

Croda Pension Scheme

**Implementation
Statement - Draft**

**For year ending 30
September 2025**

March 2026

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Section 1: Introduction

This document is the Annual Implementation Statement ('the Statement') prepared by Croda Pension Trustees Limited ('the Trustee') of the Croda Pension Scheme ('the Scheme') covering the 'Scheme Year' from 1 October 2024 to 30 September 2025 in relation to the Statement of Investment Principles ('SIP').

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the Scheme's SIP required under section 35 of the Pensions Act 1995 has been followed in respect of engagement and voting during the year,
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

A copy of this Statement and the current SIP are made available on the following website:

<https://www.croda.com/en-gb/about-us/where-we-operate/emea/united-kingdom/uk-pensions>

Only one version of the Statement of Investment Principles (SIP), dated March 2024, was in place throughout the Scheme Year. No updates were made during this period, which is consistent with regulatory requirements stating that the SIP must be reviewed at least every three years or following any material changes to the Scheme.

Throughout this statement, we refer to the SIP dated March 2024.

Section 2: Adherence to the SIP

In this section, we comment on how the Trustee has followed its policies with respect to engagement as set out in the SIP.

Engagement Policy

Area	Approach and actions taken over the Scheme Year
<p>Section 3.14 and 3.18</p> <p>Encouraging best practice with regard to stewardship</p>	<p>The Trustee meets with each of its investment managers on at least an annual basis and, as part of this, requests that the investment manager provides an update on their approach to sustainability, including stewardship. As part of these meetings, the Trustee discusses with the investment managers how they have engaged with underlying holdings and, where appropriate, examples of their stewardship activities. In addition to explaining its approach to stewardship, the Trustee may ask its investment managers whether they are part of any initiatives, such as the UK Stewardship Code, which may demonstrate their commitment to striving for best practice.</p> <p>Over the Scheme Year, the Trustee has met with each of the Scheme's investment managers (excluding those with only a residual holding). In preparation for these meetings, managers are asked to complete a sustainable investments questionnaire which covers key areas of focus for the Trustee such as climate reporting targets and engagement policy.</p> <p>Through these meetings and updates, the Trustee generally had no concerns regarding the managers' approaches to sustainability.</p> <p>During the Scheme Year, the Trustee undertook a sustainable investments beliefs exercise (the previous exercise having been completed in March 2022 in line with a triennial cycle) with its investment consultant. Each Trustee Director shared their individual views on a series of questions designed to help the group reach a consensus on a number of SI related topics. Overall, the board was well aligned in the majority of areas and minor revisions were made to the Trustee's beliefs statement.</p> <p>Following agreement of the new beliefs statement, the Trustee agreed to establish a stewardship priority in line with guidance from the DWP. After discussions between the IC and their investment consultant, climate change was selected as the Trustee's stewardship priority. The Scheme's asset managers will be asked to disclose their voting and engagement records relating to this topic and they will be expected to comment on how they are implementing climate considerations into their investment process during the annual manager meetings.</p>
<p>Section 3.17</p> <p>Expecting investment managers to use their engagement activity to drive improved performance over these periods</p>	<p>The Trustee is not involved in the management of the Scheme's underlying portfolio holdings. However, it monitors the engagement activity that the Scheme's investment managers have undertaken on its behalf with these holdings through its annual manager meetings, where managers may be asked to provide examples of how they have engaged with underlying holdings and whether this engagement has led to an improvement in performance.</p>

Over the Scheme Year, the Trustee has either met with or had updates from each of the Scheme's investment managers. Through these updates the Trustee has noted no concern around the engagement that managers have had.

The areas of the portfolio with the broadest opportunities for engagement are the equity and corporate bond mandates with Legal & General. L&G attended the September 2025 IC meeting where they spoke about how they use their scale to try and influence underlying company decision making – in 2024 this included voting on 142,000 AGM resolutions worldwide, engaging with 3,447 companies and co-filing 6 shareholder proposals.

Section 3.21

Engaging with the investment consultant to request additional information where necessary on a manager's sustainability practices

During the Scheme Year, the investment consultant, in alignment with the Trustee's agreed policies, has requested that the Scheme's managers discuss their sustainable investment approaches as part of the Trustee's manager meetings and set out this approach, including any changes over the year, in the sustainable investment questionnaire that managers are asked to complete. In this questionnaire, managers were asked to provide their sustainable investment policies which are reviewed by the Trustee and subsequently discussed with the manager and the investment consultant at the meeting.

Section 3.23.2

When appointing a new manager, requesting information regarding each investment manager's responsible investment policy and details of how they integrate ESG into their investment decision making process as part of the selection process

In the 2022/23 Scheme Year, the Trustee committed to a strategy that leases property to Dutch nursing homes, care centres and treatment centres. This strategy began to call capital in Q3 2023 and, following a final capital call in July 2025, the scheme's commitment is now fully drawn.

The most recent investment appointment was for the buy and maintain credit portfolio in November 2023. As part of the selection, the managers were asked to speak to their skills in ESG integration and stewardship. Ultimately L&G were selected to manage this portfolio, in part due to their strong ESG credentials where their scale as a firm affords them greater influence when engaging with issuers. Since this is a bespoke portfolio for the Croda Pension Scheme, the Trustee was able to add specific carbon reduction targets to the fund guidelines as well as limits around exposure to companies who are negatively rated in their alignment with the UN's Sustainable Development Goals.

Sections 4.6 & 4.7

Providing the Scheme's managers with the most recent copy of the Scheme's SIP and asking them to confirm whether their strategies are managed in line with the relevant policies in the SIP

The Scheme's investment consultant provided the Scheme's latest SIP to the Scheme's investment managers on the Trustee's behalf in 2024. Out of the 9 investment managers employed at the time, 8 confirmed compliance with the SIP and 1 outlined that they are unable to comment on the Trustee's policies.

Engaging with an investment manager to encourage alignment, in the event the Trustee's monitoring process reveals that a manager's portfolio is not aligned with the Trustee's policies

The Trustee monitors its investment managers through its annual manager meetings, quarterly performance monitoring and on an ad hoc basis through the investment consultant updating the Trustee on whether there have been any material changes at the manager or to a manager's strategy. Over the Scheme Year, the Trustee regards its investment managers' investment portfolios to be aligned with the Trustee's policies but continues to engage with its investment managers.

Section 4.14

The Trustee reviews turnover on an annual basis

As part of the Trustee's monitoring process of the Scheme's managers, the Trustee monitors on an annual basis the turnover of each mandate and considers, where appropriate, whether this turnover is in line with the manager's and the Scheme's investment advisor's expectations of turnover.

The Trustee reviewed the turnover levels for each mandate with respect to the Scheme Year where available and considered there to be no material cause for concern with respect to reported turnover levels. Further details are provided in Appendix I of this statement.

Section 3: Voting and engagement

The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to its investment managers.

As part of monitoring the stewardship of the Scheme's investments, the table below sets out the voting activities of the Scheme's investment managers. This includes any votes cast on the Trustee's behalf, detail on the Scheme's investment managers' use of proxy voting and examples of votes cast that they deem to be significant. Some of the Scheme's underlying investment strategies, such as fixed income or derivatives (where these holdings do not have voting rights attached) or private markets (where voting is not applicable as the strategy will bring with it a high level of ownership and control), have been excluded from the table below.

The table below reflects the voting data as provided by the Scheme's investment managers. The Trustee has agreed to report on three significant votes by manager/strategy: one focused on Environmental, one Social and one Governance issue filtered by the largest votes as a percentage of each strategy. The Trustee believes that this allows them to assess the investment manager's ability in respect of stewardship of key ESG issues.

Manager and strategy	Voting activity, most significant votes cast and use of proxy voting
L&G MSCI ACWI Adaptive Cap ESG Index Pooled equity fund	<p>Voting activity*</p> <p>Number of resolutions eligible to vote on: 33,996</p> <p>Percentage of eligible votes cast: 99.9%</p> <p>Percentage of votes with management: 78.2%</p> <p>Percentage of votes against management: 20.3%</p> <p>Percentage of votes abstained from: 1.6%</p> <p>Significant votes</p> <p>Vote 1</p> <p>Company: The Toronto-Dominion Bank</p> <p>Percentage of fund: 0.20%</p> <p>Resolution: Shareholder proposal – Disclose Annual Energy Supply Ratio</p> <p>Decision: For</p> <p>Vote against management: Yes</p> <p>Outcome of vote: Fail (38.3% For)</p> <p>Rationale: A vote in favour of this proposal is applied. L&G believe that banks and financial institutions have a significant role to play in shifting financing away from 'brown' to fund the transition to 'green'. L&G expect the company to be undertaking appropriate analysis and reporting on climate change matters, and consider this issue to be a material risk to companies.</p> <p>This shareholder resolution is considered significant due to the relatively high level of support received. These resolutions replicate similar proposals at banks in 2024 and</p>

	<p>focus on the commercial opportunities arising from the transition. A number of North American banks have since agreed to provide such information and L&G believe that the remainder would benefit from making similar disclosures.</p> <p>Vote 2</p> <p>Company: Broadcom Inc.</p> <p>Percentage of fund: 0.09%</p> <p>Resolution: Elect Director Henry Samueli</p> <p>Decision: Against</p> <p>Vote Against Management: Yes</p> <p>Outcome of vote: Pass (98.0% For)</p> <p>Rationale: A vote against is applied as the company is deemed not to have made sufficient progress against LGIM's climate expectations, as set out in the sector guides through their dial-mover engagement programme.</p> <p>L&G's asset management business considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting companies in climate-critical sectors. From the Trustee's perspective, climate has been identified as a key engagement priority where they expect manager's to be holding underlying companies to account.</p> <p>Vote 3</p> <p>Company: London Stock Exchange Group plc</p> <p>Percentage of fund: 0.21%</p> <p>Resolution: Re-elect Don Robert as Director</p> <p>Decision: Against</p> <p>Vote Against Management: Yes</p> <p>Outcome of vote: Pass (91.0% For)</p> <p>Rationale: A vote against is applied because of a lack of progress on gender diversity on the board. L&G expects companies to have at least one third female representation on the board.</p> <p>This vote is considered to be significant as it is a high profile vote concerning a major financial institution and the business views gender diversity as a financially material issue for clients, with implications for the assets managed on their behalf.</p> <p>Use of proxy voting (applicable for both L&G equity funds to which the Scheme invests)</p> <p>L&G's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G, and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with our position on ESG, L&G have put in place a custom voting policy with specific voting instructions.</p>
L&G	Voting activity*

<p>RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund</p>	<p>Number of resolutions eligible to vote on: 38,150 Percentage of eligible votes cast: 99.9% Percentage of votes with management: 79.4% Percentage of votes against management: 19.1% Percentage of votes abstained from: 1.5%</p>
<p>Pooled equity fund</p>	<p>Significant votes</p> <p>Vote 1</p> <p>Company: Alphabet Inc. Percentage of fund: 1.4% Resolution: Elect Director John L. Hennessy Decision: Against Vote Against Management: Yes Outcome of the vote: Pass (83.3% For)</p> <p>Rationale: A vote against is applied to the (re-)election of a non-independent director due to lack of independence on the board and L&G expects the Chair of the Nominations/Governance Committee to have served on the board for no more than 12 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background. Moreover, L&G expect a company to have at least one-third of women on the board and supports the equitable structure of one-share-one-vote. L&G expect companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an unequal capital structure.</p> <p>This vote is considered to be significant as it concerns governance matters at a high profile company which forms a relatively high % of the portfolio. L&G views gender diversity as a financially material issue for clients, with implications for the assets managed on their behalf.</p> <p>Vote 2</p> <p>Company: Shell Plc Percentage of fund: 0.87% Resolution: Request company disclose on whether and how its: demand forecast for LNG, LNG production and sales targets, and new capital expenditure in natural gas assets are consistent with climate commitments, including the target to reach net zero emissions by 2025. Decision: Against Vote Against Management: No Outcome: Fail (20.6% for)</p> <p>Rationale: While L&G recognise the intent behind Resolution 22, they voted against it following careful consideration. This decision follows a series of constructive engagements with Shell's leadership, during which the company committed to improving disclosures on stranded asset risks and financial resilience related to its LNG operations. L&G acknowledge meaningful progress in Shell's reporting, which now provides a clearer basis for assessing climate-related risks. In light of these developments, L&G believe the resolution's key objectives are being addressed through ongoing company actions.</p>

	<p>This shareholder resolution is considered significant as it concerns climate matters, a key engagement priority for the Trustee, at a high profile UK listed company.</p> <p>Vote 3</p> <p>Company: Microsoft Corporation</p> <p>Percentage of fund: 1.3%</p> <p>Resolution: Report on AI Data Sourcing Accountability</p> <p>Decision: For</p> <p>Vote Against Management: Yes</p> <p>Outcome: Fail</p> <p>Rationale: A vote for this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models</p> <p>This resolution is considered significant as it concerns a high-profile company which makes up a relatively large proportion of the portfolio. Moreover, it concerns policies and risks associated with AI which is a highly topical area that has driven much of the global market return in recent years.</p>
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*Totals may not sum due to rounding.

Section 4: Summary and conclusions

The Trustee considers that all SIP policies and principles with respect to engagement were adhered to over the Scheme Year.

Appendix I: Portfolio turnover

As set out within the Scheme's SIP, the Trustee monitors the turnover of its investments annually. The table below outlines the turnover experienced by the Scheme's investments for the year ending 30 September 2025. The Scheme invests in smart beta equity funds which aim to track a benchmark. Due to the nature of these funds, turnover is contingent on the underlying benchmark. Therefore, it is less relevant to track experience versus expectations for such mandates. In addition, for certain types of mandates the Scheme invests in such as private markets, strategies tend to be "buy and hold" in nature therefore annual turnover is less relevant for these strategies. Finally, the turnover of the Scheme's LDI and cash funds depend on discretionary trading by L&G and can hold short-dated securities therefore WTW has not provided an expectation of turnover for these funds.

Fund	Experienced turnover (%)	WTW range (%)	Rating
Alpha Real Index Linked Income Fund	0.0%	<5	●
Alpha Real Wind Renewables Income Fund	0.0%	<5	●
Equitix Fund IV	3.4%	<5	●
Greencoat Solar II	0.0%	<5	●
Innisfree Secondary Fund	N/A	<5	●
L&G MSCI ACWI Adaptive Cap ESG Index	26.9%	N/A	●
L&G RAFI Global Reduced Carbon Pathway Index Fund	21.9%	N/A	●
L&G Bespoke LDI Fund	N/A	N/A	●

L&G Euro Liquidity Fund	N/A	N/A	●
L&G Cash Fund	N/A	N/A	●
L&G USD Liquidity Fund	N/A	N/A	●
Macquarie European Infrastructure Fund II	N/A	<5	●
Patrizia Hanover Property Unit Trust	0.2%	0-15	●
SUSI Partners Energy Transition Fund	N/A	<5	●
Hartelt Apollo Healthcare Property Fund	N/A	<5	●

Notes:

- The Scheme has a residual holding in the Macquarie European Infrastructure Fund II which only holds one asset. As such turnover is not applicable for this mandate.
- Innisfree, SUSI and Hartelt confirmed turnover is not an applicable metric for their respective strategies due to the buy and hold nature of the assets.
- For the Scheme's liquidity funds managed by L&G, L&G have outlined that due to the nature of the strategies and the short-dated assets they hold, turnover for these funds is typically high and they do not usually report turnover as a result. However, L&G have confirmed that there are no transaction costs for trading within the liquidity funds to which the Scheme invests.
- For the Scheme's Bespoke LDI Fund managed by L&G, the manager has confirmed that turnover is not applicable due to the nature of the mandate and the assets being purchased or sold to match a custom benchmark.