

Statement of Investment Principles

For the Condé Nast Publications Limited Retirement Benefits Scheme

Effective from: 8 December 2023



1. Introduction

This Statement of Investment Principles (“SIP”) has been produced by the Trustees of the Condé Nast Publications Limited Retirement Benefits Scheme.

It sets out our policies on various matters governing investment decisions for the Condé Nast Publications Limited Retirement Benefits Scheme (“the Scheme”), which is a Defined Benefit (“DB”) Scheme.

This SIP replaces the previous SIP dated 9 May 2022.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Scheme’s investments, but which are not required to be included in the SIP.

2. Investment objectives

The primary objective of the Scheme is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objectives:

- that the expected return on the Scheme assets is maximised whilst managing and maintaining risk at an appropriate level. What we determine to be an appropriate level of risk is set out in the separate SIP Addendum.
- that the Scheme should achieve full funding on a Technical Provisions basis (the asset value should be at least that of its liabilities on this basis). The Trustees are aware that there are various measures of funding and have given due weight to those considered most relevant to the Scheme; and
- to maintain a diversified portfolio of secure assets of appropriate liquidity.

3. Investment strategy

With input from our advisers and in consultation with the employer, we reviewed the investment strategy in June 2023, considering the objectives described in Section 2.

The Trustees currently target the following strategic asset allocation:

Asset class	Current strategy
Global equities	25%
Strategic income	20%
Liability driven investment and cash	55%
Total	100%

As part of the strategy review, the Scheme targets an interest rate and inflation hedging ratio of 75% on the Scheme's gilts + 0.5% pa liability basis.

In addition to the above, the Trustees have agreed a de-risking trigger mechanism to progressively reduce the level of investment risk (and increase the levels of interest rate and inflation hedging) over time as the funding level improves. Specifically, we have set triggers, based on the Scheme's funding level on the gilts + 0.5% pa liability basis.

Our policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Scheme's circumstances. We believe that the strategy above meets this objective.

There is no formal rebalancing policy. We monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, we will consider with our advisers whether it is appropriate to rebalance the assets.

As the Scheme matures over time, we intend to de-risk the investment strategy to reflect the change in the liability profile (ie switching from growth to matching assets).

We review the de-risking mechanism on a regular basis.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes. The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. Investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in Part 2 of the SIP addendum.

A key financial assumption we considered in determining the investment arrangements is that equity-type investments will, over the long term, outperform gilts by 4% per annum.

In setting the strategy, it is our policy to consider:

- our investment objectives, including the target return required to meet these;
- our cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of all members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to manage investment risk, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate;
- any other considerations which we consider financially material over the time horizon that we consider is needed for the funding of future benefits by the investments of the Scheme; and
- the Trustees' investment beliefs about how investment markets

work, and which factors are most likely to impact investment outcomes.

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the DB benefits, including environmental, social and governance (“ESG”) factors and the risks and opportunities relating to climate change.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged or diversified;
- ESG factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by considering these factors when making investment decisions;
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore, given the size of our Scheme and the asset allocation choices, passive management style in efficient markets, is usually selected; and
- costs have a significant impact on long-term performance and therefore obtaining net of fee value for money from the investments is important.

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with the investment managers setting out the terms on which the portfolios are to be managed.

Details of the investment managers are set out in the separate SIP addendum.

We have limited influence over managers’ investment practices because all the Scheme’s assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers’ investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund’s terms, the duration of a manager’s appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager’s remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme’s investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

When appropriate, on the administrators’ recommendation, we decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. Our preference is for

investments that are readily realisable, but we recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, our policy is to use cash flows to rebalance the assets towards the strategic asset allocation, and receive income from some of the portfolios where appropriate.

7. Financially material considerations and non-financial matters

We consider how environmental, social, governance (“ESG”) considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme’s approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and periodically review how the managers are taking account of these issues in practice.

All the Scheme’s assets are invested in pooled funds. We have limited influence over managers’ investment practices where assets are held in pooled funds, but we encourage our managers to improve their ESG practices within the parameters of their funds.

Within the Scheme’s assets, we considered investment options that give increased weight to ESG factors. We have chosen to invest the Scheme’s equity allocation in passively managed funds that track indices with reduced exposure to climate-related risks and increased exposure to climate-related opportunities.

We do not consider any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

8. Voting and Engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such

as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

We do not monitor or engage directly with issuers or other holders of debt or equity, but we do engage with current and prospective investment managers on matters including ESG and stewardship. We expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries. We expect the managers to communicate their policies on stewardship to us from time to time, and provide us with reporting on the results of their engagement and voting activities regularly and at least once a year.

We have selected climate change and business ethics as our priority ESG themes to provide a focus for our monitoring of investment managers’ voting and engagement activities. We review the themes regularly and update them if appropriate. We communicate these stewardship priorities to our managers and also confirm our more general expectations in relation to ESG factors, voting and engagement. If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.