



The Crystal Trust
Trustee's Overall Beliefs and Targets

Introduction

This document highlights the Trustee's core beliefs and targets in relation to investments, climate, and Environmental, Social and Governance (ESG) factors. The Trustee will use this to ensure the alignment of their beliefs with Investment Managers and on matters relating to stewardship and voting.

Investment Beliefs

The Trustee believe that:

- Understanding Scheme Members' characteristics, circumstances, and attitudes is essential to developing and maintaining an appropriate investment strategy.
- The ability of the financial system to deliver attractive risk-adjusted investment returns over the long-term is dependent on the sustainability of the underlying economic, social, and environmental systems. Therefore, we should invest in a way that supports the long-term sustainability of these systems.
- Investing responsibly, taking account of ESG and climate factors and, engaging as long-term asset owners reduces risk over time and can positively impact scheme returns. As long-term investors, incorporating ESG factors in the investment process is in the best interests of our Members.
- Analysis of economic conditions, market regimes and climate change should be used to drive strategic decisions.
- Diversification is the key tool for managing risk, and we should be mindful of new risks presented by climate change and how these can be managed.
- Taking investment risk is usually rewarded in the long term. As Members approach retirement they are likely to be less tolerant of the short-term consequences of risk and as such, a degree of de-risking is appropriate.
- Heightened geopolitical tensions in Emerging Markets have highlighted further oversight, engagement and stewardship of Emerging Markets allocation is needed. Responsible levels of independence should be maintained between the Investee Company and its respective government. This will be done through assessing how much reliance, involvement and influence such companies have from their governments in their daily operations and ensure ethical decision making is at the core of such organisations.

ESG Beliefs

- The Trustee believe ESG has the potential to add value and manage risk more effectively when integrated into the investment process for long-term investors.
- The Trustee is aware there are non-financial benefits that come with ESG investments that make them desirable and in the Members' interests. The Trustee is also aware the additional resources required to make ESG investments will come at a definite cost. However, the Trustee believe that the benefits are likely to be greater than the costs.
- The Trustee, whilst staying aware of regulatory factors such as TCFD, which could materially affect the risks, will regularly review the risks and opportunities presented and assess how they can manage and mitigate risks whilst taking advantage of opportunities by ensuring positive steps are taken which is beneficial and vital for the entire Scheme.
- The Trustee recognises that engagement and stewardship are key factors in investment outcomes, particularly with regards to ESG issues. The Trustee will maintain a close relationship with the Investment Managers to ensure that beliefs remain in alignment and that the manager is an active user of the Trustees investment rights and issuing them in a manner the Trustee approves of.
- The Trustee will request updates from the Investment Managers to see if and how their position has improved over time. The Trustee will also, where relevant, engage with consultations by regulators to encourage an increased focus on ESG related issues and will encourage their Investment Managers to do the same.
- The Trustee believes that the transition to a low carbon economy is vital, and that should be reflected in both its investments and practices. The Trustee and Evolve are therefore aiming to be net zero carbon by 2050.

Climate Beliefs

- The Trustee accepts that climate change is occurring, that human activities have already caused 1°C of warming above pre-industrial levels and that this is likely to reach or exceed at least 1.5°C by mid-century.
- The Trustee acknowledges that climate change is a systemic risk, posing considerable challenges in its magnitude and widespread nature of impacts. These will consist of both physical and transition risks, which will influence asset returns.
- The Trustee accepts the need to understand the risks and opportunities that climate change poses to its activities. To do this, the Trustee has accepted uncertainty and expects this process to be iterative in nature, however early consideration should allow us to positively impact returns.
- The Trustee will use scenario analysis to inform and challenge its beliefs and test the resilience of the Scheme's strategy. In most scenarios, the impact of climate change is expected to be negative, albeit at varying degrees, though we expect that anticipation of risks will reduce impact.
- The Trustee recognises the role it plays and agrees to act and provide the appropriate oversight of climate-related risks and opportunities for the Scheme.

Targets

- Reduce emission by at least 50% on or before 2030 and achieve net zero emissions by at least 2050.
- Aim for 50% of equity investments in companies with externally verified net zero targets (via the Science Based Targets initiative (SBTi) or another external verifier) by 2025.
- Monitor Transition risk via the Climate Value at Risk (CVaR) measure and keep to a limit of no more than 5% under a 2-degree scenario.
- Remove investments in Thermal coal within the default for Crystal in a 5-year timeframe.

Review Record

This document is reviewed by the Trustee at least annually. The following table records changes to this document.

Document Change/Revision Record

Revision Date	Version	Stage	Comments	Reviewer	Approval Date
24/03/2022	V1	Creation	Initial Draft	Trustee	24/03/2022
17/05/2022	V2	Final Draft	Updated version to be published.	Trustee	24/05/2022
30/08/2023	V3	Final	Updated thermal coal target as agreed by the Investment Committee on 3 July 2023	Trustee	30/08/2023