

1. Background

Purpose of Statement	This Statement sets out the principles governing decisions relating to the investment of the assets of the Aurum Retirement Benefits Scheme ('the Scheme').
Nature of Scheme	The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC).
Compliance with Legislation	The Statement has been prepared to comply with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004 and 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, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
Availability to Members	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.
Investment Advice	<p>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.</p> <p>The Trustee will thereafter obtain such advice as it considers appropriate and necessary whenever it intends to review or revise this Statement.</p>
Consultation with the Principal Employer	<p>The Trustee has consulted with the Principal Employer, Watches of Switzerland Company Limited, when setting their investment objectives and strategy, and in the preparation of this Statement.</p> <p>Responsibility for maintaining the Statement rests solely with the Trustee.</p>
Investment Powers	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.

2. Investment Objectives

Strength of Employer Covenant	<p>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.</p>
Key Funding Measures	<p>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.</p> <p>In determining its investment objectives and strategy, 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.</p>
Investment Objectives	<p>The Trustee's investment objectives are as follows:</p> <ul style="list-style-type: none">• 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 has 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 interest rates and inflation expectations on the Scheme's Technical Provisions basis;• To consider implementing further measures to control volatility in the Scheme's funding position, as appropriate, if and when the funding position improves over time.
Paying Regard to the Principal Employer's Views	<p>The Trustee will consult with the Principal Employer as part of the process for deciding on the investment strategy.</p>

3. Principles for Setting the Investment Strategy

Selection of Investments

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.

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.

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.

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.

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.

Balance of Investments

The Trustee will set a Target Asset Allocation from time to time, determined with the intention of meeting its investment objectives.

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.

Delegation to Investment Managers

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.

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.

4. Setting the Strategy

Investment Strategy Objectives The Scheme’s assets are held entirely with Schroder Investment Management Limited (‘Schroders’).

The Trustee has delegated the investment of the assets to Schroders, whose objective is to invest in a Liability Driven investment (‘LDI’) solution to target full hedging against the interest rate risk and inflation risk associated with the Scheme’s funded liabilities, whilst retaining significant exposure to growth assets through a risk controlled multi-asset fund.

The balance between the LDI and risk controlled multi-asset funds will vary to maintain the agreed hedging levels against changes in long-term interest rates and inflation expectations.

Investment Managers The Trustee entered into a contract with Schroders in June 2022. 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.

Funds Used The Trustee currently uses the following funds operated by the Investment Manager.

Fund
<i>Risk controlled multi-asset</i>
Schroder Life Diversified Growth Fund
<i>LDI Solution</i>
Schroder Life Matching – Synthetic Nominal Gilt Fund (2018-2037)
Schroder Life Matching – Synthetic Nominal Gilt Fund (2038-2057)
Schroder Life Matching – Synthetic Nominal Gilt Fund (2058-2077)
Schroder Life Matching – Synthetic Index Linked Gilt Fund (2018-2027)
Schroder Life Matching – Synthetic Index Linked Gilt Fund (2028-2037)
Schroder Life Matching – Synthetic Index Linked Gilt Fund (2038-2047)
Schroder Life Matching – Synthetic Index Linked Gilt Fund (2048-2057)
Schroder Life Matching – Synthetic Index Linked Gilt Fund (2058-2077)
Schroder Life Sterling Liquidity Plus Fund
Total

The funds used to implement the Investment Strategy Objectives may be reviewed and amended by Schroders and the Trustee from time to time.

Target Hedging Ratios The target hedging ratios against the interest rate risk and inflation risk associated with the Scheme’s funded liabilities are summarised below:

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

Monitoring the Asset Allocation 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 has delegated the day-to-day asset allocation decisions to Schroders, who will monitor the assets on a regular basis and consider switching assets between funds should the assets move away from the objectives of the investment strategy.

Performance Benchmark and Objective The risk-controlled multi-asset fund is actively managed, with an objective to outperform a specified market benchmark. This objective is summarised below:

Fund name	Benchmark	Performance target
Schroder Life Diversified Growth Fund	ICE BofA Sterling 3-month Government Bill Index	+4.5% p.a. over a 5-7 year period

The funds composing the LDI solution have an objective to provide a level of return consistent with a target level of sensitivity to changes in long-term interest rates and inflation expectations. 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.

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 Diversified Growth Fund	0.550% p.a.
Schroder Life Matching – Synthetic Nominal Gilt Fund (2018-2037)	1.100% p.a.
Schroder Life Matching – Synthetic Nominal Gilt Fund (2038-2057)	0.650% p.a.
Schroder Life Matching – Synthetic Nominal Gilt Fund (2058-2077)	0.500% p.a.
Schroder Life Matching – Synthetic Index Linked Gilt Fund (2018-2027)	2.000% p.a.
Schroder Life Matching – Synthetic Index Linked Gilt Fund (2028-2037)	0.850% p.a.
Schroder Life Matching – Synthetic Index Linked Gilt Fund (2038-2047)	0.600% p.a.
Schroder Life Matching – Synthetic Index Linked Gilt Fund (2048-2057)	0.450% p.a.
Schroder Life Matching – Synthetic Index Linked Gilt Fund (2058-2077)	0.350% p.a.
Schroder Life Sterling Liquidity Plus Fund	0.050% p.a.

Employer Related Investment 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.

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.

5. Expected Returns and Risks

Overall Return Target The Trustee's overall return target is for the Scheme's assets to produce a return in excess of the growth in the value of its liabilities calculated under the SFO.

The Trustee expects the assets to produce a significant return above gilt yields over the long term, depending on the allocation to the risk-controlled multi-asset fund.

Expected Returns 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 return
Risk-controlled multi-asset funds	Comparable with the return from global equities over an economic cycle of five to seven years, with significantly reduced volatility.
LDI funds	In line with the sensitivity of the liabilities to changes in interest rates and inflation expectations, allowing for the target level of hedging specified by the Trustee from time to time.

Consideration of 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.

Risk Relative to the Value of the Scheme's Key Funding Measure 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.

Concentration of Risk and Diversification 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 their investment adviser, Broadstone.

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

Manager Controls and Custodianship 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.

Safe-keeping of the assets underlying the Scheme's investments with Schroders is performed by independent custodians appointed by the Investment Manager.

Manager Security The Trustee has considered the financial security of the Scheme's holdings with the Investment Manager, together with its status as a regulated firm, and consider the associated protection offered to investors to be reasonable and appropriate.

Monitoring and Management of Risks The Trustee will monitor the investment and funding risks faced by the Scheme with the assistance of their investment advisers 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 their risk register for the Scheme.

6. Responsible Investing, Governance and Engagement

Financially Material Considerations Related to Environmental, Social and Governance Considerations The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making may lead to better risk adjusted investment returns. The Trustee expects their Investment Manager, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustee assesses the ESG integration capability of their Investment Manager.

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

Asset Class	Actively or Passively Managed?	Comments
Multi-asset funds	Active	The Trustee expects the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects their investment manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
LDI	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

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.

Views of Members and Beneficiaries 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 do not explicitly seek to reflect any specific views through the implementation of the investment strategy.

Engagement and Voting Rights

The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee expects their Investment Manager to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the stewardship and engagement activity of their Investment Manager.

Capital Structure of Investee 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 monitor capital structure to be appropriate to the nature of the mandate.

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 Managers, while also setting out a process for their management.

Incentivisation of the Investment Manager

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.

7. Review and Monitoring

Frequency of Review 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.

Monitoring the Investment Strategy and Manager The Trustee employs Broadstone to assist them in monitoring the performance of the Scheme's investment strategy and Investment Manager. The Trustee receive quarterly reports and regular valuations from the Investment Managers and meet 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.

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

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

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

Signed _____

For and on behalf of the Trustee of the Aurum Retirement Benefits Scheme

Date