

# John Wiley & Sons Limited Retirement Benefits Scheme

## Statement of Investment Principles

**Barnett Waddingham LLP**

June 2024

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# 1 Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustees of the John Wiley & Sons Limited Retirement Benefits Scheme (the "Scheme"). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of :
- the Pensions Act 1995, as amended by the Pensions Act 2004; and
  - 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.
  - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2 In preparing this statement, the Trustees have consulted Wiley Europe Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. 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 the policy on any of the areas covered by the statement.
- 1.5 The investment powers of the Trustees are set out in Clause 7 of the Definitive Trust Deed & Rules, dated 30 April 2010. 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 Scheme's assets is delegated to one or more fund managers. The Scheme's fund managers are detailed in the Appendix to this Statement. The fund 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 Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustees will also consult the Principal Employer before amending the investment strategy.

## 3 Investment Objectives

3.1 The Trustees' main investment objectives are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to achieve a long-term positive real return;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from the participating employer, the cost of benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.2 The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives.

## 4 Kinds of investments to be held

4.1 The Scheme can invest in a wide range of asset classes including:

- Equities;
- Fixed Income;
- Cash;
- Property;
- Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives;
- Annuity policies.

4.2 Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

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

4.4 The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out by the Scheme's auditors.

## 5 The balance between different kinds of investments

- 5.1 The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix 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 the Appendix to this Statement.
- 5.3 From time to time, the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflows 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 Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

## 6 Risks

- 6.1 The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:
- 6.2 **Risk versus the liabilities** The Trustees will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk/return required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
- 6.3 **Asset Allocation risk** The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.
- 6.4 **Fund manager risk** The Trustees monitor each of the Scheme's fund managers' performance on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.
- 6.5 **Concentration risk** Each fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- 6.6 **Loss of investment** The risk of loss of investment by each fund 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).
- 6.7 **Liquidity risk** The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cash flow requirements. The Scheme's administrators, Barnett Waddingham LLP, assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

- 6.8 **Covenant risk** The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a periodic basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
- 6.9 **Solvency and mismatching** 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 Scheme's funding basis.
- 6.10 **Currency risk** The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
- 6.11 **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.
- 6.12 **ESG/Climate risk** The Trustees have considered long-term financial risks to the Scheme 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 Scheme's investments in order to avoid unexpected losses.

## 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 fund 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 fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. In order to review performance, the Trustees meet the Scheme's fund managers as frequently as is appropriate.

## 8 Realisation of investments

- 8.1 The Trustees have delegated the responsibility for buying and selling investments to the fund 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 Scheme'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 Scheme accounts.

## 9 Financially Material Considerations, Non-Financial matters and Stewardship

### Policy on financially material considerations

- 9.1 The Trustees have considered long-term financial risks to the Scheme and believe that environmental, social and governance ("ESG") issues, including but not limited to climate change, are financially material and therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.
- 9.2 The Trustees believe that ESG factors will be financially material for the Scheme over the length of time until the Scheme's life comes to an end. This is likely to be not less than 20 years from the date of this Statement of Investment Principles.
- 9.3 The Trustees received training from its investment advisor on ESG factors. The Trustees considered the research findings presented at this training to form their view on the financial materiality of ESG factors as they apply to the Scheme's current investments.
- 9.4 Based on the research findings and their discussions, the Trustees agree that these factors have the potential to impact the risk and/or return profile of the Scheme's investments from time to time, however, the Trustees appreciate that this impact will vary between different asset classes.
- 9.5 The Trustees will consider requesting an update on ESG considerations in any future manager presentations. The Trustees may also obtain future training on ESG consideration from its investment advisor to consider any future market developments or if there are any changes to their investments that require reassessment or expansion of the Trustees' current policy on ESG factors.
- 9.6 The Trustees' views on how the ESG factors are taken into account for the Scheme's investments are set out below.

**Passive equities** The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's passive equities. The Trustees accept that the fund manager must invest in line with the specified index and, therefore, may not be able to select, retain or realise investments based on ESG related risks and opportunities. The Trustees therefore require that the fund manager takes into account ESG considerations by engaging with companies and by exercising voting rights. However, the exercise of rights and engagement activities should be consistent with, and proportionate to, the rest of the investment process. These engagement activities are set out under the Trustees' stewardship policy, later in this Statement.

**Multi-asset** The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's multi-asset fund manager. This Scheme's current multi-asset mandate is actively managed and the manager is expected to consider all financially material considerations, including but not limited to ESG factors, when managing the fund. Having reviewed the process in place, the Trustees are satisfied that the manager has suitable processes to consider ESG factors and takes them into account, where relevant, in the selection, retention and realisation of the underlying investments within the funds. These processes should be consistent with, and proportionate to, the rest of the investment process.

**Absolute Return Bonds** The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's Absolute Return Bonds holding. This holding is actively

managed the manager is therefore expected to consider all financially material considerations, including but not limited to ESG factors, when managing the fund. The Trustees recognise that fixed income assets do not typically provide voting rights, however, they support engagement with companies by the fund manager. The Trustees are satisfied that the manager has suitable processes to consider ESG factors and take them into account, where relevant, in the selection, retention and realisation of the underlying investments within the funds. These processes should be consistent with, and proportionate to, the rest of the investment process.

**LDI and money market** The Trustees do not believe there is significant scope for ESG issues to improve risk-adjusted returns in these asset classes because of the nature of the instruments used within the LDI funds and the fact that money market investments are short term in nature.

### Policy on assessment and monitoring

- 9.7 As an investor in pooled funds, the Trustees delegate the consideration of all financially material factors in relation to determining the underlying holdings within the pooled funds, including ESG factors, to the Scheme's investment managers as part of their day-to-day management.
- 9.8 The Trustees take into account how ESG factors are integrated into the managers' fund management processes when appointing, monitoring, engaging with and replacing funds and managers as follows.

**Appointing funds and managers** When selecting new investments, the Trustees will consider requesting information on ESG integration credentials as part of the proposals. However, an investment manager's excellence in this area will not necessarily take precedence over other factors, including (but not limited to) historical performance or fees.

**Monitoring and engagement with managers** Each of the Scheme's investment managers has its own ESG policy, ESG integration process and ESG resources as part of its wider management process and capability. The Trustees will continue to monitor and assess these on an ongoing basis. From time to time, the Trustees may ask the Scheme's investment managers to attend meetings and provide updates on the funds, which the Trustees may request to include an update on ESG considerations.

If, as part of this monitoring process or based on any ad-hoc updates provided by the investment advisor, any issues specifically related to the ESG factors are identified, the Trustees may request further information from the Scheme's managers and engage with them in relation to these matters either directly or through their investment advisor.

**Replacing funds and managers** If any significant ESG integration-related issues are identified for a fund or a manager, the Trustees may choose to replace them. However, as per the appointment of funds and managers, the investment manager's shortcomings in this area will not necessarily be seen as sufficient reason for replacement and will not necessarily take precedence over consideration of other factors.

### Policy on the exercise of voting rights and engagement activities

- 9.9 The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.
- 9.10 As an investor in pooled funds, the Trustees currently adopt a policy of delegating the exercising of the rights (including voting rights) attached to the Scheme's investments to the investment managers.



- 9.11 The Trustees also delegate undertaking engagement activities, which include entering into discussions with the underlying investee company management in an attempt to influence behaviour, to the investment managers.
- 9.12 The Trustees assessed the current stewardship approach of its investment managers based on information collated by the investment consultant and provided by the respective managers.
- 9.13 The Trustees will, with support from the investment advisor, request and review the stewardship policies, voting and engagement activities of the Scheme's investment managers. In case of any specific issues or questions being identified through this monitoring process, the Trustees will engage with the Scheme's investment managers for more information and discuss any remedial action to be taken.
- The Trustees will also ask managers to attend meetings from time to time to present and discuss their stewardship activities, including details of any voting rights exercised.
- 9.14 When selecting investment managers, where appropriate and applicable, the Trustees will consider the investment managers' policies on stewardship and engagement, and how those policies have been implemented.
- 9.15 The Scheme's investment consultants, Barnett Waddingham, are 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.
- 9.16 The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

### Policy for taking into account non-financial matters

- 9.17 The Trustees do not take into account the Scheme members' and beneficiaries' views on ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (i.e. "non-financial matters" in the relevant regulations) in the selection, retention and realisation of investments.
- 9.18 The Trustees will review the policy on whether to take account of non-financial matters periodically.

## 10 Policy on arrangements with asset managers

### Incentivising alignment with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem

any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

- 10.3. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.
- 10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.
- 10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

### Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8. The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

### Method and time horizon for assessing performance

- 10.9. The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.
- 10.10. The Scheme invests predominantly in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment managers, they receive more and as values fall they receive less.
- 10.11. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.12. The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

### Portfolio turnover costs

- 10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.
- 10.14. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

### Duration of arrangement with asset manager

- 10.15. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.16. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

## 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 fund managers, the actuary and the Scheme auditor upon request.

**Printed:** Kevin Monaco

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**On behalf of the John Wiley & Sons Limited Retirement Benefits Scheme**

# Appendix 1 Note on investment policy of the Scheme as at June 2024 in relation to the current Statement of Investment Principles

## 1 Strategic asset allocation

1.1 The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Scheme's assets:

- BlackRock Investment Management (UK) Ltd;
- Pyrford International Ltd;
- Threadneedle Investment Services Ltd; and
- Schroders Investment Management.

All managers are authorised and regulated by the Financial Conduct Authority. The Trustees have appointed Barnett Waddingham LLP to advise on investment matters in addition to advice received from the fund managers on the suitability of investments.

1.2 The Trustees recognise that the allocation of investments in different asset classes will vary over time because of market movements. The Trustees seek a balance between the benefits of maintaining the asset allocation in line with its benchmark and the costs of rebalancing.

1.3 The Trustees will monitor the asset allocation periodically. If in their view these have deviated too far from their benchmark, the Trustees will rebalance the assets towards the benchmark.

1.4 The Trustees' benchmark allocation for the assets held is shown in the following table:

## John Wiley & Sons Limited Retirement Benefits Scheme

## Benchmark allocation

<b>Growth assets</b>	<b>30%</b>
BlackRock equity portfolio	10%
M&G Total Return Credit Investment Fund	10%
LGIM Diversified Fund	10%
<b>Protection assets</b>	<b>70%</b>
Schroders Segregated Liability Driven Investment (LDI) portfolio	40%
Schroders Pooled Maturing Buy and Maintain Bond Funds	30%
<b>Total</b>	<b>100%</b>

- 1.5 The Trustees aim to maintain the level of hedging at broadly 100% of the funded liabilities on a low risk gilts basis (for both interest rates and inflation) and therefore the allocation to the LDI portfolio may change over time.
- 1.6 In the event that the Schroders segregated LDI portfolio requires recapitalising, Schroders have the ability to disinvest from the pooled Maturing Buy and Maintain Bond Funds in order to top up the collateral within the LDI as needed.
- 1.7 The Trustees have agreed a long-term target regional allocation within the BlackRock Equity portfolio as set out below.

### BlackRock Equity portfolio

### Allocation

UK Equity	4.0%
US Equity	35.5%
US Equity (GBP hedged)	35.5%
Europe (ex UK) Equity	6.5%
Europe (ex UK) Equity (GBP hedged)	6.5%
Japanese Equity	3.5%
Japanese Equity (GBP hedged)	3.5%
Pacific Rim Equity	2.5%
Pacific Rim Equity (GBP Hedged)	2.5%

The Scheme's regional equity allocation will fluctuate relative to the target allocation over time and cashflows into and out of the equity portfolio will be used to bring the regional allocation towards the benchmark. The Trustees accept this may take a period of time longer than a year in order to bring the allocation close to the target allocation.

The investment managers of the Scheme invest in line with restrictions set out in the policy documents. Contributions received generally go towards paying benefits. However, if there is a surplus for investment, these will usually be invested in line with the Scheme's benchmark asset allocation outlined above.

1.8 Disinvestments will usually be made to move the asset allocation back towards the benchmark.

1.9 The investment benchmarks and objectives for each fund are given below:

Fund manager	Benchmark	Objective
<b>BlackRock</b>		
Aquila Life UK Equity Fund	FTSE All-Share Index	To achieve returns in line with the benchmark
Aquila Life US Equity Fund	FTSE All-World Developed USA Index	To achieve returns in line with the benchmark
Aquila Life European Equity Fund	FTSE All-World Developed Europe ex-UK Index	To achieve returns in line with the benchmark
Aquila Life Japanese Equity Fund	FTSE All-World Developed Japan Index	To achieve returns in line with the benchmark
Aquila Life Pacific Rim Equity Fund	FTSE All-World Developed Asia Pacific ex Japan Index	To achieve returns in line with the benchmark
Aquila Life Currency Hedged US Equity Fund	FTSE All-World Developed USA 95% GBP Hedged Index	To achieve returns in line with the benchmark
Aquila Life Currency Hedged European Equity Fund	FTSE All-World Developed Europe ex UK 95% GBP Hedged Index	To achieve returns in line with the benchmark
Aquila Life Currency Hedged Japanese Equity Fund	FTSE All-World Developed Japan 95% GBP Hedged Index	To achieve returns in line with the benchmark
Aquila Life Currency Hedged Pacific Rim Equity Fund	FTSE All-World Developed Asia Pacific ex Japan 95% GBP Hedged Index	To achieve returns in line with the benchmark
<b>M&amp;G Investments</b>		
Total Return Credit Investment Fund	1-Month EURIBOR	To achieve a total return 3-5% per annum (gross of fees) above the benchmark, over any five year period.
<b>LGIM</b>		
Diversified Fund	BoE Base Rate + 3.75% p.a.	To provide long-term investment growth through exposure to a diversified range of asset classes.

Fund manager	Benchmark	Objective
<b>Schroders</b>		
Segregated LDI portfolio	Liability proxy cashflows	To provide liability matching in respect of certain estimated future cashflow liabilities of the Scheme represented by the Benchmark. The target hedging is set at 90% of the total liabilities represented by the Benchmark (broadly 100% of funded liabilities) on the Long-Term Funding basis.
Maturing Buy and Maintain Credit Funds	N/A	N/A