

# Aurum Retirement Benefits Scheme

## **Statement of Investment Principles**

April 2025

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## 1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the Aurum Retirement Benefits Scheme ('the Scheme').

The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e., that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustee's Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995.
- Section 244 of the Pensions Act 2004.
- The Occupational Pension Scheme (Investment) Regulations 2005.
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

A copy of this Statement will be made available to Scheme members on request to the Trustee and will be made available on a publicly accessible website.

## 2 Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustee. The Trustee's investment powers are set out in Rule 17 of the Definitive Deed and Rules of the Scheme, dated 23 September 2010. The powers granted to the Trustee under this Rule are wide and this Statement is consistent with those powers.

The Trustee has obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited ('Broadstone'), the appointed investment adviser to the Scheme. Broadstone has confirmed to the Trustee that it has the appropriate knowledge and experience to give the advice required under legislation and is authorised and regulated by the Financial Conduct Authority (FCA).

The Trustee has consulted with the Principal Employer, Watches of Switzerland Company Limited, when setting its investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement rests solely with the Trustee. The Trustee will obtain such advice as it considers appropriate and necessary whenever it intends to review or revise this Statement.

### 3 Investment Objectives

In determining its investment objectives and strategy, the Trustee has made the assessment that the Principal Employer's willingness and ability to finance the Scheme permits a long-term view to be taken in determining investment objectives and strategy for the Scheme.

The Trustee has agreed that the funding position measured under the SFO is the assessment of scheme funding that is of most importance to the Trustee, the Principal Employer, and members, as it determines the Scheme's funding requirements and members' long-term benefit security.

The Trustee's investment objectives are as follows:

- To ensure that the assets are of a nature to enable the Trustee to meet the Scheme's benefits as they fall due.
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustee's funding plan have a reasonable chance of being achieved in practice.
- To improve the funding position of the Scheme and, in turn, the asset coverage of members' benefits.
- To target a level of hedging of 100% of the risk to funding associated with the impact of changes in long-term gilt yields (interest rates) and break-even inflation rates on a gilts flat basis.
- To consider implementing further measures to control volatility in the Scheme's funding position, as appropriate, when the funding position improves over time.

The Trustee will consult with the Principal Employer as part of the process for deciding on the investment strategy.

## 4 Setting the Investment Strategy

The Trustee's policies in setting the investment strategy are set out below:

Policy	
<b>Selection of Investments</b>	<p>The Trustee may select investments from a wide range of asset classes from time to time, including, but not restricted to, UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity, and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustee may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.</p> <p>The Trustee may also hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part, or all of the future liabilities due from it.</p> <p>The Trustee may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.</p>
<b>Balance of Investments</b>	<p>The Trustee will set a Target Asset Allocation from time to time, determined with the intention of meeting its investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the nature of the Scheme's liabilities, the Trustee's perception of the strength of the employer covenant and the characteristics of different asset classes available. The Target Asset Allocation will be reviewed periodically, in light of any changes to the above factors or relevant regulations governing pension scheme investment.</p>
<b>Delegation to Investment Managers</b>	<p>The Trustee has a policy of delegating all day-to-day powers of investment to the Investment Manager who is authorised and regulated under the Financial Services and Markets Act 2000.</p>
<b>Maintaining the Target Asset Allocation and Target Hedging Ratios</b>	<p>The Trustee has responsibility for monitoring the overall balance of the asset allocation relative to the Investment Strategy Objectives and Target Hedging Ratios. The Trustee monitors the asset allocation and hedging ratios on a regular basis with the assistance of its adviser, Broadstone, and will consider switching assets between funds should these move significantly away from target.</p>
<b>Employer Related Investments</b>	<p>The Trustee's policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupation Pension Scheme (Investment) Regulations 2005.</p>

Details of the investment strategy are set out in the Appendix to this Statement.

## 5 Realising Investments

The Trustee's policy is to invest only in assets that are readily realisable in order to meet the pension payments as they fall due. The Trustee considers the assets below to be readily realisable.

## 6 Expected Returns

The Trustee's overall return target is for the Scheme's assets to produce a return of gilts + 0.4% p.a. (net of fees).

Over the long-term, the Trustee's expectation is to achieve the following long-term rates of return from the investment approaches used in the strategy:

Asset Class	Expected Returns
<b>Buy and Maintain Credit</b>	To achieve a long-term return in excess of the yield available on a comparable portfolio of UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.
<b>Gilts</b>	To achieve a long-term return in line with the yield available on a comparable portfolio of UK gilts or index-linked gilts
<b>Secured Finance</b>	To achieve a long-term return in line with the market yields available on investment-grade asset backed securities and in excess of the return on short-term money market instruments.

## 7 Risks

The Trustee has considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and believe that the Investment Strategy Objectives strike a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the employer covenant and the long-term nature of the Scheme.

The Investment Strategy Objectives were determined with due regard to the characteristics of the Scheme's Technical Provisions.

The calculation of the Scheme's Technical Provisions uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the Technical Provisions are sensitive to changes in the price of these assets as market conditions vary and can have a volatile value.

The Trustee accepts that the investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustee also accepts that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's Technical Provisions.

To reduce the risk of concentration within the portfolio, the Trustee will monitor the overall mix of asset classes and stocks in the investment strategy with its investment adviser, Broadstone.

The Trustee invest in a wide range of asset classes through the funds and strategies it uses and considers the Scheme's strategy to be appropriately diversified.

The Trustee will monitor the investment and funding risks faced by the Scheme with the assistance of its investment adviser and the Scheme Actuary at least every three years. The Trustee will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustee will review wider operational risks as part of maintaining its risk register.

## 8 Security of Assets

The day-to-day activities that the Investment Manager carries out for the Trustee are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safekeeping of the Scheme's assets held with the Investment Manager is performed by custodians appointed by the Investment Manager.

The Trustee has considered the security of the Scheme's holdings with the Investment Manager, allowing for its status as a reputable regulated firm, and considers the associated protection offered to be reasonable and appropriate.

## 9 Responsible Investment & Stewardship

The Trustee believes that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, it must act as a responsible asset owner.

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustee therefore does not explicitly seek to reflect any specific views through the implementation of the investment strategy.

The Trustee's policies in respect of responsible investment are set out below:

Policy	
<b>Financially Material Considerations</b>	<p>The Trustee recognises 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 Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustee has an expectation that the Investment Manager will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.</p> <p>The Trustee does not currently impose any specific restrictions on the Investment Manager with regard to ESG issues but will review this position from time to time. The Trustee receives information from the Investment Manager on their approach to selecting investments and engaging with issuers with reference to ESG issues.</p> <p>With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustee takes the view that this falls within its general approach to ESG issues. The Trustee regard the potential impact of climate change on the Scheme's assets as a longer-term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustee will continue to monitor market developments in this area with its investment adviser.</p>

## Policy

### Non-Financially Material Considerations

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects its Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.

### Engagement and Voting Rights

The Trustee's voting and engagement policy is to use its investments to improve the ESG behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustee believes that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of its investments and is in the members' best interests.

The Trustee will aim to monitor the actions taken by the Investment Manager on its behalf and if there are significant differences from the policy detailed above, it will escalate its concerns which could ultimately lead to disinvesting its assets from the Investment Manager.

### Capital Structure of Underlying Companies

Responsibility for monitoring the make-up and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustee expects the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.

The Trustee's views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Management style	ESG Views
<b>Buy and Maintain Credit</b>	Buy and maintain	The Trustee expects the Investment Manager to take financially material ESG factors into account, given the management style and the ability of the manager to use its discretion to generate higher risk-adjusted returns.
<b>Secured finance</b>	Active	The Trustee also expects its Investment Manager to engage with the credit issuers and underlying assets, where possible, although it appreciates that credit assets do not typically attract voting rights.
<b>Gilts</b>	Buy and maintain	As there are no underlying investee companies as such, the Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns.

## 10 Conflicts of Interest

The Trustee maintains 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 Manager, whilst also setting out a process for their management.

## 11 Duration of Investment Arrangements

The Trustee is a long-term investor and has not set an explicit target to review the duration of its arrangement with the Investment Manager. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

## 12 Incentivisation of Investment Managers

The Investment Manager is remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustee does not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustee's policies and objectives. Instead, the Investment Manager and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustee's objectives.

Neither does the Trustee directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

## 13 Portfolio Turnover Costs

The Trustee expects the Investment Manager 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.

The Trustee therefore does not set a specific portfolio turnover target for its strategy or the underlying funds.

The Investment Manager provides information on portfolio turnover and associated costs to the Trustee so that this can be monitored, as appropriate.

## 14 Monitoring

The Trustee employs Broadstone to assist it in monitoring the performance of the Scheme's investment strategy and Investment Managers.

The Trustee receives quarterly reports from the Investment Manager and meets with their representatives periodically to review their investment performance and processes.

The Trustee and Broadstone will monitor the Investment Manager's performance against their performance objectives.


The appropriateness of the Investment Manager's 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.

The Trustee will consider on a regular basis whether or not the Investment Manager remains appropriate to continue to manage the Scheme's investments.

The Investment Manager will supply the Trustee with sufficient information each quarter to enable it to monitor financial and non-financial performance.

## 15 Review of Statement

The Trustee will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment. Any change will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in, and experience of, financial matters to have the appropriate knowledge and experience of the management of pension scheme investments.



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For and on behalf of the Aurum Retirement Benefits Scheme

Date: 23/04/2025

## Appendix A Investment Strategy Implementation Summary

### A.1 Target Asset Allocation

The Target Asset Allocation for the Scheme's invested assets is as follows:

Asset Class	Fund	Target Asset Allocation
<i>Buy and Maintain Credit</i>	Schroder Life Buy and Maintain Credit Sterling Cashflow Fund 2018-2032	5.0%
	Schroder Life Buy and Maintain Credit Sterling Cashflow Fund 2032-2040	10.0%
	Schroder Life Buy and Maintain Credit Sterling Cashflow Fund Over 2037	10.0%
<i>Gilts</i>	Schroder Life Matching Physical Index-Linked Gilt Fund 2028 - 2037	60.0%
	Schroder Life Matching Physical Index-Linked Gilt Fund 2038 - 2047	
	Schroder Life Matching Physical Index-Linked Gilt Fund 2048 - 2057	
	Schroder Life Matching Physical Index-Linked Gilt Fund 2058 - 2077	
	Schroder Life Matching Physical Nominal Gilt Fund 2058 - 2077	
<i>Secured Finance</i>	Schroder Life Securitised Credit Fund – GBP Hedged	15.0%
<b>Total Asset Allocation</b>		<b>100.0%</b>

### A.2 Investment Manager

The Scheme's assets are held entirely with Schroder Pension Management Limited ('Schroders'). The Trustee entered into a contract with Schroders in April 2024. Schroders undertake day-to-day investment management of the Scheme's assets.

The Investment Manager is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

### A.3 Target Hedging Ratios

The target hedging ratios against the interest rate risk and inflation risk associated with the Scheme's total liabilities (on a gilts flat basis) are summarised below. Once the Scheme reaches 100% funded (on a gilts flat basis) the hedge ratio will target funded liabilities:

	Target Hedging Ratio
Interest rate risk	100%
Inflation risk	100%

### A.4 Fund Performance Benchmarks and Objectives

The secured finance fund is actively managed, with an objective to outperform a specified market benchmark. This objective is summarised below:

Fund	Benchmark	Performance Objective
Schroder Life Securitised Credit Fund – GBP Hedged	ICE BofA 3 Month US Treasury Bill Index	To outperform the benchmark by 2.0% p.a. (gross of fees) over a 3-5 year period

The funds composing the Buy and Maintain Credit and Gilts sections aim to perform in line with their objectives. The combination of funds used is intended to meet the Trustee's target level of hedging against the interest rate risk and inflation risk associated with the liabilities of the Scheme.

### A.5 Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
Schroder Life Buy and Maintain Credit Sterling Cashflow Fund 2018-2032	0.13% p.a.
Schroder Life Buy and Maintain Credit Sterling Cashflow Fund 2032-2040	0.13% p.a.
Schroder Life Buy and Maintain Credit Sterling Cashflow Fund over 2037	0.13% p.a.
Schroder Life Matching Physical Index-Linked Gilt Fund 2028-2037	0.15% p.a.
Schroder Life Matching Physical Index-Linked Gilt Fund 2038-2047	0.15% p.a.
Schroder Life Matching Physical Index-Linked Gilt Fund 2048-2057	0.15% p.a.
Schroder Life Matching Physical Index-Linked Gilt Fund 2058-2077	0.15% p.a.
Schroder Life Matching Physical Nominal Gilt Fund 2058-2077	0.15% p.a.
Schroder Life Securitised Credit Fund – GBP Hedged	0.35% p.a.

### A.6 Additional Voluntary Contributions (AVCs)

The liabilities in respect of any historic Scheme AVCs are equal to the value of the investments bought by the contributions and are not directly covered by the Trustee's Investment Policy in this Statement.