

Trustees' Report

Implementation Statement (DB Section) covering the Scheme Year from 6 April 2022 to 5 April 2023

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 2022 to 5 April 2023 (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 April 2021. This Statement should be read in conjunction with this April 2021 SIP, which can be found online here: <https://www.countrywide.co.uk/media/sd0lpmoj/countrywide-db-sip-april-2021.pdf>

1. Introduction

No review of the SIP was undertaken during the Scheme Year. The last time the SIP was formally reviewed was April 2021. An updated SIP was in the process of being reviewed at the time of writing of this Statement (October 2023).

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.

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. As at 5 April 2023, the Scheme was not on track to be fully funded on the Technical Provisions basis by the end of the Recovery Plan due to the impact of the extraordinary gilt market volatility in September/October 2022. However, the Trustees are comfortable that the level of risk and expected return of the Scheme's investment strategy is appropriate.

Trustees' Report

Implementation Statement (DB Section) (continued)

3. Investment strategy

The Trustees did not review the DB investment strategy over the Scheme Year. The Trustees monitored the asset allocation on a quarterly basis and compared this to the strategic asset allocation.

The actual asset allocation deviated from the strategic allocation over the Scheme Year, principally due to the extraordinary movements in gilt yields in September/October 2022 following the announcement of the UK governments "mini budget" in late September 2022. This led to the Trustees fully redeeming the Scheme's allocation to diversified growth funds to provide additional support to the Scheme's LDI portfolio that fell in value over the period. The resultant asset allocation gave rise to a significant overweight to the Scheme's absolute return bonds fund, which had not been affected by rising gilt yields to the same extent as the Scheme's LDI and gilt funds.

The Scheme received a recovery plan contribution of £1.3m in January 2023, which was invested in the Scheme's LDI portfolio to support the Trustees' interest rate and inflation hedging targets.

In March 2023 the Trustees transferred £0.6m from the Newton BNYM Global Dynamic Bond Fund to the LGIM Sterling Liquidity Fund in order to increase the level of readily available collateral which could be used to meet any future capital calls from the Scheme's LDI funds. This change also reduced the Scheme's overweight allocation to absolute return bonds.

As at 5 April 2023, the Trustees, with the help of their advisers and in consultation with the Employer, were in the process of reviewing the investment strategy and this was agreed in Q2 2023. The new strategic allocation reflects an increased allocation to LDI and money market cash, a new allocation to buy and maintain corporate bonds and no allocation to diversified growth or absolute return bonds. The Scheme's asset allocation as at 30 June 2023 was broadly in line with the Scheme's new agreed investment strategy.

4. Considerations in setting the investment arrangements

When the Trustees reviewed the DB investment strategy in May 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 April 2021 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 whose stewardship 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 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.

Trustees' Report

Implementation Statement (DB Section) (continued)

The Trustees monitor 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.

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.

The Scheme's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. Over the year, the Scheme's hedging levels fell over September/October 2022 as the Scheme did not meet all the capital calls on its LDI portfolio during the extraordinary gilt market volatility. In January 2023, the Company paid a recovery plan contribution of £1.3m and this was subsequently invested in the Scheme's LDI portfolio to increase the hedging level back towards the strategic target. After the year end, in June 2023 the Trustees increased the Scheme's hedging levels to be around 100% of LCP's estimated buyout basis.

With regard to collateral adequacy risk, the Trustees hold assets in the LGIM Sterling Liquidity Fund alongside the LDI portfolio, which can be used as a readily available source of collateral should LGIM require cash to be posted to reduce leverage in the LDI portfolio.

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 2022 as part of its annual actuarial report.

The Trustees also informally monitor the funding position on a quarterly basis. In addition, the Trustees monitor the overall 1 year 95% Value at Risk of the funding position on a quarterly basis.

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 majority of the DB investment funds have produced performance broadly in line with expectations over the Scheme Year. The Trustee also monitor 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.

Trustees' Report

Implementation Statement (DB Section) (continued)

5. Implementation of the investment arrangements

Other than the full redemption from the LGIM Diversified Fund to support the Scheme's LDI portfolio, the Trustees have not made any changes to its manager arrangements over the Scheme Year.

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.

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 in order 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. One significant cashflow into the Scheme over the year was the deficit contribution of £1.3m that was received in January 2023 and invested in the LDI portfolio, in accordance with this policy.

As mentioned above, the Trustees took a number of actions over the year to support collateral requirements in the Scheme's LDI portfolio.

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).

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 April 2021, 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. The Trustees discussed and agreed the stewardship priorities for the Scheme after the Scheme Year end and will report on them in the next Implementation Statement.

Trustees' Report

Implementation Statement (DB Section) (continued)

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.

9. Description of voting behaviour during the Scheme Year

All of the Trustees' holdings in listed equities are within pooled funds and 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.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities, i.e. the Legal & General Investment Management ("LGIM") Diversified Fund (disinvested in October 2022)

In addition to the LGIM Diversified Fund, the Trustees contacted the Scheme's asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. Newton confirmed that the Newton BNYM Global Dynamic Bond Fund held assets over the Scheme Year, which had associated voting opportunities. Newton has provided voting data, which has been provided in section 9.4 below.

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.

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.

Trustees' Report

Implementation Statement (DB Section) (continued)

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.

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 LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its 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.

Newton:

Newton seeks to make proxy voting decisions that are in the best long-term financial interests of its clients, and which seek to support investor value by promoting sound economic, environmental, social and governance policies, procedures and practices through the support of proposals that are consistent with following four key objectives:

- To support the alignment of the interests of a company's management and board of directors with those of the company's investors;
- To promote the accountability of a company's management to its board of directors, as well as the accountability of the board of directors to the company's investors;
- To uphold the rights of a company's investors to effect change by voting on those matters submitted for approval; and
- To promote adequate disclosure about a company's business operations and financial performance in a timely manner.

In general, voting decisions are taken consistently across all Newton's clients that are invested in the same underlying company. This is in line with Newton's investment process that focuses on the long-term success of the investee company. Further, it is Newton's intention to exercise voting rights in all circumstances where it retains voting authority.

All voting opportunities are communicated to Newton by way of an electronic voting platform.

The Responsible Investment team reviews all resolutions for matters of concern. Any such contentious issues identified may be referred to the appropriate global fundamental equity analyst or portfolio manager for comment.

Where an issue remains contentious, Newton may also decide to confer or engage with the company or other relevant stakeholders.

Trustees' Report

Implementation Statement (DB Section) (continued)

Newton employs a variety of research providers that aid it in the vote decision-making process, including proxy advisors such as ISS. Newton utilises ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

9.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme Year for the fund which held listed equities is provided in the table below.

Fund name	LGIM Diversified Fund
Total size of fund at end of the Scheme Year	£10.6bn
Value of Scheme assets as at 31 March 2023 (£ / % of total assets)	Nil
Number of equity holdings at end of the Scheme Year	6,396
Number of meetings eligible to vote	9,541
Number of resolutions eligible to vote	99,252
% of resolutions voted	99.8%
Of the resolutions on which voted, % voted with management	77.4%
Of the resolutions on which voted, % voted against management	21.9%
Of the resolutions on which voted, % abstained from voting	0.7%
Of the meetings in which the manager voted, % with at least one vote against management	72.8%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	12.5%

9.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities (only LGIM), is set out below. The Trustees did not inform LGIM which votes it considered to be most significant in advance of those votes.

Given the large number of votes which are cast by LGIM during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested that the managers use the PLSA's criteria for creating this shortlist.

Trustees' Report

Implementation Statement (DB Section) (continued)

The Trustees have interpreted "significant votes" to mean those that:

- might have a material impact on future company performance;
- LGIM believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;

The Trustees have reported on three of these significant votes from LGIM. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

BP Plc, May 2022

- **Summary of resolution:** Approve Net Zero Report
- **Approx size of the holding at the date of the vote:** 0.13%
- **Why this vote is considered to be most significant:** This vote may have a material impact on the future company performance. LGIM also considers this vote as an escalation of its climate-related engagement activity.
- **Firm management recommendation:** For
- **Fund manager vote:** For
- **Rationale:** While LGIM notes the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is their view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remains committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.
- **Outcome of the vote and next steps:** Passed - LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Rio Tinto Limited, April 2022

- **Summary of resolution:** Approve climate change action plan.
- **Approx size of the holding at the date of the vote:** 0.11%
- **Why this vote is considered to be most significant:** This vote may have material impact on the future company performance. LGIM also considers this vote as an escalation of its climate-related engagement activity.
- **Firm management recommendation:** For
- **Fund manager vote:** Against

Trustees' Report

Implementation Statement (DB Section) (continued)

- **Rationale:** LGIM recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledges the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, LGIM remains concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps:** Passed - LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Hirose Electric Co. Ltd, June 2022

- **Summary of resolution:** Elect Director Ishii, Kazunori
- **Approx size of the holding at the date of the vote:** 0.01%
- **Why this vote is considered to be most significant:** This vote may have material impact on the future company performance.
- **Firm management recommendation:** For
- **Fund manager vote:** Against
- **Rationale:** A vote against was applied by LGIM due to the lack of independent directors on the board. Independent directors bring an external perspective to the board. Bringing relevant and suitably diverse mix of skills and perspectives is deemed by LGIM to be critical to the quality of the board and the strategic direction of the company. The vote against was also applied as the company has failed to report on their material ESG factors in line with the GRI or SASB reporting framework and therefore, this vote signifies engagement on the Trustees' stewardship priority of corporate transparency.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps:** Passed - LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Trustees' Report

Implementation Statement (DB Section) (continued)

9.4 Votes in relation to assets other than listed equity

Whilst the Newton BNYM Global Dynamic Bond Fund doesn't hold listed equities, the fund did invest in assets that had voting opportunities during the Scheme Year. The table below provides a summary of this limited voting behaviour, which were in respect to units in externally managed pooled bond funds.

Fund name	Newton BNYM Global Dynamic Bond Fund
Total size of fund at end of the Scheme Year	£1.2bn
Value of Scheme assets as at 31 March 2023 (£ / % of total assets)	£4.1m
Number of meetings eligible to vote	2
Number of resolutions eligible to vote	22
% of resolutions voted	100%
Of the resolutions on which voted, % voted with management	100%
Of the resolutions on which voted, % voted against management	0%
Of the resolutions on which voted, % abstained from voting	0%
Of the meetings in which the manager voted, % with at least one vote against management	0%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%