

# Shropshire County Pension Fund Climate Stewardship Plan



**SHROPSHIRE COUNTY**  
PENSION FUND

## 1. Introduction

In August 2020 Shropshire County Pension Fund (“The Fund”) received an in-depth Climate Risk Report from its pooling company, LGPS Central Limited. One of the key recommendations from this report was for the Fund to develop a Climate Stewardship Plan. The Climate Stewardship Plan identifies specific investee companies and portfolio managers in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund. The Climate Stewardship Plan aligns with and is supportive of the Task Force on Climate-related Financial Disclosures (TCFD) and relates to the third pillar – Risk Management.

The Climate Stewardship Plan focuses specifically on climate change and complements ongoing stewardship activities on other environmental, social and governance factors.

The Climate Stewardship Plan operates alongside the wider context, that for investments outside of LGPS Central, corporate engagements are also carried out through the appointed asset managers. In addition to LGPS Central the Fund also invest in equities through Legal and General Investment Management (LGIM). The Fund also engages Columbia Threadneedle Investments to carry out further engagement work with invested companies globally and is a member of the Local Authority Pension Fund Forum (LAPFF). The Fund has regular oversight of and discussions with LGIM and Columbia Threadneedle Investments on their stewardship activity.

## 2. Scope

The Fund’s Climate Risk Report included a bottom-up Carbon Risk Metrics analysis of its equity portfolios. The Carbon Risk Metrics utilised included: portfolio carbon footprint (weighted average carbon intensity), exposure to fossil fuel reserves, weight in clean technology, carbon risk management (via the Transition Pathway Initiative) and financed emissions. The companies recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics
- Weight of the company in the Fund
- Ability to leverage investor partnerships

The fund managers recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis
- Size (by AUM) of the portfolio
- Whether the mandate is expected to be long-term

### 3. Climate Stewardship Plan

The Fund will monitor engagements with a focus list of ten investee companies that face a high level of climate risk and are of particular significance to the Fund's portfolio. Seven companies<sup>1</sup> are captured by the Climate Action 100+ (CA100+) engagement project<sup>2</sup>, in which our pooling company LGPS Central is an active participant.

Whilst the pooling company, LGPS Central will report to the Fund on engagement activity, the Fund itself plays an active role in monitoring engagements and engaging with LGPS Central for further information if needed.

Officers meet with Investment Managers on a quarterly basis to challenge and hold them to account on the companies they hold within their portfolios which have been identified within the stewardship plan. Updates on engagement and voting activities are provided on a quarterly basis to Pension Committee as part of the Corporate Governance report.

In leveraging this investor initiative, the Fund is able to engage and monitor progress for the focus list companies against a newly established CA100+ Net Zero benchmark Framework. All companies have been asked to set a 2050 net zero emissions ambition and to provide verifiable evidence of how that will be achieved in the short, medium and long-term. The first company assessments have been released by the IIGCC and the results are publicly available.

Company response and engagement progress will feed into voting decisions undertaken by the Fund. The Fund will engage these investee companies on all elements of the CA100+ framework but with particular emphasis on:

Company	Sector	Portfolio	Issue/ Objective
BP	Energy	<ul style="list-style-type: none"><li>LGIM Solactive Portfolio</li></ul>	<ul style="list-style-type: none"><li>Continued improvement in achievement of CA100+ high level objectives</li><li>To duly account for climate risks in financial reporting</li></ul>
Glencore	Materials	<ul style="list-style-type: none"><li>LGPS Central Global Equity Active Multi Manager Fund</li></ul>	<ul style="list-style-type: none"><li>Continued improvement in achievement of CA100+ high level objectives, including attainment of specific indicators in the CA100+ benchmark</li></ul>
Lafargeholcim	Materials	<ul style="list-style-type: none"><li>LGPS Central Global Equity Active Multi Manager Fund</li></ul>	<ul style="list-style-type: none"><li>Paris-aligned accounts in line with IIGCC's Investor Expectations</li><li>Continued improvement in achievement of CA100+ high level objectives</li></ul>

<sup>1</sup> Ryanair and CF Industries are not part of the Climate Action 100+ engagement project.

<sup>2</sup> Climate Action 100+ (CA100+) was initiated in December 2017 and is supported by more than 500 investors with 47 trillion USD in AUM. The project builds on a relatively simple but powerful logic: Engage and influence the highest emitters (80% of global industrial emissions) and you influence whole sectors, markets and the global economy with a view to assisting an orderly transition to a low-carbon economy.

NextEra Energy	Utilities	<ul style="list-style-type: none"> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> <li>• LGPS Central Global Sustainable Equities</li> </ul>	<ul style="list-style-type: none"> <li>• Net Zero GHG emissions by 2050 or sooner ambition</li> <li>• Capital allocation alignment with Paris Agreement</li> <li>• Commitment to clear medium and long term GHG reduction targets</li> </ul>
Ryanair	Industrials	<ul style="list-style-type: none"> <li>• LGIM Solactive Portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion re progress of the company's decarbonisation strategy</li> </ul>
Royal Dutch Shell	Energy	<ul style="list-style-type: none"> <li>• LGIM Solactive Portfolio</li> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> </ul>	<ul style="list-style-type: none"> <li>• To set and publish targets that are aligned with the goal of the Paris Agreement</li> <li>• To fully reflect net zero ambition in its operational plans and budgets</li> <li>• To set a transparent strategy on achieving net zero emissions by 2050</li> </ul>
RWE AG	Energy	<ul style="list-style-type: none"> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> </ul>	<ul style="list-style-type: none"> <li>• New addition as per the 2022 Climate Risk report</li> <li>• Achievement of CA100+ high level objectives</li> <li>• To duly account for climate risks in financial reporting</li> </ul>
CRH PLC	Materials	<ul style="list-style-type: none"> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> </ul>	<ul style="list-style-type: none"> <li>• New addition as per the 2022 Climate Risk report</li> <li>• Achievement of CA100+ high level objectives</li> <li>• To duly account for climate risks in financial reporting</li> </ul>
CF Industries	Materials	<ul style="list-style-type: none"> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> </ul>	<ul style="list-style-type: none"> <li>• New addition as per the 2022 Climate Risk report</li> <li>• Discussion re progress of the company's decarbonisation strategy</li> </ul>
Iberdrola SA	Energy	<ul style="list-style-type: none"> <li>• LGPS Central Global Sustainable Equities</li> </ul>	<ul style="list-style-type: none"> <li>• New addition as per the 2022 Climate Risk report</li> <li>• Achievement of CA100+ high level objectives</li> <li>• To duly account for climate risks in financial reporting</li> </ul>

The Fund will monitor identified investment managers to ensure climate-related risk is fully integrated into their investment processes. The Fund will engage its managers on the following issues:

Asset Class	Topic
Equities	<ul style="list-style-type: none"> <li>• Stewardship activities with companies identified in the Climate Risk Report</li> <li>• The influence of climate factors on sector positioning</li> </ul>
Fixed Income	<ul style="list-style-type: none"> <li>• Approach to assessing climate risk in the absence of reported GHG emissions data</li> <li>• Engagement with the most intensive carbon issuers</li> <li>• Extent of investment in green bonds</li> </ul>
Real Assets	<ul style="list-style-type: none"> <li>• Physical risk resilience</li> <li>• GRESB participation</li> </ul>

#### 4. Timeline

The Climate Stewardship Plan sets stewardship objectives over several years, and the Fund will report on progress annually through its public facing Climate Risk Report. The next progress update is expected in Q4 2023. During the annual refresh of the Carbon Risk Metrics analysis, the focus list of investee companies and Fund Managers will be reviewed and amended if required.