

London Borough of Croydon Pension Fund ("the Fund")

RESPONSIBLE INVESTMENT POLICY – MARCH 2026

1. INTRODUCTION

At the time of writing, draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026) and associated guidance has been tabled and is expected to come into force in England and Wales on 1 April 2026. While the regulation and guidance may be subject to change, this Responsible Investment Policy has been prepared based on the proposals set out in the draft regulation and guidance.

The London Borough of Croydon Pension Fund's Pension Committee ("the Committee") has a fiduciary duty to act in the best interests of members. To do this effectively, the Committee recognises the importance of managing Environmental, Social and Governance ("ESG") issues, including Climate Change, that are financially material to the Fund, both in terms of opportunities and risks. This policy sets out how the Fund manages those ESG risks and opportunities. It outlines the key principles that have been established, and our approach to considering sustainability risk and other ESG factors.

There is a growing urgency and continual regulatory development with regard to long-term sustainability issues, such as The Climate Change Act 2008 that legally binds the UK to bring all greenhouse gas emission to net-zero by 2050, and the comprehensive 'apply and explain' requirements for asset owners set out in the UK Stewardship Code framework. Therefore, it is imperative that ESG and stewardship (or active ownership) considerations are integrated throughout investment processes and that they are taken into account as part of funding and investment strategy setting.

Responsible Investment ("RI") has been defined as encompassing both financial and non-financial factors, bringing together ESG factors and broader systemic issues, e.g. climate change and sustainable development, along with active ownership (stewardship and voting) as these can have a material impact on financial performance.

The Fund is required by the draft 2026 Regulations to include in the Investment Strategy Statement (ISS):

- The authority's priorities and preferences regarding responsible investment, including how social, environmental and corporate governance considerations are to be taken into account in the selection, non-selection, retention and realisation of investments; and
- the policy on the exercise of the rights (including voting rights) attaching to investments.

This standalone Responsible Investment Policy ("RI Policy") document sets out further details on the Fund's approach to ESG risks and opportunities.

The RI Policy that follows has been approved by the Pension Committee ("the Committee") following a series of training and information events presented by the Fund's advisers. RI issues have many facets for which authoritative and consistent sources of data are in their infancy. Seemingly simple investment changes may have unintended consequences for the operation of free markets, local communities and the environment as well as the value of the Fund's investments.

The Fund needs to take a holistic approach that takes into account how its policies will impact all citizens and communities as well as direct stakeholders of the Fund whilst adhering to the principles of fiduciary duty.

2. Role and Responsibilities

Croydon Council (the “Council”) is the Administering Authority of the Pension Fund and administers the Fund on behalf of the participating employers and members.

The Local Authority (Functions & Responsibilities) (England) Regulations 2000 (as amended), state that functions relating to the Fund are the responsibility of the full Council. The Council has delegated these functions to the Pensions Committee and to the Council’s Head of Pensions and Treasury. The Committee undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.

The Administering Authority has established a Pension Board in accordance with Section 5 of the Public Service Pensions Act 2013. The Board assists the Pension Fund in securing compliance with the Fund regulations and other legal and regulatory requirements.

The Fund pools its assets within the London Collective Investment Vehicle (“LCIV”). The Fund does not directly manage its investments. LCIV and/or the investment managers used by the LCIV have discretion to buy and sell investments within the various portfolios, within the guidelines of their mandates. These guidelines may include ESG considerations.

The London CIVs Responsible Investment Policy can be found here:
<https://londonciv.org.uk/block/download/7169/file>

The draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 and associated guidance, details of the roles and responsibilities of the Administering Authority and LCIV with respect to the Fund’s investment policy were set out. These are summarised below.

The Fund	LCIV
<ul style="list-style-type: none"> • Aim to deliver positive real-world outcomes • Should consider all factors, including ESG factors, that are financially material to performance of their investments and the impact of their investments. • May also take non-financial considerations into account provided that doing so would not involve risk of significant financial detriment to the fund, and where they have good reason to think that scheme members would support their decision. • May include a preference for investments which have a positive impact as well as an acceptable financial return. AAs may also choose to indicate that a lower return on a limited proportion of their portfolio is acceptable in order to achieve ESG-related goals. • Partner Funds should agree on common priorities and use the collective scale of the pool to influence companies and sectors towards genuine change. 	<ul style="list-style-type: none"> • Solely responsible for all investment management decisions. • LCIV must endeavour to respect the RI approach set by the Fund but this must be balanced with delivering the other objectives of the Fund. • Undertake stewardship activity on behalf of Partner Funds. Stewardship activities should be based on a pool-wide policy developed in discussion with Partner Funds. • Not appropriate to establish multiple sub-funds or other vehicles to deliver minor differences between the responsible investment strategies of different Partner Funds. • If a Partner Fund’s Responsible Investment Policy is impossible to implement efficiently, LCIV should prioritise implementation of the Fund’s high-level objectives and any common ground with Partner Funds. • High standards of corporate governance and corporate responsibility in investee companies

The Fund	LCIV
<ul style="list-style-type: none"> • Priorities should be high-level and aligned across AAs where possible. • Should not set exclusions for individual countries, investment styles or companies • Should not engage in stewardship activities themselves but should expect their pool (or an organisation acting on behalf of the pool) to carry these out on their behalf. 	<p>are important to protect and enhance the value of the assets to the benefit of LGPS funds.</p> <ul style="list-style-type: none"> • Stewardship and engagement should be delivered in line with a pool-wide policy developed by the pool in discussion with partner AAs.

3. RI BELIEFS

The Fund is committed to embedding RI into all aspects of the investment process and has adopted a set of Responsible Investment Beliefs as set out in the table below. These beliefs have informed the policy set out in section 4, below.

Belief	Explanation
Summary	ESG issues, including climate change, create material risks and opportunities which will influence long-term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, robust ESG and stewardship practices should be integrated throughout the investment process of the Fund. The Fund recognises that the responsible management of RI issues by LCIV is a reputationally important issue.
ESG integration and broad risk management	Effective management of ESG issues is a key determinant of long-term shareholder value and good risk management. Their consideration is part of the Fund's fiduciary duty to beneficiaries. The Fund therefore recognises the importance of LCIV integrating all material financial and non-financial factors, including ESG considerations, into the decision-making process for investments and the ongoing monitoring of these same issues.
Stewardship	Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in which it invests. It believes in the importance of LCIV acting as an active asset owner through proactive voting and engagement with companies; either directly or via underlying investment managers which are used.
Climate change risk	The Fund believes that climate change presents financial risks to the Fund over the short-, medium- and long-term and that the Fund should better understand and mitigate where possible.
Pooling	<p>The Fund sets clear expectations to LCIV of how ESG considerations are incorporated into investment activities. LCIV should integrate ESG these into the investment process and develop a consistent policy approach to stewardship and climate change.</p> <p>The Committee will ensure that reporting provided by LCIV is appropriate in order that progress can be monitored against the RI Policy.</p> <p>The Fund recognises that the pool must endeavour to respect the RI approach set by the Fund, but this must be balanced with delivering the other objectives of the Fund.</p>

Belief	Explanation
	<p>The ability of the pool to fully implement the Fund's Responsible Investment Priorities and Preferences is subject to the pool being able to accommodate these without running counter to the fundamental aims of pooling.</p> <p>The Fund has ongoing engagement with the pool and other participating Partner Funds with the long-term aim of being able to fully implement our Objectives, Priorities and Preferences while maintaining consistency with the fundamental aims of pooling.</p>
Ongoing commitment	Responsible investment is a rapidly developing area and the Fund should commit to staying informed, developing its approach and increasing its ambition with regard to these issues.

4. RI POLICY

This section sets out the RI Policy based upon the Responsible Investment Beliefs set out in section 3, above. The Fund has responsibility for setting its investment strategy and its approach to Responsible Investment, as well as Objectives, Priorities and Preferences for LCIV to take account of when taking investment management decisions.

Approach to Responsible Investment

The approach to Responsible Investment will be reviewed at least every valuation period to ensure it remains relevant and up to date.

The Fund recognises the systemic risk associated with climate change as well as the Council's targets in this regard and the views and aspirations of other scheme employers and scheme members.

The Committee supports the objectives of the Paris Agreement and believes that keeping global temperature rises well below 2°C relative to pre-industrial levels is entirely consistent with the fiduciary duty of the Fund.

The Fund receives carbon foot-printing reporting from LCIV (for example to monitor carbon intensity, fossil fuel reserves and potential emissions). The Fund has undertaken climate change scenario analysis as part of its triennial actuarial valuation in order to understand the climate impact on the Fund across different warming scenarios and help the Fund to further its decision-making.

The Fund is a member of both the Local Authority Pension Fund Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners.

Responsible Investment Objectives

The Fund sets its investment strategy on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

The Fund requires LCIV to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all investment management decisions.

The Fund expects LCIV to undertake appropriate monitoring of current investments with regard to its policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund, such as corporate governance and environmental factors. The Fund expects LCIV to integrate material ESG factors within its investment analysis and decision making.

Responsible Investment Priorities

Stewardship and Engagement

The Fund recognises the importance of LCIV’s role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries.

LCIV (and any underlying investment managers) should act as active asset owners through engagement with companies where there are concerns over ESG issues. Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects LCIV to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

Stewardship / Engagement Priorities	<ul style="list-style-type: none"> • Climate Change • Energy efficiency • Waste & Pollution • Labour standards
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Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these same environmental, social and governance policy issues.

LCIV’s Stewardship Policy can be found here: <https://londonciv.org.uk/block/download/6923/file>

The Fund expects LCIV to follow good practice and use its influence as a major institutional investor and long-term steward of capital to promote good practice in the investee companies and markets to which the Fund is exposed. LCIV (and any underlying investment managers) should exercise their rights as owners of investments to actively participate in company level decisions tabled as shareholder votes at General Meetings.

Conflict Zones

A Conflict Zone is defined as any territory or operating environment that is directly and physically affected by armed conflict, including active combat between states, armed groups, or internal factions, or where credible international authorities identify the presence of military occupation or other conflict-related

hostilities. The Fund recognises that a company's presence in such regions does not in itself indicate wrongdoing, and the Fund does not apply geographic boycotts.

The Fund's approach to managing exposure to Conflict Zones is that:

- Conflict exposures can create financial, operational, regulatory and reputational risks. Actions under this policy are taken to manage material risks, not to express political views.
- The Fund does not single out specific regions. All geographies are assessed using the same internationally recognised authorities. This avoids selective or inconsistent treatment and aligns with fiduciary and regulatory obligations. The focus is on credible allegations of human-rights violations linked to conflict.
- The Fund prioritises engagement before disinvestment, particularly through LCIV where investments are pooled. Escalation steps will be proportionate, evidence-based, and consistent with fiduciary duties.

The Fund's process to managing exposure to Conflict Zones is to:

- Request that LCIV monitor and report on the Fund's exposure to companies materially connected to Conflict Zones;
- Assess whether such exposure poses financial, human-rights, or reputational risk;
- Engage, via LCIV where applicable to address concerns;
- Escalate, where necessary and proportionate, in line with fiduciary duty; and
- Report to the Committee in a clear, objective, and repeatable manner.

Responsible Investment Preferences

The Fund generally has a preference for engagement over divestment. However, the Fund has an exclusion on investments in tobacco manufacturers. This policy was adopted in 2014 as Tobacco investments are deemed to be at odds with the Council's public health role. The Fund deems that there is no significant risk of financial detriment from this exclusion.

Exclusions
• Tobacco manufacturers

It is recognised that the application of the restrictions may be limited in certain circumstances, for example investments in "pooled assets". These types of funds are held collectively with other investors, normally in order to reduce costs or ensure a wider range of investment opportunities.

5. IMPLEMENTATION

ESG integration and broad risk management

As previously outlined, LCIV are responsible for implementing the Fund's investment strategy and all investment management decisions. This RI Policy serves as one component of the Committee's guidelines for this strategy implementation.

Assurance will be sought through engagement with LCIV and as part of ongoing reporting and presentations that LCIV are appropriately integrating ESG into its investment processes and decision making.

Stewardship - voting rights and engagement

The exercise of voting rights to LCIV and underlying investment managers, on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value.

LCIV and any underlying investment managers are expected to produce written guidelines and policies outlining their own stewardship process and practices (including voting and engagement). They are

encouraged to vote in line with their respective guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies. As part of its monitoring process, the Fund reviews such guidelines and policies and ensures that the practices adopted are aligned with the Fund's own Responsible Investment Beliefs.

The Fund supports the 12 principles of the Financial Reporting Council's UK Stewardship Code 2020 (the Code). The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the seven Principles of the Stewardship Code.

The Fund expects LCIV to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

When it comes to engagement, LCIV and any underlying investment managers are expected to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas.

The Fund has delegated responsibility for voting rights to LCIV. LCIV's Voting Guidelines can be found here: <https://londonciv.org.uk/block/download/6985/file>

Climate change

The Fund has not set an explicit Fund level Net Zero target, but it supports the objectives of the Paris Agreement and sees these as entirely consistent with the fiduciary duty of the Fund. The London CIV has committed to become a net zero entity by 2040 in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C.

For and on behalf of the London Borough of Croydon Pension Fund Committee

March 2026