The Countrywide Plc Pension Scheme

Statement of Investment Principles – April 2021

Introduction

The Trustees of the Countrywide Plc Pension Scheme (‘the Scheme’) has drawn up this Statement of Investment Principles (‘the Statement‘) to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. In preparing this Statement the Trustees have consulted the Countrywide Plc (‘the Employer’) on the Trustees’ investment principles.

Governance

The Trustees make all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees take proper advice. The Trustees’ Investment Consultant, Capita, is qualified by its ability in and practical experience of financial matters, and has the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustees are required to invest the Scheme’s assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme’s assets which is at least equal to the assumptions made by the Scheme Actuary in determining the funding of the Scheme;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer’s contribution requirements.

The Trustees have also purchased annuity policies (a buy-in) in respect of some of Scheme’s liabilities.

The Trustees understand, following discussions with the Employer, that it is willing to accept a degree of volatility in its contribution requirements in order to reduce the long-term cost of the Scheme’s benefits.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Scheme. The Trustees believe that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustees further believe that the current investment strategy is appropriate given the Scheme's liability profile. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme's assets and its liabilities. This is therefore the Trustees' principal focus in setting investment strategy, taking into account the nature and duration of the Scheme's liabilities.

- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.

- The Trustees recognise the risks that may arise from the lack of diversification of non-insured investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified non-insured portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, non-insured investment exposure is obtained via pooled vehicles.

- The documents governing the managers' appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.

- The Trustees recognise that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, they believe this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Scheme's assets are managed through a mixture of active and passive management which may be adjusted from time to time.

- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Investment Strategy

Given their investment objectives the Trustees have purchased a bulk annuity policy from Pension Insurance Corporation plc (‘PIC’) in respect of the liabilities of all of the then-uninsured pensioner members as at October 2017. The bulk annuity policy remains an asset of the Scheme under the control of the Trustees and is not yet individually allocated to members.

The Trustees also hold another bulk annuity policy with American Life Insurance Company (acquired by MetLife Assurance limited, ‘MetLife’) which was purchased in 2010 to insure some of the pensions in payment. Benefits provided by the bulk annuity policy match the liabilities in relation to the members as defined at the time of purchase.

Given their investment objectives the Trustees have agreed to the investment strategies detailed in Appendix 1. The Trustees believe that the investment risk arising from the investment strategies is consistent with the overall level of risk being targeted.

The Trustees have adopted a dynamic approach to asset allocation. They have set triggers to change the asset allocation as the funding level increases. Full details are contained in a letter of variation signed January 2021. A summary of the triggers is shown in Appendix 2.

The Trustees intend to maintain an on-going programme to reduce investment risk relative to the liabilities of the Scheme over time and at a pace dictated by a combination of investment market conditions and funding levels.

De-risking involves changes to the balance between return seeking assets and liability-matching assets. However the timing and implementation of changes to the target allocation is not fixed but is designed to be dynamic and able to adapt to future market opportunities to accommodate de-risking by the Trustees.

The Trustees believe that the investment strategies and consideration of future de-risking programmes are appropriate for controlling the risks identified and meeting the required level of return to meet the funding objectives.

The Trustees will monitor the Scheme’s actual asset allocation at least quarterly and will decide on a course of action. This may involve redirecting cash flows, a switch of assets, or taking no action. The Trustees will take into account advice from the investment consultant prior to making any decision. Further details on investment funds can be found in the Appendix.

Expected Return

The Trustees expect the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustees expect the Scheme’s assets (including the buy-in policies) to generate a return, over the long term, of circa 0.3% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Scheme’s liability value. This expected return is driven by non-insured assets as buy-in assets are assumed to produce returns in line with gilts yields.

This expected return is a current ‘best estimate’ of future returns that has been arrived at given the Scheme’s longer term asset allocation and in the light of advice from the investment consultant. The expected returns are likely to decrease if, and when, the required returns to obtain full funding on a self-sufficiency basis decrease enough to cause a trigger to be reached and return seeking assets to be switched to liability matching assets.

The Trustees recognise that over the short term performance may deviate significantly from this long term expectation. This best estimate will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities. For this purpose, a more prudent estimate of returns will generally be used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

Platform Provider

The Trustees have appointed Legal and General Investment Management Limited ('the Platform Provider') to manage all of the assets of the Scheme. The Platform Provider is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Platform Provider via a written agreement, including the realisation of investments.

Investment Mandates

The Trustees have selected Legal & General Investment Management Ltd ('LGIM') and BNY Mellon Investment Management ('BNYM'), as the appointed Investment Managers ('the Investment Managers') to manage the assets of the Scheme via a single policy with the Platform Provider. The buy-in policies are managed by Pension Insurance Corporation ('PIC') and MetLife Assurance Limited ('MetLife'). The Investment Managers are themselves regulated under the Financial Services and Markets Act 2000. The details of the Scheme's investment manager mandates are set out in the Appendix.

The Trustees have rolling contracts with their investment managers.

The Trustees monitor the performance of their investment managers on a quarterly basis. This monitoring is contained in a report provided by their advisors.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment Manager Remuneration

The Trustees monitor the remuneration, including incentives, that are paid to their investment managers and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they should ensure that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the fund managers' assessment of the business invested in over the medium to long-term and considers whether this is a holistic look at all relevant aspects of performance (i.e. does it look beyond purely accountancy measures). The Trustees must consider if the fund manager is incentivised to make decisions on a short-term basis or on a medium to long-term basis and does this coincide with the business assessments. The Trustees must be conscious of whether the fund manager is incentivised by the agreement to engage with the investee business and to what extent does any engagement focus on improving medium to long-term performance.

Investment Manager Portfolio Costs

The Trustees will monitor costs of buying, selling, lending and borrowing investments and will look to monitor the costs breakdown annually, as long as the investment managers provide these costs using the Cost Transparency Initiative template. The Trustees will also ensure that, where appropriate, its investment managers monitor the frequency of transactions and portfolio turnover. If there are any targets then the Trustees will monitor compliance with these targets.

Financially material considerations over the Scheme's time horizon

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the scheme. The trustees recognise that this is a defined benefit scheme closed to accrual which is likely to wind up in the near future. Nevertheless, the Trustees believe that an appropriate time horizon for the Scheme will still be over the medium term, which gives plenty of scope for ESG considerations to be financially material.

The Trustees have predominantly elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustees will consider these policies in all future selections and will seek to deepen their understanding of their existing managers' policies by reviewing these at least annually. In cases where they are dissatisfied with a manager's approach they will take this into account when reviewing them. They are also keen that all their managers are signatories of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. They will be liaising with their managers (including their passive managers) to obtain details of the voting behaviour (including the most significant votes cast on the Trustees' behalf). The Trustees are also keen that their managers are signatories of the UK Stewardship Code. This is currently the case.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment managers. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach periodically with the help of their investment consultants, where required. Consequently, the Trustees expect the Plan's Investment Managers to have effective ESG policies (including the application of voting rights) in place and look to discuss the investment managers' ESG policies with them when the managers attend Trustee meetings.

The Trustees will monitor the voting being carried out by investment managers and custodians on their behalf. They will do this by receiving reports from their investment managers which should include details of any significant votes cast and proxy services that have been used.

Capita

Non-financial matters, including members' views are currently not taken into account.

Compliance with Myners' Principles

In October 2008 the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007.

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995 (as amended), the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The Investment Managers are paid a management fee on the basis of assets under management. The Investment Consultant is paid on a project basis, which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Ramona Tipnis (fully signed version on file)

Trustee

4 May 2021

Date

Signed on behalf of the Trustees of the Countrywide Plc Pension Scheme

Appendix 1 – Initial Investment Mandates

The Trustees have appointed the Investment Managers to manage the assets of the Scheme. The Investment Managers are regulated under the Financial Services and Markets Act 2000. Their mandates are set out below:

Asset Class	Investment Manager	Fund Name	Active / Passive Management	Strategic Allocation %
Growth Assets				**16.0**
UK Equities	LGIM	UK Equity Index	Passive	2.0
Overseas Equities	LGIM	N America Equity Index	Passive	2.0
	LGIM	N America Equity Index-GBP Hedged	Passive	
	LGIM	Europe (ex UK) Equity Index	Passive	
	LGIM	Europe (ex UK) Index-GBP Hedged	Passive	
	LGIM	Japan Equity Index	Passive	
	LGIM	Japan Equity Index-GBP Hedged	Passive	
	LGIM	Asia Pac ex Jap Dev Equity Index	Passive	
	LGIM	Asia Pac ex Jap Dev Equity Index-GBP Hedged	Passive	
Diversified Growth	LGIM	Diversified Growth Fund	Passive	5.0
Absolute Return Bonds	BNY Mellon	Global Dynamic Bond Fund	Active	7.0

Matching Assets				**84.0**
Liability Driven Investment Real	LGIM	Matching Core Short Duration Real Fund	Passive	0.1
	LGIM	Matching Core Long Duration Real Fund	Passive	0.4
Liability Driven Investment Nominal	LGIM	Matching Core Short Duration Nominal Fund	Passive	0.7
	LGIM	Matching Core Long Duration Nominal Fund	Passive	2.8
Buy-in	PIC	Buy-in policy	Passive	80.0
	MetLife	Buy-in policy	Passive	
Total Assets				**100.0**

Appendix 2 – Governance Framework for Dynamic De-risking Implementation

Triggers (Required return above gilts p.a.)	Equities %	Diversified Growth %	Absolute Return Bonds %	Gilts %	LDI Real %	LDI Nominal %
Current	20.0	25.0	35.0	0.0	2.5	17.5
1.60%	10.0	25.0	35.0	0.0	3.5	26.5
1.20%	0.0	25.0	35.0	10.0	4.0	26.0
0.80%	0.0	10.0	35.0	31.5	5.5	18.0
0.45%	0.0	0.0	30.0	46.0	6.0	18.0