Statement of Investment Principles – Reed Elsevier Pension Scheme
(effective 5 July 2023)

Introduction

1 This document is the Statement of Investment Principles (“the SIP”) made by Reed Elsevier Pension Trustee Limited (“the Trustee”) which is the Trustee of the Reed Elsevier Pension Scheme (“the Scheme”) in accordance with Section 35 of The Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it) (“the Pensions Act”).

2 The Trustee reviews this SIP at least every three years and as soon as possible after any significant change in investment policy. Before finalising this SIP, the Trustee took advice from Hymans Robertson (the Investment Advisor) and Mayer Brown International LLP, and has consulted the Principal Employer, RELX (UK) Limited ("the Company"). The ultimate power and responsibility for deciding the investment policy, however, lies solely with the Trustee.

3 The Pensions Act sets out the procedure to deal with a shortfall in the value of the assets of a pension scheme as compared to the values of its liabilities. The Trustee complies with this legislation and consults the Scheme Actuary and the Company and takes account of their views if appropriate to do so.

4 The Trustee considers that the investment policy is consistent with the current financial position of the Scheme. The Trustee reviews its investment policy in light of changing circumstances including actuarial valuations, actuarial certificates and schedules of contributions produced in order to comply with the Pensions Act.

Scheme objectives

5 The Scheme’s overall objectives are to:

a) pay the benefits to which the Scheme’s beneficiaries are entitled under the Scheme’s governing documentation;

b) seek to achieve the maximum long-term investment return whilst only taking the risk required to achieve full funding on a low dependency basis over a reasonable timeframe;

In seeking to achieve these objectives, the Trustee is mindful of the need to:

- take account of current market conditions when positioning the portfolio at any time;
- limit the risk of the assets failing to meet the liabilities over the long term, noting that asset growth is expected to be made up of investment returns plus future contributions;
- take account of the financial strength of the Company and its ability to fund the Scheme;
- minimise the fees paid by the Scheme so as to maximise returns on assets;
- consider the impact of movements in interest rates and inflation when determining the Scheme’s asset allocation policy;
- consider the effects of climate change risks as well as opportunities relating to climate change.

– Ensure sufficient liquidity is maintained within the investment strategy and the Scheme is not a forced seller of assets.

6 The Trustee reviews these objectives regularly and amends them as appropriate.

Investment strategy

7 The Trustee receives recommendations from the Scheme Investment and Funding Committee (the SIFC) and advice from the Investment Advisor in determining an appropriate investment strategy for the Scheme.

8 The Trustee policy is to seek to achieve the objectives by investing in a suitable mix of assets. It recognises that the returns on some asset classes, while expected to be greater over the long term than those on liabilities, are likely to be more volatile. The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Scheme's investment objectives.

9 The Trustee monitors the liability profile of the Scheme and regularly reviews the appropriateness of its investment strategy, taking into account recommendations from the SIFC, the Investment Advisor, the Scheme Actuary and consultation with the Company.

10 The Trustee has delegated a number of responsibilities to the SIFC under a formal terms of reference, which include:

- putting recommendations to the Trustee on all aspects of investment policy and the strategic asset allocation and how it should evolve over time;
- decisions about the detailed investment arrangements within the strategy and policy agreed by the Trustee, including the structure of the portfolio, investment mandates, appointment and termination of managers, agreeing manager guidelines and details of asset transitions;
- monitoring the progress and performance of the Scheme relative to the long-term journey plan and then reporting to the Trustee;
- monitoring the performance of the investment managers against agreed benchmarks;
- ensuring compliance with the Pensions Act in relation to choosing investments.

The SIFC typically consists of two Trustee representatives and up to two Company representatives. The remaining members of the Committee are independent and selected on the basis of their extensive experience and knowledge of investment and financial matters.

11 The Trustee policy is to have sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances to minimise disruption to the Scheme's overall investments, where possible. The Trustee will work with the Scheme's administrators to ensure sufficient cash is held to meet benefits and other payment obligations.

12 The Trustee has agreed an investment strategy and set an overall strategic asset allocation for the Scheme's assets. The performance objective is to achieve an investment return on the assets that is equal to or exceeds the benchmark over rolling three-year periods while complying with the risk metrics set out in the Investment Policy & Implementation Document (the IPID).

13 The details of the asset allocation policy and benchmarks for each asset class are set out in the IPID. Any changes to the IPID will not be deemed to be variations to this Statement of Investment Principles.

Investment management

14 The Trustee has appointed a number of investment managers, all authorised under the Financial Services and Markets Act 2000 ("FSMA 2000") to undertake investment business, to manage Scheme investments. In accordance with the FSMA 2000, the Trustee sets general investment policy, but delegates the responsibility for selection of specific investments to its appointed investment managers. The investment managers provide the skill and expertise necessary to manage the investments of the Scheme competently. The Trustee has either reviewed and accepted the investment guidelines of investment managers' pooled funds or agreed specific provisions in respect of, inter alia, asset allocation, geographic allocation, permitted instruments and the scope of manager discretion as to how segregated investment mandates are to be managed.

15 The Trustee has also decided to invest in a number of individual pooled funds. The Trustee is satisfied that the objectives in the prospectus of the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

16 The Trustee is not involved in the day-to-day operation of the investment managers but ensures that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long-term objectives, and an acceptable level of risk. As part of this process, the Trustee has delegated the detailed monitoring of the Scheme's investment managers to the SIFC, who meets with the investment managers when appropriate to review investment policy, performance and compliance. The Trustee seeks and considers written advice from its Investment Advisor when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. Where relevant, the investment managers have been provided with a copy of this SIP.

17 The asset allocation guidelines ensure diversification across the main asset classes and the SIFC must ensure, wherever possible, that the Scheme's exposure to each asset class is within these guidelines.

Other matters

18 The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.

19 The Scheme's AVC arrangement provides for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges. In selecting appropriate investments, the Trustee is aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments.

Risk management

20 The nature of the Scheme's liabilities is such as to require investment in a range of assets that give a reasonable expectation of a long-term return that exceeds UK price inflation. Those assets that have historically performed best in this regard characteristically provide no guarantee as to future income or capital appreciation. Other assets may provide such guarantees but at the risk of lower expectation of overall return.

21 A balance has to be struck between risk and expected return. The current and expected future surplus or deficit of the Scheme is a material factor in the decision as to how much can be invested in the riskier (but potentially more rewarding) asset types without exposing the Scheme to undue risk.

22 The Trustee is aware of some risks inherent in the Scheme's investment program. These risks, and the Trustee's actions to measure and address them, are clarified below:

– Solvency risk and mismatching risk

  - is measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities under current and alternative investment policies.

  - is managed through assessing the progress of the actual growth of the assets relative to liabilities and by reducing risk when possible through use of a risk management framework.

– Investment manager risk

  - is measured by the volatility of returns and the deviation of the return relative to the benchmarks set.

  - is managed through the investment managers' guidelines, consideration of the appropriate amount of the Scheme's assets to allocate to each active portfolio and by monitoring the actual deviation of returns relative to the benchmarks.

– Liquidity risk

  - is measured by the level of cashflow required by the Scheme over a specified period.

  - is managed by the RELX Pensions Investment Office (the RPIO), based on estimates of the monthly benefit outgo and collateral requirements for the liability hedging portfolio, ensuring that sufficient cash balances are available from the assets of the Scheme.

  - counterparty risk is managed by depositing cash with banks that have been approved by the Trustee along with limits to the amount that may be deposited with any one bank.

– Currency risk

  - is measured by the level of exposure to non-Sterling denominated assets.

  - is managed through the investment managers' guidelines.

– Custodial risk

  - is measured by assessing the creditworthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

  - is managed through the custody agreement and checking procedures and regular monitoring of the custodian's activities by the RPIO.

  - by keeping under review the suitability of the custody arrangements.

– Interest rate and inflation risk:

- is measured by comparing the likely movement in the Scheme's liabilities and assets due to movements in implied inflation and interest rates.

- is managed through the LDI mandate that enables the Scheme's assets to better match movements in the value of the liabilities due to movements in implied inflation and interest rates.

- is managed through the appointment of a dedicated liability-driven investing (LDI) mandate designed to match the liability profile of the Scheme.

– Political risk

- is measured by the level of concentration to any one market leading to the risk of an adverse influence on investment values arising from political intervention. Where the Scheme has a high exposure to a particular asset class for example UK government bonds within LDI, this is mitigated by diversifying the collateral pool by asset class and sector and diversifying the hedging instruments used.

- is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

– Sponsor risk

- is measured by monitoring the Company's published financial results and receiving regular financial updates from the Company and periodic independent covenant assessments and using these to assess the ability and willingness of the Company to make good any current or future deficit.

- is managed through an agreed contribution and funding schedule.

– Derivative risk

- is managed through constraints within the investment managers' guidelines.

- for derivatives used as part of the LDI mandate, all positions are cleared and the Scheme monitors its holding of eligible collateral. Following a review, it was agreed to introduce additional prudence and to target an increased collateral buffer that is enough to withstand a 400bps change to interest rates or inflation.

- for gilt repurchase agreements ("repos") used as part of the LDI mandate, counterparty risk is mitigated by the daily collateralisation of all positions and roll risk is mitigated by the manager seeking to achieve diversification of expiry dates and of counterparties.

- to insist that the LDI manager clears all derivative trades through a central clearing house where possible and, where this is not possible, to constantly monitor the creditworthiness of the counterparty banks and ensure that there is adequate diversification.

- is measured through exposure to counterparty banks which is reported by the LDI manager on a quarterly basis.

23 The Trustee has considered these factors in setting the Scheme's long-term strategic asset allocation benchmark. As required by the Pensions Act, the Trustee has also consulted with the Company in formulating the Scheme's investment strategy.

Consideration of financially material factors in investment arrangements

24 The Trustee recognises that the consideration of financially material factors, including Environmental, Social and Governance (ESG) factors (which include climate risk), is relevant

at different stages of the investment process. ESG factors can have a material impact on risk and return over the long term and so, as long-term investors, the Trustee embeds consideration of ESG factors in its investment decision-making. The Trustee established a Responsible Investment Sub-Group in 2022 to assist with this. The Trustee has also produced a Responsible Investment Policy which has been shared with all the managers. Engagement is seen as a more effective tool of the responsible investor rather than exclusion.

25 The strategic benchmark has been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors including ESG factors.

26 Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting its strategic benchmark. However, climate scenario testing is carried out to assess the overall resilience of the strategic benchmark to climate risk.

27 Within active mandates, the Trustee has delegated responsibility for the consideration of stock-specific issues to its individual investment managers. The Trustee expects that, in making its investment decisions, each investment manager will consider ESG issues that may have a financial impact on their portfolio or on individual investments. How, and the extent to which, such issues are considered is left to the discretion of each investment manager, however the Trustee expects its managers to be able to demonstrate their approach when challenged. The Trustee understands the ESG policies implemented by the investment managers on its behalf.

28 In index-tracking mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has limited freedom to take account of factors that may be deemed to be financially material, albeit managers exercise some influence on any additions to or changes to the indices. The Trustee accepts that the role of the index-tracking manager is to deliver returns in line with the benchmark and believe the choice of benchmarks will deliver appropriate risk adjusted returns. The Trustee is aware of the importance of stewardship in index-tracking investment and monitors index-tracking managers accordingly.

29 In selecting new investment managers for the Scheme, the Trustee expresses its preference for managers with longer stock holding periods which aligns with a longer-term focus on ESG issues. Responsible investment criteria are explicitly included as a consideration in manager selection exercises with minimum responsible investment criteria being a key consideration. The Trustee understands the extent to which managers take into account ESG issues in their investment process in advance of funding a mandate.

30 The Trustee recognises the importance of assessing new and current managers and monitoring current managers on their practice and performance in consideration of ESG factors (including climate risk), alongside other aspects of their performance. On an annual basis, the Trustee requests a report from the Investment Advisor on responsible investment activity from all of the investment managers. The Trustee makes clear the expectation is that such reports include evidence of ESG integration including case studies of how this has been carried out in practice. The SIFC feedbacks any challenges on changes to and/or adherence to policies directly to the investment managers.

Consideration of non-financially material factors in investment arrangements

31 The Trustee has not considered any non-financially material factors in the development and implementation of its investment strategy.

Stewardship

32 The Trustee has a duty to be a responsible investor, which includes active ownership of its investments. The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

33 The Trustee has neither the governance nor scale of investment to directly engage with underlying investments, but the investment managers that the Trustee appoints to manage assets on its behalf have both. The Trustee believes it is appropriate for its investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest, capital structure of the investee company and improve corporate behaviours and performance along with mitigating financial risks. Investment managers are required to report on stewardship as the Trustee is expected to monitor this.

34 The Trustee policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee has requested the investment managers' stewardship policies and understands the policies implemented by the investment managers on its behalf and, where the Trustee does not agree with aspects of the stewardship policies, the Trustee challenges the manager and feeds back views.

35 The Trustee reviews investment manager voting activity and policies on an annual basis in conjunction with its Investment Advisor and the SIFC and uses this information as a basis for discussion with the investment managers. Where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation and evidence supplied. A summary of investment managers' voting activity is reflected in the Implementation Statement.

Policy on investment manager arrangements

36 The Trustee appoints investment managers with a view that the arrangement is for the long-term and the assessment of the managers is made with this in mind. Initial due diligence ensures the manager makes investment decisions over an appropriate time horizon aligning with the Scheme's objectives. Consequently, when assessing the kind of investments, the risks and expected return, performance and the portfolio turnover, consideration is always given to the long-term.

37 The investment managers are incentivised to align their investment strategy and decisions with the long term as it is made clear to them that their performance is assessed by the Trustee on at least a three-year period and, in the case of some investments such as infrastructure, for a much longer period. This is consistent with the consideration by the SIFC of performance relative to the long-term journey plan as articulated in provision 10 above.

38 The Trustee has expectations of the level of turnover within each mandate which are established at the inception of the mandate based on initial due diligence. The Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustee will challenge its managers if the level of turnover seems inappropriate. The Trustee has put in place a reporting framework to monitor portfolio transaction costs on an annual basis, including benchmarking against the wider market.

39 The Trustee ensures that all manager engagements have clearly defined benchmarks, objectives and management parameters.

40 Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards. This exercise is conducted on an annual basis.

41 The Trustee delegates engagement with the managers on all aspects of their mandates to the SIFC, which reports back to the Trustee at least annually and on an exceptions basis.

Signed:

Name:

Date:

Authorised for and on behalf of the Trustee of the Scheme