

Trustees' Report

Implementation Statement (DB Section) covering the Scheme Year from 6 April 2023 to 5 April 2024

The Trustees of the Countrywide plc Pension Scheme (the "Scheme") are required to produce a yearly statement to set out:

- how, and the extent to which, the Trustees have followed its Statement of Investment Principles ("SIP") during the period from 6 April 2023 to 5 April 2024 (the "Scheme Year"); and
- details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review.

Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9 below.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

This Statement is based on the Scheme's latest SIP which was in place during the Scheme Year dated November 2023. This Statement should be read in conjunction with this November 2023 SIP. We note that following the purchase of the bulk annuity policy with Pension Insurance Corporation Plc ("PIC"), the Scheme's SIP is in the process of being reviewed and updated after the Scheme's year end.

1. Introduction

The SIP was reviewed during the Scheme Year, and approved by the Trustees on 1 November 2023, to reflect:

- the changes to the Scheme's strategic asset allocation;
- the introduction of an allocation to a pooled investment grade buy and maintain credit fund with Legal & General Investment Management;
- the DWP's new guidance on Reporting on Stewardship and Other Topics through the SIP and Implementation Statement which expects trustees to take a more active role in relation to monitoring and engaging with investment managers on stewardship; and
- a Net Zero ambition, in line with the Trustee's investment in the LGIM Future World Net Zero Buy & Maintain Fund, and expectation that the Scheme's investment managers and advisers help the Trustees achieve this ambition.

An updated SIP is in the process of being reviewed at the time of writing of this Statement (May 2024), to reflect the purchase of the bulk annuity policy with PIC.

The Trustees have, in its opinion, followed all of the policies in the Scheme's SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

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Implementation Statement (DB Section) (continued)

2. Investment objectives

Progress against the Scheme's Technical Provisions basis and the journey plan is reviewed as part of the quarterly performance monitoring reports. In December 2023, the Company made an additional contribution to the Scheme to help fund the purchase of a bulk annuity policy with PIC to insure benefit payments linked to the Scheme remaining uninsured benefits. Therefore, as at 5 April 2024, the Scheme was fully funded on a buy-in basis.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the sponsoring employer, reviewed the investment strategy in Q2 2023 and concluded that they should update the investment strategy to provide a better match for insurer pricing. This included the introduction of a 40% strategic allocation to corporate bonds, a full redemption from absolute return bonds and gilts and an increase in the target interest rate and inflation hedge ratios.

In December 2023, the Company made an additional contribution to the Scheme to help fund the purchase of a bulk annuity policy with PIC to insure benefit payments linked to the Scheme remaining uninsured benefits. As part of this purchase, the Trustees fully redeemed the Scheme's remaining invested assets. The Trustees have entered bulk annuity contracts that seek to match the benefits payable to all Scheme members.

4. Considerations in setting the investment arrangements

When the Trustees reviewed the DB investment strategy in Q2 2023, they considered the investment risks set out in Section 4.1 of this Statement. It also considered a wide range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustees also considered the need for diversification and specific circumstances of the Scheme (e.g. the investment objectives, funding position, level of contributions and strength of the sponsor covenant).

The Trustees last formally reviewed its investment beliefs as part of their November 2023 SIP update.

The Trustees invest for the long term, to provide for the Scheme's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustees therefore seek to appoint managers and bulk annuity providers whose stewardship¹ activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Scheme's investment advisers monitor the investment managers and bulk annuity providers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustees promptly about any significant updates or events they become aware of regarding the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

Prior to the purchase of the PIC bulk annuity policy in December 2023, the Trustees monitored the performance of the Scheme's investment managers on a quarterly basis, using a monitoring report prepared by the investment adviser. The report shows the performance of each fund over the quarter, one year and three years. Performance is considered in the context of the manager's benchmark and objectives.

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Implementation Statement (DB Section) (continued)

4. Considerations in setting the investment arrangements (continued)

4.1 Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustees maintain a risk register and this is discussed regularly.

The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustees by the Scheme's investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency risk, collateral adequacy risk and Environment, Social and Governance ("ESG") (including climate) risks.

Prior to the purchase of the PIC bulk annuity policy in December 2023, the Scheme's interest and inflation hedging levels were monitored on an ongoing basis in the quarterly monitoring report. The Trustees have entered bulk annuity contracts that seek to match the benefits payable to all Scheme members.

With regard to collateral adequacy risk, the Trustees fully redeemed the Scheme's Liability Driven Investment ("LDI") holdings in December 2023, and therefore removed this risk.

Together, the investment and non-investment risks give rise generally to funding risk. During the year, the Trustees formally reviewed the Scheme's funding position as at 5 April 2023 as part of its annual actuarial report.

The following risks are covered earlier in this Statement: illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

The quarterly monitoring reports, which were reviewed during the year, showed that the DB investment funds have produced performance broadly in line with expectations over the Scheme Year.

5. Implementation of the investment arrangements

The Trustees invested in a new investment fund, the LGIM Future World Net Zero Buy and Maintain Fund (the "Fund") over the Scheme Year. Before investing in the Fund, the Trustee received information on the investment process and philosophy, the investment team and past performance. The Trustee also considered the manager's approach to responsible investment and stewardship, including the Trustee's stewardship priorities (as set out in Section 8 of this Statement). The Trustee obtained formal written advice from its investment adviser, LCP, before investing in the Fund and made sure the investment portfolio of the Fund chosen was adequately and appropriately diversified. The Trustee relies on its investment adviser's research to understand managers' investment approaches, and ensure they are consistent with the Trustee's policies prior to any new investment.

The Trustees evaluate manager performance over both shorter and longer periods, encourage managers to improve practices and consider alternative arrangements where managers are not meeting performance objectives. Section 8 provides more detail on the activities carried out over the year.

Overall, the Trustees believe the investment managers provide reasonable value for money.

¹ The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

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Implementation Statement (DB Section) (continued)

6. Realisation of investments

The Trustees review the Scheme's net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid and income producing assets to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors.

Over the Scheme Year, the Trustees used cashflow to help rebalance the Scheme's assets towards the strategic asset allocation.

7. Financially material considerations, non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment advisers incorporate their assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations).

As described in Section 1, the Trustees have set a Net Zero Ambition to help mitigate climate risk. This ambition sets out the Trustees' aim to align the Scheme's assets with net zero greenhouse gas emissions by 2050 through selecting managers, and investing in funds, with credible net zero targets.

The Trustee's beliefs on ESG factors, stewardship and climate change and the processes followed by the Trustees in relation to voting rights and stewardship were reviewed in November 2023, as part of the most recent SIP update.

No specific actions have been taken in relation to the selection, retention, and realisation of managers as a result of member and beneficiary views.

8. Voting and engagement

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustees take ownership of the Scheme's stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustees agreed to set stewardship priorities to focus on monitoring and engagement with their investment managers on specific ESG factors. In Q4 2023, the Trustees discussed and agreed the stewardship priorities for the Scheme which were: climate change and corporate transparency.

The Trustees 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, the Trustees believe it is in the members' best interests that the Scheme's managers adopt strong practices in these areas.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

The Trustees also reviewed reports from its managers on voting and engagement activities undertaken on its behalf.

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Implementation Statement (DB Section) (continued)

9. Description of voting behaviour during the Scheme Year

The Trustees have delegated to its investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year. However, the Trustees monitor managers' voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustees' expectations.

None of the investment funds that the Scheme was invested in during the Scheme Year held listed equities. In addition, the Scheme's investment manager, LGIM, has confirmed that, of the funds that don't hold listed equities, there were no voting opportunities during the Scheme Year.

9.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which its managers have in place. The Scheme's LGIM holdings were fully redeemed on 14 December 2023 to help fund the purchase of the PIC bulk annuity policy – we set out below a description of LGIM's voting process prior to the full redemption.

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop LGIM's voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This helps ensure LGIM's stewardship approach is consistent throughout the engagement and voting process, and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM, and it does not outsource any part of the strategic decisions. The use of ISS's recommendations is to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports received from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice.

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Implementation Statement (DB Section) (continued)

9. Description of voting behaviour during the Scheme Year

9.1 Description of the voting processes (continued)

LGIM (continued)

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure our votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

9.2 Summary of voting behaviour

There were no voting opportunities during the Scheme Year.

9.3 Most significant votes

There were no voting opportunities during the Scheme Year.