NFU Staff Pension Scheme

# STATEMENT OF INVESTMENT PRINCIPLES

The effective date of this Statement is November 2024.

## 1. Introduction

The purpose of this Statement of Investment Principles ("**Statement**") is to document the investment principles governing decisions by the NFU Staff Pension Trust Company Limited (the "**Trustee**") about investments for the purposes of the NFU Staff Pension Scheme (the "**Scheme**").

Regulations require trustees and managers to exercise their investment powers in a manner to ensure the security, quality, liquidity and profitability of a scheme's investments. This includes investing in a manner which considers, and is appropriate to, the nature and duration of the expected future retirement benefits of the scheme; having regard to the need for diversification in the choice of investments for the scheme, making sure that the scheme assets are invested mainly in regulated markets and limiting any investments in the employer's business.

The Trustee is responsible for setting the investment strategy of the Scheme and has delegated the day-to-day management of the Scheme's assets to the Scheme's Fiduciary Manager (the "**Fiduciary Manager**") under an Investment Management Agreement ("**IMA**").

The Fiduciary Manager is authorised and regulated by the Financial Conduct Authority under the Financial Services and Markets Act 2000.

This Statement has been prepared in accordance with Section 35 of the Pensions Act 1995, as

### The balance between different kinds of investments

The Trustee recognises that the key source of financial risk (in relation to meeting their objectives) arises from the level of target return needed to achieve the objective and the level of liability hedging that is affordable.

To this extent, the Trustee has agreed the target return and liability hedge ratio with the Fiduciary Manager, and as appropriate will agree how this target return and liability hedge ratio [illegible] on the lia[illegible] over time as actual experience differs from expected experience.

The Trustee has delegated responsibility for managing the underlying investments to the Fiduciary Manager, within the guidelines and constraints set out in the IMA. This allows the asset allocation and manager allocation to be adjusted quickly where needed, to best meet the investment objectives of the Scheme.

## 6. Risks

Regular checks are made as to whether the funding and investment strategy remain on target to achieve the objectives, within acceptable parameters. If not, then corrective action is considered (by adjusting the objectives, the investment strategy or through amendments to the Sponsor contributions).

The Trustee recognises there are a number of risks involved in investing the Scheme's assets, and monitor these risks in conjunction with the Fiduciary Manager (and other providers) where appropriate.

### 6.a Solvency risk (the risk of not achieving your funding target in the time frame desired)

Measured through a qualitative and quantitative assessment of the expected development of the Scheme's liabilities relative to the current and alternative investment strategies.

Managed through assessing the progress of the Scheme's assets relative to the value placed on the liabilities.

The Fiduciary Manager monitors the Scheme's assets relative to the value placed on the liabilities on a daily basis. It prepares a w[illegible]

The Trustee is satisfied that ESG considerations are integrated into the selection, retention and realisation of investments and are included in any manager selection and retention exercises that the Fiduciary Manager may undertake as part of both the investment and operational due diligence processes.

### 11.a Stewardship Voting and Engagement

The Trustee is aware of its role as a responsible steward of capital and the need to assess all financially material risks which include the risks with climate change as well as other ESG-related factors. The Trustee believes that having a high standard of governance, promotion of corporate responsibility and appreciation of environmental factors will be additive and will help protect long term financial value.

The Trustee believes that active ownership (voting and engagement) is the most appropriate channel to promote positive ESG practices. All the Scheme's assets are either managed directly or overseen by the Fiduciary Manager. As such, the Trustee delegates active ownership to the Fiduciary Manager.

The Fiduciary Manager uses voting rights & engagement as an essential part of the value creation process. This process includes:

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## 12. Arrangement with the Fiduciary Manager

The Trustee recognises the importance of the ensuring that the Fiduciary Manager's investment strategy aligns with the Trustee's investment policies. The Trustee's arrangements with the Fiduciary Manager, as detailed in this section 14, seek to incentivise the Fiduciary Manager to align its investment strategy and decisions with the Trustee's investment policies and to make decisions and operate in a manner that best generates medium to long-term financial and non-financial results for the Scheme and its beneficiaries.

### 12.a Implementation

The services provided by the Fiduciary Manager include implementing the Scheme's investment strategy, including risk management, portfolio construction and manager selection (which includes continuous monitoring of managers and revision to managers where required). The Fiduciary Manager monitors its sub-advisors and the companies held in its portfolios in accordance with its Stewardship Policy.

The Trustee expects the Fiduciary Manager, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. This includes monitoring and engaging with underlying investment managers to ensure they are aligned with the investment objectives of the Scheme. On an annual basis the Fiduciary Manager reports back to the Trustee on its engagement and stewardship practices via the annual implementation statement.

### 12.b Evaluation of performance, remuneration and incentivisation

The Trustee carries out periodic reviews to assess the Fiduciary Manager's performance (net of all costs) relative to the objectives set by the Trustees and against the Scheme's specific liability benchmark The Trustee will consider both short



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### 12.d Monitoring investment performance

The Trustee receives quarterly reports and verbal updates from the Fiduciary Manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on medium to longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives.

The Trustee receive annual stewardship reports on the monitoring and engagement activities carried out by the Fiduciary Manager, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee also receives annual cost transparency reporting from the Fiduciary Manager in line with the prevailing regulatory requirements for fiduciary managers. These include but are not limited to the total costs incurred by the Scheme, the fees paid to the Fiduciary Manager and underlying managers, the amount of portfolio turnover costs (in relation to section 14.c above), charges incurred through the use of pooled funds (e.g. custody, admin, audit fees etc.) and the impact of these costs on the investment return achieved by the Scheme.

### 12.e Duration of agreement

The Trustee's arrangement with the Fiduciary Manager is not for a fixed term but an ongoing arrangement. The Trustee has a right to terminate this arrangement on notice under the terms specified in the IMA. The periodic reviews (referred to above) is an opportunity for ongoing assessment of the arrangement with the Fiduciary Manager with particular consideration for how the Fiduciary Manager is aligning to the Trustee's investment policies.

### 12.f Conflicts of interest

The Trustee is aware that actual and potential conflicts of interest can exist across all aspects of the investment arrangements and maintain a conflicts of interest register.

The Fiduciary Manager has provided the Trustee with their Conflicts of Interest policy. The Trustee are satisfied that the conflicts that exist are managed in accordance with the regulatory requirements, a culture of integrity, and independent oversight and monitoring. The Trustee may engage with the Fiduciary Manager on matters concerning the management of actual or potential conflict of interests between the Fiduciary Manager, or the underlying managers, and the underlying investments being made. Should the Trustee identify a situation where conflict of interest is an issue, the Trustee will monitor and engage to achieve the best long-term outcome for the Scheme and its beneficiaries. Russell Investments Limited is regulated by the FCA.

## 13. Timing of Periodic Review

The Trustee will review the Statement and the Scheme's investment strategy each year and additionally whenever they believe there to be a significant change in the Scheme's circumstances.

The Appendix contains further detail of the Scheme's

From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

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## Investment Policy: Appendix to Statement of Investment Principles

This Appendix sets out further detail on the Trustee's investment policies and is supplementary to the Trustee's Statement of Investment Principles (the attached "Statement").

The Trustee has appointed Russell Investments to act as the Scheme's Fiduciary Manager. The information contained within this Appendix provides further detail on the services provided and the Trustee's policies, which have been developed in conjunction with the Fiduciary Manager.

### Fiduciary Management Arrangement

The Trustee and Employer have agreed that the Scheme's long-term funding objective is to gradually de-risk and thereby reduce reliance on the Employer, ultimately targeting a self-sufficiency position. (Self-sufficiency is defined as a position where the Scheme can be run with a modest level of investment risk and the expectation that there will be no further reliance on Employer contributions).

The investment strategy to achieve this has been developed by placing greatest focus on fixed income investment, whilst still investing in a well-diversified and dynamically managed, return-seeking portfolio. The strategy also seeks to significantly reduce the variability in the funding level of the Scheme over the short term by increasing the level of liability protection (or "liability hedging"), through the use of Liability Driven Investment (or "LDI") funds, which use controlled amounts of leverage. Finally, the strategy seeks to provide cashflow through income generating investments to assist in meeting (predictable) member benefit payments.

Following the