | Short | Medium | Long | Short | Medium | Long |
| Equities | Low | High | High | Very Low | Medium | High |
| Corporate bonds | Very Low | Low | Low | Very Low | Medium | Medium |
| Property | Low | Medium | High | Very Low | Medium | Medium |
| Total | Low | High | Medium | Very Low | Medium | High |

High (10%+) Medium (5-10%) Low (2-5%) Very Low (<1%)

The results indicate that a Late Policy Action scenario, where the transition to net zero is delayed until 2030 followed by a rapid and disorderly transition, will result in stronger impacts being felt in the medium term due to the costs of the transition compared to a No Additional Action scenario.

In the long term, a particularly high impact on equity values drives a high impact overall for this scenario. The costs are expected to continue to accumulate beyond 2050.

As noted above, the impacts presented do not allow for mitigation measures being taken in the investment portfolios. In reality, we expect such measures to reduce the impacts felt by the Group.

We also recognise that investing in the right climate-related assets has the potential to strengthen the capital strength of the Group, for example investment growth opportunities in technologies that would benefit the climate and increased ability to attract and retain tenants for energy efficient property assets.

We use Early Warning Indicators (EWIs), internally,to measure the potential impacts that climate change could have on our investment portfolios, including the examples shown below.

| Potential climate change impact | Metric |
| --- | --- |
| Reduction in value of assets due to climate change impacts | Proportion of the portfolio invested in industries considered to be sensitive to climate change |
| | Properties with an EPC rating of D or lower within NFU Mutual's direct portfolio |
| | Number of commercial tenants in industries considered to be sensitive to climate change within NFU Mutual's direct property portfolio |

We set target limits for our exposure to each of these and performance is reported regularly to our Group Financial Risk Committee. Over the course of 2024 we remained within our risk tolerance levels.

As part of managing climate risk within our investment portfolios, we measure the Emissions Performance targets of the firms we're invested in and the EPC rating of our properties alongside appropriate targets.

More information on this is available in the emissions performance section on page 54 below.

We have robust ESG policies in place to ensure climate change impacts are considered in investment processes, including strategic asset allocation and investment decisions. 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, track and manage our emissions footprint using a number of different metrics. Targets and emissions performance for our investment portfolios are explained in the section below. We also use this information to identify high emitting investment assets to focus our engagement activity on.

NFU Mutual is a signatory to the Principles for Responsible Investment and a signatory to the UK Stewardship Code in respect of its role as an institutional investor. We regularly engage with the companies we invest in including the high carbon emitters within our equity portfolios to understand their emissions reduction activity and to influence further activity where appropriate.

Whilst the downside risks of climate change to investment performance are more commonly reported and commented on, we continue to respond to opportunities by adding investment to bonds that are labelled green or, sustainable to our portfolios where appropriate. In 2024 we made a net investment of over £50m into these bonds, with £26m of this in gilts. At the 2024 year end our aggregate holdings were £350m, of which £85m 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, many of which we believe have significant opportunities to contribute to the energy transition, for example investments in new technologies such as carbon capture and storage.

For our property portfolio, we are taking action 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. In 2024, continued to improve the percentage of our property investment portfolio that is rated C or better for energy efficiency, increasing from 97% (2023) to 98% this year. 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 green lease clauses on new leases that focus on promoting environmentally sustainable practices, such as measures to improve EPC ratings and purchase of renewable electricity.

In 2024, continued to improve the percentage of our property investment portfolio that is rated C or better for energy efficiency, increasing from 97% in 2023 to 98% in 2024.

# Our emissions performance 2024

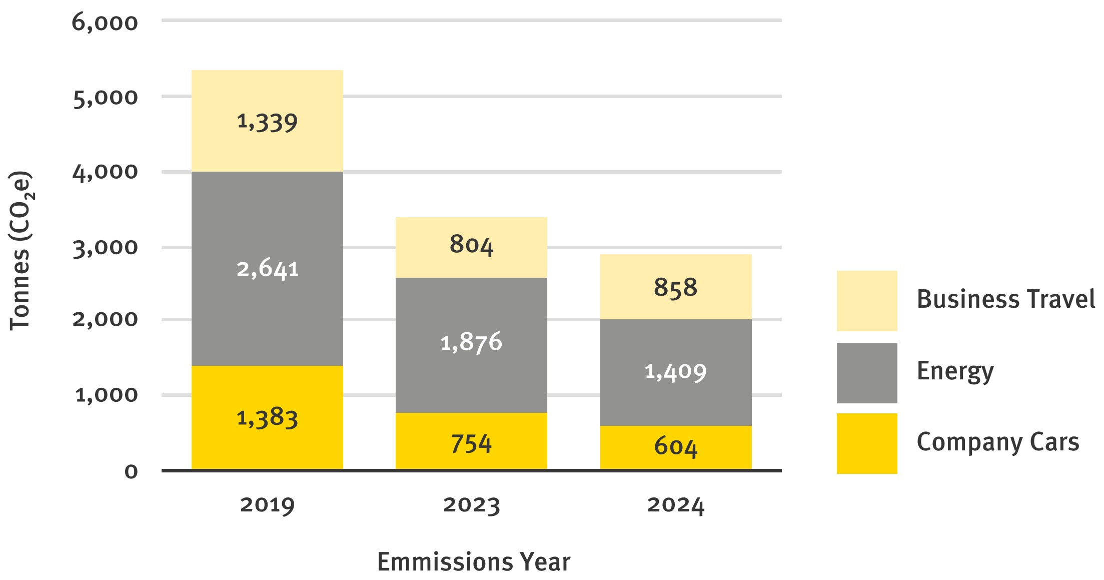
NFU Mutual's Climate Change Strategy aims to ensure we remain resilient to the risks from climate change and also take steps to reduce our own greenhouse gas emissions. We have set an ambition to become a net zero business by 2050, with specific targets for our operational emissions and investment portfolios.

**Table 1: Own Emissions**

| Emissions Source | 2024 (Tonnes $CO_2$e) | % Variance to Base year | 2023 (Tonnes $CO_2$e) | % Variance to base year | 2019 Base Year (Tonnes $CO_2$e) |
|---|---|---|---|---|---|
| Company Cars | 604 | -56% | 754 | -45% | 1,383 |
| Energy | 1,409 | -47% | 1,876* | -29% | 2,641 |
| Business Travel | 858 | -36% | 804 | -40% | 1,339 |
| **Total** | **2,871** | **-46%** | **3,434** | **-36%** | **5,363** |

* 2023 figure has been updated to include additional scope 1 emissions as a result of enhanced reporting capability.

**Figure 1: Own Emissions by source 2019, 2023, 2024**




In 2024, we've seen a continued reduction in emissions associated with our occupied premises and company cars. Key activities that contributed to this include the launch of a new company car scheme in Q1 2024, continued rationalisation of our occupied office space and energy efficiency improvements in our York regional service centre. Business travel mileage has now stabilised following the pandemic, with 2024 figures being similar to 2023. The biggest contributor to business travel emissions are flights.

## Own emissions targets

Our target is to reduce our own emissions, those arising from company cars, gas and electricity used in occupied premises (energy) and business travel, by 25% by 2025 and by 50% by 2030, against a 2019 base year. Our performance for 2024 is shown in the table below:

## Action in 2024

In 2024, we published our inaugural Climate Transition Plan Plan, which sets out the actions we are taking to achieve our ambition of becoming a net zero business by 2050. We used best practice guidance from the UK Governments' Transition Plan Taskforce (TPT) to draft the plan and acknowledge that our net zero journey is still in its early stages, and this was our first attempt at producing a plan, therefore we will iterate and refine it over time.

We became a member of ClimateWise in 2023 and participated in their reporting process for the first time in 2024. This has enabled us to benchmark our climate performance against regulatory and best practice frameworks and gain insight on how our activity compares to other insurers.

## Our operations

NFU Mutual is committed to reducing emissions we are directly responsible for. In 2024 we installed 560 solar panels on the roof of our Head Office buildings which we expect to generate, annually, about 17% of our energy needs.

Our new company car scheme, launched in Quarter 1 of 2024, offers eligible employees access to electric and low emission vehicles. We have seen a positive uptake with over 360 cars ordered and 66% of eligible employees joining the scheme since launch to end of year. The average $CO_2$ emission level for the new scheme is 10.2g/km (compared to the previous scheme average of 69g) which has had a positive impact on carbon emissions for company car drivers resulting in a 21% reduction in since January 2024.

During necessary upgrades to our York Regional Service centre, LED lighting and updated heating, ventilation and air conditioning systems were installed. All of the changes applied to the offices improve our energy consumption and carbon emissions associated with the site, have resulted in a reduction of 55% (105.9 t$CO_2$e) compared to 2023.

In 2024 we installed

**560**

solar panels at our Head Office generating around 17% of our energy needs annually

To improve waste management furniture was either recycled or upgraded.

Educating and incentivising our employees is also a key component of our Climate Change Strategy and this year we have developed and launched climate change e-learning, which is accessible to all employees. We have also increased the percentage of senior manager remuneration in the long-term incentive plan, which is linked to achievement of our own emissions targets, from 2.5% in 2023, to 5% in 2024.

We are continuing to work with our supply chain, in 2024, we launched our "NFU Mutual Supplier Relationship Code", outlining our ways of working and requirements needed for our supply chain. Working in partnership with Hellios, we've also been able to continue work on understanding the maturity of our supply chain's approach to ESG. We also, hosted our first Supplier Summit. The event was focussed on ESG and its purpose was to engage with our key and strategic suppliers on how we can work together to achieve our shared sustainability goals, whilst also adhering to our long-term business objectives. The event was attended by circa 50 of our strategic and key supplier partners and was also the launch of our first Supplier Relationship Code.

We are continuing to improve our ability to capture and report on our emissions footprint with the implementation of an emissions inventory. This has streamlined emissions reporting across the business, expanded the range of emissions captured and improved data controls. The emissions inventory provides a much clearer picture of NFU Mutual's emissions footprint and allows us to focus action on key emissions factors.

## Investments emissions targets

We have published investment targets for our corporate bond and equity portfolios to reach a reduction in 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 which are held within our institutional funds such as the General Insurance (General) and Life Discretionary (Life) Funds. Our targets do not extend to scope 3 of these firms as reliable data is not yet available. The tables below show some key metrics and progress from 2019, this has been expanded this year to include the Life Fund as well as the General fund.

### Table 2: Investment Emissions 2024

| Emissions Source Tonnes ($tCO_2e$) | Tonnes $CO_2e$ ($tCO_2e$) 2019 | Tonnes $CO_2e$ ($tCO_2e$) 2024 | % Change 2019 - 2024 |
|---|---|---|---|
| General and Life Fund | 845,178 | 600,369 | -29% |

We are making positive progress towards our investment portfolio target with a 29% reduction in absolute emissions to date for our General Insurance and Life Funds, compared to a 2019 base year. Our positive performance has been delivered through our approach to improve the emissions performance of our portfolio via long-term investment in companies with strong ESG credentials and asset allocation changes.

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 and engage whilst carefully considering the performance of those holdings in hard to abate sectors which may present challenges to our decarbonisation targets. By making suitable adjustments to our portfolios as the transition develops, we aim to decarbonise our portfolio over the longer term and contribute to real-world changes in the economy.

We continue to be proud signatories of the UK's Stewardship Code and annually publish our stewardship report, this details how we conduct our stewardship responsibilities including how those relating to climate change. We have maintained affiliations with the Principles of Responsible Investment (PRI) and all our external managers are also PRI signatories to ensure that climate-related investment activity aligns with leading industry practice.

We disclosed fund-level climate metrics for our retail investment funds for the first time in 2024. This enables customers to access a summary of emissions performance for each fund when making their investment decisions.

Property investment activity has been focused on de-risking the legacy portfolio to enhance sustainability and energy efficiency through refurbishment and green energy technology, Examples include:

- £8m refurbishment of our office investment at Trafalgar House, Brighton that will improve energy performance rating from D to B.
- Installation of solar panels The Brewery, Cheltenham making landlord controlled areas carbon neutral.
- Commencement of a strategy to de-gas our office investments, starting with Chancery Place, Manchester, where a £300k project has been completed on the 13th floor to replace gas heating.
- Project to roll out EV charging across our retail park investments.



- Commencement of installation of SMART meters to capture tenant carbon emissions.

More information on NFU Mutual's emissions targets can be found in section 4 of our Climate Change Report.

## Emissions Reporting

The Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard categorises emissions into three different scopes. NFU Mutual's emissions targets above includes emissions from across all three scopes.

To allow for transparent comparison of our emissions performance and to meet SECR reporting requirements, the following tables summarise our emissions performance by scope.

### Table 3 – Scope 1 Absolute Emissions

The following table shows NFU Mutual's absolute emissions performance for scope 1:

| | | 2024 | Change against base year | 2023 | Change against base year | 2019 |
|---|---|---|---|---|---|---|
| Scope 1 Direct GHG Emissions ($tCO_2e$) | Fuel Combustion: Transport – Company Cars | 604 | -56% | 754 | -45% | 1,383 |
| | Fuel Combustion: Natural Gas | 420 | -44% | 632 | -21% | 800 |
| | *Fugitive emissions from air-conditioning | - | N/A | 113 | N/A | - |
| | *Oil used in backup generators | 10 | N/A | - | N/A | - |
| **Scope 1 Total** | | **1,034** | **-53%** | **1,499** | **-31%** | **2,183** |

* As part of the implementation of NFU Mutual's emissions inventory, we have developed reporting capability for additional scope 1 emissions, which are being included in our disclosures for the first time in 2024.

### Table 4 – Scope 2 Absolute Emissions

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 provided both figures for transparency. NFU Mutual has been purchasing renewable electricity for our occupied premises, where possible, since 2019, therefore the market-based methodology most accurately represents our actual emissions.

The following table shows NFU Mutual's absolute emissions performance for scope 2:

| | | 2024 | Change against base year | 2023 | Change against base year | 2019 |
|---|---|---|---|---|---|---|
| Scope 2 Indirect GHG Emissions ($tCO_2e$) | Purchased electricity Location Based: | 900 | -47% | 1,041 | -38% | 1,685 |
| | Market Based: | 57 | -96% | 112 | -92% | 1,365 |

## Table 5 – Scope 3 Absolute Emissions

Within the GHG protocol, scope 3 emissions are broken down into 15 different categories. We are disclosing emissions performance for the scope 3 categories we currently have the capability to measure. We are working to develop the capability to measure relevant emissions for other scope 3 categories.

The following table shows NFU Mutual's absolute emissions performance for scope 3:

| Scope 3 GHG (Value Chain) emissions ($tCO_2e$) consisting of the following categories: | | 2024 | Change against base year | 2023 | Change against base year | 2019 |
|---|---|---|---|---|---|---|
| Category 3 | Electricity Transmissions & distribution losses | 79 | -49% | 90 | -42% | 156 |
| Category 6 | Business Travel | 858 | -36% | 804 | -40% | 1,339 |
| Category 15 | Investments** | 600,369 | -29% | N/A^ | N/A | 845,178 |
| **Total** | | **601,306** | **-29%** | **N/A^** | **N/A** | **846,733** |

** This applies to the scope 1 and scope 2 emissions for our investee firms which are held within our institutional funds such as the General Insurance (General) and Life Discretionary (Life) Funds.
^ 2023 Investments Emissions have not been included as we've changed methodology in 2024 to capture to include assets from both our General and our Life Funds.

## Emissions intensity metrics

In addition to reporting on total emissions, we also disclose emissions intensity. This shows emissions per unit and is an alternative way of measuring emissions performance.

## Table 6 – Operational Emissions Intensity

To meet SECR reporting requirements, the following table shows scope 1, scope 2 and travel related scope 3 emissions intensity metrics by floor area and Full Time Employee (FTE).

| | 2024 | % change compare to base year | 2023 | % change compare to base year | 2019 |
|---|---|---|---|---|---|
| $tCO_2e$ | 2,871 | -46% | 3,434 | -36% | 5,363 |
| Floor area (m2) | 42,024 | -17% | 43,056 | -15% | 50,917 |
| Number of Full Time Employees | 4,342 | +12% | 4,345 | +12% | 3,894 |
| **Intensity ($kgCO_2e$ per m2)** | **68.3** | **-35%** | **79.8** | **-24%** | **105.3** |
| **Intensity ($kgCO_2e$ per FTE)** | **661.2** | **-52%** | **790.3** | **-43%** | **1,377.2** |

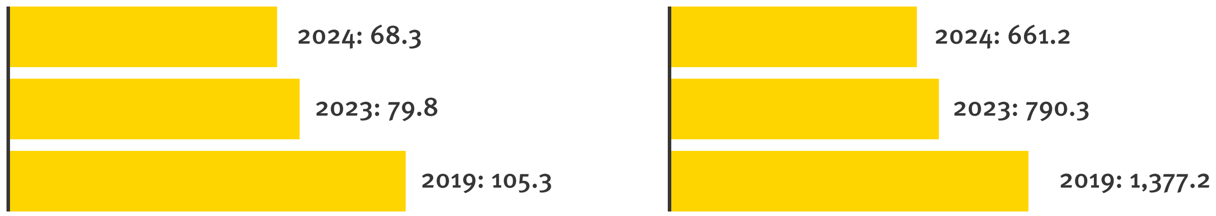


The graphs demonstrate the trend in emissions intensity in comparison to base year 2019.

### Figure 2: Intensity Metrics, 2019, 2023 and 2024

**Floor Area**
Intensity ($kgCO_2e$ per $M^2$)

**FTE**
Intensity ($kgCO_2e$ per FTE)




## Table 7 – Investments Intensity Metrics

**Total Carbon Footprint (tonnes $CO_2e$/£M invested) for our General Insurance Fund**

| Emissions Source Tonnes ($tCO_2e$) | Financed Carbon Emissions (S1&2 Tonnes/£m Invested) 2024 | Financed Carbon Emissions (S1&2 Tonnes/£m Invested) 2019 | % Change 2019 - 2024 |
|---|---|---|---|
| UK Equity | 65 | 104 | -37% |
| Developed Europe (ex UK) Equity | 46 | 101 | -63% |
| North American Equity | 25 | 47 | -46% |
| UK Corporate Bonds | 35 | 72 | -51% |
| EUR Corporate Bonds | 42 | 130 | -68% |
| USD Corporate Bonds | 108 | 82 | 31% |
| NFU Mutual Global Alpha | 64 | 118 | -45% |
| NFU Mutual Global Regional Core | 123 | 190 | -35% |
| NFU Mutual Global Strategic | 76 | 135 | -44% |
| Emerging Market Debt* | 887 | - | - |
| High Yield Bonds* | 212 | - | - |

*% Change not shown due to lack of 2019 data

**Total Carbon Footprint (tonnes $CO_2e$/£M invested) for our Life Fund**

| Emissions Source Tonnes ($tCO_2e$) | Financed Carbon Emissions (S1&2 Tonnes/£m Invested) 2024 | Financed Carbon Emissions (S1&2 Tonnes/£m Invested) 2019 | % Change 2019 - 2024 |
|---|---|---|---|
| UK Equity | 65 | 102 | -36% |
| Developed Europe (ex UK) Equity | 46 | 101 | -62% |
| North American Equity | 25 | 47 | -47% |
| UK Corporate Bonds | 39 | 72 | -46% |
| EUR Corporate Bonds | 43 | 130 | -67% |
| USD Corporate Bonds | 105 | 82 | 27% |
| NFU Mutual Global Alpha | 64 | 118 | -45% |
| NFU Mutual Global Regional Core | 123 | 190 | -35% |
| NFU Mutual Global Strategic | 76 | 135 | -44% |
| Emerging Market Debt* | 887 | - | - |
| High Yield Bonds* | 212 | - | - |

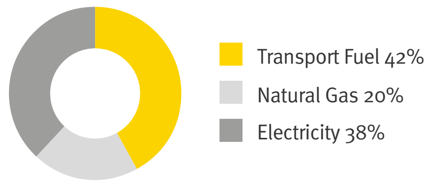
*% Change not shown due to lack of 2019 data

## Table 8 – 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.

| Emissions Source | 2024 (kWh) | 2023 (kWh) | Share (%) | YoY variance (%) |
|---|---|---|---|---|
| Natural Gas | 2,292,766 | 3,455,964 | 20% | -34% |
| Electricity | 4,347,272 | 5,029,049 | 38% | -14% |
| Transport Fuel | 4,815,788 | 4,912,468 | 42% | -2% |
| **Total Consumption (kWh)** | **11,455,826** | **13,397,481** | **100%** | **-14%** |

**Figure 3: Energy consumption by activity**




## Methodology used

An 'operational control' approach has been used to define the greenhouse gas emissions boundary, using the methodology outlined in the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard; 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
- Fugitive emissions – conversion factors published by the UK Government
- Oil used in back up generators – conversion factors published by the UK Government

There are no material omissions from the SECR mandatory reporting scope.

Less than 1% of 2024 electricity and gas data has been proxy estimated, based on 2023 consumption.

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 31/12/2024, 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 74% of the assets under management for our General Fund.

# LONG-TERM VIABILITY DISCLOSURE

NFU Mutual's strategic long-term objectives of sustainable profitable growth, being a 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 9 to 13).

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 80 to 107);
- the robust and embedded Risk Management Framework (page 38), 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 142 to 153) 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 losses and extreme financial market volatility. This analysis is reported and reviewed by Risk Committees and subcommittees. In 2024 this also included a specific scenario relating to an unprecedented global catastrophe weather event leading to a reduction in reinsurer capacity for our catastrophe programme and a scenario relating current geopolitical tensions and the impact of a major escalation occurring leading to a global financial market and inflationary shock. 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; and
- the impact of climate change (see full report pages 45 to 61) 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 page 74).

Based on the robust assessment of the principal risks and uncertainties facing the Group and the stress testing performed during the year, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation, and meet its liabilities as they fall due, over the period to 31st December 2027.



# 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), 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

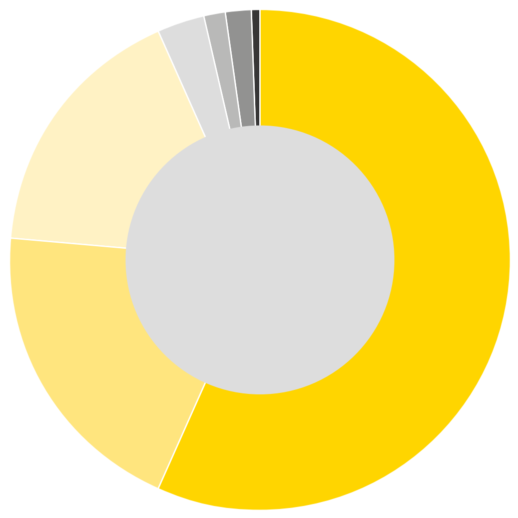
We meet our statutory obligations by adopting an open and transparent approach in our dealings with HMRC. This includes annual review meetings with the Customer Compliance Manager and regular discussions during the year on developments within the business and how the Group is responding to changes in 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 2024 total tax contribution was £477m (2023: £406m) summarised in the chart below. The tax contribution consists of taxes borne of £129m (2023: £93m) and taxes collected of £348m (2023: £313m). 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 £260m (2023: £231m) was paid by our policyholders.






# Non-financial and sustainability information statement

In accordance with sections 414CA and 414CB of the Companies Act 2006, which set the requirements for non-financial reporting, the table below is intended to show where content needed to understand our development, performance, position, and the impact of our activities regarding specified non-financial matters can be found.

| | |
|---|---|
| **Environmental matters including climate-related financial disclosures** | Business Review: Key Strategic Change Initiatives pages 45 to 61<br>Risk and Risk management pages 36 to 44 |
| **Employees** | Directors' report pages 68 to 73 |
| **Social matters** | Chief Executive's statement on page 8<br>Responsible business pages 23 to 35 |
| **Human rights** | Directors' report pages 68 to 73 |
| **Anti-bribery and anti-Corruption** | Directors' report page 73 |
| **Business Model** | Business Model and Strategy pages 9 to 13 |
| **Non-Financial key performance Indicators** | Strategic Objective KPI's pages 14 to 16 |
| **Principal risks and uncertainties** | Principal risks and uncertainties pages 40 to 43<br>Longer-term viability statement on page 62 |

## Strategic report

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

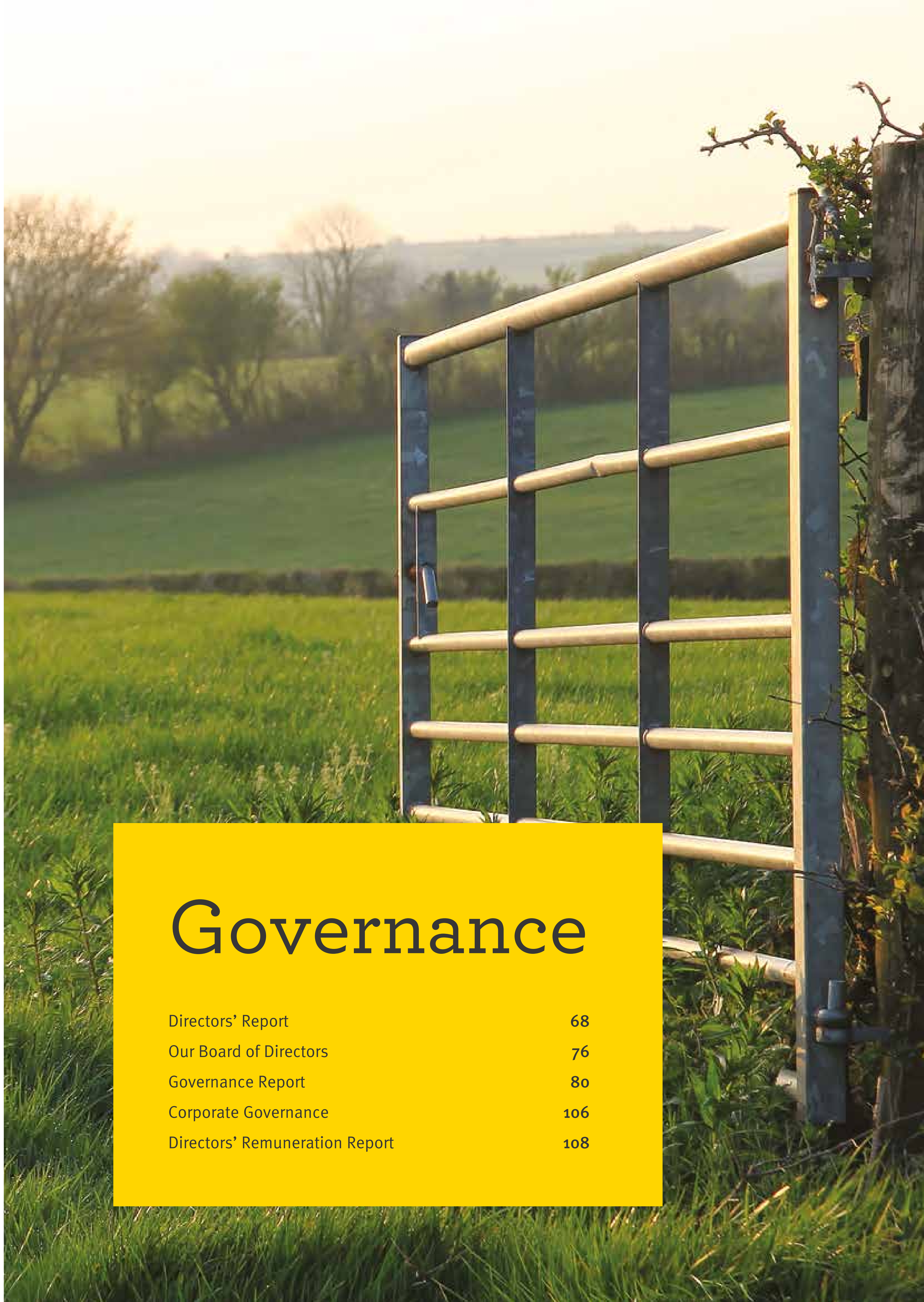
| | |
|---|---|
| **Business Model and Strategy** | Business Model and Strategy pages 9 to 13 |
| **Principal risks and uncertainties** | Risk Management pages 36 to 61 |
| **Performance and development during the year** | Group Chief Executive's Statement pages 7 to 8<br>Business Review pages 16 to 22 and Directors' Report pages 68 to 74 |
| **Information about future developments** | Chief Executives statement on page 8 |
| **Employee information and Corporate Social Responsibility (CSR)** | Directors' Report pages 68 to 74 and<br>Responsible Business pages 23 to 35 |
| **Financial and non-financial KPIs** | Key Performance Indicators and Business Review pages 14 to 22<br>Responsible Business pages 23 to 35 |
| **Corporate Governance Statements (Section 172)** | S.172 Statement on page 87 |

Approved by the Board for signature and issue.

Jim McLaren
**Chairman**

Nick Turner
**Chief Executive**





# Governance

# 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 2024.

## Results and Mutual Bonus

Consolidated profit after tax including realised and unrealised gains/losses for the year was £360m (2023: consolidated profit of £164m). Mutual Bonus to policyholders for 2024 was £238m (2023: £244m).

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 current Directors are set out on pages 76 to 79. All Directors were in position throughout the financial year, and up to the date of signing the financial statements, with the exception of Sarah Simpson who was appointed to the Board on 1st September 2024.

During 2024 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

### Our people strategy

One of our three long-term objectives is being a great place to work and our focus is to provide an environment of inclusivity and diversity where our people can thrive. Our people play a vital role in delivering all our strategic objectives, and our People Strategy has been designed to enable this.

**The four People Strategy elements are:**

1. Attract, develop, and inspire talented people, enabling them to achieve their full potential.
2. Empower all our people to deliver an outstanding service for each other and our customers.
3. Sustain a culture of world-class employee engagement and achievement.
4. Develop great people leadership.

### Key people metrics

The table illustrates the overall size of our workforce as of 31st December 2024, with 2023 figures shown for comparison. Employee numbers have increased by 0.6% year on year. Voluntary turnover has fallen in 2024, and we are performing better than the industry average of 10.8%. Involuntary turnover has also fallen in 2024. Employee tenure remains high at 8 years.

| Year End | Number of employees | % Female | % Male | Average Age | Average length of service | Voluntary Turnover Rate | Involuntary Turnover Rate |
|---|---|---|---|---|---|---|---|
| 2024 | 4,716 | 50% | 50% | 42 years | 8 years | 6.7% | 1.40% |
| 2023 | 4,662 | 50% | 50% | 41 years | 8 years | 8.8% | 1.44% |

As of 31st December 2024, 86% of our employees work full-time hours, and 14% work part-time hours.

### Employee engagement

The 2024 Employee Engagement survey results, which were announced in July 2024, saw NFU Mutual achieve world-class engagement levels for the tenth consecutive year.

A high participation rate of 93%, and a 99th percentile score reflects consistently excellent levels of employee engagement. Only seven organisations globally reached these levels in 2024, out of nearly 6,000 global employers who participate in the survey. In recognition of our continued high performance in this area, we are proud to be named a ‘Gallup Exceptional Workplace’ winner for the ninth time, one of only two UK headquartered companies to receive this accolade.

We work hard to maintain this high level of engagement by regularly listening to our employees and providing targeted support as needed. Employee Engagement is a high priority embedded in all areas of the business, with leaders and managers committed to listening and responding to their teams’ concerns and ideas.

In 2024 the Top Employers Institute recognised NFU Mutual for the second successive year. This is an endorsement of our dedication to providing a great work environment and to demonstrating excellent people practices.

As a great place to work, we are committed to allowing employees to take a flexible approach to work, subject to business needs. Our family-friendly policy and our approach to informal homeworking allow our employees to balance their work and personal lives. In 2024 4.9% employees took family leave.

### Wellbeing

We support our employees’ wellbeing by providing a year-round calendar of activities covering a broad range of topics across our 5 Pillars of Wellbeing:

- Sense of purpose
- Mental wellbeing
- Physical wellbeing
- Financial wellbeing
- Social wellbeing.

We are committed to promoting healthy ways of working and providing employees with appropriate support to enable them to reach their potential. We have partnered with The Wellbeing Project, a global consultancy of business psychologists and wellbeing specialists, and in 2024 we delivered 1,265 hours of interactive Health & Wellbeing training, both face to face and through interactive webinars. In our 2024 Employee Engagement survey our employees rated us highly for wellbeing. We achieved an 89th percentile score for work-life balance, and an 83rd percentile score for overall wellbeing.

We provide access to an online GP service 24/7, 365 days a year which can provide support for a range of concerns. Our Employee Assistance Programme provides instant access to on demand health and wellbeing services, including immediate support from highly qualified counsellors and a wide range of tools and resources to help employees manage their day-to-day wellbeing. During a ‘Time to Talk’ day in February 2024, we hosted Warwickshire

Mind at two of our offices to share information, signpost resources and talk about mental health. We also have 108 trained Mental Health First Aiders across the business.

We promote a healthy work-life balance, and we've implemented an informal homeworking model that empowers our team members to make decisions about where they work. An overwhelming 96% of employees agreed (and 85% strongly agreed) that they can achieve their peak performance working from home, based on our 2024 Employee Engagement survey.

## Employee voice

We encourage employees to participate in our Mutual Forum employee consultation group, where elected delegates represent all areas of our business. This valuable forum meets formally three times a year and allows regular consultation and communication with employees, providing an opportunity for management to bring matters affecting the business and its stakeholders to employees, so they can voice their ideas and provide feedback, which is mutually beneficial.

We formally recognise Unite, the union, which represents its members within the NFU Mutual workforce. We consult with Unite on the annual pay award and hold regular Joint Negotiating Committee (JNC) meetings which enable us to communicate, consult and negotiate on a range of matters, including proposed business changes, as well as HR policies and procedures.

Employee views are valuable to us. We provide regular and clear communications, and we use surveys and focus groups to listen to our employees and understand their views so that we can continuously improve our employee experience.

Building a Healthy Community for our employees is a key ambition of our Responsible Business Strategy. To learn more about our commitments against an Environmental, Social and Governance (ESG) framework, turn to page 23.

## Diversity and Inclusion

We believe that every employee has the right to be treated with equality, dignity and respect in the workplace and we are committed to creating a supportive working environment where our people can thrive. Diversity and inclusion can bring a wealth of benefits, enriching decision-making, innovation and bringing wide-ranging views into focus.

In 2024 we progressed our Diversity and Inclusion strategy.

We rolled out our Mutual Mentoring programme, where both parties act as mentor and mentee, regardless of their level of seniority and experience, recognising that we can all learn from each other.

We launched an Inclusive Language learning programme which includes self-guided and face to face learning where colleagues can learn about respectful ways of communicating and using modern terminology to engage with colleagues and customers. We've partnered with the LGBTQ+ Insurance Network (LINK) and the Group for Autism, Insurance, Investment and Neurodiversity (GAIN) to improve support and engagement of employees in the LGBTQ+ community and who are neurodivergent.

In 2024 we ran a trial of changes to our recruitment practices to enhance inclusivity, through initiatives such as adopting a skills-based approach, diversifying assessment methods, and implementing diverse interview panels. Candidates reacted positively to the changes.

National Inclusion Week successfully engaged over 250 employees through market-style events at our key office sites, and webinars covering a range of inclusion topics. The week highlighted the impact of our Diversity and Inclusion work and those employees across the business who are contributing to our strategy.

## Gender and representation

Our Gender Pay Gap 2023 results, published in 2024, show an improvement year on year, and we continue to compare favourably to the Finance and Insurance sector (NFU Mutual has a 18.0% median pay gap, compared to a sector median of 27.9%). We are committed to reducing our Gender Pay Gap, and this will remain a focus area for 2025.

In 2024 we met our target for women to represent a minimum of 40% of our senior management population and we are committed to HM Treasury's Women in Finance Charter, supporting the progression of women into senior roles. We outperformed other organisations, where the average target for all the Charter signatories was 38%, and 42% of the companies with target deadlines in 2023 missed their target. Through a range of initiatives including gender-balanced candidate lists, unconscious bias training and coaching people returning to work from parental leave, we continue to strive to enable all employees to develop to their full potential.

## Employee groups

Our Employee Network Groups and Support Groups offer a safe and supportive environment for employees to help each other, connect and raise awareness across the business about the experiences of different employees. We have six Employee Network Groups and five Support Groups. Our employee groups include the Gender Equity Network who ran a success panel event in support of International Women's Day in 2024. Our colleagues in Mutual Pride, our LGBTQ+ and allies group, took part in Birmingham Pride 2024. We have also seen the expansion of our membership of our online communities that focus on Bereavement, Menopause, Breastfeeding, Migraines, Veterans, and mental health.

In 2024, we launched a new Employee Networking Group, The Neurodiversity Network. With over 130 members, the group helps raise awareness and increase understanding across the business and connect people who share similar experiences including neurodivergent employees, the managers that may support them and employees who are parents or carers of neurodivergent children or adults.

## Developing our people

We offer learning and development opportunities to help employees grow and develop in all areas of our business. Overall, in 2024 we recruited 50% of roles from our own workforce. This is higher than our industry peers benchmark of 35% and evidences our success in developing our people. Importantly, the proportion of female internal senior management appointments reached 50% in 2024, an increase from 27% in 2020. In our 2024 Employee Engagement survey our employees scored us very highly. We achieved 99th percentile for providing opportunities to learn and grow, and 99th percentile for supporting their progress.

In 2024 we transformed our Corporate Induction experience, creating an immersive event covering people, customers, strategy and future, which received excellent feedback from attendees. The event was shortlisted for two learning awards in 2024 – Learning Technologies 'Best use of blended learning' and The Learning Awards 'Onboarding Programme of the Year'.

We also developed a New Manager induction support programme. This includes a hub of useful resources to support new managers in their people management activity aligned to the employee lifecycle, providing opportunities to connect with other new managers through a virtual event and social community.

NFU Mutual now has over 245 trained mentors available to work with employees at all levels and in all business areas to help them achieve their career goals. We also have a thriving network of 39 internal coaches, supporting employees at every stage of their career.

We are committed to developing young people through our Early Careers offering. Our successful Professional Trainee Programme attracts high-calibre graduates, our internship programme provides university students with the opportunity to gain valuable work experience, and our new Work Experience programme enables school students to learn more about the workplace. We also offer Apprenticeships to new and existing employees which support skills development in many business areas, and we continue to be recognised by the Job Crowd as one of the Top Companies Apprentices and Graduates want to work for (Apprentices 2nd, Graduates 14th in 2024/25).

The Agency Learning Strategy has been created in 2024, and we are aiming to launch a refreshed licensing approach and new commercial learning in 2025.

### Managing performance

All employees understand their role in delivering our company strategy through annual objective-setting which aligns to our strategic objectives. Our Performance Management framework includes a Managing Achievement appraisal of performance against objectives twice a year, Personal Development Plans to encourage career planning and skills development, and Supporting Me conversations which provide useful feedback to People Managers from the individuals in their team.

### Reward and recognition

Reward includes base pay, variable pay and employee benefits. At NFU Mutual our Reward package is designed to attract and retain talented people, to encourage employees to align with our values and objectives, to recognise the contribution that our people make towards the success of the business and to allow employees to share in our success. Governed by our Remuneration Committee, all elements of our Reward Framework are regularly reviewed to ensure they align with our strategic objectives and are market competitive.

To reinforce focus on our Climate Change strategy, in 2024 we doubled the weighting of the carbon emissions reduction targets in our executive long-term incentive plan. In February 2024 we launched a new company car scheme, encouraging employees to switch to ultra-low emissions cars. This has reduced the carbon emissions of our company car fleet by 57% against the 2019 baseline.

All employees can join the NFU Mutual Retirement Benefit Scheme which supports their financial wellbeing by offering an easy way to save for retirement. We provide generous employer contributions of up to 12% of pay, a benefit which is highly valued by our employees.

All employees benefit from four times salary life assurance cover, a gym subsidy and a healthcare cash plan, as well a choice of flexible benefit options such as holiday trading, health assessments and private medical schemes. Employees also enjoy discounted rates on our general insurance products and financial advice fees.

We want our employees to feel recognised and valued for a job well done, and we encourage them to do this via our Mutual Rewards recognition scheme. In 2024 we upgraded our recognition platform to enhance the user experience and provide a broader range of rewards. In the first four months after we launched the new platform, we saw over 3,000 moments of recognition.

### Our plans for 2025

We will continue to strive to provide a truly inclusive and diverse workplace where all employees can thrive.

We have developed a 3-year action plan that we will continue to deliver, with activities to support our Race at Work commitments, and strengthening our employee diversity data to ensure an evidence-based approach to Diversity & Inclusion.

A review of our talent and succession planning framework will enhance our approach so we can attract and retain people who will enable us to meet our future business goals. In line with our continued focus on reducing carbon emissions we are planning to launch an all-employee car scheme to encourage employee take-up of low-emissions cars.

In 2025 we will enhance our early careers offering, attracting top young talent to our apprenticeships, internships, work experience and graduate schemes. We will also prioritise learning opportunities for employees in our agency network and regions, with the development of new commercial learning modules and agency leadership courses.

We plan to further invest in technology to bring process efficiencies and improve employee experience. We are also exploring ways to take advantage of AI to boost productivity.

## 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 2024 amounted to £3.25m (2023: £3.25m), which included donations to the NFU Mutual Charitable Trust of £1m (which distributes awards at its discretion), £300,000 to the Farm Safety Foundation, £1.92m through the Agency Giving Fund and £30,000 to the Community Champions Scheme.

See the Responsible Business section on pages 23 to 35 for full details of our community, charity and environment activity.

## Statement of engagement with suppliers, customers and others

Information on how the Group engages with suppliers, customers and others that it is in a business relationship with can be found in the Governance Report on pages 80 to 86.

## Statement of corporate governance arrangements

Information on how NFU Mutual applies the UK Corporate Governance Code can be found in the Governance Report on pages 80 to 86.

## Principal risks

The Directors have carried out a robust assessment of the principal risks facing the Group as shown on pages 40 to 43, including those that would threaten its business model, future performance, solvency or liquidity which supports the Long-Term Viability Statement made on pages 62.

## Indication of future developments

An indication of the likely future developments of the Group can be found on page 8.

## Energy and carbon disclosures

Details of the Group's energy use and carbon emissions can be found on pages 54 to 61.

## 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 page 62. 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 2024 consideration was given to a specific scenario relating to an unprecedented global catastrophe weather event leading to a reduction in reinsurer capacity for our catastrophe programme and a scenario relating to current geopolitical tensions and the impact of a major escalation occurring leading to a global financial market and inflationary shock. In addition to the above, catastrophe and market risk, underwriting risk 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 2024 and its Solvency Coverage Ratio (SCR) was maintained within the Risk Appetite set by the Board. The Group's SCR Coverage Ratio sits at 221% at 31st December 2024 (218%: 2023).

**Liquidity:** The company holds £9.5bn at 31st December 2024 (£9.0bn: 2023) 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 2024, 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 2 to 4.

## 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 2025 Annual General Meeting to reappoint Deloitte LLP as auditors.

Approved by the Board for signature and issue.

Jim McLaren
**Chairman**

Nick Turner
**Chief Executive**

20th March 2025

# 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.

**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 39 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.

**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 Chair of Horticulture Crop Protection Ltd, Executive Chair of British Apples and Pears, a Director of the Oxford Farming Conference, a member of the Ceres Investment Committee and the Agricultural Forum and is a Nuffield Scholar. Ali is a partner with her husband in their family farm, and is also a Deputy Lieutenant for Worcestershire and a Governor at Malvern St James Ltd.

**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 over 40 years' experience working in listed, mutual, and private companies. John was previously Group Chief Executive Officer - Executive Director at Chesnara and 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 45 years' domestic and international General Insurance experience. After a career spanning 21 years at Guardian Royal Exchange, he progressed through Zurich Insurance Group to become Global Chief Underwriting Officer. Alan was formerly an Independent Non-Executive Director of Everest Insurance (Ireland) DAC where he was also Chair of their Board Risk Committee.

# OUR BOARD OF DIRECTORS

**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 Underwriting, Pricing, Claims, and Customer Service Operations at our Head Office and 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.



**Sarah Simpson**
Non-Executive Director

Sarah was appointed to the Board in 2024. She is Director of Simpson Farms Ltd, a Trustee at the Hannah Dairy Research Foundation, and sits on the Tarff Valley and the Scottish Government's Agriculture Reform Implementation Oversight Board. Sarah has over 20 years' experience in shaping rural policy. She spent more than a decade in senior positions at NFU Scotland and has held an advisory position with the National Council of Rural Advisers. In 2023 she was awarded a Fellowship by the Royal Agricultural Societies for her outstanding contribution to UK agriculture.

**Dave Smith**
Non-Executive Director

Dave was appointed to the Board in 2023 and is a member of the Audit, Risk, and Remuneration Committees. He served as Managing Director of the personal and commercial lines business for Zurich Insurance Group, and also as CEO of Zurich's UK General Insurance business.
Dave is currently Senior Independent Director and Chair of Risk Committee for AIG UK Ltd, and Chair of Lockton Companies LLP. He previously held Non Executive positions with AA Insurance Services Ltd, Bupa Insurance Ltd, and Altitude plc. Dave is also a Chartered Engineer.

**Nick Watson**
Sales and Agency Director

Nick was appointed to the Board in 2021 as Sales and Agency Director. He has over 30 years of financial services experience including 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. Prior to AXA, Nick spent 13 years with Aviva, leading distribution and operations functions within GI and Life divisions. Nick has also 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.

I was delighted to welcome Sarah Simpson to the Board as a Non-Executive Director in September 2024. Sarah has over 20 years' experience in shaping rural policy and has spent more than a decade in senior positions at NFU Scotland and has held an advisory position with the National Council of Rural Advisers and will be a valuable addition to the Board.

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.

Directors regularly meet with the Prudential Regulatory Authority to ensure that it is aware of the good work that NFU Mutual is doing to ensure it delivers on its purpose and strategy for customers, as well as allowing them 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. Jim McLaren was a Non-Executive Director for a number of years before becoming Chair. The board believe this tenure has allowed Mr McLaren to develop the necessary in-depth knowledge of the technical aspects of what is a complicated business as a composite insurer which also offers investment products. That knowledge and expertise is vital to allow the Chair to be effective in running the Board.

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 a significant period of time from their appointment as Chair. This means that Jim McLaren has served more than nine years from his appointment to the Board but the Board continues to believe that this is appropriate for the long-term success of the Group.

## Leadership and company purpose

### Purpose

As set out in in more detail in the Business Model and Strategy section on pages 9 to 13, 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.**

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 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 on the next page.

| 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** | | |
| Rachel Kelsall | 10 | 10 |
| Richard Morley | 10 | 10 |
| Nick Watson | 10 | 10 |
| **Non-Executive Directors** | | |
| Ali Capper | 10 | 10 |
| John Deane | 10 | 10 |
| Alan Fairhead | 10 | 10 |
| David Roper | 10 | 10 |
| Sarah Simpson[1] | 4 | 4 |
| Dave Smith | 10 | 10 |

1. Appointed to the Board 1st September 2024
A = Number of meetings the Director attended in 2024
B = Maximum number of meetings the Director could have attended in 2024



## Strategy and business results

- The Board reviewed and approved the 2025-2027 Medium Term Plan and 2025 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 Chief Executives statement on page 8.
- The Board approved the Mutual Bonus and Mutual Investment Bonus rates.
- The Board reviewed the work being undertaken to deliver outstanding customer experience to customers, including the results of benchmarking.
- The Board received the annual report on 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.
- The Board approved the Climate Change Transition Plan which outlines the action taken to reduce emissions footprint and promote environmentally sustainable practices.
- The Board approved the key performance indicators and targets to support NFU Mutual's ESG strategy ambitions.
- The Board received and reviewed reports on people and culture related activities and was comfortable with the outcomes. More detail on the people strategy outcomes can be found on page 85.

## 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 reviewed and approved the ORSA (Own Risk and Solvency Assessment) report.
- 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 reviewed the Important Business Services and their impact tolerances to ensure that operational resilience is embedded across the business.

## 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 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 Champions Scheme.

## 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.

### Members and Customers

**Why they are important**

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.

**How we are engaging**

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, 12 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 2024 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 People

**Why they are important**

Our people are essential to meeting our purpose and delivering the required products and services to our members.

**How we are engaging**

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, 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

**Why they are important**

Our Agents are also essential to meeting our purpose and delivering the required products and attentive, local, personal service to our members.

**How we are engaging**

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.

## Business Suppliers and Partners and Companies we invest in

**Why they are important**

Our business suppliers and partners help run and improve the business and help us deliver a quality service to our customers.

**How we are engaging**

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.

In 2024, NFU Mutual held its first Supplier Summit which was attended by many of its strategic and key suppliers. The focus of the Summit was on ESG and was an opportunity to share ideas and collaborate to support NFU Mutual's Responsible Business strategy and Net Zero ambitions. In addition, NFU Mutual had undertaken a Voice of Supplier survey with many of its suppliers to understand how it can work together more effectively and to develop collaboration.

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.

## Communities

**Why they are important**

NFU Mutual seeks to tackle a wide range of issues that are essential to building a more sustainable future for the communities we support.

**How we are engaging**

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.



## Regulators

**Why they are important**

NFU Mutual is subject to financial services regulations and requires regulatory approval to operate.

**How we are engaging**

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 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.

## 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 2025 Business Plan and 2025 – 2027 Medium Term Plan the Board took into account a wide range of factors. There was a continued focus on the impacts of inflation on claims costs as well as the uncertainty around the impacts of weather volatility, geopolitical events and the Budget announcements. The Plans include the continued implementation of the strategic roadmap and the Key Strategic Change Initiatives as described on pages 45 to 61. 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 approved the Climate Transition Plan which is part of the Net Zero Roadmap. This outlines the actions taken by the business as well as future plans to achieve our ambition of becoming a Net Zero business by 2050. In approving this, the Board considered emerging regulation and best practice, together with the interests of members, employees, suppliers and the impact on the environment. Further details on Climate Change are detailed on pages 45 to 61.



# 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 apprised 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 2024, 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 strengthens 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.

**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.**



## 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 on the following page. 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. Following on from an external performance review undertaken by Board Alchemy in 2023, an internal review was undertaken in 2024. This deemed the Board to be operating effectively overall.

The outcomes from the external review in 2023 were revisited and minor recommendations were made for review and consideration during 2025.

The annual appraisal of the Chairman was coordinated by the Senior Independent Director 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 2024, Continuing Professional Development (CPD) sessions were provided on a number of subjects including cyber security, Board cognitive diversity, the Bridge+ programme, external market view, commercial business plan, pricing and supporting the strategic partnership with Farming Unions. 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 | 4 | 4 |
| Alan Fairhead | 4 | 4 |

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 assessing 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 2024

During 2024, the Committee led the process for the appointment of Non-Executive Director, Sarah Simpson. The Committee used its succession planning and the outcome of the Board performance review to consider what skills and experience the Board needed over the next few years. As a result of that consideration, the Committee decided to focus on finding a Non-Executive Director with a farming background. The Committee appointed Egon Zehnder to assist with the process in conducting an external search and producing a short list of candidates for interview. Egon Zehnder also assist NFU Mutual with recruitment and development assessment for internal senior talent. Following a thorough and rigorous interview process, the Committee recommended to the Board the appointment of Sarah Simpson as Non-Executive Director.

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 undertook a review of the cognitive diversity of the Board in 2024 which included a self assessment on a range of cognitive preferences and an assessment of the impacts that cognitive diversity could have on the decision-making and problem-solving of the Board and looked at areas for improvement.

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 2024 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 2024, the gender balance ratio of the members of the Executive Committee plus the Company Secretary and their direct reports was 23:38 (female:male).

**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.**

# 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 risk governance 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
- 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 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) | 5 | 5 |
| Jon Bailie | 5 | 5 |
| Sarah Simpson[1] | 2 | 2 |
| David Smith | 5 | 5 |

1. Appointed to the Committee 1st September 2024
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:

**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 2024

### 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.

### 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 the current interest rate 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. The Committee also reviewed and approved the transitional measures on technical provisions recalculation as required by Solvency II.

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 comfort 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 121 to 127. 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, in line with legal requirements. 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, in line with legal requirements. The 2024 financial year was the second year of the current audit engagement partner's appointment.



**The Committee recognises that the independence of the external auditor is a fundamental safeguard for the interests of NFU Mutual's members.**

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 2024; 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 2024 and the Committee was satisfied that Internal Audit has the appropriate resources to undertake its work in 2025. 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. Every five years, Internal Audit is required to undergo an External Quality Assessment. This was previously completed in 2019 and therefore, following a tender process, was completed by Board Alchemy in 2024. The review found that the Internal Audit function is effective. It made some suggestions for further improvements. An action plan to address those suggestions will be considered in 2025.

### 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. The Board is satisfied that several Committee members 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

## 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 2024

Cyber security management continued to be a focus for the Committee during the year and it concluded that good results and positive actions had been achieved following NFU Mutual's cyber maturity assessment and Cyber Strategy refresh. With cyber and information security risks constantly evolving, the Committee will continue to oversee and focus on NFU Mutual's risk mitigations in this area.

Stress and scenario planning continued 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 a loss of catastrophe reinsurance capability, significant fall in persistency, doubling commercial growth with reduced profitability, a seven year experience of poor market and underwriting results and an extreme market risk scenario over the course of two years.

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 the Life risk appetite as well as the Group and Life Solvency positions over the next 10 years and considered different scenarios and the impacts on the business. This showed the strength of NFU Mutual's Solvency and provided assurance of sufficient coverage with management actions to be performed as appropriate.

The Group updated the Life Resolution Plan to consider the barriers to operationalisation of the plan, ensuring fair distribution to With-Profits policyholders and stress testing of key assumptions in the financial projections to understand the risks to future solvency.

An area of focus for the Committee throughout the year was climate-related risk management capabilities highlighting risk appetite, scenario analysis and capitalisation as additional areas of focus. This has identified areas of strength as well as areas for improvement in managing these risks effectively within the business. The Committee will continue to carefully consider the risks in this area.

At each of its meetings the Committee considered the various risk dashboards, MI and key risk activity 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 |
| Ali Capper | 4 | 4 |

A = Meetings attended
B = Maximum meetings

## 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 2024

The strategic plan for the With Profits business was reviewed and updated. 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 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 maintained the level of enhancements to asset shares of eligible with-profits policies at 1.85% per year. 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.

# 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

## 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 2024

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 reviewed NFU Mutual's strategy with regards the management of UK Equities and confirmed that it understood the approach to internal fund management and the performance of the UK equity portfolios. Actions were agreed to further enhance the management of these portfolios.

# 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.

Details of the work of the Remuneration Committee can be found in the Directors' Remuneration Report on page 109.

| Name of Director | A | B |
|---|---|---|
| Ali Capper (Committee Chair) | 6 | 6 |
| David Roper | 6 | 6 |
| Sarah Simpson[1] | 2 | 2 |
| Dave Smith | 6 | 6 |

1. Appointed to the Committee 1st September 2024
A = Meetings attended
B = Maximum meetings

Jim McLaren
**Chairman**

Nick Turner
**Chief Executive**

20th March 2025

# CORPORATE GOVERNANCE

### 1. NFU Mutual Board of Directors

**Chair – 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

**Chair – 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

**Chair – 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

**Chair – 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 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

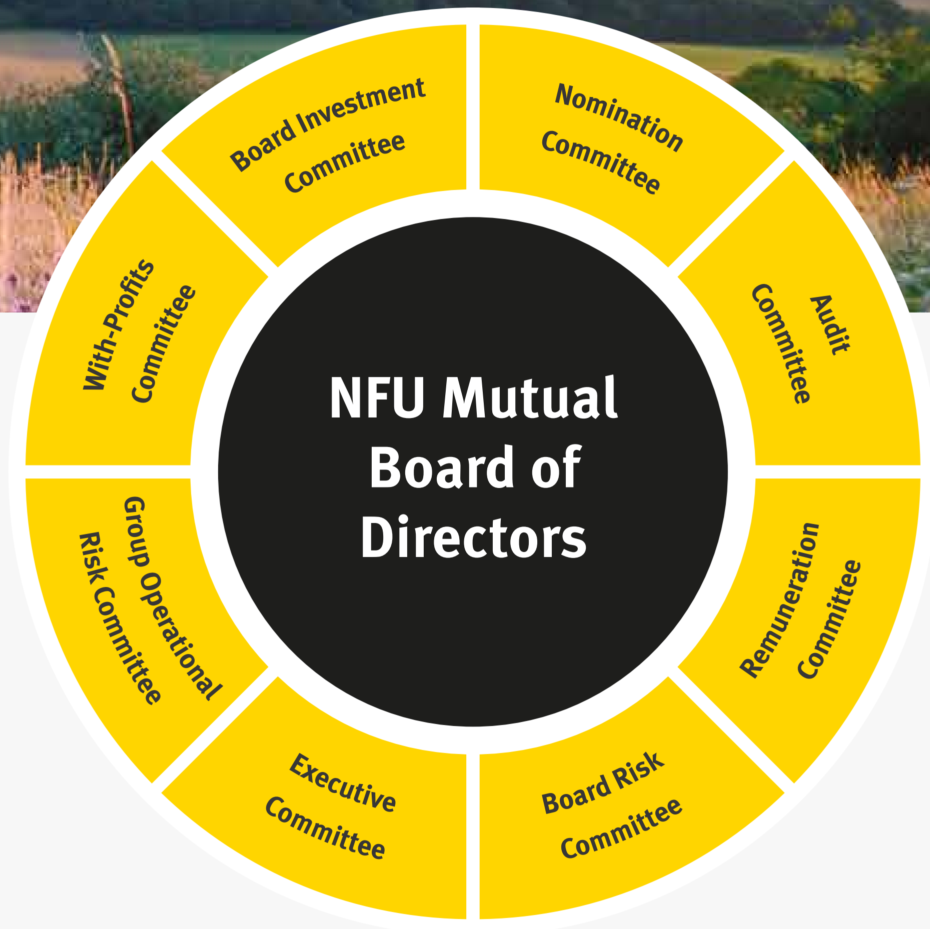
**Chair – Alan Fairhead**

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

**Chair – 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

**Chair – 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

**Chair – 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 Investment Committee

**Chair – Jon Bailie**

Provides assurance over the Group's investment activity.

# DIRECTORS' REMUNERATION REPORT

Ali Capper
**Chair of the Remuneration Committee**

I am pleased to present the Remuneration Committee's report for the year to 31st December 2024. 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 2024

In a year of geopolitical change, NFU Mutual delivered a strong 2024 performance with a return to profitability on our underwriting result as well as healthy returns on our investments. This led to an overall Group profit for the year of £360m (2023: £164m).

We were again able to reward member loyalty through Mutual Bonus and provided £238m (2023: £244m) in savings to our valued renewing General Insurance policyholders.

In 2024 we were also recognised as a Gallup Exceptional Workplace for the ninth consecutive year and were certified as a UK Top Employer by the Top Employers Institute for the second year running.

The average pay increase effective 1st May 2024 was 4.95%, 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
- Sarah Simpson (appointed 1st September 2024)

## 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 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 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.
- Fairly 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 2024 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 at **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 Prudential Regulation Authority'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.

**Chief Executive (Nick Turner) total remuneration potential for the 2024 performance year**

| | Base Salary and Value of Benefits | Pension[1] | Annual Bonus[2] | LTIP 2022 – 24 | Total |
|---|---|---|---|---|---|
| Basic Pay (%) | 90 | 10 | | | £724,149 |
| Threshold Performance (%) | 59 | 7 | 18 | 16 | £1,097,995 |
| Target Performance (%) | 42 | 5 | 31 | 23 | £1,556,802 |
| Stretch Performance (%) | 29 | 3 | 35 | 32 | £2,219,533 |

**Finance Director (Richard Morley) total remuneration potential for the 2024 performance year**

| | Base Salary and Value of Benefits | Pension[1] | Annual Bonus[2] | LTIP 2022 – 24 | Total |
|---|---|---|---|---|---|
| Basic Pay (%) | 90 | 10 | | | £449,445 |
| Threshold Performance (%) | 65 | 8 | 14 | 13 | £618,974 |
| Target Performance (%) | 49 | 6 | 26 | 20 | £827,939 |
| Stretch Performance (%) | 36 | 4 | 31 | 29 | £1,127,562 |

**Sales & Agency Director (Nick Watson) total remuneration potential for the 2024 performance year**

| | Base Salary and Value of Benefits | Pension[1] | Annual Bonus[2] | LTIP 2022 – 24 | Total |
|---|---|---|---|---|---|
| Basic Pay (%) | 90 | 10 | | | £315,098 |
| Threshold Performance (%) | 65 | 7 | 14 | 14 | £436,204 |
| Target Performance (%) | 48 | 5 | 25 | 21 | £583,835 |
| Stretch Performance (%) | 35 | 4 | 30 | 31 | £799,522 |

**Customer Services Director (Rachel Kelsall) total remuneration potential for the 2024 performance year**

| | Base Salary and Value of Benefits | Pension[1] | Annual Bonus[2] | LTIP 2022 – 24 | Total |
|---|---|---|---|---|---|
| Basic Pay (%) | 90 | 10 | | | £282,581 |
| Threshold Performance (%) | 68 | 8 | 15 | 9 | £371,721 |
| Target Performance (%) | 52 | 6 | 28 | 14 | £485,420 |
| Stretch Performance (%) | 40 | 5 | 35 | 21 | £639,143 |

[1] Cash in lieu of Company Pension Contribution
[2] 1/3 of Annual Bonus (GBS and STIP) will be deferred for three years

# 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 of 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 £183,876 in 2024.

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.

**NFU Mutual's Remuneration Policy is designed to be fair for all employees**

NFU Mutual's Remuneration Policy is designed to be fair for all employees, regardless of gender, ethnicity, disability, or any other characteristic. We are committed to applying this policy consistently to ensure equal opportunities for everyone.

NFU Mutual's Gender Pay Gap results for the year to 5th April 2024 compare positively with the data published for the Finance and Insurance Activities sector by the Office of National Statistics (ONS) in 2024.

NFU Mutual's mean Gender Pay Gap is 20.2% compared to the ONS figure of 30.5%. Our full Gender Pay Gap Report for the year to 5th April 2024 will be available from April 2025 at **nfumutual.co.uk**

# 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 on page 110 explain the mix in 2024, between the fixed pay and performance- related pay of Executive Directors at threshold, target and stretch performance levels.

# 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 2024

The tables below show actual total remuneration for Executive Directors for the 2023 and 2024 calendar years.

| 2024 | Base | Pension | Benefits | Annual Bonus | 2022 - 2024 LTIP | 2024 Total | Fixed Pay | Variable Pay |
|---|---|---|---|---|---|---|---|---|
| Nick Turner | 632,205 | 75,865 | 16,079 | 710,112 | 531,528 | 1,965,789 | 724,149 | 1,241,640 |
| Richard Morley | 391,988 | 47,039 | 10,418 | 324,952 | 242,676 | 1,017,073 | 449,445 | 567,628 |
| Nick Watson | 267,193 | 32,063 | 15,842 | 215,237 | 184,434 | 714,769 | 315,098 | 399,670 |
| Rachel Kelsall[4] | 240,909 | 28,909 | 12,763 | 199,273 | 101,898 | 583,751 | 282,581 | 301,170 |
| Steve Bower** | - | - | - | - | 86,472 | 86,472 | - | 86,472 |

| 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 |

***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 2024 was £4,367,854.

## Base salaries and benefits

The average base salary increase across the Group in May 2024 was 4.95%, The annual base salary levels of the Executive Directors with effect from 1 May 2024 were as follows:

| Name | May 2024 | May 2023 | Increase |
|---|---|---|---|
| Nick Turner | 638,808 | 619,000 | 3.20% |
| Richard Morley | 408,632 | 358,700 | 13.92%* |
| Nick Watson | 270,663 | 260,253 | 4.00% |
| Rachel Kelsall | 250,588 | 221,550 | 13.13%** |

* The salary of Mr Morley was reviewed in 2024 against the relevant market benchmarks, resulting in an additional market adjustment pay increase
** The salary of Mrs Kelsall (appointed 1 April 2023) is progressing in line with our established practice and our principle of aligning over a period of time with market pay levels.

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, Mr Morley, Mr Watson and Mrs Kelsall 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 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 2024, the same targets (bar Employee Engagement) were used in the STIP as in the Group Bonus Scheme (GBS) which is payable to the majority of 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 2024. 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 2024 measures

| | Measure | Weighting |
|---|---|---|
| Great Company to Do Business With | Persistency (GI) | 30% |
| | Customer Experience* | 5% |
| Sustainable Profitable Growth | GI Combined Operating Ratio (COR)<br>FS Operational Profitability**<br>Gross Written Premium Income (GWPI)<br>Life Business Growth (AC) | 65% |

## Short-Term Incentive Plan for Executives 2024 measures

| | Measure | Weighting |
|---|---|---|
| Great Company to Do Business With | Persistency (GI) | 20% |
| | Customer Experience* | 5% |
| A Great Place to Work | Company Overall Employee Engagement Scores | 20% |
| Sustainable Profitable Growth | GI Combined Operating Ratio (COR)<br>FS Operational Profitability**<br>Gross Written Premium Income (GWPI)<br>Life Business Growth (AC) | 55% |

* For 2024 a new Customer Experience measure based on the NFU Mutual results of the Customer Services Institute survey was introduced.

** For 2024 FS Manufacturer and Distribution profitability were combined into a new FS Operational Profitability measure.

## 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.

### 2024 – 2026 LTIP Grant

A new LTIP grant was made in 2024 to cover the performance period 2024 to 2026. The 2024-2026 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 2024 – 2026 LTIP will vest on 31st December 2026, 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.

### 2022-2024 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)<br>GI – Company growth (Total GWPI over the LTIP period)<br>Life Business – Adviser Credits (Total over the LTIP period)<br>Life – Manufacturer Profitability (Total over LTIP period)<br>Life – Distribution Profitability (Total over LTIP period) | 55% |
| A Great Company to do Business With | GI Persistency (Average of annual results) | 25% |

### 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)<br>GI – Company growth (Total GWPI over the LTIP period)<br>Life Business – Adviser Credits (Total over the LTIP period)<br>Life – Manufacturer Profitability (Total over LTIP period)<br>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% |

### 2024-2026 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 (Total over the LTIP period with each year of performance contributing one third)<br>GI – Company growth (Total GWPI over the LTIP period)<br>FS Business – Adviser Credits (Total over the LTIP period)<br>FS – FS Operational Profitability (Total over LTIP period) | 55% |
| A Great Company to do Business With | GI Persistency (Average of annual results) | 20% |
| | Own Emissions Carbon Reduction (Total over the LTIP period) | 5% |

## Summary of LTIP grants and vesting

The table below details the vesting outcomes from the 2022-2024 LTIP scheme and the value of the grants made in 2023 and 2024.

| 2024 | Plan start date | Cycle ending | Grant value | Vesting date | 2022 - 2024 scheme performance | 2025 payment |
|---|---|---|---|---|---|---|
| Nick Turner | 01-Jan-22 | 2024 | 709,650 | 31-Dec-24 | 74.90% | £531,528 |
| | 01-Jan-23 | 2025 | 860,295 | 31-Dec-25 | | |
| | 01-Jan-24 | 2026 | 1,027,540 | 31-Dec-26 | | |
| Richard Morley | 01-Jan-22 | 2024 | 324,000 | 31-Dec-24 | 74.90% | £242,676 |
| | 01-Jan-23 | 2025 | 367,200 | 31-Dec-25 | | |
| | 01-Jan-24 | 2026 | 387,396 | 31-Dec-26 | | |
| Nick Watson | 01-Jan-22 | 2024 | 246,240 | 31-Dec-24 | 74.90% | £184,434 |
| | 01-Jan-23 | 2025 | 266,420 | 31-Dec-25 | | |
| | 01-Jan-24 | 2026 | 281,073 | 31-Dec-26 | | |
| Rachel Kelsall | 01-Jan-22 | 2024 | 138,045 | 31-Dec-24 | 74.90% | £101,898 |
| | 01-Jan-23 | 2025 | 176,776 | 31-Dec-25 | | |
| | 01-Jan-24 | 2026 | 239,274 | 31-Dec-26 | | |
| Steve Bower | 01-Jan-22 | 2024 | 277,080 | 31-Dec-24 | 74.90% | £86,472 |
| | 01-Jan-23 | 2025 | 285,393 | 31-Dec-25 | | |
| | - | - | - | - | | |

The aggregate paid to former and current directors in respect of the 2024 Long Term Incentive payments are £1,147,008.

A new LTIP grant will be made in 2025 to cover the performance period 2025 to 2027, and this will vest at the end of 2027 dependent on the extent to which performance objectives in relation to that grant are achieved.

## Malus and clawback of variable pay

Malus or clawback (known as ex-post risk adjustment) 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. A list of events that may trigger ex-post risk adjustment may include, but is not limited to:

- Audit findings (internal and external)
- Financial Risk status (Solvency coverage)
- Investigation findings
- Effectiveness of Internal Control
- Material Operational risk failings
- Risk events and/ or material risk failings
- Notifiable events
- Regulatory considerations, including conduct risk
- Material downturn in financial performance
- Misbehaviour or misconduct case
- Regulatory considerations, including conduct risk.

NFU Mutual may apply ex-post risk adjustment if it becomes aware of information that would either impact an 'in-year' variable remuneration decision or would have impacted a past decision about an individual's variable remuneration in the prior three years (or longer as may be appropriate).

Ex-post risk adjustment was not applied by the Remuneration Committee in respect of the 2024 performance year.

## Directors' pension arrangements

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 (£231,000 in 2024) 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 31.12.2024 | Single Pension Figure at 31.12.2023 | Transfer value of accrued pension at 31.12.2024 (£) | Accrued pension at 31.12.2024 (£) | Normal pension age |
|---|---|---|---|---|---|
| Rachel Kelsall | -[1] | -[1] | 1,395,200 | £79,600 | 60 |

All figures shown are to the nearest £100.

1 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 2024. 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 12 former Directors or widows in 2024 was £200,389 (2023: £207,090).

| | Date of contract | Unexpired Term as at 31st December 2024 | 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 | 1st 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 | 2024 Committee Responsibilities | 2024 Total Fees (£) | Taxable Expenses from 1st January 2024 - 31st December 2024 (£)* | 2023 Total Fees (£) | Taxable Expenses from 1st January 2023 - 31st December 2023 (£) |
|---|---|---|---|---|---|
| Jon Bailie | Senior Independent Director (from 1st January 2023)<br>Investment Committee Chair<br>N.F.U. Mutual Unit Managers Limited Chair<br>Audit Committee Member<br>Nomination Committee Member | 99,462.51 | 5,403.77 | 95,350.02 | 1,577.80 |
| Ali Capper | Board Risk Committee Member<br>With-Profits Committee Member<br>Remuneration Committee Chair<br>Nomination Committee Member (from 1st April 2023) | 95,906.22 | 3,150.63 | 89,037.51 | 124.49 |
| John Deane | With Profits Committee Chair (from 1st January 2023)<br>Chair of the Company's Pension Scheme Trustee (From 1st August 2023, Trustee throughout 2023)<br>Investment Committee Member<br>Board Risk Committee Member (from 1st January 2023) | 102,312.54 | 5,055.87 | 90,737,52 | 1,212.81 |
| Alan Fairhead | Board Risk Committee Chair<br>Nomination Committee Member<br>Director of N.F.U. Mutual Unit Managers Limited | 92,312.46 | 6,083.13 | 85,774.98 | 1,778.15 |
| Christine Kennedy (Retired from Board 31st March 2023) | Remuneration Committee Member<br>Nomination Committee Member<br>Audit Committee Member<br>(until 31st March 2023 for all committees) | - | - | 18,125.01 | 2,153.33 |
| Jim McLaren | Chairman<br>Nomination Committee Chair | 228,924.54 | 13,545.77 | 215,843.79 | 8,615.11 |
| David Roper | Audit Committee Chair<br>Remuneration Committee Member<br>Board Risk Committee Member | 85,187.46 | 4,233.84 | 81,149.97 | - |
| Elizabeth Buchanan (Appointed to Board 1st April 2023 and resigned from Board 27th October 2023) | Audit Committee Member<br>With Profits Committee Member<br>Remuneration Committee Member | - | - | 61,079,20 | 1,509.18 |
| Sarah Simpson (appointed to Board 1st September 2024) | Remuneration Committee Member (from 1st September 2024)<br>Audit Committee Member (from 1st September 2024) | 20,000.00 | 2,015.76 | - | - |
| Dave Smith | Audit Committee Member<br>Board Risk Committee Member<br>Remuneration Committee Member | 78,781.26 | 2,013.61 | 74,412.54 | - |

## 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 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 contract | Unexpired Term as at 31st December 2024 | Notice period |
|---|---|---|---|
| Jon Bailie | 1st February 2018 | 2 years 2 months | 3 months |
| Ali Capper | 15th March 2018 | 2 years 3 months | 3 months |
| John Deane | 8th August 2022 | 10 months | 3 months |
| Alan Fairhead | 5th October 2020 | 1 year 10 months | 3 months |
| Jim McLaren | 30th September 2019 | 2 years | 6 months |
| David Roper | 8th April 2019 | 8 months | 3 months |
| Sarah Simpson | 24th May 2024 | 2 years 8 months | 3 months |
| Dave Smith | 16th November 2022 | 1 year | 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 2024 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 statement of cash flows;
- the statement of changes in members' reserves and equity; and
- the related notes 1 to 32, 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; and
- Long-term business provision: Annuitant mortality assumptions.

**Materiality**

The materiality that we used for the group financial statements was £108m which was determined on the basis of 1.45% of the members' reserves and equity.

**Scoping**

We performed an audit of the entire financial information of the parent company, which is the main trading entity within the group, and one of the subsidiary entities. All testing was performed by the group engagement team. On an absolute basis, testing covered 95% of consolidated profit before tax (PBT), 94% of consolidated revenue and 98% 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;
- 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.<br><br>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 consideration of the limitations of available relevant data which increases the level of uncertainty in the determination of the reserves.<br><br>At 31 December 2024, the group's liabilities included general business claims outstanding reserves of £2,689m (2023: £2,680m) 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 potential manipulation of this balance.<br><br>The Audit Committee refers to this key audit matter in their report on page 97. |
| **How the scope of our audit responded to the key audit matter** | With the involvement of our actuarial specialists, we performed the following procedures:<br>• obtained an understanding of the relevant controls addressing the risks associated with latent reserving for specific farming perils, specifically controls identified in relation to the assumption setting process and methodology;<br>• 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;<br>• inspected and evaluated the continued appropriateness of management's model methodology and derivation of material assumptions;<br>• assessed whether external developments identified by management connected with the key latent assumptions were appropriately reflected within the assumptions adopted; and<br>• 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. |

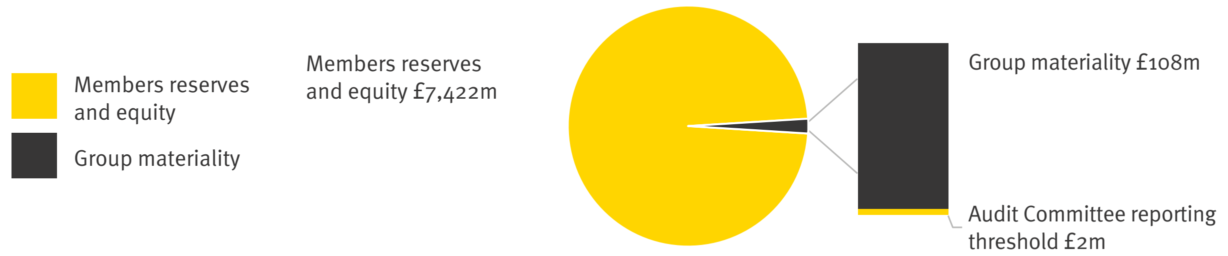
| 5.2. General business claims outstanding: Non-latent reserving assumptions and methodology | |
|---|---|
| **Key audit matter description** | The valuation of the general business claims outstanding is a complex process involving inherent uncertainty and is one of the most significant areas of management judgement within the group's financial statements.<br><br>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 Motor and Liability claims in excess of £1m. The determination of the non-latent assumptions and methodology for Motor and Liability 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 claims below £1m.<br><br>Included in liabilities are general business claims outstanding reserves, with a balance at 31 December 2024 of £2,689m (2023: £2,680m), as set out in note 8 to the financial statements. Given the size of the non-latent reserves for Motor and Liability 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.<br><br>The Audit Committee refers to this key audit matter in their report on page 97. |
| **How the scope of our audit responded to the key audit matter** | With the involvement of our actuarial specialists, we performed the following procedures:<br>• obtained an understanding of the relevant controls around the non-latent reserve valuation process, specifically controls identified in relation to the assumption setting process and methodology;<br>• inspected and challenged management's methodology and key assumptions, including evaluation of changes in assumptions compared to the economic and market environment and comparison of methodology to market peers;<br>• reviewed the consistency of management's model with methodology;<br>• evaluated the consistency of management's key assumptions with the historical claims experience, focusing on material classes of business in relation to Motor and Liability claims above £1m;<br>• 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<br>• 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 and assumptions for determining the general business claims outstanding for Motor and Liability claims in excess of £1m, to be reasonable and aligned to accounting requirements. |

| 5.3. Long-term 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.<br><br>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.<br><br>The key judgements centre upon:<br><br>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<br><br>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") 2023 tables.<br><br>Included in liabilities is the long-term business provision, with a balance at 31 December 2024 of £4,716m (2023: £4,716m) 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.<br><br>The Audit Committee refers to this key audit matter in their report on page 98. |
| **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:<br>• obtained an understanding of the relevant controls around the setting of long-term business annuitant mortality assumptions;<br>• challenged key judgements made around adopted annuitant mortality improvement assumptions by referring to the latest available CMI Mortality Projections Model and underlying data while considering the appropriateness of fit to the underlying book;<br>• assessed the experience study methodology and performed replication of a sample of in-year experience studies relating to the annuitant mortality assumptions, including testing of the underlying data in order to challenge management's resulting conclusions.<br>• assessed whether any adjustments made to the latest available industry table CMI model are appropriately supported by evidence;<br>• where appropriate, we compared the assumptions selected by management to our experience of those used by peer annuity companies; and<br>• assessed whether the financial statement disclosures |
| **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** | £108m (2023: £102m) | £102m (2023: £97m) |
| **Basis for determining materiality** | 1.45% (2023: 1.45%) of members' reserves and equity. | The parent company's materiality was determined at 1.45% (2023: 1.45%) of members' reserves and equity, capped at 95% (2023: 95%) of group materiality. |
| **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% (2023: 70%) of group materiality | 70% (2023: 70%) of parent company materiality |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered the following factors:<br>• 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<br>• 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 £2m (2023: £2m), 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. Components were identified based on the individual legal entities within the group structure. Based on that assessment, we performed an audit of the entire financial information of the parent company, which is the main trading entity within the group. Additionally, we performed an audit of the entire financial information for one subsidiary (2023: 1 subsidiary), utilising the work performed for the subsidiary's statutory audit. All audit work was performed by the group engagement team. On an absolute basis testing covered 95% of consolidated PBT, 94% of consolidated revenue and 98% of consolidated members' reserves and equity. Our work was executed at levels of performance materiality which were lower than group materiality, being £71m for the parent company and £0.5m for the subsidiary. At group level we also tested the consolidation process.

#### 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 across the group, including the general ledger system, policy administration systems across the long-term and general insurance businesses, and the investment management system. With the involvement of our IT specialists, we tested the general IT controls.

As well as our testing of IT controls, we performed walkthroughs to gain an understanding of the overall control environment and the relevant controls for significant risks. We tested the controls for certain other account balances. Based on the testing performed, we were able to rely on controls in relation to gross written premiums, claims handling, underlying data for long term life business provisions, 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 45 to 61 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 statement of directors' responsibilities, 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:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including actuarial, tax, property valuations, pensions, IT and ESG 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;
- general business claims outstanding: 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 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.

**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; general business claims outstanding: 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 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 74;
- 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 62;
- the directors' statement on fair, balanced and understandable set out on page 75;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 73;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 95; and
- the section describing the work of the audit committee set out on page 96.

**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.

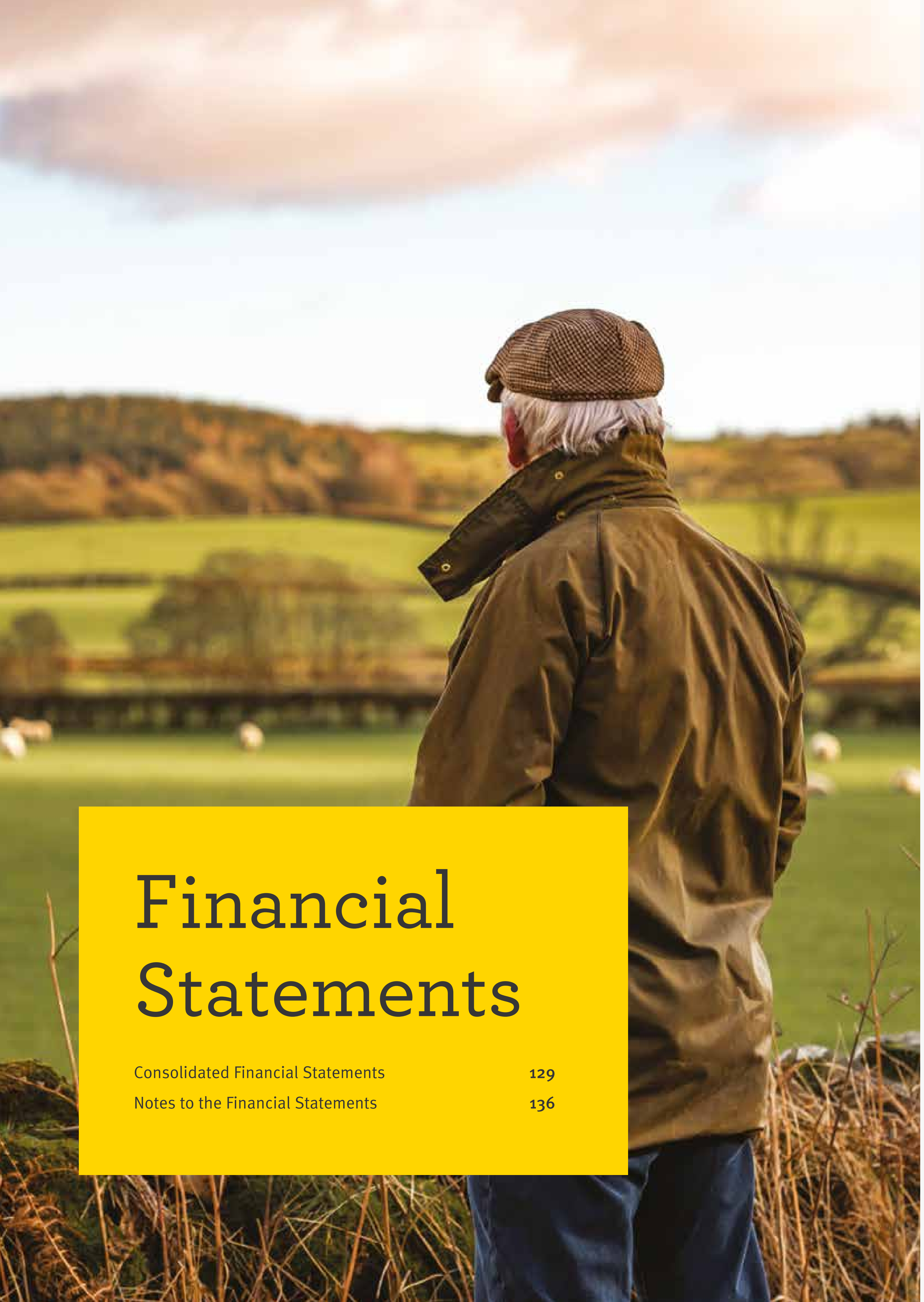
We have nothing to report in respect of this matter.

**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 7 years, covering the years ending 31 December 2018 to 31 December 2024.

**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
20th March 2025



# Financial Statements





## CONSOLIDATED PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

| | 2024 £m | 2023 £m |
|---|---|---|
| Gross written premium before Mutual Bonus | 2,459 | 2,222 |
| Mutual Bonus | (238) | (244) |
| **Gross Written Premium (note 6)** | **2,221** | **1,978** |
| Outwards reinsurance | (139) | (142) |
| **Net premiums Written** | **2,082** | **1,836** |
| Change in gross provision for unearned premiums | (106) | (133) |
| Change in the gross provision for reinsured unearned premiums | - | (9) |
| **Change in the net provision for unearned premiums** | **(106)** | **(142)** |
| **Earned premiums, net of reinsurance** | **1,976** | **1,694** |
| Allocated investment return transferred from the Non-Technical Account (note 9) | 110 | 101 |
| **Total technical income** | **2,086** | **1,795** |
| Gross claims paid | 1,463 | 1,327 |
| Reinsurers share of gross claims paid | (30) | (33) |
| **Net claims paid** | **1,433** | **1,294** |
| Change in gross provision for claims | 19 | 319 |
| Change in reinsurers' share | 39 | (19) |
| **Change in net provisions for claims** | **58** | **300** |
| **Claims incurred, net of reinsurance** | **1,491** | **1,594** |
| Net operating expenses (note 7) | 552 | 491 |
| Other technical charges, net of reinsurance | 8 | 9 |
| **Total technical charges** | **2,051** | **2,094** |
| **Balance on the Technical Account – General Business** | **35** | **(299)** |

# CONSOLIDATED PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – LONG-TERM BUSINESS

| | 2024 £m | 2023 £m |
|---|---|---|
| Gross written premium (note 6) | 195 | 173 |
| Outwards reinsurance | (5) | (5) |
| **Earned premiums, net of reinsurance** | **190** | **168** |
| Investment income (note 9) | 394 | 361 |
| Unrealised gain on investments (note 9) | 208 | 361 |
| Fee income from investment contracts | 29 | 27 |
| Other technical income net of reinsurance | 31 | 28 |
| **Total technical income** | **852** | **945** |
| Gross claims paid | 450 | 383 |
| Reinsurers'share | (5) | (6) |
| **Net claims paid** | **445** | **377** |
| Change in gross provision for claims | (10) | 9 |
| **Claims incurred, net of reinsurance** | **435** | **386** |
| Gross change in Long-Term Business Provision | - | 108 |
| Reinsurers'share | 1 | 1 |
| **Net change in the Long-Term Business provision** | **1** | **109** |
| Changes in technical provision for linked liabilities net of reinsurance | 195 | 144 |
| Movements in investment contract liabilities | 104 | 166 |
| **Net change in technical provisions** | **300** | **419** |
| Net operating expenses (note 7) | 90 | 79 |
| Investment expenses and charges (note 9) | 6 | 13 |
| Tax attributable to the Long-Term Business (note 15) | 26 | 34 |
| Transfer (from)/to the fund for future appropriations | (3) | 17 |
| Loss attributable to minority interest | (2) | (3) |
| **Total technical charges** | **852** | **945** |
| **Balance on the Technical Account – Long-Term Business** | **-** | **-** |

# CONSOLIDATED PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

| | 2024 £m | 2023 £m |
|---|---|---|
| **Balance on the Technical Account – General Business** | **35** | **(299)** |
| Investment Income (note 9) | 401 | 517 |
| Unrealised Gain on investments (note 9) | 187 | 135 |
| Allocated investment return transferred to the Technical Account - General Business (note 9) | (110) | (101) |
| Support payments to the Farmers' Unions | (9) | (8) |
| Other Income | 24 | 23 |
| Other Charges | (147) | (104) |
| **Profit on ordinary activities before taxation (note 14)** | **381** | **163** |
| Tax (charge)/credit on ordinary activities (note 15) | (21) | 1 |
| **Profit for the financial year (note 25)** | **360** | **164** |

All results are derived from continuing operations.

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME/(EXPENSE)

| | 2024 £m | 2023 £m |
|---|---|---|
| **Profit for the financial year** | **360** | **164** |
| Actuarial gain on pension scheme (note 28) | 39 | 64 |
| Movement on deferred tax on pension scheme | (10) | (17) |
| **Total comprehensive income recognised since last Annual Report** | **389** | **211** |

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.

The Parent Company's profit for the financial year was £339m (2023: £176m).

# CONSOLIDATED AND COMPANY BALANCE SHEETS

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| **Assets Investments** | | | | |
| Land and Buildings (note 18) | 1,756 | 1,512 | 1,345 | 1,169 |
| Investments in group undertakings and participating interests (note 16) | 210 | 190 | 1,039 | 872 |
| Other financial investments (note 17) | 12,285 | 11,957 | 12,135 | 11,892 |
| | **14,251** | **13,659** | **14,519** | **13,933** |
| Assets held to cover linked liabilities (note 19) | 3,916 | 3,825 | 3,916 | 3,825 |
| **Reinsurers' share of technical provisions** | | | | |
| Provision for unearned premiums | 4 | 4 | 4 | 4 |
| Long-term business provision | 9 | 10 | 9 | 10 |
| Claims outstanding (note 8) | 178 | 217 | 176 | 214 |
| Technical provision for linked liabilities | 17 | 20 | 17 | 20 |
| | **208** | **251** | **206** | **248** |
| **Debtors** | | | | |
| **Debtors arising out of direct insurance operations** | | | | |
| Due from policyholders | 881 | 800 | 868 | 786 |
| Due from intermediaries | 22 | 19 | 22 | 19 |
| Debtors arising out of reinsurance operations | 7 | 10 | 7 | 10 |
| Amounts Due from Group undertaking | - | - | 38 | 29 |
| Other debtors including taxation (note 20) | 114 | 92 | 147 | 158 |
| | **1,024** | **921** | **1,082** | **1,002** |
| **Other Assets** | | | | |
| Goodwill | 5 | 5 | - | - |
| Tangible assets (note 21) | 61 | 66 | 57 | 61 |
| Cash at bank and in hand | 235 | 307 | 177 | 200 |
| | **301** | **378** | **234** | **261** |
| **Prepayments and accrued income** | | | | |
| Accrued interest and rent | 79 | 87 | 78 | 86 |
| General business deferred acquisition costs | 152 | 145 | 152 | 145 |
| Long-term business deferred acquisition costs | 17 | 18 | 17 | 18 |
| Other prepayments and accrued income | 30 | 23 | 28 | 23 |
| | **278** | **273** | **275** | **272** |
| **Total Assets before Pension scheme asset** | **19,978** | **19,307** | **20,232** | **19,541** |
| Pension asset (note 28) | 415 | 361 | - | - |
| **Total assets including Pension scheme asset** | **20,393** | **19,668** | **20,232** | **19,541** |



# CONSOLIDATED AND COMPANY BALANCE SHEETS

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| **Reserves** | | | | |
| Revaluation reserve | - | - | 443 | 389 |
| Other reserve (note 24) | 250 | 250 | 250 | 250 |
| Profit and loss account (note 24) | 5,978 | 5,589 | 5,578 | 5,239 |
| Equity minority interests | 42 | 38 | - | - |
| Fund for future appropriation (note 24) | 1,152 | 1,155 | 1,209 | 1,207 |
| **Total Equity** | **7,422** | **7,032** | **7,480** | **7,085** |
| **Technical provisions** | | | | |
| Provision for unearned premiums | 1,091 | 985 | 1,090 | 984 |
| Long-term business provision (note 4) | 4,716 | 4,716 | 4,716 | 4,716 |
| Claims outstanding (note 8) | 2,689 | 2,680 | 2,684 | 2,674 |
| | **8,496** | **8,381** | **8,490** | **8,374** |
| Technical provision for linked liabilities - Insurance contracts (note 4) | 72 | 82 | 72 | 82 |
| Technical provision for linked liabilities - Investment contracts (note 4) | 3,773 | 3,669 | 3,773 | 3,669 |
| Provision for other risks and charges (note 26) | 25 | 20 | 20 | 20 |
| | **12,366** | **12,152** | **12,355** | **12,145** |
| **Creditors** | | | | |
| Creditors arising out of direct insurance operations | 49 | 34 | 44 | 30 |
| Creditors arising out of reinsurance operations | 20 | 26 | 18 | 22 |
| Amounts due to credit institutions (note 31) | 149 | 123 | - | - |
| Amounts owed to group undertakings | - | - | 68 | 59 |
| Other creditors including taxation and social security (note 27) | 182 | 148 | 169 | 123 |
| Accruals and deferred income | 205 | 153 | 98 | 77 |
| | **605** | **484** | **397** | **311** |
| **Total liabilities** | **20,393** | **19,668** | **20,232** | **19,541** |

These financial statements on pages 129 to 181 were approved and authorised for issue by the Board of Directors on the 20th March 2025 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

| For the year ended 31 December 2024 | 2024 £m | 2023 £m |
|---|---|---|
| **Net cash from operating activities (note 30)** | **(146)** | **(266)** |
| Interest and dividend Income | 401 | 517 |
| Taxation (paid)/received | (18) | 41 |
| **Net cash generated from operating activities** | **237** | **292** |
| **Cash flow from investing activities** | | |
| Payments to acquire tangible assets | (8) | (19) |
| Payments to acquire shares and other variable yield securities | (192) | (151) |
| Receipts from the sale of shares and other variable yield securities | 134 | 349 |
| Payments to acquire debt securities and other fixed/variable income securities | (1,788) | (1,869) |
| Receipts from the sale of debt securities and other fixed/variable income securities | 1,685 | 1,433 |
| Payments to acquire investment properties | (158) | (369) |
| Receipts from the sale of investment properties | 32 | 381 |
| Payments to acquire subsidiary undertakings | (40) | (2) |
| Net receipts/(payments) relating to term deposits with a maturity date greater than 3 months | 31 | (109) |
| **Net cash used in investing activities** | **(304)** | **(356)** |
| **Net decrease in cash and cash equivalents** | **(67)** | **(64)** |
| Cash and cash equivalents at the beginning of the year | 148 | 212 |
| **Cash and cash equivalents at the end of the year** | **81** | **148** |
| Cash at bank and in hand (note 33) | 81 | 148 |
| Short term deposits (Included in Other Financial Investments) | - | - |
| **Cash and cash equivalents at the end of the year** | **81** | **148** |



# STATEMENT OF CHANGES IN MEMBERS' RESERVES AND EQUITY

| Consolidated | 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 2024 £m | Equity Minority Interests £m | Total members' reserves and equity 2024 £m | Total members' reserves and equity 2023 £m |
|---|---|---|---|---|---|---|---|---|
| **As at 1 January** | **-** | **250** | **5,589** | **1,155** | **6,994** | **38** | **7,032** | **6,805** |
| Transfer to Non-Technical Account | - | - | 360 | - | 360 | - | 360 | 164 |
| Transfer (from)/to the fund for future appropriations | - | - | - | (3) | (3) | - | (3) | 17 |
| Actuarial gain on pension scheme | - | - | 39 | - | 39 | - | 39 | 64 |
| Movement on deferred tax on pension scheme | - | - | (10) | - | (10) | - | (10) | (17) |
| Loss Attributable to Minority Interest | - | - | - | - | - | (2) | (2) | (3) |
| Funding from Minority Interest | - | - | - | - | - | 6 | 6 | 2 |
| **As at 31 December** | **-** | **250** | **5,978** | **1,152** | **7,380** | **42** | **7,422** | **7,032** |
| **Parent Company** | | | | | | | | |
| As at 1 January | **389** | **250** | **5,239** | **1,207** | **7,085** | **-** | **7,085** | **6,881** |
| Transfer to Non-Technical Account | - | - | 339 | - | 339 | - | 339 | 176 |
| Transfer to / (from) the fund for future appropriations | - | - | - | 2 | 2 | - | 2 | (4) |
| Revaluation of subsidiaries | 54 | - | - | - | 54 | - | 54 | 32 |
| **As at 31 December** | **433** | **250** | **5,578** | **1,209** | **7,480** | **-** | **7,480** | **7,085** |

# 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 74. 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 31st 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 17 to 22. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the accounts on pages 136 to 181. 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 146 to 149.

iii) Pension schemes – note 28 sets out the key assumptions used to calculate the pension scheme asset/liability.

iv) 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.

v) 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 is 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 underFRS102

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 38 to 44. 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 | | | | |
|---|---|---|---|---|---|---|---|
| Consolidated<br>As at 31 December 2024 | General Insurance Contracts £m | Corporate General £m | Insurance With-Profit £m | Corporate Life £m | Investment Linked Contracts £m | Insurance Non-Participating £m | Total £m |
| Shares & other variable securities | 2,730 | 59 | 2,187 | 447 | 2,925 | - | 8,348 |
| Land & Buildings | 921 | 264 | 495 | 76 | - | - | 1,756 |
| Associates and Joint Ventures | 4 | 152 | 51 | 3 | - | - | 210 |
| Debt securities & other FI stock | 4,028 | - | 1,151 | 749 | 779 | 777 | 7,484 |
| Cash and Deposits | 257 | 33 | 119 | 103 | 56 | 21 | 589 |
| Reinsurance Assets | 188 | - | - | - | - | 27 | 215 |
| Other Assets | 1,358 | 396 | 2 | 22 | 13 | - | 1,791 |
| **Total assets** | **9.486** | **904** | **4,005** | **1,400** | **3,773** | **825** | **20,393** |
| Long Term Business Provision | - | - | 3,963 | - | - | 753 | 4,716 |
| Technical Provision for linked liabilities | - | - | - | - | 3,773 | 72 | 3,845 |
| Provision for unearned premium | 1,091 | - | - | - | - | - | 1,091 |
| Claims Outstanding | 2,627 | - | - | 62 | - | - | 2,689 |
| Derivatives Liabilities | 7 | - | - | 90 | - | - | 97 |
| Other Liabilities | 234 | 161 | 42 | 96 | - | - | 533 |
| **Total liabilities** | **3,959** | **161** | **4,005** | **248** | **3,773** | **825** | **12,971** |

| | General Business | | Long-Term Business | | | | |
|---|---|---|---|---|---|---|---|
| Consolidated<br>As at 31 December 2023 | General Insurance Contracts £m | Corporate General £m | Insurance With-Profit £m | Corporate Life £m | Investment Linked Contracts £m | Insurance Non-Participating £m | Total £m |
| Shares & other variable securities | 2,502 | 7 | 2,081 | 278 | 2,860 | - | 7,728 |
| Derivatives | 10 | - | - | - | - | - | 10 |
| Land & Buildings | 842 | 205 | 465 | - | - | - | 1,512 |
| Associates and Joint Ventures | 3 | 112 | 75 | - | - | - | 190 |
| Debt securities & other FI stock | 3,954 | - | 1,169 | 887 | 714 | 844 | 7,568 |
| Cash and Deposits | 313 | 79 | 157 | 123 | 79 | 17 | 768 |
| Reinsurance Assets | 228 | - | - | | - | 30 | 258 |
| Other Assets | 1,241 | 341 | 21 | 15 | 16 | - | 1,634 |
| **Total assets** | **9,093** | **744** | **3,968** | **1,303** | **3,669** | **891** | **19,668** |
| Long Term Business Provision | - | - | 3,907 | - | - | 809 | 4,716 |
| Technical Provision for linked liabilities | - | - | - | - | 3,669 | 82 | 3,751 |
| Provision for unearned premium | 985 | - | - | - | - | - | 985 |
| Claims Outstanding | 2,607 | - | - | 73 | - | - | 2,680 |
| Derivatives Liabilities | - | - | - | 52 | - | - | 52 |
| Other Liabilities | 205 | 163 | 61 | 23 | - | - | 452 |
| **Total liabilities** | **3,797** | **163** | **3,968** | **148** | **3,669** | **891** | **12,636** |

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 2024.

**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 38 to 44 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:

| General Business | 10% increase in Sterling £m | 10% decrease in Sterling £m |
|---|---|---|
| Net assets at 31 December 2024 | (138) | 138 |
| Net assets at 31 December 2023 | (137) | 137 |
| **Long-Term Business** | | |
| Fund for Future Appropriation at 31 December 2024 | (67) | 66 |
| Fund for Future Appropriation at 31 December 2023 | (60) | 59 |

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.

| General Business | 2024 | | | | | | 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fixed Interest Securities | | Equity | | Property | | Fixed Interest Securities | | Equity | | Property | |
| | +1% | -1% | +10% | -10% | +10% | -10% | +1% | -1% | +10% | -10% | +10% | -10% |
| Impact on profit before tax £m | (260) | 309 | 279 | (279) | 119 | (119) | (255) | 303 | 251 | (251) | 105 | (105) |
| **Total** | **(260)** | **309** | **279** | **(279)** | **119** | **(119)** | **(255)** | **303** | **251** | **(251)** | **105** | **(105)** |

| Long-Term Business | 2024 | | | | | | 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | | | | | | | | | | | | |
| Non-Participating contracts | (21) | 35 | - | - | - | - | (28) | 46 | - | - | - | - |
| With-Profit business | (38) | 37 | 70 | (72) | 5 | (6) | (50) | 54 | 68 | (70) | 1 | (1) |
| Investment business | - | - | - | - | - | - | - | - | - | - | 1 | - |
| **Total** | **(59)** | **72** | **70** | **(72)** | **5** | **(6)** | **(78)** | **100** | **68** | **(70)** | **1** | **(1)** |

### 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

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Estimate of ultimate claims costs £m** | | | | | | | | | | | |
| At end of reporting year | 889 | 909 | 958 | 1,051 | 981 | 1,006 | 1,152 | 1,319 | 1,473 | 1,519 | |
| One year later | 879 | 874 | 892 | 1,017 | 969 | 1,053 | 1,186 | 1,355 | 1,361 | | |
| Two years later | 851 | 826 | 878 | 1,007 | 988 | 1,066 | 1,202 | 1,324 | | | |
| Three years later | 810 | 795 | 869 | 1,009 | 1,005 | 1,068 | 1,180 | | | | |
| Four years later | 813 | 797 | 882 | 1,012 | 1,007 | 1,090 | | | | | |
| Five years later | 818 | 802 | 874 | 1,016 | 1,006 | | | | | | |
| Six years later | 831 | 806 | 877 | 1,019 | | | | | | | |
| Seven years later | 822 | 812 | 876 | | | | | | | | |
| Eight years later | 822 | 813 | | | | | | | | | |
| Nine years later | 820 | | | | | | | | | | |
| Current estimate of cumulative claims | 820 | 813 | 876 | 1,019 | 1,006 | 1,090 | 1,180 | 1,324 | 1,361 | 1.519 | 11,008 |
| Cumulative payments to date | (789) | (784) | (839) | (979) | (955) | (960) | (1,006) | (1,041) | (960) | (609) | (8,922) |
| **Liability recognised in balance sheet** | **31** | **29** | **37** | **40** | **51** | **130** | **174** | **283** | **401** | **910** | **2,086** |
| Reserve in respect of prior years | | | | | | | | | | | 442 |
| Reserve in respect of Long-Term Business | | | | | | | | | | | 62 |
| Other Reserves | | | | | | | | | | | 94 |
| **Total Reserve included in Parent Company balance sheet, Gross of reinsurance** | | | | | | | | | | | **2,684** |
| Reserve in respect of subsidiary undertakings | | | | | | | | | | | 5 |
| **Total Reserve included in consolidated balance sheet, Gross of reinsurance** | | | | | | | | | | | **2,689** |



## Analysis of claims development – net of reinsurance

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Estimate of ultimate claims costs £m** | | | | | | | | | | | |
| At end of reporting year | 872 | 894 | 913 | 1,002 | 959 | 981 | 1,131 | 1,304 | 1,447 | 1,489 | |
| One year later | 857 | 858 | 858 | 974 | 949 | 1,035 | 1,156 | 1,317 | 1,347 | | |
| Two years later | 835 | 807 | 846 | 971 | 975 | 1,047 | 1,166 | 1,297 | | | |
| Three years later | 792 | 783 | 837 | 973 | 994 | 1,045 | 1,154 | | | | |
| Four years later | 793 | 787 | 833 | 976 | 999 | 1,071 | | | | | |
| Five years later | 794 | 791 | 839 | 981 | 998 | | | | | | |
| Six years later | 791 | 795 | 841 | 984 | | | | | | | |
| Seven years later | 789 | 801 | 840 | | | | | | | | |
| Eight years later | 791 | 803 | | | | | | | | | |
| Nine years later | 789 | | | | | | | | | | |
| Current estimate of cumulative claims | 789 | 803 | 840 | 984 | 998 | 1,071 | 1,154 | 1,297 | 1,347 | 1,489 | 10,772 |
| Cumulative payments to date | (773) | (780) | (819) | (945) | (949) | (950) | (995) | (1,031) | (952) | (608) | (8,802) |
| **Liability recognised in balance sheet** | **16** | **23** | **21** | **39** | **49** | **121** | **159** | **266** | **395** | **881** | **1,970** |
| Reserve in respect of prior years | | | | | | | | | | | 382 |
| Reserve in respect of Long-Term Business | | | | | | | | | | | 62 |
| Other Reserves | | | | | | | | | | | 94 |
| **Total Reserve included in Parent Company balance sheet, Net of reinsurance** | | | | | | | | | | | **2,508** |
| Reserve in respect of subsidiary undertakings | | | | | | | | | | | 3 |
| **Total Reserve included in consolidated balance sheet, Net of reinsurance** | | | | | | | | | | | **2,511** |

**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<br>As at 31 December 2024 £m | AAA | AA | A | BBB | BB | Other | Carrying Value in Balance Sheet |
|---|---|---|---|---|---|---|---|
| Debt securities and other fixed/variable income securities | 330 | 1,309 | 779 | 1,195 | 49 | 366 | **4,028** |
| Assets arising from reinsurance contract held | - | 82 | 90 | - | - | 16 | **188** |
| Cash and deposits with credit institutions | - | - | 290 | - | - | - | **290** |
| Other assets | 2 | 11 | 12 | 17 | 1 | 1,045 | **1,088** |
| | **332** | **1,402** | **1,171** | **1,212** | **50** | **1,427** | **5,594** |
| **As at 31 December 2023 £m** | | | | | | | |
| Debt securities and other fixed/variable income securities | 388 | 959 | 822 | 1,132 | 250 | 403 | **3,954** |
| Assets arising from reinsurance contract held | - | 105 | 111 | - | - | 5 | **221** |
| Cash and deposits with credit institutions | - | 73 | 319 | - | - | - | **392** |
| Other assets | 2 | 8 | 11 | 20 | 1 | 925 | **967** |
| | **390** | **1,145** | **1,263** | **1,152** | **251** | **1,333** | **5,534** |

| Long-Term Business<br>As at 31 December 2024 £m | AAA | AA | A | BBB | BB | Other | Carrying Value in Balance Sheet |
|---|---|---|---|---|---|---|---|
| Debt Securities and other FI stock | 192 | 1,068 | 442 | 574 | 315 | 13 | **2,604** |
| Reassurance Assets | - | 22 | 5 | - | - | - | **27** |
| Cash and deposits with credit institutions | - | - | 241 | - | - | - | **241** |
| Loans and receivables | - | - | - | - | - | - | **-** |
| Other assets | 2 | 11 | 6 | 12 | 1 | 18 | **50** |
| | **194** | **1,102** | **694** | **586** | **316** | **31** | **2,922** |
| **As at 31 December 2023 £m** | | | | | | | |
| Debt securities and other fixed/variable income securities | 231 | 1,188 | 436 | 661 | 293 | 10 | **2,819** |
| Reinsurance assets | - | 24 | 6 | - | - | - | **30** |
| Cash and deposits with credit institutions | - | 26 | 268 | - | - | - | **294** |
| Other assets | 3 | 11 | 7 | 15 | - | 34 | **70** |
| | **234** | **1,249** | **717** | **676** | **293** | **44** | **3,213** |

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 2024.

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 2024 lent stock amounted to £584m (2023: £713m), broken down as UK Equity £40m, Eurobonds and International Equities £194m and Gilts £350m (2023: UK Equity £21m, Eurobonds and International Equities £160m and Gilts £532m).

As at 31st December 2024 accepted collateral, all in government stocks, amounted to £608m (2023: £734m).

### 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 2024 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 152 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**<br>**As at 31 December 2024 £m** | **< 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 Liabilities** | | | | | | |
| Bank Loans and other overdrafts | 24 | 125 | - | - | 149 | 149 |
| Financial liabilities under non participating investment contracts | 3,773 | - | - | - | 3,773 | 3,773 |
| Creditors | 456 | - | - | - | 456 | 456 |
| **Total Financial Liabilities** | **4,253** | **125** | **-** | **-** | **4,378** | **4,378** |
| **Insurance Liabilities** | | | | | | |
| Long-term business provision - with profit insurance contracts | 385 | 302 | 871 | 4,410 | 5,968 | 3,963 |
| Long-term business provision - non-participating insurance contracts | 85 | 72 | 199 | 637 | 993 | 753 |
| Liabilities under unit linked insurance contracts | 5 | 4 | 13 | 142 | 164 | 72 |
| Claims Outstanding (NFU Mutual General) | 1,054 | 461 | 527 | 650 | 2,692 | 2,590 |
| Claims Outstanding (Avon) | 8 | 6 | 8 | 15 | 37 | 37 |
| Claims Outstanding (Life) | 62 | - | - | - | 62 | 62 |
| **Total Insurance Liabilities** | **1,599** | **845** | **1,618** | **5,854** | **9,916** | **7,477** |
| **Total Financial and Insurance Liabilities** | **5,852** | **970** | **1,618** | **5,854** | **14,294** | **11,855** |



| **Financial and Insurance Liabilities**<br>**As at 31 December 2023 £m** | **< 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 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** |

## 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 2024 is estimated to be £6,874m (2023: £6,394m) 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 | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| **Statutory** | 7,380 | **6,994** | 7,480 | **7,085** |
| **Valuation method adjustments** | | | | |
| Net technical reserves | 1,480 | 1,304 | 1,479 | 1,304 |
| Premium debtors | (844) | (766) | (844) | (766) |
| Deferred acquisition costs | (169) | (163) | (169) | (163) |
| Pension scheme surplus | (311) | (271) | (311) | (271) |
| Deferred tax | (52) | (45) | (52) | (45) |
| Excess ring fenced funds | (599) | (667) | (585) | (648) |
| Subsidiaries fair value excess over net assets | - | - | (93) | (84) |
| Other | (11) | 8 | (31) | (18) |
| **Own Funds Solvency II (unaudited)** | **6,874** | **6,394** | **6,874** | **6,394** |

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.

| Analysis of Policyholder Liability | 2024 Total Life business £m | 2023 Total Life business £m |
|---|---|---|
| **With-Profits liabilities** | | |
| Options and guarantees | 132 | 215 |
| Other policyholder obligation | 3,831 | 3,692 |
| **Total With-Profits liabilities** | **3,963** | **3,907** |
| Unit Linked | 3,845 | 3,751 |
| Non-participating Life assurance | 753 | 809 |
| **Technical provision in balance sheet** | **8,561** | **8,467** |

### 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 2024. 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 17.0% (2023: 18.50%) and a property return volatility parameter of 20.1% (2023: 20.5%) 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 46 basis points (2023: 74 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 remained as the 2022 CMI model, the underlying base table remains unchanged. The percentage adjustments to the base table and improvements basis for the 2024 assumptions are given below. In brackets are the 2023 assumptions.

| Male | With-Profits | Non-Participating |
|---|---|---|
| Base table | PMA16 (PMA16) | PMA16 (PMA16) |
| % adjustment | 100% (100%) | 98% (98%) |
| Improvement model | CMI-2022 (CMI-2022) | CMI-2022 (CMI-2022) |
| % Long-Term rate | Average 1.30% (Average 1.30%) | Average 1.80% (Average 1.80%) |

| Female | With-Profits | Non-Participating |
|---|---|---|
| Base table | PFA16 (PFA16) | PFA16 (PFA16) |
| % adjustment | 92% (87%) | 90% (85%) |
| Improvement model | CMI-2022 (CMI-2022) | CMI-2022 (CMI-2022) |
| % Long-Term rate | Average 1.30% (Average 1.30%) | Average 1.80% (Average 1.80%) |

**Lapse Rates With-Profits**

| Product | Duration | 2024 Lapse rate % | 2023 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 | 1.22 | 0.98 |
| Personal Pension Account - Individual | All before age 55 | 1.55 | 1.12 |
| Select Pension Plan | All | 0.5 - 1.12 | 1.12 |
| Endowment | All | 1.70 | 1.17 |
| Whole of Life | All | 2.16 | 1.60 |

**Lapse Rates unit linked**

| Product | Duration | 2024 Lapse rate % | 2023 Lapse rate % |
|---|---|---|---|
| Personal Pension - Individual | All before age 55 | 1.29 | 1.04 |
| Stakeholder - Individual | All before age 55 | 1.70 | 1.19 |
| Personal Pension Account - Individual | All before age 55 | 1.65 | 1.19 |
| Capital Investment Bond | All | 3.19 | 2.75 |
| Flexibond | 1 | 1.36 | 1.22 |
| | 2 | 2.74 | 2.93 |
| | 3 | 3.27 | 2.94 |
| | 4 | 3.27 | 3.18 |
| | 5 | 3.27 | 2.75 |
| | 6 | 3.27 | 2.75 |
| | 7 | 3.27 | 2.75 |
| | 8 | 3.38 | 2.75 |

**Per-policy Expense Rates (£s)** The 2023 per-policy expenses are given in brackets.

| Product | With-Profits | Non-Participating |
|---|---|---|
| Capital Invesment Bond/Flexibond | £216.08 (£198.91) | £226.88 (£208.86) |
| Stakeholder/Personal Pension/ Personal Pension Account | £207.50 (£187.65) | £217.88 (£197.03) |
| Individual Savings Account | £175.62 (£158.59) | £184.40 (£166.52) |
| Endowments/Whole of Life | £141.75 (£123.64) | £148.84 (£129.82) |
| Conventional Pensions | £155.80 (£139.38) | £163.59 (£146.35) |
| Annuities | £123.85 (£107.50) | £130.04 (£112.88) |
| Select Pension Plan (Accumulation) | £57.56 (£47.76) | N/A |
| Select Pension Plan (Decumulation) | £63.53 (£63.83) | N/A |

### Guaranteed Annuity Take Up Rates

Assumptions are made that on average 58% of policyholders (2023: 60%) 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.



**2024**

| 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 | (12) | - | 6 | (4) |
| With-Profits business | (6) | 6 | 14 | - |
| **Total** | **(18)** | **6** | **20** | **(4)** |
| **2023** | | | | |
| **Insurance Business** | | | | |
| Non-Participating contracts | (14) | (1) | 6 | (5) |
| With-Profits business | (7) | 5 | 14 | - |
| **Total** | **(21)** | **4** | **20** | **(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) Investments according to fair value

| As at 31 December | 2024 | | | | 2023 (As restated) | | | |
|---|---|---|---|---|---|---|---|---|
| **Assets** | **Level 1 £m** | **Level 2 £m** | **Level 3 £m** | **Total £m** | **Level 1 £m** | **Level 2 £m** | **Level 3 £m** | **Total £m** |
| **Financial assets at fair value through profit or loss** | | | | | | | | |
| Investment in group undertakings and participating interests | - | - | 210 | 210 | - | - | 190 | 190 |
| Derivative Financial Instruments | - | - | - | - | - | 10 | - | 10 |
| Shares and other variable-yield securities and unit trusts | 3,924 | 1,343 | 89 | 5,356 | 3,541 | 1,254 | - | 4,795 |
| Debt securities and other fixed/variable income securities | 2,223 | 4,409 | - | 6,632 | 2,020 | 4,753 | - | 6,773 |
| Assets held to cover linked liabilities | 2,355 | 1,489 | - | 3,844 | 2,243 | 1,485 | - | 3,728 |
| | **8,502** | **7,241** | **299** | **16,042** | **7,804** | **7,502** | **190** | **15,496** |

Following a review of classification techniques, the fair value hierarchy disclosure for the year ended 31 December 2023 has been restated. The impact of which can be quantified as £977m moving from Level 2 to Level 1 for Fixed Interest Securities and £110m moving from Level 2 to Level 1 for Assets held to cover linked liabilities. The primary statements remain unaffected.

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 parent company holds investments in group undertakings and participating interests of £1,039m which are classified as level 3.

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.

| | **2024 £m** | **2023 £m** |
|---|---|---|
| **Total funds** | | |
| Balance as at 1 January | 190 | 500 |
| Total net gains recognised in the Profit and Loss Account | 3 | 19 |
| Purchases | 96 | 25 |
| Sales | - | (354) |
| Net transfers in to Level 3 | 10 | - |
| **As at 31 December** | **299** | **190** |
| Total gains for the period included in profit and loss for assets held at the end of the reporting period | 3 | 19 |

## 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 | | Profit on ordinary activities before taxation and minority interests | | Net Assets | |
|---|---|---|---|---|---|---|
| | **2024 £m** | **2023 £m** | **2024 £m** | **2023 £m** | **2024 £m** | **2023 £m** |
| General Business | 2,221 | 1,978 | 271 | 62 | 6,228 | 5,839 |
| Allocated investment return | - | - | 110 | 101 | - | - |
| **General Business total** | **2,221** | **1,978** | **381** | **163** | **6,228** | **5,839** |
| **Long-Term Business** | **195** | **173** | **-** | **-** | **1,152** | **1,155** |

#### b) Gross written premium

The gross premium income for the year by major class of business was as follows:

| **General Business** | **2024 £m** | **2023 £m** |
|---|---|---|
| Fire and Other Damage to Property | 948 | 831 |
| Third-party liability | 306 | 292 |
| Motor (third party liability) | 499 | 429 |
| Motor (other classes) | 362 | 319 |
| Accident and Health | 18 | 20 |
| Miscellaneous | 88 | 87 |
| | **2,221** | **1,978** |
| **Long-Term Business** | | |
| Life | 100 | 97 |
| Pensions | 95 | 76 |
| | **195** | **173** |

The Long-Term Business gross premium income for the year was further broken down as follows:

| | **2024 Life £m** | **2024 Pensions £m** | **2023 Life £m** | **2023 Pensions £m** |
|---|---|---|---|---|
| Periodic | 13 | 14 | 14 | 12 |
| Single | 87 | 81 | 83 | 64 |
| | **100** | **95** | **97** | **76** |
| Non-linked With-Profits | 1 | 2 | 2 | 2 |
| Non-linked non-profit | 4 | 1 | 4 | 1 |
| Unitised (including unitised With-Profits) | 95 | 92 | 91 | 73 |
| | **100** | **95** | **97** | **76** |

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

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.

The gross new business premium income for the year by major class was as follows:

| | 2024 £m | 2023 £m |
|---|---|---|
| Life | 85 | 79 |
| Annuity | - | - |
| Pensions | 83 | 66 |
| | **168** | **145** |
| Periodic | 2 | 2 |
| Single | 166 | 143 |
| | **168** | **145** |
| Non-linked non-profit | - | - |
| Unitised | 168 | 145 |
| | **168** | **145** |

### d) Gross earned premium – general business

| | 2024 £m | 2023 £m |
|---|---|---|
| Fire and Other Damage to Property | 897 | 762 |
| Third-party liability | 300 | 285 |
| Motor (third party liability) | 470 | 401 |
| Motor (other classes) | 344 | 295 |
| Accident and Health | 17 | 20 |
| Miscellaneous | 87 | 83 |
| | **2,115** | **1,846** |

### e) Gross operating expenses

Gross operating expenses excludes income received from Agents for services provided, commission income and the movement in deferred aquistion costs.

| **General Business** | 2024 £m | 2023 £m |
|---|---|---|
| Fire and Other Damage to Property | 247 | 220 |
| Third-party liability | 80 | 76 |
| Motor (third party liability) | 129 | 114 |
| Motor (other classes) | 93 | 85 |
| Accident and Health | 1 | 2 |
| Miscellaneous | 23 | 22 |
| | **573** | **519** |
| **Long-Term Business** | | |
| Life | 70 | 58 |
| Pensions | 20 | 20 |
| | **90** | **78** |

### f) Gross claims incurred

| | Gross Claims Incurred | |
|---|---|---|
| **General Business** | 2024 £m | 2023 £m |
| Claims paid | 1,463 | 1,327 |
| Change in the provision for claims | 19 | 319 |
| | **1,482** | **1,646** |
| Fire and Other Damage to Property | 672 | 697 |
| Third-party liability | 138 | 251 |
| Motor (third party liability) | 575 | 581 |
| Motor (other classes) | 19 | 32 |
| Accident and Health | 2 | 2 |
| Miscellaneous | 76 | 83 |
| | **1,482** | **1,646** |

### g) Reinsurance balance

| | Reinsurance balance | |
|---|---|---|
| **General Business** | 2024 £m | 2023 £m |
| Claims paid | (30) | (33) |
| Gross provision for claims | 39 | (19) |
| | **9** | **(52)** |
| Fire and Other Damage to Property | (1) | (15) |
| Third-party liability | 13 | (9) |
| Motor (third party liability) | (4) | (20) |
| Motor (other classes) | - | (1) |
| Accident and Health | 1 | (1) |
| Miscellaneous | - | (6) |
| | **9** | **(52)** |

### h) Reinsurance

The reinsurance balance amounted to a debit to the General Technical account of £148m (2023: £99m debit) and a debit to the Life Technical account of £1m (2023: £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 £170m (2023: £158m). Guarantee fund levies included in administration expenses amounted to £31m (2023: £33m) in the consolidated General business financial statements. Net operating expenses includes income received from Agents for services provided.

| | General Business | | Long-Term Business | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Acquisition costs | 298 | 276 | 52 | 45 |
| Increase/(decrease) in deferred acquisition costs | (7) | (16) | 1 | 1 |
| Administrative expenses | 261 | 231 | 37 | 33 |
| | **552** | **491** | **90** | **79** |

## 8 Movement In Claims Outstanding

### a) Movement in insurance liabilities and reinsurance assets

| | Consolidated 2024 | | | Consolidated 2023 | | |
|---|---|---|---|---|---|---|
| | Gross £m | Reinsurance £m | Net £m | Gross £m | Reinsurance £m | Net £m |
| **As at 1 January** | 2,680 | (217) | 2,463 | 2,352 | (198) | 2,154 |
| **Movement in Liabilities** | | | | | | |
| Arising from current year General Insurance claims | 693 | (24) | 669 | 678 | (20) | 658 |
| Arising from prior year General Insurance claims | (718) | 85 | (633) | (1,609) | 222 | (1,387) |
| Claims incurred but not reported reserve movements | 55 | (22) | 33 | 1,265 | (221) | 1,044 |
| Other General Insurance claims reserve movements | (11) | - | (11) | (15) | - | (15) |
| Long-Term claims reserve movements | (10) | - | (10) | 9 | - | 9 |
| **As at 31 December** | **2,689** | **(178)** | **2,511** | **2,680** | **(217)** | **2,463** |

| | Parent Company 2024 | | | Parent Company 2023 | | |
|---|---|---|---|---|---|---|
| | Gross £m | Reinsurance £m | Net £m | Gross £m | Reinsurance £m | Net £m |
| **As at 1 January** | 2,674 | (214) | 2,460 | 2,347 | (195) | 2,152 |
| **Movement in Liabilities** | | | | | | |
| Arising from current year General Insurance claims | 693 | (24) | 669 | 678 | (20) | 658 |
| Arising from prior year General Insurance claims | (718) | 85 | (633) | (1,609) | 222 | (1,387) |
| Claims incurred but not reported reserve movements | 55 | (23) | 32 | 1,265 | (221) | 1,044 |
| Other General Insurance claims reserve movements | (10) | - | (10) | (16) | - | (16) |
| Long-Term claims reserve movements | (10) | - | (10) | 9 | - | 9 |
| **As at 31 December** | **2,684** | **(176)** | **2,508** | **2,674** | **(214)** | **2,460** |

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 £28m (2023: £25m) for periodic payment orders.

Within the gross claims outstanding reserves are recoveries relating to salvage and subrogation of £31m (2023: £45m).

### 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 2024 we have seen decreases in prior year provisions for claims outstanding. These decreases reflect the favourable Ogden discount rate announcements for all UK jurisdictions as well as favourable experience on very large losses. However, claims inflation remains an area of uncertainty heading into 2025.

Positive run off deviations of £24m (2023: £129m) for liability were experienced in the year while motor reported a positive deviation of £18m (2023: £12m negative). Property reported a negative deviation of £68m (2023: £87m) with all other classes of business reporting a net negative deviation of £29m (2023: £80m). Positive run off deviations are calculated excluding claims handling costs.

An Unexpired Risk Reserve is included within claims outstanding of £1m (2023: £15m).

## 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 | |
|---|---|---|---|---|
| **Investment Income** | **2024 £m** | **2023 £m** | **2024 £m** | **2023 £m** |
| **Income from other financial investments:** | | | | |
| Held to maturity interest income | 13 | 10 | 12 | 14 |
| **Total interest income on financial assets not at fair value through P&L** | **13** | **10** | **12** | **14** |
| Income on financial assets at fair value through P&L | 194 | 235 | 235 | 239 |
| **Income from financial assets** | **207** | **245** | **247** | **253** |
| Income from investment property | 153 | 60 | 18 | 18 |
| Net gains on realisation of investments | 41 | 212 | 129 | 90 |
| **Total income from other financial investments** | **401** | **517** | **394** | **361** |
| **Investment Expenses and Charges** | | | | |
| Other investment management expenses | - | - | (6) | (13) |
| Net unrealised gain on investments | 187 | 135 | 208 | 361 |
| **Total Investment Return** | **588** | **652** | **596** | **709** |
| **Investment return is analysed between:** | | | | |
| Investment return retained in the LT business technical account | - | - | 596 | 709 |
| Allocated investment return transferred to the General business technical account | 110 | 101 | - | - |
| Net investment return included in the non-technical account | 478 | 551 | - | - |
| **Total Investment Return** | **588** | **652** | **596** | **709** |
| Included in the total investment return are net gains on financial assets at fair value through P&L | 228 | 347 | 337 | 451 |
| **Total net realised and unrealised gains included in investment return** | **228** | **347** | **337** | **451** |

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% (2023: 100%) of the technical reserves were supported by fixed interest securities, cash and short-term deposits.

The rate of investment return is based upon actual investment income earned in the period which for fixed interest securities was 2.90% (2023: 3.02%) and for cash and short-term deposits was 5.19% (2023: 4.40%). A 1% point increase/decrease in these above rates would result in an increase/decrease in the allocated investment return of £33m and £3m respectively (2023: £29m and £3m).

Allocation of Investment returns over past five years is shown below:

| | **2020-2024 £m** | **2019-2023 £m** |
|---|---|---|
| Actual return attributable to investment supporting the General business Technical Provisions | 42 | 90 |
| Longer term return credited to the Technical account for General business | (368) | (309) |
| | **(326)** | **(219)** |

## 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 £8,431,198 (2023: £7,448,069) in respect of salaries and short-term benefits.

The parent company does not employ any staff directly. As at the end of 2024 £nil (2023: £nil) in relation to the December 2024 contributions was due to be transferred to the pension scheme. Total employer's contributions made to the pension scheme in 2024 were £19m (2023: £17m).

The monthly average number of persons (including Executive Directors) employed by the Group during the year was:

| **By activity** | **2024 Number** | **2023 Number** |
|---|---|---|
| Underwriting and Claims | 1,947 | 1,933 |
| Administration and Finance | 1,317 | 1,282 |
| Sales and Marketing | 1,219 | 1,188 |
| | **4,483** | **4,403** |

| **Staff costs for the year** | **2024 £m** | **2023 £m** |
|---|---|---|
| Wages and salaries | 250 | 233 |
| Social security costs | 27 | 25 |
| Defined contribution scheme pension costs | 19 | 17 |
| | **296** | **275** |

## 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 108 to 120.

No Directors accrued any benefits under a defined benefit scheme during the year (2023: none).

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 2024 was £200,389 (2023: 207,090).

| By activity | 2024 £ | 2023 £ |
|---|---|---|
| Aggregate emolument | 5,125,771 | 4,947,687 |
| Excess retirement benefit to past Non-Executive Directors | 200,389 | 207,090 |
| **Highest paid Director** | | |
| Total amount of emoluments | 1,965,789 | 1,765,963 |

## 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 2024, Directors and members of senior management and/or their connected entities held General Insurance policies with a total premium income of £157,144 (2023: £132,343), Life insurance policies and Investments with a total investment of £219,779 (2023: £44,000) and paid £0 (2023: £1,920) for health and safety related services. Claims paid and Life and Investment maturities and surrenders totalled £103,893 (2023: £81,581).

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, Jonathan Priestley and Helen Jones (members of staff) and Andrew Spriggs (retired member in receipt of a pension from the scheme). Mr Bailey, Mr Priestley and Miss Jones 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 2024, the Parent Company held: 7,490,067.7017 shares (2023: 7,260,251.4573) in the Fixed Interest C sub-fund (B832473), (fomerly: Gilt & Corporate Bond C sub-fund) valued at £0.8742 per share (2023: £0.9168).
170,641.1663 shares (2023: 184,603.1722) in the UK Equity Income I sub-fund (B4ML871), valued at £46.4157 per share (2023: £44.3343).
1,112,428.9970 shares (2023: 1,078,340.2432) in the Fixed Interest I sub-fund (B4ML7P2), (fomerly: Gilt & Corporate Bond I sub-fund) valued at £22.2623 per share (2023: £27.415).
In addition, the following fund was created in 2024. At 31st December 2024, the Parent Company held: 266,717.5215 shares in the Index Linked I sub-fund (BRRHLW1), valued at £46.193 per share.

NFU Mutual Portfolio Funds OEIC
At 31st December 2024, the Parent Company held: 115,857,006.4043 shares (2023: 139,804,206.4532) in the Mixed 20-60% I sub-fund (B4MTSR5), valued at £1.7888 per share (2023: £1.721).
1,494,582.4332 shares (2023: 1,487,637.2110) in the International Equity C sub-fund (B89YL83), (fomerly: Global Growth C sub-fund) valued at £2.2835 per share (2023: £1.9638).

## 14 Profit On Ordinary Activities Before Taxation

The profit on ordinary activities before taxation is stated after charging:

| By activity | 2024 £k | 2023 £k |
|---|---|---|
| Depreciation | 12,793 | 13,538 |
| Operating lease rentals | 2,239 | 3,072 |
| **Fees payable to the company's auditor for the audit of the parent company and consolidation** | **1,536** | **1,544** |
| **Fees payable to the company's auditor and its associates for other services:** | | |
| Audit of accounts of any associate of the company | 61 | 102 |
| Audit related assurance services | 433 | 375 |
| All other non-audit services | 6 | - |
| **During the year the auditors also earned fees payable by entities outside the consolidated NFU Mutual Group in respect of the following:** | | |
| Audits of unconsolidated Open Ended Investment Companies managed by the Group | 153 | 121 |
| Audit of NFU Mutual Charitable Trust | 5 | 5 |
| Audit of the Farm Safety Foundation | 5 | 5 |
| Audit of the Retirement Benefit Scheme | 50 | - |

## 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 | | Long-Term | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| **Consolidated Income** | | | | |
| Current taxation on income for the period | 40 | 20 | 2 | 2 |
| Adjustment to prior years | 4 | - | (4) | 2 |
| | **44** | **20** | **(2)** | **4** |
| Overseas taxation | 1 | 2 | 2 | 2 |
| **Total current taxation** | **45** | **22** | **-** | **6** |
| **Deferred taxation** | | | | |
| Origination and reversal of timing differences | (24) | (22) | 27 | 28 |
| Adjustment to prior years | - | - | (1) | - |
| Impact of change of tax rate | - | (1) | - | - |
| **Total deferred taxation** | **(24)** | **(23)** | **26** | **28** |
| **Taxation on profit/(loss) on ordinary activities** | **21** | **(1)** | **26** | **34** |

### b) Tax included in other comprehensive income

| Deferred Taxation | Consolidated 2024 £m | Consolidated 2023 £m |
|---|---|---|
| Origination and reversal of timing differences | 10 | 16 |
| Impact of change of tax rate | - | 1 |
| **Total tax expense included in other comprehensive income** | **10** | **17** |

### c) Reconciliation of tax charge for the period

The tax assessed for the period is lower (2023: lower) than the standard rate of Corporation Tax in the UK for the year ended 31 December 2024 of 25% (2023: 23.5%). The differences are explained below:

| | Consolidated 2024 £m | Consolidated 2023 £m |
|---|---|---|
| Profit before tax | 381 | 163 |
| Profit multiplied by the standard rate of coporation tax in the UK of 25% (2023: 23.5%) | 95 | 38 |
| **Effects of:** | | |
| Impact of reduction rate | - | (1) |
| Realised and unrealised gains on investments | 22 | 18 |
| Non-taxable income | (17) | (13) |
| Capital allowances in excess of depreciation | 3 | 1 |
| Disallowable expenses | (3) | (4) |
| Adjustment to prior years | 4 | - |
| Losses carried back/forward | (83) | (42) |
| Tax on overseas earnings | - | 2 |
| **Total taxation** | **21** | **(1)** |

Finance Act 2021 introduced a 25% 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 | |
|---|---|---|---|---|---|---|
| **Valuation** | **2024 £m** | **2023 £m** | **2024 £m** | **2023 £m** | **2024 £m** | **2023 £m** |
| Shares in Group undertakings | - | - | 770 | 625 | 265 | 243 |
| Participating interests in associated companies | 206 | 186 | - | - | - | - |
| Participating interests in joint ventures | 4 | 4 | 4 | 4 | - | - |
| **Investment in Group undertakings and participating interests** | **210** | **190** | **774** | **629** | **265** | **243** |
| **Cost** | | | | | | |
| Shares in Group undertakings | - | - | 328 | 237 | 249 | 230 |
| Participating interests in associated companies | 160 | 136 | - | - | - | - |
| Participating interests in joint ventures | 3 | 3 | 3 | 3 | - | - |
| **Investment in group undertakings and participating interests** | **163** | **139** | **331** | **240** | **249** | **230** |

## 17 Other Financial Investments

| | Consolidated | | Parent Company General Business | | Parent Company Long-Term Business | |
|---|---|---|---|---|---|---|
| | **2024 £m** | **2023 £m** | **2024 £m** | **2023 £m** | **2024 £m** | **2023 £m** |
| **Valuation** | | | | | | |
| **Assets designated at fair value through profit or loss upon initial recognition:** | | | | | | |
| Shares and other variable yield securities | 5,356 | 4,795 | 2,730 | 2,502 | 2,537 | 2,283 |
| Debt securities and other fixed interest securities | 6,632 | 6,773 | 4,009 | 3,934 | 2,604 | 2,819 |
| **Assets at fair value through P&L, held for trading:** | | | | | | |
| Derivative financial instruments | - | 10 | - | 10 | - | - |
| **Financial assets in fair value through P&L** | **11,988** | **11,578** | **6,739** | **6,446** | **5,141** | **5,102** |
| Deposit with credit institutions | 297 | 379 | 196 | 227 | 59 | 117 |
| **Total Financial Assets** | **12,285** | **11,957** | **6,935** | **6,673** | **5,200** | **5,219** |
| **Included in the above are listed investments:** | | | | | | |
| Shares and other variable yield securities | 5,353 | 4,792 | 2,731 | 2,502 | 2,534 | 2,280 |
| Debt securities and other fixed interest stocks | 6,596 | 6,736 | 3,980 | 3,904 | 2,597 | 2,812 |
| **Cost** | | | | | | |
| **Assets designated at fair value through P&L upon initial recognition:** | | | | | | |
| Shares and other variable yield securities | 3,580 | 3,476 | 1,862 | 1,862 | 1,633 | 1,604 |
| Debt securities and other fixed interest securities | 7,595 | 7,562 | 4,357 | 4,247 | 3,216 | 3,293 |
| **Assets at fair value through P&L, held for trading:** | | | | | | |
| Derivative financial instruments | - | 10 | - | 10 | - | - |
| **Financial assets in fair value through P&L** | **11,175** | **11,048** | **6,219** | **6,119** | **4,849** | **4,897** |
| Deposit with credit institutions | 297 | 379 | 196 | 227 | 59 | 117 |
| **Total Financial Assets** | **11,472** | **11,427** | **6,415** | **6,346** | **4,908** | **5,014** |

**Stock lending collateral arrangements**

Holdings of UK Government, corporate fixed interest, UK equities and overseas securities with a value of £584m (2023: £713m) were on loan at 31st December 2024 under approved stock lending schemes. As at 31st December 2024 £608m (2023: £734m) 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.

## 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 | Freehold £m | Long Leasehold £m |
| As at 1 January at valuation | 1,407 | 81 | 781 | 32 | 280 | 50 |
| Additions | 238 | - | 105 | - | 88 | - |
| Disposals | (33) | - | (33) | - | - | - |
| Changes in Fair Value | 22 | 14 | 6 | 2 | (7) | 12 |
| Other Changes | (55) | 65 | (56) | 65 | 1 | - |
| **As at 31 December at valuation** | **1,579** | **160** | **803** | **99** | **362** | **62** |

As at 31st December 2024 the book cost of the Investment properties is £1,915m (2023: £1,699m).

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 | Freehold £m | Long Leasehold £m |
| As at 1 January at valuation | 24 | - | 26 | - | - | - |
| Changes in Fair Value | (7) | - | (7) | - | - | - |
| **As at 31 December at valuation** | **17** | **-** | **19** | **-** | **-** | **-** |
| **Total land and buildings** | **1,596** | **160** | **822** | **99** | **362** | **62** |

As at 31st December 2024 the book cost of owner occupied properties is £50m (2023: £60m). The accumulated depreciation on owner occupied properties at 31st December 2024 is £32m (2023: £31m).

Land and buildings were valued at 31st December 2024 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 subsidiaries 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* | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| **Valuation** | | | | |
| **Assets designated at fair value through profit or loss upon initial recognition:** | | | | |
| Shares and other variable yield securities | 2,992 | 2,933 | 2,992 | 2,933 |
| Debt securities and other fixed interest/variable income securities | 852 | 795 | 852 | 795 |
| **Financial assets in fair value through P&L** | **3,844** | **3,728** | **3,844** | **3,728** |
| Cash and Deposit with credit intitutions | 58 | 82 | 58 | 82 |
| Accrued Interest and dividends receivable | 14 | 15 | 14 | 15 |
| **Total Assets held to cover Linked Liabilities** | **3,916** | **3,825** | **3,916** | **3,825** |
| **Included in the above are listed investments:** | | | | |
| Shares and other variable yield securities | 2,778 | 2,684 | 2,778 | 2,684 |
| Debt securities and other fixed interest stocks | 852 | 795 | 852 | 795 |
| **Cost** | | | | |
| **Assets designated at fair value through P&L upon initial recognition:** | | | | |
| Shares and other variable yield securities | 2,183 | 2,270 | 2,183 | 2,270 |
| Debt securities and other fixed interest/variable income securities | 923 | 866 | 923 | 866 |
| **Financial assets in fair value through P&L** | **3,106** | **3,136** | **3,106** | **3,136** |
| Cash and Deposit with credit intitutions | 58 | 82 | 58 | 82 |
| Accrued Interest | 14 | 15 | 14 | 15 |
| **Total Assets held to cover Linked Liabilities** | **3,178** | **3,233** | **3,178** | **3,233** |

*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 | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Sundry debtors | 114 | 84 | 48 | 56 |
| Corporation Tax debtor | - | - | - | 3 |
| Deferred Tax asset | - | 8 | 99 | 99 |
| **As at 31 December** | **114** | **92** | **147** | **158** |

A reconciliation of the deferred tax asset in the Parent company is detailed in Note 26.

## 21 Tangible Assets

Tangible assets comprise fixtures, fittings and equipment, motor vehicles and computer assets.

| Cost | Consolidated £m | Parent Company £m |
|---|---|---|
| As at 1 January 2024 | 207 | 194 |
| Additions | 8 | 6 |
| **As at 31 December 2024** | **215** | **200** |
| **Accumulated Depreciation** | | |
| As at 1 January 2024 | 141 | 133 |
| Charge for the year | 13 | 10 |
| **As at 31 December 2024** | **154** | **143** |
| **Net Book Value** | | |
| As at 31 December 2024 | **61** | **57** |
| As at 31 December 2023 | **66** | **61** |

## 22 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 (99% owned by Harvester Properties 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 |

**Companies Incorporated in Other Jurisdictions**

| **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 2 (No. 4722) | Insurance Broker |
| The Island's Insurance Managers Limited 2 (No. 4151) | Underwriting Agency |

| **Subsidiaries Held Through Salmon Harvester Properties Limited** | |
|---|---|
| FSH Airport (Edinburgh) Services Limited (30% owned by Salmon Harvester Properties Limited) 3 (No. 4001890) | Joint Venture Property Company |
| FSH Nominees Limited (100% owned by FSH Airport (Edinburgh) Services Limited) 3 (No. 4046945) | Joint Venture Property Company |

| **Other investment in Group undertakings** | |
|---|---|
| Hathaway Opportunity Fund Limited Partnership 4 (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 11-15 Wigmore Street, London, W1A 2JZ. 4 21a Kingly Street, London, W1B 5QA.

**Interest in Special Purpose Entities**

In accordance with FRS 102 Section 9 the companies meet the definition of a 'special purpose entity' and in accordance with the requirements of that section, are consolidated within the Group financial statements.

The Group has an interest in the following Special Purpose Entities:

| | |
|---|---|
| NFU Mutual Global Real Estate LP (Incorporated in Delaware) | US Investment company |
| NFU Mutual Global Infrastructure LP (Incorporated in Delaware) | US Investment company |
| ACP (BTR Prime) I LP | Property Development |
| ACP (BTR Prime) III LP | Property Development |

The Subsidiary undertakings of the Company listed below are to take advantage of s479A Companies Act 2006 (s479A) audit exemption for the year ended 31 December 2024. NFU Mutual Insurance Society will issue a guarantee pursuant to s479A in relation to the liabilities of each entity:

| Company Name | Company Number |
|---|---|
| NFU Mutual Management Company Limited | (No. 1655167) |
| NFU Mutual Risk Management Services Limited | (No. 3350057) |
| NFU Mutual (Service Company) Limited | (No. 5311498) |
| Harvester Properties Limited | (No. 2111204) |
| Hathaway Opportunity Fund General Partner Limited | (No. 6278378) |
| Aver Property General Partner Limited | (No. 11660872) |

## 23 Joint Ventures

The Society's 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 profit attributed in relation to the joint venture in the year was £0.7m (2023: profit of £18.6m) and is included in the Consolidated Profit and Loss Account.

The Society owns 50% of the 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.

## 24 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 Group's 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 £339m (2023: £176m profit). The parent company is exempt from the requirements to file with the registrar individual accounts by virtue s448A of the Companies Act 2006.

## 25 Other Technical Provision

Within the technical provision claims outstanding an unexpired risk reserve has been included for £1m (2023: £15m).

Avon run-off business was reinsured to NFU Mutual in 2006. The value of this included within claims outstanding in 2024 within the parent company is £31m (2023: £29m).

## 26 Provisions for Other Risks and Charges

| | Consolidated | | Parent Company General Business | | Parent Company Long-Term Business | |
|---|---|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Motor Insurers' Bureau levy | 20 | 20 | 20 | 20 | - | - |
| Deferred Tax provision | 5 | - | - | - | - | - |
| **As at 31 December** | **25** | **20** | **20** | **20** | **-** | **-** |

The Group is a member of the Motor Insurers' Bureau. Of the provision brought forward, £20m has been utilised during the year and a further charge of £20m made in 2024.

### Deferred Tax

| **The provision for Deferred Taxation comprises:** | Consolidated | | Parent Company General Business | | Parent Company Long-Term Business | |
|---|---|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Unrealised gains on investments | (167) | (142) | (48) | (46) | (119) | (96) |
| Unused tax losses (no expiry limit) | 260 | 233 | 197 | 168 | 63 | 65 |
| Deferred acquisition costs | - | 1 | - | - | - | 1 |
| Pension Scheme surplus/(deficit) | (104) | (90) | - | - | - | - |
| Capital allowances | 2 | 2 | (1) | (1) | 3 | 3 |
| Other short term timing differences | 4 | 4 | 4 | 5 | - | - |
| **(Liability)/Asset as at 31 December** | **(5)** | **8** | **152** | **126** | **(53)** | **(27)** |

| **Movement on Deferred Taxation** | Consolidated | | Parent Company General Business | | Parent Company Long-Term Business | |
|---|---|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Balance at 1 January | 8 | 30 | 126 | 101 | (27) | - |
| Unrealised gain/(loss) on investments | (25) | (67) | (2) | (46) | (23) | (21) |
| Unused tax losses (no expiry limit) | 27 | 60 | 29 | 67 | (2) | (6) |
| Deferred acquisition costs | (1) | 1 | - | - | (1) | - |
| Pension Scheme Assets | (14) | (20) | - | - | - | - |
| Capital allowances | - | (1) | - | (1) | - | - |
| Other short term timing differences | - | 5 | (1) | 5 | - | - |
| **(Liability)/Asset as at 31 December** | **(5)** | **8** | **152** | **126** | **(53)** | **(27)** |

Finance Act 2021 introduced a 25% 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 came into effect on 1 January 2024.

| Unrecognised Deferred Tax Assets | Consolidated 2024 £m | Consolidated 2023 £m | Parent Company General Business 2024 £m | Parent Company General Business 2023 £m | Parent Company Long-Term Business 2024 £m | Parent Company Long-Term Business 2023 £m |
|---|---|---|---|---|---|---|
| Losses for which no deferred tax is recognised | 210 | 452 | 119 | 400 | 68 | 41 |

There is no current expiry limit on these tax losses which are primarily due to investment market conditions at 31 December 2022.

The value of the net reversal of deferred tax balances expected to occur within one year of the Balance Sheet date is £29m (2023 £13m) for the parent company General business and £17m (2023 £15m) for the parent company Long-Term business. These primarily relate to the reversal of timing differences on portfolio equity investments and carried forward tax losses.

Unrecognised deferred tax assets include capital losses which are not recognised as their use is restricted. There is no current expiry limit on these tax loses.

## 27 Other Creditors Including Taxation And Social Security

All creditors are payable within a period of five years. Intergroup balances are payable on demand.

| | Consolidated 2024 £m | Consolidated 2023 £m | Parent Company 2024 £m | Parent Company 2023 £m |
|---|---|---|---|---|
| Derivative liabilities | 97 | 52 | 97 | 52 |
| Corporation tax | 11 | 3 | 8 | - |
| Other taxation | 71 | 66 | 65 | 60 |
| Other | 3 | 27 | (1) | 11 |
| **As at 31 December** | **182** | **148** | **169** | **123** |

HMRC have issued no further guidance on the taxation of foreign dividends. As recovery of the claims remains uncertain, the provisions as at 31 December 2024 have not been adjusted.

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 came into effect on 1 January 2024.

Derivative liabilities represent interest rate swaps to cover interest rate risk associated with financial instruments being held during the year and at 31st December 2024.

## 28 Retirement Benefit Schemes

The Group operates the Retirement Benefit Scheme (RBS) of The National Farmers Union Mutual Insurance Society Limited which provides members with benefits on a Defined Benefit and Defined Contribution basis. The defined benefit section of the Scheme is closed to new members and closed to future accrual with effect from 31 December 2016, but retains salary linkage for active members. The assets of the two sections of the scheme are held in separate trusteeadministered funds and cover all material obligations to provide pensions to retired and current employees.

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 2025.

The principal assumptions used by the actuaries were:

| % Consolidated | 2024 | 2023 |
|---|---|---|
| Rate of increase in salaries | 3.90 | 3.75 |
| Rate of increase in pensions | 3.00 | 2.90 |
| Discount rate | 5.45 | 4.50 |
| Retail Price Inflation | 3.25 | 3.10 |
| Pension increase for deferred benefits | 2.70 | 2.50 |

| Post retirement assumptions<br>Longevity at age 65 for current pensions 2024 | 2023 |
|---|---|
| S4NMA_L for males and S4NFA for females with a multiplier of 1.14 for males and 1.07 for females. | S2NMA_L for males and S2NFA for females with a multiplier of 1.00 for males and 0.90 for females. |
| CMI 2023 projections (with 0.15% initial addition), with a 1.50% long term trend. | CMI 2022 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 2024 % of total fair value of scheme assets | Consolidated 2024 £m | Consolidated 2023 % of total fair value of scheme assets | Consolidated 2023 £m |
|---|---|---|---|---|
| Equities | 28.61% | 280 | 35.26% | 353 |
| Bonds | 70.57% | 691 | 63.14% | 632 |
| Other | 0.82% | 8 | 1.60% | 16 |
| Total fair value of assets | | 979 | | 1,001 |
| Present value of scheme liabilities | | (564) | | (640) |
| **Surplus in the scheme** | | **415** | | **361** |

Of the surplus of £415m (2023: £361m surplus), £78m (2023: £65m) 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)**

| | 2024 £ | 2023 £ |
|---|---|---|
| As at 1 January | 640 | 667 |
| Current Service Cost | 1 | 1 |
| Interest Cost | 28 | 31 |
| Disbursements from Scheme Assets | (33) | (32) |
| Net Actuarial gain | (72) | (27) |
| **As at 31 December** | **564** | **640** |

The present value of unfunded and wholly or partly funded post retirement benefit obligations for Defined Benefit and Defined Contribution schemes are as follows:

| | 2024 £ | 2023 £ |
|---|---|---|
| Wholly or partly funded obligation | 919 | 942 |
| Defined Benefit scheme | 564 | 640 |
| Defined Contribution scheme | 355 | 302 |
| **As at 31 December** | **919** | **942** |

The actual return on scheme assets in the year was a gain of £12m (2023: gain of £82m).

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)**

| | 2024 £ | 2023 £ |
|---|---|---|
| As at 1 January | 1,001 | 952 |
| Interest income on scheme assets | 44 | 45 |
| Disbursements | (33) | (33) |
| Return on scheme assets greater than discount rate | (33) | 37 |
| **As at 31 December** | **979** | **1,001** |

**Analysis of the amount charged to Operating Profit (included in Net Operating Expenses)**

| | 2024 £ | 2023 £ |
|---|---|---|
| Current service cost | 39 | 35 |
| Past service cost | - | - |
| | | |
| **Total operating charge** | **39** | **35** |
| **Analysis of amount credited to profit and loss** | | |
| Interest income on scheme assets | 44 | 45 |
| Interest on pension scheme liabilities | (28) | (31) |
| | **16** | **14** |
| **Analysis of amount recognised in statement of other comprehensive income** | | |
| Return on scheme assets greater than discount rate | (33) | 37 |
| Remeasurement of the defined benefit obligation | 72 | 27 |
| | | |
| **Actuarial gain recognised in Statement of Other Comprehensive Income** | **39** | **64** |

The Scheme surplus has increased during 2024, mainly due to a significant increase in discount rate and, to a lesser extent, interest on the surplus from the prior year-end using the start of the year discount rate, updated mortality assumptions leading to lower life expectancy and salary increases over the year being lower than assumed.

This has been offset to an extent by asset returns over the year being lower than expected (relative to the prior year-end discount rate) coupled with the impact of allowing for updated census data.

The actuarial gain due to economic/demographic experience (including any assumption changes) was £71.8 million and the loss from investment return being different from assumed during the prior period was £32.5 million.

## 29 Commitments

### a) Capital commitments

Capital expenditure contracted for but not provided in these financial statements at 31st December 2024 amounted to £64m (2023: £105m).

### b) 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:

| | 2024 £ | 2023 £ |
|---|---|---|
| Within one year | 6 | 7 |
| Between one and five years | 11 | 12 |
| Later than five years | - | - |
| **As at 31 December** | **17** | **19** |

### c) 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:

| | 2024 £ | 2023 £ |
|---|---|---|
| Within one year | 86 | 67 |
| Between one and five years | 294 | 218 |
| Later than five years | 383 | 302 |
| **As at 31 December** | **763** | **587** |

## 30 Cash Flow Statement

### a) Reconciliation of profit before tax to net cash inflow from operating activities

| | 2024 £ | 2023 £ |
|---|---|---|
| **Profit for the financial year** | **360** | **164** |
| **Adjustments for:** | | |
| Tax charge / (credit) on ordinary activities | 21 | **(1)** |
| Interest and dividend income | (401) | (517) |
| | **(20)** | **(354)** |
| Increase in debtors, prepayments and accrued income | (179) | (162) |
| Increase / (decrease) in creditors, accruals and deferred income | 72 | (79) |
| Increase in technical provisions | 164 | 440 |
| Decrease in stocks | - | 17 |
| Unrealised investment gain recognised in P&L | (187) | (135) |
| Other non-cash adjustments | (9) | (7) |
| Depreciation and disposals of tangible assets | 13 | 14 |
| **Net cash outflow from operating activities** | **(146)** | **(266)** |

### b) Analysis of changes in cash and cash equivalents

| | As at January 2023 £m | Cash Flows £m | As at December 2023 £m |
|---|---|---|---|
| Cash at Bank and in hand | 307 | (72) | 235 |
| Less: Long-Term business | (159) | 5 | (154) |
| | **148** | **(67)** | **81** |
| Short term deposits (note 17) | 379 | (83) | 296 |
| Less: General business deposits with maturity date greater than 3 months | (244) | 35 | (209) |
| Less: Long-Term business | (135) | 48 | (87) |
| **Cash and cash equivalents** | **148** | **(67)** | **81** |

## 31 Amounts Owed To Credit Institutions

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Bank loans | 149 | 123 | - | - |
| **As at 31 December** | **149** | **123** | **-** | **-** |

The loan held in Hathaway Opportunity Fund is a term loan. The interest rate is 1.7% above SONIA. The current maturity date of the loan is 30 June 2026. Loans held in Aver Property Limited Partnership comprise a term loan with a fixed interest rate of 2.81% and maturity date of 27 February 2025, and a term loan with an interest rate above SONIA of 2.8% and a maturity date of 16 October 2026.

## 32 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 Profit</th><th>COR</th></tr>
<tr><td>Technical Account Result</td><td>£2,221m</td><td>£35m</td><td></td></tr>
<tr><td>Allocated investment income</td><td>-</td><td>(£110m)</td><td></td></tr>
<tr><td>Mutual bonus written/earned</td><td>£238m</td><td>£243m</td><td></td></tr>
<tr><td>Alternative performance measure KPI</td><td>£2,459m</td><td>£168m</td><td>92.4%</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 129).</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 2024 was £5m (2023: £nil).</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>2024 £bn</th><th>2023 £bn</th></tr>
<tr><td>General Business</td><td>Mutual General</td><td>8.3</td><td>7.9</td></tr>
<tr><td rowspan="4">Life business</td><td>Mutual Life</td><td>9.6</td><td>9.4</td></tr>
<tr><td>RBS</td><td>1.0</td><td>1.0</td></tr>
<tr><td>OEICS</td><td>2.0</td><td>1.9</td></tr>
<tr><td>Total</td><td>20.9</td><td>20.2</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 policies 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 131).</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>477</td></tr>
<tr><td>Contributions unrelated to the corporation tax charge</td><td>(431)</td></tr>
<tr><td>Net corporation tax relating to prior/future periods</td><td>(1)</td></tr>
<tr><td>Deferred tax credit to the corporation tax charge</td><td>2</td></tr>
<tr><td>Total corporation tax credit</td><td>47</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>21</td></tr>
<tr><td>Long-Term Account</td><td>26</td></tr>
<tr><td>Total corporation tax credit</td><td>47</td></tr>
</table></td></tr>
</table>

* Alternative Performance Measure (APM)

MS010SEC0325