

Shropshire Council
Legal and Democratic Services
Guildhall
Frankwell Quay
Shrewsbury
SY3 8HQ

Date: Thursday, 27th November 2025

**Committee:
Pensions Committee**

Date: Friday, 5 December 2025

Time: 10.00 am

Venue: The Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ

You are requested to attend the above meeting.
The Agenda is attached.

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting, please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated above.

The recording of the event will also be made available shortly after the meeting on the Shropshire Council YouTube Channel: [Here](#)

Tim Collard
Service Director – Legal, Governance and Planning

Members of the Committee:

Gary Groves (Chairman)
Alan Holford
Malcolm Myles-Hook
Charles Shackerley-Bennett

Co-opted Members (Voting):

Paul Davis
Zona Hannington (Vice-Chairman)

Co-opted Members (Non-Voting):

David Burton (Employee Representative Shropshire Council)
Byron Cooke (Employee Representative Telford & Wrekin Council)
Vacancy (Pensioner Representative)

Substitute Members of the Committee:

Greg Ebbs (SC)
Carl Rowley (SC)
Beverley Waite (SC)
Fiona Doran (T&W)
Stephen Reynolds (T&W)
Sarah Sweeney (SC Employee Rep)
Vacancy (T&W Employee Rep)
Vacancy (Pensioner Rep)

Your Committee Officer is:

Sarah Townsend Committee Officer

Tel: 01743 257721

Email: sarah.townsend@shropshire.gov.uk

AGENDA

1 Apologies and Substitutions

To receive apologies for absence and notification of any substitutions.

2 Disclosable Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 Minutes of the Previous Meeting (Pages 1 - 8)

The minutes of the meeting held on 19th September 2025 are attached for confirmation, marked 3.

Contact: Sarah Townsend (01743 257721)

4 Public Questions

To receive any questions or petitions from members of the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12 noon on Monday, 1st December 2025.

5 Valuation and Funding Strategy Statement Update (Pages 9 - 24)

The presentation of Ms Michelle Doman and Mr Mark Wilson, Mercer, is attached, marked 5.

Contact: Vicky Jenks (01743 252192)

6 Pensions Administration Monitoring (Pages 25 - 42)

The report of the Pensions Administration Manager is attached, marked 6.

Contact: Vicky Jenks (01743 252192)

7 Corporate Governance Monitoring (Pages 43 - 104)

The report of the Pensions Investment and Responsible Investment Manager is attached, marked 7.

Contact: Peter Chadderton (07990 086399)

8 2025 Climate Risk Management Report (including TCFD Report) (Pages 105 - 148)

The report and presentation of Mr Ethan Phipps and Mr Basyar Salleh, LGPS Central, is attached, marked 8.

9 Exclusion of Press and Public

To consider a resolution under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to Agenda Items 10 to 16 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the categories specified against them.

10 Exempt Minutes of the Previous Meeting (Exempted by Category 3)

The exempt minutes of the meeting held on 19th September 2025 are attached for confirmation, marked 10. **(To Follow)**.

Contact: Sarah Townsend (01743 257721)

11 2025 Climate Risk Management Report (including TCFD Report) (Exempted by Category 3) (Pages 149 - 176)

The exempt report and presentation of Mr Ethan Phipps and Mr Basyar Salleh, LGPS Central, is attached, marked 11.

12 Governance (Exempted by Category 3) (Pages 177 - 300)

The exempt report of the Pensions Administration Manager is attached, marked 12.

Contact: Vicky Jenks (01743 252192)

13 New Employers (Exempted by Category 3) (Pages 301 - 306)

The exempt report of the Pensions Administration Manager is attached, marked 13.

Contact: Vicky Jenks (01743 252192)

14 Investment Portfolio Update (Exempted by Category 3) (Pages 307 - 324)

The exempt presentation of Mr Colin Cartwright and Mr Luke Hammond, Aon, is attached, marked 14.

15 Investment Strategy Implementation Update (Exempted by Category 3) (Pages 325 - 338)

The exempt report of the Pensions Investment and Responsible Investment Manager is attached, marked 15.

Contact: Peter Chadderton (07990 086399)

16 Investment Monitoring - Quarter to 30 September 2025 (Exempted by Category 3) (Pages 339 - 382)

The exempt report of the Pensions Investment and Responsible Investment Manager is attached, marked 16.

Contact: Peter Chadderton (07990 086399)

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Pensions Committee

5 December 2025

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 19 SEPTEMBER 2025

10.00 A.M. - 12.55 P.M.

Responsible Officer: Sarah Townsend

Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

Present:

Members of the Committee:

Councillors Gary Groves (Chairman), Malcolm Myles-Hook and Charles Shackerley-Bennett

Co-Opted Members (Voting):

Councillors Paul Davis and Fiona Doran (Substitute) (substitute for Zona Hannington)

Co-Opted Members (Non-Voting):

Byron Cooke (remotely via MS Teams)

Others Present:

Shropshire Council Officers:

Peter Chadderton (Pensions Investment and Responsible Investment Manager), Vicky Jenks (Pensions Administration Manager), James Walton (Executive Director of Resources (Section 151 Officer)) and Adam Williams (Principal Auditor) (remotely via MS Teams)

Aon:

Colin Cartwright and Luke Hammond

Grant Thornton:

Grant Patterson

Independent Advisor to the Committee:

Philip Hebson

Pensions Board Members:

John Hall (in person) and Rebecca Summerlin (remotely via MS Teams)

18 Apologies and Substitutions

Apologies for absence were received from Councillor Zona Hannington, Councillor Alan Holford, and Mr Paul Griffiths.

Councillor Fiona Doran was in attendance as Councillor Zona Hannington's substitute and it was noted that Mr Byron Cooke was in attendance remotely.

19 Disclosable Interests

None were declared.

20 Minutes of the Previous Meeting

RESOLVED:

That the minutes of the meeting held on 20th June 2025 be approved and signed by the Chairman as a correct record.

21 Public Questions

Two questions had been received from members of the public and both questioners were in attendance to ask their questions in person. The responses to each question were read out by the Pensions Investment and Responsible Investment Manager. A full copy of the questions and responses provided are attached to the web page for the meeting.

Prior to considering the various agenda items and reports, Committee Members commented on the volume of information that had been provided to them, noting that the 538 page agenda was difficult to fully digest in the time available and made it challenging to thoroughly scrutinise the reports effectively. The necessity of receiving such extensive information was questioned and it was also commented that some of the reports contained errors which meant that at least one Committee Member felt that they would be unable to endorse some of the reports. In responding, the Chairman stated that these comments would be taken on board and that he too had concerns regarding the length of the agenda.

The Chairman explained that with regard to the following three agenda items, he was proposing to take them all together as one item and then revisit all the of the various report recommendations at the end. There was no objection to this.

22 Third Line of Assurance - Internal Audit Outturn Report for Shropshire County Pension Fund 2024/25

The Committee received the report of the Head of Policy and Governance which was presented to them by Mr Adam Williams, Principal Auditor. It provided them with a summary of the work undertaken by Internal Audit for the year ended 31 March 2025 and reported on progress against the annual audit plan agreed with the Head of Pensions – LGPS Senior Officer. It also provided the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes when considering the Public Sector Internal Audit Standards or Guidance, as required by the Accounts and Audit Regulations 2015.

It was noted that based on the work undertaken and Pension Fund management responses received, the Pension Fund's governance, risk management and internal control processes are sound and working effectively and the Chief Audit Executive can deliver a substantial year end opinion on the Fund's internal control environment for 2024/25. This was the highest opinion that could be given.

Committee Members were informed that there were a couple of typos in the report as follows:

- Audit opinion and recommendations made on 2024/25 audits table and paragraph 7.17 (Pages 12 and 13 of the agenda document pack) – it was confirmed that the total number of recommendations that had been made was eight, as had been shown in the previous columns and not, ten.
- Customer Feedback Survey Forms – percentage of excellent and good responses and paragraph 7.22 (Page 14 of the agenda document pack) – it was confirmed that three survey forms had been returned and not, five.

In responding to a question regarding the customer feedback survey forms that were sent out with all audits completed, the Principal Auditor confirmed that a total of six forms had been sent out for completion and three had been returned, all of which had been scored positively. The reasons why three forms had not been returned was unknown but this would be looked at as part of the 2025/26 audit to ensure that there is a higher return rate.

23 External Audit - The Audit Findings for Shropshire County Pension Fund 2024/25

The Committee received the report of the External Auditor, Grant Thornton, which summarised the key findings and other matters arising from the statutory audit of Shropshire County Pension Fund and the preparation of the Pension Fund's financial statements for the year ended 31 March 2025 for the attention of the Audit Committee as those charged with governance and the Pensions Committee who have oversight of the operation of the Pension Fund and preparation of the Annual Report. It was noted that Grant Thornton would be presenting the Audit Finding Report to the Audit Committee at their 26 September 2025 meeting.

Mr Grant Patterson, Key Audit Partner for Grant Thornton, was in attendance to present the report, the headlines of which were detailed on pages 26 to 29 of the agenda document pack. He confirmed that their work was substantially complete and there were currently no matters of which they were aware that would require modification of their audit opinion, subject to the outstanding matters concerning L3 investments and LGPS Central as detailed within the report. It was therefore anticipated that subject to satisfactory completion of this, an unqualified audit opinion on the Pension Fund financial statements and an unqualified consistency opinion for the Pension Fund Annual Report would be issued.

With regard to L3 investments, it was commented that whilst the outstanding audited financial statements as at 31 March 2025 from LGPS Central was currently a minor issue, it could become more significant as LGPS Central's role grows. It was felt that this potential weakness would also be relevant for the other partner funds as well and needed to be addressed.

Members' attention was drawn to the identification of £4.5m of unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2025 and the valuation statements received from the third-party investment managers. This was largely attributed to timing differences on closing down the financial statements and receipt of valuation statements. It was noted that management were proposing not to amend the financial statements on the basis that the differences are not material both quantitatively and qualitatively and both the Audit Committee and Pensions Committee would be asked to confirm their agreement to this through the Letter of Representation.

Questions were asked regarding the two significant audit risks namely, management override of controls and Level 3 Investments and it was explained that these risks were unable to be eliminated, only managed and tended to remain stable year on year due to the nature of the fund. The three levels of assurance were also outlined.

Regarding how the Committee could be confident in the work of Grant Thornton, it was noted that the firm was subject to Financial Reporting Council quality reviews meaning that its audit processes were also subject to review to ensure that they were robust.

24 Pension Fund Annual Accounts 2024/25

The Committee received the report of the Executive Director of Resources (Section 151 Officer) which provided Members with the Shropshire County Pension Fund Annual Report 2024/25 and an update on the annual audit. It was noted that Grant Thornton had substantially completed its annual audit and it was expected that an unqualified opinion would be given.

It was reported that in the year to the end of March 2025, the Fund increased in value by £123 million to £2.626 billion.

Questions were asked regarding why the Fund had slightly underperformed against its benchmark by 0.14%.

It was noted that within the Pension Fund Annual Accounts 2024/25 (Appendix A to the report), where there were pages with large blue circles on them, this was because the final audit certificate still needed to be inserted into these pages once issued.

RESOLVED:

1. That performance against the Audit Plan for the year ended 31 March 2025 be endorsed. (Agenda Item 5: Third Line of Assurance – Internal Audit Outturn Report for Shropshire County Pension Fund 2024/25).
2. That the Chief Audit Executive's substantial year end opinion on the Fund's internal control environment for 2024/25 is based on the work undertaken, and Pension Fund management responses received, be endorsed.
(Agenda Item 5: Third Line of Assurance – Internal Audit Outturn Report for Shropshire County Pension Fund 2024/25).
3. That the Pension Fund Annual Report 2024/25 be approved and authority be delegated to officers to make any minor changes required.

(Agenda Item 7: Pension Fund Annual Accounts 2024/25).

4. That approval be given to the Chair and Executive Director to sign the letter of representation (Appendix C to the report) for Grant Thornton once the audit has been finalised.

(Agenda Item 7: Pension Fund Annual Accounts 2024/25)

25 Corporate Governance Monitoring

The Committee received the report of the Pensions Investment and Responsible Investment Manager which informed them of corporate governance changes including the government's "LGPS - Fit for the Future" consultation response, since the last committee and socially responsible investment issues arising in the quarter period 1st April 2025 to 30th June 2025. The report also updated the Committee on a letter received from the Palestine Solidarity Campaign after the quarter end.

The Pensions Investment and Responsible Investment Manager acknowledged that the report contained several appendices, which had contributed to the length of the agenda document pack. This would be reviewed and he would consider replacing some of the appendices with links embedded into the actual report.

Members' attention was drawn to the Fund's position regarding investments in companies in conflict affected and high-risk areas (CAHRAs) as set out in the Fund's statement (Appendix D of the report) which was backed by legal opinion obtained by the Scheme Advisory Board on behalf of the Local Government Pension Scheme. The Pensions Investment and Responsible Investment Manager explained that a conflicting legal opinion provided by the Palestine Solidarity Campaign (PSC) had recently been received which conflicted with the legal opinion that had previously been given in November 2024. This impacted the whole of the Local Government Pension Scheme and not just Shropshire as a Fund and it was felt that the position was best handled by central government. It was reported that an update on the latest position had been received yesterday from the Scheme Advisory Board stating that they are still awaiting a response from central government and considering whether additional legal advice was required. It was noted that the position would be kept under review and in the meantime, in order to enhance transparency and make the Fund's position clear, its statement on investments in companies in conflict affected and high-risk areas would be published on the Fund's website. Members commented that should the current position change, they would like an update at the next meeting and questions were asked regarding the legal basis for the government's advice in November 2024 and whether the views of Fund Members had been taken into account.

RESOLVED:

1. That the position as set out in the report of the Pensions Investment and Responsible Investment Manager in respect of voting and engagement activity be noted and accepted:
 - LGPS Central at Appendix A/A1;
 - Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix B; and
 - LAPFF Engagement Report at Appendix C.

2. That the Funds statement upon investments in companies in conflict affected and high risk areas at Appendix D be noted and accepted.
3. That the government's Local Government Pension Scheme (England and Wales): Fit for the future consultation response be noted and accepted.

26 Pensions Administration Monitoring

The Committee received the report of the Pensions Administration Manager which provided them with monitoring information on the performance of and issues affecting the Pensions Administration Team.

In responding to a question on Appendix C of the report and specifically the key risks and issues concerning the Pension Dashboards and 'what to use for Find Data and how AVC information will be accessed', the Pensions Administration Manager explained that when individuals log into the dashboard, it relies on clean and up to date information to ensure smooth matching. If details did not exactly match, this would result in additional work for the Pensions Administration Team and therefore, annual address tracing would be undertaken to ensure that data was as clean and as up to date as possible.

A question was asked regarding whether members were regularly contacted via email reminding them to update their personal details and the Pensions Administration Manager confirmed that such a process was in place with a system called 'Gov Delivery' that was used to regularly send communications to members using the email addresses on record.

Regarding the KPI table for the period April 2025 to June 2025 (Appendix A of the report) and specifically 'communication issued with deferred benefit options', the Pensions Administration Manager explained the various reasons as to why this was below 50% of the legal target and commented that an improvement in this KPI should hopefully start to be seen as the year progressed.

RESOLVED:

1. That the progress and completion of key activities from the business plan 2024-25 (Appendix B) be noted.
2. That the progress of the Pension Dashboard implementation which is provided in the update report (Appendix C) be noted.

27 Exclusion of Press and Public

RESOLVED:

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Agenda Items 11 to 18, be not conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the categories specified against them.

28 Exempt Minutes of the Previous Meeting (Exempted by Category 3)

RESOLVED:

That the exempt minutes of the meeting held on 20th June 2025 be approved and signed by the Chairman as a correct record.

29 Governance (Exempted by Category 3)

The Committee received the exempt report of the Pensions Administration Manager which provided them with information regarding regulatory breaches arising from 1st April 2025 to 30th June 2025 (Quarter 1) and any stage one or stage two appeals that had been received under the internal dispute resolution procedure (IDRP). Fund policies that had been reviewed in the last quarter and required approval by the committee were also included within the report.

RESOLVED:

That the recommendations as set out in the exempt report of the Pensions Administration Manager be approved.

30 New Employers (Exempted by Category 3)

The Committee received the exempt report of the Pensions Administration Manager which provided them with full details regarding new school admissions to the Fund under Schedule 2, Part 1 (20) of the LGPS regulations 2013, that became an academy during the last quarter.

The report also provided the Committee with full details regarding new employer admissions to the Fund under Schedule 2 Part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013.

RESOLVED:

That the recommendations as set out in the exempt report of the Pensions Administration Manager be accepted.

31 Aon Market Update (Exempted by Category 3)

The Committee received a presentation from Mr Luke Hammond, Aon, which provided them with a market update.

32 Investment Strategy Implementation Update (Exempted by Category 3)

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided them with an Investment Strategy Implementation update.

RESOLVED:

That the recommendations as set out in the exempt report of the Pensions Investment and Responsible Investment Manager be approved.

33 Investment Monitoring - Quarter to 30 June 2025 (Exempted by Category 3)

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided them with monitoring information on investment performance and managers for the quarter period to 30 June 2025 and reported on the technical meetings held with managers since the quarter end.

RESOLVED:

That the recommendations as set out in the exempt report of the Pensions Investment and Responsible Investment Manager be approved.

34 Fit for the Future Update (Exempted by Category 3)

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided them with a Fit for the Future update.

RESOLVED:

That the recommendations as set out in the exempt report of the Pensions Investment and Responsible Investment Manager be approved.

35 Stewardship Code (Exempted by Category 3)

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided them with a Stewardship Code update.

RESOLVED:

That the recommendations as set out in the exempt report of the Pensions Investment and Responsible Investment Manager be approved.

Signed (Chairman)

Date:

2025 Valuation

Shropshire County Pension Fund

5 December 2025 – Committee Meeting

Michelle Doman FIA C.Act
Mark Wilson FIA C.Act



Employer Results

Agenda

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1. Preliminary 2025 Valuation Analysis and Outcomes
2. Funding Strategy Statement
3. Questions



Employer Results

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Preliminary 2025 Valuation Analysis and Outcomes

Employer Results

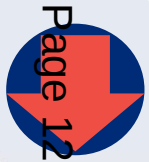
Preliminary 2025 Valuation Analysis and Outcomes

Experience since 2022 – Key factors



Investment performance

The 3-year return of **c14.4%** (4.6% p.a.) was below the main 2022 valuation assumption of 4.8% p.a. In isolation, this **reduced the funding level by around 1%**



High levels of CPI

Since 2022 total CPI was **16.6% (5.2% p.a.)**, vs. the valuation assumption of 3.1% p.a. In isolation, this caused a **reduction in the funding level of c5%**



Increases in future investment return outlook

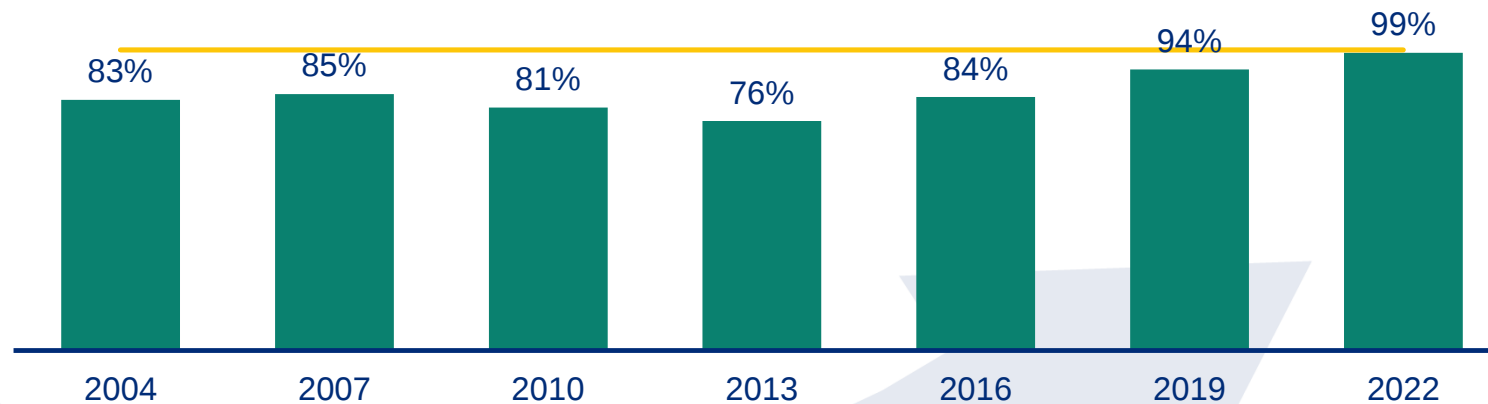
Interest rates increased significantly since 2022
This leads to higher expected future returns which in isolation this will **increase the funding level**
But the size of the increase depends on how much credit for these expected future returns is taken

The net result is a significantly improved position compared to 2022.

Preliminary 2025 Valuation Analysis and Outcomes

Funding level hasn't always been as healthy

Funding Level at previous valuations



- The chart shows the Fund's aggregate funding level* at each valuation since 2004
- The Funding level was less than 100% (i.e. there was a deficit) during all of this time
- Over those 18 years, it was restored primarily by investment returns and additional employer contributions.

Preliminary 2025 Valuation Analysis and Outcomes

Key parameters



Real discount rate

(i.e. assumed investment return above inflation).

Higher assumption means *more risk* but also means lower assessment of liabilities and so *lower current* contributions.



Sustainability reserve

Provides extra contribution stability – first x% of surplus retained in employer notional asset share, remainder returned to employers via lower contributions



Recovery period

Over which excess surplus / deficit removed. Longer = more stability (as enables more smoothing)

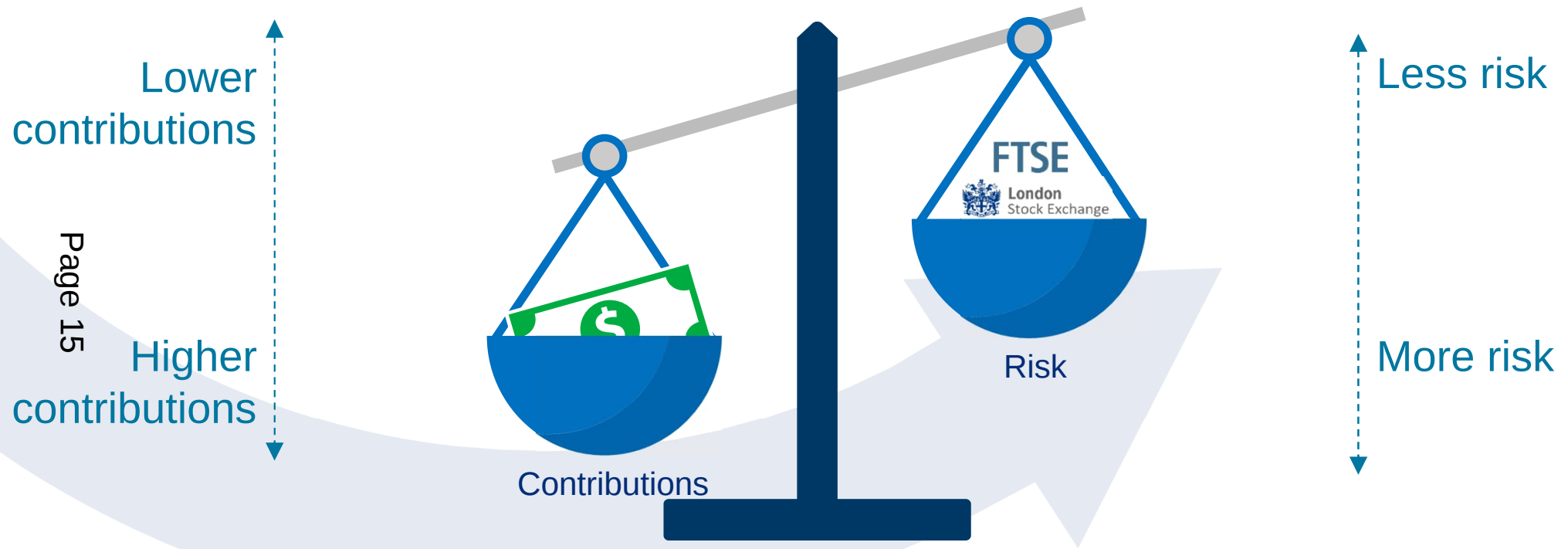
Impact (for the Fund in aggregate)

	Real discount rate reduces by 0.1%	Sustainability reserve increased by 5%	Recovery period reduced by 3 years
Primary rate	0.5% of pay	No impact	No impact
Secondary rate	0.9% of pay	2.7% of pay	(0.5%) (where surplus)

Impacts for individual employers will vary potentially materially, depending on their own circumstances

Preliminary 2025 Valuation Analysis and Outcomes

The 2025 valuation will see contribution reductions for many employers



Balancing short-term affordability versus longer term contribution stability

Preliminary 2025 Valuation Analysis and Outcomes

2025 Valuation – preliminary results

	31 March 2022 Final valuation position	31 March 2025 Updated position
Real discount rate - past	1.70%	3.00%
Real discount rate - future	2.10%	2.50%
Assets (£m)	2,339	2,626
Liabilities (£m)	2,361	2,291
Surplus / (deficit) (£m)	(22)	335
Funding level	99%	115%
Smoothing period	16	15
Sustainability reserve	0%	10%
Secondary contributions	0.7%	(2.7)%
Primary contributions	18.4%	15.7%
Total contributions	19.1%	13.0%



The provisional results show:

A higher funding level / lower contributions compared to any recent valuations

An increase in prudence levels

This means:

The Fund is in an **improved position to keep contributions stable** in future (although significant risks still remain).

The Fund's average contribution rate is reducing from 19.1% to 13.0%

Preliminary 2025 Valuation Analysis and Outcomes

Contribution sustainability



Assumption	3 yrs	6 yrs	10 yrs
Maintain 13% or lower	51%	53%	70%
Increase by 3% or more	26%	31%	21%
Increase by 5% or more	17%	20%	14%

What is the chance of maintaining the proposed contributions for the next two valuations?
How can we improve this by using prudence in the funding plan?

Likelihood of maintaining 13% contribution rate			
Valuation Year	Retain 2025 valuation parameters	Use 5% of sustainability reserve	Use full sustainability reserve
2028	c50%-55%	c60%	c65%-70%
2031	c50%-55%	c60%	c65%-70%

If future experience is better than assumed, there may be the opportunity to reduce contributions further

Preliminary 2025 Valuation Analysis and Outcomes

Other policy points

1

Employers without taxpayer backing – “lower risk” employers:

A different approach is applied currently to reflect the different risks to the Fund from these employers

Due to the improved positions / reduced risk, the treatment is moving closer to the “standard” approach .

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2

Termination policy:

Changes to the termination policy – particularly for the “lower risk” employers, so provide greater protection to the Fund when they exit

3

Academies:

Going forward new academy conversions will receive a share of the ceding Council’s sustainability reserve, to ensure consistent contributions before and after conversion



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Funding Strategy Statement

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Employer Results

Funding Strategy Statement

Layout and content

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Shropshire County Pension Fund – 2025 Funding Strategy Statement	
Contents and Guide to the Funding Strategy Statement (FSS) and Policies	
The key sections of the FSS, as required by overarching guidance and Regulations are as follows:	
A. Purpose of the Fund and the FSS	
B. Key funding principles	
C. Employer events	
This document also sets out the Fund's detailed policies in the following key areas. Please contact us xyz@shropshire.gov.uk for any queries relating to the FSS or Fund policies below.	
1. Demographic Assumptions (Appendix A)	In line with the Regulations, the Administering Authority has the discretion to review employer contributions between valuations in prescribed circumstances. The Fund's policy on how the Administering Authority will exercise its discretion is set out here .
Details of the demographic assumptions used for assessing the funding position and contribution requirements for the Fund and individual employers, are set out here .	
2. Deficit Recovery Plans (Appendix B)	7. Employer Risk Management Policy (Appendix G)
The key principles when considering deficit recovery plans as part of the valuation are set out here .	The Fund operates a separate policy to address the risks related to employers who do not have direct or indirect taxpayer backing. Further details on the policy are set out here .
3. Surplus Policy (Appendix C)	8. Covenant Assessment and Monitoring Policy (Appendix H)
The key principles when considering how any surplus identified as part of the valuation is used, including the impact on employer contribution rates, is set out here .	Details on how employer covenant is assessed, monitored and impacts the funding / termination approach are set out here .
4. New Employer Admission Policy (Appendix D)	9. Notifiable Events Framework (Appendix I)
Various types of employers are permitted to join the LGPS under certain circumstances. The conditions upon which their entry to the Fund is based and the approach taken is set out here .	This policy sets out events which employers should proactively inform the Fund about. More details are set out here .
5. Termination Policy (Appendix E)	10. Ill Health Captive Arrangement (Appendix J)
When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund's approach in such cases is set out here .	The Fund has implemented a captive insurance arrangement which pools the risks associated with ill health retirement costs for smaller employers. More details are set out here .
6. Inter-Valuation Contributions Review (Appendix F)	11. Roles and responsibilities of key parties (Appendix K)
	The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties and their roles for the purposes of the FSS are set out here .
	12. Glossary (Appendix L)
	A glossary of the key terms used throughout the FSS and Fund policies is available here .

NEW

- Surplus policy
- Asset share policy

UPDATED

- Deficit recovery policy
- Admission and termination policies
- Employer Risk Management policy
- Notifiable Events Framework
- Employer Events policy is now part of the FSS document

The updated draft FSS includes new sections and Fund policies brought into the document.

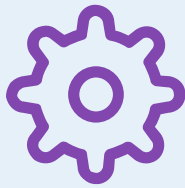
Funding Strategy Statement

The consultation process

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**All employers
must be
consulted**



**Process decided
by the
Administering
Authority**



**Employers
views must be
considered**



**Final decision
rests with the
Committee**

3

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Questions

Employer Results



Employer Results

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Pensions Committee
Date 5 December 2025

Item

6

Public

Pensions Administration Monitoring Report

Responsible Officer:	Vicky Jenks		
email:	Vicky.jenks@shropshire.gov.uk	Tel:	01743 252192
Cabinet Member (Portfolio Holder):			

1. Synopsis

The report provides members with monitoring information on the performance of and issues affecting the pensions administration team.

2. Executive Summary

- 2.1. Detail is provided on team workloads and performance, and projects currently being undertaken, including valuation 2025, Annual Benefit Statements and Pension Dashboards.
- 2.2. Information is also included regarding regulatory changes and the work undertaken by the Scheme Advisory Board.

3. Recommendations

- 3.1. Members are asked to note the KPI chart and information on those KPI's not currently meeting the 95% target and the actions being taken to address this. (Appendix A).
- 3.2. Members are asked to note the progress and completion of key activities from the business plan 2024-25 up to Q2. (Appendix B).
- 3.3. To note the progress of the Pension Dashboard implementation which is provided in the update report (Appendix C).

Report

4. Risk Assessment and Opportunities Appraisal

4.1. Risk Management

Performance is considered and monitored to ensure regulatory timescales and key performance indicators are adhered to. Administration risks are identified and managed and are reported to committee on an annual basis.

4.2. Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

4.3. Environmental Appraisal

There is no direct environmental, equalities or climate change consequences of this report.

5. Financial Implications

- 5.1. Managing team performance, collaborating with other administering authorities, and making best use of the technology that is available to use ensures costs to scheme employers for scheme administration are kept to a minimum.

6. Climate Change Appraisal

- 6.1. Energy and fuel consumption: No effect
Renewable energy generation: No effect
Carbon offsetting or mitigation: No effect
Climate Change adaptation: No effect

7. Performance and Team Update

- 7.1. The team's output and performance level for the period 1 April 2025 to 30 September 2025 up to Q2 is attached at **Appendix A**. The chart shows that 9 of the 16 KPIs are achieving at least 95% of cases being completed by the legal timeframes.
- 7.2. In September's report we noted how through the summer the team have been extremely busy working through several projects, and how this can impact on the business-as-usual work as we must prioritise certain areas of work that need to be

completed for the projects to succeed. However, I'm pleased to say that we have seen little negative impact across our KPIs and have even seen improvement on the KPIs where we are not achieving 95% of cases being completed by the timescales.

- 7.3. It is worth noting the improvement to the KPIs for transfers, this has been down to a change to how we resource these cases.
- 7.4. Following this success, we will be introducing a new process for allocating work within the Membership and Benefits team. Assignments will now be distributed according to individual skill sets and capacity, rather than the current alphabetical split, where all officers manage multiple types of casework such as retirements, deaths, and transfers. This new approach will also consider staff absences and project commitments. After implementation, we will review and set customer service targets for providing information to members. We will update the information shared with both the committee and board to reflect our performance against these targets.

8. Communications

- 8.1. The following chart shows statistics on the work undertaken by the helpdesk team not covered by the workflow system or reported with the wider team statistics in Appendix A.

	April 2025	May 2025	June 2025	July 2025	Aug 2025	Sep 2025
Telephone calls received to helpdesk team	696	618	552	628	523	608
% of calls answered	94%	96%	97%	97%	95%	98%
Contact us forms/Emails received to pensions@shropshire.gov.uk	681	814	680	798	756	907
% responded to within 10 working days	100%	100%	100%	100%	100%	100%
My Pension Online activation keys issued	70	102	67	102	97	113
Incoming post received and indexed to the pensions administration system (items per day)	103	102	109	105	94	92
1-2-1 video appointments held with scheme members	11	5	4	6	5	4
Users visiting the website*	3,759	758	797	794	769	812

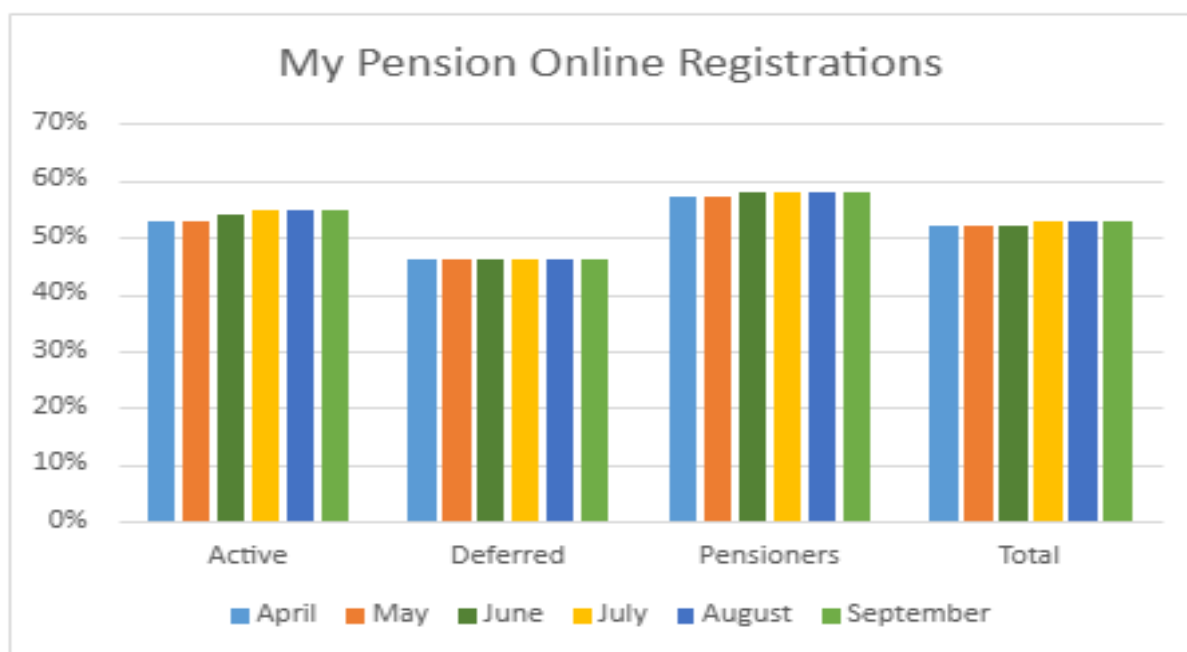
* This number indicates the number of users who have clicked to accept the cookie, which will then record their visit to the website. If members do not click this their visit is not recorded. This accounts for the drop in visit numbers from April 2025.

- 8.2. The team has received more enquiries through the 'contact us' form, which efficiently directs queries to the right member as it collects all required information from the initial enquiry.

- 8.3. We continue implementing a process where members are asked to upload documents to the 'my pension online' portal instead of emailing them to the helpdesk or sending in via post, as this method is more secure and efficient.
- 8.4. Penny the Pensions Bot which can be accessed via our website, continues to support members by answering questions, the chart below shows the accuracy rate for the responses provided. The table shows that we are receiving more enquiries via the Bot and that the accuracy rate is hovering around the 75% - 83% rate. We continue to look at the information bank and add in more information to help support members with their questions.

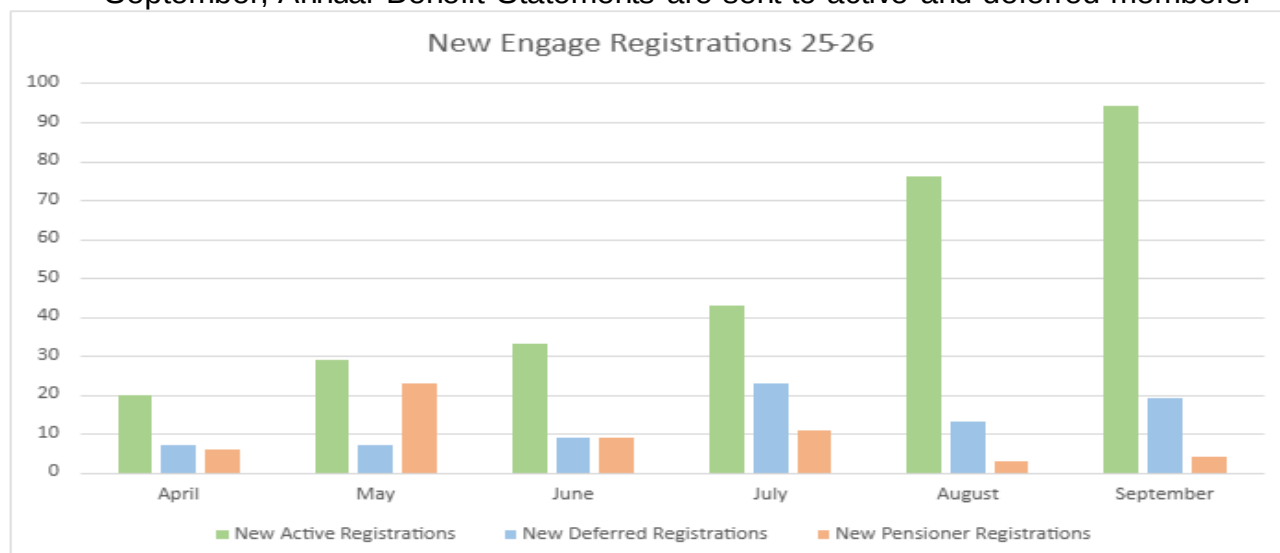
	2025	Apr	May	Jun	Jul	Aug	Sep
Questions submitted		96	99	116	81	113	133
Asked an expert		6	5	10	9	5	14
Accuracy %		83%	79%	83%	75%	78%	77%

- 8.5. The table below shows the percentage of members who have registered for 'My Pensions online' by the different member types in the fund. It encouraging to see that we are seeing a steady increase in the numbers registering for the service for active and pensioner members.
- 8.6. We are currently planning to do a tracing exercise that will update member addresses for those that have lost touch with the fund, these are predominantly deferred members as they are no longer contributing. Once this exercise is completed, we will look to make a concerted effort to contact all deferred members currently not registered for 'my pension online' to encourage members to register.



- 8.7. The chart below shows the number of new registrations we have received since April 2025. The spike in numbers correlates with campaigns where we have sent

out information to members, i.e. May – Pensioner P60s are sent out, July to September, Annual Benefit Statements are sent to active and deferred members.



9. Employer Performance

- 9.1. In line with the Shropshire County Pension Fund administration strategy, employers must pay their contributions and lump sum deficit payment by the 19th of the month. Accompanying data must also be submitted via i-Connect by this date. The below table shows the percentage of employers who have made payments by the deadline over this quarter.
- 9.2. September has been a difficult month in terms of data submissions and payment of deficit payments. 2 employers changed their payroll provider, and both could not submit their first extract accurately and on time. 1 is a multi-academy trust (MAT) and has 12 schools in the fund who are all treated as separate scheme employers. There were also some new academies and Admitted Bodies who could not send their first submission on time.
- 9.3. The onboarding process for the data submission service iConnect can be time consuming as we collaborate with new employers to deliver the relevant training to understand the system and the extract they must populate. We also must ensure that member records are updated with any new reference information that will be needed in readiness for the first submission from their new employer or payroll provider.
- 9.4. The low percentage in September for the lump sum deficit payments was due to one multi-academy trust with several schools who make separate payments. The 19th fell at a weekend which makes the due date the Friday, but payment was made on the Monday after the due date. Employers are being reminded of deadlines and the importance of submitting data in plenty of time ahead of the deadline.

	April 2025	May 2025	June 2025	July 2025	August 2025	September 2025
i-Connect data received on time	99%	97%	99%	98%	99%	87%
Monthly contributions received on time	99%	100%	99%	98%	98%	98%
Monthly deficit lump sum payments received on time	96%	98%	80%	96%	96%	90%

10. Projects

10.1. The fund's business plan for 2025/26 with comments on activities undertaken in Q1 and Q2 is available at Appendix B. All work that was scheduled for these quarters has been started and completed within the set timescales.

10.2. **Valuation** - The individual employer results have been distributed to employers, and an employer meeting was held on 24 November with the fund's actuary to provide updates regarding funding and investment strategies. The Funding Strategy document has been reviewed and revised in collaboration with the actuary, and the final draft will be presented to the committee during the update from Mercer. After the committee agrees on the draft, a consultation with employers will be conducted before committee ratification in March.

10.3. **Pension Dashboards** – See Appendix C for the latest project report. The annual address tracing project will enhance our data quality and support member data matching on dashboards. We are evaluating additional work areas and any necessary process or staffing changes to prepare for dashboard implementation. Increased member engagement may lead to more benefit payments or transfers for previously inactive members. Further updates will be shared at future committee meetings.

11. Regulatory updates

11.1. September 2025 CPI Rate Announcement

On 22 October 2025, the Office for National Statistics reported that the annual increase in the Consumer Prices Index (CPI) for September 2025 was 3.8 per cent. In line with recent government policy, adjustments under the Pensions (Increase) Act 1971 and the revaluation of pension accounts as stipulated in section 9 of the Public Service Pensions Act 2013 are based on the CPI rate for September of the previous year.

We are currently awaiting official confirmation from the Government regarding the application of this 3.8 per cent rate to the revaluation and pension increases for LGPS active pension accounts, deferred pensions, and pensions in payment, effective April 2026.

Pensions Committee: Administration and Regulatory Update September 2025

Local Member:

Appendices [Please list the titles of Appendices]

Appendix A – KPI tables Q2 2025

Appendix B – Business Plan Q2 2025

Appendix C – Dashboard Project update

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Appendix A KPI table for the period April 2025 to March 2026

Category	Q1 Complete at End of Period Apr 25 to Jun25	Q2 Complete at End of Period Jul25 to Sep25	Q3 Complete at End of Period Oct25 to Dec25	Q4 Complete at End of Period Jan26 to Mar26	Legal target	Q1 Complete Within Legal Target Apr25 to Jun25	Q2 Complete Within Legal Target Jul25 to Sep25	Q3 Complete Within Legal Target Oct25 to Dec25	Q4 Complete Within Legal Target Jan26 to Mar26
Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	145	103			2 months	99.3%	93.2%		
Communication issued confirming the amount of dependents pension	96	91			2 months	97.9%	96.7%		
Communication issued to deferred member with pension and lump sum options (quotation)	34	30			2 months	100.0%	100.0%		
Communication issued to active member with pension and lump sum options (quotation)	48	48			2 months	100.0%	100.0%		
Communication issued to deferred member with confirmation of pension and lump sum options (actual)	243	198			2 months	98.4%	93.9%		
Communication issued to active member with confirmation of pension and lump sum options (actual)	102	131			2 months	99.0%	97.7%		
Payment of lump sum (both actives and deferreds)	322	324			2 months	99.1%	98.8%		
Communication issued with deferred benefit options	392	243			2 months	44.9%	57.6%		
Communication issued to scheme member with completion of transfer in	96	54			2 months	66.7%	79.6%		
Communication issued to scheme member with completion of transfer out	69	76			2 months	78.3%	88.2%		
Payment of refund	105	77			2 months	99.0%	98.7%		
Divorce quotation	22	24			2 months	100.0%	95.8%		
Member estimates requested by scheme member and employer	157	134			2 months	93.6%	97.8%		
Aggregation cases	269	375			2 months	89.2%	96.0%		
Grand Total	2100	1908	0	0					

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Pensions Administration & Investment Business Plan Update 25/26						
Project Name	Context	Actions	June 2025 Update Q1		September 2025 Update Q2	
Administration			Progress	Status	Progress	Status
Year-end 2024/2025	All records to be checked from postings. All employer forms to be reconciled to total of monthly postings	Data cleansing to be undertaken following last i-Connect submission for March 2024. Reconciliation forms and communication to employers to be issued February 2024. Forms reconciled to accounts. Project to completed by 30th June 2025.		Complete		Complete
Annual Benefit Statements (Active and Deferred)	All Annual Benefit Statements issued by 31 August	Project plan to be put in place by 31st March 2025. Statement preparation to commence following completion of year end processes.	Plan completed in Q1 and project completion will be Q2	G - On Track		Complete
Preparation of Pension Fund Annual Report	To produce annual report by statutory deadline of 1st December 2025	Project plan to be put in place by March 2025. Review new guidance when available. This will be compulsory from 2025. Draft version available to be signed off by September 2025 pension committee.	Majority of content gathered and formatted in Q1 and final version will be completed in Q2	G - On Track	Still awaiting report from Audit and a couple of other corrections.	G - On Track
SAB Good Governance Review Outcome	To demonstrate compliance with any recommendations/regulation changes put in place	Review guidance when available. Some of the recommendations were part of the Fit for the Future consultation and will be taken forward following the Government's response to this.	Having done a light touch review on recommendations , the Fund already has a number of these in place and will create an action plan.	Ongoing	Waiting for further information on the independent review.	Ongoing
McCloud Remedy	To implement the 1st October 2023 McCloud legislation and to ensure any guaranteed amounts are paid to protected members.	Ensure the system is configured to allow all calculations to perform the underpin calculation. All relevant documentation to be amended. Disclosure requirements to be met by 31st December 2023 due to the change in legislation. Rectification cases of past cases during the remedy period to be undertaken.	McCloud now forms part of business as usual for all future cases and the team are working through rectification cases to clear these by the end of March 2026. There is still ongoing system development and guidance for some of the rectification cases. Officers requested delegation from the Committee to extend the timeframe for these cases which was approved in June Committee.	G - On Track	Awaiting casual hours for the remaining five cases - will be completed by end of 2025. LGA have provided information on prioritisation.	G - On Track
Review of Bonds (Employer guarantor)	For certain types of admitted bodies a Bond is required to provide an assurance that contributions can be collected in the event of an employer having financial difficulties	As part of the valuation process Bond values are reviewed. The administration team need to liaise with employers to ensure bonds are put in place and reviewed before they expire	All outstanding bonds prior to 01/04/25 have been put in place however, the review of bonds will form part of the valuation process.	G - On Track	All outstanding bonds prior to 01/04/25 have been put in place however, the review of bonds will form part of the valuation process.	G - On Track
External Audit of Pension Fund	Annual requirement	Providing information required within the agreed timescales.	Preparation work for the external audit began January 2025. The actual audit commenced first week of July and actions for this will be completed in Q2.	Ongoing	Presented to September Committee.	Complete
Production of Pension Savings Statements	Comply with HMRC regulations	Identify the members who have breached the annual allowance. Provide a pension saving statement by the 5th October 2025 deadline.	Preparation and production of PSS commences in Q2.	Not Started	Nine PSS sent this year and one with taxable input.	Complete
Pensions Increase 2025	To ensure pensioners and deferred are uprated with annual increase amount	Bulk process to update the system with the confirmed CPI increase on 8th April 2025.	Completed and run in April 2025 with increase applied to Pensioners' records.	Complete		Complete
Pensions Dashboard Implementation	Implement in line with national guidelines by October 2026.	Implementation of the ISP in order to connect to Dashboards. Implementation of address tracing, mortality and bank account verification included as part of this project.	Phase 1 completed and Phase 2 being implemented. Mortality screening has been implemented. Address tracing and bank account verification is scheduled for Q2/3.	G - On Track	Looking at policy for Find Data and testing of data. AVC single source connection to be established.	G - On Track
Bulk Revaluation	Annual CARE uprating to be applied to active records	Bulk process to be run after year end postings are complete in May/June 2025.		Complete		Complete
P60 to Pensioners	To produce a P60 for pensioner members by 31st May	Following year end 2024/25 payroll processes run P60 production in end March/April 2025.		Complete		Complete
Investment						

Pensions Administration & Investment Business Plan Update 25/26						
Project Name	Context	Actions	June 2025 Update Q1		September 2025 Update Q2	
UK Stewardship Code	Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The UK Stewardship Code 2020 comprises a set of 12 ‘apply and explain’ Principles for asset owners. As part of the Fund’s desire to demonstrate its good governance and stewardship of its assets, the Fund submitted its first report in October 2022. The Fund was successful in its submission and is now a signatory to the UK Stewardship Code. The Fund has received feedback from the FRC on its submission and the Fund will develop its submission following this feedback. The Fund will submit a report annually to the Financial Reporting Council (“FRC”) to maintain its status as signatory to the Code. As part of the work on the Stewardship Code the Fund will review its approach to stewardship and engagement to ensure that it continues to meet the requirements of the Committee.	ESG monitoring is in place as part of business as usual. Resources have been allocated to review positions with Investment Managers annually to address any points. Lead Officer: Pensions Investment and Responsible Investment Manager	Work has commenced on Stewardship application for this year.	G - On Track	Draft went to September Committee and final version being circulated to members for submission by 31/10/25.	Complete
Triannual Valuation Results	Work with Actuary to prepare and consider the Actuarial valuation results. The next valuation date is the 31st March 2025 alongside the Fund’s Funding Strategy Statement.	Regular update meetings are held with the Actuary. Communications will be issued to scheme employers in 2024/25 in respect of the valuation process. The Funding Strategy Statement has been updated as part of the 2022 valuation and will be reviewed and issued for consultation following the 2025 valuation. Lead Officer: Head of Pensions – LGPS Senior Officer	Regular meetings with Mercer and plan in place.	G - On Track	Regular meetings with Mercer and plan in place. Results expected end of October and Employer Meeting 24/11/25.	G - On Track
Covenant Review	Work with Actuary to review Employer covenants on an annual basis to monitor risk to fund.	Meetings have been held with Actuary to discuss employers subject to review and the terms and reference of the reviews. Lead Officer: Pensions Investment and Responsible Investment Manager	Information to be requested from employers as at the end of July.	G - On Track	Data has been provided to Mercer for inclusion in the Valuation. Not yet seen the outcome.	G - On Track
Climate Change Risk	The Fund issues an annual climate risk report and TCFD report as part of its commitment to net zero. In addition, the Fund supports these reports by undertaking Climate scenario analysis on a bi-annual basis to ensure that developments in this field are fed into ongoing analysis.	Climate Risk reports and TCFD reports have been commissioned with LGPS Central. Alternative Investment managers ESG policies and progress on Climate Risk monitoring are reviewed periodically with a view to establishing full portfolio monitoring. Lead Officer: Pensions Investment and Responsible Investment Manager	Provisional dates have been agreed with LGPS Central for data provision.	G - On Track	Provisional dates have been agreed with LGPS Central for data provision. Climate training agreed for 21/11/25.	G - On Track
Biodiversity Risk	The Government is currently consulting on TNFD (Taskforce for Nature related Financial Disclosures). The Fund is monitoring the position and discussing potential data sources with investment managers and other Funds with a view to be able to report in a similar context to TCFD on climate.	Discuss the format of TNFD reports with LGPS Central to establish what can be accurately reported. Consider integration of Biodiversity risk into climate change strategy as whilst different risks there is an underlying fundamental link. Liaise with Investment Managers with a view to establishing full portfolio monitoring. Lead Officer: Pensions Investment and Responsible Investment Manager	Still awaiting guidance on TNFD reporting within the LGPS.	Y - On Hold		Y - On Hold
Investment Strategy Statement	The Fund sets a triannual investment strategy which was last reviewed in June 2023 and the Fund is currently working on transition plans to meet the new strategic asset allocation. The investment strategy review took place concurrently with the review of the Funding Strategy Statement in 2022/23. The outstanding actions now are implementing the agreed changes to the investment strategy. The implementation of the revised investment strategy will occur over a period to manage transition risks.	Reports on the Investment transition to meet the new ISS were presented to Pensions Committee in September 2023. The transition will take approx. 18 to 24 months to fully implement given some of the illiquid asset classes involved. A full timetable is in place and Pensions Committee will be updated on a quarterly basis of major changes. Lead Officer: Head of Pensions – LGPS Senior Officer	Quarterly update taken to June Committee and will continue to be monitored quarterly pending the valuation results.	G - On Track	Quarterly update taken to June Committee and will continue to be monitored quarterly pending the valuation results. Training will be provided in the new year following the valuation results.	G - On Track

Pensions Administration & Investment Business Plan Update 25/26					
Project Name	Context	Actions	June 2025 Update Q1		September 2025 Update Q2
Pooling	The Fund works directly with LGPS Central to ensure that appropriate products are available to meet future investment requirements and allow transition from legacy managers as investments mature. Following the General Election, the new Pensions Minister has instigated a pensions review with phase 1 including the Local Government Pension Scheme, in particular the pooling of investments. The recommendations to this will be know towards the end of 2024	The Fund Continues to work with LGPS Central to ensure that appropriate investment vehicles are available to allow the transfer of the Funds uncommitted assets. The transition of illiquid assets will continue to be reviewed based on maturity profiles and investment opportunities available. The Fund has responded to the consolation on moving pooling forward. Lead Officer: Head of Pensions – LGPS Senior Officer	Fit for the Future consultation results have been received and reported to Committee. Fund will work with LGPS Central in Q2 to establish position and requirements.	G - On Track	Update report provided to September Committee. Work continues on integration of new partner funds to LGPS Central. G - On Track

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Project Highlight Report

Pensions Committee



**Shropshire
County
Pension Fund**

Project Name:	Pensions Dashboard	Report Number:	006
Period	September to October 2025	Date Completed:	07/11/2025
Completed By:	Jake Glover Senior Pensions Project Officer		

TREND SINCE LAST REPORT	On Track
CURRENT STATUS	Green
EXPECTED STATUS AT NEXT REVIEW	Green

Progress so far The following activities have taken place:	Planned work for next month and beyond Activities planned for June are:
• An ISP (Integrated Service Provider) has been procured and signed off by Legal. • Monthly meetings are in place for the Pensions Admin Manager, Team Leaders, and Senior Pensions Project Officer. • Vicky and Jake have completed all the required invitations to tender documentation, and this has been released to providers. • Risks, Issues and Decisions reviewed at November project catch-up. • Member Data Tools Invitation to Further Competition to run until 28th November for providers to submit bids for each lot. • Review provider bids for Member Data Tools and carry out scoring. Contract to be awarded on 18/12/24. • Contract awarded to Heywood Pension Technologies for the data tools software. • ISP DPIA reviewed and signed off by Information Governance. • Complete User Acceptance Testing (UAT) for phase 1 implementation of the ISP. • UAT acceptance issued and signed off. • Project kick-off call booked for 6th March for the Data Tools implementation project. • Implementation study issued for Mortality Screening, signed and returned. • Mortality Screening testing is completed, and a meeting to be booked with Heywood to discuss the next steps for the project.	• Address tracing kick-off call has been booked for 12th November with Heywood. • AVC single source data: • Upmost have sent across an encrypted file which has been checked and confirmed. This will be sent annually. • Prudential have sent across a test file through their Secure File Transfer Protocol (SFTP). This has all been setup and members of the Systems team are able to access this. • Heywood have finalised testing on their AVC interface for Altair having discovered issues with the Managed File Transfer (MFT) for AVC uploads. This has been deployed to Altair Test (07/11/25) with a handover email containing information required. The Systems team will ensure it is working prior to it being deployed to Altair Live.

Project Highlight Report

Pensions Committee



- Mortality Tracing go live was delayed on the Heywood side and some extra workflow needed to be put in place for Status 9 records. Went live on 04/06/25.
- ISP Phase 2 kick-off call booked in for 16/07/25. The questionnaire and connection template completed and sent back to Heywood ahead of the call.
- ISP Phase 2 implementation completed, and connection confirmation signed and returned. Project closure call held 07/08/25.
- AVC template has been shared with Heywood, awaiting a response re costings.
- First mortality tracing completed.
- Bank Account Verification is in Live however there are issues with the number of errors and referrals. This has been fed back to Heywood and another fund has been contacted.

Slippage and Remedial Action

- ~~Mortality screening delayed due to staff shortages at Heywood; this has delayed implementation of address tracing as we have now hit the valuation project which the team need to focus on.~~
- ~~After escalating this with CRM eventually went live 4 June 2025.~~
- Implementing the Address Tracing module and the AVC interface have been delayed due to Heywood staffing pressures and not as a result of any delays/issues within the Fund.

Key Risks and Issues

R/I	Detail	Rating	Open / Closed
R	Suitable ISP is not obtained and so can not connect to dashboard	Very Low	Closed
R	Data quality is low, leading to poor matching criteria and members having to contact the fund to find their pension (rather than finding it directly through the dashboards)	Low	Open
R	Procurement of new tracing and mortality screening provider (gap in service as current provider current ends in September)	Very Low	Closed
I	Decide on implementation dates	N/A	Closed
I	How do we resource queries from Dashboard to reduce the team being overwhelmed and to meet required timescales	N/A	Open
I	What to use for Find Data and how AVC information will be accessed	Medium	Open
R	ISP connection deadline not met	Low	Closed

R	Having adequate resource to deal with any additional work created	Medium	Open
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High Level Milestones

Action	Date Completed / Target Date	Status	Comments
Procure ISP	19/08/2024	Complete	ISP procured and approved.
Data Tools Procurement	February 2025	Complete	Procurement complete and contract awarded
ISP UAT	March 2025	Complete	UAT acceptance issued and signed off
Mortality Screening	June 2025	Complete	Module went live following a delay on the Heywood side
Data Tools Implementation	April/May 2025	Slipping	Address Tracing to commence November – delayed due to staff pressures at Heywood working on the ISP
ISP Phase 2	July/August 2025	Complete	
AVC Single Source	October/November 2025	Slipping	Implementation dates slipped due to issues with the Heywood Altair interface

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Pensions Committee
Date 05 December 2025

Item

Public

Corporate Governance Monitoring Report

Responsible Officer:	Peter Chadderton		
email:	peter.chadderton@shropshire.gov.uk	Tel:	07990 086399
Cabinet Member (Portfolio Holder):			

1. Synopsis

- 1.1 The report is to inform members of corporate governance changes including the governments latest “LGPS - Fit for the Future” consultation, and updates since the last committee together with a review of socially responsible investment issues arising in the quarter, 1st July 2025 to 30th September 2025. Including the latest position in respect of the Palestine Solidarity Campaigns demands.

2. Executive Summary

- 2.1. Detail is provided on the actions taken by the Funds key stewardship partners in respect of the quarter from 1st July 2025 to 30th September 2025.
- 2.2. An update on the Funds position in respect of the letter received from the Palestine Solidarity Campaign and the actions taken by the Scheme Advisory Board.
- 2.3. Information is also included on the government’s latest Local Government Pension Scheme (England and Wales): Fit for the future consultation and confirmation of the changes since the last Committee.

3. Recommendations

- 3.1. Members are asked to note and accept the position as set out in the report in respect of voting and engagement activity.
 - LGPS Central at [Appendix A/A1](#),
 - Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at [Appendix B](#) and
 - LAPFF Engagement Report at [Appendix C](#).

- 3.2. Members are asked to note and accept with or without comment the Funds update on companies in conflict affected and high-risk areas.
- 3.3. Members are asked to note approve the process for responding to the government's latest Local Government Pension Scheme (England and Wales): Fit for the future consultation.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Risk Management
Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them.
- 4.2. Human Rights Act Appraisal
The recommendations contained in this report are compatible with the Human Rights Act 1998.
- 4.3. There are no direct Equalities or Community consequences.
- 4.4. Environmental Appraisal
The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.

5. Financial Implications

- 5.1. There are no direct financial implications arising from this report.

6. Climate Change Appraisal

- 6.1 The Fund takes responsible investment very seriously and has a Climate Change Strategy (updated in September 2024) in place committing to net zero by 2050 in line with the Paris accord on climate change adopted in 2015 and setting out interim targets to achieve that goal.
- 6.2 Responsible investment is a key process the investment managers go through before investing and something the fund considers as part of investment opportunities. Thorough due diligence is undertaken considering all risks including climate change. The investment managers vote where applicable on the Fund's behalf, Columbia Threadneedle Investments engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which undertakes engagements on behalf of all LGPS members.
- 6.3 Shropshire County Pension Fund is a signatory to the UK stewardship code.

- 6.4 Shropshire County Pension Fund has also received and published Climate Risk Reports and TCFD reports since December 2020. The latest report from December 2024 is publicly available on our website. The 2025 report will be presented by LGPS Central at the December meeting and added to the website following approval.

7. Background

- 7.1 The Shropshire County Pension Fund has been actively voting for over seventeen years at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests. Voting is carried out by LGPS Central through EOS @ Federated Hermes (EOS) on all equity portfolios since the 1st January 2025 which ensures a consistency of approach. [Appendix A/ A1](#) to this report shows the engagement examples by EOS and engagement work by LGPS Central.
- 7.2 Prior to January 2025 voting was undertaken by both LGIM in respect of the Funds passive equity portfolio and EOS on behalf of LGPS Central.
- 7.2 The Fund is also addressing its social responsibility through a strategy of responsible engagement with companies. Columbia Threadneedle Investments (CTI) provides this responsible engagement overlay on the Fund's global equities portfolios.
- 7.3 CTI engage with companies across five key engagement themes and a rolling program of 10 projects. The current themes and projects are shown below:

Theme	Project
Climate Change	Coal phase out
	Deforestation
Environmental Stewardship	Emissions and plastic waste
	Sustainable supply and demand of critical minerals
	Responsible Water Stewardship
Human Rights	Responsible governance of Artificial Intelligence
Public Health	Diversity in clinical trials
	Sustainable Food Systems
Governance	Improving board gender diversity in Asia
	Independent Board Evaluation

- 7.4 Engagements often operate over a period of several years reflecting the time taken to build relationships and develop real change. A copy of their quarterly report is attached at [Appendix B](#).

- 7.5 In addition the 86 LGPS Scheme members and the pooling companies are represented by the Local Authority Pension Fund Forum (LAPFF). LAPFF use the holdings of the entire Local Government Pension Scheme to leverage engagement with companies on a range of ESG issues and their quarterly report is attached at [Appendix C](#).

8. Manager Voting Activity

- 8.1. The LGPS Central stewardship report at [Appendix A](#) is a generic report across all of the investments operated by LGPS Central and those products that LGPS Central can vote on through Legal and General, it is not specific to the products in which the Fund is invested. This means that the majority of examples and engagements will relate to the Fund's portfolio but not all. In respect of the report at [Appendix A](#), the following four companies were not held by the Fund as at the 30th September 2025 – Exxon Mobil, Ansell, M3 Inc, and Quorvo Inc.
- 8.2. The Fund holds the following public market investments which are voted on and engaged with by LGPS Central:
- LGPS Central Global Equity (Multi Manager Fund)
 - LGPS Central Sustainable Equities Broad Fund
 - LGPS Central Sustainable Equities Targeted Fund
 - LGPS Central Investment Grade Credit Fund (Engagement Only)
 - Legal and General Investment Managers (LGIM) Low Carbon Global Equity Passive Fund.
- 8.3 The Funds investments are held on a pooled basis so the Fund actually holds units in a pool which has underlying investments, this means unlike previous segregated mandates the equities are in the name of LGPS Central or LGIM. On average there are approximately between 1700/2000 underlying holdings in the portfolios.
- 8.4 LGPS Central have set their stewardship themes for three years covering 2024 to 2027 reflecting again the average length of engagements to impact real change.

Their current themes are:

- Climate Change
 - Natural Capital
 - Human Rights Risk
 - Sensitive and Topical Issues
- 8.5 LGPS Central have developed the following scale to allow transparency and understanding of the success of engagements and these are reflected were appropriate in the report at [Appendix A](#) in section 2 pages 7-16.

The engagement response will be measured across 4 levels:

- Level 0 No progress has been made as a result of engagement.
- Level 1 Minimum expectations have been met.
- Level 2 Moderate progress.
- Level 3 Successful outcome.

- 8.6 For example in the case of an engagement on climate change the four levels would reflect the following positions:
- Level 0 No progress or a failure by the company to engage.
 - Level 1 Companies disclosing data to facilitate carbon performance assessment.
 - Level 2 Progress observed in Climate Action100+ Benchmark Framework, Companies improving on TPI (Transition Pathway Initiative) quality ladder, Companies partly aligning with LGPS Central Net Zero Strategy.
 - Level 3 Complete and demonstratable alignment to LGPS Central Net Zero Strategy.

9. Responsible Engagement Activity

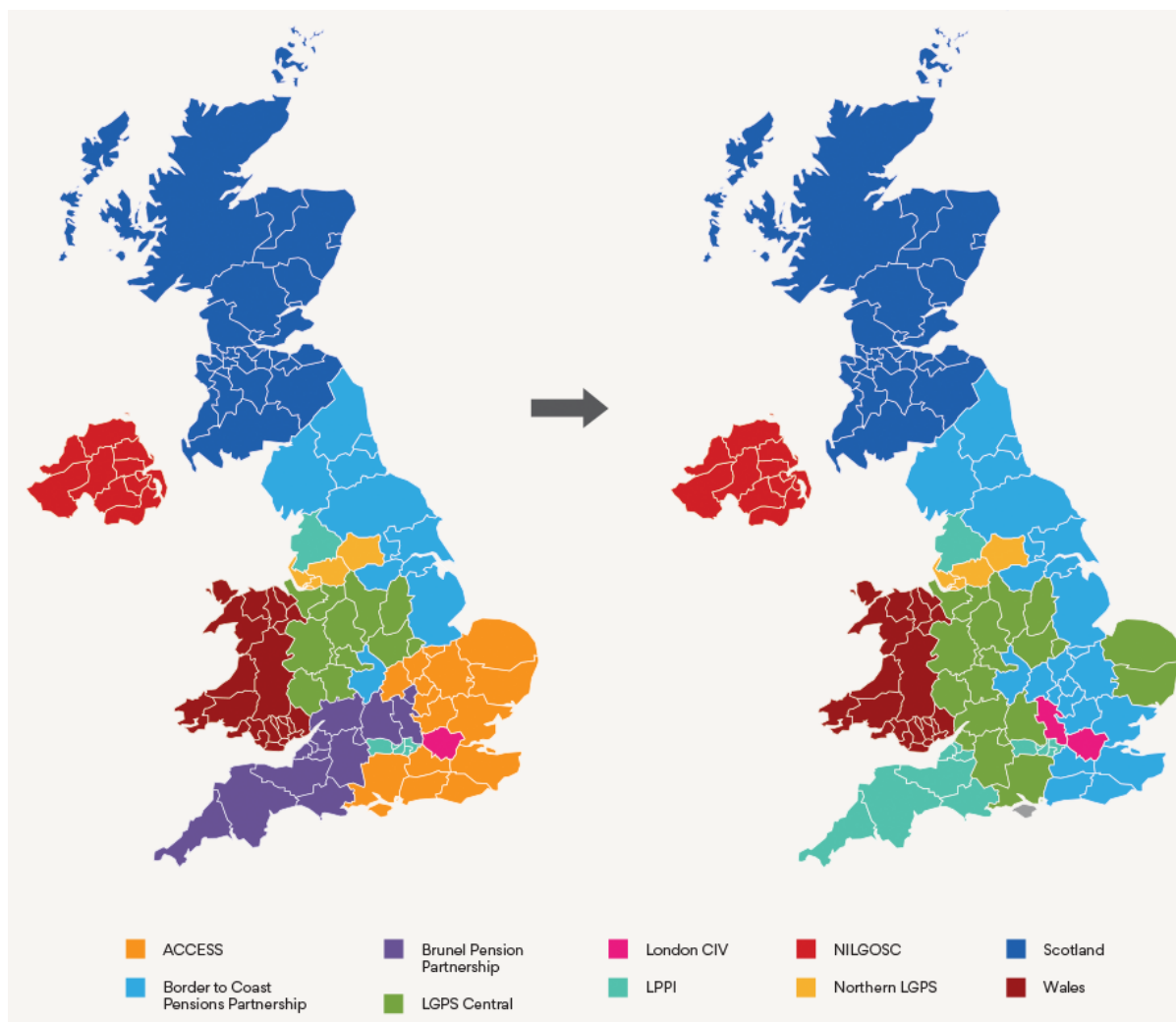
- 9.1. During the last quarter Columbia Threadneedle Investments have continued to actively engage with companies on the Fund's behalf. An update on the engagement activities for the quarter is attached at [Appendix B](#) in the REO Activity report. This report covers companies across all the Fund's equity portfolio's and includes an engagement example from Total Energies who sit within the LGIM portfolio and recently presented at the LGPS Central Responsible Investment Summit.
- 9.2. In addition to the public overview Columbia Threadneedle Investments also produce a confidential report on an ongoing engagement which can be shared with Committee members on request.
- 9.3. As part of the service provided by Columbia Threadneedle they screen holdings against breaches and controversies around the UN Global Compact which is a voluntary initiative to get CEO's to adopt sustainable and socially responsible practices. There were no reported breaches in the last quarter.
- 9.4. In addition to the service provided by Columbia Threadneedle Investments, the Fund is also a member of the LAPFF (Local Authority Pension Fund Forum). The LAPFF use the combined power of LGPS Members to engage with companies on behalf of the LGPS. An update on the engagement activities of the LAPFF for the quarter is attached at [Appendix C](#).
- 9.5. The LAPFF engagement is not specific to companies in the Fund's portfolio. The LAPFF use Pension Fund share holdings at an aggregate level to determine engagement companies, and they often engage at a sector level as well as with specific companies. Examples of some of the companies within the Shropshire portfolio on 30th September 2025 include an article on Climate and the impact of Cement which covers both Heidelberg and CRH. The article on water stewardship looks at Severn Trent and Coca Cola and the social article looks at LVMH (Moët Hennessy Louis Vuitton). The article on CAHRAS (Conflict affected and High Risk Areas) looks at a number of impacted areas as well as Palestine and looks at both Total Energies and Honda which both sit in our portfolios. There are also a couple of Governance examples involving Prysmian and Infineon from the LGIM mandate.

10. Conflict Affected Areas

- 10.1 On the 28th August 2025 Committee members received a letter from the Palestine Solidarity Campaign (PSC) requesting the Fund divest from companies involved in breaches of International Humanitarian Law supported by a legal position paper.
- 10.2 The Fund's position on investment in companies in conflict affected and high-risk areas is set out in our statement ([Appendix D](#)) and is backed by legal opinion from Nigel Giffen KC which was obtained by the Scheme Advisory Board on behalf of the LGPS.
- 10.3 The report in September outlined the Scheme Advisory Boards (SAB) response at that time. Since that date SAB have written directly to MHCLG on the 13th October 2025 as promised and a copy of their letter is available on the SAB website [here](#). The letter clearly sets out SAB's view that having already obtained legal advice regarding allegations of criminality by administering authorities, the onus is on the government to provide clarity in the light of opposing opinion provided by Palestine Solidarity Campaign. In this respect they cite the previous Secretary of State did communicate the Governments views on the appropriateness of investments in Russia following the invasion of Ukraine.
- 10.4 To date SAB have not received a response from the Minister to their letter but they continue to raise the issue when the opportunity arises and have advised that funds continue in the interim to act in accordance with their own policies.
- 10.5 The Fund continues to keep the position under review and looks to Central Government for direction in these matters as was the case in the Russian invasion of Ukraine. Whilst recognising the hardship for people living in these areas, for the reasons outlined in our CHARA statement, the Fund believes that the effective stewardship of assets provides the best long-term outcomes for stakeholders and society.

11. Local Government Pension Scheme (England and Wales): Fit for the future consultation

- 11.1. The background to the consultation was set out in the paper to Committee in September 2025 and I am building on this to confirm the events that have happened since that date.
- 11.2. The Government set a deadline of the 30th September 2025 for orphaned funds to have made a decision on which pooling company they would be joining. Since that date all funds with the exception of the Isle of Wight have given public responses on the shape of pooling from 1st April 2026. The map below produced by LAPF investments shows the changes in the shape of pooling for each of the pooling companies. In respect of LGPS Central this means that six funds Gloucestershire, Hampshire, Norfolk, Suffolk, Oxfordshire and Wiltshire will be joining LGPS Central and have signed Memorandums of Understanding to that effect. The Isle of Wight have recommended to their host authority a desire to join LGPS Central.



- 11.3. Work is currently ongoing on drafting a revised Shareholder Agreement which will be signed by all of the partner funds prior to the 31st March 2026 deadline.
- 11.4. The Pensions Bill which provides the formal legislation for all these changes is still going through the House of Commons. MHCLG advised that they expect it to be passed shortly to the House of Lords for consideration. MHCLG have confirmed they expect the Bill to be on the statute books prior to 31st March 2026.
- 11.5. With the above deadline in place the government have started to consider the regulations and guidance that will sit behind the Bill to assist administering authorities. A technical consultation was issued on the 21st November 2025 to consider two draft statutory instruments and whether these effectively deliver the policy proposal set out in the government's response to the fit for the future consultation. The consultation can be seen [here](#) and covers two draft statutory instruments. The first covers the LGPS (Pooling, Management and Investment of Funds) Regulations questions 1 to 23. This first regulation covers a number of areas from the fit to the future consultation including the investment of funds, asset pooling companies, investment strategy, local investments, the role of the Secretary of state in issuing regulations and transitional requirements. The second regulation LGPS (Amendment) Regulations 2026 questions 24 to 29 concerns the governance proposals in particular, looking at strategies required, the role of the

LGPS Senior Officer, the role of the independent person, the knowledge and understanding requirements and independent governance reviews.

- 11.6. The consultation has a deadline of the 2nd January 2026 so we will need to prepare a draft response before the offices close on the 23rd December 2025. Given the extremely short time scale, officers will look to speak to partners in LGPS Central and draft a response to be shared with the Chair in advance of submission. A copy of the response will be provided to the committee as part of the next quarterly update.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Climate Risk Report, Pensions Committee 6 December 2024

Mansion House Proposal Report, Pensions Committee 6 December 2024

Corporate Governance Monitoring report, Pensions Committee 6 December 2024

Corporate Governance Monitoring report, Pensions Committee 21 March 2025

Corporate Governance Monitoring report, Pensions Committee 20 June 2025

Corporate Governance Monitoring report, Pensions Committee 19 September 2025

Local Member: N/A

Appendices [Please list the titles of Appendices]

Appendix A – LGPS Central Stewardship Report 1st July 2025 to 30th September 2025

Appendix A1 – LGPS Central/EOS Voting Records 1st July 2025 to 30th September 2025

Appendix B – Columbia Threadneedle Investments Engagement Overlay Report 1st July 2025 to 30th September 2025

Appendix C – LAPFF Quarterly Engagement Report 1st July 2025 to 30th September 2025

Appendix D – Statement on investments in companies in conflict affected and high risk areas (CAHRAs)

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Stewardship Update

Q3 2025 (JULY - SEPTEMBER 2025)





Responsible Investment & Engagement

LGPS Central's approach



LGPS Central's approach to Responsible Investment & Engagement carries two objectives:

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

Be an exemplar for responsible investment within the financial services industry, promote collaboration and raise standards across the marketplace

These are met through three pillars:



This update covers LGPS Central's *stewardship* activity. Our stewardship efforts are supplemented by global engagement and voting services provided by EOS at Federated Hermes. For more information, please refer to our Responsible Investment & Engagement Framework and Annual Stewardship Report.

Additional Disclosures

Responsible Investment & Engagement Framework



Climate Report



Voting Principles



Voting Disclosure



Voting Statistics



Stewardship Code Report



Signatory of:





01 Q3 Stewardship Activity Overview

A summary of engagement and voting activities and key stewardship developments

Key Stewardship developments

Key Takeaways from the OECD Corporate Governance Factbook 2025

The latest edition of the [OECD Corporate Governance Factbook](#) offers a compelling snapshot of how stewardship and corporate governance practices are evolving across 52 jurisdictions. Several trends stand out that underscore the growing importance of active ownership and responsible investment. The Factbook outlines that institutional investors now hold 47% of global listed equity, up from 44% in 2022, a clear sign of their growing influence in capital markets. The next largest category of corporate ownership is made up of 'Other free-float' which includes retail investors and institutional investors that did not exceed the required thresholds for public disclosure of their holdings. Encouragingly, 88% of jurisdictions require disclosure of voting policies, and 73% mandate disclosure of actual voting records, compared to just 39% in 2014. This shift reflects a broader push for transparency and accountability in response to corporate scandals and governance failures in the 2000s. Voting disclosure should enable investors and other stakeholders to better monitor funds' involvement in portfolio companies' governance. This disclosure can influence the way fund managers exercise governance, which can shape the policies and direction of public companies¹.

The move to digital shareholder meetings has accelerated, with 94% allowing hybrid formats. This improves accessibility and participation, especially for long-term investors. Additionally, 94% now require immediate disclosure of related party transactions, up from 50% in 2016, a key safeguard against conflicts of interest.

Governance structures are evolving to promote independence, with 76% of jurisdictions recommending or requiring separation of the CEO and board chair roles, up from 44% in 2014. On diversity, women now hold 29% of board seats on average, with countries like France, Norway, and Iceland exceeding 40%. These shifts support more balanced and effective board oversight.

The Factbook shows that 79% of jurisdictions mandate sustainability-related reporting, with 60% requiring assurance of this information, and 62% require transition planning. Importantly, 71% require or recommend boards to oversee sustainability policies, signalling a shift toward embedding ESG oversight at the highest levels of corporate governance.

Capital raising patterns are shifting. Between 2014 and 2024, secondary public offerings raised 2.5x more capital than IPOs, while non-financial corporate bond issuance surged to USD 27 trillion, a 57% increase over the decade. Ownership concentration is also rising, in 44% of listed companies, the top three shareholders own more than half the equity, which has implications for stewardship and engagement strategies.

¹ Every Vote Counts: Mandatory Disclosure and Voting Outcomes by Nan Li, Johnny (Yeo Sang) Yoon :: SSRN



Exxon Mobil's Retail Voting Program

The energy provider and chemical manufacturer, Exxon Mobil, received approval from the SEC to introduce a retail investor-focused voting mechanism that would allow retail investors to automatically cast ballots in line with management recommendations during AGMs. In response, As You Sow and the Interfaith Center for Corporate Responsibility filed a request to rescind the SEC's approval of the retail voting program. The program would opt retail shareholders into a program that would cast their votes in favour of management for all future meetings, unless and until shareholders take steps to opt out. However, the SEC's rule 14a-4 states that authority to vote on behalf of a shareholder cannot be given for more than a single annual meeting, with voting materials furnished in advance of providing such authority. SEC's 14a-4 proxy voting rules were promulgated to ensure that shareholders who have invested their capital have an effective voice in company management. Considering that retail shareholders own roughly 40% of outstanding shares and the vast majority of retail voters do not vote, the program risks sidelining institutional investors dissenting voices as it will be easier for management to secure majority support. The company has a history with shareholder activists. In 2021, the company was a target of shareholder activism, with three board members elected by an activist shareholder. In 2024 the company took aggressive action by suing two shareholders who filed repeated ESG-related shareholder proposals.

Controlled Companies Underperform

A recent report from MSCI² concluded that, on average, controlled companies (where a single entity holds more than 30% of voting power) underperform. The study shows that widely held companies (those without a controlling shareholder) have outperformed controlled companies on both five and ten-year total shareholder return (TSR) measures, even after accounting for company size, sector, and market development. The analysis is based on nearly 2,000 companies in the MSCI ACWI Index from 2015 to 2025. On average, widely held companies outperformed controlled companies by 10.3% over a 5-year period and by 14.9% over a 10-year period. The number of controlled companies has increased (now accounting for over 36% of the index by count), but despite their growing presence, widely held firms have consistently delivered superior shareholder returns.

² [How Ownership Can Shape Outcomes | MSCI](#)



Engagement Highlights

CDP 2025 Non-Disclosure Campaign

We co-signed letters to 480 companies requesting they submit environmental data by responding to CDP's corporate climate, water, and forest questionnaires. We were selected as lead engagers for three of our engagement priority companies and sent tailored communications to these companies requesting disclosure. Environmental factors pose unique risks to businesses, including regulatory and legal requirements, physical liabilities, and reputational impacts. Companies unprepared to manage these risks present a risk to our portfolio. To understand how companies manage these critical issues, we rely on CDP's standardised environmental disclosure platform that aligns with TCFD, IFRS S2 and other reporting standards. The data provided through the disclosure process are crucial to us as investors and is used to understand and manage risks and opportunities, prepare for regulations, and identify performance improvements.

Climate

We have been engaging with the German utility provider, RWE AG, for over a year on its public policy approach to mitigate stranded asset risk associated with its gas infrastructure investments. Following constructive dialogue with the company, during the reporting period our engagement objective had been met as the company had demonstrated that they are engaging with policymakers to create an enabling policy environment to scale the hydrogen and Carbon, Capture, and Storage (CCS) markets, which the company relies on to achieve its 2040 net zero target. See further detail on page 8.

We engaged with ArcelorMittal, the company, owns and operates steel, iron ore manufacturing and coal mining facilities in Europe, North and South America, Asia, and Africa. We followed up on how the company is improving its approach to health and safety across its operations. We also raised concerns about the company, noting that it will likely miss its 2030 carbon intensity targets due to the unfavourable policy environment in Europe. We agreed to engage with the company in December, once further clarity over the European Commission's Steel and Metals Action Plan emerges. The company plans to set revised interim targets once the policy environment is more settled.

Natural Capital

We are co-leads in the Nature Action 100 engagement group with The Sherwin-Williams company. The company is engaged in the manufacture, development, distribution, and sale of paint, coatings and related products to professional, industrial, commercial, and retail customers primarily in North and South America. During the reporting period we discussed the company's nature impacts and dependencies assessment which they published in their inaugural TNFD aligned disclosure. See further detail of the engagement on page 11. See [Nature Action 100's Status Report](#) to understand how the initiative is progressing two years in.

Human Rights

We engaged with Volution, a UK-based manufacturer of air quality solutions, alongside CCLA to encourage them to update modern slavery disclosures in line with peers. We specifically encouraged the company to disclose salient risks and that the board should be updated on the European Corporate Sustainability Reporting Directive (CSRD). The company outlined enhancements they plan to make and subsequently provided us with an advance copy of their updated modern slavery disclosures which we will review.

We engaged with 8 companies operating in Conflict-Affected High Risk Areas (CAHRAs). We requested the companies to fully integrate the United Nations Guiding Principles on Business and Human Rights (UNGPs) across their operations including conducting heightened human rights due diligence processes, as companies operating in CAHRAs face increased human rights risk.

Back in February 2025 LGPSC co-signed letters to 18 AIM listed and FTSE 350 companies requesting reporting in line with Section 54 of the Modern Slavery Act 2015 as part of the Votes Against Slavery Initiative. During the reporting period 7 companies aligned their disclosures with Section 54 of the Modern Slavery Act.

Advocacy

We responded to a consultation from the Financial Reporting Council (FRC) on the Stewardship Code Guidance document. We supported disclosure of information on the systems and technologies employed to support stewardship activities, and enhanced transparency on advocacy activities. We also encouraged the FRC to think about signatories disclosing how proxy research is utilised and how this informs voting decisions.

We also responded to the Prudential Regulation Authority (PRA) on its revised proposals for its supervision of climate-related issues in large UK-regulated banks and insurers. We encouraged the PRA to ensure that firms with and without climate targets are treated proportionally. We encouraged alignment of scenario analysis with time horizons the bank has previously used, and it should be explicit in expecting that firms should play their part in the transition.

We responded to the Department for Energy Security and Net Zero's (DESNZ) consultation on transition plans. The proposal would change how LGPS Central and others are regulated on climate change shifting from a risk-based approach to a requirement to consider contributions to the energy transition.



Voting Highlights



General Mills Inc.

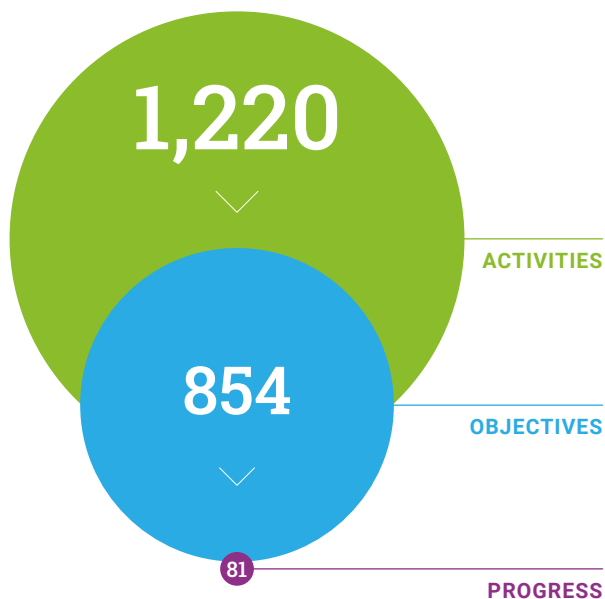
We supported a shareholder proposal urging General Mills to disclose pesticide reduction data tied to its regenerative agriculture goals, as current reporting lags peers and raises greenwashing risks. Greater transparency would help investors assess the effectiveness of its sustainability practices and related health, biodiversity, and climate resilience impacts. See further detail on page 19.

M&S

Marks & Spencer Group plc

We supported a shareholder proposal asking the Board to report on human capital management, including pay practices for hourly employees and third-party staff, with detailed metrics such as wage levels, turnover, and Living Wage compliance. Greater transparency would help investors evaluate how the company balances cost control with long-term sustainability, mitigating risks like high turnover and reputational damage. See further detail on page 20.

FIGURE 1: OVERVIEW OF ENGAGEMENTS DURING THE QUARTER



Global Voting

We voted at 631 meetings (6,079 resolutions) during the quarter under review.



- Number of meetings where we dissented against management recommendations on at least one resolution
- Number of meetings where we voted in line with management recommendations on all resolutions



02 Engagement Case Studies

In this section, we provide more detailed examples of ongoing or new engagements related to the four Stewardship Themes identified in collaboration with our Partner Funds.



How we measure progress:

- | | |
|-------------------|----------------------|
| No Progress Made | Minimum Expectations |
| Moderate Progress | Successful Outcome |



This quarter, our engagement efforts³ comprised 935 companies. 1,220 engagement activities⁴ took place against 854 specific objectives, positive progress was measured on 81 occasions. Most engagements were conducted through letter issuance or remote company meetings, during which we, our partners, or our stewardship provider (in the majority of cases) met with or wrote to the Chair, a Board member, or a member of senior management.



³ This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider on LGPS Central's stewardship themes.

⁴ There can be more than one engagement issue per company, for example board diversity and climate change.



Climate Change Engagements



This quarter, our climate change engagement set comprised 171 companies with 326 engagement activities⁵. There was progress on 34 specific engagement objectives.

FIGURE 2: BREAKDOWN OF CLIMATE CHANGE ENGAGEMENT BY TYPE

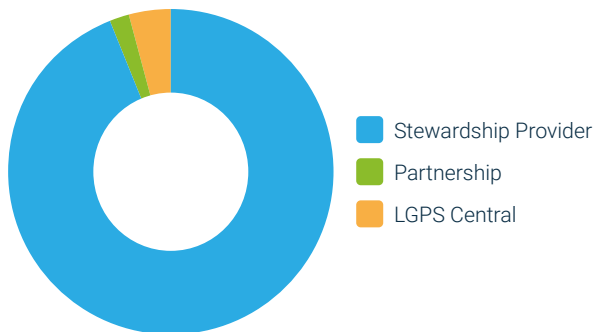
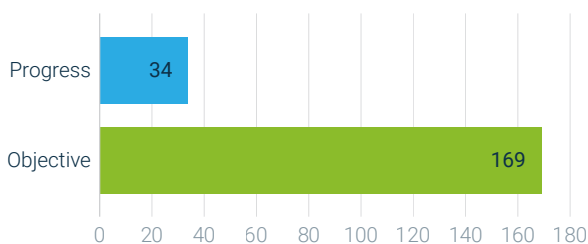


FIGURE 3: CLIMATE CHANGE ENGAGEMENT BY OUTCOME



RWE RWE AG

PROGRESS:

Successful Outcome

OBJECTIVE:

To demonstrate a public policy approach that mitigates stranded asset risk for gas infrastructure investments.

ENGAGEMENT:

RWE is one of the top contributors to LGPSC's financed emissions. RWE's 2040 net-zero target relies on hydrogen and CCS to decarbonise its gas plants. The company risks missing its net zero target and faces potential stranded asset risk as scaling these technologies is currently considered uneconomic. Our engagement with the company sought to encourage and transparently disclose engagement with policymakers and market participants on creating an enabling policy environment to support the scale-up of hydrogen and CCS. In 2024 we wrote to RWE requesting a meeting to understand how the company is mitigating stranded asset risk associated with their gas infrastructure. In Q4 2024 we met with

⁵ There can be more than one climate-related engagement issue and/or objective per company.



Investor Relations to discuss our concerns as well as coal exposure and just transition.

Following the 2025 AGM we met with RWE and re-emphasised the need to engage with German and UK policymakers on the development of green hydrogen and CCS. The company outlined that they engage with policymakers, but disclosure on their advocacy activities was unsatisfactory. We requested further details in writing and encouraged RWE to disclose their advocacy activities publicly.

In Q3 2025 RWE pointed us towards evidence of a paper outlining RWE's positions on energy markets, including the need for a focused and pragmatic ramp-up of hydrogen and CCS. The paper specifically called for a pragmatic definition of green hydrogen, bolstering regulatory tools to encourage green hydrogen production, and a regulatory framework that encourages the development of CCS. The company also pointed us towards the German lobby register for evidence of RWE engaging with the government on the ramp-up of CCS and H2.

OUTCOME:

Based on the evidence RWE provided, we gained confidence that the company is actively pursuing a public policy approach to mitigate stranded asset risk and protect its ability to meet its net zero target. RWE have taken our feedback on board, requesting clearer disclosures on its public policy activities in future annual reports. We will review the next annual report in Q2 2026 to assess transparency regarding public policy activities.

centrica**Centrica plc****THEME:**

Climate Lobbying

OBJECTIVE:

To align its direct and indirect lobbying activity with the Paris Agreement's goals and report on how its lobbying activity relates to this alignment. It should also disclose the climate-related positions of its industry associations and the steps it takes when these positions are misaligned with the company's own climate position.

ENGAGEMENT:

Centrica, a British integrated energy company, delivers energy and related services to households via its retail brands, including British Gas (the UK's second largest gas and electricity utility) and Bord Gáis Energy in Ireland. The company also produces and stores energy through its stake in the UK's nuclear fleet, a portfolio of renewable, storage and flexible assets, Spirit Energy (gas production business), and the Rough gas storage facility. Centrica is also engaged in the trading of energy, including through its LNG shipping business.

The energy transition challenges the company's traditional business model, while also presenting a considerable commercial opportunity. Between 2022 and 2025, EOS met regularly with the company's sustainability teams, the CEO, and the chair. EOS encouraged the company to demonstrate how its direct and indirect lobbying activities support development of commercial opportunities associated with an energy transition that is aligned with the Paris Agreement's goals, considering the dependence of its transition plan on an enabling policy environment.

RESULT:

In 2025, the company updated its climate policy positions paper, adopting many of EOS's suggestions for improvement. The paper explicitly states that the company endorses the development of public policies that promote an orderly transition in line with the Paris Agreement's goals and provides evidence of the Paris-alignment of each policy position; for example, how each policy position maps to energy transition pathways set out by the UK Climate Change Committee (CCC). The company demonstrates how it actively lobbies in support of these policy positions by linking the policy positions back to the advocacy levers of its transition plan. This suggests advocacy efforts are integrated within the core commercial strategy.

The alignment of both direct and indirect lobbying activity with the goals of the Paris Agreement could support the development of policies enabling the company's commercial delivery of its energy transition strategy, including accessing "green" capital.



Heidelberg Materials AG

OBJECTIVE:

To assess the credibility of the company's decarbonisation strategy.

ENGAGEMENT:

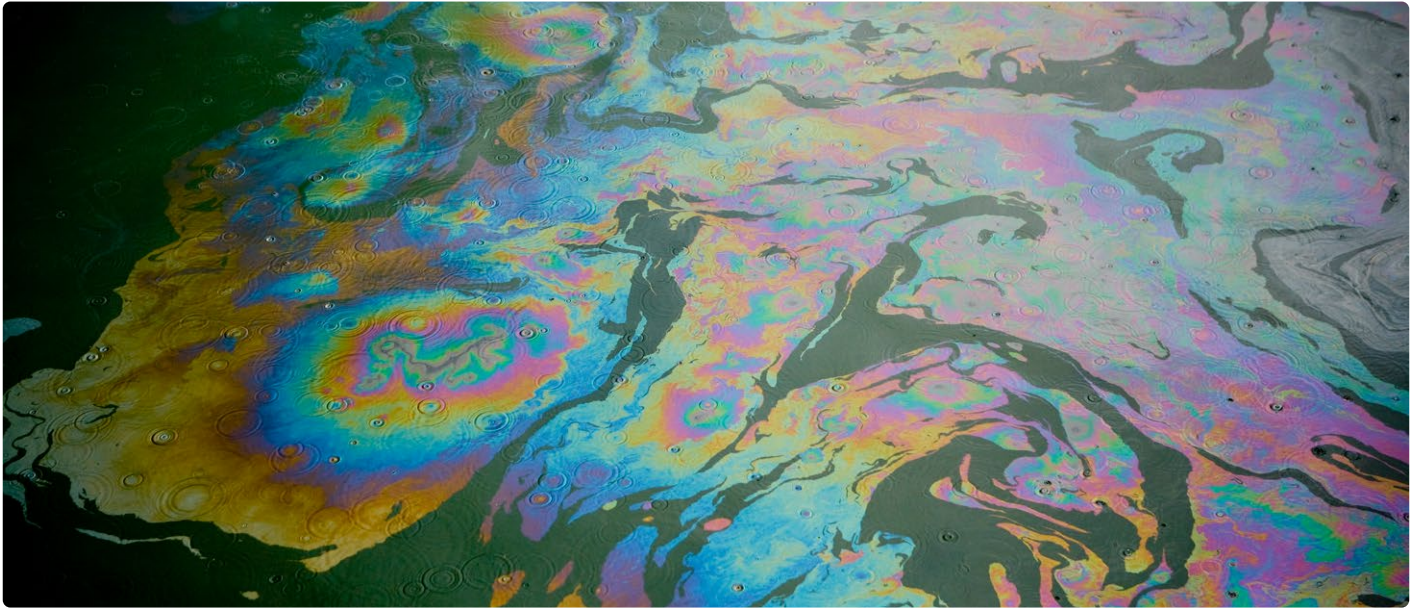
LAPFF met with Heidelberg in Q3 2025 for the first time following prior correspondence. The Forum was interested to hear how Heidelberg delivered the first full-scale CCS project in the cement sector, at its Brevik plant in Norway. The plant captures CO₂ and stores it under the North Sea. The Forum raised questions on the real-life implications and operational practicality of decarbonisation in the plant, after reading Brevik is expected to capture 400,000 tonnes of CO₂ annually from 2025, including around 50% of its own plant emissions. Heidelberg confirmed it is working with DNV (Danske Veritas) as an independent auditor to verify CCS performance, including permanent CO₂ storage and blockchain-based carbon accounting, to avoid any risk of greenwashing. Heidelberg also remarked that it is the only cement producer with an average clinker ratio below 70% and has upgraded its target to 64% by 2030. The company acknowledged that roughly 40% of its clinker volumes are already subject to carbon pricing. Heidelberg emphasised that achieving its KPIs provides a cost advantage versus competitors, especially under CBAM.

OUTCOME:

Heidelberg's decarbonisation strategy is heavily reliant on CCS projects that currently receive a substantial amount of government funding, with the company acknowledging that economic viability without subsidies remains unproven. Rising inflation and energy costs further challenge profitability, even as average cement pricing now reflects decarbonisation measures. The company note that ongoing dialogue with policymakers and peers (e.g. annual CCS workshops, EU and UK collaboration) is central to progress. Heidelberg applies global rather than regional climate targets, creating competitiveness pressures in markets exposed to high CO₂ imports. Ongoing policy support is therefore critical, and LAPFF will continue to monitor these dynamics closely. The company also highlighted that availability of supplementary cementitious materials remains a bottleneck. The company is scaling limestone use and tailoring recipes to local markets, but further substitution depends on regulatory standards and material supply. The Forum pressed Heidelberg on its environmental impact on biodiversity and the actions the company is taking to mitigate its impact. The company stated it is increasing circular feedstocks and exploring water management systems, biodiversity assessments, and AI-driven plant safety tools. Progress varies by region, and plant-specific constraints remain. This is an area of interest that the Forum will return to with the company.



Natural Capital Engagements



This quarter our natural capital-related engagement set comprised 593 companies with 660 engagement activities. There was progress on 13 specific engagement objectives.

FIGURE 4: BREAKDOWN OF NATURAL CAPITAL ENGAGEMENT BY TYPE

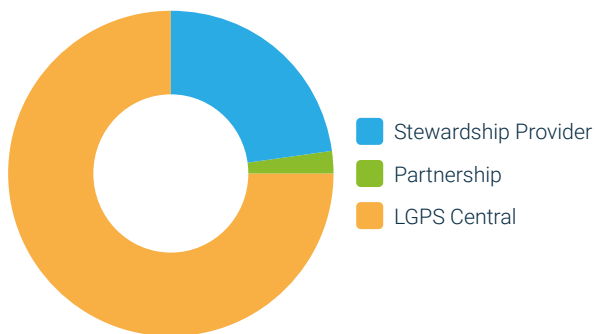
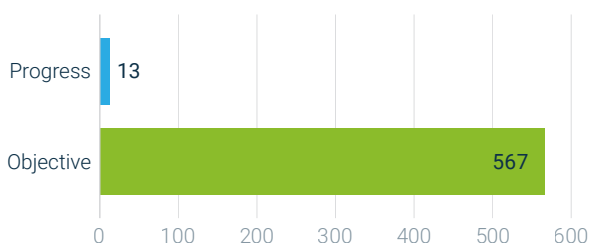


FIGURE 5: NATURAL CAPITAL ENGAGEMENT BY OUTCOME



SHERWIN-WILLIAMS.

The Sherwin-William Company

PROGRESS:

Successful Outcome

OBJECTIVE:

To conduct a nature impacts and dependencies assessment.

ENGAGEMENT:

We are lead engagers in the Sherwin-Williams Nature Action 100 (NA100) collaborative engagement group. Sherwin-Williams is engaged in the manufacture, development, distribution, and sale of paint, coatings and related products to professional, industrial, commercial, and retail customers primarily in North and South America. The chemicals sector relies on natural resources for raw materials and can contribute to environmental and human health issues through the release of harmful pollutants into the air, water, and soils during the production and use of its products. We cosigned a letter to the company in Q4 2023, introducing the six investor



expectations of the NA100 group. Subsequently, we held an introductory call with the company in Q2 2024, during which the company outlined that they have a large suite of products with sustainability attributes and that they were planning to conduct a nature impacts and dependencies assessment.

In 2025, the company commissioned S&P Global Sustainable1 to perform an analysis of all the company's owned and leased manufacturing operations, distribution, major office, research and development, and data centre locations for nature-related impacts and dependencies.

OUTCOME:

We discussed the results in a meeting with the company, which had been disclosed in their inaugural TNFD-aligned disclosure. The highest modelled dependency related to flood protection, which was deemed to be a moderate risk. The company stated that it maintains robust emergency procedures. The assessment did not result in the identification of any nature risks for prioritisation as a material sustainability topic. Water usage has increased slightly (roughly 6% increase compared to the previous year) and is expected to grow as the demand for water-based products is expected to increase. Sherwin-Williams review the baseline water stress of major global manufacturing and distribution facilities annually. The majority of water is sourced municipally and is not considered a material cost. According to CDP disclosure, SW believes only a modest number of manufacturing sites are in water-stressed areas, and are working to assist in mitigating and monitoring water stress risk effectively. Sherwin-Williams also state that they will continue to focus on physical climate risks for strategic planning purposes, with an emphasis on water stress as a predominant long-term risk. Considering that a nature impacts and dependencies assessment was conducted and the results publicly disclosed, this engagement objective has been met.

**Tesco plc****THEME:**

Natural Capital

OBJECTIVE:

To commit to making a net-positive contribution to biodiversity across its supply chain, supported by time-bound commitments.

ENGAGEMENT:

In 2024 during a meeting with the chair, EOS questioned how the board considers the issue of biodiversity, saying that - given the current levels of biodiversity loss - EOS expect companies to go beyond reducing their impacts on biodiversity and commit to making a net-positive contribution. EOS understood that the board has not yet considered making a net positive commitment in this area, but the chair acknowledged the request. In a separate meeting EOS explained the expectation that the company should set targets for its nature and biodiversity risks. The company acknowledged this and said it was exploring different options, including Science-Based Targets Network (SBTN) guidance and Taskforce on Nature-related Financial Disclosures (TNFD) recommendations. EOS requested a meeting with the chair to escalate concerns over supply chain resilience to the board level. In the meeting, EOS explained the importance of the company clearly identifying key response actions in future annual reporting where principal risks are discussed - for instance, regenerative agriculture investments in response to climate change and security of supply risks. EOS also encouraged stronger direct advocacy efforts to build a policy environment facilitating nature-based investments in supply chains in an intensively competitive market.

RESULT:

In 2025 EOS met the head of environment and welcomed progress in the company's assessment of its impacts and dependencies on nature (and related financial risks and opportunities) and its latest reporting. The company has been following the recommendations of the TNFD and its 2025 annual report demonstrates progress in this area for the first time. While it has not yet implemented all recommendations, it has made progress in articulating how nature risks and opportunities are governed, how nature impacts and dependencies are assessed through a focus list of high-risk commodities, and that strategic actions have commenced in five areas to manage nature risks and opportunities.



Ansell Ltd

THEME:

Natural Capital

OBJECTIVE:

To demonstrate a commitment to sustainable natural rubber by signing up to the Global Platform for Sustainable Natural Rubber (GPSNR).

ENGAGEMENT:

In 2022, EOS raised concerns with the company around natural rubber sourcing and the potential benefits of joining the GPSNR, as one potential channel for Ansell to utilise to gain due diligence and oversight over their natural rubber supply chain. The company indicated that it would appreciate an introduction to the GPSNR director, as per EOS's offer. The company, in correspondence with EOS, was explicit that it was very keen to play its part in improving human rights and sustainability in the natural rubber industry. Following EOS's introduction, the company will meet with the platform's director to progress its membership application.

OUTCOME:

In FY25, expanded due diligence to include yarn and natural rubber latex suppliers. The company also took significant steps to comply with the EU Deforestation Regulation regarding natural rubber latex traceability. Ansell has invested in software for deforestation risk analysis, enabling the collection of geolocation data and harvest dates from suppliers.



Sensitive/Topical Activities



This quarter, our sensitive and topical activities engagement set comprised of 18 companies with 20 engagement activities. There was 1 instance of progress recorded during the quarter.

FIGURE 6: BREAKDOWN OF SENSITIVE/TOPICAL ACTIVITIES ENGAGEMENT BY TYPE

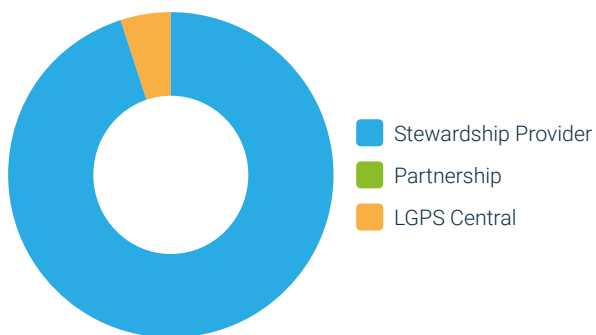
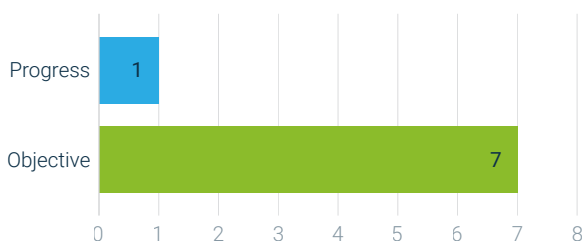


FIGURE 7: SENSITIVE/TOPICAL ACTIVITIES ENGAGEMENT BY OUTCOME



 M3, Inc.

M3 Inc.

PROGRESS:

 Successful Outcome

OBJECTIVE:

To implement best practice digital risk procedures.

ENGAGEMENT:

M3 provides healthcare-related services. We met with the company earlier in the year to request copies of relevant policies that are currently available in Japanese. M3 confirmed that they plan to release a new policy on third-party procurement and digital risks soon and confirmed that they would notify us of the release date. Noting that only M3 Medical UK and the US are certified, we requested further details on its ISO 27001 certification. We outlined that we expect quantitative reporting on supplier/business partner policy implementation and requested the percentage of digital risk certification coverage across the group.

OUTCOME:

We met with the company in August, where they shared their newly released Procurement and Supplier Conduct Guidelines, which outlined their commitment to fair, transparent, and socially responsible procurement practices. The group seeks to build trust-based partnerships with suppliers and expects them to uphold similar standards. Our engagement objective has been met.



Human Rights Risks



This quarter our human rights-related engagements comprised 153 companies with 214 engagement issues and objectives. There was progress on 33 specific engagement objectives.

FIGURE 8: BREAKDOWN OF HUMAN RIGHTS-RELATED ENGAGEMENTS BY TYPE

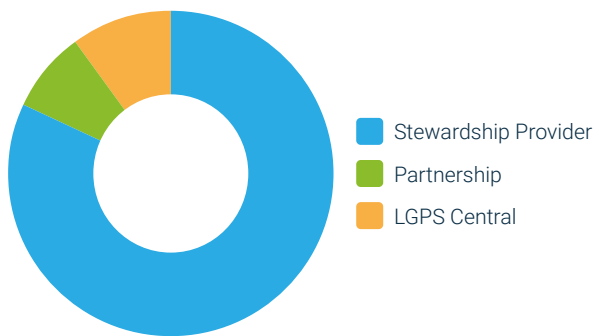
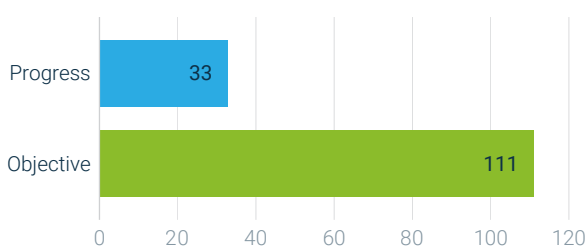


FIGURE 9: HUMAN RIGHTS-RELATED ENGAGEMENTS BY OUTCOME



LVMH

LVMH Moët Hennessy Louis Vuitton (LVMH)

OBJECTIVE:

To encourage better practice and disclosures on the management of human rights risk.

ENGAGEMENT:

LAPFF has undertaken a series of engagements with luxury goods manufacturers to encourage better practices and disclosures on how the sector manages human rights risks. LVMH has had two Maison subsidiaries in Italy placed under court administration: Dior in 2024, and Loro Piana in July 2025. LAPFF focused this engagement on a deep-dive into the company's audit and remediation processes, specifically examining the Loro Piana case, having discussed Dior during a previous meeting. LVMH provided further details regarding how the issue at Loro Piana had been uncovered, and the ongoing work being undertaken to enhance its human rights due diligence. LVMH noted that there were parts of this process that it was unable to report due to the court administration order publicly. However, the company



was able to provide reassurance to LAPFF that its audit programme was working as intended. LAPFF had previously written to LVMH suggesting inclusions for its upcoming standalone human rights policy and reiterated that LVMH should make a clear commitment to the UNGPs, with detailed, transparent disclosures on how risks were being prevented and mitigated.

OUTCOME:

LAPFF will monitor LVMH's ongoing human rights due diligence with respect to its Loro Piana court administration and will seek to engage on new information that comes to light in its next round of reporting.

**vodafone****Vodafone Group plc****OBJECTIVE:**

To update its Artificial Intelligence (AI) framework, which was initially published in 2019, to account for developments in AI and increased adoption.

ENGAGEMENT:

At a meeting with the company in October 2024, EOS asked whether it planned to update its artificial intelligence framework, originally published in 2019. The company confirmed that it had been updated recently, and they sought to make it public.

OUTCOME:

At a meeting with the company in July 2025, the company confirmed that it is seeking to finalise its updated AI policy for internal use by the end of July and will make it public by the end of 2025. EOS will review the policy to ensure it provides increased disclosure of the steps the company is taking to use AI responsibly, including the range of uses and how unintended bias is being eliminated.



03 Voting

Policy

For UK-listed companies, we vote our shares in accordance with a set of bespoke LGPS Central UK Voting Principles. For other markets, we consider the recommendations and advice of our third-party proxy advisor, EOS at Federated Hermes.

Commentary

Between July - September 2025, we:

Voted at



631

MEETINGS

and on



6,079

RESOLUTIONS GLOBALLY

Opposed one or more resolutions at



49.6%

MEETINGS

and our dissent level was



10.9%

Supported



36.6%

OF SHAREHOLDER PROPOSALS

(15 out of 41 resolutions)

Environmental



26

INSTANCES

we dissented on **director elections** due to environmental concerns

Supported



5

ENVIRONMENTAL-RELATED SHAREHOLDER RESOLUTIONS

Topics included: climate governance, emissions-reduction strategy, climate targets, regenerative agriculture practices, and food waste management.

Social



159

INSTANCES

we dissented on **director elections** due to social concerns

Supported



3

SHAREHOLDER RESOLUTIONS

Topics included: human rights and human capital management.

Remuneration

We dissented on



132

OF REMUNERATION-RELATED PROPOSALS

of which:

Opposed



28.8%

OF PROPOSALS IN THE UK

Opposed to



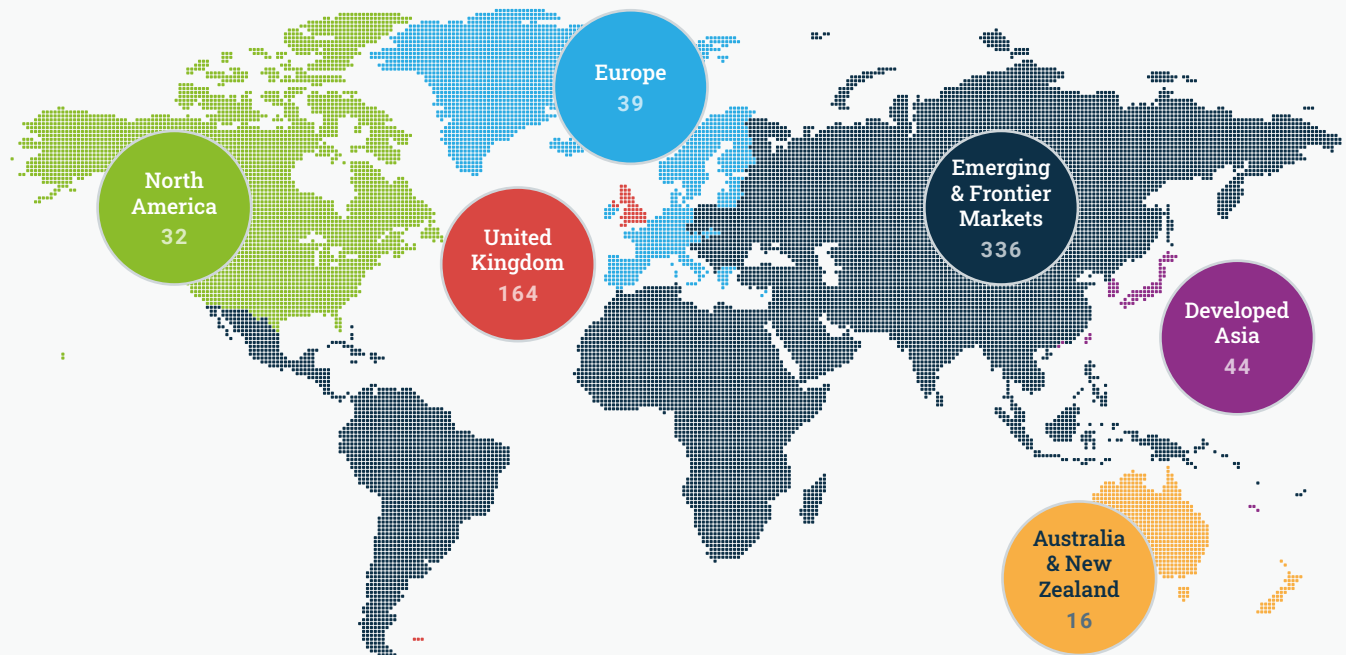
6.1%

IN THE US



Number of meetings voted on by region:

FIGURE 10: NUMBER OF MEETINGS VOTED ON BY REGION



Overview of Voting Activity:

FOR	5259	86.5%
AGAINST/WITHELD	733	12.1%
ABSTAIN	45	0.7%
OTHER	42	0.7%
	6079	

A full overview of voting decisions for securities held in portfolios within the company's Authorised Contractual Scheme (ACS) – broken down by market, issues and reflecting the number of votes against and abstentions – can be found on our website [here](#).

Number of resolutions voted on by theme:

AMEND ARTICLES	483	7.95%
AUDIT + ACCOUNTS	1390	22.87%
BOARD STRUCTURE	2416	39.74%
CAPITAL STRUCTURE + DIVIDENDS	722	11.88%
INVESTMENT/M&A	2	0.03%
OTHER	225	3.70%
POISON PILL/ ANTI-TAKEOVER DEVICE	3	0.05%
REMUNERATION	797	13.11%
SHAREHOLDER RESOLUTION ESG	41	0.67%
	6079	100%



Examples of voting decisions



General Mills Inc.

THEME:

Health & Safety

RATIONALE:

A shareholder proposal was submitted by As You Sow, requesting that General Mills disclose the reduction of pesticides through the adoption of its regenerative agriculture practices. The resolution calls for providing quantitative data to demonstrate progress toward its goal of implementing regenerative agriculture across 1 million acres by 2030. We supported the resolution because synthetic pesticides pose risks to human health, biodiversity, and soil resilience. We note that General Mills has made public commitments to regenerative agriculture but does not disclose pesticide-reduction metrics, which lag peers like Conagra, Hormel, and Mondelez, which have begun reporting pesticide-reduction data. By not providing such information the company increases the risk of greenwashing claims. Risks associated with pesticide use may be growing as more is learned about risks that pesticides pose to human health and to the ability of soil to sequester carbon and to function resiliently in the face of changing climate conditions. Considering this, the additional disclosure requested in the resolution would help shareholders better understand the effectiveness of the company's regenerative agriculture programs and its suppliers' sustainable practices.

RESULT:

ISS recommended a vote. For this resolution, which received over 28% support. We would expect the company to consult with shareholders on this issue due to the significant dissent vote.



FedEx Corporation

THEME:

Governance

RATIONALE:

A shareholder resolution was put forward requesting that the company adopt a policy requiring the chair of the board to be an independent director. The proposal states that the chairman of the board shall be an independent director "whenever possible," and that the board would have discretion to select a non-independent chair on a temporary basis and to phase in the policy at the next CEO transition. The roles of chairman and CEO are fundamentally different and therefore should be held by two separate individuals. Whilst many companies maintain a non-independent chair and perform well with this arrangement, we believe that it is preferable to separate these positions. The board is responsible for overseeing management and instilling accountability, and conflicts of interest may arise when a non-independent director serves as the chair. Effective board oversight may be enhanced by independent leadership. Therefore, support is warranted for this resolution.

RESULT:

The resolution received over 42% support, sending a strong signal to the company that a significant portion of shareholders deem it appropriate for the company to have an independent chair.

**Qorvo Inc.****THEME:**

Governance

RATIONALE:

A shareholder resolution was put forward requesting the company take the necessary steps to afford holders of 10 percent of outstanding shares the right to call a special meeting. The ability for shareholders to call for a special meeting provides a viable “Plan B” option that will make shareholder engagement meaningful and discourage the company from becoming complacent toward its shareholders. Further, the proponent states that the widespread use of online shareholder meetings makes it easier to conduct special shareholder meetings. On May 16, 2025, the board amended the bylaws to provide shareholders the right to call a special meeting with a 25 percent aggregate stock ownership threshold. The board stated that a lower ownership threshold would increase the risk that a small number of shareholders may waste company time and resources by using the procedure to advance their own special interests. However, the bylaw recently adopted by the board contains restrictive provisions on timing and subject matter and approval of this proposal may signal support for modifying these restrictive provisions which may otherwise hinder the usefulness of the right. Ultimately, the likelihood this right would be abused is considered low given the large investment required for the 10 percent ownership threshold (an aggregate investment of approximately \$800 million based on the company’s current market capitalization). As such, this item warrants support.

RESULT:

The resolution received 44% support, signalling strong investor demand to protect shareholder rights.

**Marks & Spencer Group plc****THEME:**

Living Wage

RATIONALE:

We supported a shareholder resolution, submitted by a coalition of investors, coordinated by ShareAction, which requested the Board to prepare a report detailing its approach to human capital management, specifically focusing on pay practices for hourly-paid employees and third-party contracted staff. The requested disclosures include: (a) how base pay is set for hourly-paid direct employees and which Board committee oversees this, (b) the number of direct employees paid below the real Living Wage, broken down by contract type and working hours, (c) turnover rates for hourly-paid employees, segmented by pay level and working hours, (d) the approach to pay for regular, on-site, third-party contracted staff and oversight mechanisms, (e) the number of third-party staff paid below the real Living Wage, (f) a cost-benefit analysis of implementing the real Living Wage for both direct and third-party staff. We supported this resolution because transparent pay reporting helps investors assess how the company is balancing cost control with long-term sustainability. We also note that low wages can lead to high turnover, reputational risk and operational inefficiencies.

RESULT:

The resolution received over 30% support. The board plans to consult further with shareholders on this topic, and an update will be published in accordance with the UK Corporate Governance Code within six months of the AGM, with a final summary in the 2025/26 Annual Report and Financial Statements.



Partner Organisations

LGPS Central actively contributes to the following investor groups:





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All information is prepared as of **17/11/2025**.

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Q3 2025

Shropshire Pension Fund

EOS at Federated Hermes

Engagement by region

We engaged with 123 companies held in the Shropshire Pension Fund portfolio on a range of 421 environmental, social and governance issues and objectives

Global

We engaged with 123 companies



- Environmental 50.1%
- Governance 13.1%
- Social 24.7%
- Strategy, Risk & Comm 12.1%

Australia & New Zealand

We engaged with two companies



- Environmental 60.0%
- Governance 13.3%
- Social 20.0%
- Strategy, Risk & Comm 6.7%

Developed Asia

We engaged with six companies



- Environmental 28.0%
- Governance 32.0%
- Social 28.0%
- Strategy, Risk & Comm 12.0%

Emerging & Developing Markets

We engaged with seven companies



- Environmental 31.3%
- Governance 18.8%
- Social 37.5%
- Strategy, Risk & Comm 12.5%

Europe

We engaged with 38 companies



- Environmental 65.5%
- Governance 8.5%
- Social 16.9%
- Strategy, Risk & Comm 9.2%

North America

We engaged with 53 companies



- Environmental 41.4%
- Governance 13.8%
- Social 31.6%
- Strategy, Risk & Comm 13.2%

United Kingdom

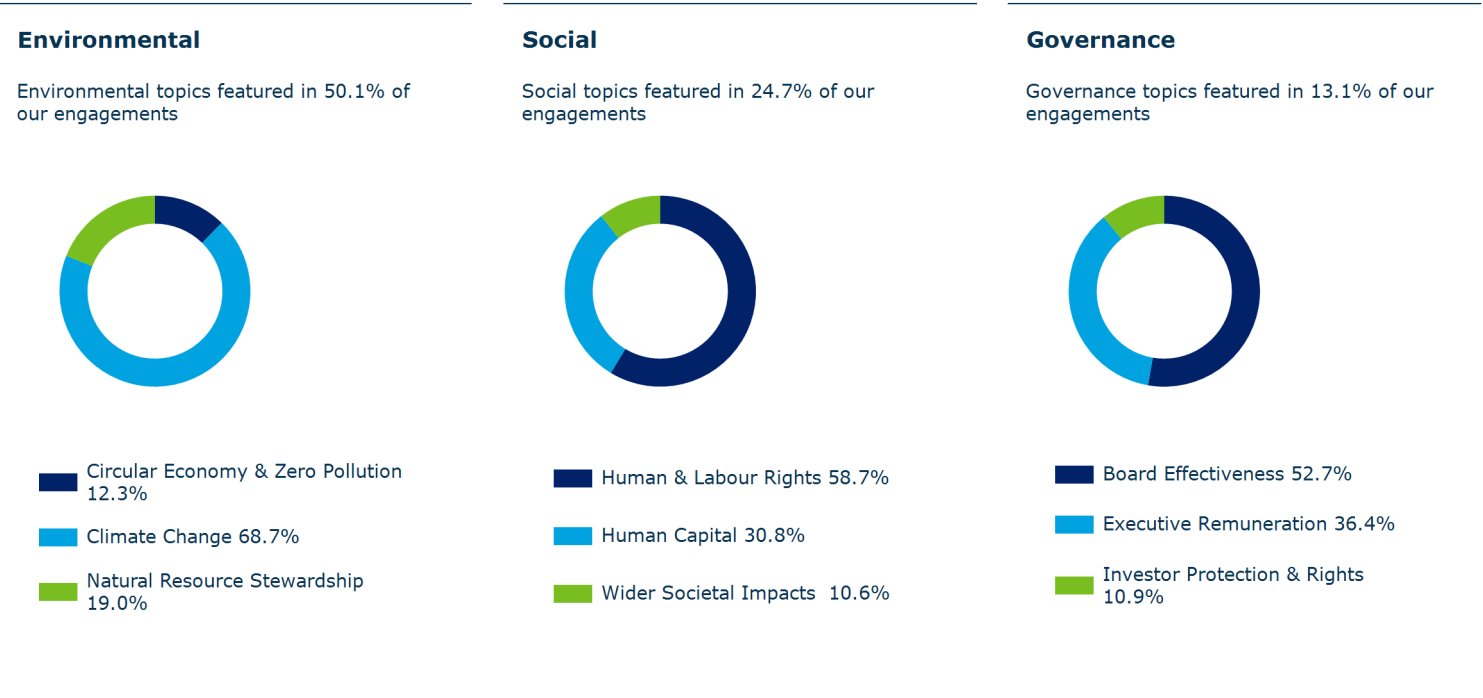
We engaged with 17 companies



- Environmental 51.0%
- Governance 12.2%
- Social 18.4%
- Strategy, Risk & Comm 18.4%

Engagement by Meta theme

We engaged with 123 companies held in the Shropshire Pension Fund portfolio on a range of 421 environmental, social and governance issues and objectives



Shropshire County Council

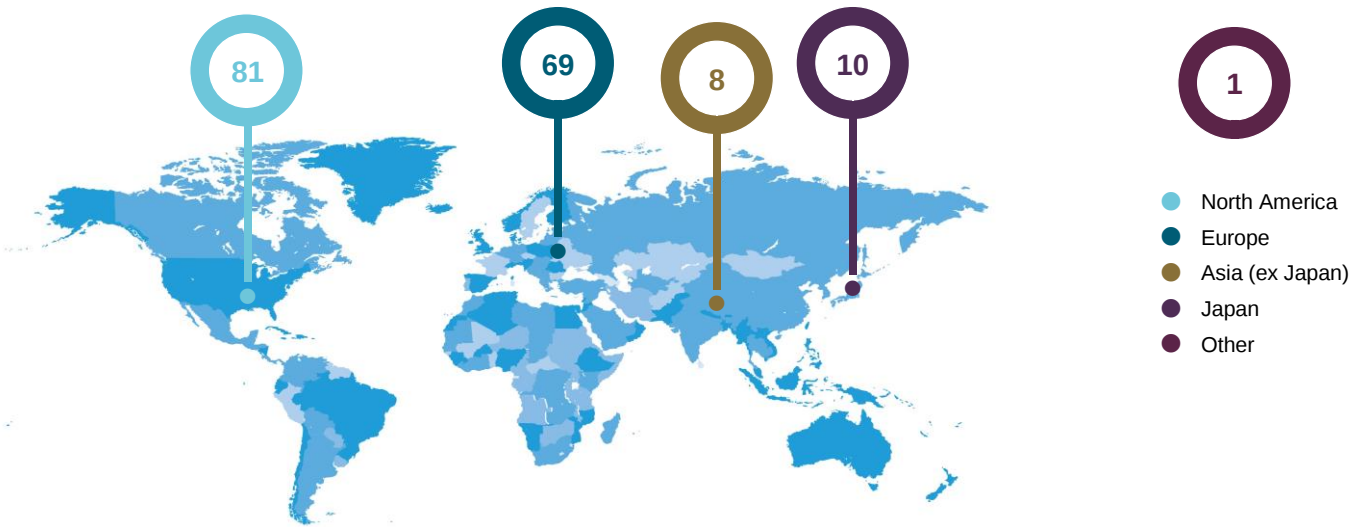
Q3 2025

The purpose of the **reo**® (responsible engagement overlay) service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The **reo**® approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

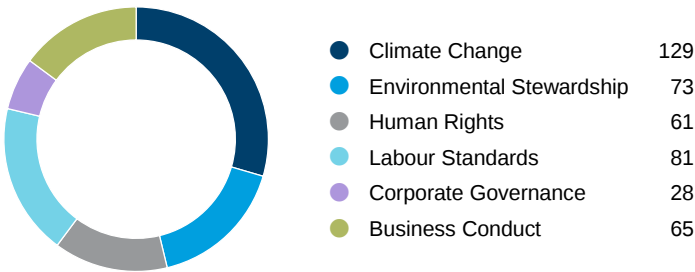
Companies engaged this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
260	169	28	22

Companies engaged by region



Engagement by theme



Milestones achieved by theme

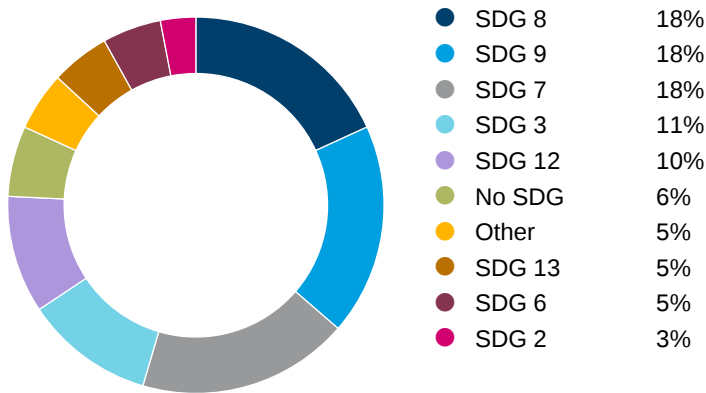


Engagements and Sustainable Development Goals (SDGs)

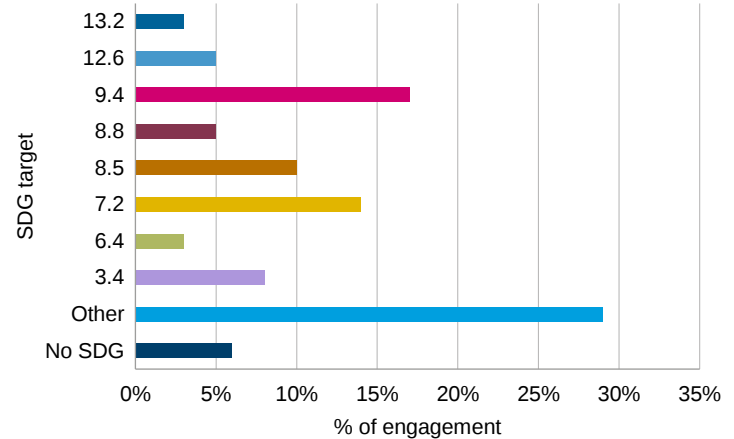
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

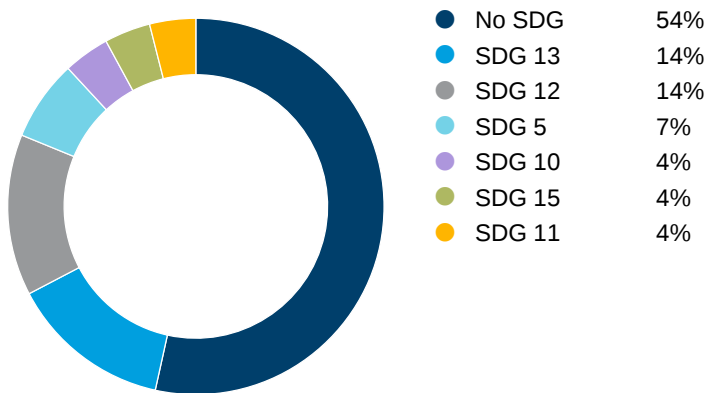
Engagement: SDG level



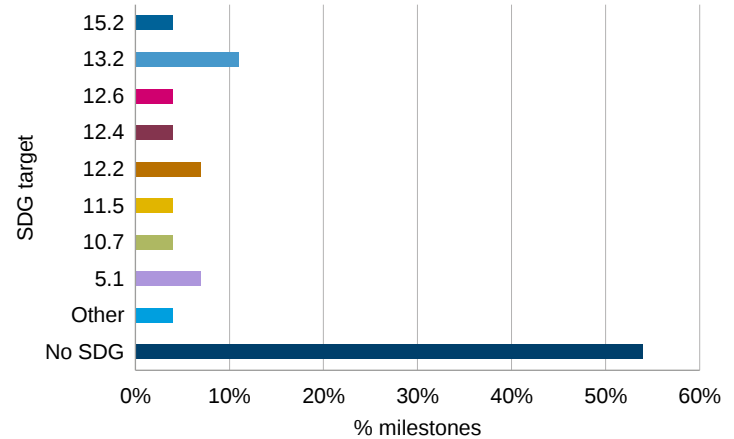
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



Engagement case studies

Company: Coca-Cola Co

Mailing country: United States

Sector: Consumer Staples

Priority company: ✓

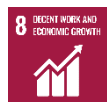
ESG risk rating: ●

Response to prior engagement: Adequate

Theme: Labour Standards

Engagement case study name: Cultural transformation driving execution excellence across global markets

SDG:



8.5

Background

The Coca-Cola Company operates globally with 600,000 employees across its bottling network and corporate operations, managing \$30 billion brands in 200+ countries. Under CEO Quincey's leadership, the company has undertaken a significant cultural transformation addressing what he viewed as their greatest risk: "mis-execution and a culture that fails to support growth." To combat complacency, Quincey cites the founder's mantra that "the future belongs to the discontented". The transformation has shifted Coca-Cola from a hierarchical structure to a more nimble organization, notably through a compensation structure that prioritizes total performance over individual metrics. Their operational framework creates clear delineation between corporate (brand management) and bottlers (market execution), having strategically reduced bottling partners from 10,000 to 200 for scale advantages while maintaining local responsiveness.

Action

We engaged with Coca-Cola to understand how their cultural framework enables execution excellence across diverse markets. The company reinforces their culture through an approach that aids knowledge sharing between regions such as rotating high-talent employees between markets, sharing data between bottling partners, and creating systems for using successful local initiatives globally. They encourage employees to take on new challenges every 2-3 years, and executives gain broad geographic experience. This supports a "company first" mindset where over-performing units reinvest in marketing rather than retaining profit. Their "progress over perfection" approach has delivered concrete results, including AI implementation scaled from pilot markets to eight global operations and new product launches designed to appeal to Gen Z consumers. Cultural adaptability was shown when Turkey's strategy to combat boycotts was rapidly deployed to address similar challenges in Mexico.

Verdict

Coca-Cola's systematic cultural transformation creates sustainable competitive advantage through measurable structural changes rather than vague corporate values. Their balanced approach to global consistency and local adaptation, combined with demonstrated ability to rapidly share and implement best practices across markets, positions them well to maintain their long-term growth algorithm of 5 – 6% revenue growth despite increasingly complex market dynamics. The clear alignment between incentives, operational structure, and strategic priorities creates a framework that enables consistent execution while fostering innovation and adaptability.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.



Top quartile



Second quartile



Third quartile



Bottom quartile

Engagement case studies

Company: Eli Lilly & Co		Mailing country: United States	Sector: Health Care
Priority company: ✓		ESG risk rating: ●	Response to prior engagement: Good
Theme: Human Rights; Business Conduct		Engagement case study name: Leading preventative health transformation through GLP-1 platform strategy	
SDG:	 3.4		

Background

Eli Lilly is one of the world's largest pharmaceutical companies with leading positions in diabetes care and emerging dominance in obesity treatment through GLP-1 therapies. The company is strategically positioned at the forefront of preventative health transformation through comprehensive GLP-1 expansion. They developed a thoughtful portfolio approach with complementary assets for different patient groups: Orforglipron for weight maintenance, Tirzepatide (Zepbound/Mounjaro) for standard obesity treatment, and Retatrutide for significant weight loss. Orforglipron achieved 12.4% weight loss in Type 2 diabetes patients, deemed clinically meaningful, with Phase 3 now advancing. Their multi-product strategy enables lifecycle management and sustained preventative care models. Management emphasized commitment to healthcare accessibility through innovative pricing while pursuing expanded applications beyond weight loss including obstructive sleep apnea and pain management.

Action

We engaged to evaluate their GLP-1 strategy within preventative health transformation themes. Lilly Direct operates at \$350-500 price points compared to typical retail prices exceeding \$1,000, demonstrating strategy to work outside traditional distribution and improve affordability for uninsured patients. Their UK/EU pricing aims to create better US market parity while maintaining value-based approaches. They pursue obesity and diabetes indications simultaneously, recognizing interconnected metabolic conditions and comprehensive prevention importance. They are also exploring expanded applications indicating broad potential to achieve healthier outcomes. Management expects regulatory filings to advance through 2025-2026, with patient segmentation supporting different therapeutic approaches. It was good to note that their "price to value" approach aligns with sustainable pricing power for preventative therapeutics.

Verdict

Eli Lilly's comprehensive multi-product approach to metabolic disease prevention positions them as a leader in healthcare transformation. Their platform strategy for sustained preventative care and innovative market access approaches demonstrate effective management of both clinical and commercial opportunities in the evolving healthcare landscape.

Engagement case studies

Company: GE HealthCare Technologies Inc	Mailing country: United States	Sector: Health Care
Priority company: ✓	ESG risk rating: ●	Response to prior engagement: Adequate
Theme: Human Rights; Business Conduct	Engagement case study name: AI-driven transformation delivering superior economics in medical imaging	
SDG:	3 BETTER HEALTH AND WELL-BEING  3.8	

Background

GE HealthCare is one of the world's leading medical technology companies providing medical imaging, monitoring, biomanufacturing, and cell/gene therapy technologies. The company is strategically positioned at the forefront of AI transformation in medical imaging, with the CFO confirming that margin growth is largely on the back of AI. This validates the economics of AI integration and demonstrates how AI capabilities has contributed to competitive wins. The company implemented a comprehensive four-tiered AI strategy across hardware-attached AI, hospital support/workflow AI, product development acceleration AI, and back-office operations. Their productivity focus centers on enhancing hospital operations, with AIR Recon DL reducing 60-minute MRI exams to 40 minutes, allowing hospitals to serve more patients with existing equipment. This addresses critical healthcare resource constraints while delivering measurable ROI improvements, with hospitals willing to pay premium pricing for productivity gains.

Action

We engaged with GE HealthCare to assess their AI strategy depth and evaluate financial materiality of AI investments. Their modular development uses a series of building blocks for accelerating innovation, suggesting platform-based strategy enabling rapid deployment of new AI capabilities. AI technologies are integrated directly into imaging equipment, delivering better and faster imaging while commanding superior margins. The company is launching Photon Counting CT (pending regulatory approval), expected to deliver better spectral and spatial resolution. Their strong order backlog of nearly \$2 billion (up 34% year-over-year) includes significant AI-enhanced platform awards supporting continued revenue growth. Manufacturing flexibility and robust supply chain enable scaling AI-enhanced products as volumes ramp up.

Verdict

GE HealthCare's AI strategy demonstrates how systematic technology integration creates sustainable competitive advantage and superior financial performance. Their comprehensive approach positions them well to capitalize on healthcare transformation trends while delivering measurable value to customers through improved patient outcomes, enhanced operational efficiency, and reduced healthcare delivery costs.

Engagement case studies

Company: KBC Group NV	Mailing country: Belgium	Sector: Financials
Priority company: ✓	ESG risk rating: ●	Response to prior engagement: Good
Theme: Labour Standards	Engagement case study name: PEARL+ cultural framework driving competitive advantage in European banking	
SDG:	 8.10	

Background

KBC Group is a leading European bank-insurance group operating across Belgium, Czech Republic, and Bulgaria, serving over 11 million customers through integrated banking and insurance services. The company's relative outperformance in EU banking stems from their distinctive PEARL+ cultural framework, introduced by their CEO in 2012 and providing competitive advantage by balancing local autonomy with group-wide collaboration. The framework consists of Performance, Empowerment, Accountability, Responsiveness, Local embeddedness, and Plus (ie group-wide collaboration). When first introduced, investors didn't understand its relevance but it later proved to be the right approach. Despite its age, PEARL+ remains central to KBC's identity and continues to drive operational effectiveness across their markets.

Action

We engaged to understand how PEARL+ contributes to relative outperformance in EU banking. The culture is systematically reinforced through representation from all countries in the executive committee, KBC University training for new general managers emphasizing people skills over technical expertise, and comprehensive onboarding covering PEARL+. Career mobility is strongly encouraged, with employees typically changing roles every five years. Their "Stipple" platform is an internal skills matching system where employees score their skills and can be matched to opportunities. Regarding demographic strategy, KBC is developing pension products for small and medium enterprises addressing Belgium's aging population while targeting wealth conversion opportunities in Central Europe. In Eastern Europe, they focus on attracting younger customers through digital solutions. Their technological integration includes implementing "Kate," their AI-powered operational system described as the brain for the company, with all employees completing mandatory courses on AI and sustainability.

Verdict

KBC's PEARL+ framework demonstrates how systematic cultural implementation can drive sustained competitive advantage. Their balanced approach to decentralization with unified values, combined with strategic demographic positioning across diverse markets, positions them well for continued outperformance in European banking.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

● Top quartile ● Second quartile ● Third quartile ● Bottom quartile

Engagement case studies

Company: TotalEnergies SE		Mailing country: France	Sector: Energy
Priority company: ✓		ESG risk rating: ●	Response to prior engagement: Good
Theme: Climate Change; Environmental Stewardship		Engagement case study name: Leading European SAF market transformation through refinery conversion	
SDG:	 7.2		

Background

TotalEnergies is a French multinational integrated energy company positioning itself as a leader in the European Sustainable Aviation Fuel (SAF) market with ambitious production targets of 500,000+ tons annually by 2028, exceeding the 6% EU blending mandate for 2030. They are executing comprehensive refinery conversions across France, Belgium, and Germany. Their strategic partnership with Air France-KLM for 1.5 million metric tons over ten years demonstrates strong commercial traction. The company leverages both dedicated biorefinery production and coprocessing capabilities, maximizing existing infrastructure. However, they face margin pressure from weak petrochemicals and oversupplied European biofuels markets, with SAF sales increasing 80% quarter-over-quarter despite industry-wide oversupply compressing margins.

Action

We engaged with TotalEnergies to understand their SAF strategy responding to EU regulatory mandates and airline decarbonization demand. The company implements rigorous sustainability frameworks ensuring biofuels comply with EU criteria through certifications evaluating carbon footprint, forest preservation, land use, and human rights. TotalEnergies ceased palm oil supplies and increased circular feedstocks to 75%+ for biofuel production, prioritizing food industry waste while avoiding first-generation biomass competing with food consumption. The company aligns their SAF strategy with progressive European blending mandates: 2% in 2025, 6% in 2030, 20% in 2035, and 34% in 2040. It is noteworthy that TotalEnergies has formed partnerships with aerospace groups including Airbus and Safran while increasing R&D through their Solaize research center to address feedstock challenges and explore e-fuels.

Verdict

TotalEnergies' comprehensive refinery conversion strategy and strong sustainability practices position them well for European SAF market leadership. We will continue to engage TotalEnergies on their strategy to grow into SAF segments beyond Hydroprocessed Esters and Fatty Acids (HEFA) which we expect to be supply constrained in the medium term.

Appendix



SDG	Target	Target Summary
SDG3	3.4	Reduce mortality from non-communicable diseases and promote mental health
SDG5	5.1	End all forms of discrimination against women and girls
SDG6	6.4	Increase water-use efficiency to address water scarcity
SDG7	7.2	Substantially increase the global share of renewable energy
SDG8	8.5	Achieve full and productive employment for all
SDG8	8.8	Protect and promote safe working environments for all workers
SDG9	9.4	Upgrade and retrofit industries to increase sustainability
SDG10	10.7	Facilitate safe migration through managed policies
SDG11	11.5	Reduce social and economic losses caused by disasters
SDG12	12.2	Sustainably manage and make efficient use of natural resources
SDG12	12.4	Manage chemical usage and waste throughout their life cycle
SDG12	12.6	Encourage companies to adopt sustainable practices and enhance ESG reporting
SDG13	13.2	Integrate climate change plans into policies and strategies
SDG15	15.2	Promote the implementation of sustainable management of forests

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Quarterly
Engagement
Report

July-September
2025

Cement • Water Stewardship • Executive Pay

Local
Authority
Pension
Fund
Forum

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Cover image: Fernando Reyes Unsplash



Image: Alamy

Coldstones Quarry, a member of the Heidelberg Cement Group, in Nidderdale, Pateley Bridge, North Yorkshire Dales, UK

CLIMATE CEMENT

Cement production is a highly localised industry in which production, and therefore carbon emissions, are closely linked with consumption. Cement production can amount to up to 10% of a country's CO₂ emissions.

Environmental issues include.

1. De-carbonisation of the chemical reaction in which calcium carbonate produces carbon dioxide, as well as decarbonisation of the energy sources supplying heat to the kiln.
2. Non-carbon issues around water resources, as cement supply is water intensive as well as supply of the aggregate (usually pulverised rock) which turns cement into concrete.

When it comes to decarbonising the chemical reaction the only current solution, other than production substitution, is a form of carbon capture and storage. During 2024/25 Heidelberg is the only company that has commenced using that process.

HEIDELBERG & CRH

Objective: A focus of the meetings with the cement companies has been to assess the credibility of the company's decarbonisation strategies. Key areas of discussion included the deployment of Carbon Capture and Storage (CCS), substitution of clinker (a key cement ingredient and the main source of CO₂ emissions in cement production) and the development of alternative low-carbon technologies, particularly to address the industry's reliance on fossil fuels for kiln heating.

The engagement with Heidelberg Materials emphasised the role of CCS, given Heidelberg's plans to operate one of

the first full-scale CCS plants in Norway. Additional focus was placed on broader emissions-reduction measures, including energy transition, process innovation, and climate risk management.

Overall, these meetings aimed to ensure that both companies demonstrate progress towards reducing emissions in line with LAPFF's expectations. Particular attention was given to the cost implications, transparency, and scalability of CCS and other abatement options.

Achieved CRH : CRH reported progress in advancing CCS capabilities in France, with funding secured and government partnerships in place. A cautious but deliberate approach is being taken, ensuring projects provide both return on investment and a learning pathway for future deployment (e.g. Tarmac CCS).

The Forum heard where the company were in terms of clinker factor and alternative fuel use. The company had reduced its clinker factor to 75.9% in

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2024, while alternative fuels reached 47% globally (55% in the EU). CRH continues to prioritise clinker substitution and alternative fuels through EcoRec (Europe) and Sapphire (North America).

The company has a Safety, Environment & Social Responsibility (SESR) Committee which oversees climate targets. The SESR board committee meets five times annually, including a meeting to review performance against decarbonisation milestones. ESG topics receive significant board attention, with deep dives into decarbonisation, circularity, water and workforce engagement.

While in the last meeting with CRH, the company expressed concerns with the risk of European producers being undercut by imports of emissions intensive cement, this year CRH expressed confidence in the EU Carbon Border Adjustment Mechanism (CBAM) and Emission Trading System (ETS) reform, noting the trial phase has been effective and timelines are being respected.

The company confirmed 15% of long-term incentives remain linked to ESG metrics (net zero, sustainable products growth, inclusion & diversity), while 20% of short-term incentives are now ESG-linked.

In progress CRH: CRH is exploring blending of secondary materials (gypsum, fly ash, slag) and carbon upcycling to reduce demand for virgin resources. Projects remain early-stage with low technology readiness levels but are seen as critical to becoming its “own biggest supplier”. While clinker substitution and alternative fuel remain central and LAPFF continues to press for greater clarity on short, medium and long-term targets, CRH confirmed that specific targets are set internally and not disclosed publicly. Plant-level roadmaps are developed bottom-up and then consolidated into global strategy, taking account of fuel supply, regulation, and market acceptance.

Demand for low-carbon, premium products (e.g. calcined clay, reclaimed fly ash, SEM variants) is growing. Pricing is passed through where customer incentives exist, but market acceptance varies. CRH remains cautious about potential undercutting from non-green imports but is optimistic CBAM will provide adequate protection. LAPFF will

continue to track the competitiveness and integrity of low-carbon cement offerings.

While sustainability remains a priority, CRH acknowledged political headwinds (e.g. U.S. federal shifts) and structural challenges (e.g. lack of landfill tax, absence of co-processing systems) may slow adoption in the US American market relative to Europe.

Achieved Heidelberg: The Forum met with Heidelberg in Q3 2025 for the first time after some previous correspondence. The Forum was interested to hear how Heidelberg delivered the first full-scale CCS project in the cement sector, at its Brevik plant in Norway. The plant captures CO₂ and stores it under the North Sea. The company described the success as a “moon landing” achievement which marks a unique industry-first after more than a decade of development.

The Forum raised questions on the real-life implications and operational practicality of decarbonisation in the plant, after reading Brevik is expected to capture 400,000 tonnes of CO₂ annually from 2025, including around 50% of its own plant emissions. Heidelberg confirmed it is working with DNV (Danske Veritas) as an independent auditor to verify CCS performance, including permanent CO₂ storage and blockchain-based carbon accounting, to avoid any risk of greenwashing.

Heidelberg also remarked that it is the only cement producer with an average clinker ratio below 70% and has upgraded its target to 64% by 2030. The company acknowledged that roughly 40% of clinker volumes are already under carbon pricing. Heidelberg emphasised that achieving its KPIs provides a cost advantage versus competitors, especially under CBAM.

In progress Heidelberg: Heidelberg’s decarbonisation strategy is heavily reliant on CCS projects that currently receive a substantial amount of government funding, with the company acknowledging that economic viability without subsidies remains unproven. Rising inflation and energy costs further challenge profitability, even as average cement pricing now reflects decarbonisation measures. The company note that ongoing dialogue with policymakers and peers (e.g. annual CCS

workshops, EU and UK collaboration) is central to progress. Heidelberg applies global rather than regional climate targets, creating competitiveness pressures in markets exposed to high-CO₂ imports. Ongoing policy support is therefore critical, and LAPFF will continue to monitor these dynamics closely.

The company also highlighted the availability of supplementary cementitious materials remains a bottleneck. The company is scaling limestone use and tailoring recipes to local markets, but further substitution depends on regulatory standards and material supply.

The Forum pressed Heidelberg on its environmental impact on biodiversity and the actions the company is taking to mitigate its impact. The company stated it is increasing circular feedstocks and exploring water management systems, biodiversity assessments, and AI-driven plant safety tools. Progress varies by region, and plant-specific constraints remain. This is an area of interest that the Forum will return to with the company.

ASIA RESEARCH AND ENGAGEMENT

Objective: LAPFF continues to be actively involved in Asia Research and Engagement’s Energy Transition Platform, which engages major financial institutions in Asia to improve their alignment with a 1.5°C pathway. Engagements focus on enhancing disclosure, strengthened transition finance frameworks, and the adoption of clearer policies on new financing for higher-emission energy sources, such as coal and oil sands.

Achieved: LAPFF met with Bank Mandiri and CIMB in the quarter.

Bank Mandiri confirmed coal remains around 4–5% of its loan book, with exposure expected to change in step with Indonesia’s energy mix, which projects coal demand to peak by 2033. Mandiri is developing sectoral decarbonisation pathways, starting with energy, and reported renewable financing now accounts for 24% of its energy mix lending. The bank acknowledged

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challenges in emissions data coverage (currently 56% of its portfolio) but expects improvements as new Indonesian disclosure standards come into force by 2027. It has begun offering “transition loans” tied to measurable climate KPIs, though only one has been completed to date. Mandiri also highlighted growth in sustainable finance (+10.8% from the previous year) and is exploring how to incorporate just transition principles into its lending, noting this remains at an early stage.

CIMB outlined progress against its 2019–2024 sustainability targets, noting a stronger focus on sustainable finance in its 2030 strategy (MYR 300bn target) and an internal carbon tax rising to MYR 335/t by 2030. The bank confirmed thermal coal exposure has fallen 48% since 2021, with a full phaseout targeted by 2040, and tighter client restrictions introduced from 2025. CIMB acknowledged challenges around green finance uptake in emerging markets but highlighted growth in sustainable finance and transition advisory services.

In Progress: Finance and energy companies in Asia remain heavily influenced by government regulation and national energy policies, which can slow the pace of transition. LAPFF will therefore continue to engage banks on how they intend to align with 1.5°C scenarios despite these structural challenges, particularly where coal and other high-emission energy sources remain part of short to medium term transition plans.

ENVIRONMENT

WATER STEWARDSHIP

LAPFF recognises water risk as cutting across multiple industries, including mining, energy, water utilities, and food and drink, where failures can have severe social, environmental, and financial consequences. In this respect, LAPFF is engaging companies on water stewardship from two key perspectives: the risks of water resource use and scarcity, and the human rights impacts that arise when access to clean water is compromised. These issues are



The River Kelvin in GLasgow

particularly material for water-intensive sectors such as mining and food and beverage, where poor management can heighten social, environmental, and financial risks. At the same time, LAPFF is addressing water pollution, focusing on sewage discharges in the UK utilities sector and the growing threat of persistent contaminants such as PFAS “forever chemicals,” which pose long-term risks to ecosystems, public health, and corporate accountability.

For water-intensive industries and companies operating in water-stressed regions or near vulnerable communities

(including Indigenous peoples) climate change is amplifying risks by intensifying scarcity and quality challenges. This creates operational, regulatory, and reputational pressures. Access to safe, sufficient, and affordable water and sanitation underpins public health and sustainable development, consistent with SDG 6 and the principles of the Valuing Water Finance Initiative (VWFI). Poor management, whether through over-use, pollution, or inadequate provision for communities, can result in human rights impacts and significant financial harm. Water stewardship is therefore a

Image: Alamy

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fundamental component of responsible business and human rights with investors increasingly expect companies to embed water stewardship and human rights due diligence into corporate strategy and risk management.

Water pollution is another pressing concern and remains a focus of LAPFF's engagement with the UK water sector. Sewage discharges from storm overflows are a particular longstanding issue, with monitoring data showing hundreds of thousands of spill events each year. Despite new requirements for companies to publish real-time information, 2024 Environment Agency data confirmed spill counts and durations remain at historically high levels. This has reinforced pressure on water utilities companies to accelerate investment in network upgrades, storage capacity, and treatment resilience, particularly to protect bathing waters, rivers, and other sensitive ecosystems.

In addition to environmental and reputational risks of overflows and sewage spills, attention is also now turning to PFAS "forever chemicals," which are highly persistent in UK Water and linked to potential health risks. A recent study, funded by the environmental charity Fidra, highlighted growing concerns about chemical pollution in UK rivers, particularly the presence of trifluoroacetic acid (TFA), a type of PFAS or "forever chemical." Traces of TFA were found in 98% of samples from 32 rivers across the UK, with the highest concentrations in the River Kelvin (Glasgow) and none detected in the River Ness (Highlands). TFA is formed through the breakdown of pesticides, refrigerants, and other synthetic chemicals, and has been detected in human blood, breast milk, food, and wine in the EU. While acute toxicity is not the main risk, German scientists have raised concerns about potential reproductive toxicity from long-term, low-level exposure, and Germany's Environment Agency has applied to classify TFA as toxic for reproduction and environmentally harmful. With no UK regulations currently in place, the Drinking Water Inspectorate has commissioned research, while Water UK has called for a ban and campaigners are pressing for a national removal plan.

LAPFF's objective is to press companies manage water responsibly by

embedding stewardship and human rights due diligence into strategy and operations, reducing risks from scarcity and pollution, and safeguarding ecosystems, communities, and long-term investor value to protect the environment and restore public trust. In Q3, LAPFF engagement activities under water stewardship focused on pollution and water utilities companies and sustainable water use with the food and beverage sector.

Objective: LAPFF continues its engagement with UK water utilities in 2025 as the sector faces mounting scrutiny from the public, policymakers, regulators, and investors over environmental performance — particularly the persistent issue of storm overflow pollution. Further adding to the challenges the sector faces, in July 2025, the UK government announced that OFWAT will be abolished and replaced with a single, more powerful body combining the responsibilities of OFWAT, the Environment Agency, Natural England, and the Drinking Water Inspectorate. This arguably marks the most significant overhaul of water sector regulation since privatisation.

Despite storm overflows being permitted during extreme weather events to prevent flooding and sewage backing up into homes, the frequency and duration of discharges remain unacceptably high. Environment Agency data for 2024 recorded a total of 3.61 million hours of sewage spills (the highest on record) with only marginal improvements in spill frequency compared to prior years. Industry investment is beginning to show some effect, but progress has been slow and public confidence remains low. As such, objectives for this year's meetings with the Chairs of Pennon and Severn Trent include: assessing the company's environmental performance, particularly in relation to persistently high levels of storm overflow spills; understanding company views on the abolishment of OFWAT and the implications for future regulation of the UK water sector; and examining steps taken to address the presence of trifluoroacetic acid (TFA) and other 'forever chemicals' in Britain's rivers. LAPFF has scheduled an additional meeting with United Utilities in Q4 of 2025.

Achieved Pennon: LAPFF met with

the Chair of Pennon and the outgoing CEO. The company confirmed active engagement with OFWAT and the UK Department for Environment, Food & Rural Affairs (DEFRA), emphasising the urgency of moving from policy discussion to action. LAPFF raised the findings of the Independent Water Commission, chaired by Sir Jon Cunliffe, which concluded that the current water regulation system in the UK is broken. Pennon welcomed the review's recommendations on government leadership, regional planning, and regulatory reform.

Pennon, owner of South West Water (SSW), highlighted significant improvement recognised in the Environment Agency's progress report, with South West Water named as one of the biggest improvers. The company has a £3.2bn investment programme underway, with a major focus on storm overflows and wastewater treatment. Key achievements include SSW reporting a more than 50% reduction in pollution incidents in the first half of 2025 compared to the same period in 2024, alongside longer-term improvements in sewer flooding and network performance. Operational actions include redesigning water pumping stations, expanding sewage monitoring systems (with full monitoring in place since 2022), and removing 15,000 spills from the system.

On governance, Pennon reported strengthened systems and controls over data and reporting, with greater transparency and clear escalation processes to the Board. The CEO succession process is being managed carefully to minimise disruption, with both internal and external candidates under consideration. While acknowledging the challenges facing the sector, LAPFF noted that Pennon remained positive and forward-looking.

In progress Pennon: Weather variability (wet versus dry years) continues to affect pollution incident data, and Pennon will need to adapt operations further to manage climate-related extremes while maintaining focus towards environmental goals. Although improvements have been made, the South West's coastal geography presents ongoing challenges. The company has set a target to reduce average spills from 41 (2024) to 16.5 by 2030, which will

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Image: Alamy

Tittesworth Reservoir reservoir near Leek, Staffordshire

require sustained investment and strong community engagement.

As the UK's regulatory landscape shifts, Pennon noted it is closely monitoring potential reforms, although from the LAPFF perspective, uncertainty over timing and clarity of changes remains. LAPFF will also follow with interest the announcement of Pennon's new CEO. Recruitment remains sensitive given sector-wide reputational issues and constraints on executive remuneration imposed by regulators. Pennon emphasised its aim to strike the right balance between fixed and variable pay, while acknowledging that these constraints could affect the company's ability to attract top talent compared with other utility sectors.

Achieved Severn Trent: LAPFF met with Severn Trent's Chair, Christine Hodgson, and the company's investor relations lead. The company described active engagement with regulators during the transition to a new, consolidated regime following the Independent

Water Commission's findings, and emphasised the need to move quickly from policy design to delivery. Severn Trent has retained a 4-star Environment Agency EPA rating for five consecutive years, noting they are the only UK water company to do so over this period, and reported the lowest average storm-overflow spills in the sector in 2024, supported by >2,000 targeted interventions and £1.5bn AMP8 spend approved for overflows.

Year-to-date (Jan–Jun) performance shows a 65% reduction in spills and 72% reduction in spill duration versus the prior year, with average spills expected to fall to ~18 per overflow by December 2025 and to 14 by 2030, ahead of government targets. The company outlined a £14.9bn AMP8 programme (an increase on its original proposal), including enhancement investment across river health, storm overflows and resilience, alongside a £575m affordability package aimed at ~693,000 households by 2030.

On emerging pollutants, Severn Trent presented PFAS monitoring (>100,000

tests since Jan 2023), a practical treatment programme (eg. Witches Oak Water Treatment Work (WTW) commissioning to treat Tier 3 PFAS levels and advance treatment solutions development work with Chemvion, CPL, IXOM and Lummus), and the highest AMP8 PFAS investment allocation to accelerate risk reduction.

In progress Severn Trent: While spill frequency is trending down, the average duration per spill rose to 7.3 hours in 2024 (from 7.0 in 2023), underlining the need to strengthen the network against 'wet-year' variability and deliver the AMP8 storage, treatment and nature-based solutions at pace. Achieving the trajectory to ~18 average spills per overflow by end-2025 and ~14 by 2030 will require sustained capex execution, supply-chain capacity and community engagement.

Regulatory uncertainty remains a sector-wide risk as Ofwat is dismantled and functions migrate into a new "super-regulator" over an expected two-year

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transition. Severn Trent must also plan for the England/Wales split in economic regulation given its Hafren Dyfrdwy operations.

Ofwat's July 2025 draft determination asked Severn Trent to revise elements of its 2025–30 plan. The company is resubmitting ahead of a final decision due in December 2025. LAPFF will track deliverability, bill impacts and the effectiveness of the £575m affordability package.

On PFAS/TFA and other emerging pollutants, Severn Trent intends to use its AMP8 allowance and the PR24 “notified item” safety net if standards tighten, but practical risk reduction (treatment plus destruction) and transparent reporting will be central to maintaining public confidence.

Finally, given ongoing public scrutiny, including past enforcement actions and the 2024 Panorama accounting allegations (which the company disputes), LAPFF will continue to monitor governance, remuneration balance, and assurance over data and dividend policy alongside environmental outcomes.

Objective Coca Cola: LAPFF engaged with The Coca-Cola Company in Q3 to understand the basis for recent changes to its 2035 Water Strategy. These changes include the removal of its 100% sustainable sourcing goal for key agricultural ingredients; the extension of its 2023 pledge to improve 60 critical watersheds by 2030 to a less ambitious 2035 deadline with a narrower location-based focus; and the omission of water quality, WASH (Water, Sanitation, and Hygiene), and ecosystem protection from its 2024 environmental goals. This engagement served as an opportunity to continue the dialogue started through the Valuing Water Finance Initiative (VWFI) investor letter sent to Coca-Cola in January 2025. The letter emphasised growing investor focus on water risk management and the urgent need to address supply chain-related water risks.

Achieved Coca Cola: In LAPFF's investor meeting, The Coca-Cola Company reiterated that water remains its top priority, citing that since 2015, it has replenished more than 100% of the water it uses in finished products globally, on an aggregate level, to nature and communities, reaching 148% in 2023.

However, this headline figure does not address mounting concerns about weaker ESG commitments. LAPFF pressed the point that Coca Cola appears to have rolled back several water-related goals, including the removal of time-bound targets for sustainable agriculture and dropping its commitment to certify all concentrate sites (where the company manufactures the concentrated syrup or beverage base) under the Alliance for Water Stewardship (AWS) Standard by 2025, while also extending other goals, such as watershed restoration and emissions reductions, to 2035. Although the company presented this change as a simplification and refinement of targets and commitments, focusing on areas it can directly control, LAPFF raised concerns that this represents a dilution of ambition, credibility, and accountability from an investor perspective.

The Coca-Cola Company highlighted its Foundation's \$40m commitment to WASH (water, sanitation, and hygiene) projects in high-stress areas. While LAPFF recognises this as a positive step, the initiative is limited in scale when set against the company's global water footprint and the significant financial risks posed by the fact that one-third of its facilities are located in high water-stress regions.

LAPFF also raised governance concerns, including the combined Chair/CEO role and the extended tenure of several independent non-executive directors, which risk undermining board independence.

In progress Coca Cola: While Coca Cola said it would take on board LAPFF's concerns, the company's reliance on “voluntary goals” and its tendency to frame reduced commitments as “evolving” strategies continues to raise concern for the Forum.

LAPFF emphasised that water risk is a material financial issue and the need for measurable targets and stronger accountability. The company maintains it has a handle on this through reliance on local assessments, partnerships, and replenishment programmes. In response to LAPFF's question on governance, Coca Cola acknowledged LAPFF's position and committed to consider LAPFF's feedback.

The company stated willingness to engage in ongoing dialogue with LAPFF on water strategy, supply chain management, and governance.

NATURE & BIODIVERSITY

Objective: It has been two years since the Taskforce on Nature-Related Financial Disclosure's (TNFD) final recommendations were published, encouraging businesses to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. For those companies with the most material negative impacts on nature, LAPFF asks companies to make public commitments to mitigate nature loss. Companies are also expected to provide detailed disclosures on



Pfizer Inc., in San Diego, California

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how these commitments inform their assessment and disclosure of material dependencies and impacts on nature. Finally, companies should outline the specific steps being taken to address these dependencies and impacts across both operations and supply chains.

Achieved: As a part of its continued engagement with Nature Action 100 (NA100), LAPFF led a meeting with Pfizer. This is the first time investors have met with the company as part of the initiative but builds on a wider set of engagements that LAPFF has been involved in with others in the pharmaceutical sector. Pfizer acknowledged the link between climate change and biodiversity and outlined the findings of its first biodiversity risk assessments, conducted in 2023, which identified manufacturing and R&D sites near sensitive ecosystems.

The group emphasised the importance of transparency around assessments of material impacts and dependencies, noting that disclosure of salient issues is a foundational step before targets and governance structures can be integrated. Pfizer recognised this and noted that nature-related issues remain under consideration alongside its current resource prioritisation on net zero and water stewardship, including longstanding work on pharmaceuticals in the environment and antimicrobial resistance.

Outside of LAPFF's collaborative engagement work through NA100, the Forum identified several major global companies that have large dependencies on natural resources based on their business model. As a result, LAPFF wrote to WH Group, Tyson Foods, Bunge, Marubeni Corp, International Paper Company, Archer-Daniels-Midland (ADM), requesting detailed information on LAPFF's objectives. Of these, Bunge responded and provided details of its current approach to nature and invited LAPFF to attend a group investor call on ESG due to be held later this year.

In Progress: LAPFF will continue to press companies on the integration of nature-related risks into their governance and disclosure frameworks, particularly in line with the TNFD recommendations. LAPFF is monitoring whether companies already engaged are beginning to translate commitment into

tangible actions on biodiversity, water stewardship, and supply chain risks. It will also continue to assess company progress as further disclosures and reports are released. Where companies without sufficient approaches to mitigating negative impacts on nature and biodiversity, and do not respond to LAPFF's requests for engagement, escalation will be considered.

SOCIAL FACTORS LUXURY GOODS

LVMH Moët Hennessy Louis Vuitton (LVMH)

Objective: LAPFF has undertaken a series of engagements with luxury goods manufacturers to encourage better practice and disclosures on how the sector manages human rights risks. LVMH has had two Maison subsidiaries in Italy placed under court administration: Dior in 2024, and more recently Loro Piana in July 2025. LAPFF focused this engagement on a deep-dive into the company's audit and remediation processes, specifically examining the Loro Piana case, having discussed Dior during a previous meeting.

Achieved: LVMH provided further details regarding how the issue at Loro Piana had been uncovered, and the ongoing work being undertaken to enhance its human rights due diligence. LVMH noted that there were parts of this process that it was unable to publicly report due to the court administration order. However, the company was able to provide reassurance to LAPFF that its audit programme was working as intended. LAPFF had previously written to LVMH suggesting inclusions for its upcoming standalone human rights policy and reiterated that LVMH should make a clear commitment to the UN Guiding Principles on Business & Human Rights, with detailed, transparent disclosures on how risks were being prevented and mitigated.

In Progress: LAPFF will monitor LVMH's ongoing human rights due diligence with respect to its Loro Piana court

administration and will seek to engage on new information that comes to light in its next round of reporting.

CONFLICT AFFECTED AND HIGH-RISK AREAS (CAHRAS)

Objective: LAPFF has increased its engagement on companies exposed to CAHRAs, extending its engagement focus on the issue. LAPFF now aims to cover a wide range of sectors and geographies where CAHRAs pose serious risks to companies.

Where companies are exposed to these risks, LAPFF expects them to undertake heightened human rights due diligence (hHRDD) in line with the UN Guiding Principles on Business and Human Rights, and the UN Development Programme's guide on hHRDD in CAHRAs. This includes companies undertaking conflict analysis, thorough human rights impact assessments, strengthening of supply chain oversight, ensuring that contracts and business relationships do not contribute to abuses, and more thorough engagement with affected stakeholders amongst other elements. Companies exposed to these risks need to demonstrate a more in-depth and thorough degree of due diligence than those operating outside of a CAHRA context.

Achieved: **Banks**

The finance sector faces reputational, legal, and operational risks from exposure to CAHRAs, particularly where investments, lending, and financial services are connected to human rights abuses or conflict financing. Reputational risks arise from public scrutiny and potential loss of client and investor trust, while legal risks stem from tightening regulatory frameworks and litigation linked to complicity in abuses. Operational risks include disruptions to business relationships, defaults, and long-term value erosion when companies or projects in CAHRAs are associated with instability or rights violations.

After writing to four Australian banks

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in Q2 2025, LAPFF met with three of them in Q3 and received a written response from the other.

Despite the majority of its loan book being domestically orientated, the National Australia Bank (NAB) does provide some corporate financing to companies that are exposed to high-risk sectors like fossil fuels and mineral extraction. NAB did not disclose specific examples of where it has exerted influence over client activities but was able to provide an anonymised example in which the bank had provided corporate finance to a company that had supply chain links in a high risk country. NAB provided an overview of how it had approached this issue and influenced change in supply chain practices.

ANZ Bank noted that while it does not currently have a CAHRA-specific policy, customer and portfolio risks are monitored through country and sector screening, with larger clients reviewed annually. Enhanced human rights due diligence is embedded in the credit process, supported by external datasets such as Transparency International and Sustainalytics. The bank's salient human rights issues include Indigenous rights, data privacy, and the safety of its people, with its Human Rights Statement updated earlier this year. ANZ outlined examples of decision-making in higher-risk markets, including its long-standing operations in Papua New Guinea, where it engages with government, NGOs, and communities. The bank emphasised that it has declined finance in certain cases and leverages its customer relationships to influence practices linked to human rights risks.

The Commonwealth Bank of Australia's (CBA) business model is primarily domestic-focused, with operations centred in Australia and a subsidiary in New Zealand (ASB Bank). The bank provides a full range of retail and commercial banking services in these markets. Despite largely providing retail banking services and serving small-to-medium enterprises, a small portion of its business is in institutional financing. The bank was able to clearly lay out its escalation process, and how it approached both clients with higher levels of risk in relation to human rights.

Oil & Gas

During Q3 LAPFF met with Eni and TotalEnergies to discuss exposure to

CAHRAs.

The meeting with TotalEnergies explored both the company's broad approach to human rights in CAHRAs as well as a deep dive into its Mozambique LNG project, which was closed in 2021 due to force majeure. TotalEnergies described its reliance on both internal intelligence teams and external experts to conduct conflict analysis and due diligence, highlighting that ex-military staff provide updated regional risk assessments. The company reiterated that misuse of force is its primary human rights lens in CAHRAs and referenced lessons from past exits, including Myanmar. In relation to Mozambique, TotalEnergies spoke about the establishment of its US\$200m community foundation and broader socio-economic projects in Cabo Delgado, aimed at addressing root causes of social unrest.

Eni outlined how its risk management process, explaining that security risk was one of the company's top nine risks, encompassing how it approached CAHRAs. It detailed that its salient risks are continually assessed at board level on a six-monthly basis. The company described a structured security risk management process that combines external country risk mapping with site-specific vulnerability assessments, ensuring consistency across operations. Eni also highlighted its human rights due diligence model, covering its workforce, value chain, communities, and consumers, with findings publicly disclosed through dedicated human rights impact assessments. Eni demonstrated examples of best practice, including mandatory human rights clauses in all joint venture agreements and contracts, joint audits with partners, and proactive conflict analysis tools applied in countries such as Mozambique and Nigeria. The company also emphasised its active participation in the Voluntary Principles on Security and Human Rights, with regular workshops and training in high-risk regions.

UN Special Rapporteur Report on the Occupied Palestinian Territories

In response to a report published in July by the UN Special Rapporteur on the situation of human rights in the Palestinian Territory occupied since 1967 (A/HRC/59/23). LAPFF wrote to a number of companies listed in the report,

with the aim of advancing the Forum's understanding of company approaches to human rights due diligence in conflict-affected and high-risk areas (CAHRAs). Microsoft has since responded, sharing several of its publicly available materials on the subject and informing LAPFF that further detail on its approach to CAHRAs will be included in its upcoming annual report.

Electric Vehicles

Honda

In Q1 2025, LAPFF requested engagement from several electric vehicle manufacturers considered to be laggards with regards to managing human rights risks within their mineral supply chains. LAPFF met with Honda this quarter, whose approach was largely reliant on the Responsible Mineral Initiative's audit programme, alongside EcoVadis supplier surveys to manage human rights risks. The company's disclosures on its audit programme are limited in scope and do not provide a breakdown of non-compliance or how such instances are managed. LAPFF requested that the company provide more detailed breakdowns of how it assessed risks associated with individual minerals, and to publish more transparent information on its audit programme.

In Progress: LAPFF continues to expand its work on CAHRAs, engaging with companies across sectors where exposure to conflict risks is most acute. LAPFF will continue to emphasise the importance of public reporting, escalation processes, and demonstrable examples of positive influence in high-risk contexts. LAPFF will be maintaining dialogue with both financial institutions and corporates to encourage stronger alignment with international standards such as the UNGPs and the UN Working Group's guidance on hHRDD.

GOVERNANCE

ENGAGEMENT

EXECUTIVE REMUNERATION

Objective: During Q3, LAPFF intensified its engagement with listed companies across Europe and the U.S., following a wave of significant shareholder dissent on remuneration during the 2025 AGM proxy season. These conversations focused on uncovering key drivers behind investor opposition and assessing how companies are responding to mounting shareholder concerns. By probing both the rationale for dissent and the corrective actions being considered, LAPFF sought to gain a clearer picture of governance practices and the extent to which boards are aligning executive pay with long-term shareholder value.

Prysmian

Achieved: LAPFF engaged for the first time with Prysmian, an Italian multinational specialising in the design, manufacture and installation of energy and telecommunications cables and systems. The company's remuneration report was rejected by 58.9% of shareholder votes cast this year.

Concerns centred around the severance package awarded to outgoing CEO Valerio Battista, who stepped down from the executive role but remained on the board. Shareholders viewed this as a "double benefit," inconsistent with a clean departure. Prysmian explained that, as an Italian-listed company, executive contracts fall under the statutory 'Dirigente' category, which includes mandatory severance provisions, even in cases of consensual departure. The package had been agreed in 2015, fully disclosed, and later reduced. The board defended Mr Battista's continuation as a director, emphasising his central role in Prysmian's growth and the stability his presence provided.

The company also addressed shareholder concerns over its long-term incentive (LTI) design, which is currently based on three-year relative TSR performance. LAPFF encouraged the addition of safeguards such as an absolute TSR underpin or dual thresholds to ensure payouts reflect genuine value creation, particularly in volatile markets. Prysmian confirmed that while no changes can be made retroactively,

shareholder feedback is being actively considered in the 2026 Long Term Incentive (LTI) design process.

On health and safety, Prysmian outlined a strong governance framework for its ESG-linked metrics. The company noted that 75% of its 108 plants are audited annually, with audits conducted by independent third parties and frequency determined by performance scores. Health and safety acts as a performance underpin for ESG metrics; in the prior year, a single fatality resulted in a zero ESG score across the company, despite other KPIs being met. Prysmian is also trialling innovations such as robotised forklifts and redesigning plants to reduce high-risk activities, while ensuring that subcontractors are held to the same safety standards as employees.

In progress: LAPFF will be watching closely to see how Prysmian responds to dissent on its remuneration report and whether the company strengthens performance safeguards, such as incorporating absolute measures alongside relative TSR to better align executive pay with long-term investor outcomes.

Another area to monitor is how effectively Prysmian communicates the role of Italian labour law in shaping severance arrangements. Clearer explanation of jurisdictional context may be important in reducing shareholder

concerns about perceived inconsistencies in executive exits.

On health and safety, the consistency and transparency of safety metrics in pay – and the extent to which they drive genuine improvements rather than underreporting – will remain central to investor scrutiny.

Infineon

Achieved: LAPFF has an established history of engagement with German manufacturer Infineon, having previously met with the Chair in 2021 on climate change. More recently, investor attention has shifted towards remuneration. At its February 2025 shareholder meeting, 43.32% of shareholders voted against the company's remuneration report – a sharp increase from 12.3% in 2023 and just 1.01% in 2024. Although the proposal passed, the scale of dissent signalled growing investor concern.

In response, the supervisory board has introduced several changes to the remuneration structure. ESG targets remain at 20%, while the former 80% TSR weighting has been halved: 20% is now measured against a defined semiconductor peer group, and 20% against the DAX. The remaining 40% is tied to Infineon's Target Operating Model, setting profitability and cash flow goals to close the gap with peers, the company reported that this has been well received



Company headquarters of Infineon in Neubiberg

Image: Alamy

ENGAGEMENT

by investors.

Further governance changes include removing the discretionary short term incentive (STI) modifier, extending the LTI period from four to five years with an additional holding requirement, broadening malus and clawback clauses, and phasing out change of control provisions in management contracts. On quantum, the supervisory board has proposed staged increases of 27% for the CEO and 13% for other directors, concentrated in variable pay, with base pay unchanged. Benchmarking against semiconductor peers was cited as the rationale, with the board arguing that more competitive pay is necessary to attract and retain senior talent in a highly specialised market.

In Progress: Looking forward, LAPFF will want to see how Infineon's revised remuneration structure performs in practice and whether it meaningfully strengthens the link between executive pay and long-term value creation. Particular attention will fall on the balance between relative TSR, DAX performance and the Target Operating Model, and whether these adjustments alleviate past concerns.

The proposed increases to pay levels will also be closely scrutinised, with a focus on whether they are proportionate, transparently communicated, and aligned with internal equity across the wider workforce.

Genmab

Achieved: LAPFF met with biotechnology company, Genmab, to discuss ongoing shareholder dissent around remuneration, which has seen opposition levels of 37% and 40% in recent years. The company attributes much of this to differences over peer group selection, as it benchmarks against US biopharma peers while many investors continue to view it as a European company. Genmab defended its global pay structure approach by pointing to its international footprint and the need to remain competitive in attracting senior executives, most of whom are U.S. based.

The company acknowledged the misalignment between executive payouts and shareholder returns, noting that long-term incentives are heavily weighted toward pipeline progression rather than

financial results, reflecting the company's reliance on milestone achievements as it transitions away from royalty-driven revenues to a fully integrated pharma model.

Furthermore, while Genmab has expanded disclosure retrospectively and reduced short term incentive payouts in recognition of underperformance, LAPFF highlighted that the absence of forward-looking disclosure on performance thresholds makes it difficult for shareholders to assess whether executive rewards are genuinely linked to delivery.

In Progress: A key area for improvement will be providing more transparent, forward-looking disclosure on performance metrics and vesting thresholds. This would help reassure investors that executive rewards are genuinely linked to outcomes rather than retrospective justification.

In addition, governance concerns remain: the chair of the remuneration committee has served for 22 years, with other members also long tenured, raising questions about board independence and refreshment. With royalty revenues expected to decline significantly by the end of the decade, investors will also be watching to see whether Genmab can successfully scale its own commercial portfolio and demonstrate profitability. Together, these factors will shape how shareholders judge the appropriateness of future pay structures.

BE Semiconductor (Besi)

Achieved: LAPFF engaged for the first time with the Dutch semiconductor designer and manufacturer, Besi, following significant shareholder dissent at the 2025 AGM on the company's remuneration policy. Investor concerns arose over the final application of the 2019 policy that was valid from January 2020 to year end December 2023. It included a discretionary element allowing awards of up to 120,000 shares for outstanding performance. In January 2024, the Board met to assess company performance in 2023 based on three assessment elements:

- Net income return
- Average return on equity
- Generation of cash from company operations

The performance of the company

was deemed 'outstanding' and so the obligation of the board, according to the shareholder-approved policy, was to award the maximum package, 120,000 shares. However, when the policy was adopted in 2019, Besi's share price stood at around €25 but by 2023, it had risen above €100, substantially inflating the potential value of share-based awards.

In response, the Supervisory Board used its discretion to reduce the maximum payout by 20%, from 120,000 to 96,000 shares and then further to 70,000 after consultation with management. However, many shareholders still viewed the award as disproportionate given the wider macroeconomic tailwinds that had boosted valuations across the sector. This disconnect contributed to significant opposition despite the company meeting its 'outstanding performance' threshold.

Besi highlighted that the new remuneration policy (valid from 2024-2027) directly addresses shareholder concerns by removing all discretion and introducing a hard cap of 10 times base salary, with awards linked to share price rather than fixed share quantities.

In Progress: Shareholders remain concerned that parts of the previous incentive design allowed payouts even at or below median performance, raising questions over alignment with long-term value creation. LAPFF will continue to monitor whether Besi's revised policy, with its strict cap and rules-based design, adequately addresses these issues in practice.

Another focus will be the robustness of STI metrics. While Besi insists that most are quantitative and rigorous, some investors perceive them as overly tailored or discretionary relative to peers. The company's ability to clearly demonstrate the challenge level of targets and benchmark them transparently against competitors will be central to restoring shareholder confidence.

Finally, given Besi's long-term track record (TSR up 20 times over the past decade, with one-third of revenues distributed through dividends and buybacks), investors will expect remuneration structures to ensure that future payouts reflect sustainable performance rather than market-driven valuation gains.

ENGAGEMENT

Pandora

Achieved: LAPFF engaged with Danish jeweller Pandora following shareholder dissent (47.78% opposed) at the 2025 AGM, primarily linked to a special bonus awarded to the CEO. Concerns focused on the vesting period (2 years plus one-year holding period), which was not aligned with the company's standard LTIP framework (3 years plus 2-year holding period). While Pandora subsequently amended the terms to meet the standard total lock-in in response to investor feedback, the change occurred after votes had been cast.

The company emphasised that its remuneration policy allows for the granting of special bonuses when deemed necessary by the board. Pandora described this award as a one-off, justified in the interests of the company, although details could not be disclosed for competitive reasons. The board also stressed the importance of benchmarking against European peers and C25 companies, while acknowledging the need to remain competitive in attracting international talent.

A key area of debate with LAPFF was performance target disclosure. Pandora currently discloses performance metrics and weightings but not numeric targets, citing commercial sensitivity – particularly around financial and TSR-related measures linked to product launches and strategic ambitions. The company argued that even retrospective disclosure could compromise future plans. While some peers do disclose targets, Pandora maintains that its business model makes such transparency not viable on grounds of commercial sensitivity. The company committed to considering retrospective disclosure for certain “softer” targets at a future board meeting, as well as clarifying communication to shareholders around the exceptional nature of the CEO award.

In progress: From LAPFF's perspective, concerns remain over the lack of quantitative disclosure, which makes it difficult for shareholders to assess the level of challenge embedded in Pandora's incentive plans. Repeated use of similar performance metrics across the STI, LTI, and special award risks create the perception of executives being rewarded multiple times for the same

achievements.

LAPFF further stressed that in periods of unprecedented market conditions, disclosure becomes even more important. Without numeric targets, it is hard to separate rewards earned through genuine executive delivery from those inflated by external macroeconomic factors. Pandora has committed to reviewing whether retrospective disclosure could be expanded, particularly for non-financial measures, with the Board, and LAPFF will monitor this.

COLLABORATIVE ENGAGEMENTS

PRI Advance Vale

In Q3, LAPFF secured a meeting with Vale, scheduled for October 2025, which will be reported on in the Q4 QER. This meeting will request further disclosure on how employee and community feedback is collected, managed, and integrated into board-level oversight. The group remains particularly interested in findings from Vale's 2024 Community Perception Survey, as well as employee feedback mechanisms and their role in shaping Vale's broader social strategy.

Additionally, the PRI Advance group is planning to meet with Earthworks, non-profit environmental organisation based in the US, in September to discuss their April 2025 report on Vale's Brazilian operations (meeting details to be confirmed). The group also noted that Vale will also host a field trip to Brumadinho during PRI in Person Brazil later this year, and the group will await feedback from this visit.

Vale shared its ESG newsletter with investors on 18 August 2025. Updates in this newsletter included information on dam safety, sustainability, and governance and transparency, as summarised:

DAM SAFETY

Vale reported progress on dam safety, with the Forquilha III dam's emergency level reduced from 3 to 2, meaning the company no longer has any dams at the highest risk level. In addition, Vale has

completed the full implementation of the Global Industry Standard on Tailings Management (GISTM) across all of its tailings dams, reinforcing its alignment with best practice in the mining sector. The company also expressed support for the newly created Global Tailings Management Institute, signalling ongoing commitment to improving industry-wide standards. Separately, the Xingu Dam at the Alegria Mine in Mariana had its emergency level downgraded from 2 to 1 following geotechnical improvements, enhanced monitoring systems, and advanced technical studies confirming its structural stability.

SUSTAINABILITY

Vale announced it has reached 50% of its Voluntary Forest Goal for 2030, conserving 200,000 hectares of forest areas. This milestone demonstrates progress towards the company's longer-term commitment to biodiversity and environmental protection.

GOVERNANCE & TRANSPARENCY

Vale achieved 100% adherence to the Brazilian Corporate Governance Code for the second consecutive year, exceeding market averages and aligning with the Novo Mercado standards. The company was also featured in a Global GRI and TNFD case study report, highlighting its efforts in managing nature-related dependencies, risks, and opportunities, and positioning itself as an example of advancing nature-positive ESG leadership. Furthermore, Vale released its first Sustainability-Related Financial Information Report, becoming the first company in Brazil to voluntarily adopt ISSB and CBPS standards ahead of regulatory requirements. The report set out the company's climate strategy, including emission reduction targets and R\$7.4 billion in investments since 2020, underscoring Vale's focus on opportunities linked to the energy transition.

ENGAGEMENT

CONSULTATION RESPONSES

Department of Business consultation – Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2

LAPFF submitted a response in September 2025 to a consultation on sustainability reporting. The framework for the proposed sustainability standards comes from the IFRS Foundation, and LAPFF raised concerns about the restrictive nature of a central premise within the consultation, that: “the updated framework will seek to ensure that only information that is decision-useful is required to be disclosed and that this is provided in a format that best meets the needs of investors and other users.

LAPFF views the term ‘decision useful’

as problematic. It is not described in UK legislation. It is described by accounting standard setters but this can lead to tensions between standards and UK law. This is evident in the fact that “Useful for users” creates potential for contradictory implications as not all users are the same. A long only shareholder as user will require comprehensive quality information. However, a short seller, as a “user” may wish to have poor quality information to give them grounds to short the stock.

Similarly, as noted by the Judge in the Royal Bank of Scotland prospectus case¹, sell side analysts as users may want an edge in their research and wish for poor disclosure. By the RBS prospectus case “decision-useful” is contrary to the law concerning prospectus quality information. But “decision usefulness” has further harms to that set out above.

It is a limitation of scope as it omits the first order impact e.g. on the company of knowing there will be transparency on the behaviour of a company itself as the reporting party. A non-accounting

example would be the register of MPs’ interests. The reason for disclosure is a prohibitive effect in first instance, as opposed to being an after effect for third party consumption.

Directors are not “users” under the “decision useful” definition as they are viewed as having the ability to obtain information internally. However disclosure may be relevant to directors in bringing up information that otherwise would not be noticed by them. Such examples would be diversity disclosure by companies. Or deaths in a workforce.

LAPFF also had concerns about the scope of the term decision useful as it can potentially limit information to that which could impact the share price or investor decisions. This could end up restricting reporting on social and environmental risks. These could be viewed as immaterial when in fact not. It may lead to systemic risks not being reported on by individual companies as the focus will be inherently idiosyncratic risks. However, the combined impact could contribute to market-wide risks.

¹ [2015] EWHC 3433 (Ch), para 47

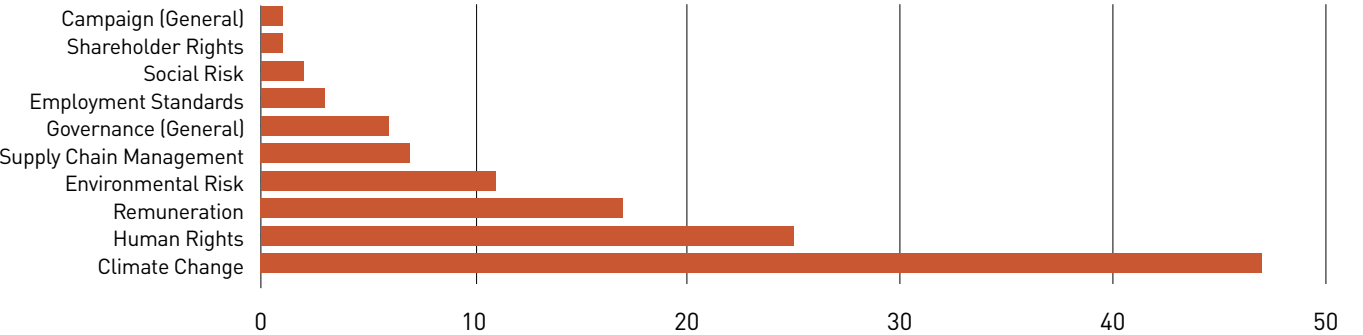
COMPANY PROGRESS REPORT

This dataset represents data taken from ‘Meetings’, ‘AGMs’ and ‘Received Correspondence’ only.

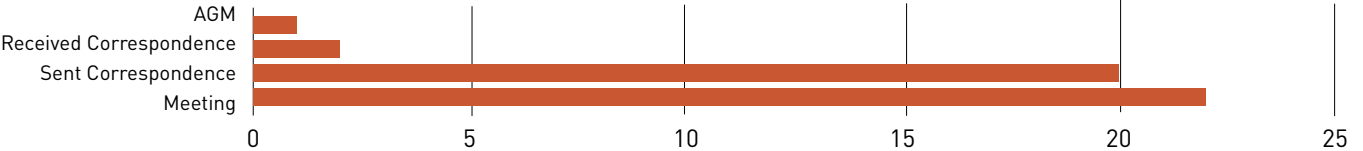
Company/Index	Activity	Topic	Outcome
ANGLO AMERICAN PLC	Meeting	Governance (General)	Change in Process
ANZ-AUSTRALIA & NEW ZEALAND BANK	Meeting	Human Rights	Satisfactory Response
BANK MANDIRI (PERSERO) TBK	Meeting	Climate Change	Small Improvement
BE SEMICONDUCTOR INDS NV	Meeting	Remuneration	No Improvement
BUNGE GLOBAL SA	Received Correspondence	Environmental Risk	Dialogue
CIMB GROUP HOLDINGS BERHAD	Meeting	Climate Change	Change in Process
COMMONWEALTH BANK OF AUSTRALIA	Meeting	Human Rights	Satisfactory Response
CRH PLC	Meeting	Environmental Risk	Dialogue
ENI SPA	Meeting	Human Rights	Satisfactory Response
GENMAB AS	Meeting	Remuneration	Dialogue
HEIDELBERG MATERIALS AG	Meeting	Environmental Risk	Dialogue
HONDA MOTOR CO LTD	Meeting	Human Rights	Dialogue
INFINEON TECHNOLOGIES AG	Meeting	Remuneration	Substantial Improvement
KINGFISHER PLC	Meeting	Employment Standards	Dialogue
LVMH (MOET HENNESSY - LOUIS VUITTON) SE	Meeting	Human Rights	Moderate Improvement
MICROSOFT CORPORATION	Received Correspondence	Human Rights	Dialogue
NATIONAL AUSTRALIA BANK LIMITED	Meeting	Human Rights	Satisfactory Response
PANDORA AS	Meeting	Remuneration	Dialogue
PENNON GROUP PLC	Meeting	Environmental Risk	Dialogue
PFIZER INC.	Meeting	Environmental Risk	Dialogue
PRYSMIAN SPA	Meeting	Remuneration	Dialogue
SEVERN TRENT PLC	Meeting	Environmental Risk	Change in Process
SSE PLC	AGM	Climate Change	Dialogue
THE COCA-COLA COMPANY	Meeting	Environmental Risk	No Improvement
TOTALENERGIES SE	Meeting	Human Rights	Dialogue

ENGAGEMENT DATA

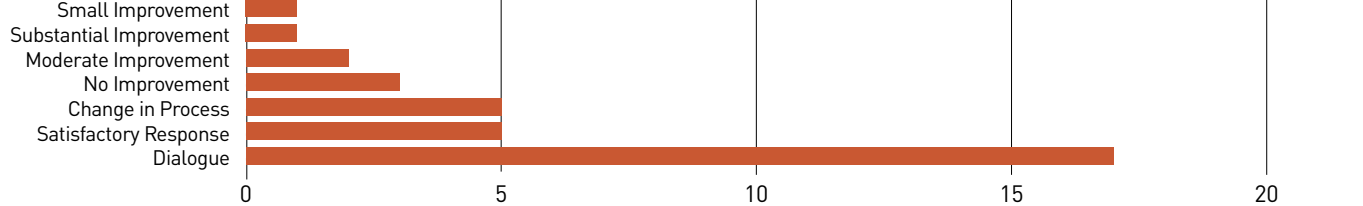
ENGAGEMENT TOPICS



ACTIVITY

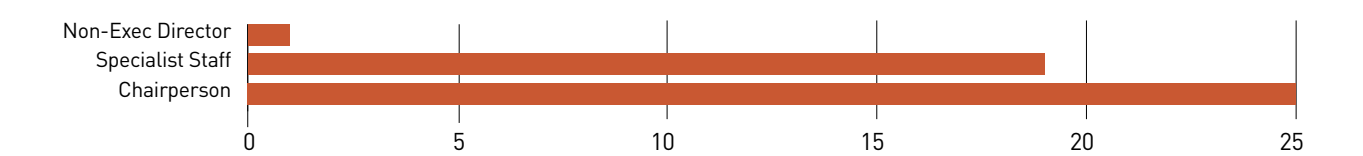


MEETING ENGAGEMENT OUTCOMES*

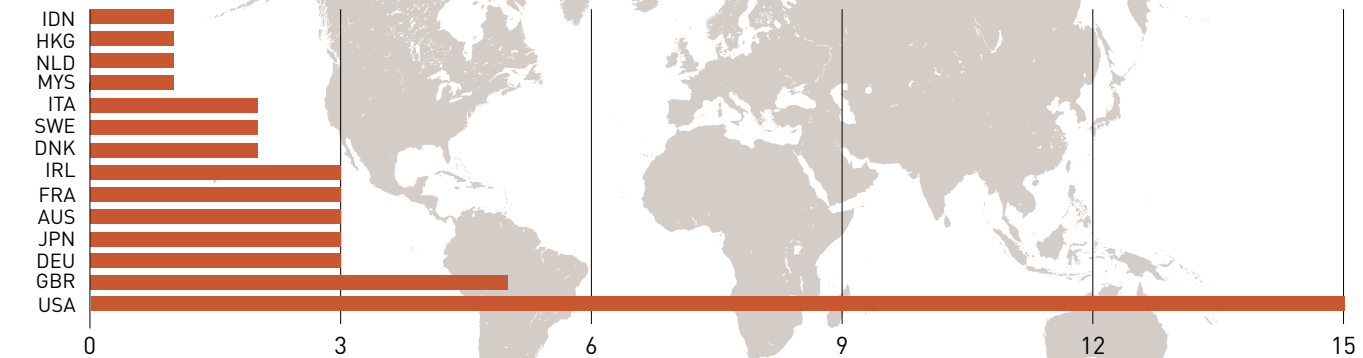


*Outcomes data is taken from 'Meetings', 'AGMs' and 'Received Correspondence' only

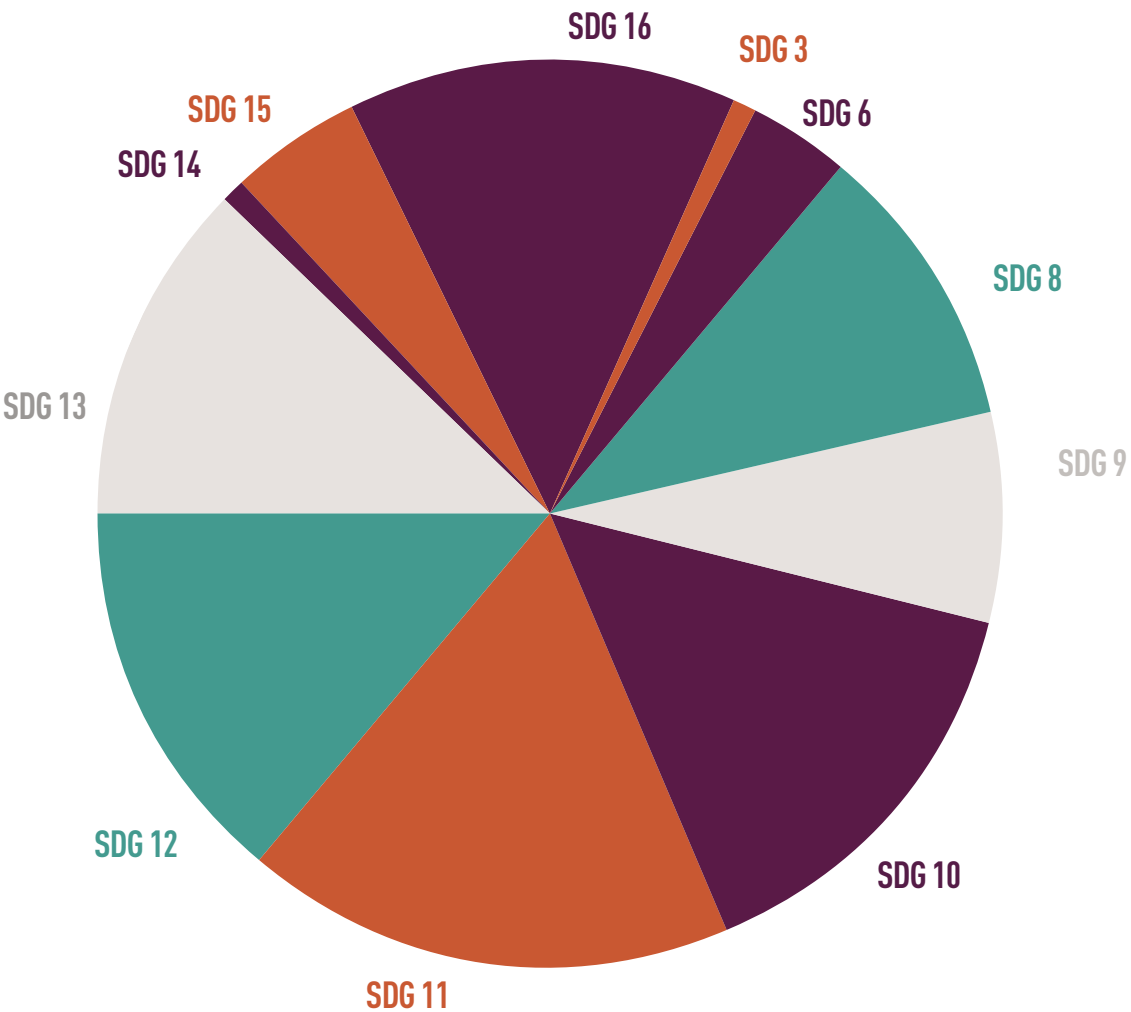
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	1
SDG 4: Quality Education	0
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	0
SDG 8: Decent Work and Economic Growth	11
SDG 9: Industry, Innovation, and Infrastructure	8
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	19
SDG 12: Responsible Production and Consumption	15
SDG 13: Climate Action	13
SDG 14: Life Below Water	1
SDG 15: Life on Land	5
SDG 16: Peace, Justice, and Strong Institutions	15
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund	Gwynedd Pension Fund	Rhondda Cynon Taf Pension Fund
Barking and Dagenham Pension Fund	Hackney Pension Fund	Scottish Borders Pension Fund
Barnet Pension Fund	Hammersmith and Fulham Pension Fund	Shropshire Pension Fund
Bedfordshire Pension Fund	Haringey Pension Fund	Somerset Pension Fund
Berkshire Pension Fund	Harrow Pension Fund	South Yorkshire Pension Authority
Bexley (London Borough of)	Havering Pension Fund	Southwark Pension Fund
Brent (London Borough of)	Hertfordshire Pension Fund	Staffordshire Pension Fund
Cambridgeshire Pension Fund	Hillingdon Pension Fund	Strathclyde Pension Fund
Camden Pension Fund	Hounslow Pension Fund	Suffolk Pension Fund
Cardiff & Glamorgan Pension Fund	Isle of Wight Pension Fund	Surrey Pension Fund
Cheshire Pension Fund	Islington Pension Fund	Sutton Pension Fund
City of London Corporation Pension Fund	Kensington and Chelsea (Royal Borough of)	Swansea Pension Fund
Clwyd Pension Fund (Flintshire CC)	Kent Pension Fund	Teesside Pension Fund
Cornwall Pension Fund	Kingston upon Thames Pension Fund	Tower Hamlets Pension Fund
Croydon Pension Fund	Lambeth Pension Fund	Tyne and Wear Pension Fund
Cumbria Pension Fund	Lancashire County Pension Fund	Waltham Forest Pension Fund
Derbyshire Pension Fund	Leicestershire Pension Fund	Wandsworth Borough Council Pension Fund
Devon Pension Fund	Lewisham Pension Fund	Warwickshire Pension Fund
Dorset Pension Fund	Lincolnshire Pension Fund	West Midlands Pension Fund
Durham Pension Fund	London Pension Fund Authority	West Yorkshire Pension Fund
Dyfed Pension Fund	Lothian Pension Fund	Westminster Pension Fund
Ealing Pension Fund	Merseyside Pension Fund	Wiltshire Pension Fund
East Riding Pension Fund	Merton Pension Fund	Worcestershire Pension Fund
East Sussex Pension Fund	Newham Pension Fund	
Enfield Pension Fund	Norfolk Pension Fund	Pool Company Members
Environment Agency Pension Fund	North East Scotland Pension Fund	ACCESS Pool
Essex Pension Fund	North Yorkshire Pension Fund	Border to Coast Pensions Partnership
Falkirk Pension Fund	Northamptonshire Pension Fund	LGPS Central
Gloucestershire Pension Fund	Nottinghamshire Pension Fund	Local Pensions Partnership
Greater Gwent Pension Fund	Oxfordshire Pension Fund	London CIV
Greater Manchester Pension Fund	Powys Pension Fund	Northern LGPS
Greenwich Pension Fund	Redbridge Pension Fund	Wales Pension Partnership

Statement on Investments in Companies Operating in Conflict Affected High Risk Areas (CAHRAs)

Shropshire County Pension Fund (“the Fund”) recognises its role as one of promoting best practice in responsible investment and stewardship (RI&S), which is consistent with seeking improved long-term investment returns. The Fund believes that responsible investment and the integration of environmental, social, and corporate governance (ESG) considerations into the investment process, accompanied by the effective stewardship of assets, provides the best long-term outcomes for the Fund’s stakeholders and wider society. The Fund has produced an Annual Stewardship Report which goes into further detail on the work in this area. [Shropshire County Pension Fund 2023.24 Annual Stewardship Report](#)

LGPS Central Ltd (LGPSC) manage the majority of the Fund’s assets (c74% at 31 March 2025) and work on behalf of the Fund to regularly scrutinise portfolios from a responsible investment, ESG, and risk management perspective. This begins during the investment manager selection process and continues through regular monitoring processes. All the investment managers appointed by LGPSC are required to integrate all relevant and material ESG considerations into their investment processes and are expected to make ESG risk informed investment decisions. LGPSC monitor and manage ESG risks further by engaging directly with portfolio companies that fall into one of their 4 key stewardship themes, which includes human rights.

From a human rights perspective, LGPSC expect all investee companies to comply with the United Nations Guiding Principles on Human Rights (UNGPs). The UNGPs prescribe human rights due diligence processes to identify, address and mitigate human rights including companies operating in conflict zones. This expectation is communicated in LGPSC’s Responsible Investment & Stewardship Framework and Voting Principles, ([LGPS-Central-RI&E-Framework-2024.pdf](#)). In addition, LGPSC expects all companies which operate in any conflict zone to undertake heightened due diligence in the form of a human rights assessment.

LGPSC is a member of Investor Alliance for Human Rights and a signatory of the investor statement calling for Responsible Corporate Policy and Practices on Human Rights in Conflict-Affected and High-Risk Areas ([Call for Responsible Corporate Policy and Practices on Human Rights in Conflict-Affected and High Risk Areas \(CAHRA\)](#)).

Shropshire Pension Fund and LGPSC are also members of the Local Authority Pension Fund Forum (LAPFF), which actively engages with companies on human rights risks that stem from operating in conflict zones, again expecting heightened human rights due diligence processes from those companies. LAPFF’s has produced a public statement on the expectations it has of companies operating in conflict affected and high-risk areas (CAHRAs) [Conflict-Affected and High-Risk Areas: LAPFF Engagement](#).

The Fund receives quarterly reports on stewardship activities carried out by LGPSC and LAPFF, including those with companies operating in CAHRAs. These are reported to the Pensions Committee quarterly in a Corporate Governance Monitoring Report. [Browse meetings - Pensions Committee - Shropshire County Council](#).

To support the legality of the Fund’s position, Nigel Giffin KC, has produced two recent opinions regarding LGPS investments. One covering the consideration of non-financial factors into LGPS investments in general ([Updated legal opinion on fiduciary duty in the LGPS Jan 2025](#)) and a

further one specifically covering the legality of investments around the Gaza conflict ([Counsel opinion on the LGPS and current events concerning Gaza Nov 24](#)).

The position regarding the LGPS remaining invested in companies operating in CAHRAs has been called into question in recent years. Whilst recognising the hardship for people living in these areas, for the reasons outlined above, the Fund believes that the effective stewardship of assets, provides the best long-term outcomes for stakeholders and society.



LGPS Central Limited

2025 Climate Risk Management Report

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Presented by LGPS Central Limited

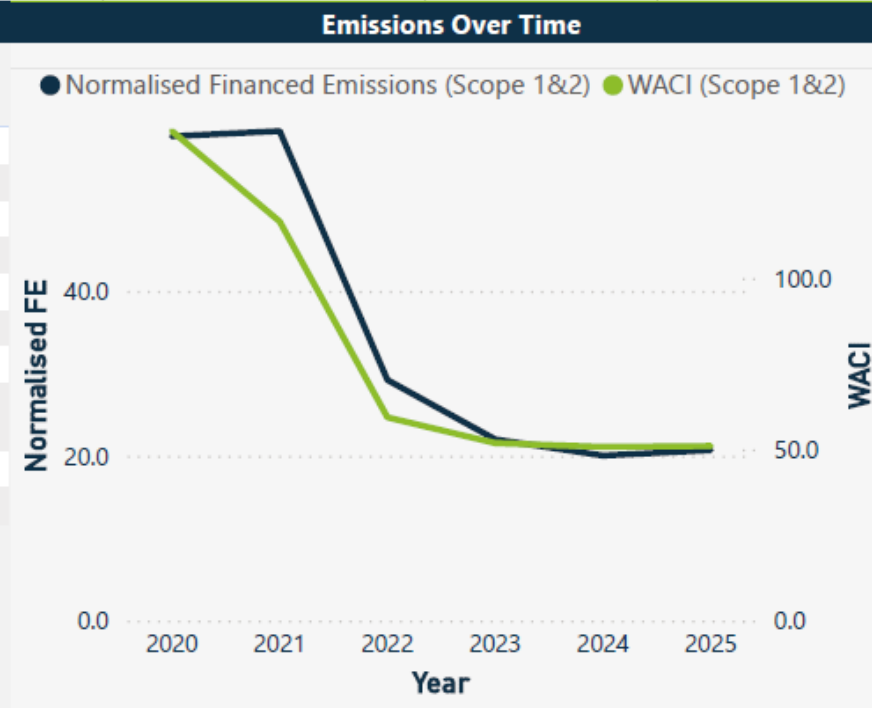
Equity



Equity Fund Asset Class	Multiple Fund Classification	Multiple Fund Manager	£1,513,393,605 NAV	Blended Reference Index	Q1 2025 Period
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	Emissions Category	Portfolio	Index	Previous Year	Portfolio	Index
Listed Equity / Corporate Bonds						
Financed Emissions (tCO ₂ e)	Scope 1+2	30,290	79,685	27,781	97.9%	98.4%
	Scope 3	510,415	634,972	489,732	92.1%	91.1%
Normalised Financed Emissions (tCO ₂ e/£m Invested)	Scope 1+2	20.7	59.4	20.0		
	Scope 3	367.1	473.3	370.1		
Weighted Average Carbon Intensity (tCO ₂ e/\$m Sales)	Scope 1+2	51.0	122.1	50.7	97.9%	98.4%

Top 10 Emissions Contributors												
Issuer	Portfolio Weight	Index Weight	% Financed Emission	% WACI	Scope 1+2	Scope 3	Engage ment	LCT	ITR	SBT		
Heidelberg Materials AG	0.09%	0.031%	11.98%	1	4.98%	3	67.9M	22.8M	Yes	3.7	2.6	Yes
PHILLIPS 66	0.16%	0.072%	5.95%	2	0.85%	17	38.9M	359.0M	Yes	2.1	10.0	
NEXTERA ENERGY, INC.	0.37%	0.195%	4.14%	3	10.82%	1	42.3M	2.7M	Yes	6.0	3.7	
Air Liquide SA	0.17%	0.144%	3.83%	4	4.10%	5	37.6M	21.1M	Yes	4.5	10.0	Yes
WASTE MANAGEMENT, INC.	0.32%	0.123%	2.97%	6	4.68%	4	15.2M	1.8M	No	5.6	2.4	Yes
Iberdrola, S.A.	0.53%	0.134%	2.68%	7	2.37%	9	12.3M	39.3M	Yes	7.3	1.3	Yes
LINDE PUBLIC LIMITED COMPANY	0.23%	0.298%	2.51%	8	5.15%	2	37.3M	25.4M	Yes	4.5	10.0	Yes
KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.	0.15%		2.46%	10	1.19%	11	2.8M		No	5.7	3.8	
CONOCOPHILLIPS	0.32%	0.185%	2.37%	11	1.95%	10	17.4M	242.0M	Yes	2.9	3.7	
CANADIAN PACIFIC KANSAS CITY LTD	0.35%	0.082%	1.31%	13	3.53%	6	4.8M	1.6M	No	5.2	4.3	

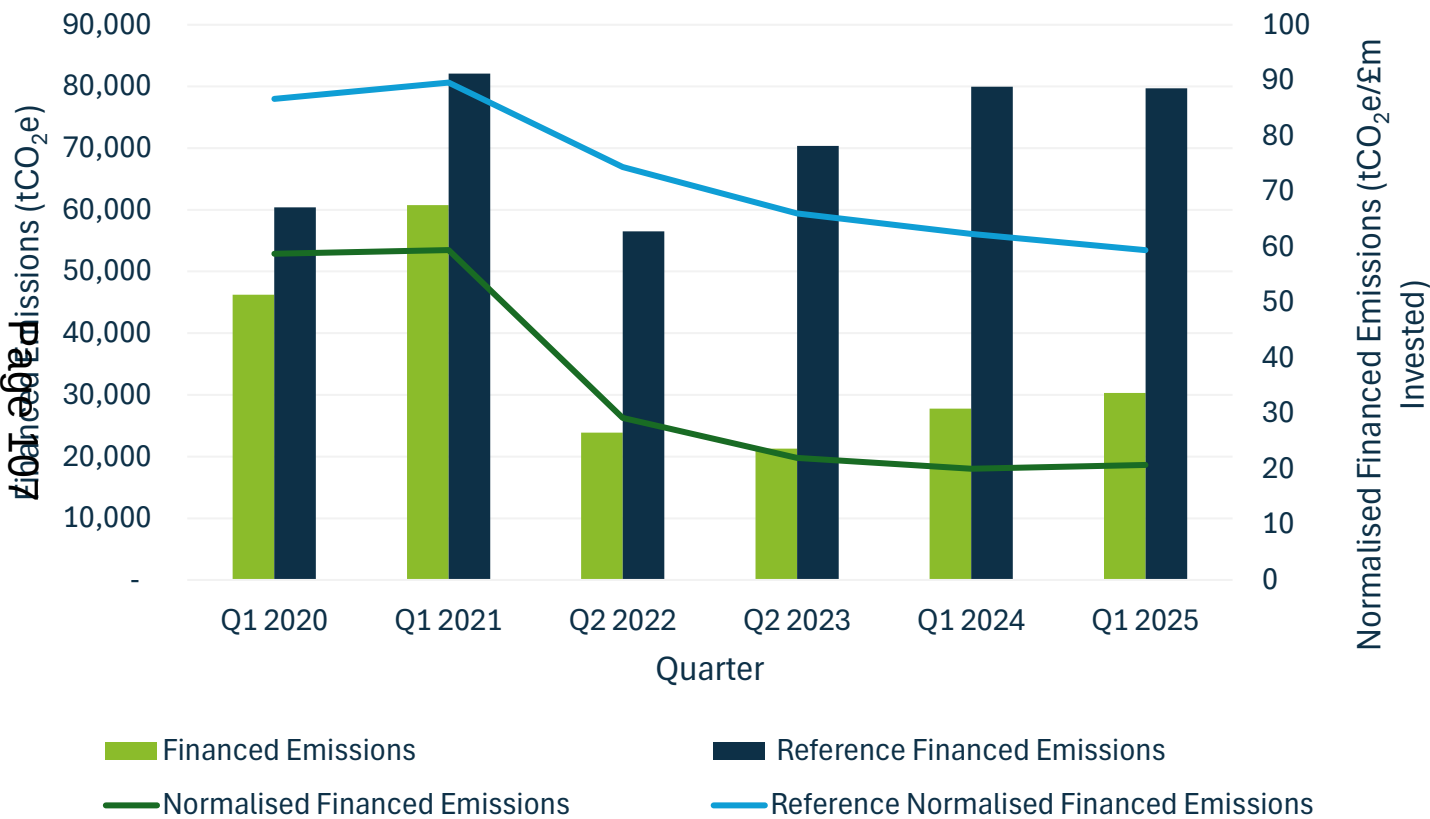


High Impact Sectors / Climate Solutions Exposures (Portfolio vs Benchmark)						Portfolio Alignment & Engagement					
Fossil Fuel Reserves	Fossil Fuel Revenue	Thermal Coal Reserves	Coal Power Exposure	Cleantech Exposure	Cleantech Revenue	Engagement	Data Quality	LCT	ITR	SBT	Alignment
2.1% 6.6%	1.0% 3.1%	0.8% 2.8%	0.4% 3.1%	37.4% 40.6%	7.3% 7.0%	62.1%	2.2	53.8%	20.8%	53.0%	32.2%



Climate Metrics Over Time – Listed Equities

Listed Equity: Financed Emissions Over Time



Financed emissions

↓ 34.5% vs 2020

↓ 62.0% vs Reference index

Normalised financed emissions

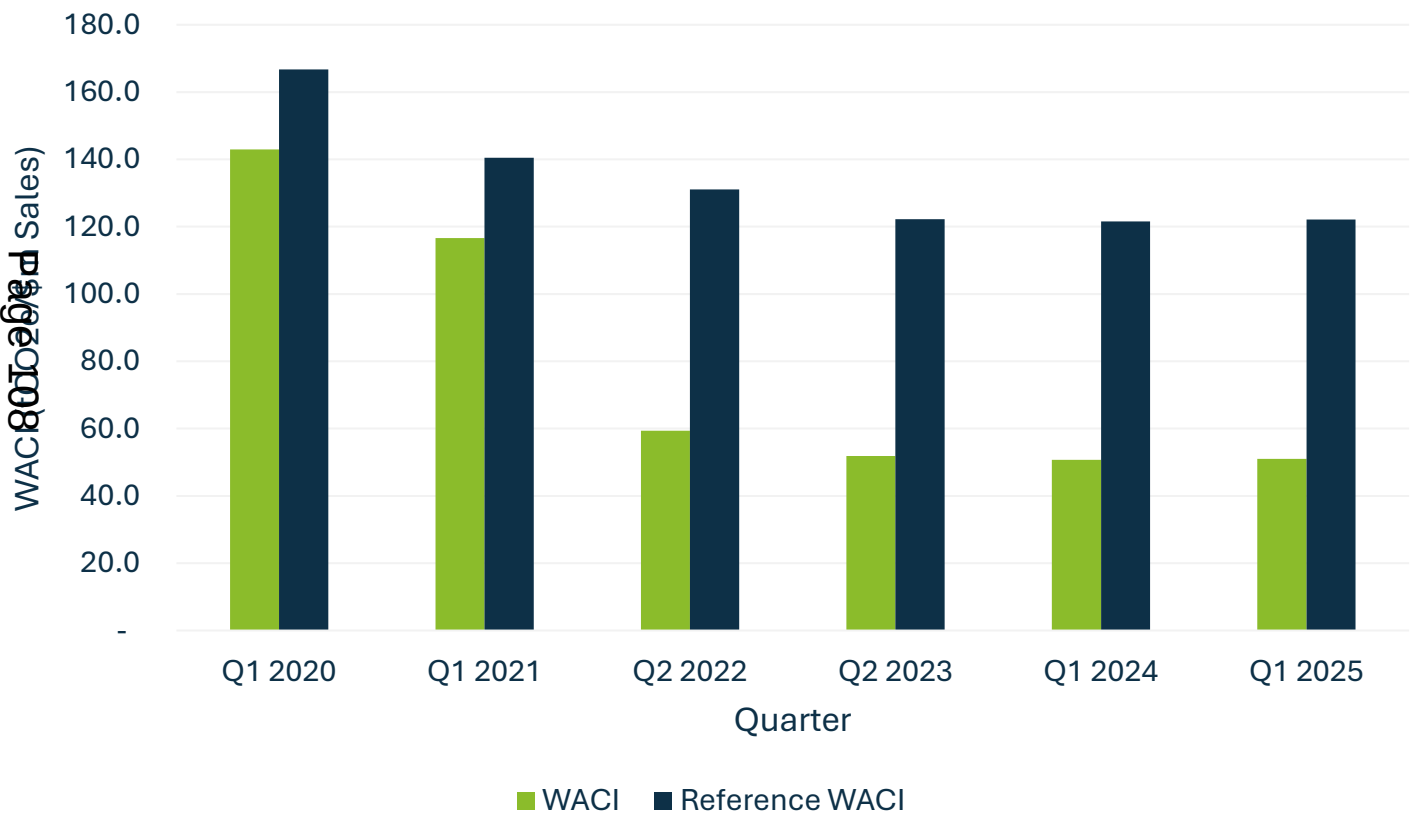
↓ 64.8% vs 2020

↓ 65.2% vs Reference index



Climate Metrics Over Time – Listed Equities

Listed Equity: WACI Over Time



Weighted Average Carbon Intensity

↓ 64.3% vs 2020
↓ 58.2% vs Reference index



Progress Against Climate Targets

Company Name	Progress as of 31 March 2025
Net zero (scope 1 & 2 carbon equivalent (CO2e)) financed emissions by 2050 or sooner for listed equities, corporate bonds, sovereign debt, and property.	34.5% decrease in listed Equity’s financed emissions since 2020
50% reduction of (scope 1 & 2 CO2e) financed emissions by 2030 for listed equities and corporate bonds.	
Carbon foot printing and reporting against all public and private market assets.	2024 Established carbon foot printing for all pooled private market assets using both actual and estimated data.



Climate Stewardship Plan

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Company Name	Escalation Grade*	Progress*	Contribution to Financed Emissions
RWE	Level 2	Level 2	6.41%
Glencore	Level 2	Level 0	2.36%
Shell	Level 2	Level 2	1.66%
Bp	Level 1	Level 1	1.02%
Holcim	Level 2	Level 0	0.33%
ArcelorMittal	-	Level 3	0.32%

Level 3
Successful Outcome

Level 2
Moderate Progress

Level 1
Minimum Expectations

Level 0
No Improvement

* (Escalation grade and progress,) as reported in LGPS Central’s latest Annual Stewardship Report. These do not capture additional engagements undertaken by external managers or EOS at Federated Hermes.



COMPANY:
Shell plc

Objective

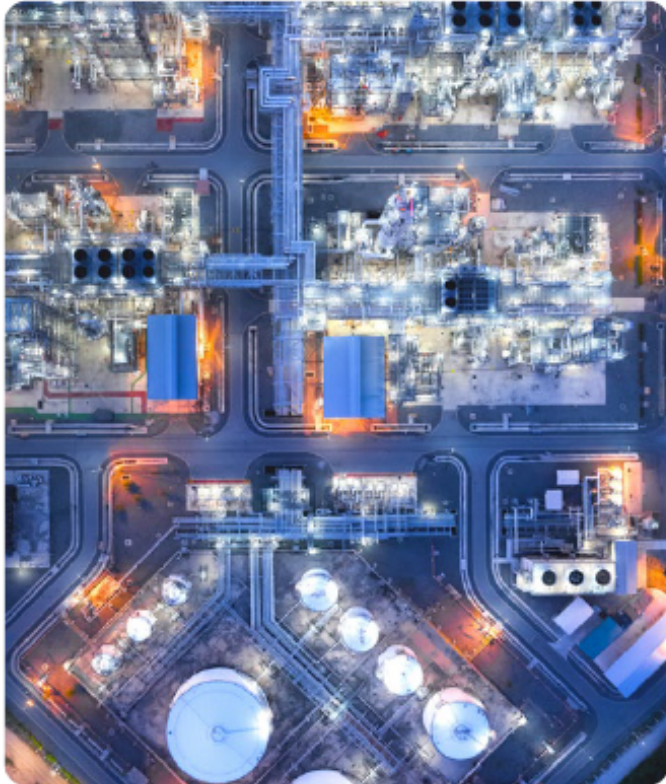
- Short-term: Build an effective engagement relationship with the company.
- Long term: ensure that Shell's net zero policy is aligned with a 1.5°C temperature increase.

Engagement

Following LGPSC's vote against Shell's Energy Transition Strategy at the company's 2024 AGM, in September, LGPSC met with the Chair of the Board to discuss the strategy in more detail. Several topics were discussed, including the correlation between Shell's expansion of its gas business and the prospective disclosure of medium-term climate targets, as well as the company's confidence in its assumptions regarding global gas markets.

Outcome

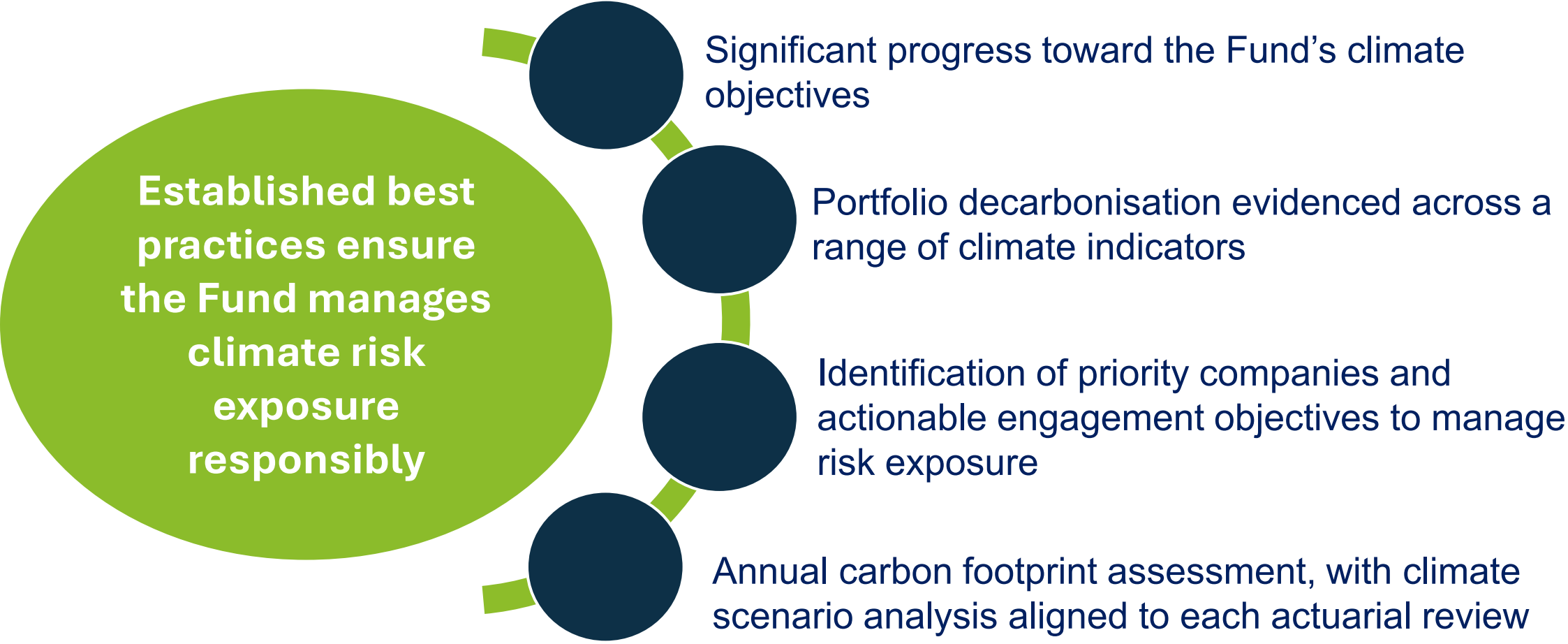
Clarified Shell's long-term business strategy and key future dates. This marks significant progress towards achieving the short-term objective of this engagement: to establish an effective engagement relationship with the company. Whilst LGPSC have established an active dialogue with the company, they expect further clarity on how Shell's net-zero commitment is resilient to economic scenarios, especially in relation to global liquified natural gas demand over the next few decades. LGPSC will discuss their thoughts with external managers and continue to engage with the company on aligning its decarbonisation strategy with the goals of the Paris Agreement.





Key Takeaways

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Thank you for listening

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All information is prepared as of 25/11/2025.

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**Shropshire
County
Pension Fund**

Climate-Related Disclosures

Report prepared in alignment with the recommendations of the
Taskforce on Climate-Related Financial Disclosures (TCFD)

DECEMBER 2025

PREPARED BY LGPS CENTRAL LIMITED



LGPS Central Limited



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Front Cover: Mainstone, Shropshire
Images (Clockwise): Shropshire Union Canal
Shropshire Hills
Shrewsbury, Shropshire



Key Highlights



Ludlow, Shropshire

EQUITY FINANCED EMISSIONS:

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The Fund's listed equity net asset value (NAV) increased by 75.6% from 2020. This would ordinarily lead to a proportional increase in the Fund's financed emissions. However, asset allocation decisions and company-level decarbonisation have meant that the Fund's Financed emissions have decreased.

30,290 tCO₂e↓ 34.5%
vs 2020↓ 62.0%
vs reference index

Accounting for fluctuations in NAV, we observe an even greater decrease in normalised financed emissions.

**20.9 tCO₂e/
£ million invested**↓ 64.8%
vs 2020↓ 65.2%
vs reference index

A similar reduction is observed in the Fund's equity weighted average carbon intensity, which provides a measure of the portfolio's exposure to carbon intensive companies.

**EQUITY WEIGHTED
AVERAGE CARBON
INTENSITY:****51.0 tCO₂e/
\$m sales**↓ 64.3%
vs 2020↓ 58.2%
vs reference index

These reductions are partially attributable to the asset allocation decisions of the Fund, notably including investments within the LGPS Central Global Sustainable Broad Fund, LGPS Central Global Sustainable Targeted Fund and the Legal and General Investment Management Solactive Developed Equity Index Fund, all of which have low normalised financed emissions and weighted average carbon intensity relative to the FTSE AW.



Introduction

This report constitutes the sixth edition of Shropshire County Pension Fund's (SCPF or 'the Fund') analysis of its approach to climate-related risks and opportunities. The report also contains a detailed analysis of the Fund's climate metrics.

The report is structured around the four pillars of the Task Force on Climate-Related Financial Disclosures (TCFD): Governance, Strategy, Risk Management, and Metrics & Targets, and serves as the Fund's TCFD compliant report. This report therefore aims to continue to provide an in-depth review of the Fund's approach to identifying, assessing, and managing climate risks and opportunities across its investments.



Shrewsbury, Shropshire



Governance

The Fund's governance of climate risk has developed significantly over recent years, as demonstrated by the graphic below.

FIGURE 1: THE FUND'S CLIMATE PROGRESS

2020

Climate Risk Report

The Fund received its first Climate Risk Report which included the results of the Metrics and Targets analysis and Climate Scenario analysis. The Fund also publishes its first TCFD Report.

2021

Climate Stewardship Plan

The Fund commits to a Climate Stewardship plan, which includes a focus list of companies that the Fund will monitor.

Climate Change Strategy

The Fund formally recognises the risks of climate change in its Climate Change Strategy. The Fund also commits to achieving net zero emissions by 2050 at the latest.

2022

Sustainable Investment Fund

The Fund invests approximately £100 million in LGPS Central's newly created Global Sustainable Equity fund, helping the Fund to make faster progress towards decarbonisation.

2023

Decarbonisation Progress

The Fund achieves a 46% reduction in its financed emissions, and a 59% reduction in its WACI, when compared to its 2020 baseline.

2024

Updated Climate Change Strategy

The Fund agrees to an updated Climate Change Strategy, which sets interim milestones for the achievement of its net zero goal. The interim targets are aligned with those of LGPS Central Limited (LGPS Central).



Governance *(continued)*

Board Oversight

Roles and responsibilities are clearly defined in the Fund's Governance Compliance Statement. Shropshire Council holds overall responsibility for the Fund but has delegated its management and administration to the Shropshire County Pension Fund Committee ('the Committee').

The Committee prepares the Investment Strategy Statement (ISS), which includes the Fund's Responsible Investment Beliefs. The Climate Change Strategy, which is referenced in the ISS and also published separately, sets out 10 evidence-based beliefs. These include recognition of climate change's impact on the financial system, environment, and society. The beliefs reaffirm support for the Paris Agreement and the need for a low-carbon transition.

The Committee meets quarterly or as needed. Engagement reports from investment managers and the engagement provider are standing items on each agenda. Both the Committee and the Pension Board receive regular training on responsible investment, with additional sessions delivered when required. The Committee also receives quarterly updates on responsible investment, including climate change.

Each Committee meeting includes time to discuss responsible investment and ESG issues. Meetings are live streamed, and an Annual Report covering these topics is published on the Fund's website, along with specific climate-related reports.

The Fund applies the Myners Principles to support effective decision-making, with annual disclosures included in Appendix A of the ISS.

Since September 2020, the Committee has received annual Climate Risk Reports to inform its climate strategy.

The Local Pensions Board oversees the Fund's governance and administration, ensuring compliance with LGPS Regulations and related legislation.



Clun Castle, Shropshire



Governance *(continued)*

Management's Roles and Responsibilities

The Head of Pensions – LGPS Senior Officer works with the Pensions Investment and Responsible Investment Manager to oversee climate-related investment risks and report to the Pension Committee. As an externally managed fund, much of this responsibility is delegated to portfolio managers, who are regularly monitored by Officers and the Committee.

The Committee is supported by its investment adviser, Aon, in monitoring investments. Reports include ratings on risk management, investment process, performance, and ESG factors where applicable. Material developments are reported to the Committee for consideration and potential action. In addition to AON as investment advisor the Fund is also supported by an independent advisor in Philip Hebson.

Since 2020, Officers and the Committee have received an annual Climate Risk Report to support climate-related considerations in strategy setting, including asset allocation and selection. These reports are published annually.

Roles of Advisors

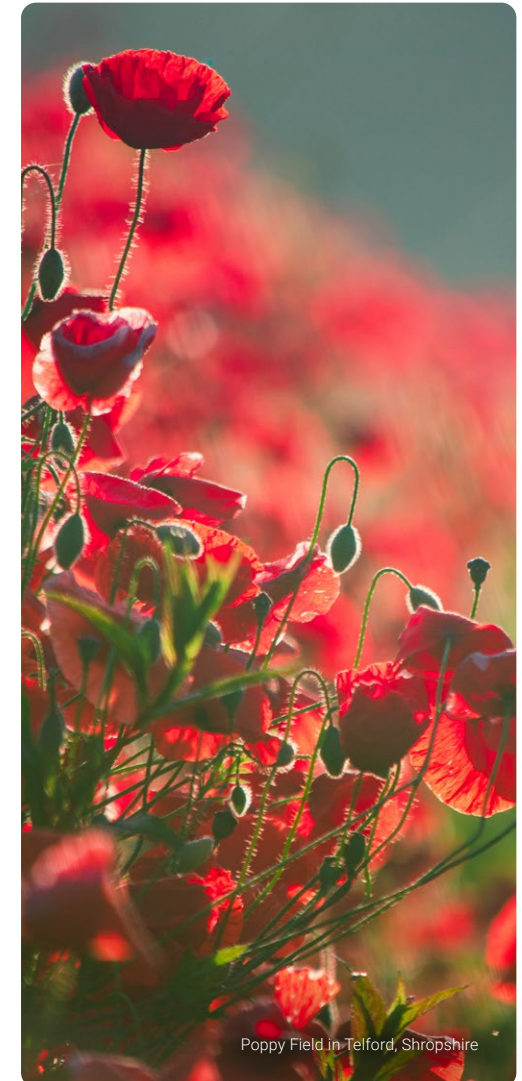
The Committee is supported by an independent advisor and an investment consultant. The independent advisor provides guidance on strategic issues and the overall investment approach. The investment consultant offers technical advice on portfolio construction, performance analysis, manager monitoring, and interpreting performance data. The Committee may delegate investment implementation to Officers as appropriate. To support this, Officers and the investment consultant hold quarterly technical meetings.

Ongoing Education and Training

The Pensions Board and Committee receive regular training on responsible investment topics, including climate change, with the Committee receiving quarterly updates.

In December 2024, LGPS Central presented to the Committee on monitoring and managing climate risk. The annual Climate Risk Report presentation also allows the Committee to review the Fund's carbon footprint trajectory and performance against peers and benchmarks.

Additionally, the Committee receive regular updates from Columbia Threadneedle, the Fund's Responsible Engagement Overlay Manager, and the Local Authority Pension Fund Forum (LAPFF) through their governance papers on engagement impacts, including on climate risks.



Poppy Field in Telford, Shropshire



Strategy

Description of Climate-related Risks and Opportunities

As a diversified asset owner, the range of climate-related risks and opportunities is multifarious and constantly evolving. A subset of risk factors is presented in the table below.

TABLE 1: EXAMPLES OF SHORT-, MEDIUM-, AND LONG-TERM CLIMATE-RELATED RISKS AND OPPORTUNITIES

Source of Risk and Opportunities	Category	Risk or Opportunity	Time Horizon	Impact Area	Mitigation / Management Strategy
Policy Changes (including Carbon Pricing)	Transition	Risk and Opportunity	• Short • Medium • Long	• Across investments and funding • Investments in carbon-intensive and low-carbon industries • Operational	• Monitor potential regulatory changes (domestic and international) and consider the impact of these changes on the Fund's approach to investments and its internal operations. • The achievement of the Fund's climate targets will mitigate the impact of increasing carbon prices. • Monitor manager preparedness and awareness of changing carbon prices across relevant markets, alongside their awareness of low-carbon alternatives which may benefit from rising carbon prices. • Consider the impact of likely policy changes in strategic decisions.
Technological Change	Transition	Risk and Opportunity	• Short • Medium • Long	• Across Asset Classes	• Monitor manager awareness of emerging and disruptive technologies. • Consider the impact of these changes on strategic decisions.

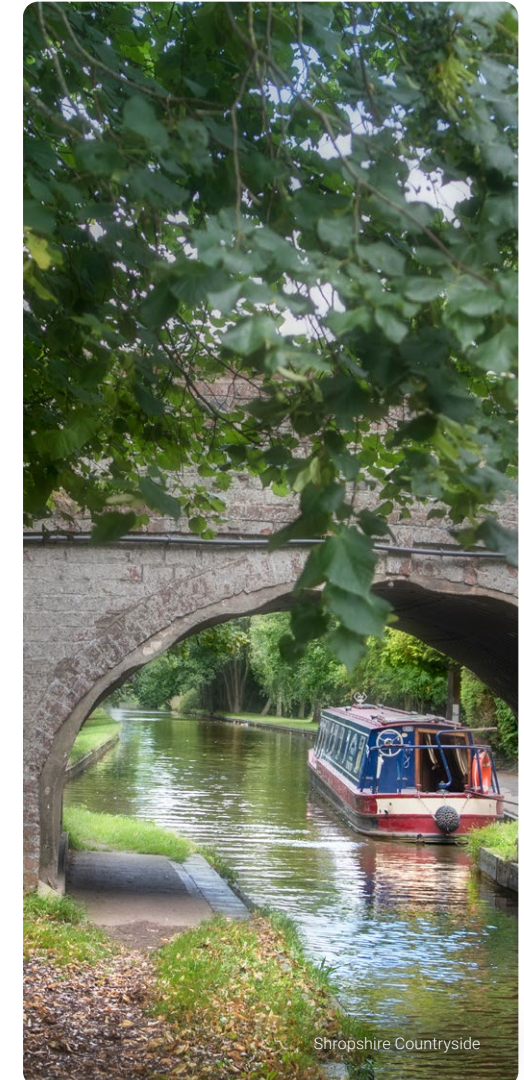


Carding Mill Valley, Shropshire



Strategy *(continued)*

Source of Risk and Opportunities	Category	Risk or Opportunity	Time Horizon	Impact Area	Mitigation / Management Strategy
Changing Weather Systems and Climate Adaptation Page 123	Physical	Risk and Opportunity	• Short • Medium • Long	• Physical Assets • Corporate Holdings	• Carry out scenario analyses on various climate scenarios to assess impact. • Ensure external managers maintain adequate consideration of both acute risks (floods, storms, etc) and chronic risks (damages associated with rising sea levels, global temperature increases, etc). • Ensure managers monitor the market for investment opportunities in climate adaptation projects. These could include large-scale infrastructure projects such as floodwalls, alongside technological products such as AC units and other cooling systems. • Ensure managers monitor portfolio company's assessments of extreme weather impacts on their operations.
	Physical	Risk	• Medium • Long	• Physical Assets	• Monitor manager awareness of resource scarcity. • Consider managers' awareness of agricultural holdings.



Shropshire Countryside



Strategy *(continued)*

Description of Impact of Climate-related Risks and Opportunities

While the Fund is diversified across asset classes, regions, and sectors, it recognises that climate risk is systemic and cannot be eliminated through diversification alone.

The Climate Change Strategy outlines the Fund's approach to managing climate-related risks, recognising both physical and transition risks and their potential financial and reputational impacts. Underlying managers are expected to assess these risks and opportunities from both top-down and bottom-up ESG perspectives.

Key management techniques include measurement and observation, policy review, asset allocation, selection and due diligence, purposeful stewardship, and transparency and disclosure.

The Fund is also exploring ways to further integrate climate-related risks and opportunities into its investment strategy, including potential investments in sustainable asset classes that align with its investment and funding objectives.

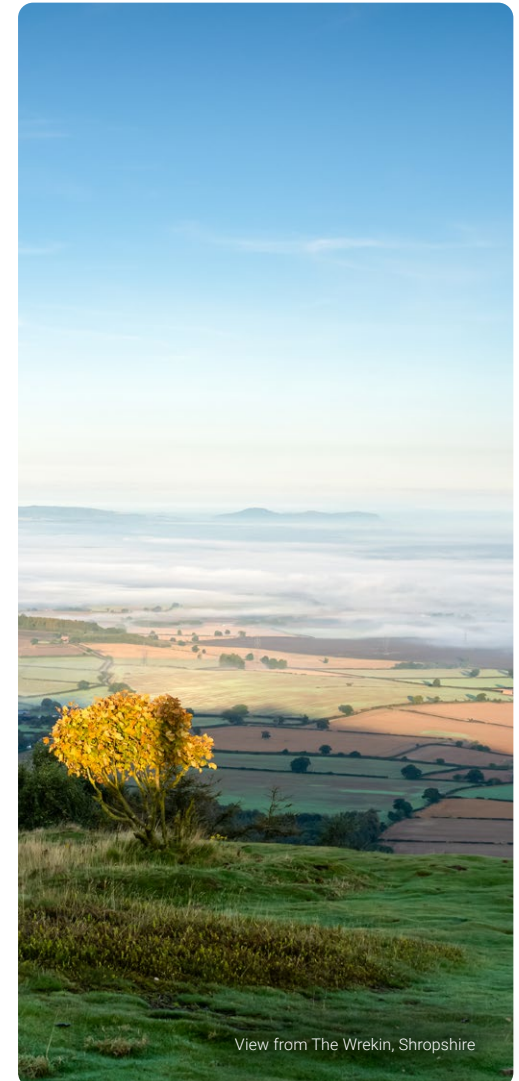
Description of Resilience of the Organisation's Strategy

To assess how climate scenarios could impact the Fund's funding strategy and risk-return profile, the Fund engaged Mercer LLC. As the Fund's actuary, Mercer incorporated climate scenario stress testing into the 2022 valuation contribution modelling for local authority employers.

In 2020 and 2022, via LGPS Central, Mercer also analysed how asset performance might vary under different climate scenarios. Both 2022 reports modelled three scenarios: Rapid Transition, Orderly Transition, and Failed Transition. Results are detailed in the Actuarial Valuation Report (31 March 2022) and the 2022 Climate Risk Report.

Translating scenario analysis into investment strategy remains challenging due to the wide range of plausible outcomes, uncertain probabilities over long horizons, and sector performance reversals between scenarios. Despite these challenges, the Fund seeks the best available climate research to strengthen portfolio resilience.

The Fund has committed to undertaking a revised climate scenario analysis and the results of this will be published in the 2025 Actuarial Valuation Report.





Risk Management

Identifying and Assessing Climate-Related Risks and Opportunities

The Fund identifies and assesses climate-related risks at both total Fund and individual asset levels. Recent Climate Risk Reports combine top-down and bottom-up analyses. The Fund recognises that assessment tools are evolving and aims to use the best available information to evaluate climate-related threats to investment performance.

Where possible, climate risks are expressed in units of investment return to allow comparison with other risk factors. As an externally managed fund, identification and assessment also rest with appointed managers, who are regularly monitored.

Engagement with investee companies is conducted through stewardship partners including LGPS Central, EOS at Federated Hermes, Columbia Threadneedle (Responsible Engagement Overlay provider), and LAPFF. Based on Climate Risk Report findings, the Fund has developed a Climate Stewardship Plan to focus engagement on priority investments.

The Fund continues to monitor existing and emerging climate-related regulatory requirements.



Ludlow, Shropshire



Risk Management *(continued)*

Managing Climate Risks and Opportunities

Risk prioritisation is based on perceived threat to the Fund, informed by analyses such as Climate Scenario Analysis and Carbon Risk Metrics.

A core element of the Fund's approach is ongoing monitoring of external managers. For LGPS Central-managed funds, climate considerations are integral to manager selection and due diligence. Post-appointment, LGPS Central's RI team meets managers quarterly to review new positions, recent engagements, and ESG-related controversies. Managers are assessed on a RAYG scale, with progress tracked over time.

Stewardship is also central to managing climate risk. The Fund expects investee companies to manage material risks, including climate change, and believes focused investor engagement can drive improvement.

The Fund supports Climate Action 100+ objectives, which call for companies to adopt governance structures for climate risk, decarbonise in line with the Paris Agreement, and disclose using TCFD recommendations.

Through its own membership and LGPS Central's, the Fund works with several engagement partners to engage investee companies on climate risk.

TABLE 2: THE FUND'S STEWARDSHIP PARTNERS

Organisation	Remit
	The Fund is a 1/8th owner of LGPS Central. Climate change is one of LGPS Central's stewardship themes, with quarterly progress reporting available on the website. The Responsible Investment and Engagement Team at LGPS Central engages companies on SCPF's behalf, including via the Climate Action 100+ initiative.
	EOS at Federated Hermes is engaged by LGPS Central to expand the scope of the engagement programme, especially to reach non-UK companies.
	SCPF is a long-standing member of LAPFF. LAPFF conducts engagements with companies on behalf of local authority pension funds.
	CTI is the Fund's stewardship partner. The company is the responsible overlay manager and engages directly with the Fund's equity holdings, providing reports to the Fund on a quarterly basis.



Risk Management *(continued)*

Voting is a key element of climate stewardship. The Fund delegates voting to LGPS Central or directly appointed managers. For LGPS Central-managed assets, votes follow LGPS Central's Voting Principles, which the Fund helps review annually. These principles incorporate climate considerations, such as voting against companies that fail to meet Transition Pathway Initiative (TPI) thresholds.

The Fund uses Columbia Threadneedle (CTI) to provide a Responsible Engagement Overlay for Global Equity portfolios, engaging companies on environmental and social impacts.

Voting activity is reported quarterly and published on the Fund's website, while LGPS Central publishes its own quarterly voting and engagement reports.

Based on Climate Metric Analyses, the Fund develops a priority list for climate engagements, focusing on major contributors while considering each company's decarbonisation and net zero approach. This informs investment and engagement decisions. The companies in the Fund's priority list can be seen in the table below.

TABLE 3: CLIMATE PRIORITY LIST

Company Name	Weight	Financed Emissions	Contribution to Financed Emissions
RWE	0.08%	2,909	6.41%
GLENCORE	0.15%	1,071	2.36%
SHELL PLC	0.09%	753	1.66%
BP	0.09%	462	1.02%
HOLCIM	0.01%	151	0.33%
ARCELORMITTAL	<0.01%	147	0.32%

CRH, Air Liquide, NextEra Energy, Linde, and Taiwan Semiconductor Manufacturing Co have been recommended for removal from the list. This decision is based on two key factors:

- 1) **Financed Emissions Contribution:** These companies no longer rank among the Fund's top contributors to financed emissions.

- 2) **Alignment with LGPS Central's Stewardship Priorities:** The removal of these companies allows for greater alignment with LGPS Central's Stewardship Priority companies. This alignment is crucial for focused engagement efforts, providing meaningful updates, and conducting thorough company research.

While RWE and ArcelorMittal have been recommended for inclusion, considering its contribution to the Fund's financed emissions and alignment with LGPS Central's Stewardship Priority companies.



Risk Management *(continued)*

Climate in the Context of the Fund's Risk Framework

Both 'mainstream' risks and climate-related risks are discussed by the Pension Committee. While specific macro-economic risks are not usually included in isolation, the Fund has deemed climate risk to be sufficiently significant and therefore included it on the Fund's Risk Register. Climate risk is further managed through the Fund's Climate Stewardship Plan.



Ironbridge, Shropshire



Metrics and Targets

What We Measure

Over time, the scope of analysis and the metrics employed has expanded and evolved to keep abreast of the latest methodologies and available data. As of 31 March 2025, we measure the carbon footprints of the Fund's equities, corporate bonds, sovereign debt, and private market investments.¹

The metrics utilised in this report are selected in consideration with the Fund's framework for managing climate risks and opportunities, regulatory requirements, including alignment with the DLUHC's consultation² and the FCA's requirements on climate reporting.³ These requirements are largely in line with the TCFD's recommendations. Finally, metrics are selected in consideration with data and methodology availability, as we prioritise sourcing appropriate data from reputable sources and adhere to the methodology prescribed by the Partnership for Carbon Accounting Financials (PCAF).

As no single metric is sufficient in capturing the entire climate profile of a portfolio or issuer, we have therefore constructed a comprehensive suite of climate metrics, including headline metrics and additional metrics, these metrics include emissions, exposure to fossil fuels and clean tech, engagement, and alignment metrics.

The headline metrics contained within this report include:



Absolute emissions metric –
financed emissions



Emissions intensity metric –
normalised financed emissions
and weighted average carbon
intensity (WACI)



**LGPS Central's net zero
alignment metric**

The analysis in this report is based on a dataset provided by MSCI ESG Research LLC (MSCI). We utilised data that was downloaded from MSCI during July 2025. We gain comfort from the quality of MSCI's data through our own assessment of MSCI's methodology and our data validation processes. Data is sense-checked internally, and any anomalies are investigated in the underlying data to ensure inaccuracies are promptly identified and amended.



Ellesmere, Shropshire

¹ Private market carbon metrics to follow report once available.

² DLUHC, Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks. Consultation can be accessed on DLUHC's [website](#).

³ FCA, Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers. Policy Statement can be accessed on FCA's [website](#).



Metrics and Targets *(continued)*

Headline Metrics

The headline metrics below detail the absolute emissions and carbon intensity metrics utilised to analyse the Fund’s climate risks and opportunities.

Page 130

TABLE 4: HEADLINE METRICS

Metrics	Financed Emissions	Normalised Financed Emissions	Weighted Average Carbon Intensity (WACI)
Absolute / Intensity	Absolute	Intensity	Intensity
Definition	Financed emissions calculates the absolute tonnes of CO ₂ equivalent for which an investor is responsible.	This metric measures the Financed Emissions for every £1 million invested.	WACI measures a fund’s exposure to carbon-intensive companies.
Question answered	What is my fund’s total carbon footprint?	What is my fund’s normalised carbon footprint per million GBP invested?	What is my fund’s exposure to carbon-intensive companies?
Unit	tCO ₂ e	tCO ₂ e / £m invested ⁴	tCO ₂ e / \$m sales ⁵
Comparability	No; does not take size into account	Yes; adjusts for fund size	Yes

⁴ Normalised financed emissions uses GBP as the base currency as this is the currency used for the Fund’s investments.
⁵ WACI uses USD as the base currency due to USD’s prevalence in global corporate reporting.



Metrics and Targets *(continued)*

Net Zero Alignment Metric

LGPS Central's Paris Alignment Metric is a proprietary metric constructed using several MSCI data points. It provides an insight into how portfolio companies are currently managing their climate risks, as well as incorporating forward looking metrics.

A company will be considered aligned/aligning to Net Zero if:

The company scores above **Median** in **Low Carbon Transition score**



and it meets **one** of the following criteria:



The company has a
science-based target

or

The company has an
**implied temperature rise
rating** of 2.0°C or lower



Wenlock Priory, Much Wenlock, Shropshire



Metrics and Targets *(continued)*

The Fund’s Climate Targets

In the below table, the Fund’s climate targets are provided alongside the progress that the Fund is making in order to achieve those targets.

TABLE 5: THE FUND'S CLIMATE TARGETS

Page 132

Target	Progress						
LISTED EQUITY AND CORPORATE BONDS							
A 50% reduction in Scope 1 & 2 financed emissions by 2030 or sooner compared to 2020.	Since 2020 the Fund's listed equity financed emissions have decreased by 34.5%. <table><tr><td></td><td>2020 (restated)</td><td>2025</td></tr><tr><td>Financed emissions (listed equity)</td><td>46,235 tCO₂e</td><td>30,290 tCO₂e</td></tr></table>		2020 (restated)	2025	Financed emissions (listed equity)	46,235 tCO ₂ e	30,290 tCO ₂ e
	2020 (restated)	2025					
Financed emissions (listed equity)	46,235 tCO ₂ e	30,290 tCO ₂ e					
Track the relevant category Scope 3 emissions of the top 10 emitters in the portfolio from 2024.	The Fund began tracking the scope 3 emissions of the Fund's greatest emitters during 2023.						
2024 Establish carbon foot printing for all pooled private market assets using estimated data.	LGPS Central began the process of carbon footprinting all pooled private market assets in 2024. This process utilises both estimated and reported data. The latest findings of this analysis will be distributed once available.						
2025 Establish carbon foot printing for all pooled private market assets using both actual and estimated data.	Compared to listed assets, carbon footprinting in private markets remains in an early stage of development. As a result, we are unable to provide a suite of metrics comparable to those available for listed assets, and we are more reliant on estimated data.						
2026 Reporting of carbon footprint on all pooled assets.							
2030 Establish carbon foot printing for all pooled private market assets and legacy managers using actual data.	However, we believe that reporting these figures illustrates a positive action and may encourage private market managers and companies to enhance their reporting on carbon footprint metrics.						



Metrics and Targets *(continued)*

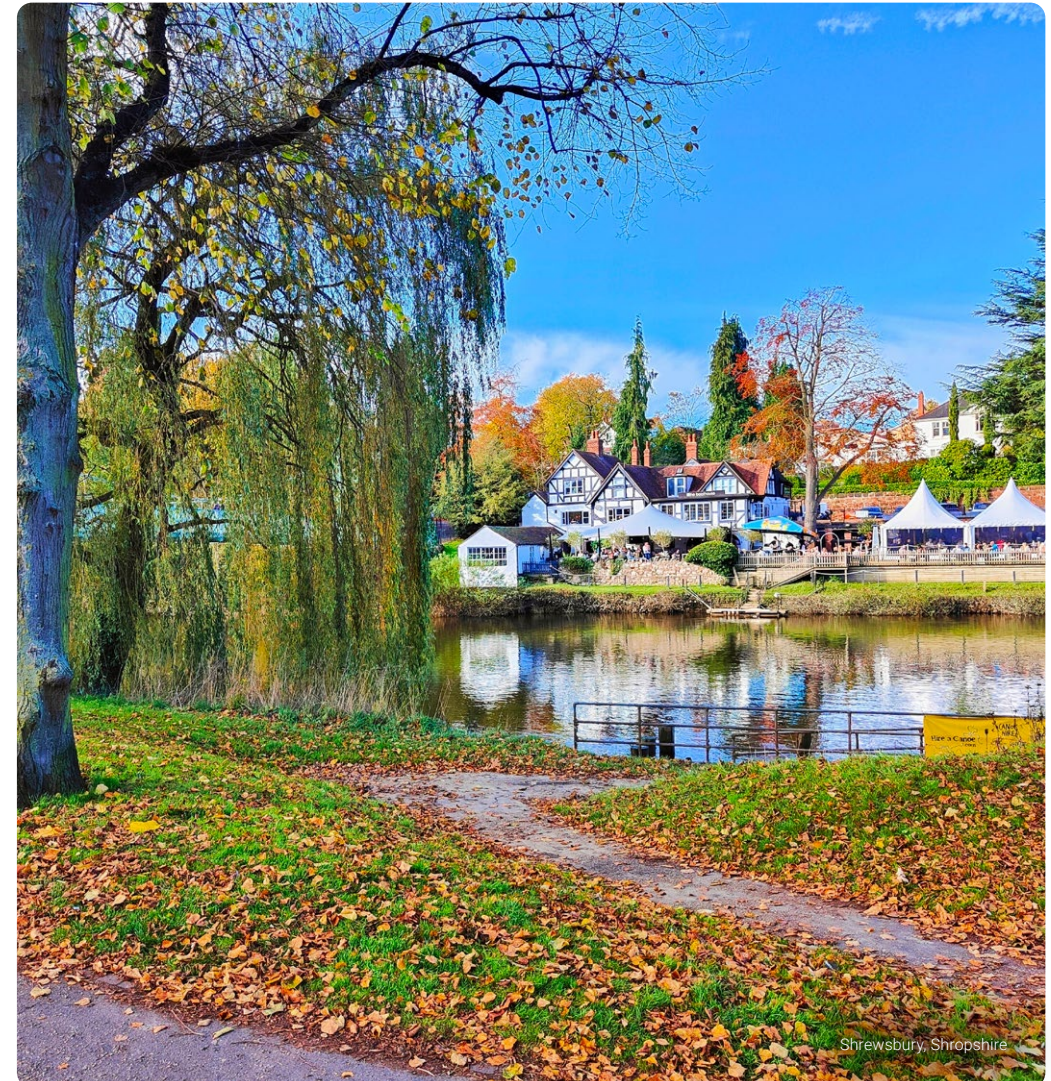
The Fund's Climate Metrics

Scope of Analysis

The following Climate Metrics offer a detailed, bottom-up analysis with the following objectives:

- Observing climate transition risks and opportunities within the portfolio.
- Identifying opportunities for engagement with companies.
- Facilitating the monitoring of climate risk management by managers.

This analysis encompasses public market investments reported as of 31 March 2025. It includes holdings in listed equity, fixed income funds including government debt, and the Fund's private market holdings managed by LGPS Central. Private market holdings were first incorporated into this analysis in the 2024 report. Where available, reported data for private market holdings has been utilised. Where unavailable, estimations have been constructed using the portfolio holdings value, revenue, sector and attributed ownership. Due to the current non-uniformity of private market data, it has not been possible to extend this coverage to the Fund's non-pooled private market investments.

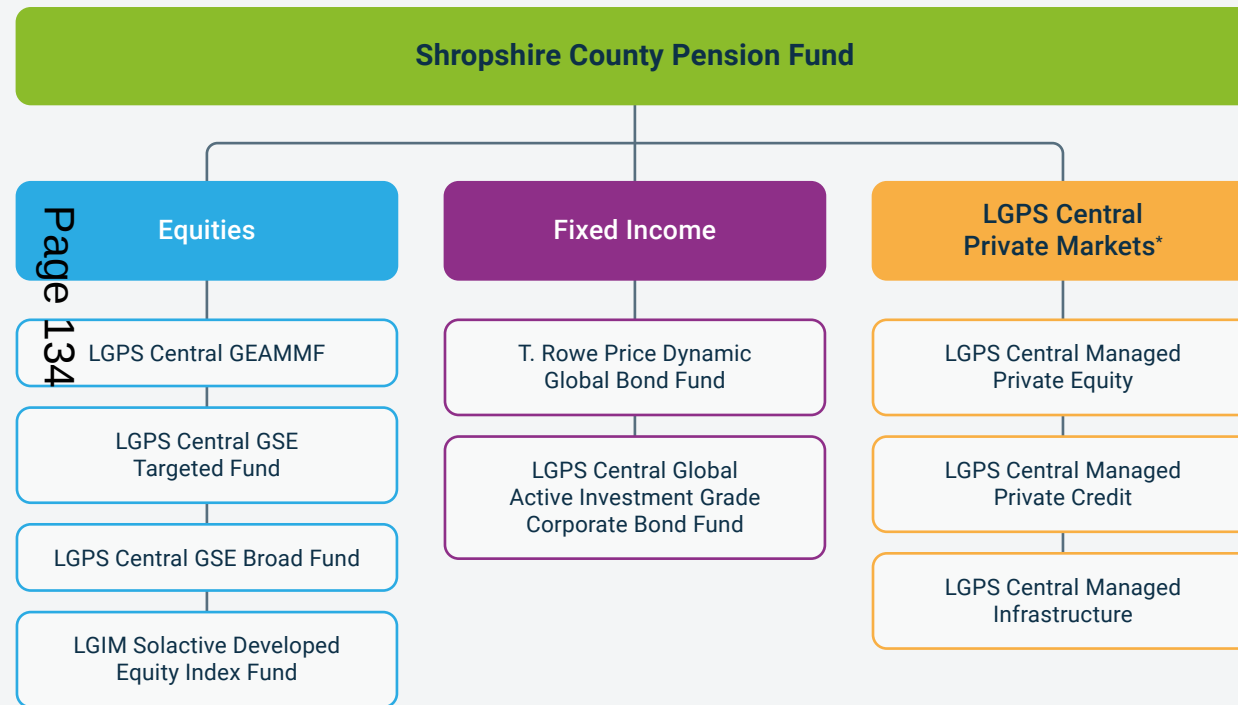


Shrewsbury, Shropshire



Metrics and Targets *(continued)*

FIGURE 2: BREAKDOWN OF FUNDS INCLUDED IN THE ANALYSIS



* Private markets data to be distributed once available.



Ludlow, Shropshire



Metrics and Targets *(continued)*

Restated Data

Climate data is an evolving field, and methodologies are continuously updated by governments, data providers, and companies. The data accessible through our data provider (MSCI) undergoes frequent revisions as estimated data gets replaced by reported data, estimations are refined for greater precision, and data coverage expands.

We recalculate our emissions annually and may revise previously reported greenhouse gas (GHG) data to incorporate the most current information. When possible, we align our holding period with the period in which emissions from the underlying issuer occurred. Consequently, there may be variations between the data reported in previous documents and the figures presented in this report due to these restatements. Our metrics employ methodologies aligned with those used by the Partnership for Carbon Accounting Financials (PCAF) and MSCI.

TABLE 6: RESTATEMENTS

Data for	Asset class	Metric	Portfolio Value Reported in 2024	Reference Index Value Reported in 2024	Portfolio Value Restated in 2025	Reference Index Value Restated in 2025	Change from Restatement (Portfolio)	Change from Restatement (Benchmark)
Q1 2024	Listed Equity	Financed Emissions	29,389	84,451	27,781	79,959	-5.5%	-5.3%
		WACI	52.1	122.0	50.7	121.6	-2.5%	-0.3%
	Corporate Fixed Income	Financed Emissions	10,862	11,865	14,649	25,509	34.9%	115.0%
		WACI	123.9	137.7	130.0	155.0	4.9%	12.6%
	Sovereign Debt	Production	2,503	-	14,734	-	488.7%	-
		Consumption	14.1	-	11.6	-	-17.7%	-

The significant increase in the corporate fixed income financed emissions is primarily associated with improvements in data quality. The 2024 report excluded the T. Rowe Price Dynamic Global Bond Fund due to its corporate data availability falling below 60%. Due to improvements in data availability this portfolio has been reincluded in the below analysis. This re-inclusion has significantly driven the corporate fixed income's financed emissions, as well as the sovereign debt production metrics.

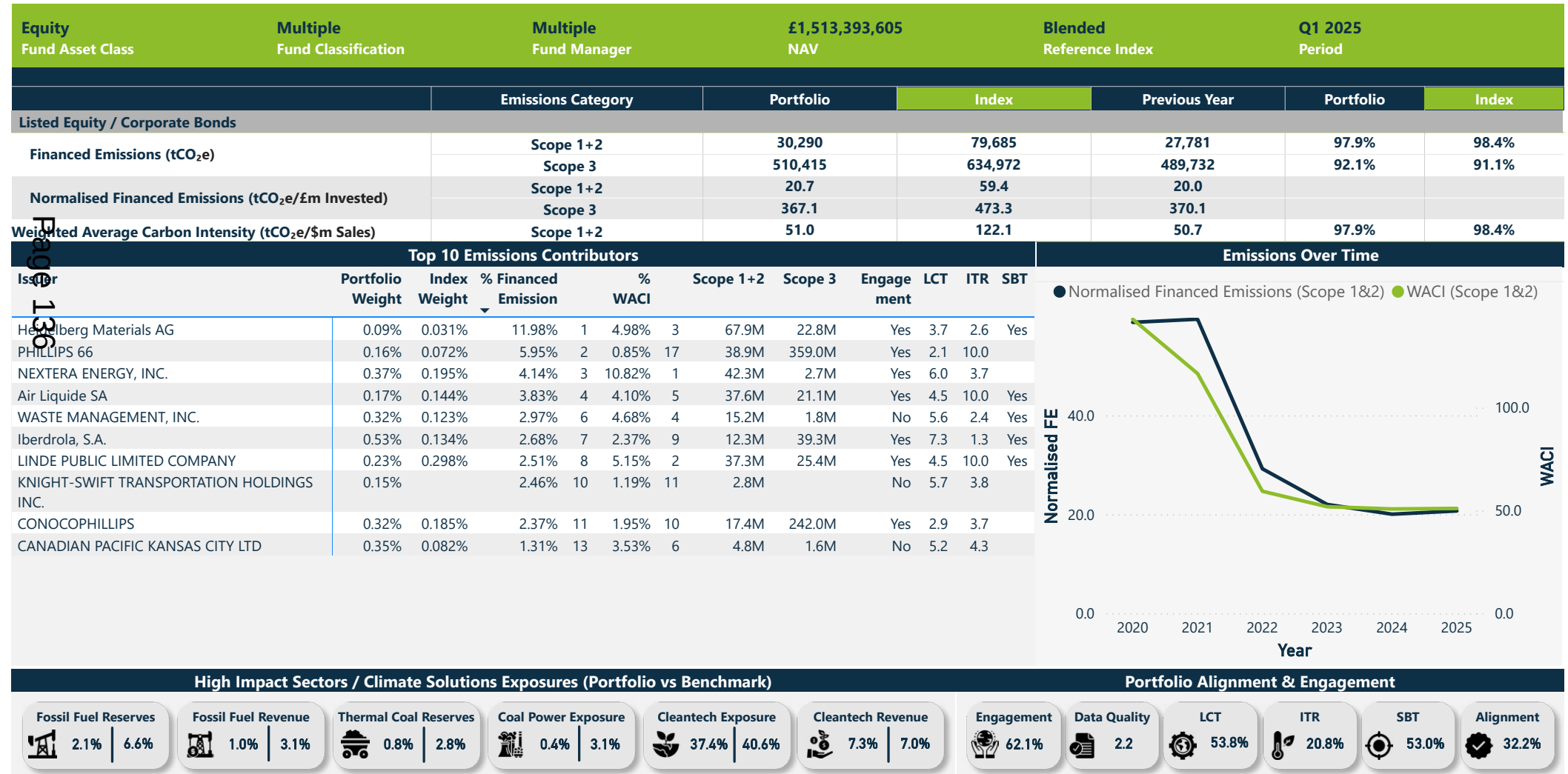
Metrics such as financed emissions and sovereign debt production are absolute metrics, meaning any new holdings will drive up the figure, while WACI and consumption are relative metrics, meaning any new additions will be included as a component weighted. Hence, the larger restatements in financed emissions and sovereign debt production, in comparison to WACI and sovereign debt consumption.



Metrics and Targets *(continued)*

Equity

The below dashboard shows the Fund's aggregated climate risk metrics for each portfolio in the equity asset class.





Metrics and Targets *(continued)*

We analysed four equity portfolios totalling approximately £1.5 billion as of 31 March 2025.

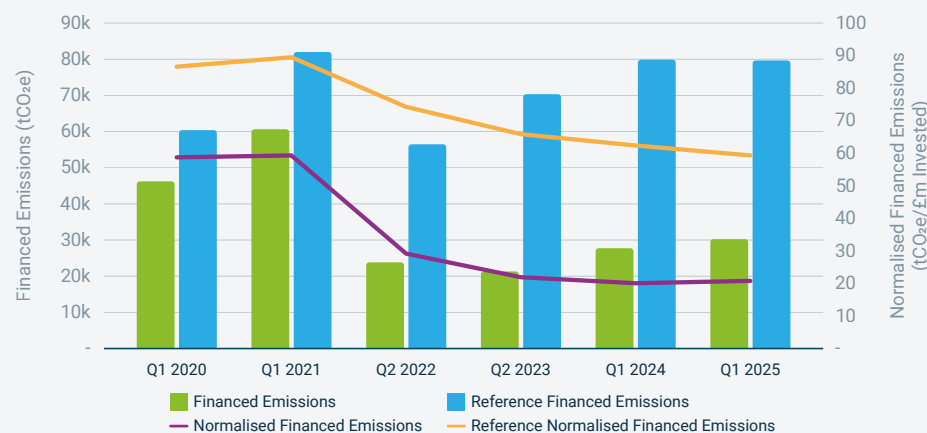
Each fund's carbon footprint is evaluated in comparison to the primary market index in which it predominantly invests. The table below summarises the reference indices that we utilised.

TABLE 7: REFERENCE INDICES

Investment Universe (Most Predominant)	Reference Index
UK Equities	FTSE UK All Share Index
Developed Markets	FTSE All-World Index
Emerging Markets	FTSE Emerging Index

Carbon Footprint Metrics

GRAPH 1: EQUITY FINANCED EMISSIONS OVER TIME

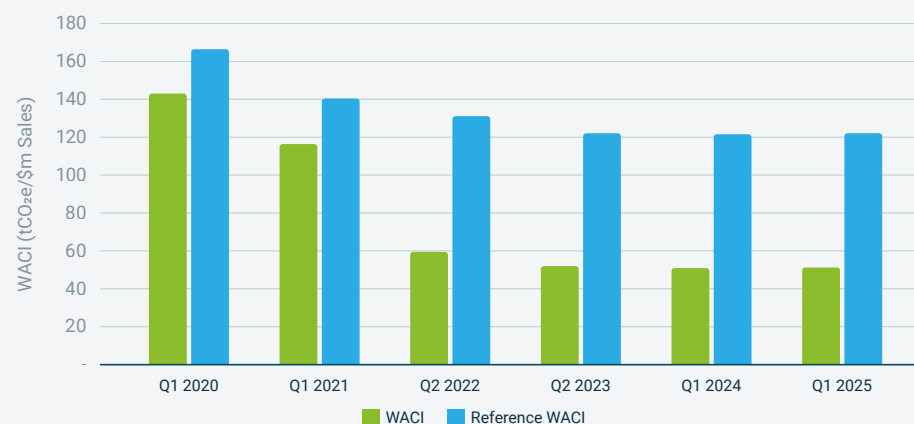


As shown in Graph 1, the Fund's listed equity portfolio financed emissions decreased by 34.5% from 2020, despite a 75.6% increase in NAV over the same period. accounting for fluctuations in NAV, normalised financed emissions, decreased by 64.8%.

The Fund's listed equity financed emissions decreased by 60.7% between Q1 2021 and Q2 2022. This can primarily be attributed to the Fund's asset allocation decisions, where it exited two passive portfolios (one developed all world portfolio and one UK equities portfolio). When exiting these positions, the Fund also entered two of LGPS Central's Global Sustainable Equity Funds, and the Legal and General Low Carbon Transition Developed Markets Equity Index Fund, both are associated with relatively low climate metrics given their sustainability focus and climate tilt respectively.

The decrease in normalised financed emissions can also be associated with the decrease in exposure to carbon intensive companies as illustrated in Graph 2, where WACI decreased by 64.3% relative to Q1 2020.

GRAPH 2: EQUITY WACI OVER TIME



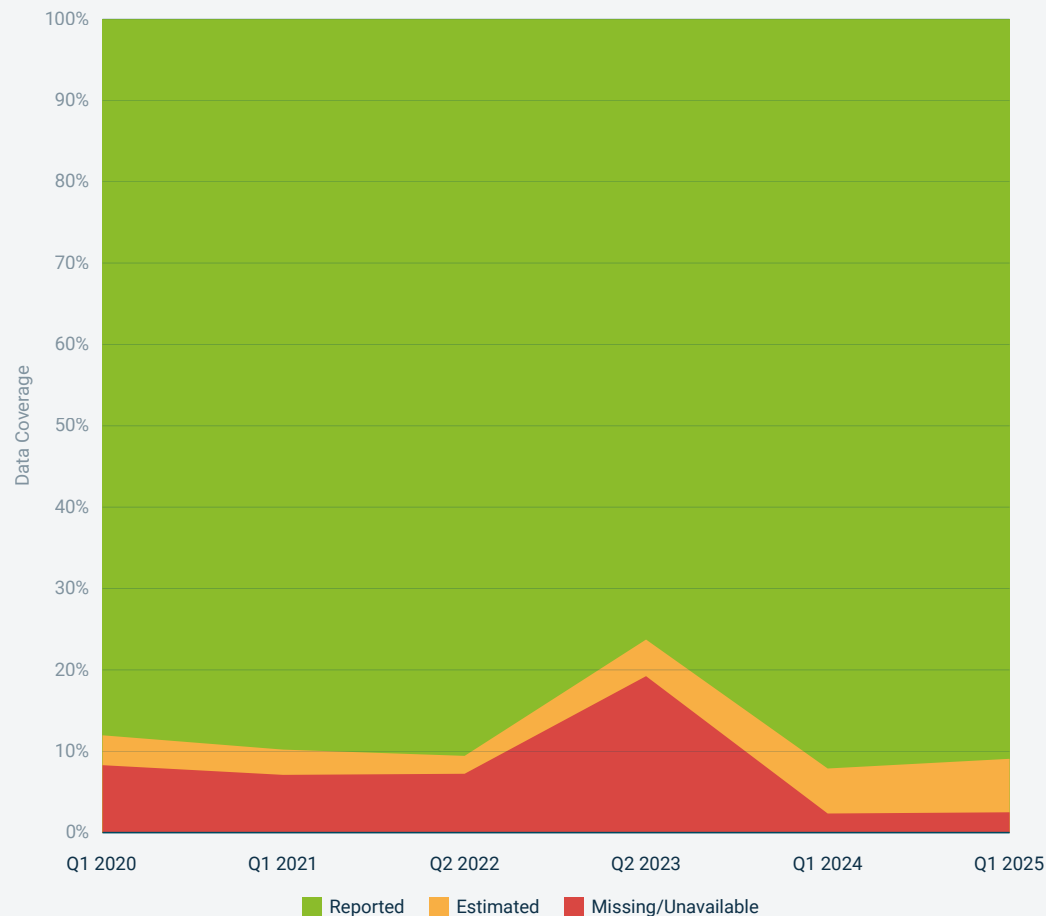


Metrics and Targets *(continued)*

From a sector perspective, the fund's largest share of WACI and financed emissions is attributed to the Utilities, Materials, and Energy sectors. Between 2020 and 2025, the WACI associated with these sectors declined by 67.9%, 49.8%, and 46.0%, respectively. Normalised financed emissions for these sectors fell by 74.4%, 53.3%, and 33.7%, respectively. Portfolio weights for these sectors decreased by 1.5%, 1.5%, and 1.3%, respectively.

Data

GRAPH 3: EQUITY DATA AVAILABILITY OVER TIME



While data availability for equities has been relatively strong since we began carbon footprinting on behalf of the Fund, the graph above illustrates an improving trend as the data availability of portfolio companies improves. A high level of data availability implies the aggregated carbon metrics are more reflective of the portfolio's overall carbon emissions profile. Where data availability is lower, aggregated carbon metrics are more likely to be skewed and therefore less reflective of the actual portfolio emissions, as a whole.

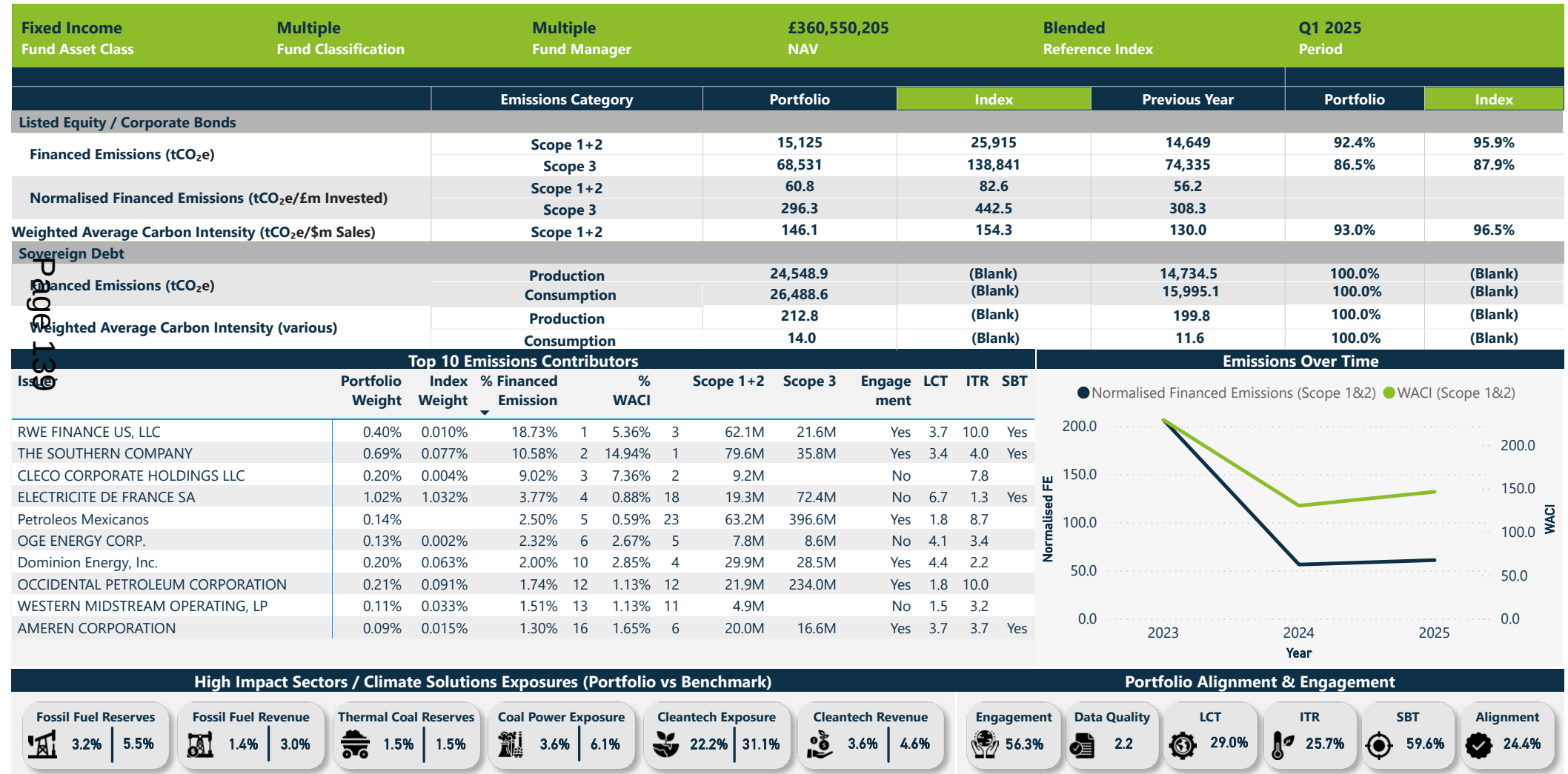
The increase in missing/unavailable data coverage during 2023 is associated with asset allocations taking place within this timeframe.



Metrics and Targets *(continued)*

Fixed Income

The below dashboard shows the Fund's aggregated climate risk metrics for each portfolio in the Fixed Income asset class.





Metrics and Targets *(continued)*

Our initial analysis covered two fixed income portfolios accounting for £360.6 million in NAV.

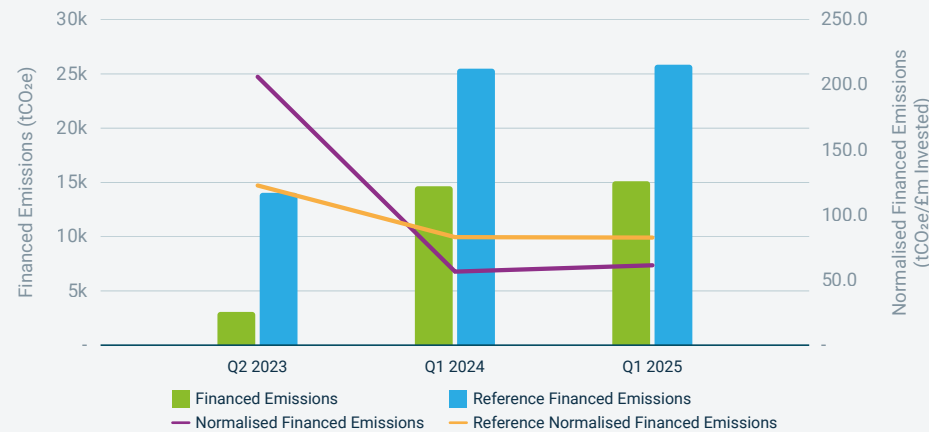
The reference index we use to measure the funds' relative performances is as follows:

TABLE 8: REFERENCE INDICES

Fund	Reference Index
LEPS Central Global Active Investment Grade Corporate Bond Fund	50% Sterling Non-Gilt & 50% Global Corporate
T. Rowe Price Dynamic Global Bond Fund	ICE BofA Global Corporate Index

Carbon Footprint Metrics

GRAPH 4: CORPORATE FIXED INCOME FINANCED EMISSIONS



As illustrated in Graph 4, the portfolio's financed emissions and normalised financed emissions are 41.6% and 26.4% lower than the reference index respectively. Similarly, the portfolio's WACI is 5.3% lower than that of the reference index. This carbon metric outperformance can primarily be associated with an overweight exposure to the Materials sector and an underweight exposure to the Utilities sector.

GRAPH 5: CORPORATE BOND WACI

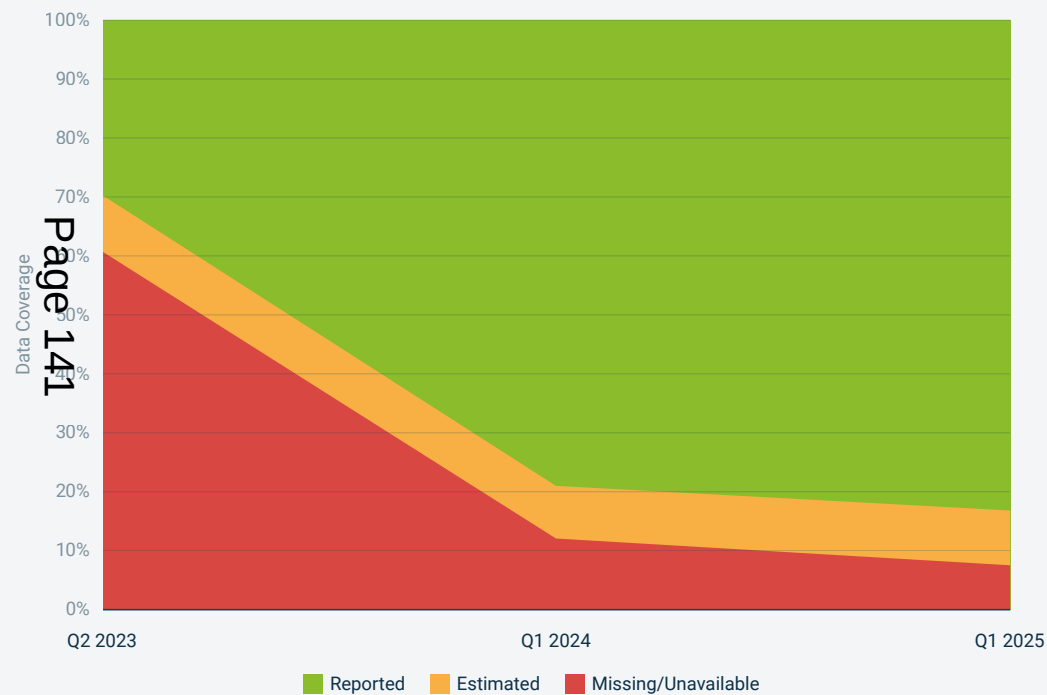




Metrics and Targets *(continued)*

Data

GRAPH 6: CORPORATE FIXED INCOME DATA AVAILABILITY



Graph 6 illustrates the proportion of NAV associated with reported, estimated or missing carbon data, with the majority of the NAV (83.1%) associated with reported data.

Data availability and data quality for fixed income assets have traditionally been notably lower than listed equity. However, from Q2 2023 to Q1 2025, there has been an upward trend in reported and estimated data availability for the fixed income asset class over recent years.



Ironbridge, Shropshire



Glossary

Type of Emissions	Unit	Definition	Use Case	Limitations
Scope 1 Emissions	tCO ₂ e (tons of CO ₂ equivalent)	These are the Greenhouse Gas (GHG) emissions that a company is directly responsible for through its generation of energy.	The emissions generated through the company's direct operations, such as fuel combustion, company vehicles, etc.	These metrics must be considered together to gain a full understanding of a company's carbon profile. They do not consider a company's size and they do not capture the impact of the company's business model on the climate.
Scope 2 Emissions	tCO ₂ e	GHG emissions that a company produces indirectly through its operations via the consumption of purchased energy.	The emissions generated through the energy purchased by the company during its operations, such as energy consumption used to heat buildings.	Scope 3 emissions can also be counted multiple times by companies at different stages of the same supply chain.
Scope 3 Emissions	tCO ₂ e	All indirect GHG emissions resulting from the company's wider business practice.	Capturing emissions up and down the company's supply chain, including the emissions produced by customers' consumption of its products.	
Production Emissions (Country)	tCO ₂ e	A sovereign's direct GHG emissions attributable to emissions generated within its national territory. It includes emissions resulting from production of exported goods and services (exported emissions).	Production emissions can be considered to be the scope 1 emissions of a sovereign.	There is a divergence of views on the impact of land use, considering the various accounting methodologies and the potential for carbon offsetting.
Consumption Emissions (Country)	tCO ₂ e	GHG emissions associated with the demand side and account for consumption patterns and trade effects. This metric provides a broader view of a sovereign's GHG emissions and tackles the issue of carbon leakage that arises due to production shifts from countries where goods and services are actually consumed later.	Consumption emissions can be considered the scope 1, 2 and 3 emissions of a sovereign excluding exported emissions.	As with traditional scope 3 emissions, it can be difficult to accurately allocate emissions along the value chain.



Glossary *(continued)*

Carbon Emissions Metrics	Unit	Definition	Use Case	Limitations
LISTED EQUITY AND CORPORATE BONDS				
Financed Emissions	tCO ₂ e	This figure represents the amount of emissions attributed to the investor based on the proportion of the company that the investor owns.	Measures the absolute tons of (scope 1 and 2) CO ₂ emissions for which an investor is responsible.	Limited usefulness for benchmarking and comparison to other portfolios due to the link to portfolio size (benchmarks are assumed to have equal AUM to the respective portfolio to overcome this challenge). ⁶
Normalised Financed Emissions	tCO ₂ e/£m invested	Financed Emissions are normalised by the portfolio's AUM to provide a measure of carbon intensity.	This measure converts the absolute measure of Financed Emissions into a relative measure of carbon intensity, to facilitate benchmarking and comparisons with other portfolios.	This measure will complement Financed Emissions, as alone it cannot provide an absolute measure of portfolio emissions.
Weighted Average Carbon Intensity (WACI)	tCO ₂ e/\$m revenue	Is calculated by working out the carbon intensity (scope 1+2 emissions / \$M revenue) for each portfolio company and calculating the weighted average using portfolio weight.	A proxy for carbon price risk. Were a global carbon price to be introduced in the form of a carbon tax, this would (ceteris paribus) be more financially detrimental to carbon intensive companies than to carbon efficient companies.	This metric includes scope 1 and 2 emissions but not scope 3 emissions. This means that for some companies the assessment of their carbon footprint could be considered an 'understatement'. As this metric is a product of revenue, the figure may fluctuate independently of the company's carbon emissions.

⁶ LGPS Central uses EVIC as the attribution factor to calculate financed emissions. EVIC is the Enterprise Value Including Cash. In other words, this refers to the company's total value.



Glossary *(continued)*

Carbon Emissions Metrics	Unit	Definition	Use Case	Limitations
SOVEREIGN DEBT				
Financed Emissions (Production)	tCO ₂ e	This figure represents the amount of emissions attributed to the investor based on the proportion of the sovereign debt that the investor owns. This is calculated as a share of total production emissions.	Measures the absolute tons of (scope 1 and 2) CO ₂ emissions for which an investor is responsible through their sovereign holding.	Financed emissions associated with production may understate the emissions of countries which are major importers and overstate the emissions of countries which are major exporters.
Financed Emissions (Consumption)	tCO ₂ e	This figure represents the amount of emissions attributed to the investor based on the proportion of the sovereign debt that the investor owns. This is calculated as a share of total consumption emissions.	Measures the absolute tons of (scope 1 and 2) CO ₂ emissions for which an investor is responsible through their sovereign holding. Consumption is separated from production to limit double counting.	As this metric is based on a sovereign's consumption, there is significant uncertainty relating to the true value of consumed emissions.
Weighted Average Carbon Intensity (Production)	tCO ₂ e/\$m PPP-adjusted GDP	Is calculated by working out the carbon intensity (scope 1+2 Emissions / \$m PPP-adjusted GDP) for each sovereign holding and calculating the weighted average by portfolio weight.	Using the country's output (GDP) as the denominator allows for a fair comparison between sovereigns of different sized economies.	Measuring financed emissions attributed by production favours countries with larger GDPs. For example, countries with larger GDPs but the same emissions will report a lower number than their counterparts with low GDPs. This metric should therefore be considered alongside the Consumption WACI to gain a more accurate insight.
Weighted Average Carbon Intensity (Consumption)	tCO ₂ e/Capita	Is calculated by working out the carbon intensity (scope 1+2 Emissions / population) for each sovereign holding and calculating the weighted average by portfolio weight.	This intensity metric reflects the demand side of the economy, providing a more accurate insight into the carbon intensity of high consumption but low production countries.	Apportioning by population provides an insight into overall consumption, but may not accurately reflect the true figure. This metric should therefore be considered alongside the Production WACI to gain a more accurate insight.



Glossary *(continued)*

Carbon Emissions Metrics	Unit	Definition	Use Case	Limitations
ALL ASSET CLASS				
Progress	%	We measure our progress year-on-year and against our Baseline. As per our net zero strategy, our baseline year is 2019.	Reporting progress provides an insight into the trajectory of the portfolio's emissions and an assessment of progress towards net zero.	As emissions can fluctuate significantly over time in response to macro factors and data availability, decarbonisation progress is unlikely to be linear.
Data Availability	%	This figure refers to the percentage of the NAV for which we have data.	A high data availability will provide confidence in the accuracy of the data, while low data availability indicates that the metrics provided may not be fully reliable.	If data availability trips below 60%, we will not report the data. This is indicated on the dashboard by red text.



Glossary *(continued)*

Portfolio Alignment & Engagement	Unit	Definition	Use Case	Limitations
Engagement / Alignment	%	This percentage refers to the proportion of financed emissions which arise from companies in material sectors that are: 1) indirectly or directly engaged by LGPS Central; or 2) aligned or aligning with a net zero pathway, as per the methodology for “net zero alignment” below.	This metric aims to illustrate the extent to which the portfolio is moving towards net zero, in line with LGPS Central’s own net zero strategy and expectations.	This metric is constructed by combining the “Engagement” and “Paris Alignment” metrics below. The limitations associated with those metrics are therefore also inherent to this metric.
Engagement	%	Is calculated by the proportion of financed emissions which are accounted for under an engagement program either directly, in partnership and/or through stewardship provider.	This allows us to understand how much of the portfolio’s financed emissions are accounted for under engagement programs.	This figure does not demonstrate the degree of progress made with the portfolio company as a result of the engagement.
Low Carbon Transition (LCT > Median)	%	Low Carbon Transition scores are assigned from 1 to 10, whereby a score of 10 indicates exceptional management of climate risks and opportunities, while a score of 1 indicates poor management. This metric shows the proportion of financed emissions associated with a portfolio with a manager score above 5.	This views how well a company manages risk and opportunities related to the low carbon transition. The overall figure for this metric is apportioned by financed emissions, highlighting the proportion of emissions within the portfolio which arise from companies with effective carbon management policies.	While this considers the ability of a company’s management to incorporate low carbon transition risks and opportunities, it is not an overall indicator of the company’s low carbon transition performance.



Glossary *(continued)*

Portfolio Alignment & Engagement	Unit	Definition	Use Case	Limitations
Implied Temperature Rise (ITR < 2C)	%	ITR is typically expressed in degrees centigrade and is based on the implied global temperature rise if the entire economy adopted the same decarbonisation policy as the company in question. The reported figure is expressed in a percentage and relates to the share of financed emissions within the portfolio with an ITR of 2°C or less.	Implied temperature rise is an intuitive, forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of companies, portfolios and funds with global temperature goals.	Implied temperature rise is heavily reliant on the model's parameters and assumptions.
Science-Based Targets (SBT)	%	This is calculated as the proportion of financed emissions which are accounted for by a portfolio company with science-based climate target.	Provides an insight into the proportion of companies which have implemented science-based targets. Apportioning by financed emissions places a greater weight on companies where emissions are more substantial.	This metric only measures the proportion of companies with official science-based targets which have been verified by an independent body. A company with robust and ambitious targets which have not been verified may be omitted.
Net Zero Alignment	%	This metric is constructed in-house. A company is considered to be aligned if they have a Low Carbon Transition score greater than 5, as well as either an ITR of 2 degrees Celsius or lower, or a science-based target.	This figure is designed to provide an insight into the overall net zero alignment of the portfolio. Apportioning by financed emissions places a greater weight on companies where emissions are more substantial.	The limitations of the figure will be carried over from the limitations of the underlying metrics. There is currently no consensus opinion on what it means for a company to be aligned.



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