

The Crystal Trust

Implementation Statement

For the period 6 April 2020 to 5 April 2021

Introduction

This document is designed to be read in conjunction with the Statement of Investment Principles (“SIP”) in respect of the Crystal Trust (the “Scheme”) and:

- sets out how, and the extent to which, in the opinion of the Trustee, the policies in the SIP have been followed during the year
- describes any reviews of the SIP undertaken during the period and any other review of how the SIP has been met, as well as explaining any changes made to the SIP during the period and the reasons for those changes
- describes the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the period and state any use of the services of a proxy voter during that year
- The Trustee is comfortable that the SIP has been effectively followed throughout the period (subject to some minor points) as described in more detail below.

This document covers the Scheme year from 6 April 2020 to 5 April 2021 (the “period”) during which the SIP was reviewed and updated as described below. A copy of the SIP is available [here](#).

Changes to investments available over the period

A number of changes were made to the range of investments made available during the period.

The Trustee made the decision on 21 April 2020 following recommendation from the Investment Committee, that to better reflect their views, they would implement changes to enhance the ESG credentials of the Crystal Lifestyle Strategy, the current primary default. This was done by replacing some of the underlying funds with LGIM Future World funds, which tilt towards companies with better ESG credentials. This has been done whilst keeping the investment costs of each fund in the Crystal Lifestyle Strategy below 0.10%. The underlying funds have been sorted into three categories:

- Explicit ESG – Funds with an explicit ESG element to them, at this point this consists of all the Future World funds.
- Implicit ESG – All Explicit ESG Funds, as well as any funds in asset classes where ESG is unlikely to currently be meaningfully applied, this includes cash and gilts.
- Non-ESG – Funds where ESG would be possible in the asset class but is not present in the fund.

Each of the Growth, Core and Protection funds is at least 50% invested in Implicit or Explicit ESG funds (these funds form part of the Crystal Lifestyle Strategy and further detail of these are included in the SIP). As the Trustee retains control over the ultimate allocation of this strategy, they have the ability to increase the allocation to ESG in the future.

In response to member demand a cash fund was made available for Crystal members in May 2020 who wished to protect the nominal value of their assets. The Trustee wishes to make clear that a cash fund is not a suitable long-term investment, as the real value of assets will be eroded over time by inflation. Members selecting this fund will be warned of this risk.

In order to facilitate the transfer in of members from a ceding scheme, a new default option was created to replicate the investments already held and therefore reduce transactions costs and market risk at a time when volatility remains elevated. This range, which includes a default lifestyle, two alternative lifestyles and a range of self select funds, is only available to members from the ceding scheme. Full details of the fund can be found in the latest version of the SIP. This range was not active until first contributions entered in January 2021.

The Trustee, assisted by its Investment Manager, regularly monitor the full range of investments and will make changes as they see fit.

Review of and changes to the Statement of Investment Principles (SIP) over the last year

This section details changes made to the SIP during the period. There was one review of the SIP during this period, which was completed and implemented on 30 September 2020. The currently and previous versions of the SIP can be found [here](#). The SIP review and update followed a consultation with our investment advisors who recommended the necessary changes, which were then agreed with the Trustee.

The SIP was updated to reflect the changes to investment listed above, this included:

- The improvements to the Crystal Lifestyle Strategy to increase its ESG credentials
- the updating of details for the Active Dynamic Diversified Growth Fund now that it was implemented, explaining that it would be provided by AllianceBernstein (AB) as a version of the Active Target Date Funds that remain permanently in the growth stage, and
- The inclusion of the Cash fund within the self select range to allow members short term protection of capital.

The Trustee reviewed their ESG statement and decided that they maintained the beliefs they held last year, however they made a small adjustment to the statement to only require a case for improving investment outcomes when investing in ESG rather than a *clear* case which may be difficult to prove.

As part of reviewing the Managers' ESG beliefs, new updated beliefs were collected, and these have been amended in the SIP.

In line with Shareholders Rights Directive II the Trustee has further expanded its policy on stewardship and manager incentivisation to make clear to members amongst other things how the Trustee engage with investments, avoid conflicts of interests and ensure its viewpoints are reflected by its Investment Managers.

Actions that were to be completed this year

The Trustee keeps a timetable of required actions as set out in the SIP. In this section we detail those that were due to be completed over this period and confirm the extent to which they were completed or else explain why they were not.

The Trustee, with the assistance of their Investment Advisor reviewed the default investment provider as is required triennially. This was overdue, delayed in part due to a desire to conduct a provider selection in person, which proved impossible as the fuller extent of the Covid-19 pandemic became known. The Trustee conducted an RFP exercise to gain submissions from a number of providers before creating a short list of the most suitable providers. Having reviewed the submissions it was determined that no alternative provider provided any clear material benefits over the current provider to justify a change and as such the incumbent, AB, were retained.

The Trustee commissioned their Investment Advisor to analyse the demographics of the membership, the results were presented on 18 August 2020 to the Investment Committee. The conclusions were that despite growth in numbers, there was no significant change in the demographics of the members since the last risk review in 2019. As a consequence, no changes were recommended to the risk levels of either the AB Target Date Funds, or the Crystal Lifestyle Strategy which maintains a comparable risk level. The Trustee is therefore satisfied that both these default funds remain appropriate for the membership.

The Trustee is constantly reviewing the appropriateness and performance of the default options. They have received quarterly performance updates as well as an annual review from their Investment Advisor. They are satisfied that the default options were appropriate for the membership. While the impact of Covid-19 has meant that meetings have had to be held virtually throughout this period, the Trustee is satisfied that there has been no member detriment as a result of this. The Trustee will resume in person meetings when they deem it safe to do so, however virtual meetings have proved successful over the period.

The Trustee reviewed the performance of their Investment Advisor with a triennial review taking place in Q1 2021. The Trustee undertook a full provider selection process and it was determined that the Trustee were still satisfied with the services offered by their current Investment Advisor.

The Trustee has reviewed and confirmed that fees paid to the Scheme's Investment Managers and Custodians are consistent with industry norms for the services they provided. The Trustee is supported by the knowledge of their investment advisor who has a wider understanding of the marketplace and typical costs for products. The Trustee also, with the help of their investment advisor, periodically reviews the costs of competitors to ensure their own costs are comparable. By working closely with their investment managers and periodically putting contracts out to tender the Trustee is further reassured that the arrangements they have with their investment advisors are good ones. The Trustee believes cost is only one factor in value for money and looks to use investment managers providing a good product at a good price.

Investment Performance Monitoring

The Investment Committee has met formally at five times in the period, as required, with copies of meeting minutes made available to the Trustee following each meeting, and a summary of each meeting being provided to the Trustee during the main Trustee meetings.

The Trustee received 4 quarterly monitoring updates on all investments from their Investment Advisors, as well as some ad hoc updates on specific issues when required. These updates confirmed that, despite significant drawdowns seen as a result of Covid-19, that the default funds continued to perform as expected and that by the end of the period these losses had been recovered.

The Target Date Funds (TDFs) have achieved their long-term performance objective of CPI plus 4%, derisking to CPI +1.0% at the point of expected retirement over the last 5 years, despite the Covid-19 related market event. Further details on the performance of individual funds can be found in the fund factsheets published on the website.

The Crystal Lifestyle Strategy Default has also achieved its long-term performance objective of inflation + 3.5% far from retirement and inflation + 1% close to retirement over the last 5 years.

The Trustee, with the help of their Investment Advisor, has reviewed the Decumulation range and confirmed that it remains a strong offering. The Investment Advisor has considered a number of other products available on the market and believes the Crystal Offering to be one of the most sophisticated. To further enhance the range the Trustee is currently considering a decumulation default option that would be suitable for members who are not ready to begin drawing down and want a low cost solution.

As part of the Investment Advisor's assessment of suitability of the investment range the Investment Advisor considered, amongst other factors, the risks associated with investments with inadequate liquidity, poor diversification, underperformance, country/political and organisational risk.

The Woodford Equity Income fund has continued to pay out as the fund is wound up, a small amount of assets remain in the fund but the fund now makes up less than 1.5% of the Bluesky UK Equity Fund. The BlueSky UK equity fund remains closed to withdrawals so as to treat members fairly while this process is ongoing, however the Trustee periodically review this decision to determine what is in the members best interests, via the Investment Committee.

The Trustee Board

The following changes were made to the Trustee board during the period.

B Kumar joined as an independent trustee on 18 August 2020 representing Align Pensions Ltd, Bhavna is an accredited professional Trustee with over 20 years' industry experience.

After the end of the period there has been a change in Chair of Trustee. Following A Filbin reaching the end of his appointment and electing to retire as a Trustee Director, the Sponsor, Evolve, commenced the process required to appoint a new Chair of Trustee in December 2020.

Following the recruitment process, it was agreed that S Pitt be appointed as a Trustee Director and Chair of the Crystal Trustee Company, due to her varied experience within the industry. Samantha is a professional Trustee at Law Debenture; she is also a qualified accountant and an Association of Professional Pension Trustees (APPT) accredited Trustee.

S Pitt was formally appointed as Chair on 16 June 2021 when A Filbin retired.

Known Issues & Departures From SIP

The Trustee is aware of a few minor issues over this period.

The Triennial Investment Manager review was overdue but had been delayed as the Trustee had hoped to hold an in-person provider selection, however it was eventually decided that the delay would be too significant before this was possible and so the process was conducted virtually instead. The review eventually retained the incumbent, and the investments were monitored on a quarterly basis throughout, the Trustee is satisfied that no member detriment occurred as a result.

An additional temporary default was created for transferring in members from a closing master trust. This default is intended to be closed and members moved to another default at a suitable time in the future. This started receiving contributions in January 2021 though the SIP was not updated until after the end of the period. In hindsight, the updates to the SIP in respect of the transferring in members could have been carried out sooner, but from the outset it was always the intention that a 'tidy up' exercise would be undertaken following the transition in of members, in respect of all the investments available within Crystal (including the Bluesky and Crystal fund range), however this has been slightly delayed due to the pandemic and the subsequent market volatility. This in turn meant that the updates to the SIP were delayed due to the uncertainty. The Trustee is satisfied members were not disadvantaged as members outside of those transferring in are not able to access these funds and members transferring in were kept aware of their investment options, which were a replication of what they previously held.

ESG, Stewardship & Material Non-Financial Considerations

The Trustee has previously made clear their beliefs on ESG issues and material non-financial considerations within the SIP. However, as all equity holdings are held through pooled funds the Trustee does not have direct control over their voting rights. In order to ensure that their views were reflected accurately in their investments the Trustee has shared their views on ESG, stewardship and non-financial considerations with their default Investment Manager. As part of the review of the default investment provider AB, who have already made significant steps in ESG, AB have committed to exploring how to better align the TDFs with the Trustee beliefs.

As described above, the Trustee also enhanced the ESG credentials of the Crystal Lifestyle Strategy by replacing some of the underlying funds with LGIM Future World funds, which tilt towards companies with better ESG credentials. As the Trustee retains control over the ultimate allocation of this strategy, they have the ability to increase the allocation to ESG in the future.

The Trustee has collected and reviewed both default Managers' stewardship policies. The Trustee is satisfied that for both the TDFs and the Crystal Lifestyle Strategy that the voting policies are in line with the Trustee's own beliefs.

Though the Trustee does note that as much of the underlying funds are passive funds for the TDF run by other Managers that AB's engagement on much of the investment range is second order, AB have reassured the Trustee on this point that Managers and products are selected with ESG considerations taken into account and including the managers policies on voting and engagement. AB have also provided some examples of voting behaviour of the underlying managers which we include at the end of this document; however, they were unable to provide a complete record of engagement in line with the PLSA template for each equity fund.

The Trustee is satisfied that there is alignment between their beliefs and those of their investment managers. The Trustee is further satisfied that this belief extends to the engagement and voting performed by their investment managers and the underlying funds selected by their managers.

The Trustee would like to see more detailed voting information from the underlying funds in future years to better assess how their beliefs are reflected.

Investment Manager Accountability

The Trustee regularly engages with AB as the provider of the default. Over the past year the Trustee has engaged on issues such as performance, fees and ESG related issues.

The Trustee has sought assurances from the Investment Manager that the default remains appropriate for the membership, the Trustee was satisfied that the Investment Manager is an innovative provider, that understands the provision of DC Investment Solutions well and considers the Crystal membership in its investment process.

The Trustee has also engaged with LGIM over this period, particularly around their engagement and ESG practices and how this affects the investments that are held with them.

The Investment Advisor, on the behalf of the Trustee, also monitors and engages with the Investment Managers to reassure the Trustee that the range of investments remains appropriate. The Investment Advisor ensures ESG issues are raised in every Manager meeting they hold, and Managers are expected to demonstrate how ESG is integrated into their processes.

Voting Rights

The Trustee recognises the importance of voting and engagement as an essential part of good governance. However, the Trustee also recognises it is impractical and often impossible to have direct involvement in the day to day voting activities of their managers, particularly as the investments are held in pooled arrangements, and thus defer these decisions to the managers. The Trustee has asked their managers to provide details of voting made within each fund holding equities, including where relevant the use of a proxy. These will be attached separately to this report as an appendix due to the large amount of information. Each manager has also provided justification for why the votes are significant. The Trustee is satisfied that the managers have exercised good judgement in identifying significant issues.

There were two managers that could not provide us with complete voting rights, AB, the manager of the TDFs, and LF, who manages what was the Woodford Equity Income Fund. We detail further below.

AB (TDFs & Active Fund)

As mentioned above, AB were unable to provide complete voting records as a large number of the underlying equity funds are outsourced and passively managed and AB were unable to collect complete voting records from their underlying managers. The Trustee, through their investment adviser, has worked with the manager to obtain these records, however they could not be obtained

before the completion of this report. The Trustee will continue to put pressure on the manager to disclose more detail. More positively, AB have provided us with an overview of the underlying managers voting activity as set out below and upon reviewing this, as well as having reassurances that engagement is an important factor in their selection process, the Trustee is reassured that their voting rights are being used effectively, that engagement is occurring and that the beliefs of the Investment Manager is consistent with their own views. Reasons for this conclusion are set out below.

AB often engage issuers before votes in order to align interests ahead of time, however they are willing to vote against issuers promoting poor ESG practices. AB have informed us they are active users of their voting rights and use them to encourage sustainability and promote ESG issues. In 2018 Ceres rated them as one of the Top Four companies globally voting for climate-related proposals.

AB engages with issuers that they invest in directly, both during research and while invested. The majority of funds within the TDFs are accessed through other Managers. Where they use other managers within the TDFs they prefer those that actively engage, believing it is an important part of investment. These are predominantly through Blackrock, Amundi and Vanguard. They have provided us with the following table which looks at the voting activity of their underlying managers at a firm level, we have requested that they provide more granular detail in future. The table covers the 12 months to 31 December 2020.

	BlackRock	Amundi	Vanguard
Engagement	<ul style="list-style-type: none"> Engaged with 2,110 global companies 3,501 total recorded engagements The primary engagement topics are split as follows: <ul style="list-style-type: none"> 30% environmental matters 21% social matters 49% governance matters 	<ul style="list-style-type: none"> Engaged with 878 global companies 1,411 total recorded engagements The primary engagement topics are split as follows: <ul style="list-style-type: none"> 36% environmental matters 29% social matters 35% governance matters 	<ul style="list-style-type: none"> Engaged with 655 global companies This covers 46% of global equity assets under management
Voting	<ul style="list-style-type: none"> 17,008 meetings voted 160,769 total proposals voted 38% of votes were against one or more management recommendations Opposition votes typically for the following three main reasons: <ul style="list-style-type: none"> Remuneration policies Anti-takeover and related Capital transactions 	<ul style="list-style-type: none"> 4,241 meetings voted 49,968 total proposals voted 20% of votes were against one or more management recommendations Opposition votes typically for the following three main reasons: <ul style="list-style-type: none"> Structure of board Remuneration policies Capital transactions 	<ul style="list-style-type: none"> 12,429 meetings voted 176,834 total proposals voted

While it has not been possible to get a list of the ten most significant votes made on the Trustee’s behalf for each fund at this time due to AB being unable to collect this information from the underlying managers, AB have provided us with some voting examples from securities held within the TDFs to be representative of the underlying manager engagement. The Investment Advisor and the Trustee continue to work with the manager to improve disclosure, however this was not completed before the production of this report.

Engagement Example – Barclays Bank (Amundi)

Corporate: a multinational investment bank and financial services company based in the United Kingdom

Engagement reason: Following Amundi’s public support of shareholder proposals to phase out of services and loans to energy companies that fail to align with the Paris climate goals (see voting

example in previous reports), Amundi held discussions with management on this and related proposals.

Details:

- As Europe's largest financier of fossil fuel companies, an earlier proposal put forward by campaign group ShareAction - and publicly supported by organisations such as Amundi - called for the phasing out of services to these corporates. From Amundi's perspective, the financial sector has a key role to play in the transition to a low carbon economy and the alignment with the Paris Agreement. The phasing out of coal is paramount to achieving these goals and so they supported the proposal. Following this, and a follow-up management proposal, Amundi engaged in dialogue with management on both of these.
- Amundi acknowledged that Barclays has taken steps in the right direction. They further discussed with Barclays' ambition to be a net zero bank by 2050, covering capital markets and lending activities. This compares to peers who have developed methodologies only related to lending so far. Amundi also recognises that companies with a higher coal exposure have difficulties reducing that exposure quickly, and so are looking to follow up on Barclays' coal policy and coal exposure thresholds.

Voting Example 1 – Oracle Corporation (BlackRock)

Corporate: a multinational computer and cloud technology company based in the United States

Key resolution(s):

- Shareholder proposal regarding pay equity report - Board recommended vote 'Against'

Details:

- For the past four years, Oracle has received a shareholder proposal seeking disclosure on a potential gender and ethnicity pay gap. BlackRock believes that current levels of disclosure are inadequate and lag behind those of peers. Additionally, the company faces ongoing legal risks from a recent lawsuit related to gender discrimination in the workplace.
- BlackRock voted 'For' the disclosure proposal, as it had done in previous years. This year, however, BlackRock also voted against the chair of the Nomination and Governance committee due to the company's failure to address this risk and shareholders' feedback. This represented an escalation in signalling on this material business issue and is evidence of BlackRock's policy to hold directors accountable when they do not believe a material risk is being adequately managed or disclosed.

Voting Example 2 – Macquarie Group Ltd (Amundi)

Corporate: a multinational, independent investment bank and financial services company based in Australia

Key resolution(s):

- Proposal for a 10% increase in the base salary of the CEO - Board recommended vote 'For'

Details:

- Macquarie Group proposed a 10% increase in the annual base salary of the CEO compared to the previous year, from a level that this already amongst the highest in its peers.
- Amundi generally believes that the level and evolution of compensation should not be susceptible to forming the basis for hostile reactions harmful to the company, its image and

therefore its development. 2020 has been a difficult year for companies, employees and countries who have had to deal with extreme economic challenges. Therefore, they were vigilant in voting against this proposal and seeking to moderate executive compensation.

LF (Woodford) Equity Income

The Investment Advisor reached out to Link Fund Solutions to request information on engagement but is still awaiting confirmation of details on engagement. The investment advisor continues to try and collect this information from the manager; however, responses have been infrequent and slow. While the Trustee is disappointed by this lack of response, they believe this is mitigated as the Scheme is already exiting the fund, and the remaining investment is relatively small.

Other Providers

The remaining investment managers were able to provide more complete voting information in the form of the PLSA templates. We copy out their responses below. The Trustee has reviewed these and considers their investment managers activity appropriate. The first responses are those that constitute the Crystal Lifestyle Strategy equity holdings, these are then followed by those used in the temporary Default Lifestyles (Cash, Annuity & Drawdown), including self select funds and finally those in the Bluesky Self Select Range.