REPORT AND ACCOUNTS 2022

NFU Mutual
INSURANCE | PENSIONS | INVESTMENTS

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CHAIRMAN'S STATEMENT

At NFU Mutual during 2022, we have remained resolute in our long-term focus and commitment to always support our members. During yet another year of challenges on a global scale affecting all businesses, our organisation was impacted by the economic effects of the geo-political landscape, with high levels of inflation and particularly tough market conditions leading to significant reductions in business, consumer and investor confidence.

Despite these challenges, NFU Mutual's underlying financial, capital and solvency position remained strong, with our continued focus on long term growth enabling resilience to short term volatility. Although driven primarily by unrealised losses, the Group has nonetheless experienced a loss of £1,049m for 2022 (2021: £182m profit).

This organisation has been here for our members through many events in our long history, including more recently the global recession and the worldwide pandemic. In 2022, our focus on our members was unwavering and we provided £247m in Mutual Bonus. Our ability to reward customer loyalty in this way, even during a year like 2022, is a result of this organisation's focus on the long-term and the solid financial position we have built over the years.

With the crisis in Ukraine starting in early 2022, we announced we would divest our Russian holdings at the earliest opportunity. We have provided support to the people of Ukraine and as well as our £150,000 donation to the Disasters Emergency Committee Appeal, we signed up to the Association of British Insurers' pledge to provide insurance for housing refugees and using vehicles for humanitarian aid.

At NFU Mutual we do business responsibly and in 2022 we refreshed our responsible business strategy with a focus on Environmental, Social and Governance (ESG) factors. This work flows through all areas of the business and is central to our values and culture.

We donated to local front-line charities through the hugely successful Agency Giving Fund and to national and regional charities through the NFU Mutual Charitable Trust. We also provided financial support to the Farm Safety Foundation, to help them continue their vital work in raising awareness of farm safety and the mental wellbeing of farmers. In 2022 our charitable donations reached a total of £3.25m.

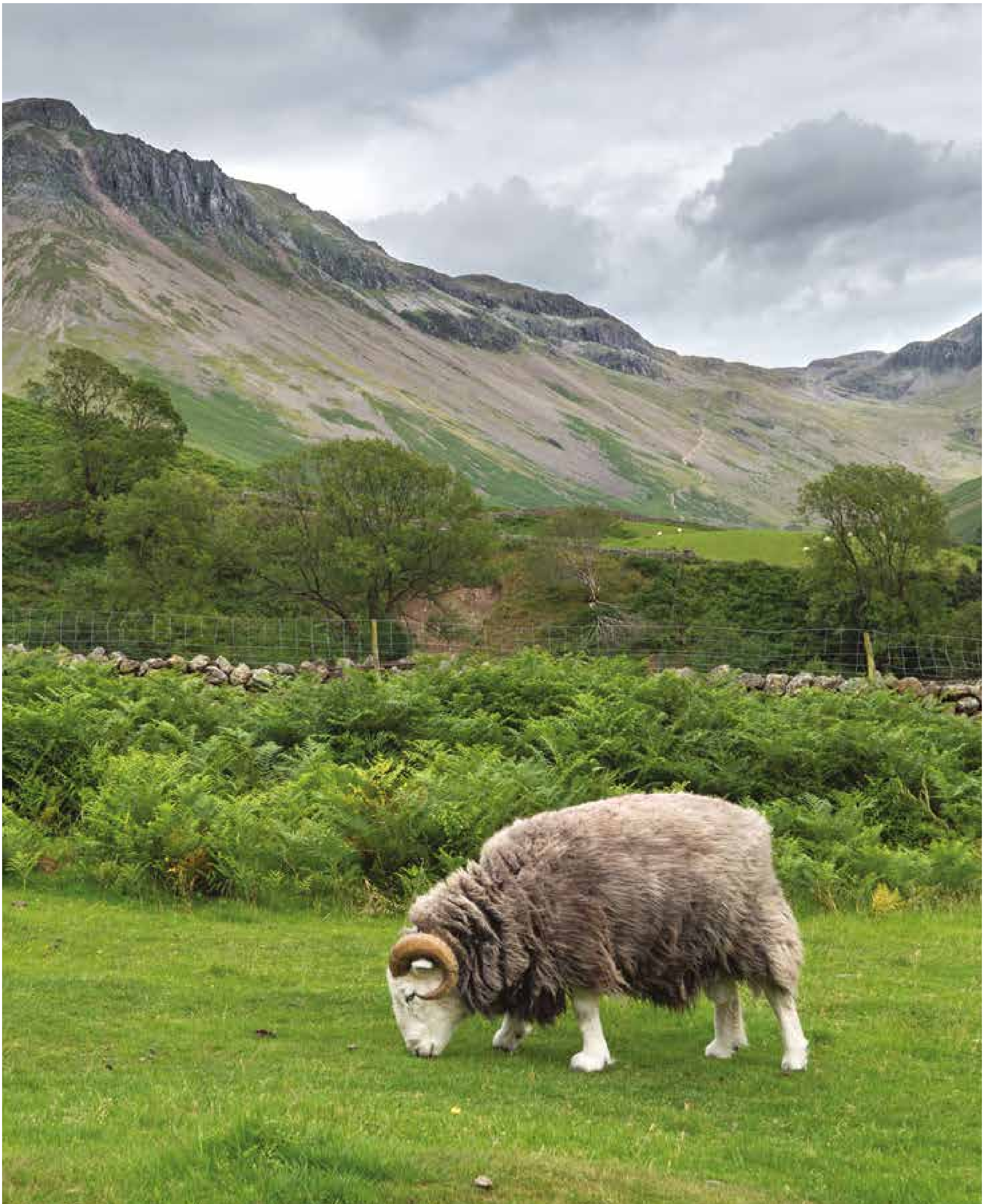
We continued to provide funding for the UK's main farming unions as they work with government to keep agriculture at the forefront of the minds of UK politicians, retailers and consumers and in 2022 made a voluntary donation of £8.1m to help them carry out their vital role. We are also continuing to help farmers to protect themselves from rural crime and last year we invested over £400,000 in rural crime initiatives.

Our aim is to make a positive impact on society not only through our charitable work but also through our response to climate change. We want to build a more sustainable future for the communities we serve, and early in 2022 we launched our roadmap to net zero emissions by 2050. It gives us a clear mission, underlines our commitment to our climate change strategy, and will help us drive improvements where required. Our roadmap will evolve over time and initially we have targeted emissions from our own operations and those arising from investment portfolios, with the aim of achieving 50% reduction by 2030, compared to a 2019 base year. We also set a short-term target to achieve 25% reduction in our own emissions by 2025, which we have already exceeded. Further details on these can be found in the responsible business and climate change sections of this report.

In 2022, we also became signatories to the Principles for Responsible Investment (PRI), an independent international network of investors working together to develop a more sustainable global financial system.

What I am most proud of in 2022 is our focus on serving the needs of our customers during an extremely difficult year. We could not achieve this without our committed network of agents, their staff, our people and loyal customers. Together we have a unique organisation that continues to stand the test of time and I would like to thank you all for the vital part you play.

Jim McLaren
Chairman



FINANCIAL HIGHLIGHTS

GROUP

(£1,049m)
Consolidated loss for the financial year
2021: £182m Profit

£19.2bn
Total Funds under Management*
2021: £22.2bn

GENERAL INSURANCE

£1,987m
GWPI before Mutual Bonus*
2021: £1,825m

(£167m)
Underwriting loss*
2021: £89m Loss

109.3%
Combined Operating Ratio (COR)*
2021: 105.4%

FINANCIAL SERVICES LIFE

£69.8m
APE – New Business*
2021: £72.7m

£11.7bn
Life Funds under Management*
2021: £13.7bn

* We use a range of alternative performance measures (APM) to assess business performance some of which are not defined or specified under the requirements of Financial Reporting Standards. They provide readers with important additional information on our business. A glossary explains why we have chosen to use them (page 198).

CHIEF EXECUTIVE'S STATEMENT

In 2022, NFU Mutual faced many challenges, however it was a year where we once again demonstrated that our financial and strategic foundations are solid.

The crisis in Ukraine has immense humanitarian ramifications in addition to significant macro-economic repercussions. Our investments were impacted by a volatile trading year for global markets and Group funds ended the year at £19.2bn (2021: £22.2bn). Last year was a particularly difficult time for investors as a wide range of investment asset classes were affected. Although the value of investments will always be influenced by differing macro-economic factors, our investment strategies are focused on delivering long-term growth and we were therefore well placed for the changing market environment in 2022 which helped us outperform many of the benchmarks.

The rise in key commodity prices added to post-pandemic recovery pressures causing the highest levels of inflation seen in 40 years. This rising inflation, as well as last year's weather volatility, affected the General Insurance business which delivered an underwriting loss before Mutual Bonus of £167m (2021: £89m loss). The weather in 2022 started in a similar fashion to the end of 2021 in the wake of Storm Arwen. February saw extreme weather conditions across the UK from storms Dudley, Eunice and Franklin, which resulted in nearly 13,000 claims. The impact on our customers was far-reaching – fallen trees, branches and debris caused damage to vehicles and machinery, while high wind speeds of up to 120mph ripped roofing sheets and cladding off homes and farm buildings. We also saw widespread power outages disrupting farm work and transport routes.

At the other end of the weather scale, during the record-breaking heatwave in July, we received nearly 600 claims directly relating to the extreme temperatures. Many of these claims were from our farming customers with hundreds of devastating fires affecting fields, buildings, machinery and agricultural vehicles. December then also brought a freeze with many parts of the country affected by ice, fog and snow, causing a surge of escape of water claims.

The combination of factors affecting both our 2022 investment performance and General Insurance result led to the Group delivering a loss of £1,049m (2021: £182m profit), largely due to unrealised investment losses reflecting market falls.

Despite this, the business' underlying financial position remained strong, with overall profits in excess of £2bn seen over the past ten years.

In 2022 our solvency ratio improved by 14% to 218% (2021: 204%), showing that we have the capital strength to continue to focus on our members and do what we are ultimately here to do – pay our customers claims when they need us. Last year, we paid out on 97% of claims which speaks volumes about this organisation. Our financial stability also meant that in 2022 we could again award significant Mutual Bonus and we provided £247m of savings to our General Insurance members to reward their loyalty.

We saw healthy persistency levels of 95.2% (2021: 95.5%) and to see so many customers renewing with us and staying loyal despite the cost-of-living crisis is a great accomplishment. Sales performed well and our Gross Written Premium Income showed an increase of 8.9% to £1,987m (2021: £1,825m) which reflects higher average premiums driven by the economic environment. Although both factors mitigated some of the impact, our Combined Operating

* Gross Written Premium Income before Mutual Bonus as a non-statutory performance, see Glossary on page 198.

Ratio (COR) ended the year at 109.3% (2021: 105.5%), however we remain aligned with our aim to achieve a COR before Mutual Bonus of 98% over the long-term.

I have mentioned the effects of the economic situation on NFU Mutual but of course the effects on our members, their businesses and households are huge and ongoing. We saw this in our pensions and investments business and although customers continued to seek advice during the cost-of-living crisis their appetite and ability to invest was affected. This meant that despite a good start to the year the financial services business ended with an Annual Premium Equivalent (APE) of £69.8m (2021: £72.7m).

NFU Mutual Agents also felt the effects of the tough economic environment and we continued to support their businesses and help them look after their staff and keep their livelihoods stable during uncertain times. They do hugely important work and I would like to thank everyone working in our Agency offices. They are central to our business and to us delivering a local, personal and attentive service that is second to none.

Our three long-term objectives also remain central to how we do business at NFU Mutual – achieving sustainable profitable growth, being a great company to do business with, and a great place to work. These objectives really do run through NFU Mutual at all levels and in everything we do. My fellow Executive Board Directors and I have key performance indicators that must link to these objectives, as do all our people as well as the project and change programmes we undertake. Tethering all our activities to these measures ensures that we are all continuing to work towards the same goals. The culture that we have developed at NFU Mutual over the years is something that is not often experienced in business, and I would like to thank all of our people for their continued dedication.

I would also like to thank our customers who are a defining part of this business. For many, NFU Mutual has been a constant for their family and businesses over several generations, and we really do value such loyalty. During 2022 we have experienced some of the most challenging market conditions in over 20 years, but through prioritising our relationship with our members, calmly adapting to change and hard work, NFU Mutual has delivered for our customers, and will continue to do so for many years to come.

Nick Turner
Group 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.

At the heart of our strategy, we protect and enhance the lives of our customers and rural communities by delivering a local, personal and attentive service that is second to none.

As part of the very fabric of rural life, we are committed to making positive impacts for our customers, our people, for farming and rural businesses and communities, and for the environment, by doing business the right way.

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 customers with complex insurance needs alongside a range of products for those whose requirements are less complex and more standard.

Our Financial Advisers offer advice on life assurance, investment and pension products, supported by Non-Advised Sales Consultants who provide non-advised services. We offer a broad range of products to meet the needs of our members.

Our strategy

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

Sustainable profitable growth

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

Key Performance Indicators used:

- Group Financial Performance
- Group Funds Under Management

We will continue to leverage our financial strength to sustain our business for current and future generations of customers. We strive to build on our strengths and diversify into targeted segments 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 £19.2bn (2021: £22.2bn) which is managed by a dedicated investment and property management team. Although in the short term our investments are subject to normal market movements, our strategy is long-term and focuses on building quality, sustainable portfolios for both our Life and General Insurance Business funds.

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

Great company to do business with

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

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

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

Key Performance Indicators used:

- Persistency

Great place to work

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

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

Key Performance Indicators used:

- Employee Engagement Score

General insurance business strategy

Our long-term strategy to generate both customer and business value differentiates us in an increasingly commoditised and competitive general insurance market.

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

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

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

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

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

Key Performance Indicators used:

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

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

Financial services business strategy

We remain firmly committed to growing our Financial Services business sustainably by strengthening our relationships with and understanding of our customers, to help meet a broad range of their 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:

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

We provide in-house Financial Services products and services where we can demonstrably add value, they are otherwise provided by carefully selected partners and we use the following Key Performance Indicators to track and measure our progress against delivering the strategy.

Key Performance Indicators used:

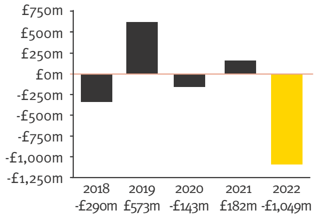
- Annual Premium Equivalent
- Life Funds under Management

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

STRATEGIC OBJECTIVE KPIs

Sustainable profitability growth (Group)

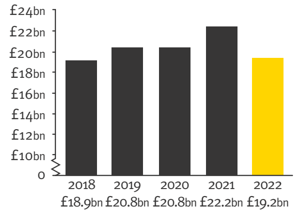
Consolidated result for the Year



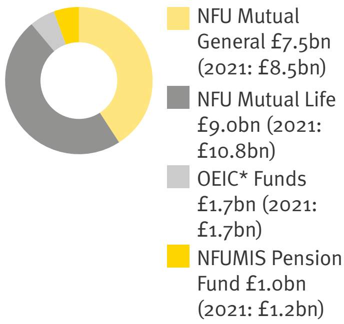
The Group delivered an overall loss of £1,049m (2021: £182m profit), largely due to unrealised investment losses reflecting asset value falls.

Investments were impacted by a volatile trading year for global markets, resulting in a reduction to the funds under management. However, our portfolios performed well against benchmarks in the circumstances. Our core insurance business was affected by rising inflation, alongside a year of severe weather. Despite this, our balance sheet remained strong, and even in a year of such difficulties we still provided a significant Mutual Bonus of £247m to our members.

Funds Under Management*



Global markets were hit significantly in 2022 although our investments generally performed well in comparison to overall market performance. Group funds ended the year down by £3bn at £19.2bn (2021: £22.2bn) reflecting Group losses and reductions in Life fund values (Mutual Life, OEIC and Pension Funds).

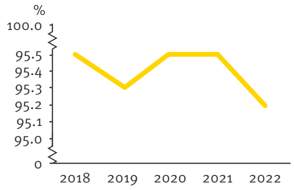


The General Business Fund saw a loss of -8.8% in 2022 which took our 3-year annualised returns to -0.7%, showing an improved position ahead of the benchmark.

Our investment strategy is focused on long-term growth to ensure resilience during such market volatility and our Group solvency ratio remained extremely strong at 218% (2021: 204%).

Great company to do business with

Persistency (General Insurance business)*



Our persistency levels remained high at 95.2% (2021: 95.5%) with customers continuing to renew their policies with us and remaining loyal despite the cost of living crisis.

Great place to work

Employee engagement

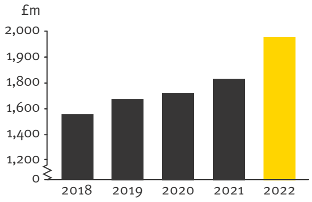
GALLUP

Our employee engagement remained at world class levels in 2022. We were again awarded the Gallup Exceptional Workplace Award – the only UK-headquartered company to achieve this in 2022 and one of only 41 globally.

Sustainable profitable growth (General business)

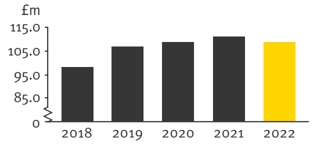
Gross Written Premium Income (GWPI)*

Our Gross Written Premium Income before Mutual Bonus of £1,987m (2021: £1,825m) showed an increase of 8.9%, reflecting higher average premiums, driven by the external economic environment, as well as excellent levels of customers renewing their policies.



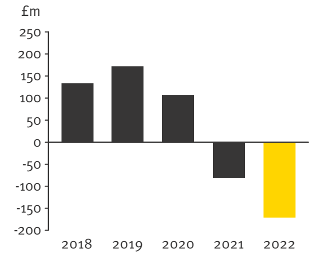
New business

New business was slightly lower than the previous year at £106m (2021: £111m), reflecting a reduction in quoted volumes, with less customers switching provider across the market.



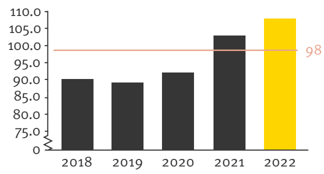
Underwriting profit and loss*

Our General Insurance Business ended the year with an underwriting loss of £167m (2021: £89m loss). This result reflects a year of weather volatility with winter storms, summer heat and a freeze in late December, coupled with a challenging year for claims costs due to the economic and inflationary effects of the geo-political landscape, including the war in Ukraine.



Combined Operating Ratio (COR)*

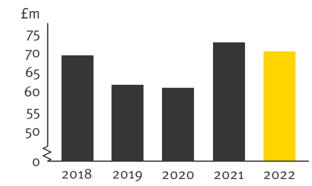
In 2022 our Combined Operating Ratio (COR) ended the year at 109.3% (2021: 105.4%). The impact of rising claims costs due to global inflationary pressures, as well as the severe weather and the strengthening of prior year reserves, contributed to this result. Healthy persistency levels and premium growth mitigated the impact, and we remain aligned with our aim to achieve a COR of 98% over the long-term.



Sustainable profitable growth (Life business)

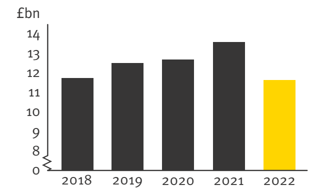
Annual Premium Equivalent (APE)*

Despite a good start to the year our pensions and investments business ended the year with an Annual Premium Equivalent (APE) of £69.8m (2021: £72.7m). This reflected the market volatility seen as the year progressed leading to a reduction in consumer confidence against the backdrop of the cost of living crisis.



Life funds under management*

Life fund values decreased in 2022 to £11.7bn (2021: £13.7bn) due to the decline in global stock markets throughout the year.



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BUSINESS REVIEW 2022

Finance Director, Richard Morley

The group delivered an overall loss of £1,049m in 2022 (2021: £182m profit), with underwriting performance and investments impacted by significant external factors.

The General Insurance (GI) business was affected by rising inflation, alongside a year of severe weather, contributing to an underwriting loss for the year of £167m (2021: £89m loss).

Investments were impacted by a volatile trading year for global markets, resulting in a reduction to funds under management and an overall investment loss (largely unrealised) of £759m (Allocated Investment return + Investment return). However, we performed well in the circumstances, and ahead of many of the relevant benchmarks.

Our strategy is focused on long-term growth and underpins our resilience to market volatility. We have experienced strong returns in prior years with total profits generated in excess of £2bn over the past ten years.

Despite a loss on both General Insurance and Investments we were able to provide a significant Mutual Bonus of £247m, as this is underpinned by our balance sheet strength and our ability to absorb short term asset value falls.

	2022	**2021**
Underwriting loss	(£167m)	(£89m)
Mutual Bonus Earned*	(£249m)	(£251m)
Allocated Investment Return	£71m	£46m
Balance on the Technical Account	**(£345m)**	**(£294m)**
Investment Return	(£830m)	£555m
Other Income and Expenses	(£40m)	(£41m)
Taxation	£166m	(£38m)
Profit / (Loss) for the year	**(£1,049m)**	**£182m**

* Mutual bonus earned is calculated as mutual bonus written (£247m) and the movement in the unearned mutual bonus reserve (£2m).

Our pensions and investments business achieved an Annual Premium Equivalent (APE) of £69.8m for the year (2021: £72.7m), reflecting a decline in customers looking to invest during the cost of the living crisis.

Financial performance – Group

Ending the year with a net negative return, the performance of our investment portfolio reflects the volatility seen across global markets during 2022. As a response to the Ukraine conflict, we announced our intention to actively divest from Russian holdings at the earliest opportunity. We have done this wherever possible, however some markets have been closed since the start of the crisis. Our underlying financial, capital and solvency position has remained very strong, with the Solvency Coverage Ratio (which measures how much of our "own funds" are available to cover our regulatory capital requirements) improving to 218% as at 31st December 2022 (2021: 204%).

The operating performance within our General Insurance business has benefitted from solid premium growth, however a challenging claims environment, due to increased costs relating to inflation and weather, has led to an overall underwriting loss for the year.

Our balance sheet remains resilient, although assets under management decreased to £19.2bn in 2022 (2021: £22.2bn). The value of investments will always be affected by macro-economic factors, for 2022 returns on fixed interest assets were particularly impacted by rising inflation and interest rates through the year, with commercial property valuations also falling significantly in the later months. In what was also a difficult year for many equities, the UK market proved more resilient to these elements and our international equity losses were softened by the benefit of currency moves. Our investment strategy, which is focused on long-term growth, was relatively well placed for this changing market environment and we outperformed many of the benchmarks.

General Insurance

Gross Written Premium Income

GWPI of £1,987m, a growth of 8.9%, with healthy persistency of 95.2%.

Gross Written Premium Income has increased to just over £1,987m with a 8.9% increase on last year (2021: £1,825m). The good sales performance is underpinned largely by higher average premiums, driven by the external economic environment, and ongoing healthy persistency levels (the percentage of policies renewed each year) of 95.2% (2021: 95.5%). Our local, personal approach continues to see higher volumes of advised sales generated than in previous years.

New Business was slightly lower than the previous year at £106m (2021: £111m), with low quote volumes seen across the market during the year, with less customers switching provider.

Underwriting result

The underwriting loss of £167m (2021: £89m loss) reflects the challenging economic environment and weather conditions as we continue to support our customers and pay out on claims.

Claims costs in 2022 were adversely impacted by three large storms at the start of the year, as well as heat related claims through the summer months, particularly affecting commercial customers, and a freeze at the end of the year. This was coupled with rising claims costs due to the economic and inflationary effects of the geo-political landscape, including the crisis in Ukraine, and supply chain challenges. In addition, prior year reserves have been strengthened in line with increasing inflation.

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 109.3% reflects the impact of inflationary pressure on the cost of claims, alongside increased weather frequency and severity and prior year reserve strengthening.

The combination of higher average premiums and the continued resilience of persistency has helped to mitigate some of the weather and inflationary impacts on claims, resulting in a COR of 109.3% (2021: 105.4%).

Weather is priced for over the long term and whilst 2022 has seen a higher level of weather claims, leading to an impact on the COR result, the average claims experience remains within expected levels.

Across a 10 year rolling period we remain within our 98% aim, with this result continuing to reflect our strategy to write profitable and sustainable business whilst offering outstanding levels of customer service and our ability to adapt 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 2022 we provided £247m (2021: £250m) in Mutual Bonus.

Our Mutual Bonus scheme enables us to reward the loyalty of our General Insurance customers with a saving on the renewal premium of their GI policies. Despite the difficult trading environment experienced in 2022, we provided £247m of Mutual Bonus, and the continued strength of our financial position means we are again able to provide a significant Mutual Bonus going forward for all our renewing members.

Life and pensions

Annual premium equivalent (APE)

APE at £69.8m was down 4% in 2022, as strong results for pensions and investments business in the first half of the year were eroded by the falling retail investor confidence due to the worsening economic volatility.

Rising inflation and increases to interest rates, particularly in the second half of 2022, impacted overall sales. Although new business volumes saw a decline of 4% to £69.8m APE (2021: £72.7m), reflecting a decline in consumer confidence due to market volatility, our network of Financial Advisers continued to meet customers who required advice, particularly as a result of the cost of living crisis. There was also an increase in customers transacting through an online self-service function, where advice was not needed.

Policy persistency levels remained high with customers continuing to demonstrate high levels of loyalty to NFU Mutual.

With-Profits

NFU Mutual remains committed to the concept of With-Profits (which offers a smoothing of returns and an element of guarantee) and maintaining a viable Life business in the future. The With-Profit funds continues to see an increase in inflows (£46m in 2022, £39m in 2021) despite the challenging backdrop. 2022 saw more people invest with NFU Mutual and 31% (2021: 26%) of these new customers chose a With-Profits option when investing into ISAs, pensions, and bonds.

My Investments

The NFU Mutual's My Investments platform has continued to grow, with 36k customers (2021: 32k) now having investments on the platform. Despite the overall fall in assets values, the My Investments platform has assets under management of £1.52bn (2021: £1.49bn) (of which £91m is With-Profits business (2021: £61m)). NFU Mutual customers can view many of their investments online, giving them greater choice and flexibility.

Group companies

Avon Insurance plc

Avon Insurance continued to demonstrate strong profitability of £1.2m

Avon Insurance is a wholly owned subsidiary which specialises in personal accident and accidental death insurance products. Avon Insurance closed to new business in 2013 but continues to service the existing book of more than 465,000 policies. In addition, Avon Insurance underwrites insurance cover for the Group, writing Motor Fleet, Property, Employers Liability and Public Liability insurance policies.

Avon's Gross Written Premium in 2022 was £18.6m (2021: £20m), with profit before tax and dividends of £1.2m (2021: £7.7m). Avon returned dividends to the Group of £6m (2021: £8m).

Risk Management Services Limited (RMS)

RMS has continued to support both our customers through Health & Safety consultancy to improve their workplace environments and delivered loss control surveys to inform Underwriting decisions.

RMS is a wholly-owned subsidiary and specialises in both the provision of risk management consultancy, including health and safety advice for our customers, and undertaking Loss Control Surveys on behalf of NFU Mutual. The objective remains to deliver value to our customers by helping to identify and manage risk within their business resulting in fewer accidents and losses. In doing so return increased value to the NFU Mutual Group.

Despite the economic challenges faced by our customers, many still recognised the need for investment in health and safety and as a result, sales in RMS produced a small profit for the business.

Group funds under management

A challenging year for investors saw our overall Group funds under management drop to £19.2bn (2021: £22.2bn). The General Business Fund saw a loss of -8.8% in 2022 which took 3-year annualised returns to -0.7%, although we outperformed the Fund's benchmark.

Most investment markets were impacted by the crisis in Ukraine, which added to already high inflation levels and led to significantly higher interest rates and slowing economic growth. Many global equities were weak in 2022, but the relative resilience of the UK market and the softening impact of currency moves on international equity losses meant we avoided the worst of the falls. With such low yields at the start of the year it was an extremely difficult 2022 for fixed income assets. Second half weakness also led to significant losses for commercial property investments. This resulted in our overall investment assets under management decreasing by 13.8% in 2022 to £19.2bn.

General funds under management

The General Business Fund saw the value of its assets decrease to £7.5bn in 2022 (2021: £8.5bn), reporting an investment return of -8.8% on the year. Gains from the UK equity and cash portfolios were outweighed by losses across international equities, fixed income and property assets, although outperformance compared to our benchmarks in many of the components of the fund helped reduce the losses. The mix of asset classes in the portfolio remained relatively stable, with the main change during the year seeing a reduction in corporate bond exposure to protect the fund from rising bond yields. The proportion of the fund in equities rose modestly over the year to end at over 35%.

Life funds under management

The overall Life funds under management saw a decrease to £11.7bn in 2022 (2021: £13.7bn), with the biggest losses being seen on our fixed income assets. Our With-Profits and mixed asset retail funds form the bulk of these funds and there were no significant structural changes in the mix of asset classes in 2022. The main Life fund saw a loss of -6.0% in 2022, which reduced the 3-year annualised return to 1.8%. A higher exposure to equities and less fixed income assets compared to the General Fund helped returns, as did outperformance against the benchmarks from our asset allocation and stock selection strategies. It was also a challenging year for investors in our unitised retail funds, but although most funds saw absolute losses, we did see a majority of funds performing well relative to their peer groups.

Asset market background

Unexpectedly high inflation led to a challenging year for asset returns.

The conflict in Ukraine and its impact on key commodity prices such as energy added to existing inflation pressures from the economic recovery following the lifting of Covid induced restrictions. Developed economies saw their highest inflation levels in 40 years, with UK consumer price inflation exceeding 11% in the autumn. Central banks responded by significantly tightening monetary policy and with consumers impacted by both high inflation and rising borrowing costs economic growth slowed, all of which created a challenging environment for investment assets.

In what was still a very difficult year for many equities, a good final quarter as inflation showed welcome signs of peaking enabled the UK equity market to finish the year in positive territory and softened the losses in international markets.

High inflation and significant interest rate rises led to a very difficult year for fixed income assets. Elsewhere within our portfolios there were losses from commercial property after second half weakness and modestly positive returns from our cash holdings.

Equity returns

UK market resilience and currency benefits soften an otherwise difficult year for equities.

Despite the relative resilience of the overall UK equity market in 2022 and the impact of currency moves to soften international losses for a UK investor, the underlying picture was one where there were significant share price declines for many companies. Equities were hit by the deteriorating outlook for economic growth and corporate earnings and the impact of higher interest rates and bond yields on valuations, especially those of more growth-oriented companies such as technology stocks.

The UK market had been relatively resilient all year as it benefitted from a favourable sector mix in areas such as energy and substantial overseas earnings and cheap valuations, and a fourth quarter rally took the 2022 FTSE All-Share index return to 0.3%. However, under the surface the more domestically focused smaller and medium sized UK company indices still saw losses of over 17% in 2022.

International equity markets saw 2022 losses of -16.0% in local currency terms, but the strength of the dollar helped restrict overall losses to -7.8% for a UK investor, with Asia Pacific markets being the most resilient and a weak end to the year seeing North America with its large exposure to expensive growth stocks end up as the worst performing region at -8.8%.

Fixed income returns

Very poor year for fixed income assets.

With extremely low starting yields, the impact of unexpectedly high inflation and significant interest rate rises led to a very difficult environment for all fixed income assets in 2022, but the fourth quarter saw a recovery in most areas as signs of peaking inflation helped moderate the interest rate outlook. There was additional UK specific market impact that followed the September mini budget, but the new Chancellor's Autumn Statement helped restore market credibility.

Despite a calmer political backdrop and a fourth quarter recovery, UK government bonds still saw substantial losses of -23.8% in 2022. Index-linked gilts saw losses of -33.6% as higher near-term inflation expectations were heavily outweighed by investors pricing in higher long-term interest rates. Other fixed income categories also had a poor year, with UK corporate bonds, high yield and emerging market debt seeing losses of -17.7%, -11.8% and -19.1% respectively.

Property

A roller coaster ride in 2022 for the UK commercial property with a significant downturn in the final quarter.

On the commercial property side, after a very good first 6 months of 2022, valuations were put under immense pressure as a result of inflation and rising interest rates. From the half year position in the market recording total returns of just under +8%, the year closed with annual property returns of just under -9% and overall transactional volumes being markedly down on 2021.

All of the established property sectors, office, retail and industrial, experienced material outward yield shift. The industrial sector in particular moved from the market leader of returns over the last few years to the sector with the highest negative yield drift, with prime yields moving out from an average 3.25% to 5% plus in just over two quarters.

Despite the valuation and capital value falls there are some positive signs. Core income yields for property are running at over 4% and some of the re-balanced capital and yield profiles are starting to present interesting pricing opportunities for investors against long term averages. Even in the industrial sector levels of tenant demand have stayed strong and stock levels are low against historic volumes so prospects for growth remain.

Across the NFU Mutual General and Life property portfolios we have experienced capital value falls of between 10 to 14% and this has resulted in negative total returns, albeit for the Life fund at lower levels than for the UK property sector as a whole. Our income returns remain robust and we have not been exposed to any large tenant failures in the year.

Key strategic change initiatives

Enhanced policy management solution

Making our products easier to buy, sell and manage, including online services.

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

We have continued to invest in and develop our new GI policy administration system, Guidewire PolicyCenter. This application will better meet the needs of our customers, making it easier to sell and to administer for Agents and NFU Mutual. The system includes updated and simplified customer documentation as well as a new digital capability that will enable customers to perform a range of transactions online, including obtaining a quote and buying a policy; giving them more choice about how they do business with us. These online transactions form a key component of our wider digital offering, together with the other components delivered by the digital channel programme.

In 2022 we completed the first software development phase for our updated Home product and are completing system and business testing before we begin to move existing Personal Home and Lifestyle customers to the updated Home product in 2023. Alongside this we have started the development work to add further products which will run in parallel to the launch of Home in 2023. This work is being carefully planned to ensure that everyone is fully prepared and supported, and to ensure our existing customers receive a great customer experience throughout.

Digital channel options for our customers

Providing customers with an online account option.

We are continuing to develop an option for customers to manage their General Insurance policies through an easy-to-use online account. Our aim is to provide customers with more flexibility to securely access their online account and carry out tasks such as viewing and paying for their Home Insurance renewal, making changes to their existing Home Insurance policy and reviewing their personal details and updating their preferences – such as switching to paperless correspondence.

In 2022 we continued the development phase, which is closely aligned to our enhanced policy management solution. In addition to the option for an online account, we're working on ways to communicate with our customers through the use of email so they can be notified to view, amend and renew General Insurance policies online within their secure online account.

Finance modernisation

Dynamic technology for more efficient working, analysis and insight.

In 2022 we commenced the implementation of Workday Financials, helping us to modernise and improve efficiencies within our finance function. We have adopted this market leading cloud based technology using standard core functionality, which will allow us to easily benefit from future Workday features and software releases with minimal disruption.

In 2023 we will continue to use Workday to deliver further organisational efficiencies by driving greater productivity through automated data entry and reconciliation and develop skills and capabilities to add value to analysis and reporting activities. The deployment of planning and analysis modules will also bring greater agility and insight to support business decision making. These foundations will enable us to rapidly respond to the changing regulatory and operational landscape in the years to come.

Financial Conduct Authority fair pricing

Still providing fair value for our customers.

In 2021, the Financial Conduct Authority (FCA) published new rules to ensure that consumers get fair value for their insurance products. The rules came into force from 1 January 2022 to provide renewing home and motor insurance consumers with quoted prices “that are no more than they would be quoted as a new customer through the same channel”.

We welcomed this positive change for the insurance industry and are proud of our record when it comes to providing NFU Mutual customers with value for money. The fair pricing rules align with our philosophy to provide the insurance cover our customers need, at the right price, with a first-class personal service whilst rewarding their loyalty.

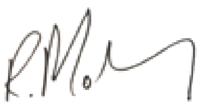
Our aim in 2022 was to limit disruption to our customers whilst ensuring we continued to be compliant with FCA rules. Our pricing strategy was largely already in line with the FCA’s expectations and so the impact on NFU Mutual customers was smaller than for other insurers and brokers. This meant that after making the few changes necessary, we could focus on ensuring that our Agents and sellers were fully prepared and well equipped to support customer conversations and explain any changes.

Cyber security focus

Ensuring our IT infrastructure remains secure and stable.

We continue to invest and prioritise activity on our Cyber Security controls as part of our ongoing ‘Brilliant Basics’ campaign and to ensure that, as we deliver our various change initiatives, our security posture stays up to date to protect both our customers data and NFU Mutual systems.

During 2022 we further enhanced our controls around infrastructure access to ensure the right level of governance is in place for access by both our own IT people and those of our partners. We also prioritised software updates to make sure the core infrastructure is appropriately secure. Alongside these preventative measures we continued to prepare for any potential cyber incident by exercising our response plans across the whole organisation and making enhancements where necessary to ensure we are adequately prepared should the unexpected happen.



Richard Morley
Finance Director

RISK AND RISK MANAGEMENT

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

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

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

All Group-wide risk management activities are supported and co-ordinated by the Risk Management Function (part of the wider Risk Division), led by the Risk Director. This team has close relationships with the wider business, including governance committees and departmental managers. The central risk team is also responsible for managing Group risk governance and oversight.

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

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

Sustainable profitable growth

- Improving the robustness of risk and capital management;
- Minimising 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 culture that maintains ethical behaviour at all times.

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

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

- 1st Line of Defence: Implement the control environment (see page 91) by adhering to Group policies and controls, and actively identifying and managing risks using the Risk Management Framework.
- 2nd Line of Defence: Define key components of the Control Environment including the Risk Management Strategy and Framework and provide assurance to governance that risks are being effectively identified, assessed, managed, and monitored across the Group.
- 3rd Line of Defence: Provide the Board with an independent, objective, and impartial view that the Control Environment is appropriate and operating effectively.

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

- Risk Division has primary responsibility for designing, implementing, embedding, and maintaining an effective risk management framework;
- Managers are accountable for the management of risk in their business area. They are responsible for documenting and reporting their risks, controls, loss events and near misses using the tools provided by the Risk Division;
- Decisions taken by management are consistent with NFU Mutual's strategic objectives and risk appetites. Financial models are used to inform decision-making;
- The interests of members and other stakeholders are protected by ensuring that excessive powers are not delegated to individuals;
- A common Risk Management Framework is used throughout the organisation to manage risk, supported by appropriate policy and control standards;
- The Group uses clearly defined definitions of risk for both financial and operational risks;
- Key roles, responsibilities and authorities relating to risk are clearly identified and documented;
- 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 knowledge and capability of employees and Non-Executive Directors. This has been reviewed in 2022 to ensure it remains aligned with best practice. The programme is accredited by the Institute of Risk Management. Certain modules are mandatory dependant upon role, and this has been extended in 2022.

Risk management framework

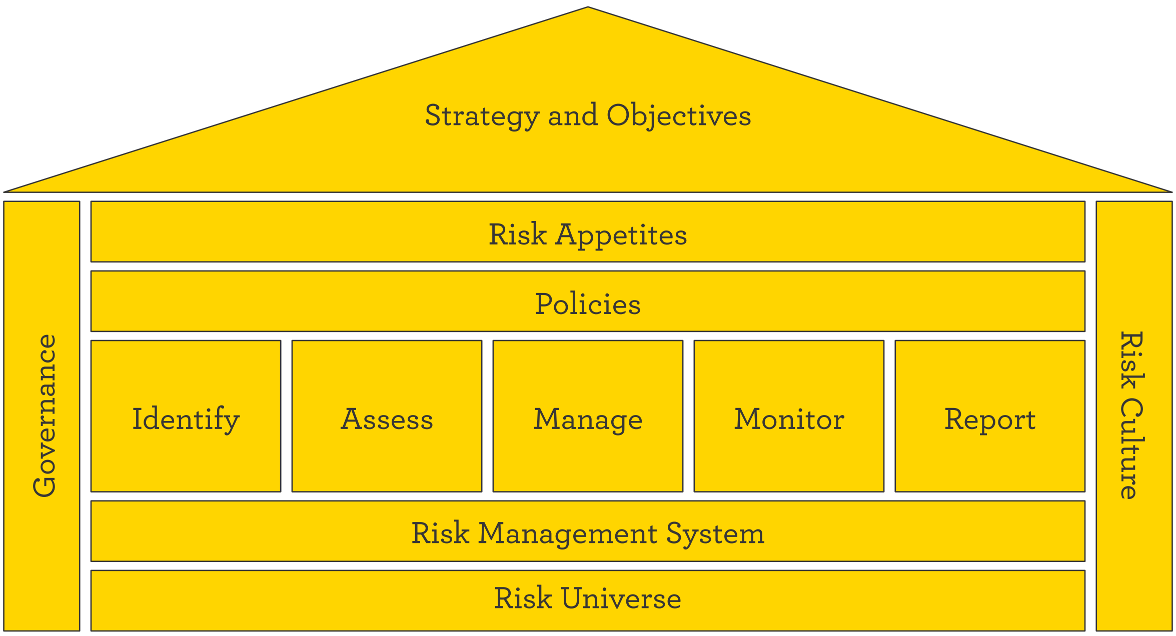
Each component within NFU Mutual's Risk Management Framework contributes to the identification, assessment, management, monitoring and reporting of risks. This includes:

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

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

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

NFU Mutual has regulatory approval to use a Partial Internal Model; where Insurance Risk, Market Risk, Credit 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 page 158 to 168. Additional detail on NFU Mutual's regulatory capital requirements as at 31st December 2022 can be found in the Solvency and Financial Condition Report, available on NFU Mutual's website from the end of May 2022.

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:

Strategic – The risk to achieving our long-term objectives caused by poor decision making in the creation of our business strategy, unforeseen disruption to the strategy or the delivery of it.

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. The section after emerging risks outlines how NFU Mutual manages risks from climate change, aligned to the Taskforce for Climate-related Financial Risks (TCFD) disclosure framework.

Principle risks and uncertainties

Principal Risk and Uncertainty	**Financial Risk: Investment market volatility** NFU Mutual invests in a range of assets including equity shares, property, and corporate bonds. Falls in the value of these assets can have a material impact on the company's balance sheet. Changes in long-term interest rates can affect the value of both assets and liabilities.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With Great Place to Work
Mitigation	a) The company maintains a Financial Risk Response Plan, with actions approved by the Board to ensure Solvency is maintained within the company's Risk Appetite. b) Board Risk Committee have reviewed scenarios and stress analysis to ensure the level of exposure to investment stress events is understood and that there are appropriate actions agreed to protect the company's solvency position.

Principal Risk and Uncertainty	**Operational Risk: Information Security** There is a risk that unauthorised users may attempt to gain access to our systems for misuse of customer and company data or disrupt the business using malware and viruses. This could lead to corrupted or lost data, business interruption, compliance breaches, regulatory fines, and reputational damage.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With
Mitigation	Significant progress has continued to be made in enhancing the control environment in order to keep pace with the evolving threat landscape. The risk exposure is reducing as progress is made in mitigating these risks and future vulnerability remediation plans are agreed to ensure we are managing new vulnerabilities in line with latest industry positions and / or within our Group risk appetite statements.

Principal Risk and Uncertainty	**Strategic: NFU Mutual is unable to deliver the required change** The risk of insufficient, inefficient, or ineffective change delivery, adversely impacting operational capability and /or NFU Mutual's reputation.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With Great Place to Work
Mitigation	Our strategic and operational plans are reviewed regularly by the Board. These take account of the level of resources we have available and the scale, diversity, and interdependencies of change currently underway and planned over the medium and longer terms. Specific change programme monitoring, and reporting takes place at project, programme, portfolio, and strategic level, to ensure appropriate risk-based decisions are made and that the allocation of resources is optimised to support delivery of our long-term objectives.

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

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

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

Principal Risk and Uncertainty	**Strategic & Operational Risk: Infrastructure is unable to support the GI and / or Life proposition** There is a risk that systems, processes, and people, including those services delivered by our outsourcing suppliers, are not sufficient to support our propositions because of internal issues or external drivers, including regulation. This could result in the needs of customers not being met or errors in work for customers leading to increased complaints, a reduction in new business sales or increased lapses and adverse media coverage of customer experiences.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With
Mitigation	We are delivering updated technology platforms and increasing focus on data capability across both GI and Life businesses. Our Supplier Outsourcing and Third-Party Policy ensures the effective management and oversight of our external partners.

Principal Risk and Uncertainty	**Strategic: Agency Network becomes vulnerable because of adverse changes to the internal or external environment** There is a risk that individual agencies or wider parts of the network are not viable. This risk could materialise from ineffective agency leadership/ management, regulation changes impacting agency operations, a deteriorating rural economy or an unexpected change to business mix away from the agency network to other distribution channels.
Long-term strategic objective	Great Company to do Business With
Mitigation	We continue to develop the target operating model for the agency network and test its robustness. Individual agency management information continues to be developed to better understand their economics.

Principal Risk and Uncertainty	**Climate Change** There is a risk that climate change has a material impact on NFU Mutual's business model as a result of physical risks that arise directly from rising global temperatures, and transition risks that arise through actions, initiatives and behaviours aimed at limiting the rise in global temperatures
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With
Mitigation	NFU Mutual has implemented a climate change strategy, agreed by the Board, to ensure the Group is resilient to the impacts of climate change, takes advantage of opportunities that arise in core markets, and also defines and implements a roadmap to Net Zero

Emerging risks

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

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

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

The assessment and mitigating actions for these risks have been reviewed and discussed at governance committees and as part of the preparation for the Own Risk and Solvency Assessment. (Note 2 to the Accounts on pages 158 to 168 covers our disclosures on financial risk management in detail.)

Climate change risk

Climate change is a global challenge that affects us all and will continue to do so for years to come. The effectiveness of actions taken in the short term will determine climate change trajectory and outcomes in the medium and long term.

As a UK based insurer with rural communities at our heart, NFU Mutual is committed to meeting the insurance needs of our members as they transition to a low carbon economy, and to actively reducing our own environmental impact as we aim to become a net zero business by 2050.

Expectations for firms to publicly disclose how they manage financial risks from climate change continue to evolve, with mandatory disclosures aligned to Task Force on Climate-Related Financial Disclosures (TCFD) being introduced in the UK for the first time in 2021 for premium listed entities. NFU Mutual is not included within this phase of mandatory disclosures and our 2022 climate change disclosures are therefore made on a voluntary basis in line with our previous disclosures, where the TCFD information disclosed is proportionate to the level of granularity of information in other sections of our Annual Report. This year for the first time we are pleased to report progress against our own emissions targets, which were announced as part of our Net Zero Roadmap at the start of 2022. We are still evolving our processes to ensure the robustness of emissions reporting and have chosen to share results voluntarily this year to maximise transparency. The timing of our Annual Report process means that figures contain an element of estimation and have not been subject to audit.

The first mandatory disclosures for NFU Mutual will appear in our 2023 Annual Report, and in preparation for this, we have reviewed our 2022 disclosures against TCFD recommendations and recommended disclosures and Financial Conduct Authority (FCA) and Financial Reporting Council (FRC) feedback to understand how we need to develop our disclosures to meet mandatory reporting expectations. The table below outlines how we're currently meeting requirements and the areas we will be developing ahead of our 2023 disclosures:

Recommended Disclosure	Climate Risk Section	How we're meeting requirements
Governance a) Describe the board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	Page 39 - 45 Governance	Disclosures describe the roles of the Board, Risk Governance and management in relation to climate change and summarise the key items overseen by each committee during the period. Our governance disclosures are broadly consistent with TCFD recommendations and recommended disclosures. The following requirement will be included in 2023 disclosures to ensure full consistency: Explaining how the Board has considered climate change in overseeing major capital expenditures, acquisitions and divestitures as part of strategy, annual budgets and business plans.

Recommended Disclosure	Climate Risk Section	How we're meeting requirements
Strategy a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning. c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 30 Principal risks and uncertainties Page 46 - 50 Strategy	Disclosures summarise: • NFU Mutual's most material risks arising from climate change, how these are managed and key metrics • Scenario analysis that has been undertaken to assess the resilience of the business to risks from climate change • Opportunities arising from climate change Our 2022 disclosures are not yet fully consistent with a), b) or c), therefore 2023 disclosures will include additional information on risks and opportunities across the three time periods specified, quantification of potential impacts, including impacts on strategy and financial performance, and the resilience of our strategy to differing climate change trajectories. 2023 disclosures will also include information on our plans for transitioning to a low-carbon economy.
Risk Management a) Describe the organisation's processes for identifying and assessing climate-related risks. b) Describe the organisation's processes for managing climate-related risks c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 51 - Risk Management	From a risk management perspective, climate change is categorised as an external challenge that will have wide ranging impacts on NFU Mutual's risk profile. Disclosures therefore describe how risks from climate change are embedded within NFU Mutual's existing Risk Management Framework to ensure effective identification and management. Our risk management disclosures are broadly consistent with TCFD recommendations and recommended disclosures. To ensure full consistency in our 2023 Annual Report, we will be including more information on the following areas: • Additional information on how we identify and assess climate-related risks for our insurance business • How we define materiality and prioritise climate-related risks

Recommended Disclosure	Climate Risk Section	How we're meeting requirements
Metrics and Targets a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Page 46 - 50 Strategy Page 51 - 57 Metrics and Targets	The strategy section summarises metrics used to manage and monitor climate related risks. The Metrics and Targets section focusses on NFU Mutual's emissions targets, summarising performance and progress made. It also includes mandatory Streamlined Energy and Carbon Reporting (SECR) requirements. For our 2022 climate-related disclosures we have chosen to focus on disclosing legislative emissions data required by SECR and also performance against targets to reduce our own emissions. NFU Mutual's SECR reporting period is not aligned to a calendar year and is therefore not being used to evidence consistency with TCFD recommendations and recommended disclosures. We recognise that 2022 disclosures are not consistent with guidance a) and c) and therefore a greater range of metrics and targets will be included in our 2023 disclosures, including cross-industry metrics, net zero roadmap targets and information on the methodologies used to calculate these.

1. Governance

NFU Mutual has embedded consideration of climate change within existing frameworks, processes and decision making to enable the Group to respond effectively to challenges as they arise, both now and in the future. Risks from climate change are therefore considered, alongside all other risks faced by the Group, within existing risk governance and risk management frameworks.

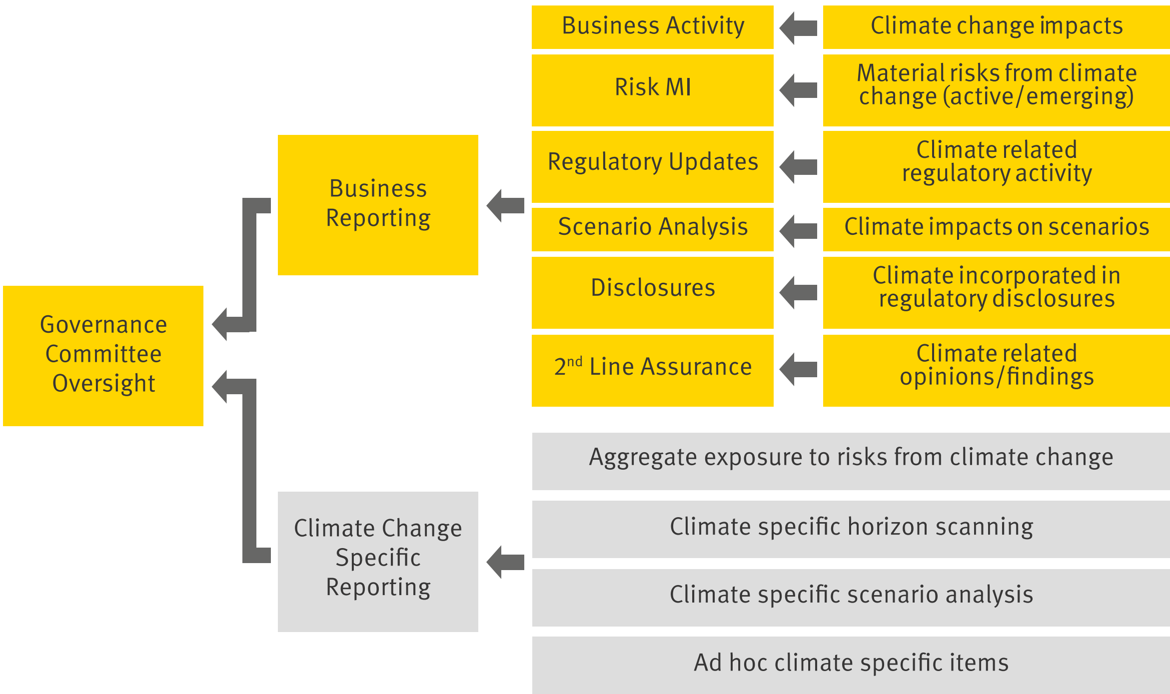
Board
- Set climate change strategy and Net Zero Roadmap
- Oversee NFU Mutual's climate response

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

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

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

Board and risk governance committees receive regular updates on risks from climate change, through both climate change specific and business as usual agenda items. This not only ensures effective oversight of risks from climate change, it also provides targeted education and awareness on climate relevant topics for Board members and senior management.



Board

The Board is ultimately accountable for setting NFU Mutual's climate change strategy and overseeing the Group's response to risks that may arise. The Board approved a Climate change strategy in 2020 and a Net Zero Roadmap in 2021. The aim of these is to ensure that NFU Mutual is resilient to the impacts of climate change and takes advantage of opportunities that arise in core markets, whilst implementing action to become a net zero business by 2050. The strategy and roadmap demonstrate the importance placed on responding effectively to impacts from climate change, to ensure the ongoing success of our strategy, business model and in achieving our long-term objectives.

Each Board committee has defined responsibilities in relation to climate change and has considered a range of climate-related agenda items during 2022.

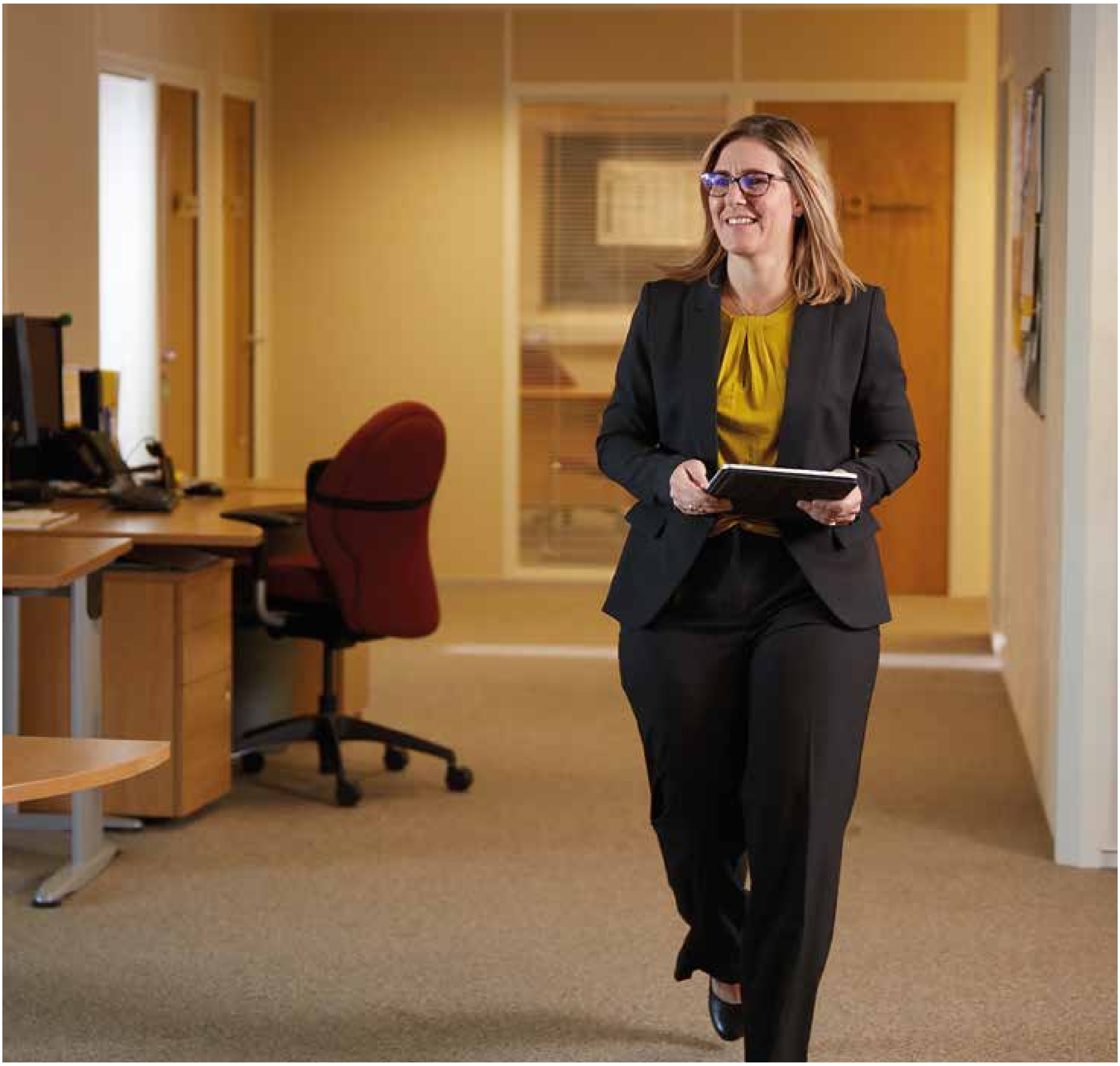
NFU Mutual Board	
Responsibility	Accountable for: • Setting the Group's climate change strategy and net zero roadmap and overseeing progress against climate-related targets • Overseeing progress and ensuring risks from climate change are managed effectively • Assigning regulatory climate change responsibilities to an appropriate senior manager function
Climate Change Items considered	During 2022 the board has overseen activity including: • Strategic reviews which have incorporated climate related factors including farming diversification resulting from climate change and transition away from fossil fuels in motor vehicles • The implementation of the Group's net zero roadmap. The Board has reviewed progress against targets and also set the direction for NFU Mutual's alignment to climate related external initiatives • The implementation of a new ESG framework, which includes climate change as a priority focus area

Board Risk Committee (BRC)	
Climate Relevant Responsibility	Responsible for ensuring that risks from climate change are effectively embedded within NFU Mutual's risk management framework (outlined in Risk Management Framework section on page 28 - 29) The committee have oversight of material climate related risks facing the Group and also monitor compliance with climate related regulatory and legislative changes.
Climate Change Items considered	During 2022 the Committee has overseen activity including: • Outputs from scenario analysis considering potential impacts of different climate transition trajectories on NFU Mutual's general insurance business. This was based on the Bank of England's 2021 Climate Biennial Exploratory Scenario • NFU Mutual's response to legal and regulatory developments; defining the implications for the Group and actions being taken to manage these

Board Investment Committee (BIC)	
Climate Relevant Responsibility	Responsible for overseeing that all investment risks are being managed appropriately, including those arising from climate change
Climate Change Items considered	During 2022 the Committee has overseen activity including: • Progress against NFU Mutual's net zero targets for investment portfolios • Implementation of third party tools to improve capability to measure ESG risk factors in investment portfolios • Strategic asset allocation activities which incorporate consideration of climate change impacts

Audit Committee	
Climate Relevant Responsibility	Responsible for monitoring the integrity of NFU Mutual's financial statements and oversight of the internal audit plan and activity.
Climate Change Items considered	During 2022 the Committee has overseen climate change disclosures included in NFU Mutual's Annual Report, as part of financial reporting governance processes and approvals.

Remuneration Committee	
Climate Relevant Responsibility	Recommends the design of, and targets for, any performance related pay schemes operated by the Group, for executive directors, the Company Secretary and senior executives.
Climate Change Items considered	During 2022 the Committee has overseen progress in developing ESG metrics for senior manager remuneration.



Risk Governance

NFU Mutual's risk governance committees have specific responsibilities within their terms of reference to consider risks from climate change and have therefore considered a number of climate related items.

Group Financial Risk Committee	
Responsibility	Provides oversight and challenge of the financial risks and capital impacts arising from our General Insurance business and our Life business.
Climate Change Items considered	During 2022 the committee has overseen items including: • A review of industry approaches to managing risks from climate change and potential implications for NFU Mutual • Approaches for measuring emissions in our underwriting portfolio • Emissions footprint of strategic and key suppliers within the insurance supply chain • Exposure management and accumulations work that include consideration of climate change impacts • Second line assurance reviews undertaken by the Chief Actuary that include consideration of climate change impacts • Scenario analysis assessing potential impacts of sea level rise on our property insurance portfolio

Group Operational Risk Committee	
Responsibility	Provides oversight and challenge of the operational risks arising from NFU Mutual Group's business.
Climate Change Items considered	During 2022 the committee has overseen items including: • Aggregate operational risk profile of risks from climate change • Legislative and regulatory risks arising from climate change • Supply chain risks arising from climate change

The PRA's supervisory statement SS3/19 – "Enhancing banks' and insurers' approaches to managing the financial risks from climate change" requires firms to allocate responsibility for identifying and managing financial risks from climate change to the relevant existing Senior Manager Function (SMF) within a firm's organisational structure. The NFU Mutual Board has allocated this accountability to the Risk Director (SMF 4) as part of a broader responsibility for all aspects of NFU Mutual's climate change response. The Risk Director attends the Board and relevant Board sub-committees as well as chairing Risk Governance committees. This ensures appropriate visibility and oversight of climate related risks at Board and senior manager level across the Group.

The Risk Director chairs a Climate Change Steering Group which is responsible for ensuring the Group's climate change strategy and objectives are delivered on behalf of the Board. The climate change team has been expanded in 2022 to further facilitate the delivery of the Board's climate change strategy and strengthen support provided to business stakeholders in identifying their risks from climate change.

Business Units

Managers are responsible for ensuring that all risks within their area, including those from climate change, are effectively identified, managed and reported on. For climate change, this requires an understanding of potential impacts and how these could affect their department's risk profile, and also establishing an effective climate aware culture across the department. Managers are informed about climate-related issues through a number of processes, including participating in relevant industry initiatives, monitoring external publications, receiving updates from centralised compliance and climate change teams and discussions in risk and management committees. At the start of 2022, we also launched a climate change page on our internal website to provide all employees with key climate change information.

2. Strategy

Risks from climate change are captured within NFU Mutual's risk management framework and are classed as either active or emerging risks. Active risks are those facing the business in the current environment and emerging risks are those risks that may occur in the future where the nature or scale of impact is not yet clear. Risks from climate change may arise in the short, medium or long term. In the context of climate change, NFU Mutual defines short-term as within the next 3 years, medium-term as 3 to 10 years and long term as over 10 years. Climate change is also recognised as a principal risk risk, based on its potential to significantly impact our business operations and our customers.

Longer term risks are also considered as part of NFU Mutual's climate scenario analysis. Scenario analysis is a key tool for understanding the resilience of a firm to a range of future outcomes and is particularly relevant to climate change because the impacts will be wide ranging and extend beyond normal business planning timescales. The future trajectory of climate change is also uncertain, with dependencies on actions taken in the short term to define medium and long-term outcomes.

NFU Mutual continues to expand its scenario analysis to consider a broader set of risks from climate change. In 2021 NFU Mutual used the Bank of England's Climate Biennial Exploratory Scenario (CBES) to consider potential impacts to NFU Mutual over the next 30 years under three different transition pathways – early policy action, late policy action and no additional policy action.

Early Policy Action
Transition to a net-zero emissions economy progresses with carbon taxes and other policies intensifying relatively gradually over the scenario horizon. Global carbon dioxide emissions (and all greenhouse gas emissions in the UK) drop to net-zero around 2050.
Late Policy Action
Transition is delayed until circa 2030, at which point there is a sudden increase in the intensity of climate policy. In the UK, greenhouse gas emissions are successfully reduced to net-zero around 2050, but the transition required to achieve that is more abrupt and therefore disorderly.
No Additional Policy Action
No new climate policies are introduced beyond those already implemented. This leads to increasing global temperatures and chronic changes in the physical environment.

In 2022 we've built on this to consider scenarios that assess specific risks including exposure to liabilities arising from climate related legal action, impacts of climate change on the Group's retirement benefit scheme, impact of sea level rises on our property insurance business and the impact of climate change on our Strategic Asset Allocation for investments.

Business experts from across the Group contribute to climate related scenario analysis and results are shared with relevant management and risk governance committees. This ensures risks are considered from multiple perspectives, improves business understanding of risks from climate change and informs business decision making.

Risks from climate change

Climate change has the potential to impact all risks within Group's risk universe, both financial and non-financial. Impacts may be positive or negative depending on the effectiveness of NFU Mutual's response. The main climate change risks identified are explained below:

Strategic risks	• Climate change either directly (eg NFU Mutual unable to offer suitable propositions in response to the change) or indirectly (eg external stakeholder expectations not met leading to NFU Mutual reputational damage) affects our ability to achieve our longer term objectives
How we are managing the risk	• NFU Mutual has a defined climate change strategy which aims to ensure the Group is resilient to the impacts of climate change and can take advantage of opportunities that arise in core markets • NFU Mutual has implemented an ESG framework to ensure an aligned approach to environmental, social and governance. Climate change is a priority area within this • Consideration of climate change is embedded in forward looking frameworks and processes, including strategic reviews, propositions development, product reviews, change framework and procurement framework • Scenario analysis is undertaken to assess forward looking impacts from climate change on NFU Mutual • A dedicated climate change team is in place to facilitate delivery of the strategy and support the business in identifying and managing risks from climate change
Metrics	• Customer monitoring • Understanding of peer propositions and whether developments will pose any threat to our ability to achieve long term objectives • Sales plans v plan by product / customer, with climate change impacts being considered for possible explanations of any shortfall

Investment Risks	Climate change impacts the value of assets within NFU Mutual's equity and bond portfolios. Factors that could affect values include: • The resilience of underlying entities to physical impacts from climate change • Ability of investee companies to transition successfully to a low carbon economy and the costs and risks associated with them doing so • Public and market perception Climate change impacts the value of property assets. Factors that affect value could include: • Resilience of physical assets to changing weather and climate • Energy efficiency performance • Compliance with climate related legislation Climate change impacts income from property portfolios due to factors including: • Adaptation costs necessary to transition assets to low carbon technology • Exposure to tenants that are negatively impacted by climate change • Ability of property to meet ESG expectations of current and potential tenants
How we are managing the risk	• Investment ESG policies are in place to ensure climate change impacts are embedded in investment processes • We actively engage with investee firms through our responsible stewardship activity • We have detailed ESG plans in place for each property within the portfolio to ensure resilience over the short, medium and long term • We actively engage with tenants and include green clauses in contracts • We are developing metrics to identify exposures and monitor key risks from climate change within our investment portfolios
Metrics	• Absolute emissions of investment portfolios • Emissions intensity • Investee companies aligned to science-based targets • Energy performance rating of properties within the property portfolio

Insurance Risks	• NFU Mutual faces increased exposure to physical risks caused by changing climate and weather patterns including storms, flooding and subsidence • Transitional impact on the risk exposures in our insurance portfolio due to the move away from fossil fuel and associated increase in low carbon solutions such as electric vehicles, solar panels and alternative heating systems
How we are managing the risk	• Enhancing metrics to measure exposures to risks from climate change • Undertaking scenario analysis to assess how climate change could impact NFU Mutual's insurance portfolio • Developing capabilities to understand whether the carbon footprint of our insurance portfolio is in line with emerging market standards • Developing solutions to reduce the impact of physical weather events and emissions footprint
Metrics	• Exposures to physical and transitional climate related factors including weather events, subsidence and electric vehicles

Operational Risks	• NFU Mutual's supply chain is impacted by climate change in terms of cost, ability to supply or ability to meet the changing needs of our members • Climate-related legal and regulatory expectations impact NFU Mutual's business model and achievement of business goals.
How we are managing the risk	• We are embedding consideration of climate change within our procurement framework • We are increasing engagement with suppliers to understand their climate plans and ambitions • NFU Mutual's business continuity framework incorporates consideration of supply chain risks to ensure the Group is resilient to potential impacts • Legal and regulatory developments are actively monitored to assess their implications for NFU Mutual and ensure an appropriate and timely response
Metrics	• Absolute emissions per supplier • Emissions intensity per £ spend • Supplier ESG maturity rating

Opportunities

Actions taken to manage financial risks from climate change can deliver benefits beyond NFU Mutual, benefitting members and contributing to the global transition to a low carbon economy.

As our members adapt to the impacts of climate change and transition to a low carbon economy, NFU Mutual is developing the products and services our members need. We have partnered with NFU Energy on their Renewable Energy Solutions service, which helps and supports NFU members with their insurance needs for small-scale renewable energy projects. As the exclusive insurance partner for NFU Energy's Renewable Energy Solutions service, NFU Mutual offers a range of insurance options to suit farmers' needs.

NFU Mutual was among the first insurers to join FloodRe's initiative to build back better in 2022. The scheme offers homeowners the chance to install property flood resilience measures when repairing their properties after a flood.

We have also developed a number of solutions to reduce the emissions associated with claims events, including the option to utilise green parts for motor repairs and to repair rather than replace items in the event of a claim.

NFU Mutual invests in assets that support the transition to net zero. In 2022 we made a net investment of over £100m into green bonds, with £37m of this in green gilts, and and 56% of our property portfolio is exposed to the most energy efficienct properties (rated A or B).

We work with our suppliers to deliver climate conscious solutions for our own business and our members, including purchasing renewable energy for our occupied premises and developing the reduced emissions claims solutions outlined above.

NFU Mutual recognises that industry initiatives and collaboration can influence the transition. We engage with regulatory initiatives such as the Climate Financial Risk Forum that contribute to improved industry capability to respond to financial risks from climate change and in 2022 NFU Mutual also became a signatory of the Principles for Responsible Investment.

3. Risk management

NFU Mutual's Risk Management Framework, as outlined in Risk Management Framework section on page 28 - 29, ensures that all risks faced by the Group are effectively identified, assessed, managed and monitored, including risks from climate change. At NFU Mutual, climate change is categorised as an external factor that has the potential to impact all risk categories and is therefore not a standalone risk category within the Group's risk universe. We do however recognise that climate change could have a material impact on NFU Mutual's business model and therefore categorise it as a principal risk as outlined in the risk management section on page 34. Risks from climate change are therefore evaluated, alongside all other internal and external factors that could impact the Group's risk profile, using existing risk management tools and processes, including:

- Risks from climate change are managed using the Group's risk management processes and are captured on risk recording tools. Material financial risks arising from climate change are captured on the Group's Financial Risk Log and monitored using quantitative metrics to assess whether they remain within defined thresholds
- Risks from climate change are assessed using the Group's risk management framework and are reported to governance committees through regular risk MI, and escalated in line with the Group's agreed risk appetite thresholds
- Risks from climate change are incorporated, alongside all other risks, within the scope of the three lines of defence model operated by NFU Mutual. This ensures they are effectively embedded in NFU Mutual's Risk Management and Risk Governance Frameworks
- Climate specific scenarios are assessed to understand their potential impacts on key risks
- Risks from climate change are considered as part of NFU Mutual's Own Risk and Solvency Assessment (ORSA) process and are included as a specific section in the ORSA report

4. Metrics and targets

Metrics in place for key risks from climate change are outlined in section 2. During 2022 NFU Mutual has focussed on improving its capability to measure exposure to risks from climate change and on developing metrics to monitor these. Measuring exposure to risks from climate change remains a developing area, both for NFU Mutual and the wider industry, with significant challenges arising from the quality and granularity of data currently available and immaturity of methodologies and best practice to calculate exposures.

Targets

NFU Mutual's Board agreed a net zero roadmap in December 2021 with the following aims and targets:

NFU Mutual aims to become a Net Zero company by 2050

Own Emissions

NFU Mutual has set targets to:

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

Investments

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

NFU Mutual is using the following definition of net zero:

1. Achieving a scale of value-chain emission reductions consistent with the depth of abatement achieved in pathways that limit warming to 1.5°C with no or limited overshoot and;

2. Neutralising the impact of any source of residual emissions that remains unfeasible to be eliminated by permanently removing an equivalent amount of atmospheric carbon dioxide.

The targets were developed using guidance published by the Greenhouse Gas Protocol Accounting Standards and the Science Based Targets Initiative (SBTi) and align to a 1.5°c pathway. The process and methodology we went through to develop our targets has been independently validated by an external 3rd party to confirm alignment to these methodologies.

This validation also provides confidence in the credibility of the targets, that they will make a meaningful contribution to reducing global emissions.

The emissions sources included within our Own Emissions target are:

Scope 1 – emissions arising from company car usage and natural gas used for heating Group occupied premises

Scope 2 – electricity used in Group occupied premises

Scope 3 – emissions associated with business travel

For measurement and reporting purposes, emissions are categorised into company cars, energy used in occupied premises (gas heating + purchased electricity) and business travel.

The 2019 base year was selected for the emissions targets as the most recent year not impacted by the coronavirus pandemic. NFU Mutual has made positive progress at reducing emissions, though 2021 and 2022 results both reflect pandemic driven reductions:

Emissions source	2019 Base Year (Tonnes CO2)	2021 (Tonnes CO2)	% Variance to base year	2022 (Tonnes CO2)	% Variance to base year
Company cars	1,383	413	-70%	653	-53%
Energy	2,641	2,426	-8%	1,902	-28%
Business Travel	1,339	110	-92%	505	-62%
Total	**5,363**	**2,949**	**-45%**	**3,060**	**-43%**

Positive progress has also been made towards meeting the 2030 target for NFU Mutual's investment portfolio. We have implemented a software solution that has enabled us to understand our emissions performance and we will be incorporating quantitative performance metrics in our 2023 public reporting and disclosure.

NFU Mutual's recognises that our carbon footprint extends beyond the targets currently included in our Net Zero Roadmap, therefore targets will continue to be developed and incorporated into the roadmap as we aim to deliver the long-term goal of a net zero business by 2050.

Energy – Streamlined Energy and Carbon Reporting (SECR)

NFU Mutual is required by law to disclose its emissions performance as part of SECR legislation. We have been reporting these figures since 2020 and for consistency and comparability have kept the same format for 2022 disclosures as previous years. Whilst the same GHG accounting standards have been applied to both sets of information, there are differences in the emissions performance reported under SECR and the emissions reported against our target to reduce our own emissions. For transparency, these are:

- The time periods used for each disclosure are different. Own emissions performance covers a calendar year from January to December, whereas the reporting period for SECR disclosures is 1st October 2021 to 30th September 2022.
- The scope of emissions included within each disclosure are different. Our Own Emissions target includes a greater number of business travel emission sources, whereas SECR reporting includes electricity distribution and transmission, which is excluded from our own emissions target.

NFU Mutual's greenhouse gas emissions, reportable under Streamlined Energy and Carbon Reporting (SECR) regulations, in 2022 were 3,248 tonnes CO2e.

These include the emissions associated with electricity and natural gas consumption, and business travel in company and private vehicles by employees. National Farmers Union Mutual Insurance Society Limited's greenhouse gas emissions were 8% higher than in 2021 and the intensity of 66.1 kg CO2e per m2 floor area is 10% higher than last year.

Greenhouse gas emissions

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

Emissions source	2021	2022	Share (%)	YoY Variance (%)
Fuel combustion: Natural gas	1,000	743	23%	-26%
Purchased electricity	1,395	1,262	39%	-10%
Fuel combustion: Transport	616	1,244	38%	102%
Total emissions (tCO2e)	**3,012**	**3,248**	**100%**	**8%**
Floor Area (m^2)	50,286	49,102		-2%
Intensity (kgCO2e per m^2)	**59.9**	**66.1**		**10%**

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

Table 2 – Market-based greenhouse gas emissions by year (tonnes CO2e)

Emissions source	2021*	2022	Share (%)	YoY Variance (%)
Fuel combustion: Natural gas	1,000	743	29%	-26%
Purchased electricity	1,395	540	21%	-61%
Fuel combustion: Transport	616	1,244	49%	102%
Total emissions (tCO2e)	**3,012**	**2,526**	**100%**	**-16%**
Floor Area (m^2)	50,286	49,102		-2%
Intensity (kgCO2e per m^2)	**59.9**	**51.4**		**-14%**

The market based method reflects emissions from electricity that companies have purposefully chosen (e.g. from renewable energy companies).

* 2021 data showing Location Based figures as Market Based numbers not available

Where able, we procure renewable electricity at sites occupied by NFU Mutual employees, and this year we are voluntarily reporting Market Based emissions and include this in Table 2 for reference.

The figures above show a significant decrease in emissions from electricity and natural gas consumption, and a significant increase in emissions from transport. The variances in natural gas and transport emissions are reflected in the changes in consumption (kWh), as can be seen in Table 3 below. The 10% decrease in electricity consumption has been reinforced in Table 1 above by a decrease in the carbon intensity of UK grid electricity.

The 2021 reported transport emissions were significantly lower, likely due to covid-related reductions in vehicle movements.

Figure 1 – Location-based greenhouse gas emissions by source (tonnes CO2e)

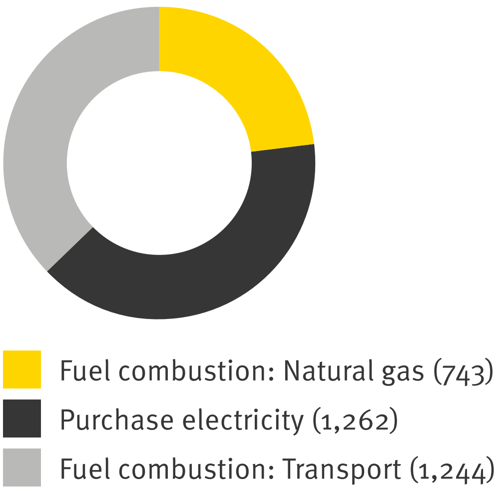


Figure 2 – Market-based greenhouse gas emissions by source (tonnes CO2e)

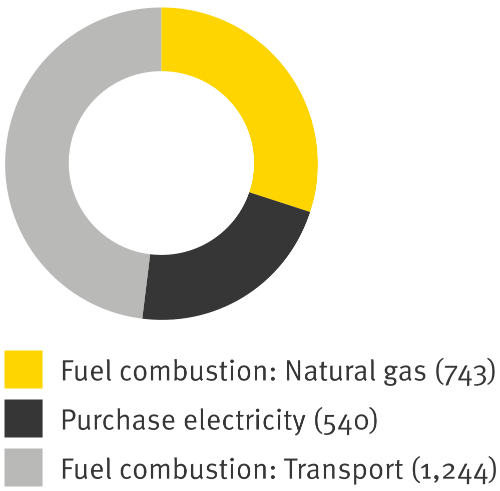


Table 3 – Location-based greenhouse gas emissions by year (tonnes CO2e)

Emissions source	2021	2022	Share (%)	YoY Variance (%)
Scope 1	1,607	1,942	60%	-21%
Scope 2	1,282	1,156	36%	-10%
Scope 3	123	150	5%	22%
Total emissions (tCO2e)	**3,012**	**3,248**	**100%**	**8%**

Table 4 – Market-based greenhouse gas emissions by year (tonnes CO2e)

Emissions source	2021	2022	Share (%)	YoY Variance (%)
Scope 1	1,607	1,942	77%	21%
Scope 2	1,282	434	17%	-66%
Scope 3	123	150	6%	22%
Total emissions (tCO2e)	**3,012**	**2,526**	**100%**	**-16%**

Figure 3 – Location-based greenhouse gas emissions by source (tonnes CO2e)

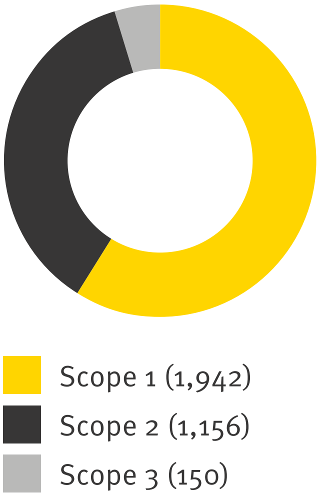
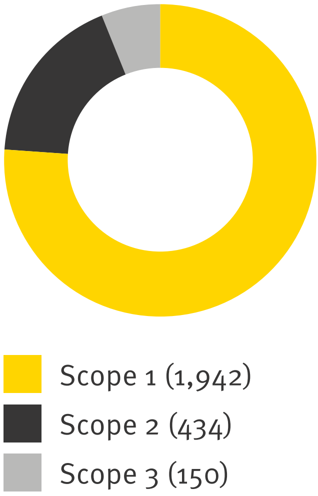


Figure 4 – Market-based greenhouse gas emissions by source (tonnes CO2e)



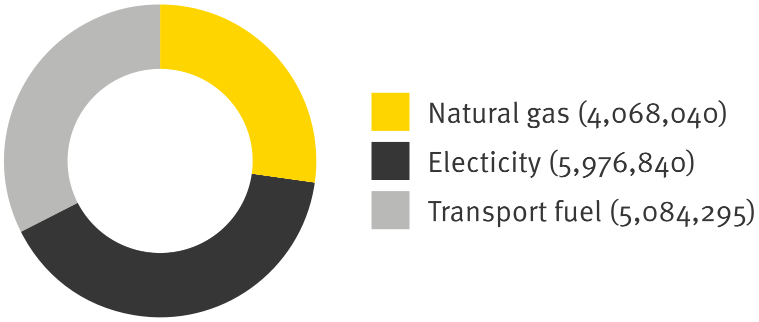
Scope 1: Natural gas and company-operated transport. Scope 2: Electricity. Scope 3: Losses from electricity distribution and transmission, and business travel in private vehicles by employees. This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.

Energy consumption

Table 5 – Energy consumption by year (kWh)

Emissions source	2021	2022	Share (%)	YoY Variance (%)
Natural gas	5,461,176	4,068,040	27%	-26%
Electricity	6,036,068	5,976,840	40%	-1%
Transport fuel	2,506,593	5,084,295	34%	103%
Total consumption (kWh)	**14,003,837**	**15,129,175**	**100%**	**8%**

Figure 5 – Energy consumption by source (kWh)



Approach to calculating emissions

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

This approach captures emissions associated with the operation of buildings, plus company-owned and grey fleet transport. This report covers UK operations only, as required by SECR 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 latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

Our SECR reporting period is 1st October 2021 to 30th September 2022. It was decided to set back the reporting period by a quarter against the financial year (1st January 2022 to 31st December 2022) to allow for lag times in receiving data.

Table 6 – Conversion factors

Emissions Category	Fuel	Note	Units	kWh Conversion	Scope 1 ($kgCO_2e$/unit)	Scope 2 ($kgCO_2e$/unit)	Scope 3 ($kgCO_2e$/unit)
Electricity		743	kWh	1.00000	0.00000	0.19338	0.01769
Natural gas		Gross CV	kWh	1.00000	0.18254	0.00000	0.00000
Company vehicles	Petrol	Small car	miles	0.98582	0.23580	0.00000	0.00000
Company vehicles	Petrol	Medium car	miles	1.24392	0.29724	0.00000	0.00000
Company vehicles	Petrol	Large car	miles	1.86367	0.44480	0.00000	0.00000
Company vehicles	Diesel	Small car	miles	0.87937	0.22514	0.00000	0.00000
Company vehicles	Diesel	Medium car	miles	1.05851	0.27039	0.00000	0.00000
Company vehicles	Diesel	Large car	miles	1.32314	0.33722	0.00000	0.00000
Private vehicles	Unknown	Average car, unknown fuel	miles	1.11320	0.00000	0.00000	0.27465
Hire cars	Unknown	Average car, unknown fuel	miles	1.11320	0.0000	0.00000	0.27465

Energy and carbon efficiency initiatives

National Farmers Union Mutual Insurance Society Limited have proactively taken steps to improve sustainability performance, with initiatives progressed including:

- 100% low-carbon electricity tariff
- Additional AMR meters installed to provide improved data collection of the energy we use
- Energy Management actions completed in line with our properties returning to occupation following easing of covid restrictions
- Building Management Systems networked at key sites to provide greater control and monitoring of energy intensive equipment
- Use of electric vehicles for business travel. The EVs equated to 16,101 kWh of electricity consumption and 3.40 tCO_2e of our location-based electricity carbon emissions
- Implementation of board approved climate change strategy target: 15% reduction in Scope 1 and Scope 2 carbon emissions by the end of 2023 against a 2019 base year
- Quarterly carbon reporting to track performance against climate change strategy target
- Currently reporting 17% reduction in Scope 1 and Scope 2 emissions against the 2019 base year. This positive result can be attributed to:
  - Favourable weather conditions
  - Reduction in floor area (Chester/Norwich/Penrith/Bury)
  - New building controls
  - Reduced occupancy
  - Reverting from pandemic measures of increased ventilation.

LONG TERM VIABILITY DISCLOSURE

NFU Mutual's strategic long-term objectives of sustainable profitable growth, great company to do business with and being a great place to work are integral to the Group's prospects for the long term which are reflected in our business model and strategy (pages 9 to 11).

Given the strong financial position of the Group, the Directors have determined that a period of three years is an appropriate period over which to provide its viability statement. This timescale is consistent with the period over which the Group's regulatory ORSA requirement has been considered, as well as the time horizon over which its medium-term business plan has been constructed.

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

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

- the continued strength of the balance sheet and the Group's overall solvency and liquidity position;
- the operation of the Group's governance and internal control framework as set out in the Governance Report (pages 74 to 108);
- the robust and embedded Risk Management Framework (page 28), which identifies and reports to the Board (via the Risk Director), key operational risks that could threaten the Group's business model along with mitigating management actions;
- the review of principal financial risks (market, credit, liquidity and insurance as shown on pages 158 to 168) undertaken within the ORSA process where we consider strategic business planning, risk and capital management as an integrated process;
- ongoing extensive stress testing undertaken on the Group's solvency, liquidity and financial performance resulting from events such as a significant General Insurance claims surge or extreme financial market volatility. This analysis is reported and reviewed by Risk Committees and subcommittees. In 2022, this included the scenarios of extreme weather and longevity changes as well as effects of a major electricity supplier failure and high inflation. This analysis showed the group to be in a robust position, with management actions in place to ensure solvency levels could be retained at acceptable levels;
- the impact of climate change (see full report pages 36 to 57) and the ongoing challenges of the geo-political landscape on both the financial and operational position of the company (see further detail in Going Concern Statement on pages 67 to 68).

Based upon this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due as shown on page 149. In doing so the Board recognise that such future assessments are subject to a level of uncertainty that increases with time, and therefore future outcomes cannot be guaranteed or predicted with absolute certainty.

NFU MUTUAL GROUP TAX STRATEGY

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

Approach to tax risk management and governance arrangements

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

The Group's Senior Accounting Officer appointed in accordance with Finance Act 2009 (Sch.46), and supported by the Tax Manager, 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 withholding taxes on overseas investment income received by the Group's investment funds. Taxes and levies are paid to other tax jurisdictions for certain insurance risks located outside the UK.

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

The level of tax risk the Group is prepared to accept

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

Approach to working with HMRC

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

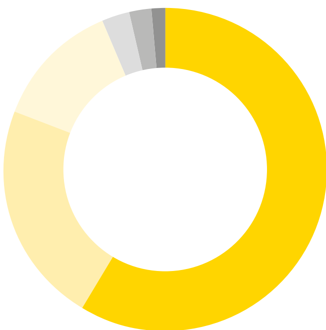
We are committed to engaging professionally with HMRC in matters concerning any current, future or past tax risks. If clarification is required in the application of tax legislation, we will seek to raise this with HMRC and work with them to reach agreement before tax returns are submitted.

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

Total Tax Contribution

The Group's 2022 total tax contribution was £348m (2021 £386m) summarised in the chart below. The tax contribution consists of taxes borne of £86m (2021£134m) and taxes collected of £262m (2021 £252m). 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 £204m (2021 £184m) was paid by our policyholders. No corporation tax was payable for 2022 primarily due to conditions in investment markets and business results at 31st December 2022 offsetting other taxable income.

Total tax contribution 2022



Premium taxes	£204m
People (employment) taxes	£78m
VAT	£44m
Tax deducted at source	£10m
Property taxes	£8m
Withholding taxes	£4m
Corporation tax	nil

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 11
Principal risks and uncertainties	Risk Management pages 25 to 57 and pages 30 to 34
Performance and development during the year	Group Chief Executive's Statement pages 5 to 7, Business Review pages 14 to 24 and Directors' Report pages 63 to 73
Information about future developments	Business Review: Key Strategic Change Initiatives pages 22 to 24
Employee information and Corporate Social Responsibility (CSR)	Directors' Report pages 63 to 73 and Responsible Business pages 109 to 122
Financial and non-financial KPIs	Key Performance Indicators and Business Review pages 12 to 24 Responsible Business pages 109 to 122
Corporate Governance Statements (Section 172)	S.172 Statement pages 82 to 83

Jim McLaren
Chairman

Nick Turner
Group Chief Executive

23rd March 2023

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 2022.

Results and Mutual Bonus

Consolidated loss after tax including realised and unrealised gains/losses for the year was £1,049m (2021: consolidated loss of £182m). Mutual Bonus to policyholders for 2022 was £247m (2021: £250m).

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

Status of the company

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

Directors

Brief biographies of the Directors are set out on pages 71 to 73. Ross Ainslie resigned from the Board on 31st October 2022 and Brian Duffin retired on 31st December 2021. John Deane was appointed to the Board on 1st November 2022 and David Smith on 1st January 2023.

During 2022 and up to the date of the signing of the financial statements, the Group maintained an insurance policy indemnifying the Directors and Officers against loss or attaching legal liabilities arising in the course of their duties. In addition, the Group has put in place deeds of indemnity for the benefit of the Directors and Company Secretary of the Group and its associated companies. The deeds of indemnity are qualifying third party indemnity provisions in accordance with the Companies Act 2006.

Our employees

Central to our People Strategy is our aim to ensure that we maintain NFU Mutual as a great place to work and that we provide an environment of inclusivity and diversity where our people can thrive.

Our People Strategy is a key cornerstone, enabling the business to deliver on its three long-term business objectives, by:

- Continuing to develop and embed a Winning Performance Culture which delivers business results through our people;
- Ensuring that we attract, develop and inspire talented people within our business who deliver technical expertise, customer service excellence, and behave in line with NFU Mutual's Guiding Principles of delivering sustainable profitable growth, creating a great place to work, and being a great company to do business with; and
- Focusing on sustaining world-class employee engagement and achievement (defined as the 90th percentile of Gallup's company database).

We make it a priority to attract and retain the best talent in the marketplace, and by enabling our managers to provide strong and effective leadership which motivates, engages, and develops our employees, we help them to perform at the highest level. This is underpinned by effective employment policies, reward practices, career development tools and a progressive people-centric culture.

Key metrics

As of 31st December 2022, there were 4,309 employees (2021: 4,043) within the Group. Of our employees, 50% are female and 50% are male; 86% of our workforce is full-time and 14% is part-time. Our annual rate of voluntary employee turnover for 2022 was 10.3% against an industry benchmark of 11%.

Engagement

We continue to focus on both employee engagement and internal customer engagement of our Agents and their staff. Seven years ago, we attained our long-term goal of becoming a world-class workplace by achieving above the 90th percentile of Gallup's large company database. We maintained this high standard for the eighth year running in 2022 and continue to strive to sustain a culture of world-class employee engagement and achievement.

During the year we received the 2022 Gallup Exceptional Workplace award; the only UK-headquartered company to do so and one of only 41 companies worldwide.

Our formal and informal consultation forums support employee engagement with effective communication and helping to provide an employee voice. Through these groups we involve our employees in the review and development of our workforce policies and procedures and encourage a two-way dialogue. In addition, employees may raise issues through our informal and formal grievance procedures and our anonymous whistleblowing hotline provided by Safecall.

Performance management

Improving the clarity of performance expectations continues to be an area of focus for us. We establish clear performance standards, which are embedded through the setting, agreeing and regular review of individual objectives that link to our company strategy. This ensures all employees understand their individual contribution to organisational performance. All our employees receive mid-year and end of year performance reviews and are highly encouraged to have active Personal Development Plans. Employees are also encouraged to provide feedback on the leadership, guidance and support they receive from their managers through our 'Supporting Me' upward feedback process.

Reward

Reward at NFU Mutual is a combination of market competitive base pay, employee benefits and variable pay, including a Group Bonus Scheme which rewards all employees for the success of the business. Our Remuneration Committee oversees our overall approach to reward across the Group, and regularly reviews our Reward Framework to ensure our reward schemes and employee benefits are consistently aligned to our business objectives, support our focus on performance management and are market competitive. In light of the cost of living crisis, we agreed a £2.64m support package, providing employees whose salary is up to and including £41,140, which is the maximum of our Level 3 (of 8) salary bands, with a gross payment of up to £1,000. Our aim was to help ease the financial pressure on those who may be finding it particularly tough.

People development

We provide a broad range of training and development opportunities for our employees and Agents, to optimise both individual and business performance. In 2022, we have continued to invest in the leadership and technical capabilities of our employees. Our Graduate and Professional Trainee Schemes now in their thirteenth year, and our Apprenticeship Programmes, which were introduced in 2017, are building an internal pipeline of future talent to strengthen technical and leadership succession.

In 2022, we achieved first place for both our Graduate and Apprenticeship Programmes in the prestigious Job Crowd awards for the top companies for graduates in the Accountancy and Insurance sector.

We also won an Institute of Student Employers award for our Head Office Claims Apprenticeship Strategy and were awarded a Company Culture Award for our Apprenticeship Programmes overall. Since their introduction, we have provided 275 apprenticeship programme places and we currently have 143 graduates either on programme or who have moved into a permanent role after their programme ends.

To enable our staff and Agents to provide our customers with the highest quality service and advice, we have invested in development programmes that will further drive professional standards and competence and support continuous professional development of Agents. The Agents Leadership Framework is now well established and focuses on developing new Agents.

Diversity

NFU Mutual is committed to providing an inclusive environment at all levels of the organisation. As part of our strategic objective of being a great place to work, we have created a work environment that rewards success, supports personal development and wellbeing, and recognises the fact that diversity and inclusion can increase the breadth and quality of debate. Our culture acknowledges and supports individual differences, and we encourage all employees to develop to achieve their full potential.

We have been awarded Disability Confident Employer status, in recognition of our HR policies and processes being fair in the way we support people with disabilities. We offer occupational health support to enable employees who become disabled during employment to continue in their career with us, either through training or redeployment.

Since 2018, NFU Mutual has been a signatory to the Women in Finance Charter. In 2021, we delivered our commitment to the Charter by increasing female representation in senior management and exceeding our published target. In 2022, we reported to HM Treasury that 40% of our senior management population are women, compared with 36% when we signed the Charter in 2018.

As part of our ongoing commitment to diversity and inclusion we broadened the focus of activity in 2022, signing up to the Race at Work Charter and the #10,000 Black Interns initiative. We are confident that our continued encouragement, support, and focused development of all employees to achieve their full potential will lead to a more diverse workforce overall, delivering greater innovation and hence outstanding service for each other and our customers.

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 2022 amounted to £3.3 million (2021: £3.3 million), which included donations to the NFU Mutual Charitable Trust of £1 million (which distributes awards at its discretion), £300,000 to the Farm Safety Foundation, £1.92 million through the Agency Giving Fund and £30,000 to the Community Giving Fund.

See the Responsible Business section on pages 109 to 122 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 74 to 108.

Principal risks

The Directors have carried out a robust assessment of the principal risks facing the Group as shown on pages 30 to 34, including those that would threaten its business model, future performance, solvency or liquidity which supports the Long-Term Viability Statement made on pages 58 to 59.

Going concern basis of accounting

The accounts have been prepared on a going concern basis.

The Directors have reviewed the Group's business activities, financial position, principal risks and uncertainties and financial commentary as set out in the Long-Term Viability Statement and Strategic Report on pages 58 and 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.

This includes Stress and Scenario Testing, which covers a wide range of scenarios to thoroughly test the Groups resilience to industry events such as floods, windstorms

or longevity changes occurring at the same time, as well as severe investment market movements. In addition during 2022, consideration was given to the market turbulence experienced during the year, high inflation and geopolitical risks driven by the crisis in Ukraine as well as scenarios that would reduce group solvency to below 100%. This analysis showed the group to be in a robust position, with management actions in place to ensure solvency levels could be retained at acceptable levels.

The 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 2022 and its Solvency Coverage Ratio (SCR) was maintained within the Risk Appetite set by the Board. The Group's SCR Coverage Ratio sits at 218% at 31st December 2022 (204%: 2021).

Liquidity: The company holds over £9.0bn at 31st December 2022 (£10.1bn: 2021) 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 2022, 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 5 to 7.

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 2023 Annual General Meeting to reappoint Deloitte LLP as auditors.

Jim McLaren
Chairman

Nick Turner
Group Chief Executive

23rd March 2023

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, and previously Chaired the Remuneration Committee. He served as President of NFU Scotland from 2007 to 2011, having served as Vice President in 2006. Jim 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 37 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 and Russell Investments. He is a Non-Executive Director of Openwork Wealth Management, a former Board member of the Pensions Infrastructure Platform and was previously Chairman of the Management Committee of Pantheon Ventures, a global private equity business.

Steve Bower, Customer Services Director

Steve became a Director in 2010 and is responsible for General Insurance Customer Services, which includes Underwriting, Claims and Re-insurance, at our Head Office and our seven regional centres. Steve's career at NFU Mutual spans three decades and during that time he has held a variety of roles including Sales Manager, Regional Manager and Chief Manager – Life Services.

Ali Capper, Non-Executive Director

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

John Deane, Non-Executive Director

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

Alan Fairhead, Non-Executive Director

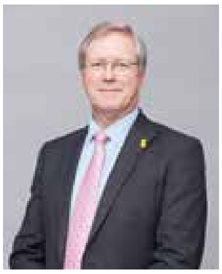
Alan was appointed to the Board in 2020 and is Chair of the Board Risk Committee. A Chartered Insurer and Fellow of the Chartered Insurance Institute, he has over 40 years' domestic and international General Insurance experience in underwriting and operational management. After a career spanning 21 years at Guardian Royal Exchange he progressed through Zurich Insurance Group to become CEO of Zurich Specialties London Ltd before becoming Global Chief Underwriting Officer based in Zurich.

Christine Kennedy OBE, Non-Executive Director

Christine was appointed to the Board in 2014 and is a Trustee of the NFU Mutual Charitable Trust. A partner in her family's beef farm for 30 years, Christine was the Director of Commodities and Food for the UFU and served on its Board. She was a member of the NI Food Advisory Committee and is Chairperson of the NI panel of the Council for Awards of Royal Agricultural Societies. Christine is also a member of the Rural Affairs Committee of the UFU, a Trustee of Donaghadee YFC and a former Director of Countryside Services.

Richard Morley, Finance 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 Procurement. 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 Deputy Chairman of the City of Birmingham Symphony Orchestra.

David Smith, Non-Executive Director

David was appointed to the Board in 2023. In his executive career, David served as Managing Director of personal and commercial lines business for Zurich Insurance Group, and also CEO of Zurich's UK General Insurance business. His early career was spent in sales, distribution, and marketing. He is currently Chair of Altitude Plc, Senior Independent Director and Chair of Audit Committee for AIG UK Ltd, and Chair and Independent Non-Executive Director of Lockton Companies LLP. He has also previously held Non-Executive Directorships for Bupa Insurance Services Ltd and Bupa Insurance Ltd, the Chartered Insurance Institute, AA Insurance Services Ltd, and Polaris UK Ltd. David 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 30 years of financial services experience; 24 of which have been in insurance – spanning both life and general insurance.

Nick joined NFU Mutual from AXA, where he was Commercial Distribution and Trading Director, leading their broker distribution and trading strategy in the UK Commercial market – responsible for intermediary marketing, broker development, and the branch network trading performance. Prior to AXA Nick spent 13 years with Aviva in both the UK and Europe, leading distribution and operations functions within GI and Life divisions. Nick also has experience of the UK broking market having previously led part of the Towergate MGA business and an online wholesale broking business.

GOVERNANCE REPORT

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

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

2022 has seen changes at Board level with the retirements of Ross Ainslie and Brian Duffin as Non-Executive Directors. I would like to thank both Ross and Brian for their contributions to the Board. John Deane joined the Board as a Non-Executive Director in November 2022. John is a Fellow of the Institute of Actuaries and has spent 40 years in the insurance industry including holding senior positions at Royal London, Old Mutual, Century Life and Chesnara. David Smith also joined the Board as a Non-Executive Director in January 2023. David has over 30 year's experience within insurance and reinsurance and held a number of senior positions at Zurich Insurance. More recently he has held non-executive roles at Locktons, Bupa and AIG.

In addition, Steve Bower will retire as Customer Services Director at the end of March 2023. Steve has been with the Group for over 30 years and has been a director for nearly 13 years. During that time Steve has been an important member of the Executive team. I am delighted that Rachel Kelsall was appointed as Customer Services Director (Designate) with effect from 1st January 2023 and will join the Board on 1st April 2023. Rachel has been with NFU Mutual since 1989 and has held roles leading Underwriting, Pricing, Claims, Operations, Compliance and Finance.

Christine Kennedy will also step down as a Non-Executive Director at the end of March and I would like to take this opportunity to

thank Christine for her contribution. Elizabeth Buchanan will be joining as a Non-Executive Director on 1st April and I look forward to welcoming her 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 and with the Prudential Regulatory Authority and Financial Conduct Authority.

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

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

Jim McLaren
Chairman

Corporate Governance Code

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

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

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

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

Leadership and company purpose

Purpose

As set out in in more detail in the Business Model and Strategy section on pages 9 to 11, NFU Mutual has a strong purpose, strategy and values which underpin everything that it does. Its purpose is to protect and enhance the lives of our 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 it 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 our members and wider society. The successful execution of this strategy and oversight of its delivery are supported by sound systems of governance, at the centre of which is our governance framework that defines relevant decision making authorities and responsibilities.

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

Board activity

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

The Board met 11 times during the year; details of Director attendance at each meeting can be found below. In line with the Board's responsibility for the overall strategic direction of NFU Mutual, strategy related issues are discussed at each meeting. The Board holds two dedicated strategy sessions each year: these consider progress towards the Group's strategic aims as well as the annual and medium-term plans. An overview of the Board's key activities is set out below.

Strategy and business results

- The Board reviewed and approved the 2023-2025 Medium Term Plan and 2023 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 received and considered reports on the future of the farming industry and the implications for insurance products
- The Board also spent time considering NFU Mutual's strategy in relation to motor insurance and future developments within the motor industry
- Throughout the year, the Board received regular reports on the Key Strategic Change Initiatives which are reported in the Business Review on pages 20 to 24
- The Board received regular reports on the implementation of the FCA Fair Pricing regime, including the impact on the business and customers
- The Board received updates on the implementation of NFU Mutual's Net Zero roadmap
- The Board approved NFU Mutual's ESG strategy for the Group and governance framework.

Financial reporting, risk and controls

- The Board approved the Annual Report and Accounts and the Solvency and Financial Condition Report
- The Board monitored the Group's financial performance and its solvency coverage
- The Board considered and approved the proposed rates for Mutual Bonus
- 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 proposed approach to the PRA's operational resilience requirements
- The Board approved changes to the Group's risk appetite framework.

Governance

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

Stakeholder engagement

- The Board regularly considered the Group's relationship with various stakeholder groups. It discussed employee engagement, customers, Agents and, through its Responsible Business Report, the impact on and relationship with the wider community
- In particular, the Board considered the impact of heightened inflation on, customers, suppliers, employees and the wider community
- Board members met throughout the year with the Prudential Regulatory Authority and Financial Conduct Authority.

Name of Director	A	B
Chairman		
Jim McLaren	11	11
Senior Independent Director		
Jon Bailie [1]	11	11
Brian Duffin [2]	11	11
Chief Executive		
Nick Turner	11	11
Executive Directors		
Steve Bower	11	11
Richard Morley	11	11
Nick Watson	11	11
Non-Executive Directors		
Ross Ainslie [3]	6	9
Ali Capper	11	11
John Deane [4]	2	2
Alan Fairhead	11	11
Christine Kennedy	11	11
David Roper	11	11
David Smith [5]	-	-

1. Appointed Senior Independent Director 1st January 2023
2. Retired from Board 31st December 2022
3. Resigned from Board 31st October 2022
4. Appointed to the Board 1st November 2022
5. Appointed to the Board 1st January 2023

A = Number of meetings the Director attended in 2022
B = Maximum number of meetings the Director could have attended in 2022

Stakeholder engagement

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

Our stakeholders	Why they are important	How we are engaging
Members and Customers	Our customers are at the heart of everything we do. They are the users of our products and services. Our members own the company and are also our customers.	Our primary route of engagement with customers and members is through the Group's network of Regional Advisory Boards made up entirely of members. The Regional Advisory Boards maintain close links with the Board and senior management through a series of meetings and with members via a network of Member Forums. The Regional Advisory Boards are briefed regularly on the Group's performance and key initiatives and provide valuable feedback to management and the Board. There are currently seven Regional Advisory Boards, four in England and one each in Scotland, Wales and Northern Ireland. Each Regional Advisory Board meets twice a year with the Chairs attending a further two meetings a year. Directors and members of senior management attend each of these meetings. In addition, 21 Member Forum meetings were held during the year. NFU Mutual's AGM is an important opportunity for the Group to communicate with members. Directors attended the 2022 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 has an online customer panel, Mutual Voice, which it uses to gather customer views on a range of topics. It also regularly carries out customer research to understand customers' view of NFU Mutual, and their requirements for products and service.

Our stakeholders	Why they are important	How we are engaging
Our people	Our people are essential to meeting our purpose and delivering the required products and service to our members.	The Board receives regular updates on the engagement of employees through its annual engagement survey. In addition, NFU Mutual has a national employee consultation group which provides representation on strategic business issues. 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.
Our Agents	Our Agents are also essential to meeting our purpose and delivering the required products and attentive, local, personal service to our members.	NFU Mutual engages with its Agents through the Agency Liaison Group and National Association of Group Secretaries which are both representative bodies of the Agents. Directors also regularly meet with individual Agents. 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	Our business suppliers and partners provide us with the tools and services we need to be able to deliver to our customers.	NFU Mutual works with its suppliers to ensure performance 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. NFU Mutual is a signatory to the United Nations Principles for Responsible Business and during the year applied to be 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 to encourage them to adopt and follow best practice in relation to governance.
Regulators	NFU Mutual is subject to financial services regulations and requires regulatory approval to operate.	There is a programme of regular meetings between Board members and the Regulators.

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

S.172 statement

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

The section above sets out details of NFU Mutual's key stakeholders and the principal ways it engages with them. The relevance of each stakeholder group will be different for each issue considered by the Board. Therefore, it is important that the Board understands the needs of each stakeholder group during its discussions and 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.

In considering the 2023 Business Plan and 2023 – 2025 Medium Term Plan the Board took into account a wide range of factors. Given the current economic situation, there was a particular focus this year on the potential impacts of high inflation on claims costs, suppliers and customers. The Plans include the continued implementation of the strategic roadmap and the Key Strategic Change Initiatives as described on pages 22 to 24. 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 and regulatory requirements. 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 agreed NFU Mutual's ESG strategy ambitions which will guide decision making and provide the basis for the development of ESG related goals and activities across the Group. In defining those strategic ambitions, the Board considered stakeholder insight which included insight from, amongst others, employees, through internal focus groups, interviews, and Mutual Forum, customers, through a Mutual Voice survey with a broad range of customers, Agents, thorough the Agents' Liaison Group, and suppliers and partners, through interviews with supplier and discussions with the Farming Unions. This stakeholder insight helped the Board to identify the key areas for focus within the ESG framework.

The Board also approved the implementation planes to ensure the Group complies with the FCA's new Consumer Duty Principle which is due to be implemented on July 2023. The aim of the Consumer Duty Principle is to ensure that firms deliver good outcomes for retail customers. The Board believes that many of the Group's practices and processes are already aligned to the FCA's expectations. Ali Capper has been nominated as the Board Consumer Duty Champion and will support the Chairman and CEO in raising the Consumer Duty regularly in all relevant discussions and will challenge management on how it is embedding Consumer Duty. The Board believe there is some work to do to ensure that the customer outcomes framework is updated to align the principle and rules and that the Group can evidence that good customer outcome are being delivered.

Division of responsibilities

Board roles

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

Chairman

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

Senior independent director

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

Non-executive directors

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

Chief executive

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

Other executive directors

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

Company secretary

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

Board independence

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

In 2022, the Board considered all of the Non Executive Directors, other than the Chairman, to be independent in accordance with the Code. Our Non-Executive Directors meet without the Executive Directors at least once a year and informally on a regular basis. These meetings are useful to safeguard the independence of our Non-Executive Directors by providing them with time to discuss their views in a more private environment.

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

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

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

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

Composition, succession and evaluation

The board

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

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

Board evaluation

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 evaluation one year and individual appraisals with Directors conducted by the Chairman in the other two years. Following an external evaluation in 2020 an internal review was undertaken in 2022. Some minor recommendations for improvement were made and these will be followed up during 2023.

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 tailored induction programme. 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 2022, Continuing Professional Development (CPD) sessions were provided on a number of subjects including operational resilience, diversity and inclusion, reinsurance and price strength. 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)	8	8
Jon Bailie [1]	3	3
Brian Duffin [2]	8	8
Christine Kennedy	8	8

1. Appointed to the Committee 1st August 2022
2. Retired from Board 31st December 2022

A = Meetings attended
B = Maximum meetings

Role of the committee

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

The Committee's key responsibilities are:

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

The committee's focus in 2022

During 2022 the Committee focused on the appointments of two Non-Executive Directors and a replacement for the Customer Services Director. The Committee led the process for all appointments.

For the Non-Executive Director appointments, the Committee used its succession planning work and the outcome of the Board evaluation process 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 financial services Non-Executive Directors who had pensions and with-profits experience and General Insurance experience. The Committee appointed Egon Zehnder to assist with each appointment process. Egon Zehnder was instructed to undertake a full market search for candidates meeting the specified criteria. A shortlist of candidates was compiled for interview. Following a through and rigorous interview and appraisal process the Committee recommended to the Board the appointments of John Deane and David Smith as Non-Executive Directors.

A through process was also followed for the appointment of a Customer Services Director to replace Steve Bower on his retirement at the end of March 2023. Egon Zehnder was used to assist with that process. It conducted a full market search to propose a short list of candidates to the Committee. Following a thorough and rigorous interview and appraisal process the Committee recommended to the Board the appointment of Rachel Kelsall as Customer Services Director such appointment to become effective on 1st April 2023.

The Committee considered changes to the composition of the Board Committees to reflect the various changes to the Board composition during the year. The Committee continues to focus on Board and senior management succession planning and is actively planning for expected Board changes over the next few years. 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.

Inclusion and diversity

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 Board has not set specific targets for Board diversity. It does not believe that this is required as 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.

As stated above, Egon Zehnder was used by the Committee during the year to support its Board composition activities. It has no other link to the Group or any Director. Egon Zehnder is an accredited firm under the enhanced voluntary code of conduct for executive search firms which aims to raise the standards and professionalism in the recruitment of women to boards. The Committee expects any search firm it uses 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. Trisha Jones, the HR Director, is responsible and accountable for gender diversity and inclusion. Having achieved its previous target of having at least 38% female representation in senior management by 2021 with 40% representation as at September 2022, the Group has set a revised target of maintaining at least 40% female representation in senior management. At 31st December 2022, the gender balance ratio of the members of the Executive Committee plus the Company Secretary and their direct reports was 30:32 (female:male).

Audit, risk, and internal control

Accountability

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

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

Control environment

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

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

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

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

In addition, in accordance with the Audit Charter, the Group Head of Internal Audit provides an annual report on the governance,

risk and control framework of NFU Mutual witnessed during its audit activity.

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

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

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

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

Audit committee report

Committee composition

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

Name of Director	A	B
David Roper (Committee Chair)	6	6
Jon Bailie	6	6
Christine Kennedy	6	6
Ross Ainslie [1]	4	5
David Smith [2]	-	-

1. Resigned from Board 31st October 2022
2. Appointed to Committee 1st January 2023
A = Meetings attended
B = Maximum meetings

Role of the committee

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

Financial reporting

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

External audit

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

Risk Management and internal control

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

Internal audit

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

The committee's focus in 2022

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. There has been particular focus on the Going Concern Basis of Accounting, which is detailed on pages 67 to 68 in light of the ongoing effects of the Coronavirus pandemic, Ukraine conflict and associated economic pressures. 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 such as personal injury claims inflation, Periodic Payment Orders and emerging regulatory risks and changes, and also reports from third party experts. The Board and the Committee have put in place a programme of CPD in this area to further aid Directors' understanding of how NFU Mutual reserves for its claims liabilities.

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 the significant rise in inflation 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.

In addition, during the year, the second line actuarial function has undertaken assurance review activity over a wide range of reserving processes and assumptions. This provides an additional layer of assurance for the Committee. The Committee remains satisfied with the approach to this area of the reserves.

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 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 high inflationary environment was considered and the potential short and long term impacts of the Coronavirus pandemic on all assumptions underlying these reserves was reviewed and adjustments made where deemed appropriate. Experience to date and the reinsurance position were assessed along with specific reference to our Critical Illness, Annuities and Protection policies where mortality trends are most relevant.

Having considered the reports provided by management and Deloitte, the Committee is satisfied that the assumptions used in this area remain appropriate.

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 138 to 144. 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 of over £2m. In addition, there are certain areas, such as fraud, where the Committee's tolerance is such that any findings from either internal or external audit are brought to the Committee's attention.

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

External audit

The Committee oversees the Group's relationship with, and monitors the performance of, the external auditors. The Board has committed to formally tender for the position of external auditors at least every ten years. A formal tender was undertaken by the Committee during 2017 following which Deloitte was appointed external auditor from the 2018 financial year. The 2022 financial year was the fifth and final year of the current audit engagement partner's appointment.

Each year, the Committee undertakes a full review of the effectiveness, performance, independence and objectivity of the external auditor. Following this review, the Committee makes recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor. These recommendations are then put to the members for approval at the AGM. The Committee's conclusion was that it was satisfied with the performance of Deloitte and that Deloitte remained objective. Therefore, it recommended that Deloitte should continue to act as the Group's external auditor. A new audit partner for the 2023 audit has been appointed.

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.

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.

Deloitte undertook a small number of non-audit assignments during 2022; 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.

Financial reporting council (FRC)

During the year NFU Mutual was notified by the FRC that it had carried out a limited scope review. The review conducted by the FRC focussed entirely on the Group's 2021 Annual Report & Accounts and did not provide any assurance that the 2021 Annual Report & Accounts are correct in all material respects; the FRC's role is not to verify information but rather to consider compliance with reporting requirements. The FRC requested information about NFU Mutual’s potential exposure to claims for business interruption due to the Covid-19 pandemic and its approach to accounting for, and the disclosure of, a related potential group action threatened against the company. The FRC has raised no concerns following NFU Mutual’s response to its queries.

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 2022 and the Committee was satisfied that Internal Audit has the appropriate resources to undertake its work. The audit plan is set by reference to the audit universe, the principal risks facing the business, any emerging risks and hot topics for auditing reported at an industry level. The audits carried out covered an extensive sample of controls across a range of risk types and business units covering business as usual activity together with assessments of the major change programmes. The Committee received quarterly reports on all audits undertaken, management's response to audit findings and progress in addressing identified issues. The reports highlight any themes emerging across the audit findings and allow the Committee to challenge the management team's response to those themes. If an audit of an area of the business raises particular concerns, the Committee requests that the Director responsible for that area of the business attends the Committee meeting to explain what action will be taken to improve the control culture.

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

Whistleblowing

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

Board risk committee report

Committee composition

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

Name of Director	A	B
Alan Fairhead (Committee Chair)	4	4
Ali Capper	4	4
John Deane [1]	-	-
Brian Duffin [2]	4	4
Jim McLaren [3]	4	4
David Roper	4	4
David Smith [1]	-	-

1. Appointed to Committee 1st January 2023
2. Retired from Board 31st December 2022
3. Resigned from Committee 31st December 2022

A = Meetings attended
B = Maximum meetings

The role of the committee

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

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

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

The committee's focus in 2022

The Committee considered the financial risk appetite and capital optimisation work with a particular focus on actions to ensure the continued resilience of the Group's solvency position.

The financial risk team has again focused considerable effort on stress and scenario testing and the recovery and resolution planning that follows to ensure that the Group is able to recover from a stress scenario. This work covers a wide range of scenarios to thoroughly test the Group's resilience to severe events including investment market movements and industry events such as floods, windstorms or longevity changes occurring at the same time. This year there has been a particular focus on inflation and geopolitical risks to reflect prevailing market conditions. The Committee considered the actions available to the Group in the event such scenarios were to occur. The Committee was satisfied with the output of the stress and scenario testing and the plans to respond to such events.

The Committee has overseen the embedding of operational resilience into the Group and the responses to the PRA and FCA's expectations in this area. This includes reviewing the Operational Resilience frameworks used to determine the Important Business Services and, on behalf of the Board, overseeing the progress on key aspects of the annual Operational Resilience self assessment report such as improving the cyber risk profile; greater understanding of the third-party resilience risks; and ensuring the Group is prepared for external events such as blackouts due to energy shortfalls. The Committee receives regular updates on these key topics to ensure it is fully aware of the Group's risk profile and future improvement plans.

During the year there has also been a focus on the risks arising from the Russia and Ukraine conflict and the heightened inflationary environment. The Committee considered the impact of these issues on customers, suppliers and the business. The Committee receives quarterly reports from each of its subordinate risk committees which ensure that it is fully aware of emerging risks and issues across the Group. It also considers the assurance activity being undertaken across all lines of defence. In addition, the Committee received the Risk Director's annual report on the effectiveness of risk governance and risk management.

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 and validation of the assumptions underlying the Internal Model. 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 [1] (Committee Chair)	1	1
Ali Capper	4	4
Ross Ainslie [2]	2	3
Brian Duffin [3]	4	4

1 Appointed to Committee 1st November 2022 and Chair 1st January 2023
2 Resigned from Board 31st October 2022
3 Retired from 31st December 2022 (Committee Chair throughout 2022)
A = Meetings attended
B = Maximum meetings

The role of the committee

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

The committee's focus in 2022

The Committee reviewed the methodology and assumptions for the reversionary and terminal bonus rates and approved the bonus rates (for recommendation to the Board). The Committee considered the impact of market turbulence during the year on the assumptions used for the Terminal Bonus rates. The Committee continued to consider actions to further improve the fund's resilience to significant stress scenarios such as material interest yield movements and market falls.

The Committee also reviewed and approved for recommendation to the Board a revised Principles and Practices of Financial Management for With-Profits business (PPFM). The main changes to the PPFM were to update it to make it clearer and easier to read. 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 how expenses are allocated to With-Profits products. 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)	5	5
Ross Ainslie [1]	3	4
John Deane [2]	1	1
Richard Morley	5	5
Nick Turner	5	5

1. Resigned from Board 31st October 2022
2. Appointed to Committee 1st November 2022
A = Meetings attended
B = Maximum meetings

The role of the committee

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

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

The committee's focus in 2022

The Committee reviewed the strategies, performance and risks of the Group's investment portfolios throughout the year. It considered the Group's ESG policies in relation to investments and ensured that all external fund managers were aligned with the Groups' position on ESG and in particular climate risk. It reviewed the fund mandates and strategic asset allocation for all Group funds.

Following the conflict in Ukraine the Committee immediately considered the Group's position around Russian equity and bond holdings. The Group only had modest holdings but took the decision to divest of those as soon as practically possible.

During the year the Committee oversaw the development of ESG and stewardship practices. The Committee also considered reporting benchmarks and the implementation of new asset classes within the portfolio to improve diversification of risks and rewards. The Committee oversaw the process to appoint an ESG data provider which will allow the Group to start to measure the carbon intensity of its investment portfolio. This will also allow the Group to set measurable targets for the investment portfolio as part of the Group's Net Zero roadmap. The Committee also oversaw the processes used by the Investment function during the year to engage with the companies it invests in to encourage them, where appropriate, to improve their ESG credentials.

Remuneration committee

Committee composition

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

Name of Director	A	B
Ali Capper (Committee Chair)	5	5
Christine Kennedy	5	5
David Roper	5	5
David Smith [1]	-	-

1. Appointed to Committee 1st January 2023
A = Meetings attended
B = Maximum meetings

Details of the work of the Remuneration Committee can be found in the Directors' Remuneration Report on page 124.

Jim McLaren
Chairman

Nick Turner
Group Chief Executive

23rd March 2023

CORPORATE GOVERNANCE

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

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

2. Nomination Committee (Jim Mclaren*)

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

3. Audit Committee (David Roper*)

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

4. Remuneration Committee (Ali Capper*)

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

5. Board Risk Committee (Alan Fairhead*)

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

6. Executive Committee (Nick Turner*)

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

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

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

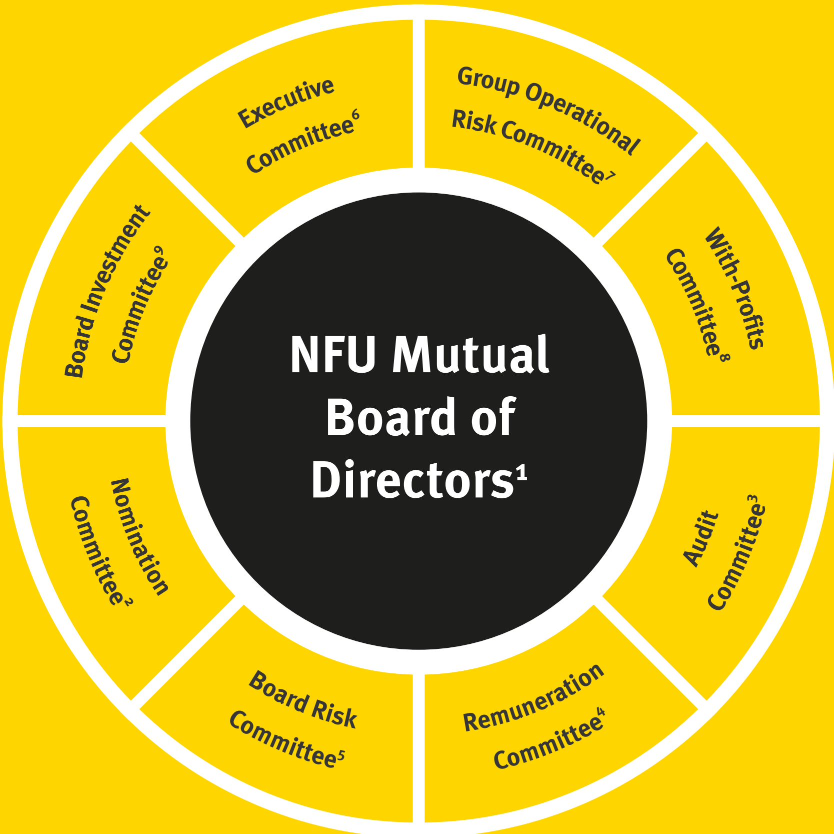
8. With-Profits Committee (John Deane*)

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

9. Board Investment Committee (Jon Bailie*)

Provides assurance over the Group's investment activity.

* The Chair of each Committee is shown in brackets.



REGIONAL ADVISORY BOARD MEMBERS

England

Midlands & East
J. Prince, Staffordshire (Chair)
D. Farrington, Northamptonshire
G. Gittus, Suffolk
O. Lee, Leicestershire & Rutland
N. Rome, Cambs., Holland (Lincs.) & Hunts
A. Silvester, Worcestershire

North
G. Poskitt, East & West Riding & York (Chair)
R. Bainbridge, North Riding & Durham
M. Cringle, Isle of Man
J. Longmire, Cumbria
M. Neesham, Lincolnshire
M. Roberts, Shropshire & Cheshire
R. Thornhill, Nottinghamshire & Derbyshire
M. Young, Northumberland

South East
J. Regan, Kent (Chair)
P. Allen, Hertfordshire
D. Christensen, Berks., Bucks & Oxon
M. Hole, Sussex
L. Matthews, Surrey

South West
M. Hambly, Cornwall (Chair)
R. Hill, Dorset
M. Lockyer, Wiltshire
J. Small, Somerset
A. Snell, Herefordshire
D. Wastenage, Devon
M. Weaver, Gloucestershire

Northern Ireland

S. B. Bell, County Down (Chair)
M. Blair, County Antrim
S. Brown, County Tyrone
T. Forgrave, North
M. Orr, East
T. Roulston, West

Scotland

J. Baird, West (Chair)
A. Bowie, East
R. Christie, South
B. Hamilton, East Central
S. Howie, North East
M. Sinclair, North East

Wales

T. Lloyd, Anglesey (Chair)
E. Davies, Mid Gwynedd & Merionethshire
D. Evans, Carmarthenshire & Pembrokeshire
S. Evans, Montgomeryshire & Ceredigion
G. Price, Brecon & Radnor
E. Roberts, Clwyd
G. Yeomans, Monmouthshire & Glamorganshire

RESPONSIBLE BUSINESS

Responsible business and Governance at NFU Mutual

At NFU Mutual, we are committed to making positive impacts for our members, our people, for farming and rural communities, and for the environment, by doing business the right way.

We've always taken our responsibilities seriously, and are passionate about making meaningful differences. Moving forwards, that means we'll be looking even more closely at how we impact the world, contribute to society and conduct ourselves as a business.

In 2022, we developed our Responsible Business Strategy to consider factors across an Environmental, Social and Governance framework (ESG). That means, now more than ever, we can hold ourselves to account on our progress as a responsible business. For more information about our Responsible Business Strategy, and our ambitions for the years to come, please search 'Responsible Business' on our website.

In 2022, we actively supported communities across the UK, made important steps in our commitment to positive environmental practices, and continued to operate in a way that ensures we, and our members, can continue to be proud of the way our business is run. Some highlights of our Responsible Business activity include:

- £3.25m of donations to local and national charities in 2022 in response to the ongoing challenges faced by communities across the country
- Being named as a Gallup Exceptional Workplace in recognition of our world-class employee engagement
- Launching our Net Zero Roadmap
- Becoming signatories of the Principles for Responsible Investment.

Protecting rural lives and livelihoods

We are extremely proud of our heritage and how NFU Mutual's story began with seven farmers back in 1910. Over a century later, rural communities are still very close to our hearts. With more than 295 agency offices across the UK, we're in a unique position to understand our members and their communities. We aim to make positive impacts on the welfare of those working and living in rural communities in the UK, and being there for our members in times of need.

Rural Road Safety

Our Rural Road Safety campaign ran throughout November 2022. As the UK's leading rural insurer, we know that road safety is a major concern for our customers – and it is for us too.

Our aim is to make rural roads a safer place to be for anyone who lives in, works in, or visits the countryside – from motorists, motorcyclists and agricultural vehicle drivers to horse riders, pedestrians and cyclists. That's why, for the second year running, we've teamed up with The British Horse Society, British Cycling and THINK! – the UK Government's road safety campaign – to try to raise awareness of the dangers of rural roads and reduce the risks for all rural road users.

Rural Crime

NFU Mutual invested more than £400,000 during 2022 to support local, regional and national initiatives which help farmers and rural communities tackle the menace of rural crime. This includes support for an agricultural vehicle theft unit at the National Vehicle Crime Intelligence Service (NaVCIS).

NFU Mutual has a dedicated in-house team that works closely with specialist national police units, police forces, the security industry and agricultural machinery manufacturers to share information to assist in crime prevention, recover stolen property and provide security advice.

Emergency claims response

February 2022 saw extreme weather conditions hit the UK. Storms Dudley, Eunice and Franklin resulted in nearly 13,000 claims for our customers. Through our network of agency offices, along with our supply chain, we quickly mobilised our emergency claims response programme to ensure we could give the best support. This included providing same-day payments for emergency purchases, alternative accommodation arrangements and starting repairs. We understand how devastating it can be when our communities are impacted by weather events and will continue to act quickly to support our customers.

Flood Resilient Repairs

In 2022, NFU Mutual was among the first insurers to join Flood Re's Build Back Better scheme, which will enable us to further support customers by providing a contribution towards flood resilient repairs. Whilst there was not a large-scale flooding event during 2022, there has been localised flooding throughout the UK which has impacted hundreds of our members.

We continue to advise our members how to rebuild and protect against future flooding, as well as share the cost of flood-resilient repairs under our Personal policies. We remain committed to working with the government, other insurers and industry experts in raising awareness of flood resilience so that those who have sadly been affected, or are at risk of flooding in the future, can take steps to limit the impact. In 2022, we paid over £76,000 towards flood resilient repairs, which allow our members to build back better.

Supporting Farming Unions

We continue to provide funding for the UK's main farming unions as they work with government to keep agriculture running, supporting rural businesses and families around the UK. In 2022, NFU Mutual made a voluntary contribution of £8.1m to farming unions to help them carry out their vital role.

The NFU Mutual Charitable Trust – supporting agricultural and rural charities

Established in 1998, the NFU Mutual Charitable Trust promotes and supports national and regional charitable causes in agriculture and rural development in the UK.

Since it was founded, the Trust has distributed donations totalling over £7m and made a positive difference to education, research, social welfare and poverty relief. Over £3m of that funding has been pledged since 2020, following enhanced donations from NFU Mutual to support charities and communities during difficult times.

In 2022, the Trust donated £1m to support a range of initiatives, including projects that tackle isolation, support mental health and wellbeing, and enrich young lives through agricultural education and innovation. The Farming Community Network, The Prince's Countryside Fund, The Royal Agricultural Benevolent Institution (RABI), RSABI, Rural Support, FareShare and Samaritans have all benefitted from donations.

In March 2022, the Trust also made a special donation of £150,000 to the Disasters Emergency Committee Ukraine Appeal, to support those who have been affected by the conflict.

Supporting the next generation in agriculture

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

CENTENARY AWARD RECIPIENTS 2022

Frances Thomas

Joe Goodenough

Colin Markham

Three postgraduate students were selected for the award in 2022. To select the students, the award's judging panel looks for applicants who are not only excellent academic performers, but have also shown real potential to become a future leader within UK agriculture. Eligible themes for their supported study courses were: sustainable agriculture and climate change, international agricultural development, and the application of science and innovative technology to the industry.

Farm Safety Foundation

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

Agriculture accounts for 1% of the UK's working population but 18% of all workplace deaths. Twenty-two farm workers and three members of the public (including a 9-year-old child) lost their lives on farms in Great Britain in the past year according to the 2021/2022 HSE Fatal Injuries in Agriculture, Forestry & Fishing GB report.

The Farm Safety Foundation (or Yellow Wellies as many know them) works throughout the UK to preserve and protect both the physical and mental wellbeing of those living and working in the industry.

NFU Mutual's funding has allowed the charity to develop and deliver farm safety and mental health training to over 20,500 young farmers at 44 land-based colleges/universities throughout the UK and through the Young Farmers' Clubs network. The team has also created and funded two annual awareness campaigns – Farm Safety Week and Mind Your Head, and continue to work closely with partners and stakeholders nationally and

internationally, raising awareness of farm safety and poor mental health in order to drive a reduction in the number of injuries and fatalities that continue to give agriculture the poorest record of any occupation in the UK.

Helping Local Communities – The NFU Mutual Agency Giving Fund

During 2022, NFU Mutual distributed £1.92m to local charities across the UK, by continuing our 'Agency Giving Fund' initiative.

The Agency Giving Fund is a national fund to support local charities and was first set up in 2020 in response to the pandemic – to provide emergency support and assist with recovery.

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

From providing food parcels, to supporting local hospices and mental health support groups, the 2022 Agency Giving Fund is championing more than 380 front-line charities across a broad range of sectors, helping to keep vital services going for our members and their communities.

Community Champions Scheme

The Community Champions Scheme was a newly launched scheme in 2022 to support staff fundraising activities and causes close to key office sites, including Stratford upon Avon and our regional service centres across the UK. £30,000 was distributed through this fund during 2022.

One of the initiatives funded through the scheme was a new partnership with national environmental charity, The Tree Council, to support their nature and conservation work in UK neighbourhoods. In July 2022, we were proud to announce that NFU Mutual had joined forces with The Tree Council, as a Jubilee Partner for The Queen's Green Canopy.

Collectively, as part of a team of 70 corporate partners, NFU Mutual is supporting the planting of 35,000 trees and seven kilometres of hedgerow in community spaces across the UK. During the year, our people have had the opportunity to take part in partner tree planting days, to find out first-hand how The Queens' Green Canopy will be creating a legacy for future generations.

Caring for the environment

At NFU Mutual, we acknowledge there is an urgent need for action on climate change. It is a shared global responsibility, and we all have a part to play. We launched our Net Zero Roadmap early in 2022, which sets out our aims to become Net Zero by 2050 and our plans to contribute to reducing climate change and its impacts. Further details on this area of activity can be found in the Climate Change section on page 36 of this report.

During 2022, we undertook a series of initiatives across the business that will help reduce our carbon emissions, including energy efficiency initiatives, improvements to the sustainability of the motor claims experience, investment in green solutions and support for customers' renewable energy ventures.

Environmentally-friendly repairs

Our Claims team are continually exploring new initiatives and suppliers that might be able to support our commitment to being a responsible business. For example, our green parts scheme offers consenting customers recycled repair options for mechanical damage claims. We have recently extended this initiative to cover replacement of stolen catalytic converters to reduce the risk of older vehicles being a total loss. Our motor repair network look to source green parts for customers as a repair option when there are parts delays, meaning the customer can contribute to the environment as well as having their vehicle repaired more quickly.

We are also working with Magicman, a hard surface repair specialist that is able to repair items such as kitchen worktops, tiles and bathroom suites. This reduces the need for replacement items to be sourced and in 2022 prevented 910kg of waste going to landfill.

Moving to greener ways of working

NFU Mutual's Claims Investigation team would previously have completed an in-person site visit for most claims. Since the pandemic, however, our Claims Investigators have increasingly been able to carry out their inquiries virtually. After assessing if a virtual inquiry is suitable, taking into account the individual customer's needs and preferences, the process can be carried out via phone or video call.

We carefully audit the virtual process to ensure no service quality is lost. As well as allowing investigations to be completed an average of three days more quickly, virtual inquiries offer a more environmentally friendly alternative to in-person visits. In 2022, 53% of investigations were completed remotely, compared to 15% before the pandemic in 2019. This meant an 56% reduction in miles travelled by our Claims Inspectors in 2022, a 44% CO_2 saving compared to 2019. In addition, the introduction of DocuSign, which facilitates electronic signatures, has allowed 50% of Claims Inspectors to move to entirely paper-free working.

Reducing Our Impact

At NFU Mutual, we are proud that all of our waste is either reused, recycled or disposed of responsibly. In 2022, we partnered with best-in-class provider Mitie Ltd, who are working with us to identify and implement initiatives to further increase our recycling rate nationally. Last year, 66% of our waste was recycled, exceeding our 65% target.

We have also partnered with Schneider Electric, a leader in the digital transformation of energy management and automation, to support our Net Zero Roadmap and deliver greater energy efficiency across our existing estates. Where able, we procure renewable electricity at sites occupied by NFU Mutual employees. And during 2022 we extended our roll-out of upgraded building management systems to allow us to keep a tighter control on our energy consumption. When NFU Mutual equipment is reaching the end of its life, we strive to replace it with energy efficient alternatives.

Our emissions report is included in the Risk and Risk Management section of this document on page 36.

Recycling to Improve Lives

We've been donating furniture we no longer need for over a decade, giving items a second life with local organisations that need them. In 2022, we gave 336 pieces of furniture to local groups like community centres, schools and hospices, allowing them to update key spaces and redirect funding to where it matters most – delivering the valuable services and support they offer our communities.

Building a healthy community at NFU Mutual

We're committed to providing a friendly, fair and inclusive working environment at NFU Mutual that rewards success, encourages personal development and empowers all our employees to make meaningful differences wherever they can. From supporting health and wellbeing, to encouraging employees to own and develop their careers, we're passionate about being a great place to work and in recognition of this we have been named as a 'Gallup Exceptional Workplace 2022', award winner for the third year running.

Developing our people

It's essential that our employees can deliver on our commitment to our members. We provide top quality learning and development solutions to meet the needs of our people and our business, by supporting personal skills, business awareness, talent and leadership opportunities, and technical expertise. All of which help to ensure that we have some of the most capable people in the industry.

Our improved online and virtual training offers flexible learning and talent development for our leaders and employees wherever they're located in the UK. It also enables us to offer learning and development for Agents and their staff, and we delivered over 130,000 pieces of individual learning to the Agency Network in 2022, via self-led eLearning, workbooks or facilitated delivery.

We were also proud to welcome 74 people onto our award-winning Apprenticeship programme and 31 graduates onto our Professional Trainee Scheme during 2022.

Hybrid working

From 4th April 2022, our employees returned to the office and most eligible employees have been able to work at home for up to 80% of their normal working hours under our Informal Homeworking policy.

In support of our move to Informal Homeworking and to support our teams' transition to a hybrid working environment, over 600 leaders initially completed training by Gallup, our Employee Engagement partner, on remote and hybrid working in 2021. Last year, 160 managers continued their development in this space, attending practical workshops on Leading Hybrid teams, with the rest planning to complete the training during 2023. In addition, we have delivered a number of resources including Hybrid Working toolkits for managers and team members, coaching for leaders, and continue to offer interactive team sessions on ways of working in a hybrid environment.

To support our employees' physical and mental wellbeing and to enable them to work effectively in a hybrid team, we continued to offer a programme of Wellbeing activities, delivering nearly 750 hours of training and education covering a broad range of topics, including managing stress and burnout, exercise, and financial wellbeing. Through our Employee Assistance provider, we have also supported employees with over 530 councelling calls.

Diversity and Inclusion

Diversity and inclusion is very important to us at NFU Mutual and we are committed to delivering our D&I strategy to create a culture of inclusion that encourages diverse thinking, promotes inclusivity and supports our employees to thrive.

As part of our commitment to Diversity and Inclusion, 2022 saw NFU Mutual sign up to the Race at Work Charter, join the 10,000 Black Interns initiative and be re-accredited as a Disability Confident Employer. We also launched unconscious bias training for all employees, designed to improve awareness of unconscious bias and of the impact that it may have on decision making, talent selection and day-to-day interactions between colleagues.

Women in Finance

NFU Mutual encourages all its employees to develop to their full potential and we support the Women in Finance Charter. In October 2018, when we signed the Charter, we had 36% female representation in senior management. Our target, published in September 2019, was to reach 38% by the end of September 2021. The target was met early.

We have set a new target of 40% for 2023 and 2024, recognising the progress we have made to date and our aim to maintain a gender balance at middle and senior management level. This new target reflects the importance of keeping a focus on gender diversity and the opportunities that may present themselves over the next two years.

In order to meet our target, we will focus on a number of initiatives, including:

- Unconscious Bias training for all directors and employees
- Re-familiarisation coaching for employees returning from career breaks
- Extending our mentoring programme to support career development
- Reviewing candidate lists for all management vacancies to ensure a more diverse pool of suitable candidates.

We will continue to implement and monitor these initiatives to ensure we maintain and build on our progress so far.

We believe that by being fair, consistent, objective and professional in our approach to recruiting, promoting, managing and developing all our people, NFU Mutual will continue to be a Great Place to Work.

Employee Volunteering

To encourage and support the community involvement of our people, NFU Mutual has an employee volunteering programme which gives our people time off work to support a good cause. Volunteering in the community supports NFU Mutual's wellbeing programme and enables employees to develop skills, such as collaborative working, communication and problem solving, in a different environment. The aim is to have an enjoyable and rewarding teambuilding day to learn something new, meet different people, and make a difference for the community.

Our employee volunteering programme had been on pause for more than two years during the pandemic, and resumed in the second half of 2022, following our employees' safe return to the office. During 2022, 322 employees volunteered 2,209 of their work hours to support their local community, lending a hand at schools, hospices, foodbanks, wildlife and conservation projects, and Riding for the Disabled to name but a few.

Doing business the right way

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

Responsible Investment

It's our responsibility to invest our customers money carefully. Environmental, Social and Governance principles are included in all investment decision-making and our fund managers consider factors such as the impact upon society or the climate, alongside traditional financial measures. For example, following the invasion of Ukraine, NFU Mutual announced its commitment to divest from all Russia holdings as soon as practically possible.

In February 2022, we became signatories to the Principles for Responsible Investment (PRI). Supported by the United Nations, the PRI is an independent international network of investors working together to achieve six aspirations designed to develop a more sustainable global financial system. We also onboarded a market leading ESG data provider in 2022 to help us monitor our progress as we look to reduce carbon emissions in our investment portfolios as part of our Net Zero Roadmap.

Our responsibilities when investing extend into our shareholder engagement and voting decisions. We believe that strong stewardship and engagement can lead to improved corporate behaviours and help accelerate changes. Throughout 2022, our Fund Managers voted at 6,625 meetings on 66,884 resolutions, of which there were 11,141 votes against management.

Responsible Property Investment

NFU Mutual is committed to practicing a responsible approach to property investment that both supports positive environmental and social outcomes and delivers on investment performance targets.

Property Investment assets under management total £1.8bn (Dec 22) with 56% of the portfolio exposed to the most energy efficient properties (A or B rated). Managing carbon is a key principle across portfolios and, where NFU Mutual is responsible for electricity procurement, we acquire only green energy.

Keeping good company

NFU Mutual looks to consider social and environmental impacts when choosing suppliers. We work closely with them to ensure they share our values, something we know is important to our members.

We're proud to be part of Social Enterprise UK's Buy Social Corporate Challenge, which helps businesses to work with social enterprise suppliers. Social enterprises are driven by a social or environmental mission and reinvest at least 50% of their profits into creating positive social change. In 2022, NFU Mutual continued to work with social enterprises, supporting causes such as developing entrepreneurial skills in young people, offering training and employment opportunities to empower refugees or by investing profits to support orphaned or abandoned children.

Supporting customers with additional needs

NFU Mutual is committed to ensuring that our products and services are accessible to all our members, so that everyone can do business with us without difficulty.

This includes making sure key documents are available in additional formats on request, including electronic pdf files, large print, braille and audio versions. As part of its commitment to making its website accessible to everyone, NFU Mutual has also designed key web pages to comply with WebAim guidelines.

In addition, 2022 saw us deliver guidance to our customer-facing teams on the Relay UK service operated by BT. This service helps those who are hard of hearing, deaf or speech impaired to communicate over the phone. Portable Hearing Loops are also available in many of our agency offices, which can considerably reduce background noise and distortions for our hard of hearing or deaf customers.

This initiative is just one of the ways we work to ensure we have the right support in place for our customers with additional needs. Agents and NFU Mutual staff will be happy to discuss your individual requirements with you. Agents can arrange a face-to-face discussion if that would suit you better.

How we did in 2022

£8.1m
of voluntary donations to Farming Unions

£3.25m
of donations to local and national charities

2,209
hours of employee volunteering

336
pieces of office furniture donated to local community groups

3,664
young farmers received farm safety and mental health training

130,888
pieces of individual learning provided for our agency network

Over £76,000
paid towards supporting our members with flood resilient repairs

56%
of our property investment portfolio is now A or B efficiency rated

Over £400,000
invested in schemes across the UK designed to tackle rural crime

DIRECTORS' REMUNERATION REPORT

I am pleased to present the Remuneration Committee's report for the year to 31st December 2022. 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 management 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 2022

During yet another year of challenges on a global scale we continued to stand by our customers when they needed us the most, particularly in supporting claims due to the weather volatility seen throughout the year. Our underlying financial stability also meant that in 2022 we could again reward our renewing General Insurance customers and we provided £247m in Mutual Bonus.

We achieved 'World Class' status in the annual Gallup Employee Engagement survey for the eighth year running. We also launched our Diversity and Inclusion Strategy highlighting our three key strategic pillars - creating an environment of inclusion, attracting and retaining the best talent, and making better decisions.

The range of pay increases from 1st May 2022 for the vast majority of staff was between 1% and 6.5%, taking account of prevailing rates of salary inflation and the need to recognize 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)
- Christine Kennedy (retired 31/03/2023)
- David Roper
- Dave Smith (from 01/01/2023)

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

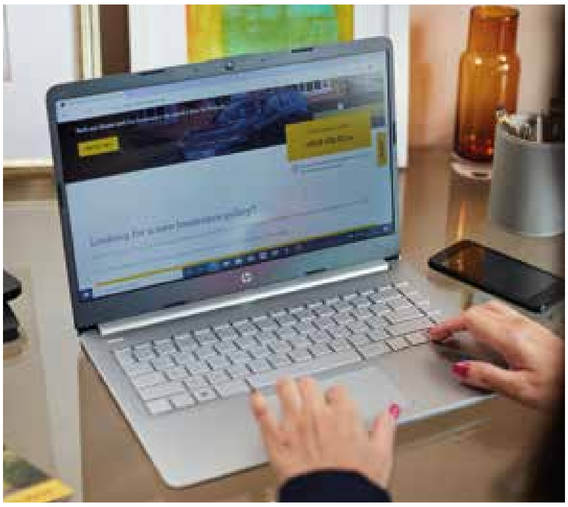
The composition and performance of the Committee is reviewed annually by the Board. The Committee's Terms of Reference are available, on request, and also appear on the Group's website.

The purpose of reward at NFU Mutual is to:

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

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

The Committee's practice is to appoint external remuneration consultants. The main adviser during 2022 was the Executive Compensation Services practice of Alvarez & Marsal. Aon plc also provided market benchmarking information. Alvarez & Marsal and Aon plc are signatories to the Remuneration Consultants' Code of Conduct, which requires any advice to the Committee to be objective and impartial.



Remuneration policy

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

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

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

Comparing remuneration policy for executives with other employees

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

Alignment of pension: in line with many other organisations, pension allowances for NFU Mutual's Executive Directors have been higher (15%) than for the rest of the workforce (up to 12%). However, effective from the 1st January 2023 all Executive Directors' pension allowances were reduced to 12% to align with the UK Corporate Governance Code.

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

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

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

Gender pay gap

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

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

NFU Mutual's Gender Pay Gap results for the year to 5th April 2022 compare positively with the data published for the Finance and Insurance Activities sector by the Office of National Statistics (ONS) in 2022.

NFU Mutual's mean Gender Pay Gap is 22.8% compared to the ONS figure of 28.8%. Our full Gender Pay Gap Report for the year to 5th April 2022 will be available from 5th April 2023 on **nfumutual.co.uk**

Cost of Living

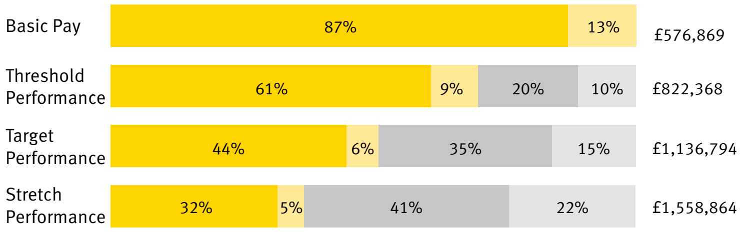
We have supported our employees during the Cost of Living crisis this year, with a £1,000 winter fuel payment for all employees whose salary is up to and including £41,140. Our aim was to help ease the financial pressure on those who may be finding it particularly tough during the current crisis.

Relative importance of remuneration elements

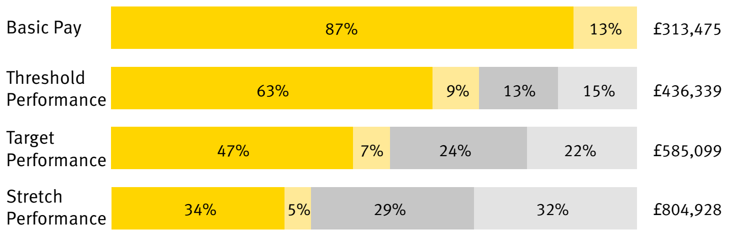
Performance-related elements of the remuneration package for Executive Directors comprise a substantial portion of the total. This serves to drive behaviours that promote the best interests of the business, while ensuring that rewards outturns are aligned with the performance of the Group.

The charts below explain the mix in 2022, between the fixed pay and performance-related pay of Executive Directors at threshold, target and stretch performance levels.

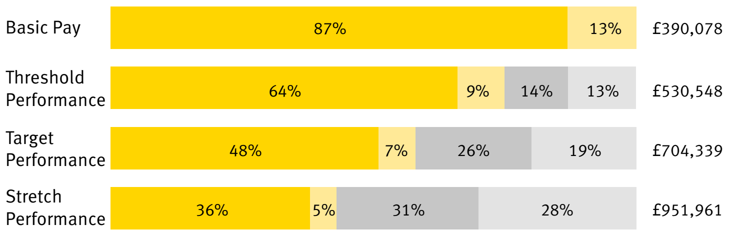
Chief Executive (Nick Turner) total remuneration potential for the 2022 performance year



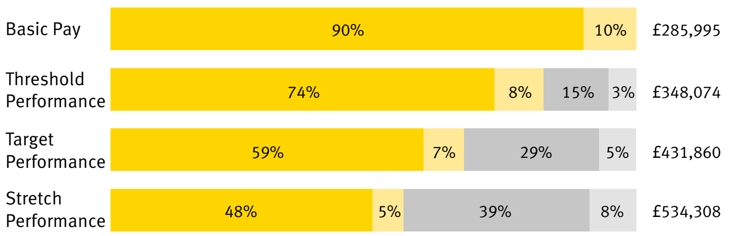
Customer Services Director (Steven Bower) total remuneration potential for the 2022 performance year



Finance Director (Richard Morley) total remuneration potential for the 2022 performance year



Sales & Agency Director (Nick Watson) total remuneration potential for the 2022 performance year



Base Salary and Value of Benefits

Pension[1]

Annual Bonus[2]

LTIP 2020 – 22

[1] Cash in lieu of Company Pension Contribution

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

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 2022

The tables below show actual total remuneration for Executive Directors for 2021 and 2022.

2022 £	Base Pay	Pension[2]	Benefits[3]	Annual Bonus[1]	2020 - 2022 LTIP	2022 Total	Fixed Pay	Variable Pay
Nick Turner	488,000	73,200	15,669	476,787	255,585	1,309,241	576,869	732,372
Steve Bower[4]	261,687	39,253	12,535	173,578	192,059	679,113	313,475	365,638
Richard Morley	326,667	49,000	14,411	223,334	194,858	808,270	390,078	418,192
Nick Watson*	243,332	29,200	13,464	162,038	32,316	480,350	285,995	194,354
Lindsay Sinclair**	-	-	-	-	310,674	310,674	-	310,674

2021 £	Base Pay	Pension[2]	Benefits[3]	Annual Bonus[1]	2019 - 2021 LTIP	2021 Total	Fixed Pay	Variable Pay
Nick Turner	383,057	57,458	17,664	382,151	207,141	1,047,471	458,179	589,292
Steve Bower[4]	253,824	38,074	14,939	176,414	179,342	662,593	306,837	355,756
Richard Morley	293,236	43,985	14,431	206,287	180,198	738,137	351,652	386,485
Nick Watson*	138,429	16,611	7,807	116,454	49,453	328,754	162,847	165,907
Lindsay Sinclair[5]	178,868	23,524	9,437	150,973	516,642	879,444	211,828	667,615

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

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

1 1/3 of Annual Bonus payment will be deferred for three years.
2 Cash allowance in lieu of company pension contribution.
3 Benefits figures includes car allowance.
4 Retired from the Board 31 March 2023.
5 Mr Sinclair's benefits included the use of the company driver.

Base salaries and benefits

The average base salary increase across the Group in May 2022 was 3.2% with the vast majority of increases ranging from 1% to 6.5%. The annual base salary levels of the Executive Directors with effect from 1st May 2022 were as follows:

Name	May 2022	May 2021	Increase
Nick Turner Group Chief Executive	£518,250	£427,500	21.2%*
Steve Bower Customer Services Director	£264,253	£256,556	3%
Richard Morley Finance Director	£340,000	£300,000	13.3%*
Nick Watson Sales and Agency Director	£246,685	£228,000	8.1%*

* The salaries of Mr Turner (appointed 01/04/2021), Mr Morley, (appointed 01/05/2018), and Mr Watson (appointed 24/05/2021) are 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 Bower, Mr Watson and Mr Morley at four times salary.

Variable pay

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

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

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

Payments made under these plans are not pensionable.

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

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

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

In 2022, the same targets were used in the STIP as in the Group Bonus Scheme (GBS) which is payable to all employees. These are aligned to support the Group's long-term objectives.

The tables below detail the balanced scorecard of performance measures for the bonus schemes in 2022. 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 2022 Measures

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

Short-Term Incentive Plan for Executives 2022 Measures

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

Bonus scheme measures

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

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

Principles of the LTIP

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

2022 – 2024 LTIP Grant

A new LTIP grant was made in 2022 to cover the performance period 2022 to 2024. The 2022-2024 LTIP grants were set at the levels detailed in the table below.

The 2022 – 2024 LTIP will vest on 31st December 2024, dependent on the extent to which performance objectives in relation to that grant are achieved.

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

Performance conditions

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

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

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

Summary of LTIP grants and vesting

The table below details the vesting outcomes from the 2020-2022 LTIP scheme and the grants made in 2021 and 2022.

LTIP 3 Cycle £

	Plan Start Date	Cycle Ending	Grant Value	Vesting Date	2020-2022 Scheme Performance	2023 Payment
Nick Turner	01-Jan-20 01-Jan-21 01-Jan-22	2022 2023 2024	344,547 672,988 709,650	31-Dec-22 31-Dec-23 31-Dec-24	74.18%	255,585
Steven Bower	01-Jan-20 01-Jan-21 01-Jan-22	2022 2023 2024	258,910 268,230 277,080	31-Dec-22 31-Dec-23 31-Dec-24	74.18%	192,059
Richard Morley	01-Jan-20 01-Jan-21 01-Jan-22	2022 2023 2024	262,683 302,085 324,000	31-Dec-22 31-Dec-23 31-Dec-24	74.18%	194,858
Nick Watson*	01-Jan-20 01-Jan-21 01-Jan-22	2022 2023 2024	43,564 246,240 246,240	31-Dec-22 31-Dec-23 31-Dec-24	74.18%	32,316
Lindsay Sinclair	01-Jan-20 01-Jan-21	2022 2023	1,005,147 1,041,316	31-Dec-22 31-Dec-24	74.18%	310,674

* Mr Watson received replacement LTIP awards in respect of the deferred awards he forfeited on leaving his previous employer to join NFU Mutual.

A new LTIP grant will be made in 2023 to cover the performance period 2023 to 2025, and this will vest at the end of 2025, dependent on the extent to which performance objectives in relation to that grant are achieved.

Malus and clawback of variable pay

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

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

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

Directors' pension arrangements

Mr Bower is a member of the Defined Benefit section of the Group's pension scheme. He ceased accruing pension under the scheme in April 2014, and started receiving a pension from the scheme with effect from January 2022. 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 (£187,800 in 2022) which limits the amount of salary that counts towards pension benefits.

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

Mr Bower has received a cash allowance in lieu of pension accrual since 2014. The table below shows the value of Mr Bower's accrued Defined Benefits pension value, expressed as a transfer value as at 31 December 2022, together with the value of the annual pension in payment (following exchange of part of the pension for a lump sum, as shown in the table, under the terms of the scheme).

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

	Single Pension Figure at 31.12.2022	Single Pension Figure at 31.12.2021	Transfer value of accrued pension at 31.12.2022 (£)	Accrued pension at 31.12.2022	Normal pension age
Steve Bower	-[1]	-[1]	1,700,800[2]	Pension in payment of £52,000 pa, following a Pension Commencement Lump Sum of £340,200 [3]	60

All figures shown are to the nearest £100

1 Based on the member ceasing to accrue pension from 5th April 2014, although he continued to accrue contingent spouse's benefits on death-in-service and death-after-retirement prior to commencing receipt of his benefits on 5 January 2022, which is reflected in the calculation of the transfer value at 31st December 2022. The Administrators have confirmed that the continued accrual of the contingent spouse's benefits was unaffected by the broader Closure of the Scheme to future accrual.
2 Based on the member's notional pre-commutation pension at 31 December 2022 (i.e. taking no account of the member's decision to commute some of his pension benefits for a cash lump sum as at 5 January 2022).
3 This reflects the member's current pension in payment as at 31 December 2022, alongside the Pension Commencement Lump Sum that the member received when he commenced receipt of their benefits on 5 January 2022.

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

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.

	Date of contract	Unexpired Term as at 31st December 2022	Notice period
Nick Turner	1st April 2021	12 months rolling period	12 months
Steven Bower	5th July 2010	12 months rolling period	12 months
Richard Morley	1st May 2018	12 months rolling period	12 months
Nick Watson	24th May 2021	12 months rolling period	12 months

Non-executive Directors

Non-Executive Directors	2022 Committee Responsibilities	2022 Total Fees (£)	Taxable Expenses from 1st January 2022 - 31st December 2022 (£)*	2021 Total Fees (£)	Taxable Expenses from 1st January 2021 - 31st December 2021 (£)*
Ross Ainslie (Resigned from Board 31st October 2022)	Audit Committee Member (until 31st October 2022) With Profits Committee Member (until 31st October 2022) Investment Committee Member (until 31st October 2022)	60,042	2,753	56,042	2,084
Jon Bailie	Senior Independent Director (from 1st January 2023) Investment Committee Chair N.F.U. Mutual Unit Managers Limited Chair Audit Committee Member Nomination Committee Member (from 1st August 2022)	83,667	1,021	80,375	1,070
Ali Capper	Board Risk Committee Member With-Profits Committee Member Remuneration Committee Chair Consumer Duty Champion	78,000	-	73,307	-
John Deane (appointed to Board 1st November 2022)	With Profits Committee Chair (from 1st January 2023, Committee Member from 1st November 2022) RBS Trustee (from 1st November 2022) Investment Committee Member (from 1st November 2022) Board Risk Committee Member (from 1st January 2023)	12,083	611	-	-
Brian Duffin (retired from Board 31st December 2022)	With-Profits Committee Chair Chair of the Company's Pension Scheme Trustee Nomination Committee Member Board Risk Committee Member Senior Independent Director	101,950	6,047	99,700	2,285
Alan Fairhead	Board Risk Committee Chair Director of N.F.U. Mutual Unit Managers Limited	79,875	1,790	78,000	1,457

* The expenses quoted are those which the Non-Executive Directors have incurred for travel or accommodation while on NED duties at Head Office. HMRC consider these to be taxable so the figure disclosed is the grossed up value of these expenses (other expenses incurred on NED duty which are not in respect of Head Office are not taxable and therefore have not been disclosed).

Non-Executive Directors	2022 Committee Responsibilities	2022 Total Fees (£)	Taxable Expenses from 1st January 2022 - 31st December 2022 (£)*	2021 Total Fees (£)	Taxable Expenses from 1st January 2021 - 31st December 2021 (£)*
Christine Kennedy (retired from Board 31/03/2023)	Remuneration Committee Member Nomination Committee Member Audit Committee Member	72,125	3,264	73,625	2,258
Jim McLaren	Chairman Nomination Committee Chair Board Risk Committee Member (until 31st December 2022)	203,750	5,423	198,750	6,446
David Roper	Audit Committee Chair Remuneration Committee Member Board Risk Committee Member	79,250	-	77,500	-
Chris Stooke (retired from Board 31/12/2020)	Senior Independent Director Audit Committee Chair Board Risk Committee Member Nomination Committee Member With-Profits Committee Member (until 31st December 2020 for all commiittees)	-	-	-	122
Dave Smith (appointed 1st January 2023)	Audit Committee Member (from 1st January 2023) Board Risk Committee Member (from 1st January 2023) Remuneration Committee Member (from 1st January 2023)	-	-	-	-

* The expenses quoted are those which the Non-Executive Directors have incurred for travel or accommodation while on NED duties at Head Office. HMRC consider these to be taxable so the figure disclosed is the grossed up value of these expenses (other expenses incurred on NED duty which are not in respect of Head Office are not taxable and therefore have not been disclosed).

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 2022 was £212,518 (2021: £211,437.91).

Non-Executive Directors' letters of appointment

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

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

Non-Executive Directors	Date of letter of appointment	Unexpired Term as at 31st December 2022	Notice period
Jon Bailie	1st February 2018	1 years 2 months	3 months
Ali Capper	15th March 2018	1 years 3 months	3 months
John Deane	8th August 2022	2 years 10 months	3 months
Brian Duffin[1]	25th February 2016	expired 31st December	3 months
Alan Fairhead	5th October 2020	10 months	3 months
Christine Kennedy[2]	25th February 2016	3 months	3 months
Jim McLaren	30th September 2019	1 year	6 months
David Roper	8th April 2019	2 years 8 months	3 months
Dave Smith	16th November 2022	3 years	3 months

1 Retired from Board 31st December 2022
2 Retiring form Board 31st March 2023

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 2022 and of the group's loss 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
- 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/(expense);
- 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 35, excluding the capital adequacy disclosure 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 assumptions
- General Business Claims Outstanding: Non-latent assumptions and methodology
- Long-term Life Business Provision: Annuitant mortality assumptions

Within this report, key audit matters are identified as follows:

<> Similar level of risk to prior year

Materiality

The materiality that we used for the group financial statements was £102m which was determined on the basis of 1.5% of the members' reserves and equity.

Scoping

Our group audit included full scope audits of the parent company and Avon Insurance plc. Our testing covered 98% of Profit before tax (PBT), 98% of revenue and 99% of members' reserves and equity.

Significant changes in our approach

There were no significant changes in our approach compared to 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 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, its ability to continue as a going concern, and the longer-term viability of the company;
- 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 and the principal risks the company faces with particular focus on climate change.

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 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. These judgments are applied on farming-specific latent perils in the determination of the carrying value of latent general insurance claims outstanding. Latent reserves are long tail in nature and there is limited available and relevant data from which to derive appropriate assumptions for certain farming-specific perils. As such, there is increased estimation uncertainty in the determination of appropriate reserves. At 31 December 2022, the group's liabilities included general business claims outstanding reserves of £2,352m (2021: £2,137m) as set out in note 8 to the financial statements. Given the size of the specific farming latent assumptions out of the total balance of the general business claims outstanding reserves, incorrect or inconsistent 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 was a potential risk of fraud through possible manipulation of this balance. The audit committee refers to this key audit matter in their report on page 95.
How the scope of our audit responded to the key audit matter	With the involvement of our actuarial specialists, we performed the following procedures: • We obtained an understanding of the relevant controls addressing the risks associated with latent reserving, specifically controls identified in relation to the assumption setting process; • We inspected and challenged the continued appropriateness of management's model methodology and derivation of material assumptions; • We inspected the application of management's new latent claims review framework which sets out the process of reviewing and updating the assumptions and triggers which would prompt a more detailed review of a peril; and • We considered external developments connected with the key latent assumptions as part of our challenge of the assumptions adopted by management; and • We assessed whether the financial statement disclosures in relation to the valuation of the general insurance liabilities are appropriate.
Key observations	We found the general claims outstanding latent reserving key assumptions to be reasonable.

5.2. General Business Claims Outstanding: Non-latent assumptions and methodology	
Key audit matter description	The valuation of the general business claims outstanding is a complex process involving inherent uncertainty and is one of the most significant areas of management judgement within the group's financial statements. The most significant and sensitive judgements in the determination of the carrying value of non-latent general insurance claims outstanding are on the assumptions and methodology for third party bodily injury (TPBI) claims in excess of £1m, specifically for the motor and liability classes of business. The determination of the bodily injury non-latent assumptions and methodology for claims above £1m is considered to be inherently more complex given the specific judgements applied to individual cases. Given their individual significance, the use of inappropriate methodology or assumptions in their valuation increases the likelihood of a material misstatement in general business claims outstanding, when compared to other perils and TPBI claims below £1m. Included in liabilities are general business claims outstanding reserves, with a balance at 31 December 2022 of £2,352m (2021: £2,137m), as set out in note 8 to the financial statements. Given the size of the TPBI non-latent reserves for claims above £1m attributed to the assumptions above as a proportion of the total balance of the general business claims outstanding reserves, incorrect 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 was a potential risk of fraud through possible manipulation of this balance. The audit committee refers to this key audit matter in their report on page 95.
How the scope of our audit responded to the key audit matter	With the involvement of our actuarial specialists, we performed the following procedures: • We obtained an understanding of the relevant controls around the non-latent reserve valuation process, specifically controls identified in relation to the assumption setting process; • We inspected and challenged management's selected methodology and assumptions including market benchmarking (where appropriate market benchmarking exists) focusing on material classes of business in relation to TPBI for claims above £1m; • We 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 • We assessed whether the financial statement disclosures in relation to the valuation of the general insurance liabilities are appropriate.
Key observations	We found management's methodology for determining the general insurance claims outstanding non-latent reserves and the key assumptions to be reasonable.

5.3. Long-term Life Business Provision: Annuitant mortality assumptions	
Key audit matter description	The valuation of the long-term provision for the life business is a complex process involving inherent uncertainty and is another significant area of management judgement within the group's financial statements. Assumptions for annuitant mortality (both base mortality and mortality improvements) are made in the actuarial reserving process for the valuation of the long-term business provision. These assumptions are fundamental in ensuring that the appropriate level of actuarial liabilities is held in respect of the life business. Based on our risk assessment process and understanding, we focused on the most material annuity products that are highly sensitive to changes in the annuitant mortality assumptions. The key judgements centre upon: I. Mortality (base) – Factors which affect the assumptions underlying mortality experience (e.g., age, gender, pension band etc.), management's view on the credibility of the experience and the period over which it is analysed; and II. Mortality (improvement) – Management's view on, and interpretation of population trends, internal analysis, industry analysis and related developments in respect of the future rate of mortality improvements, in particular, the most recent Continuous Mortality Investigation ("CMI") 2020 tables. Included in liabilities are long-term business provision reserves, with a balance at 31 December 2022 of £4,608m (2021: £5,572m) as set out in note 4 to the financial statements. Given the annuitant mortality related reserves are material to the total long-term business provision reserves, an inappropriate 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 was a potential risk of fraud through possible manipulation of this balance. The audit committee refers to this key audit matter in their report on page 96.
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: • We obtained an understanding of the relevant controls around life reserving annuitant mortality methodology and assumptions; • We evaluated the in-year experience study relating to base annuitant mortality experience across the material annuity products; • We challenged key judgements made around adopted annuitant mortality improvement assumptions by referring to the latest available CMI 2020 mortality improvements model and considered the appropriates of fit to the underlying book; • We assessed whether any adjustments made to the latest available industry table CMI 2020 models are appropriately supported by evidence; and • Where appropriate, we compared the assumptions selected by management to those used by peer annuity companies.
Key observations	We found management's key annuitant mortality assumptions to be reasonable.

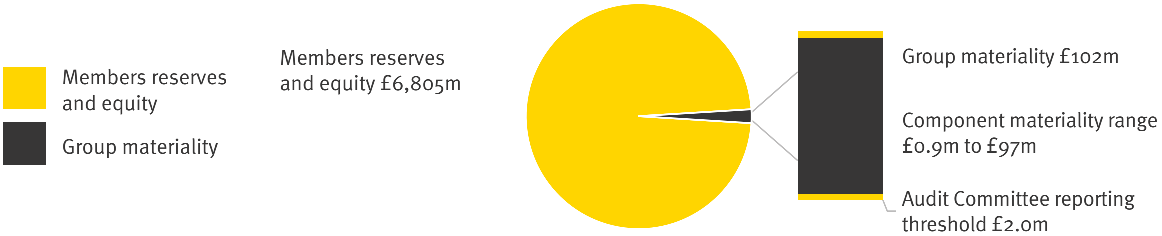
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£102m (2021: £120m)	£97m (2021: £119m)
Basis for determining materiality	1.5% (2021: 1.5%) of members reserves and equity	The parent company's materiality was determined at 1.5% (2021: 1.5%) of members reserves and equity, capped at 95% (2021: 95%) of group materiality. When determining materiality, as the parent company is a component of the group, we also considered that this materiality is appropriate for the consolidation of this set of financial statements into that group's results.
Rationale for the benchmark applied	We have used members reserves and equity as a base for our materiality to reflect the parent company's and group's strategic ambition as a mutual to deliver longer-term sustainable profit growth 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% (2021: 70%) of group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • the quality of the parent company's and group's control environment, our ability to take a controls reliance approach in the areas specified in section 7.2; and • the low number of corrected and uncorrected misstatements identified in the prior year audit.	

6.3. Error reporting threshold

We agreed with the audit committee that we would report to the committee all audit differences in excess of £2.0m (2021: £2.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work for the general and life insurance businesses in the parent company, as well as Avon Insurance plc, the group's other insurance subsidiary. Our testing covered 98% of PBT, 98% of revenue and 99% of members reserves and equity, and all work was performed by the group engagement team.

Our group audit work was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £890k to £97m (2021: £891k to £119m). For other components we have performed either analytical review or procedures over specified account balances.

At group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

7.2. Our consideration of the control environment

The group IT landscape contains several IT systems, applications and tools used to support business processes and reporting. We identified the relevant IT systems, applications and tools used to support key business processes and reporting, and with the involvement of our IT specialists, we tested the general IT controls. Based on the testing performed, we took a controls reliance approach in relation to the gross written premium, claims handling, reserves and model risk data for life insurance and investment property. This is consistent with our prior year approach.

7.3. Our consideration of climate-related risks

The group has a defined climate change strategy and continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change. During the year, the group implemented its net zero roadmap as well as a new ESG framework to ensure an aligned approach to environmental, social and governance related matters, with climate change as a priority area.

As part of our audit, we have 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 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. We read the climate change disclosures in the annual report as outlined on pages 36 to 57 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, excluding the financial statements and our auditor's report thereon, but including the capital adequacy disclosures in note 3. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, the board risk committee, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- 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; and
- the matters discussed among the audit engagement team including relevant internal specialists, including actuarial, tax, pensions, financial instruments, property valuation and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: general business claims outstanding: latent reserves, non-latent reserves and long-term provision. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's regulatory solvency requirements regulated by the

Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

11.2. Audit response to risks identified

As a result of performing the above, we identified general business claims outstanding: latent reserving assumptions, general business claims outstanding: non-latent assumptions and methodology, and long-term business provision: annuitant mortality assumption as key audit matters related to the potential risk of fraud. 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 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 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 67;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 68;
- the directors' statement on fair, balanced and understandable set out on page 69;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 67;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 67; and
- the section describing the work of the audit committee set out on page 93

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 5 years, covering the years ending 31 December 2018 to 31 December 2022.

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.

Mark McQueen (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23 March 2023

CONSOLIDATED PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

2022 £m	2021 £m	For the year ended 31 December
1,987	1,825	Gross written premium income before Mutual Bonus
(247)	(250)	Mutual Bonus
1,740	**1,575**	**Gross Written Premium (note 6)**
(123)	(117)	Outwards reinsurance
1,617	**1,458**	**Net premiums written**
(81)	(60)	Change in gross provision for unearned premiums
2	-	Change in the gross provision for reinsured unearned premiums
(79)	**(60)**	**Change in the net provision for unearned premiums**
1,538	**1,398**	**Earned premiums, net of reinsurance**
71	46	Allocated investment return transferred from the Non-Technical Account (note 9)
1,609	**1,444**	**Total technical income**
1,289	1,090	Gross claims paid
(30)	(22)	Reinsurers share of gross claims paid
1,259	**1,068**	**Net claims paid**
191	263	Change in gross provision for claims
38	(14)	Change in reinsurers' share
229	**249**	**Change in net provisions for claims**
1,488	**1,317**	**Claims incurred, net of reinsurance**
458	414	Net operating expenses (note 7)
8	7	Other technical charges, net of reinsurance
1,954	**1,738**	**Total technical charges**
(345)	**(294)**	**Balance on the Technical Account – General Business**

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

2022 £m	2021 £m	For the year ended 31 December
207	185	Gross written premium (note 6)
(5)	(5)	Outwards reinsurance
202	**180**	**Earned premiums, net of reinsurance**
365	668	Investment income (note 9)
-	165	Unrealised gain on investments
27	30	Fee income from investment contracts
28	48	Other technical income net of reinsurance
622	**1,091**	**Total technical income**
351	349	Gross claims paid
(6)	(6)	Reinsurers' share
345	**343**	**Net claims paid**
24	(7)	Change in gross provision for claims
369	**336**	**Claims incurred, net of reinsurance**
(964)	16	Gross change in long-term business provision
2	1	Reinsurers' share
(962)	**17**	**Net change in the long-term business provision**
59	81	Changes in technical provision for linked liabilities net of reinsurance
(446)	366	Movements in investment contract liabilities
(1,349)	**464**	**Net change in technical provisions**
1,895	-	Unrealised loss on investments (note 9)
64	104	Net operating expenses (note 7)
1	3	Investment expenses and charges (note 9)
(120)	47	Tax (expenses) / credit attributable to the Long-Term Business (note 15)
(241)	139	Transfer (from) / to the fund for future appropriations
3	(2)	Profit/(loss) attributable to minority interest
622	**1,091**	**Total technical charges**
-	**-**	**Balance on the Technical Account – Long-Term Business**

CONSOLIDATED PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

2022 £m	2021 £m	For the year ended 31 December
(345)	(294)	Balance on the Technical Account - General Business
110	260	Investment Income (note 9)
(869)	341	Unrealised (loss) / gain on investments (note 9)
(71)	(46)	Allocated investment return transferred to the Technical Account - General Business (note 9)
(8)	(8)	Support payments to the Farmers' Unions
10	6	Other Income
(42)	(39)	Other Charges
(1,215)	**220**	**(Loss) / Profit on ordinary activities before taxation (note 14)**
166	(38)	Tax credit/(charge) on ordinary activities (note 15)
(1,049)	**182**	**(Loss) / Profit for the financial year (note 25)**

All results are derived from continuing operations.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME / (EXPENSE)

2022 £m	2021 £m	For the year ended 31 December
(1,049)	**182**	**(Loss) / Profit for the financial year**
115	177	Actuarial gain on pension scheme (note 29)
(30)	(41)	Movement on deferred tax on pension scheme
(964)	**318**	**Total comprehensive (expense) / income recognised since last Annual Report**

CONSOLIDATED AND COMPANY BALANCE SHEETS

Consolidated 2022 £m	Consolidated 2021 £m	Parent Company 2022 £m	Parent Company 2021 £m	As at the 31 December
				Assets
				Investments
1,442	1,572	1,077	1,255	Land and Buildings (note 18)
500	575	1,158	1,120	Investments in Group undertakings and participating interests (note 16)
11,140	13,124	11,098	13,088	Other financial investments (note 17)
13,082	**15,271**	**13,333**	**15,463**	
3,604	**4,138**	**3,604**	**4,138**	**Assets held to cover linked liabilities (note 19)**
				Reinsurers' share of technical provisions
13	11	14	12	Provision for unearned premiums
11	13	11	13	Long-term business provision
198	236	195	233	Claims outstanding (note 8)
20	29	20	29	Technical provision for linked liabilities
242	**289**	**240**	**287**	
				Debtors
682	605	671	598	Debtors arising out of direct insurance operations – policyholders
15	11	17	13	Debtors arising out of direct insurance operations – Intermediaries
17	9	18	9	Debtors arising out of reinsurance operations
-	-	30	25	Amounts due from Group undertakings
143	72	201	44	Other debtors (note 20)
857	**697**	**937**	**689**	
				Other Assets
61	55	57	52	Tangible assets (note 21)
17	-	-	-	Stocks (note 22)
381	280	266	169	Cash at bank and in hand
459	**335**	**323**	**221**	
				Prepayments and accrued income
81	69	80	69	Accrued interest and rent
131	121	131	121	General business deferred acquisition costs
19	20	19	20	Long-term business deferred acquisition costs
17	16	18	17	Other prepayments and accrued income
248	**226**	**248**	**227**	
18,492	**20,956**	**18,685**	**21,025**	**Total assets excluding pension asset**
285	169	-	-	Pension asset (note 29)
18,777	**21,125**	**18,685**	**21,025**	**Total assets including pension asset**

CONSOLIDATED AND COMPANY BALANCE SHEETS

Consolidated 2022 £m	Consolidated 2021 £m	Parent Company 2022 £m	Parent Company 2021 £m	As at 31 December
				Liabilities Reserves
-	-	357	290	Revaluation reserve (note 25)
250	250	250	250	Other reserve (note 25)
5,378	6,342	5,063	6,094	Profit and loss account (note 25)
39	32	-	-	Equity minority interests
1,138	1,379	1,211	1,413	Fund for future appropriation (note 25)
6,805	**8,003**	**6,881**	**8,047**	**Total members reserves and equity (note 25)**
				Technical provisions
852	771	852	771	Provision for unearned premiums
4,608	5,572	4,608	5,572	Long-term business provision (note 4)
2,352	2,137	2,347	2,131	Claims outstanding (note 8)
7,812	**8,480**	**7,807**	**8,474**	
				Technical provision for linked liabilities
82	120	82	120	Technical provision for linked liabilities – Insurance contracts (note 4)
3,503	3,949	3,503	3,949	Technical provision for linked liabilities – Investment contracts (note 4)
3,585	**4,069**	**3,585**	**4,069**	
				Provisions for other risks
-	206	-	166	Provision for taxation (note 20)
16	11	16	11	Other provisions (note 27)
16	**217**	**16**	**177**	
				Creditors
77	38	77	37	Creditors arising out of direct insurance operations
30	24	25	23	Creditors arising out of reinsurance operations
128	69	-	-	Amounts due to credit institutions (note 34)
-	-	67	67	Amounts owed to Group undertakings
162	61	142	55	Other creditors including taxation and social security (note 28)
162	164	85	76	Accruals and deferred income
559	**356**	**396**	**258**	
18,777	**21,125**	**18,685**	**21,025**	**Total liabilities**

These financial statements on pages 145 to 197 were approved and authorised for issue by the Board of Directors on the 23rd March 2023 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

2022 £m	2021 £m	For the year ended 31 December
(282)	(140)	Net cash used or outflow from operating activities (note 33)
110	260	Interest and dividend Income
96	(29)	Taxation
(76)	**91**	**Net cash generated from operating activities**
		Cash flow from investing activities
(19)	(20)	Payments to acquire tangible assets
(254)	(297)	Payments to acquire shares and other variable yield securities
250	216	Receipts from the sale of shares and other variable yield securities
(1,688)	(1,551)	Payments to acquire debt securities and other fixed / variable income securities
1,662	1,256	Receipts from the sale of debt securities and other fixed / variable income securities
(148)	(204)	Payments to acquire investment properties
170	193	Receipts from the sale of investment properties
(5)	-	Payments to acquire subsidiary undertakings
116	235	Net receipts relating to term deposits with a maturity date greater than 3 months
84	**(172)**	**Net cash generated / (used) from investing activities**
8	**(81)**	**Net increase / (decrease) in cash and cash equivalents**
204	285	Cash and cash equivalents at the beginning of the year
212	**204**	**Cash and cash equivalents at the end of the year**
212	140	Cash at bank and in hand (note 33)
-	64	Short-term deposits (included in Other Financial Investments)
212	**204**	**Cash and cash equivalents at the end of the year**

STATEMENT OF CHANGES IN MEMBERS' RESERVES AND EQUITY

Revaluation Reserves (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 2022 £m	Equity Minority Interests £m	Total members' reserves and equity 2022 £m	Total members' reserves and equity 2021 £m	Consolidated
-	250	6,342	1,379	7,971	32	8,003	7,542	As at 1 January
-	-	(1,049)	-	(1,049)	-	(1,049)	182	Transfer to / (from) Non-Technical Account
-	-	-	(241)	(241)	-	(241)	139	Transfer to / (from) the fund for future appropriations
-	-	115	-	115	-	115	177	Actuarial gain /(loss) loss on pension scheme
-	-	(30)	-	(30)	-	(30)	(41)	Movement on deferred tax on pension scheme
-	-	-	-	-	3	3	(2)	Profit/(loss) attributable to Minority Interest
-	-	-	-	-	4	4	6	Funding from Minority Interest
-	**250**	**5,378**	**1,138**	**6,766**	**39**	**6,805**	**8,003**	**As at 31 December**
								Parent Company
290	250	6,094	1,413	8,047	-	8,047	7,578	As at 1 January
-	-	(1,031)	-	(1,031)	-	(1,031)	176	Transfer to / (from) Non-Technical Account
-	-	-	(202)	(202)	-	(202)	147	Transfer to / (from) the fund for future appropriations
67	-	-	-	67	-	67	146	Revaluation of subsidiaries
357	**250**	**5,063**	**1,211**	**6,881**	**-**	**6,881**	**8,047**	**As at 31 December**

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 45. A summary of the more important Group accounting policies is set out below:

a) Changes in accounting policy

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

b) Basis of consolidation

The consolidated financial statements include the assets and liabilities at 31st December of the parent company and its subsidiaries and also include the Group's share of net assets of associated companies. Similarly, the results of the parent company and its subsidiaries are included for the year ended 31 December together with the Group's share of the results of associated companies. Income from non-insurance subsidiaries is shown either in the Technical Account for Long-Term Business or in the Non-Technical Account for General Business. The accounting policies are applied consistently across the Group. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated.

Subsidiaries – The results of subsidiary undertakings acquired or sold during the period are included within the consolidated results from the date of acquisition or up to the date of disposal. On acquisition of a subsidiary undertaking all of its assets and liabilities are recorded at their fair values determined using a valuation technique approach and reflects their condition at that date. Subsidiary undertakings are companies where the Group holds 50% or more of the equity and is able to exercise ultimate control.

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.

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 using the equity method of accounting and are carried at fair value.

c) Parent company investments in group undertakings

Group undertaking investments are measured at fair value with changes in fair value recognised in the parent company's Statement of Other Comprehensive Income. If the value of the Group Undertakings carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount as a result of a revaluation shall be recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

d) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 14 to 24. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the accounts on pages 152 to 197. 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, property, plant and equipment 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 162 to 164.

iii) The fair value of the parent company's investment in subsidiary and associate undertakings involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of the fair values requires the combination of assumptions including revenue growth, expense inflation and customer attrition rates. In addition the use of discount rates requires judgement.

iv) Pension schemes – note 29 sets out the major assumptions used to calculate the pension scheme asset/liability.

v) The sensitivity of the Group and parent company's assets and insurance contract liabilities to insurance risk and market risk is analysed in note 4.

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.

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.

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 2022, Unit Linked Flexibond, along with the main investment products open to top ups during 2022, 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) Exemptions for qualifying entities under FRS102

FRS102 allows a qualifying entity certain disclosure exemptions, subject to compliance with certain conditions.

The parent company is a qualifying entity as it is a member of a group that prepares, (and is included in), publicly available consolidated financial statements which follow the true and fair view principles of presentation and disclosure.

The parent company has taken advantage of the exemption from preparing a Profit and Loss Account and from preparing a Statement of Cash Flows as permitted by section 408 of the Companies Act 2006, on the basis that it is a qualifying entity and the Consolidated Statement of Cash Flows, included in these financial statements, includes the parent company's cash flows.

2 Risk Management

a) Risk management framework

The risk management strategy forms an integral part of ensuring that risks are managed in alignment with NFU Mutual's objectives and business strategy, and to maintain the financial stability of our policyholders, our reputation, employees and assets. Further detail on corporate governance structure and the impact of current market conditions are provided in the Governance section, the Group Chief Executive's Statement and the Business Review. Key risks faced by the Group as a result of its activities are as follows:

- Market Risk
- Insurance Risk
- Credit Risk
- Operational Risk
- Liquidity Risk

An explanation of the risk framework and the methods used to monitor and assess risk exposures can be found on pages 23 to 39. 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:

Consolidated As at 31 December 2022	General Business: General Insurance Contracts £m	General Business: Corporate General £m	Long-Term Business: Insurance With-Profit £m	Long-Term Business: Corporate Life £m	Long-Term Business: Investment Linked Contracts £m	Long-Term Business: Insurance Non-Participating £m	Total £m
Shares and other variable securities	2,637	-	2,005	205	2,751	-	7,598
Derivatives	6	-	-	3	-	-	9
Land and Buildings	676	364	402	-	-	-	1,442
Property investments (note 17)	-	-	-	-	-	-	-
Associates and Joint Ventures	338	97	65	-	-	-	500
Debt securities and other fixed / variable income securities	3,296	-	1,007	1,017	610	840	6,770
Cash and deposits with credit institutions	263	85	176	48	133	34	739
Reinsurance assets	212	-	-		-	30	242
Other assets	1,204	44	132	87	10	-	1,477
Total assets	**8,632**	**590**	**3,784**	**1,360**	**3,504**	**904**	**18,777**
Long Term Business Provision	-	-	3,786	-	-	822	4,608
Technical provision for linked liabilities	-	-	-	-	3,503	82	3,585
Provision for unearned premium	852	-	-	-	-	-	852
Claims outstanding	2,288	-	-	64	-	-	2,352
Derivatives liabilities	-	-	-	53	-	-	53
Other liabilities	248	167	-	107	-	-	522
Total liabilities	**3,388**	**167**	**3,786**	**224**	**3,503**	**904**	**11,972**

Consolidated As at 31 December 2021	General Business: General Insurance Contracts £m	General Business: Corporate General £m	Long-Term Business: Insurance With-Profit £m	Long-Term Business: Corporate Life £m	Long-Term Business: Investment Linked Contracts £m	Long-Term Business: Insurance Non-Participating £m	Total £m
Shares and other variable yield securities	2,816	-	2,174	138	3,170	-	8,298
Derivatives	1	-	-	2	-	-	3
Land and Buildings	754	317	479	22	-	-	1,572
Property investments (note 17)	-	-	33	2	-	-	35
Associates and Joint Ventures	443	80	50	2	-	-	575
Debt securities and other fixed / variable income securities	3,805	-	1,559	1,262	571	1,126	8,323
Cash and deposits with credit institutions	382	72	117	73	200	31	875
Reinsurance assets	247	-	-	-	-	42	289
Other assets	929	48	81	89	8	-	1,155
Total assets	**9,377**	**517**	**4,493**	**1,590**	**3,949**	**1,199**	**21,125**
Long-Term Business Provision	-	-	4,493	-	-	1,079	5,572
Technical provision for linked liabilities	-	-	-	-	3,949	120	4,069
Provision for unearned premium	771	-	-	-	-	-	771
Claims outstanding	2,098	-	-	39	-	-	2,137
Derivatives liabilities	-	-	-	-	-	-	-
Other liabilities	278	123	-	172	-	-	573
Total liabilities	**3,147**	**123**	**4,493**	**211**	**3,949**	**1,199**	**13,122**

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 2022.

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.

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. This exposure is closely monitored to ensure that it remains aligned with the risk appetite set by the Board. Adequate capital is held to cover our exposure to this risk.

(iv) Currency Risk

As described in the risk section on pages 25 to 35 the Group considers its exposure to currency risk to be sufficiently mitigated by the Group's Investment Strategy, which includes the use of investment hedges on overseas fixed security exposures, diversification of currency exposures and caps on the total value of the portfolio that can be invested in non sterling denominated securities. A sensitivity analysis to changes in the value of sterling to other currencies is shown below:

10% increase in Sterling £m	10% decrease in Sterling £m	General Business
(126)	126	Net assets at 31/12/22
(129)	129	Net assets at 31/12/21
		Long-Term Business
(38)	37	Fund for Future Appropriation at 31/12/22
(49)	46	Fund for Future Appropriation at 31/12/21

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.

2022						2021						General Business
Fixed Interest Securities		Equity		Property		Fixed Interest Securities		Equity		Property		
+1%	-1%	+10%	-10%	+10%	-10%	+1%	-1%	+10%	-10%	+10%	-10%	
(193)	228	264	(264)	104	(104)	(225)	257	282	(282)	107	(107)	**Impact on profit before tax £m**
(193)	**228**	**264**	**(264)**	**104**	**(104)**	**(225)**	**257**	**282**	**(282)**	**107**	**(107)**	**Total**

2022						2021						Long-Term Business
Fixed Interest Securities		Equity		Property		Fixed Interest Securities		Equity		Property		
+1%	-1%	+10%	-10%	+10%	-10%	+1%	-1%	+10%	-10%	+10%	-10%	
												Impact on Fund for Future Appropriation £m
(31)	52	-	-	-	-	(42)	73	-	-	-	-	Non-Participating contracts
(25)	15	64	(63)	7	(7)	(21)	6	55	(54)	11	(12)	With-Profit business
-	(2)	-	-	-	-							Investment business
(56)	**65**	**64**	**(63)**	**7**	**(7)**	**(63)**	**79**	**55**	**(54)**	**11**	**(12)**	**Total**

Limitations of sensitivity analysis

The sensitivities shown in the tables in section (v) are calculated assuming all other variables remain constant. In reality it should be noted that there will be a correlation between the different variables, so it is unlikely only one factor will change in isolation. It should be noted that sensitivities are non-linear (apart from General Business Equity and Property movements) and therefore larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivities used in these accounting notes do not take into consideration the active management by the Group of its assets and liabilities. The Group's Risk Management Framework incorporates levels which will trigger remedial action in order to mitigate any risk faced by the Group due to changes in market conditions.

c) Insurance risk

For a portfolio of insurance contracts the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. Factors that aggravate insurance risk include lack of risk diversification in terms of class and amount of risk, geographical location and type of industry covered. A more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the class of insurance risks accepted and within each of these classes to achieve a sufficiently large population of risks, to reduce the variability of the expected outcome. In addition the Group has a reinsurance programme which protects exposure to large claims.

General Insurance Contracts – The frequency and severity of claims can be affected by several factors, such as the risk profile of the business, inflation, legal rulings and weather events. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well controlled in terms of class and amount of risk, industry and geography.

As a mutual organisation it has consistently been our philosophy to reserve cautiously. Our conservative approach is designed to create a margin held in reserves to allow for adverse developments in open claims. Our booked claims reserves continue to include a margin above projected best estimate of ultimate claims costs.

Underwriting limits are in place to enforce appropriate acceptance criteria. The Group has the right not to renew individual policies, to reprice the risk on renewal, or to impose deductibles or other conditions. It also has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. All Group motor insurance contracts offer unlimited third party insurance cover in accordance with UK legislation.

The reinsurance arrangements include risk excess which limits the financial impact from any one claim and catastrophe coverage. The greatest likelihood of significant losses arises from storm or flood damage, and catastrophe. The Group has reinsurance cover to limit its exposure to loss at a level approved by the Board. The risk that the current estimates of claim liabilities will be different from those ultimately paid out on existing claims is minimised through the use of active claims management, regular reviews of claims estimates, and the use of statistical methods to assess the likely ultimate cost of claims.

The Group is exposed at any given time to latent risk which, by its very nature, is uncertain and in many cases is only expected to emerge in the long-term. Therefore, a material element of our overall reserves exists in order to cover these risks. The Group assesses its exposure to latent risk regularly and uses statistical methods and specific inputs including external third party experts to estimate the value of this exposure. Uncertainty over value and timing does, however, mean that final outcomes could be significantly different from current estimates.

The claims provision is the estimated cost of outstanding claims from expired risks. The provision is calculated largely from using the Group's historic claims development data. How much past claim development will reflect future claims development will be impacted by the following factors:

- Changes in actuarial processes and methodology.
- Changes in risk profile.
- Changes in underwriting, rating and policy conditions.
- Changes in legislation and regulation e.g. PPOs, Ministry of Justice reforms, changes to the Ogden discount rate
- Changes in other external factors e.g. 'claims farming'/accident management firms
- Changes to claims inflation.

It is therefore important that the impact of these items on claims development is understood. While every effort has been made to ensure the claims provision appropriately allows for such changes, there remains uncertainty in the eventual reserve outcome as a result. This uncertainty can change from year to year depending on the timing and magnitude of these items.

The Group has identified the major uncertainties surrounding the future development of claims. Where appropriate, these have been allowed for explicitly. An additional provision is also held within the claims provision to cover the uncertainty around further fluctuations in claims development with a given degree of confidence.

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 tables have been updated in the year for the statement of financial position year's 2016 to 2019 to remove cumulated claims handling expenses. 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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Estimate of ultimate claims costs £m											
At end of reporting year	946	911	889	909	958	1,051	981	1,006	1,152	1,319	
One year later	877	809	879	874	892	1,017	969	1,053	1,186		
Two years later	802	801	851	826	878	1,007	988	1,066			
Three years later	776	767	810	795	869	1,009	1,005				
Four years later	771	752	813	797	882	1,012					
Five years later	769	752	818	802	874						
Six years later	773	754	831	806							
Seven years later	776	756	822								
Eight years later	775	756									
Nine years later	774										
Current estimate of cumulative claims	774	756	822	806	874	1,012	1,005	1,066	1,186	1,319	9,620
Cumulative payments to date	(757)	(737)	(785)	(773)	(823)	(944)	(876)	(858)	(808)	(577)	(7,939)
Liability recognised in balance sheet	17	19	37	33	51	68	129	208	378	742	1,681
Reserve in respect of prior years											478
Reserve in respect of Long-Term Business											64
Other Reserves											124
Total Reserve included in Parent Company balance sheet, Gross of reinsurance											2,347
Reserve in respect of subsidiary undertakings											5
Total Reserve included in consolidated balance sheet, Gross of reinsurance											2,352

Analysis of claims development – net of reinsurance

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Estimate of ultimate claims costs £m											
At end of reporting year	896	885	872	894	913	1,002	959	981	1,131	1,304	
One year later	846	801	857	858	858	974	949	1,035	1,156		
Two years later	784	788	835	807	846	971	975	1,047			
Three years later	773	756	792	783	837	973	994				
Four years later	766	746	793	787	833	976					
Five years later	763	748	794	791	839						
Six years later	769	750	791	795							
Seven years later	771	752	789								
Eight years later	771	751									
Nine years later	771										
Current estimate of cumulative claims	771	751	789	795	839	976	994	1,047	1,156	1,304	9,422
Cumulative payments to date	(755)	(735)	(770)	(770)	(808)	(910)	(874)	(851)	(807)	(575)	(7,855)
Liability recognised in balance sheet	16	16	19	25	31	66	120	196	349	729	1,567
Reserve in respect of prior years											398
Reserve in respect of Long-Term Business											64
Other Reserves											124
Total Reserve included in Parent Company balance sheet, Net of reinsurance											2,154
Reserve in respect of subsidiary undertakings											-
Total Reserve included in consolidated balance sheet, Net of reinsurance											2,154

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

As at 31 December 2022 £m	AAA	AA	A	BBB	BB	Other	Carrying Value in Balance Sheet
Debt securities and other fixed / variable income securities	224	665	850	1,063	232	262	3,296
Assets arising from reinsurance contract held	-	108	97	-	-	7	212
Cash and deposits with credit institutions	-	49	299	-	-	-	348
Other assets	-	-	-	-	-	845	845
	224	**822**	**1,246**	**1,063**	**232**	**1,114**	**4,701**
As at 31 December 2021 £m							
Debt securities and other fixed / variable income securities	245	587	1,041	1,435	259	238	3,805
Assets arising from reinsurance contract held	-	137	100	-	-	10	247
Cash and deposits with credit institutions	-	-	454	-	-	-	454
Other assets	-	-	-	-	-	686	686
	245	**724**	**1,595**	**1,435**	**259**	**934**	**5,192**

Long-Term Business

As at 31 December 2022 £m	AAA	AA	A	BBB	BB	Other	Carrying Value in Balance Sheet
Debt securities and other fixed / variable income securities	246	1,120	496	689	233	12	2,796
Reinsurance assets	-	25	5	-	-	-	30
Cash and deposits with credit institutions	-	-	256	-	-	-	256
Other assets	2	10	7	17	1	60	96
	248	1,155	764	706	234	72	3,179
As at 31 December 2021 £m							
Debt securities and other fixed / variable income securities	235	1,896	471	889	152	199	3,842
Reinsurance assets	-	39	3	-	-	-	42
Cash and deposits with credit institutions	-	-	216	-	-	-	216
Other assets	2	10	5	16	1	56	90
	237	**1,945**	**695**	**905**	**153**	**255**	**4,190**

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 2022.

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 2022 lent stock amounted to £875m (2021: £710m), broken down as UK Equity £50m, Eurobonds and International Equities £192m and Gilts £633m (2021: UK Equity £65m, Eurobonds and International Equities £320m and Gilts £325m).

As at 31st December 2022 accepted collateral, all in government stocks, amounted to £903m (2021: £756m).

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 2022 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 167 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:

< 1 year or on demand	Between 1 year and 2 years	Between 2 years and 5 years	> 5 years	Total	Carrying value as per the balance sheet	**Financial and Insurance Liabilities**
						As at 31 December 2022 £m
						Financial Liabilities
68	28	32		128	128	Bank Loans and other overdrafts
3,503	-	-	-	3,503	3,503	Financial liabilities under non participating investment contracts
431	-	-	-	431	431	Creditors
4,002	**28**	**32**	**-**	**4,062**	**4,062**	**Total Financial Liabilities**
						Insurance Liabilities
331	273	761	3,791	5,156	3,786	Long-term business provision - with profit insurance contracts
86	74	206	735	1,101	822	Long-term business provision - non-participating insurance contracts
4	4	13	145	166	82	Liabilities under unit linked insurance contracts
909	379	389	685	2,362	2,256	Claims Outstanding (NFU Mutual General)
6	4	6	18	34	32	Claims Outstanding (Avon)
64	-	-	-	64	64	Claims Outstanding (Life)
1,400	**734**	**1,375**	**5,374**	**8,883**	**7,042**	**Total Insurance Liabilities**
5,402	**762**	**1,407**	**5,374**	**12,945**	**11,104**	**Total Financial and Insurance Liabilities**

< 1 year or on demand	Between 1 year and 2 years	Between 2 years and 5 years	> 5 years	Total	Carrying value as per the balance sheet	**Financial and Insurance Liabilities**
						As at 31 December 2021 £m
						Financial Liabilities
	40	29	-	69	69	Bank Loans and other overdrafts
3,949	-	-	-	3,949	3,949	Financial liabilities under non participating investment contracts
287	-	-	-	287	287	Creditors
4,236	**40**	**29**	**-**	**4,305**	**4,305**	**Total Financial Liabilities**
						Insurance Liabilities
339	289	773	3,091	4,492	4,493	Long-term business provision - with profit insurance contracts
88	74	208	752	1,122	1079	Long-term business provision - non-participating insurance contracts
4	4	12	142	162	120	Liabilities under unit linked insurance contracts
780	326	311	674	2,091	2,066	Claims Outstanding (NFU Mutual General)
8	2	5	17	32	32	Claims Outstanding (Avon)
39	-	-	-	39	39	Claims Outstanding (Life)
1,258	**695**	**1,309**	**4,676**	**7,938**	**7,829**	**Total Insurance Liabilities**
5,494	**735**	**1,338**	**4,676**	**12,243**	**12,134**	**Total Financial and Insurance Liabilities**

3 Capital management policy

NFU Mutual Insurance Society is a company limited by guarantee and does not therefore possess share capital. The company's capital takes the form of members reserves.

The Group is headed by the NFU Mutual Insurance Society which, since 1st January 2016, has calculated its Solvency II capital requirement via the use of an Internal Model. The Group incorporates risk modelling for its regulated subsidiaries on a look-through basis within its own calculation, previously the Group calculated its capital requirement under Solvency I regulation. As such, this ensures that all risks are captured at the consolidated level.

The Society's General Insurance and Long-Term Business funds are required to hold sufficient capital to meet the Solvency II capital requirements. Both the Group and the regulated entities within it have complied with all externally imposed capital requirements throughout the year.

The Group has an established Own Risk and Solvency Assessment (ORSA) process for both the General and Long-Term Business which ensures compliance with the requirements to hold adequate capital to cover all types of risk faced by the business. To support the protection of existing Own Funds, the firm has established processes and policies in specific areas such as Investment Strategy and Risk Management.

Group capital

The Group capital position remains strong. Assets that form part of the General Insurance fund, but are not required to cover its liabilities, are available to support Long-Term Business. The Own Funds comprises of the excess of assets over liabilities as measured under Solvency II. Beyond the movement in Own Funds relating to the decrease driven by retained losses, there have been no material changes to Own Funds in the period.

Own Funds available to cover the Solvency II Capital Requirement (SCR) as at 31st December 2022 is estimated to be £6,087m (2021: £7,138m) 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		
2022 £m	2021* £m	2022 £m	2021* £m	
6,766	**7,971**	**6,881**	**8,047**	**Statutory**
				Valuation method adjustments
1,011	581	1,011	581	Net technical reserves
(664)	(586)	(664)	(586)	Premium Debtors
(151)	(140)	(151)	(140)	Deferred acquisition costs
(215)	(129)	(215)	(129)	Pension Scheme Surplus
-	53	-	53	Deferred tax
(658)	(605)	(658)	(589)	Excess Ring-Fenced funds
-	-	(106)	(80)	Subsidiaries fair value excess over net assets
(2)	(7)	6	(3)	Other
6,087	**7,138**	**6,104**	**7,154**	**Own Funds Solvency II**

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.

*The 2021 comparatives have been amended to reflect the values in the 2021 Annual submission to the Regulator, previously reported based upon Q4 submission values of Solvency II Own Funds of Group £7,150m and Parent Company £7,150m.

4 Long-Term insurance liabilities

This note sets out the disclosures in respect of the Long-Term Business.

2022 Total Life business £m	2021 Total Life business £m	Analysis of Policyholder Liability
		With-Profits liabilities
244	609	Options and guarantees
3,542	3,884	Other policyholder obligation
3,786	**4,493**	**Total With-Profits liabilities**
3,585	4,069	Unit linked
822	1,079	Non-participating Life assurance
8,193	**9,641**	**Technical provision in balance sheet**

Assumptions

Overview – Assumptions are set on two different bases to perform the calculation of different reserves within the financial accounts. For With-Profits business reserves are set to be 'best estimate', so assumptions are set with no material margins for prudence included. For Non-Participating contracts reserves are set to be more prudent than best estimate, so assumptions are set to contain an appropriate margin for adverse deviation, such that there is no significant foreseeable risk that liabilities to the policyholders will not be met as they fall due.

With-Profits

A market consistent approach is adopted for the valuation of With-Profits liabilities and so the economic basis that underpins the calculations is defined by market prices at 31st December 2022. 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 19.70% (2021: 20.5%) and a property return volatility parameter of 15.0% (2021: 15.0%) have been used.

Non-Participating

The 'risk free' discount rate is calculated as being that implied by a zero coupon government bond of an equivalent term, for all business other than pension annuities. For pension annuities it is the rate implied by a zero coupon government bond of an equivalent term plus 108 basis points (2021: 59 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 base tables have been changed to the PMA16 and PFA16 tables from the PMA08 and PFA08 tables respectively. The Improvement model remains unchanged. The percentage adjustments to the base table and improvements basis for the 2022 assumptions are given below. In brackets are the 2021 assumptions.

Male

	With-Profits	Non-Participating
Base table	PMA16 (PMA08)	PMA16 (PMA08)
% adjustment	102% (107%)	100% (105%)
Improvement model	CMI-2020 (CMI-2020)	CMI-2020 (CMI-2020)
% Long-Term rate	Average 1.50% (Average 1.50%)	Average 2.00% (Average 2.00%)
Female		
Base table	PFA16 (PFA08)	PFA16 (PFA08)
% adjustment	88% (94%)	86% (92%)
Improvement model	CMI-2020 (CMI-2020)	CMI-2020 (CMI-2020)
% Long-Term rate	Average 1.50% (Average 1.50%)	Average 2.00% (Average 2.00%)

Lapse Rates With-Profits

Product	Duration	2022 Lapse rate %	2021 Lapse rate %
Pure Endowments	All before age 55	0.36	0.36
Deferred Annuity	All before age 55	0.36	0.36
Personal Pension - Individual	All before age 55	0.98	0.98
Personal Pension Account - Individual	All before age 55	1.12	1.12
Select Pension Plan	All	1.12	1.12
Endowment	All	1.17	1.17
Whole of Life	All	1.13	1.13

Lapse Rates With-Profits

Product	Duration	2022 Lapse rate %	2021 Lapse rate %
Personal Pension - Individual	All before age 55	1.04	1.04
Stakeholder - Individual	All before age 55	1.19	1.19
Personal Pension Account - Individual	All before age 55	1.19	1.19
Capital Investment Bond	All	2.75	3.11
Flexibond	1 2 3 4 5	1.22 2.93 2.94 3.18 2.75	1.22 2.93 2.94 3.18 2.75

Per-policy Expense Rates (£s) The 2021 per-policy expenses are given in brackets.

Product	With-Profits	Non-Participating
Capital Invesment Bond / Flexibond	£179.38 (£169.99)	£188.35 (£178.49)
Stakeholder / Personal Pension / Personal Pension Account	£165.84 (£158.06)	£174.13 (£165.96)
Individual Savings Account	£143.72 (£129.81)	£150.91 (£136.30)
Endowments / Whole of Life	£110.60 (£110.60)	£116.13 (£116.13)
Conventional Pensions	£128.94 (£127.64)	£135.39 (£134.02)
Annuities	£98.09 (£91.10)	£102.99 (£95.66)
Select Pension Plan (Accumulation)	£83.78 (£89.92)	N/A
Select Pension Plan (Decumulation)	£116.13 (£88.89)	N/A

Guaranteed Annuity Take up Rates

Assumptions are made that on average 62% of policyholders (2021: 58%) 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.

2022

Impact on FFA (£m)	Annuitant mortality 5% fall	Lapse rates 10% fall	Maintenance expenses 10% fall	Liquidity premium 10 basis point fall
Insurance Business				
Non-Participating contracts With-Profits business	(13) (8)	(1) 6	6 13	(5) -
Investment business	-	-	-	-
Total	**(21)**	**5**	**19**	**(5)**
2021				
Insurance Business				
Non-Participating contracts With-Profits business	(21) (16)	(1) (1)	8 23	(8) -
Investment business	-	-	-	-
Total	**(37)**	**(2)**	**31**	**(8)**

5 Financial instruments – fair value methodology

i) Investments carried at fair value have been categorised using a fair value hierarchy as detailed below:

Level 1 – Quoted market prices in active markets

Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. Instruments included in level 1 comprise primarily FTSE or equivalent listed equity instruments.

Level 2 – Internal models or broker quotes with observable market parameters

Inputs to level 2 fair values are inputs, other than quoted prices included within level 1, that are observable for the asset, either directly or indirectly. Level 2 includes both quoted prices for similar assets in an active market or an inactive identical market, and models using observable inputs or inputs derived from or corroborated by observable market data.

Where it is determined that there is no active market, fair value is established using a valuation technique. Level 2 valuation techniques include the following:

- Quoted prices for similar assets in active markets;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. The techniques above maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

Property investment valuations are calculated by independent fund valuers Cushman and Wakefield. Property investments are valued by determining the appropriate yield for an investment based on market comparable data and risk fundamentals. The yield is multiplied by the open market value of the property. This is assessed against comparable market data.

Level 3 – Internal models with significant unobservable market parameters

Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3.

ii) An analysis of investments according to fair value hierarchy is given below:

2022 Level 1 £m	2022 Level 2 £m	2022 Level 3 £m	2022 Total £m	2021 Level 1 £m	2021 Level 2 £m	2021 Level 3 £m	2021 Total £m	As at 31 December
								Assets
								Financial assets at fair value through profit or loss
-	-	500	500	-	-	575	575	Investment in Group undertakings and participating interests
-	9	-	9	-	3	-	3	Derivatives
-	-	-	-	-	35	-	35	Property Investments
3,468	1,350	-	4,818	3,473	1,575	-	5,048	Shares and other variable-yield securities and unit trusts
981	5,110	-	6,091	1,493	6,155	-	7,648	Debt securities and other fixed / variable income securities
1,994	1,465	-	3,459	2,330	1,595	-	3,925	Assets held to cover linked liabilities
6,443	**7,934**	**500**	**14,877**	**7,296**	**9,363**	**575**	**17,234**	

The only material difference between the Fair Value hierarchy for the Group and the parent company is an increase in the value of investment in Group undertakings and therefore no separate disclosure has been made.

The majority of the Group's investments are valued based on quoted market information or observable market data.

iii) The table shows movements in the assets measured at fair value based on valuation techniques for which any significant input is not based on observable market data (level 3 only)

The impact of changes in reasonable assumptions for assets categorised as level 3 is considered immaterial, therefore no separate disclosure has been shown.

2022 £m	2021 £m	
		Total funds
575	494	As at 1 January
(53)	76	Total net profit / (losses) recognised in the Profit and Loss Account
11	20	Purchases
(33)	(15)	Sales
500	**575**	**As at 31 December**
(53)	76	Total profit / (losses) for the period included in profit or loss for assets held at the end of the reporting period

6 Segmental information

The segmental information is disclosed in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410). The operating business segments are aggregated in line with the internal management of the business.

a) Segmental analysis

Gross Written Premium		Profit / (Loss) on ordinary activities before taxation and minority interests		Net Assets		
2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	
1,740	1,575	1,286	174	5,627	6,592	General Business
-	-	71	46	-	-	Allocated investment return
1,740	**1,575**	**1,215**	**220**	**5,627**	**6,592**	**General Business total**
207	**185**	**-**	**-**	**1,138**	**1,379**	**Long-Term Business**

b) Gross written premium

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

2021 £m	2021 £m	**General Business**
700	612	Fire and Other Damage to Property
276	244	Third-party liability
383	359	Motor (third party liability)
277	257	Motor (other classes)
22	24	Accident and Health
82	79	Miscellaneous
1,740	**1,575**	
		Long-Term Business
149	132	Life
58	53	Pensions
207	**185**	

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

2022 Life £m	2022 Pensions £m	2021 Life £m	2021 Pensions £m	
15	8	15	11	Periodic
134	50	117	42	Single
149	**58**	**132**	**53**	
2	2	2	3	Non-linked With-Profits
5	1	5	2	Non-linked non-profit
142	55	125	48	Unitised (including unitised With-Profits)
149	**58**	**132**	**53**	

The gross premium income was written in the following areas:

- All General Business and Long-Term Business is materially written within the United Kingdom.
- All insurance premiums are direct insurance.
- There is no reinsurance inwards at a Group level.

c) New business premiums – Long-term business

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

2022 £m	2021 £m	
127	110	Life
48	41	Pensions
175	**151**	
2	2	Periodic
173	149	Single
175	**151**	
-	-	Non-linked non-profit
175	151	Unitised
175	**151**	

In classifying new business premiums, the following bases of recognition have been adopted:

- Recurrent single premium contracts are included as new business, single premiums.
- Increments under existing Group pension schemes are classified as new business premiums. Where regular premiums are received other than annually, the reported regular new business premiums are on an annualised basis.

d) Gross earned premium – general business

2022 £m	2021 £m	
657	581	Fire and Other Damage to Property
262	231	Third-party liability
372	353	Motor (third party liability)
266	250	Motor (other classes)
22	24	Accident and Health
80	76	Miscellaneous
1,659	**1,515**	

e) Gross operating expenses

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

2022 £m	2021 £m	**General Business**
199	173	Fire and Other Damage to Property
78	70	Third-party liability
109	102	Motor (third party liability)
78	73	Motor (other classes)
2	3	Accident and Health
24	22	Miscellaneous
490	**443**	
		Long-Term Business
44	83	Life
20	21	Pensions
64	**104**	

f) Gross claims incurred

Gross Claims Incurred

2022 £m	2021 £m	**General Business**
1,289	1,090	Claims paid
191	263	Change in the provision for claims
1,480	**1,353**	
647	599	Fire and Other Damage to Property
150	138	Third-party liability
578	508	Motor (third party liability)
28	32	Motor (other classes)
3	2	Accident and Health
74	74	Miscellaneous
1,480	**1,353**	

G) Reinsurance balance

Reinsurance balance

2022 £m	2021 £m	General Business
(30)	(22)	Claims paid
38	(14)	Change in the provision for claims
8	**(36)**	
(2)	(6)	Fire and Other Damage to Property
2	(11)	Third-party liability
11	(18)	Motor (third party liability)
(2)	-	Motor Other Classes
(1)	(1)	Accident and Health
8	**(36)**	

H) Reinsurance

The reinsurance balance amounted to a debit to the General Technical account of £126m (2021: £81m debit) and a credit to the Life Technical account of £1m (2021: £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 of £144m (2021: £131m). Guarantee fund levies included in administration expenses amounted to £26m (2021: £31m) in the consolidated General business financial statements. Net operating expenses includes income received from Agents for services provided.

General Business		Long-Term Business		
2022 £m	2021 £m	2022 £m	2021 £m	
254	234	58	62	Acquisition costs
(10)	(6)	(19)	2	(Increase) / decrease in deferred acquisition costs
214	186	25	40	Administrative expenses
458	**414**	**64**	**104**	

8 Movement in insurance liabilities

a) Movement in insurance liabilities and reinsurance assets

Consolidated 2022 Gross £m	Consolidated 2022 Reinsurance £m	Consolidated 2022 Net £m	Consolidated 2021 Gross £m	Consolidated 2021 Reinsurance £m	Consolidated 2021 Net £m	
2,137	(236)	1,901	1,881	(222)	1,659	**As at 1 January**
						Movement in Liabilities
844	(46)	798	891	(64)	827	Arising from current year General Insurance claims
(673)	(17)	(690)	(617)	33	(584)	Arising from prior years General Insurance claims
(8)	101	93	(23)	17	(6)	Claims incurred but not reported reserve movements
26	-	26	12	-	12	Other General Insurance claims reserve movements
26	-	26	(7)	-	(7)	Long-Term claims reserve movement
2,352	**(198)**	**2,154**	**2,137**	**(236)**	**1,901**	**As at 31 December**

Parent Company 2022 Gross £m	Parent Company 2022 Reinsurance £m	Parent Company 2022 Net £m	Parent Company 2021 Gross £m	Parent Company 2021 Reinsurance £m	Parent Company 2021 Net £m	
2,131	(233)	1,898	1,873	(217)	1,656	**As at 1 January**
						Movement in Liabilities
844	(46)	798	891	(64)	827	Arising from current year General Insurance claims
(673)	(17)	(690)	(617)	33	(584)	Arising from prior years General Insurance claims
(8)	101	93	(21)	15	(6)	Claims incurred but not reported reserve movements
27	-	27	12	-	12	Other General Insurance claims reserve movements
26	-	26	(7)	-	(7)	Long-Term claims reserve movement
2,347	**(195)**	**2,152**	**2,131**	**(233)**	**1,898**	**As at 31 December**

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 £27m (2021: £37m) for periodic payment orders. These reserves have been discounted using risk free interest rates sourced from the PRA.

Within the gross claims outstanding reserves are recoveries relating to salvage and subrogation of £48m (2021: £19.9m).

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 2022 we have seen increases in prior year provisions for claims outstanding. These increases reflect the emerging economic environment, with higher than expected claims inflation across the book. The claims environment and inflationary outlook remain uncertain heading into 2023.

Positive run off deviations of £24m (2021: £6m) for liability and £1m (2021: £3m) for motor were experienced in the year while property reported a negative deviation of £33m (2021: £31m) with all other classes of business reporting a net negative deviation of £nil (2021: £50m). Positive run off deviations are calculated excluding claims handing costs.

An Unexpired Risk Reserve is included within claims outstanding of £38m (2021: £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		
2022 £m	**2021 £m**	**2022 £m**	**2021 £m**	**Investment Income**
				Income from other financial investments:
6	3	-	1	Held to maturity interest income
-	-	-	-	Loans and receivables interest income
6	**3**	**-**	**1**	**Total interest income on financial assets not at fair value through the profit or loss**
138	131	214	204	Income on financial assets at fair value through profit or loss
144	**134**	**214**	**205**	**Income from financial assets**
36	35	18	27	Income from land and buildings
3	-	1	-	Net return on pension scheme
(73)	91	132	436	Net (losses) / gains on realisation of investments
110	**260**	**365**	**668**	**Total income from other financial investments**
				Investment Expenses and Charges
-	-	(1)	(3)	Other investment management expenses
(869)	341	(1,895)	165	Net unrealised (losses) / gains on investments
(759)	**601**	**(1,531)**	**830**	**Total Investment Return**
				Investment return is analysed between:
-	-	(1,531)	830	Investment return retained in the Long-Term business technical account
71	46	-	-	Allocated investment return transferred to the General business technical account
(830)	555	-	-	Net investment return included in the Non-Technical account
(759)	**601**	**(1,531)**	**830**	**Total Investment Return**
(942)	432	(1,763)	601	Included in the total investment return are net (losses) / gains on financial assets at fair value through profit or (loss)
(942)	**432**	**(1,763)**	**601**	**Total net realised and unrealised (losses) / gains included in investment return**

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% (2021: 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 2.69% (2021: 2.29%) and for cash and short-term deposits was 1.79% (2021: 0.49%). A 1% point increase/decrease in these above rates would result in an increase/decrease in the allocated investment return of £24m and £4m respectively (2021: £24m and £19m).

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

2018-2022 £m	2017-2021 £m	
(174)	229	Cumulative Actual return attributable to investment supporting the General business Technical Provisions
(243)	(201)	Cumulative Longer-term return credited to the Technical account for General business
(417)	**28**	

11 Employee information

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. The Group operates a number of annual bonus plans for employees. An expense is recognised in the Profit and Loss Account when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

Key management includes Directors and members of senior management. The compensation paid or payable to key management for employees services was £7,740,342 (2021: £9,496,257) in respect of salaries and short-term benefits.

The parent company does not employ any staff directly. As at the end of 2022 £nil (2021: £nil) in relation to the December 2022 contributions was due to be transferred to the pension scheme. Total employer's contributions made to the pension scheme in 2022 were £16m (2021: £15m).

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

2022 Number	2021 Number	By activity
1,773	1,667	Underwriting and Claims
1,206	1,162	Administration and Finance
1,234	1,218	Sales and Marketing
4,213	**4,047**	

2022 £m	2021 £m	Staff costs for the above persons were
206	198	Wages and salaries
22	20	Social security costs
16	15	Other pension costs
244	**233**	

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 123 to 137.

No Directors accrued any benefits under a defined benefit scheme during the year (2021: none).

2022 £	2021 £	By activity
3,587,648	4,304,420	Aggregate emoluments
212,519	211,437	Excess retirement benefit to past Non-Executive Directors
		Highest paid Director
1,309,241	1,029,807	Total amount of emoluments

None of the Non-Executive Directors accrue pension benefits with NFU Mutual. Some former Non-Executive Directors or their widows still receive a pension, on an ex gratia, non-contractual and unfunded basis. The total cost of these pensions for 14 former Directors or widows in 2022 was 212,519 (2021: 211,437).

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 2022, Directors and members of senior management and/or their connected entities held General Insurance policies with a total premium income of £106,479 (2021: £91,683), Life insurance policies and Investments with a total investment of £133,746 (2021: £146,478) and paid £1,920 (2021: £nil) for health and safety related services . Claims paid and Life and Investment maturities and surrenders totalled £347,797 (2021: £15,437).

b) The Society's pension scheme is a related party. One current Director (John Deane) is a trustee and one previous Director is a trustee (Brian Duffin retired as a Director on 31st December 2022 but remains a trustee). The other four trustees are Kevin Davies, Kenneth Graves, Jonathan Priestley (members of staff) and Andrew Spriggs (retired member in receipt of a pension from the scheme). Mr Davies, Mr Graves and Mr Priestley are members, and thus potential beneficiaries and Mr Spriggs is a beneficiary of the scheme.

c) NFU Mutual OEIC is a related party. At 31st December 2022, the Parent Company held:
7,052,774.1317 shares (2021: 6,900,970.5905) in the Gilt & Corporate Bond C sub-fund valued at £0.878 per share (2021: £1.0977).
176,981.4416 shares (2021: 321,751.5848) in the UK Equity Income I sub-fund valued at £43.3666 per share(2021: £44.3358).
1,047,566.9256 shares (2021: 1,018,746.6651) in the Gilt & Corporate Bond I sub-fund valued at £26.1293 per share (2021: £32.5076).
NIL shares (2021: 404,091.8078) in the UK Growth I sub-fund valued at £NIL per share (2021: £48.8614).
NFU Mutual Portfolio Funds OEIC is a related party. At 31st December 2022, the Parent Company held:
135,935,675.6865 shares (2021: 151,896,045.5912) in the Mixed 20-60% sub-fund valued at £1.6229 per share (2021: £1.8251).
1,467,636.9944 shares (2021: 1,460,969.7016) in the Global Growth C sub-fund valued at £1.7689 per share (2021: £1.9415).

14 Profit on ordinary activities before taxation

The profit / (loss) on ordinary activities before taxation is stated after charging:

2022 £k	2021 £k	By activity
13,366	12,877	Depreciation
3,556	3,755	Operating lease rentals (plant and machinery)
1,052	745	**Fees payable to the company's auditors for the audit of the parent company and consolidation**
		Fees payable to the company's auditors and its associates for other services:
93	99	Audit of accounts of any associate of the company
302	325	Audit related assurance services
-	6	All other non-audit services
		During the year the auditors also earned fees payable by entities outside the consolidated NFU Mutual Group in respect of the following:
110	160	Audits of unconsolidated Open Ended Investment Companies managed by the Group
5	5	Audit of NFU Mutual Charitable Trust
5	5	Audit of the Farm Safety Foundation
1,567	**1,345**	

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		
2022 £m	2021 £m	2022 £m	2021 £m	
				Current tax
(22)	26	(3)	8	Current taxation on income for the period
-	1	-	-	Adjustment to prior years
(22)	**27**	**(3)**	**8**	
2	2	2	2	Overseas taxation
(20)	**29**	**(1)**	**10**	**Total current taxation**
				Deferred taxation
(144)	1	(117)	39	Origination and reversal of timing differences
-	(1)	(2)	(2)	Adjustment to prior years
(2)	9	-	-	Impact of change of tax rate (note 20)
(146)	**9**	**(119)**	**37**	**Total deferred taxation**
(166)	**38**	**(120)**	**47**	**Taxation on (loss) / profit on ordinary activities**

b) Tax included in other comprehensive income

2022 £m	2021 £m	**Deferred Taxation**
28	41	Origination and reversal of timing differences
2	-	Impact of change of tax rate
30	**41**	**Total tax income included in other comprehensive income**

c) Reconciliation of tax charge for the period

The tax assessed for the period is higher (2021: lower) than the standard rate of Corporation Tax in the UK for the year ended 31st December 2022 of 19% (2021: 19%). The differences are explained below:

Consolidated 2022 £m	Consolidated 2021 £m	
(1,215)	220	(Loss)/Profit before tax
(231)	42	(Loss)/Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)
		Effects of:
(35)	9	Impact of increase in rate
6	(3)	Realised and unrealised gains / (losses) on investments
(12)	(11)	Non-taxable income
3	-	Capital allowances in excess of depreciation
-	(1)	Disallowable expenses
101	-	Losses on which no deferred tax is recognised
2	2	Tax on overseas earnings
(166)	**38**	**Total taxation (credit)/charge**

16 Investment in group undertakings and participating interests

Consolidated		Parent Company General Business		Parent Company Long-Term Business		
2022 £m	**2021 £m**	**2022 £m**	**2021 £m**	**2022 £m**	**2021 £m**	**Valuation**
-	-	548	466	252	195	Shares in Group undertakings
162	133	1	1	-	-	Participating interests in associated companies
338	442	357	458	-	-	Participating interests in Joint Ventures
500	**575**	**906**	**925**	**252**	**195**	**Investment in Group undertakings and participating interests**
						Cost
	-	193	178	233	213	Shares in Group undertakings
125	114	-	-	-	-	Participating interests in associated companies
222	255	222	255	-	-	Participating interests in Joint Ventures
347	**369**	**415**	**433**	**233**	**213**	**Investment in Group undertakings and participating interests**

17 Other financial investments

	Consolidated 2022 £m	Consolidated 2021 £m	Parent Company General Business 2022 £m	Parent Company General Business 2021 £m	Parent Company Long-Term Business 2022 £m	Parent Company Long-Term Business 2021 £m
Valuation						
Assets designated at fair value through profit or loss upon initial recognition:						
Shares and other variable yield securities	4,818	5,048	2,637	2,816	2,180	2,232
Debt securities and other fixed / variable income securities	6,091	7,648	3,278	3,784	2,796	3,842
Property investments	-	35	-	-	-	35
Assets at fair value through P&L, held for trading:						
Derivatives	9	3	6	1	3	2
Financial assets in fair value through profit or loss	**10,918**	**12,734**	**5,921**	**6,601**	**4,979**	**6,111**
Deposit with credit institutions	222	390	126	305	72	71
Total Financial Assets	**11,140**	**13,124**	**6,047**	**6,906**	**5,051**	**6,182**
Included in the above are listed investments:						
Shares and other variable yield securities	4,755	4,985	2,610	2,783	2,172	2,202
Debt securities and other fixed interest stocks	6,091	7,648	3,278	3,784	2,796	3,842
Cost						
Assets designated at fair value through profit or loss upon initial recognition:						
Shares and other variable yield securities	3,697	3,610	2,081	2,082	1,616	1,528
Debt securities and other fixed / variable income securities	7,182	7,149	3,795	3,768	3,364	3,362
Property investments	-	32	-	-	-	32
Assets at fair value through P&L, held for trading:						
Derivatives	-	-	-	-	-	-
Financial assets at fair value through profit or loss	**10,879**	**10,791**	**5,876**	**5,850**	**4,980**	**4,922**
Deposit with credit institutions	222	390	126	305	72	71
Total Financial Assets	**11,101**	**11,181**	**6,002**	**6,155**	**5,052**	**4,993**

18 Investments: land and buildings

Investment Properties: Reconciliation of movement in the year

Consolidated: Freehold £m	Consolidated: Long Leasehold £m	Parent Company: General Business: Freehold £m	Parent Company: General Business: Long Leasehold £m	Parent Company: General Business: Leasehold £m	Parent Company: Life business: Freehold £m	Parent Company: Life business: Long Leasehold £m	
1,399	112	648	44	-	432	69	As at 1 January at valuation
96	-	57	-	-	39	-	Additions
(196)	-	(95)	-	-	(101)	-	Disposals
(49)	(22)	(62)	(8)	-	(34)	(14)	Changes in Fair Value
56	-	44	-	-	11	-	Other Changes
1,306	**90**	**592**	**36**	**-**	**347**	**55**	**As at 31 December at valuation**

As at 31st December 2022 the book cost of the Investment properties is £1,424m (2021: £1,362m)

Owner Occupied Properties: Reconciliation of movement in the year

Consolidated: Freehold £m	Consolidated: Long Leasehold £m	Parent Company: General Business: Freehold £m	Parent Company: General Business: Long Leasehold £m	Parent Company: General Business: Leasehold £m	Parent Company: Life business: Freehold £m	Parent Company: Life business: Long Leasehold £m	
61	-	62	-	-	-	-	As at 1 January at valuation
-	-	-	-	-			Additions
(1)	-	(1)	-	-			Disposals
(14)	-	(14)	-	-			Revaluation (loss) / gain
-	-	-	-	-			Other Changes
46	**-**	**47**	**-**	**-**	**-**	**-**	**As at 31 December at valuation**
1,352	**90**	**639**	**36**	**-**	**347**	**55**	**Total land and buildings**

As at 31st December 2022 the book cost of owner occupied properties is £98m (2021: £99m). The accumulated depreciation on owner occupied properties at 31st December 2022 is £30m (2021: £28m).

Land and buildings were valued at 31st December 2022 on an open market existing use basis (and at market value based on vacant possession for owner occupied properties) by external firms of independent chartered surveyors. Cushman and Wakefield LLP values all of the investment portfolio except for two property investments which are valued by CBRE Limited and Knight Frank LLP. Buildings occupied by the Group for its own purposes are depreciated at 2% of the book cost value.

All properties with the exception of Group occupied are held for use in operating leases.

19 Assets held to cover linked liabilities

Certain linked products have been classified as investment contracts, while some are included within the definition of an insurance contract. The carrying value of the assets backing these investment and insurance contracts are as follows:

Consolidated 2022 £m	Consolidated 2021 £m	Parent Company* 2022 £m	Parent Company* 2021 £m	
				Valuation
				Assets designated at fair value through profit and loss upon initial recognition:
2,781	3,250	2,781	3,250	Shares and other variable yield securities
678	675	678	675	Debt securities and other fixed interest/ variable income securities
3,459	**3,925**	**3,459**	**3,925**	**Financial assets in fair value through profit and loss**
134	205	134	205	Cash and Deposits with Credit Institutions
11	8	11	8	Accrued Interest
3,604	**4,138**	**3,604**	**4,138**	**Total Assets held to cover Linked Liabilities**
				Included in the above are listed investments:
2,552	2,958	2,552	2,958	Shares and other variable yield securities
678	675	678	675	Debt securities and other fixed interest/ variable income securities
				Cost
				Assets designated at fair value through profit and loss upon initial recognition:
2,259	2,260	2,259	2,260	Shares and other variable yield securities
799	644	799	644	Debt securities and other fixed interest/ variable income securities
3,058	**2,904**	**3,058**	**2,904**	**Total Financial Assets**
134	205	134	205	Cash and Deposits with Credit Institutions
11	8	11	8	Accrued Interest
3,203	**3,117**	**3,203**	**3,117**	**Total Assets held to cover Linked Liabilities**

*All assets held to cover linked liabilities are held within the Long-Term Business.

20 Other debtors

Consolidated 2022 £m	Consolidated 2021 £m	Parent Company Business 2022 £m	Parent Company Business 2021 £m	
19	-	18	-	Corporation Tax
30	-	101	-	Deferred tax asset
94	72	82	44	Sundry debtors
143	**72**	**201**	**44**	**As at 31 December**

Deferred Tax Asset / (Liability)

Consolidated		Parent Company General Business		Parent Company Long-Term Business		
2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	**Deferred Tax asset / (liability) comprises**
(75)	(175)	-	(52)	(75)	(123)	Unrealised gains on investments
172	-	101	-	71	-	Unused tax losses (no expiry limit)
1	2	-	-	1	2	Deferred acquisition costs
(70)	(40)	-	-	-	-	Pension Scheme asset
2	3	-	2	3	1	Capital allowances
-	4	-	3	-	1	Other short term timing differences
30	**(206)**	**101**	**(47)**	**-**	**(119)**	**As at 31 December**

Consolidated		Parent Company General Business		Parent Company Long-Term Business		
2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	**Deferred tax**
(206)	(116)	(47)	(35)	(119)	(82)	Balance at 1 January
100	(54)	52	(16)	48	(38)	Unrealised loss / (gain) on investments
172	-	101	-	71	-	Unused tax losses (no expiry limit)
(1)	-	-	-	(1)	-	Deferred acquisition costs
(30)	(41)	-	-	-	-	Pension Scheme asset
(1)	2	(2)	1	2	1	Capital allowances
(4)	3	(3)	3	(1)	-	Other short term timing differences
30	**(206)**	**101**	**(47)**	**-**	**(119)**	**As at 31 December**

Since 1 April 2017 the main rate of UK corporation tax rate has been 19%.

Finance Act 2021 introduced an increase from 19% to 25% in the main rate of corporation tax from 1 April 2023. 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 reserves since the parent company has control of subsidiaries and it is probable that the timing difference will not reverse in the future.

Consolidated		Parent Company General Business		Parent Company Long-Term Business		
2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	**Unrecognised Deferred Tax Assets**
606	12	543	12	63	-	Losses for which no deferred tax is recognised

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

The value of the net reversal of deferred tax balances expected to occur within one year of the Balance Sheet date is £18m (2021 £8m) for the parent company General business and £nil (2021 £20m) for the parent company Long-Term business. These primarily relate to the reversal of timing differences on portfolio equity and property investments.

21 Tangible assets

Tangible assets comprise fixtures, fittings and equipment.

Consolidated £m	Parent Company £m	
		Cost
241	232	As at 1 January 2022
19	17	Additions
(72)	(72)	Disposals
188	177	As at 31 December 2022
		Accumulated Depreciation
186	180	As at 1 January 2022
13	12	Charge for the year
(72)	(72)	Eliminated on disposal
127	120	As at 31 December 2022
		Net Book Value
61	57	As at 31 December 2022
55	52	As at 31 December 2021

22 Stocks

Stocks represent development investment properties under construction at the balance sheet date.

Consolidated		Parent Company		
2022 £m	**2021 £m**	**2022 £m**	**2021 £m**	
17	-	-	-	Stocks
17	**-**	**-**	**-**	**As at 31 December**

23 Subsidiaries

The National Farmers Union Mutual Insurance Society Limited, a mutual company limited by guarantee, incorporated and domiciled in Great Britain and registered in England and Wales, is the ultimate holding company.

The registered office of The National Farmers Union Mutual Insurance Society Limited is Tiddington Road, Stratford-upon-Avon, Warwickshire CV37 7BJ.

Directly Held Subsidiaries

NFU Mutual Management Company Limited (No. 1655167)	Holding Company
NFU Mutual Unit Managers Limited (No. 1837277)	Authorised Corporate Director of The NFU Mutual OEIC and the NFU Mutual Portfolio Funds OEIC
NFU Mutual Select Investments Limited (No. 8049488)	Platform Operator
NFU Mutual Pension Fund Trust Company Limited (No. 710041)	Holds assets for the pension fund
Salmon Harvester Properties Limited (50% owned) (No. 2921283)	Property Development
Hathaway Opportunity Fund General Partner Limited (No. 6278378)	General Partner of Limited Partnership

Subsidiaries Held Through NFU Mutual Management Company Limited

Avon Insurance plc (No. 209606)	General Insurance
NFU Mutual Investment Services Limited (No. 1860029)	Corporate Investment Management
NFU Mutual Risk Management Services Limited (No. 3350057)	Risk Reduction Services
NFU Mutual (Service Company) Limited (No. 5311498)	Service Company
Harvester Properties Limited (No. 2111204)	Property Development
Hathaway Property Company Limited (No. 5131317)	Property Development

Subsidiaries Held Through NFU Mutual Select Investments Limited

* Tiddington Nominees Limited (No. 1959973)	Custodian
* NFU Mutual Trustee Limited (No. 10353034)	Pension Bare Trustee

Subsidiaries Held Through Harvester Properties Limited

Aver Property General Partner Limited (No. 11660872)	General Partner of Limited Partnership
Aver Property Nominee (No. 11662963)	Property Holding Company

Subsidiaries Held Through Hathaway Opportunity Fund General Partner Limited

Globe Kingston Limited (No. 13054515)	Property Holding Company

Companies Incorporated in Other Jurisdictions – Guernsey
The deferred tax asslaunused losses has been recognised using the Group's three-year management plan which is consistent with the long term viability statement

Lancaster Court Limited 1 (No. 7059)	Holding Company
The Islands' Insurance Brokers Limited [1] (No. 6841)	Insurance Underwriting Agent & Insurance Broker
Hepburns Insurance Limited (No. 20438) [1]	Insurance Broker

Jersey

Islands' Insurance (Holdings) Limited [2] (No. 138932)	Holding Company
The Islands' Insurance Managers Limited [2] (No. 4151)	Holding Company
M. J. Touzel (Insurance Brokers) Limited [2] (No. 2589)	Insurance Underwriting Agent & Insurance Broker
Hepburns Insurance Limited (No. 4722) [3]	Insurance Broker

Subsidiaries Held Through Salmon Harvester Properties Limited

* Salmon Harvester (Orbital A3) Limited (No. 4125466)	Property Special Purpose Vehicle
* FSH Airport (Edinburgh) Services Limited (50% owned by Salmon Harvester Properties Limited) [4] (No. 4001890)	Joint Venture Property Company
* FSH Nominees Limited (100% owned by FSH Airport (Edinburgh) Services Limited) [4] (No. 4046945)	Joint Venture Property Company

Other investment in Group undertakings

Hathaway Opportunity Fund Limited Partnership [5] (No. LP012268)	Limited Partner Act 1907
Aver Property Limited Partnership (LP019862)	Limited Partner Act 1907

* Denotes a company that is dormant and exempt from the requirement to prepare individual accounts by virtue of s394A of the Companies Act 2006 and exempt from audit by virtue of s479A of the Companies Act 2006 All subsidiary companies other than those companies identified as dormant have been included within the consolidated financial statements. Except where indicated, each of these companies is incorporated and registered in England and Wales, has an issued capital of ordinary shares only, is wholly owned by the parent company and has its registered office at Tiddington Road, Stratford upon Avon, Warwickshire CV37 7BJ.

The exceptions for Registered Offices are:
[1] Lancaster Court, Forest Lane, St Peter Port, Guernsey, GY1 1WJ
[2] Kingsgate House, 55 The Esplanade, St Helier, Jersey, JE1 4HQ.
[3] PO Box 732, 6/7 Mulcaster Street, St. Helier, JE4 0QJ.
[4] 11-15 Wigmore Street, London, W1A 2JZ
[5] 21a Kingly Street, London, W1B 5QA

24 Associates and Joint Ventures Associates

The Society's associated undertaking during the year was 50% (2021: 50%) ordinary shareholding in NFU Mutual Finance Ltd. (finance leasing company), a company incorporated in Great Britain and registered in England and Wales.

This shareholding is accounted for as an associated company as a result of board representation and the allocation of issued and fully paid shares. The loss attributed in relation to the associate in the year was £0.1m (2021: £0.1m profit) and is included within the Consolidated Profit and Loss Account.

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 loss attributed in relation to the joint venture in the year was £67.1m (2021: profit of £66.3m) 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.

25 Members' reserves and equity

The consolidated Statement of Changes in Members Reserves and Equity is presented as a primary statement.

The revaluation reserve represents the movement in fair value of the Parent Company's subsidiary and associated undertakings which is not a result of capital injections.

Other reserves in the statement of changes in reserves represent funds earmarked within the General business reserves to cover any solvency shortfall requirement of the Life fund. Any further requests for funds would be subject to Board approval.

The profit and loss account represents accumulated annual profits and losses for the Groups general business which is reported annually as the total comprehensive income or expense.

The fund for future appropriations incorporates Long-Term business amounts which have not yet been attributed to current participating policyholders at the balance sheet date. Transfers between the fund for future appropriations and the Technical Account – Long-Term business represent the changes in these unallocated amounts between balance sheet dates.

The parent Company's loss for the financial year was £1,031m (2021: £176m profit). The parent company is exempt from the requirements to file with the registrar individual accounts by virtue of s448A of the Companies Act 2006.

26 Other technical provision

Within the technical provision claims outstanding an unexpired risk reserve has been included for £38m (2021: £15m).

Avon run-off business was reinsured to NFU Mutual in 2006. The value of this included within claims outstanding in 2022 within the parent company is £28m (2021: £27m).

27 Other provisions

Consolidated		**Parent Company General Business**		**Parent Company Long-Term Business**		
2022 £m	**2021 £m**	**2022 £m**	**2021 £m**	**2022 £m**	**2021 £m**	
-	206	-	47	-	119	Deferred Taxation
16	11	16	11	-	-	Motor Insurers' Bureau levy
16	**217**	**16**	**58**	**-**	**119**	**As at 31 December**

The Group is a member of the Motor Insurers' Bureau. Of the provision brought forward, £12m has been utilised during the year and a further charge of £15m made in 2022.

28 Other creditors including taxation and social security

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

Consolidated 2022 £m	Consolidated 2021 £m	Parent Company 2022 £m	Parent Company 2021 £m	
53	-	53	-	Derivatives liabilities
-	6	-	7	Corporation tax
45	36	53	43	Other taxation
64	19	36	5	Other
162	**61**	**142**	**55**	**As at 31 December**

Derivative liabilities represent interest rate swaps to cover interest rate risk associated with financial instruments being held during the year and at 31 December 2022.

29 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 Scheme closed to future accrual with effect from 31st December 2016, but retains salary linkage for active members.The assets of the two sections of the scheme are held in separate trustee-administered funds and cover all material obligations to provide pensions to retired and current employees. The Group also sponsors pension schemes based in the Channel Islands for a small group of employees in that region; liabilities for these schemes are immaterial in comparison to those of the RBS.

In all schemes, the appointment of trustees of the funds is determined by their trust documentation, and trustees are required to act in the best interests of the scheme's beneficiaries. The long-term investment objectives of the trustees and the employers are to limit the risk of the assets failing to meet the liabilities of the schemes over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of these schemes. The figures in this note consolidate the results of all the Group's pension arrangements.

The Group works closely with the trustees of the RBS who are required to consult it on the funding of the scheme and its investment strategy. Following each actuarial valuation, the Group and the trustees agree the level of contributions needed. The most recent valuation was at 31st December 2020. 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 2023.

The principal assumptions used by the actuaries were:

% Consolidated

2022	2021	
4.00	3.85	Rate of increase in salaries
3.20	3.25	Rate of increase in pensions
4.80	1.85	Discount rate
3.30	3.35	Inflation
2.60	2.10	Pension increase for Deferred Benefits

Post retirement assumptions

Longevity at age 65 for current pensions

2022	2021
S2NMA_L for males and S2NFA for females with a multiplier of 1.00 for males and 0.90 for females. CMI 2021 projections (with 0.15% initial addition), with a 1.50% long term trend.	S2NMA_L for males and S2NFA for females with a multiplier of 1.00 for males and 0.90 for females. CMI 2017 core projections from 2007 to 2017, switching to CMI 2020 projections (with 0.15% initial addition) from 2017, with a 1.50% long term trend.

The net assets in the scheme and the expected rate of return were:

Consolidated 2022 % of total fair value of scheme assets	Consolidated 2022 £m	Consolidated 2021 % of total fair value of scheme assets	Consolidated 2021 £m	
34.63	330	38.61	463	Equities
54.72	521	50.21	602	Bonds
8.93	85	9.51	114	Property
1.72	16	1.67	20	Other
	952		1,199	Total fair value of assets
	(667)		(1,030)	Present value of scheme liabilities
	285		169	Surplus in the scheme

Of the surplus of £285m (2021: £169m surplus), £50m (2021: £30m surplus) is attributable to the Long-Term business fund.

The equity investments and bonds which are held in the scheme assets are quoted and are valued at the current bid price. Scheme assets do not include any of the Society's own financial instruments or any property occupied by the Society.

Reconciliation of present value of scheme liabilities (excluding Defined Contribution scheme)

2022 £m	2021 £m	
1,030	1,143	As at 1 January
1	1	Current service cost
20	14	Interest cost
(35)	(37)	Disbursements from Scheme Assets
(349)	(91)	Net Actuarial gain
667	**1,030**	**As at 31 December**

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

2022 £m	2021 £m	
922	1,290	Wholly or partly funded obligations
667	1,030	Defined Benefit scheme
255	260	Defined Contribution scheme
922	**1,290**	**As at 31 December**

The actual return on scheme assets in the year was a loss of £212m (2021: gain of £101m).

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)

2022 £m	2021 £m	
1,199	1,137	As at 1 January
22	14	Interest income on scheme assets
(35)	(38)	Disbursements
(234)	86	Return on scheme assets greater than discount rate
952	**1,199**	**As at 31 December**

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

2022 £m	2021 £m	
31	28	Current service cost
-	-	Past service cost
31	**28**	**Total operating charge**
		Analysis of amount credited to profit and loss
22	14	Interest income on scheme assets
(20)	(14)	Interest on pension scheme liabilities
2	**-**	
		Analysis of amount recognised in statement of other comprehensive income
(234)	86	Return on scheme assets greater than discount rate
349	91	Remeasurement of the defined benefit obligation
115	**177**	**Actuarial gain recognised in Statement of Other Comprehensive Income**

The Scheme surplus has increased during 2022, mainly due to a significant increase in discount rate and to a lesser extent a decrease in market expectations of inflation. This has been offset to an extent by actual inflation being higher than expected and an increase in the commutation terms in force.

The actuarial gain/(loss) due to economic/demographic experience, including any assumption changes and investment return different from assumed during the prior period, was £349.0 million and (£234.3) million respectively.

30 Capital commitments

Capital expenditure contracted for but not provided in these financial statements at 31st December 2022 amounted to £23m (2021: £65m).

31 Operating lease commitments

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 net of income under non-cancellable operating leases are as follows:

2022 £m	2021 £m	
7	7	Within one year
9	9	Between one and five years
-	1	Later than five years
16	**17**	**As at 31 December**

32 Stock lending

Holdings of UK Government, corporate fixed interest, UK equities and overseas securities with a value of £875m (2021: £710m) were on loan at 31st December 2022 under approved stock lending schemes. As at 31st December 2022 £903m (2021: £756m) 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.

33 Cash flow statement

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

2022 £m	2021 £m	
(1,049)	**182**	**(Loss) / profit for the financial year**
		Adjustments for:
(166)	38	Tax (credit) / charge on ordinary activities
(110)	(260)	Interest and dividend income
(1,325)	**(40)**	
(242)	(62)	Increase in debtors, prepayments and accrued income
113	(16)	Increase / (decrease) in creditors, accruals and deferred income
309	309	Increase in technical provisions
(17)	-	Increase in stocks
869	(341)	Unrealised investment loss / (gain)
(3)	(2)	Other non cash adjustments
14	12	Depreciation and disposals of tangible assets
(282)	**(140)**	**Net cash outflow from operating activities**

b) Analysis of changes in cash and cash equivalents

As at January 2022 £m	Cash Flows £m	As at December 2022 £m	
280	101	381	Cash at Bank and in hand
(140)	(29)	(169)	Less: Long-Term business
140	**72**	**212**	
390	(168)	222	Deposits with credit institutions (note 17)
(250)	116	(134)	Less: General business deposits with a maturity date greater than 3 months
(76)	(12)	(88)	Less: Long-Term business
64	(64)	-	
204	**7**	**212**	**Cash and cash equivalents**

34 Amounts owed to credit institutions

Consolidated		Parent Company		
2022 £m	2021 £m	2022 £m	2021 £m	
128	69	-	-	Bank loans
128	**69**	**-**	**-**	**As at 31 December**

The loan held with Hathaway Opportunity Fund is a term loan. The interest rate is 2.75% above SONIA . The current maturity date of the loan is 30 June 2024. Loans held with Aver Property Limited Partnership comprise a term loan with a fixed interest rate of 2.81% and maturity date of 27 February 2025, a term loan with a floating interest rate of 5.75% and maturity date of 18 March 2023, and a term loan with a floating interest rate of 4.85% and maturity date of 22 December 2023.

35 Events after Reporting date

There are no events after the reporting date to report.

Group KPIs – Glossary

<table>
<tr><th>Performance Measures</th><th>Purpose</th><th>Definition</th></tr>
<tr><td>Gross Written Premium Income (GWPI)</td><td>To provide the reader with a measure of the overall business as represented by total premiums from General Insurance activities.</td><td>Overall total premium income in the year, before Mutual Bonus. Reconciliation of Technical Results Result's to Alternative Performance Measure KPI's is shown in the table below.
<table>
<tr><th></th><th>GWPI</th><th>U/W Loss</th><th>COR</th></tr>
<tr><td>Technical Account Result</td><td>£1,740m</td><td>(£345m)</td><td></td></tr>
<tr><td>Allocated investment income</td><td>-</td><td>(£71m)</td><td></td></tr>
<tr><td>Mutual bonus written/earned</td><td>£247m</td><td>£249m</td><td></td></tr>
<tr><td>Alternative performance measure KPI</td><td>£1,987m</td><td>(£167m)</td><td>109.3%</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 115).</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 2022 was £2m (2021: £1m).</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>2022 £bn</th><th>2021 £bn</th></tr>
<tr><td>General Business</td><td>Mutual General</td><td>7.5</td><td>8.5</td></tr>
<tr><td rowspan="4">Life business</td><td>Mutual Life</td><td>9.0</td><td>10.8</td></tr>
<tr><td>RBS</td><td>1.0</td><td>1.2</td></tr>
<tr><td>OEICS</td><td>1.7</td><td>1.7</td></tr>
<tr><td>Total</td><td>19.2</td><td>22.2</td></tr>
</table></td></tr>
<tr><td>New Business</td><td>To provide the reader with a measure of new business as represented by new business premiums from General Insurance activities.</td><td>Total new business premium income receivable.</td></tr>
<tr><td>Persistency*</td><td>To provide the reader with an indication of the overall reocurring business in perspective of the level of business being generated from General Insurance activities. This is a widely used industry performance measure.</td><td>Percentage of customers renewing each year.</td></tr>
<tr><td>Profit for the financial year</td><td>To provide the reader with a measure of profits achieved within the year from General Insurance activities.</td><td>Balance on the Non-Technical Account (Page 117).</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>348</td></tr>
<tr><td>Contributions unrelated to the corporation tax charge</td><td>(344)</td></tr>
<tr><td>Net corporation tax relating to prior/future periods</td><td>24</td></tr>
<tr><td>Deferred tax credit to the corporation tax charge</td><td>(266)</td></tr>
<tr><td>Total corporation tax credit</td><td>(286)</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>(166)</td></tr>
<tr><td>Long-Term Account</td><td>(120)</td></tr>
<tr><td>Total corporation tax credit</td><td>(286)</td></tr>
</table></td></tr>
</table>

*Alternative Performance Measures (APM)

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