

Addendum to the Statement of Investment Principles

For the Countrywide plc Pension Scheme

Effective from: 4 November 2024

This addendum to the Statement of Investment Principles (“SIP”) for the Countrywide plc Pension Scheme (the “Scheme”) has been produced by the Trustees of the Scheme. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme’s investment arrangements.



Part 1:

Investment governance, responsibilities, decision-making and fees

We have decided on the following division of responsibilities and decision making the Scheme. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Scheme overall. Our investment powers are set out within the Scheme's governing documentation.

1. Trustees

Our responsibilities include:

- setting the investment strategy, in consultation with the employer;
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- monitoring, reviewing, engaging with and replacing investment managers, insurance providers, investment advisers, actuary, and other service providers;
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended);
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged; and
- reviewing the SIP and modifying it as necessary.

2. Insurance providers

The insurance providers' responsibility is to pay the pensions secured under the bulk annuity contracts accurately and on a timely basis.

3. Investment managers

The investment managers' responsibilities include:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change, net zero alignment and other Environmental, Social and Governance ("ESG") considerations) as appropriate in managing the assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing regular information concerning the management and performance of their respective portfolios, including information on voting and engagement undertaken and progress on net zero alignment over time; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment adviser

The investment adviser's responsibilities include:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations);

- supporting the Trustees in achieving the Scheme's net zero ambition, including through manager selection, monitoring and engagement; and
- assisting us with reviews of this SIP.

5. Fee structures

The provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets. We have agreed terms with the Scheme's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Scheme, and we keep the fee structures under review.

6. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is our policy to assess the performance of the Scheme's AVC investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

7. Working with the sponsoring employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, we seek to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the employer, we believe that better outcomes will generally be achieved if we work with the employer collaboratively.

Part 2:

Policy towards risk

1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the employer covenant and how this may change over time;
- the agreed journey plan and employer contributions;
- the Scheme's long-term and shorter-term funding targets;
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged; and
- the Scheme's cash flow and target return requirements.

2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

Risk of inadequate returns

This is the risk that the assets do not produce a sufficient long-term return. The Scheme is not subject to this risk, as it has entered annuity contracts with Rothesay Life and PIC (who have assumed the risk of paying member benefits when these fall due).

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Scheme is not subject to this risk, as it has entered annuity

contracts with Rothesay Life and PIC (who have assumed the risk of paying member benefits when these fall due).

Credit risk

The Scheme is subject to credit risk because it invests in bulk annuity policies. The Trustees are confident that their insurers have sufficient financial security to have a very high likelihood of remaining solvent and delivering the promised benefits through the lifetimes of the Scheme's beneficiaries insured under the policy.

Currency risk

The assets of the DB section of the Scheme are not subject to currency risk as none of the Scheme's investments are held directly in overseas markets.

Interest rate and inflation risk

The bulk annuity policies match the pensions payable to all the Scheme members and as such, the Scheme is not directly exposed to interest rate and inflation risk.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written professional advice, and we will typically undertake a manager selection exercise. We monitor the AVC investments regularly against their objectives and receive ongoing professional investment advice as to their suitability.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and we monitor how this risk is being managed in practice. We encourage our insurers and investment managers (where practical) to set credible net zero targets for the funds in which we invest and to align our investments with net zero greenhouse gas emissions by 2050 to help drive real world emissions reduction and reduce systemic risks relating to climate change. We monitor and engage with our managers on their progress towards net zero alignment.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint insurers and investment managers who will manage these risks appropriately and monitor how these risks are being managed in practice.

Illiquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments.

The Scheme is not subject to this risk, as it has entered annuity contracts with Rothesay Life and PIC (who have assumed the risk of paying member benefits when these fall due).

Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

The Trustees are confident that its insurers have sufficient financial security to have a very high likelihood of remaining solvent, and therefore do not believe that there is material counterparty risk relating to their annuity contracts.

Other non-investment risks

We recognise that there are other non-investment risks faced by the Scheme. We take these into consideration as far as practical in setting the investment arrangements.

Examples include:

- longevity risk (risk that members live, on average, longer than expected); and
- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Both investment and non-investment risks can lead to the funding position materially worsening. The Trustees have mitigated these risks in respect to all of the Scheme's members by purchasing annuity contracts.

Part 3:

Insurance provider and investment manager arrangements

Details of the Scheme's insurance providers and investment managers are set out below.

Rothesay Life and Pensions Insurance Corporation – bulk annuity contracts

The Trustees have selected Rothesay Life and Pensions Insurance Corporation ("PIC") as the providers for the Scheme's bulk annuity contracts. The objective of these policies is to match the Scheme's benefit payments relating to those members covered by the policies.

Additional Voluntary Contributions

Aegon and Aberdeen Standard Investments are the providers of AVC arrangements in the Scheme.

Part 4:

Monitoring and engaging with managers on voting and engagement

This section sets out our effective system of governance (“ESOG”) in relation to stewardship. This includes monitoring the voting and engagement activities that our investment managers undertake on our behalf, engaging with them regarding our expectations in relation to stewardship, and encouraging improvements in their stewardship practices. We will review this ESGO periodically, and at least triennially.

On a regular basis, typically once a year, we will also undertake an own risk assessment (“ORA”) which assesses how well our ESGO is working and whether any changes should be made.

Stewardship priorities

We have selected some priority themes to provide a focus for our monitoring of investment managers’ voting and engagement activities. We will review them regularly and update them if appropriate. Our current priorities are climate change and corporate transparency.

We chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, we believe it is in our members’ best interests that our managers adopt strong practices in these areas.

We will write to our investment managers regularly to notify them of our stewardship priorities and remind them of our expectations of them in relation to responsible investment – ie ESG considerations, climate change, voting and engagement.

Manager selection

We aim to appoint investment managers that have strong responsible investment skills and processes and have a preference for managers and funds with net zero targets and credible plans to meet them. We therefore favour investment managers who are signatories to the Principles for Responsible Investment, the UK Stewardship Code as well as the Net Zero Asset Managers Initiative.

When selecting new managers, we consider our investment consultant’s assessment of potential managers’ capabilities in this area. If we meet prospective managers, we usually ask questions about responsible investment, focusing on our stewardship priorities.

Manager monitoring

We receive information regularly to enable us to monitor our managers’ responsible investment practices and check how effective they’re being.

This information includes metrics such as our investment consultant’s responsible investment grades for each manager, whether they are signatories to responsible investment initiatives, and (where available) carbon emissions data for our mandates. It also includes a selection of voting, engagement and lending decision examples relating to our stewardship priorities. The examples are chosen to reflect our stewardship priorities and material mandates over the course of the scheme year (although not necessarily every priority for every mandate).

Annual responsible investment review

Each year, the Trustee Board undertakes a more comprehensive review of our managers’ responsible investment practices. This includes our investment consultant’s qualitative responsible investment assessments for each manager, a summary of the managers’ voting and engagement policies including in relation to our stewardship priorities, and summary statistics for their voting and engagement over the previous year where available.

Ongoing cycle of manager engagement

Given that responsible investment is rapidly evolving, we expect most managers will have areas where they could improve. We therefore aim to have an ongoing dialogue with our managers to clarify our expectations and encourage improvements.

We review the information outlined above to identify any concerns, for example where the managers’ actions are not aligned with our views. Where there are concerns, we typically seek further information through our investment consultants. If a concern is confirmed, we will consider what further action is appropriate/intend to take the following steps:

1. We define clearly what the issue is, the objective(s) for the engagement and the target date(s) for achieving those objective(s).

2. We contact the manager to raise the concern and set out our expectations in relation to the issue
3. We aim to agree an improvement plan with the manager with target date(s) for achieving engagement objectives
4. We review periodic progress reports as the plan is implemented. This may include inviting the manager to one of our regular meetings to discuss the issue
5. As appropriate we may seek to escalate the concern with a more senior individual at the manager
6. If our concerns are not addressed, we might reduce the allocation to that mandate or replace the manager.

The Trustees review progress on the engagements on a regular basis and agrees any next steps.

Implementation statement including most significant votes

Following the end of each Scheme year, we prepare a statement which explains how we have implemented our Statement of Investment Principles during the year. We publish it online for our members to read.

In the statement, we describe how our managers have voted on our behalf during the year, including the most significant votes cast. The Trustees select these votes from a set of significant votes compiled by our investment consultant from those provided by our managers. In doing so, we have regard to:

- whether it relates to one of our stewardship priorities;
- the potential financial impact of the vote;
- any potential impact of the vote on our investor rights or influence;
- the size of our holding; and
- whether the vote was high-profile or controversial.