



Pensions Committee
Date 20 March 2026

Item

Public

Corporate Governance Monitoring Report

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Cabinet Member (Portfolio Holder):			

1. Synopsis

- 1.1 The report is to inform members of corporate governance changes including the government's 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 October 2025 to 31st December 2025.

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 October 2025 to 31st December 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.
- 2.4. Confirmation of the Funds success in maintaining its status as a signatory to the FRC's Stewardship Code.
- 2.5. An update to the Climate Stewardship Plan reflecting the recommendations in the Climate Stewardship report presented in December.

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](#),
 - 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 changes to the Climate Stewardship Plan as a result of the Climate Risk Report presented in December 2025. The revised plan is attached as at [Appendix E](#).

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 2025 is publicly available on our website.

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](#) 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 five companies were not held by the Fund as at the 31st December 2025 – Exxon Mobil, Cemex, ThyssenKrupp, Volution, and J D Weatherspoon PLC.

- 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 at any given point.

- 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 where appropriate in the report at [Appendix A](#) in section 4 pages 19-21.

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.
- 8.7 The report shows that nine priority companies that LGPS Central and partners have had successful level 3 engagement with across 31 companies on the identified priority list. It also shows the escalation proposed on all companies where there is a failure to see adequate progression. Their highest current level of escalation is level 3 across the priority companies. This applies to five engagements that impact the Fund's portfolio, two in respect of Human Rights Risks and three in respect of Sensitive and Topical issues. Level 3 as set out in the report is the highest level of engagement, including actions such as potential public statements and extending voting dissent to appointments and approval of annual report/accounts.

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 portfolios and includes engagement examples from Amazon, Mercedes Benz and HDFC Bank.
- 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 31st December 2025 include an article on mining which covers Glencore. The article on CAHRA's (conflict affected and high-risk areas) covers three companies on the Palestine Solidarity campaigns list in Volvo, Microsoft and

Chevron all of which are held by the Fund and is a continuation of the work presented in December. The article on governance looks at United Utilities and follows similar line to the engagement with Severn Trent in the previous quarter looking again at water quality and accountability.

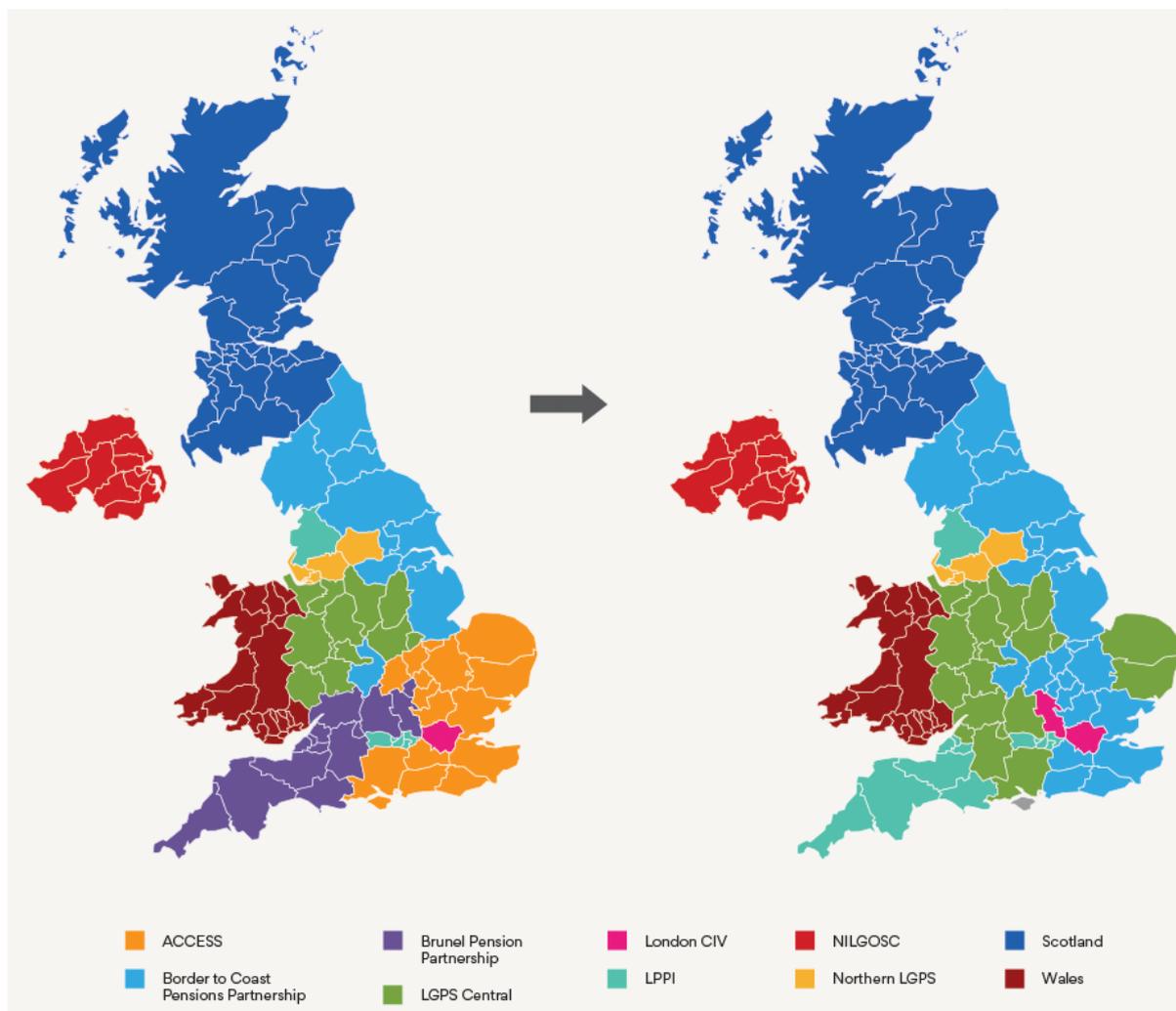
10. Conflict Affected Areas

- 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 CAHRA statement which is available on the Funds [website](#) 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. At this point it is not known if the recent recommencement of hostilities in the Gulf will lead to a Government response on this matter.
- 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.
- 10.6 The Fund continues to work with stewardship partners to ensure that all companies operating in impacted areas have appropriate policies in place and promote formal adoption of the UN guiding principles in these areas.

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.
- 11.2. Since the December report the Isle of Wight have confirmed their intention to join LGPS Central and the map below now accurately show the changes to the pools

from the 1st April 2026 when the existing 8 members of LGPS Central will be formally joined by Gloucestershire, Hampshire, Isle of Wight, Norfolk, Oxfordshire, Suffolk, and Wiltshire to form a combined pool of 15 LGPS Funds with a combined asset value of approximately £100 Bn



11.3. Work is expected to complete on 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 Lords. MHCLG have confirmed they expect the Bill to be on the statute books prior to 31st March 2026 and that all Funds should continue to work towards this deadline.

11.5. 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 response to the consultation was agreed with the Pensions Committee Chair and the LGPS Senior Officer and submitted prior to the deadline of the 2nd January 2026. A copy of the Response is included at [Appendix D](#) as agreed at the December Committee meeting.

12. Stewardship Code

- 12.1 Under delegated authority from the Committee in September 2025 the Fund sent its renewal application to retain its status as a signatory to the code.
- 12.2 The application covered the original twelve principles which can be sub divided into the following four categories:
- Principles 1 to 5 cover the Funds purpose and governance.
 - Principles 6 to 8 cover the Funds investment approach.
 - Principles 9-11 cover engagement.
 - Principle 12 covers exercising rights and responsibilities.
- 12.3 In February 2026 the FRC confirmed that the Fund had been successful in retaining its signatory status, which is great result and confirms the Funds approach to stewardship activities.
- 12.4 A copy of the final application is available on the Funds [website](#) for public review.

13. Climate Stewardship Plan

- 13.1 The climate stewardship plan is reviewed annually to incorporate any recommendations presented to the committee in the Climate Risk Report received in December.
- 13.2 The Climate Risk report presented in December recommended that the following five companies were removed from the climate priority listing:
- 1) CRH
 - 2) Air Liquide
 - 3) Next Era Energy
 - 4) Linde
 - 5) Taiwan Semiconductor Manufacturing Company (TSMC)

These companies were recommended for removal based on two factors

- 1) Financed Emission Contribution: These companies no longer rank among the Funds top contributors to financed emissions.
- 2) Alignment with LGPS Centrals stewardship priorities: The removal of these companies allows greater alignment with the LGPS Central Priority companies. This alignment is considered crucial by all parties to ensure focused

engagement efforts, with meaningful updates and allowing time for thorough company research.

13.3 Glencore, BP, Shell and Holcim have all been retained in the plan due to their impact on the portfolio.

13.4 Two new companies have been added to the list RWE a German energy company which was the largest single contributor to financed emissions in the December Report. ArcelorMittal a multinational steel manufacturer which whilst representing less than 0.1% of the Fund's holdings, accounted for 0.32% of the Funds financed emissions.

13.5 A copy of the updated Climate Stewardship plan is included at [Appendix E](#) for approval.

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 5 December 2025

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

Corporate Governance Monitoring report, Pensions Committee 05 December 2025

Local Member:

N/A

Appendices [Please list the titles of Appendices]

Appendix A – LGPS Central Stewardship Report 1st October 2025 to 31st December 2025

Appendix B – Columbia Threadneedle Investments Engagement Overlay Report 1st October 2025 to 31st December 2025

Appendix C – LAPFF Quarterly Engagement Report 1st October 2025 to 31st December 2025

Appendix D – Consultation Response

Appendix E – Climate Stewardship Plan 2026