Continental Landscapes Limited Staff Benefits Plan

Statement of Investment Principles

Barnett Waddingham LLP

21 November 2023

Contents

1. Introduction

1.1. This Statement of Investment Principles has been prepared by the Trustees of the Continental Landscapes Limited Staff Benefit Plan ("the Plan"). It sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustees have consulted Continental Landscapes Limited, ("the Employer") and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The investment powers of the Trustees are set out in Clause E2 of the Definitive Trust Deed & Rules, dated 23 August 1996. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in Appendix 1 to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustees review the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have agreed key investment objectives in light of an analysis of:

- the Plan's projected liability profile;
- an understanding of the relationship that exists between the value of investments and the actuarial value placed on the liabilities; and,
- the constraints the Trustees face in meeting other possible objectives.

3.2. The Trustees' main investment objectives are set out below:

- To maintain a level of assets that, together with the support of the Employer, allows benefits to be met in full when they fall due.
- To invest in a suitably liquid and diversified portfolio.
- To use the investment strategy to appropriately constrain volatility in the Plan's funding position, taking account of the nature of the employer covenant and any practical constraints.
- To adjust the investment strategy over time to improve the ability of the Plan to meet members' benefits with greater certainty and, ultimately, to bring the Plan into a position where it is well-funded with a low risk investment strategy.

4. Kinds of investments to be held

4.1. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, gilts, property and derivatives.

5. The balance between different kinds of investments

5.1. The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1 to this statement.

5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 to this Statement.

5.3. From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

6. Risks

6.1. The Trustees have considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's earnings are monitored as part of each actuarial valuation. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this statement and is monitored on a quarterly basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Plan's investment managers on a regular basis. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Plan and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Plan's funding position.

8. Realisation of investments

8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

9. Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

9.1. The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2.

10. Monitoring

10.1 The Trustees employ their investment consultant to assist them in monitoring the performance of the Plan's investment strategy and investment managers.

10.2 The Trustees receive quarterly reports from their investment advisors and where appropriate will meet with their representatives periodically to review their investment performance and processes.

10.3 The Trustees and their advisers will monitor the investment managers' performance against their performance objectives.

10.4 The appropriateness of the investment managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

10.5 The Trustees expect the investment managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions. As the Trustees exclusively use pooled funds, the Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

10.6 The Trustees will consider on a regular basis whether or not the investment managers and similar providers remain appropriate to continue to manage the Plan's investments.

11. Agreement

11.1. This statement was agreed by the Trustees and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Employer, the investment managers, the Scheme Actuary and the Plan auditor upon request.

This Statement of Investment Principles was approved by the Trustees of the Continental Landscapes Limited Staff Benefits Plan on 21 November 2023.

Appendix 1: Note on investment policy of the Plan in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Plan has a strategic asset allocation as set out in the table below, which has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Portfolio	Allocation (%)	Control Range
Growth Portfolio	**45%**	**42.5% - 47.5%**
LGIM Diversified Fund	15.0%	12.5% - 17.5%
LGIM All World Equity Index Fund	15.0%	12.5% - 17.5%
LGIM All World Equity Index Fund (GBP hedged)	15.0%	12.5% - 17.5%
Protection Portfolio	**55%**	**52.5% - 57.5%**
LGIM Active Corporate Bond - Over 10 years Fund	12.0%	9.5% - 14.5%
LGIM Matching Core LDI Funds	35.0%	32.5% - 37.5%
LGIM Sterling Liquidity Fund	8.0%	5.5% - 10.5%

The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the target asset allocation. The Trustees monitor the asset allocation on a regular basis with the assistance of their advisers and will consider switching assets between funds if the assets deviate outside the ranges quoted.

2. Hedging ratios

The target hedging ratios against interest rate risk and inflation risk are as follows.

Funding measure against which hedges are determined	Technical Provisions
Hedge set relative to liability measure or asset value?	Asset value / funded liabilities
Target hedging ratio against interest rate risk	90%-100%
Target hedging ratio against inflation risk	90%-100%

3. Strategies used

The Trustees have appointed Legal & General Investment Management ('LGIM') as their investment manager to carry out the day-to-day investment of the Plan's assets. LGIM are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each of the Plan's holdings are given below:

Asset class	Fund	Benchmark	Objective
Multi-asset growth	LGIM Diversified Fund	FTSE Developed World Index – 50% GBP Currency Hedged	Track this benchmark (less withholding tax where applicable) over the long term with two-thirds of the volatility.
Global equities	LGIM All World Equity Index Fund	FTSE All-World Index	Track the benchmark (less withholding tax where applicable) +/- 0.5% p.a. for two years out of three.
Global equities	LGIM All World Equity Index Fund (GBP hedged)	FTSE All-World Index (GBP hedged)	Track the benchmark (less withholding tax where applicable) +/- 0.5% p.a. for two years out of three.
UK active corporate bonds	Active Corporate Bond - Over 10 years Fund	Markit iBoxx Sterling Non-Gilt 10 Year Plus Index	Outperform the benchmark by 0.75% p.a. (gross) over rolling three-year periods.
LDI funds	Matching Core LDI Funds	*Not applicable*	To provide returns consistent with defined sensitivities to real and nominal interest rates
Cash	Sterling Liquidity Fund	Sterling Overnight Index Average ('SONIA')	To perform in line with benchmark and offer access to liquidity whilst providing capital stability.

4. Use of investment platform

The funds strategies used are all accessed through LGIM's Investment-only Platform ('IoP').

5. Investment management charges

The fees paid by the Plan are recorded in the contracts agreed between the Trustees and the investment managers, through the IoP.

6. Remuneration of investment consultant

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are remunerated on a mixture of pre-agreed fixed fees and time-cost rates.

Appendix 2: ESG-related risks, views of members, the exercise of voting rights, engagement activities, manager incentivisation and conflicts of interest

1. ESG-related risks (including climate change)

The Trustees recognise that Environmental, Social and Governance ('ESG') issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Plan invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.

The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the investment managers. The Trustees have an expectation that the investment managers will consider ESG issues in selecting securities and other investments, or will otherwise engage with the issuers of the Plan's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

In choosing investment managers, the Trustees and their advisers take the following factors into account in the selection, retention and realisation of investments:

Selection of investments: assessment of the investment managers' ESG integration credentials and capabilities, including stewardship.

Retention of investments: developing a process to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: requesting information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees also take these factors into account as part of their investment process to determine a strategic asset allocation, and considers them as part of ongoing reviews of the Plan's investments.

The Trustees do not currently impose any specific restrictions on the investment managers with regard to ESG issues, but will review this position from time to time. The Trustees receive information from the investment managers on their approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Plan's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees will continue to monitor market developments in this area in conjunction with their investment adviser.

2. Views of Members and Beneficiaries

The Plan is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues (referred to as 'non-financial matters' in the relevant regulations). The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.

3. The exercise of voting rights

Responsibility for engagement with the issuers of the Plan's underlying investment holdings and the use of voting rights is delegated to the investment managers. The Trustees can therefore only influence engagement and voting policy indirectly.

The Trustees expect that the investment managers will use their influence as institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The investment managers provide information to the Trustees on their actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the investment managers.

4. Engagement activities

Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the investment managers. The Trustees expect the extent to which the investment managers monitor capital structure to be appropriate to the nature of the mandate.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

Should the Trustees' investment advisers raise any concerns about the performance of an investment manager in these respects, the Trustees will, in conjunction with their advisers, seek to engage with the investment manager to improve the position.

5. Incentivisation arrangements with investment managers

The investment managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund. The Trustees do not directly incentivise the investment managers to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the investment managers and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the investment managers to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issuers to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Plan.

6. Conflicts of interest

The Trustees maintain a separate conflicts of interest policy and register. Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the investment managers, while also setting out a process for their management.

The Plan's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA-regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations.

The Trustees therefore believe they have managed the potential for conflicts of interest in the appointment of their investment advisers and investment managers, and conflicts of interest between the Trustees, investment advisor, investment managers and the investee companies.