



Pensions Committee
Date 19 June 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 response to the Scheme Advisory Boards Letter of October 2025 in respect of investments in conflict zones, and a review of socially responsible investment issues arising in the quarter, 1st January 2026 to 31st March 2026.

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 January 2026 to 31st March 2026.
- 2.2. An update on the Government’s response to the Scheme Advisory Board request for clarification following the challenge by the Palestine Solidarity Campaign on funds investing in conflict areas.
- 2.3. Information is also included on the Pensions Bill which gained royal assent on 29th April, formalising many of the recommendations from the government’s Local Government Pension Scheme (England and Wales): Fit for the future consultation.

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 included in report,
 - Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix A and
 - LAPFF Engagement Report at Appendix B.
 - The update from MHCLG on investing in companies in conflict zones at Appendix C.

- The update on the Pension Bill 2026.

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 eighteen 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. LGPS Central no longer produce a Quarter 1 stewardship report, but full reports will be provided for quarters 2, 3 and 4. A highlight of activities is instead included in section 8 for information.
- 7.2 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

- 7.3 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 A**.
- 7.4 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 B**.

8. Manager Voting Activity

- 8.1. Highlights of the LGPS Central voting activity are shown at below. A full quarterly report will be produced in quarters 2,3 and 4 of the calendar year.
- 8.2 **Engagement:**

- Alstom: Engaged after being flagged for operations in conflict-affected regions and the absence of a standalone human rights policy; discussions with the Head of Sustainability confirmed human rights risks are embedded within enterprise risk management, including double materiality assessments, identification of salient risks and governance oversight, providing comfort that risks are effectively managed.
- Shell: Engagement focused on the development of an interim decarbonisation target; discussions with investor relations covered worker safety risks linked to the Iran conflict, confirmation that shareholder proposals will not be excluded from ballots, and an invitation to meet the Chair in September to discuss interim and medium-term decarbonisation targets.
- Holcim: Engaged to encourage clearer disclosure of the pathway to achieving the 2030 clinker factor target, referencing its sector-leading CCS roadmap as a template and encouraging market-level pathways and capex disclosures; we also pressed for clearer disclosure of board-level ESG competence criteria, with the company confirming an external board assessment this year and disclosure in 2027, ahead of AGM voting.
- EUDR Letters: Co-signed letters to 10 European multinationals seeking clarity on their approach to the EU Deforestation Regulation, which introduces due diligence requirements for forest-risk commodities to prevent sourcing from recently or illegally deforested land, amid delays and an EU Commission simplification.

8.3. Advocacy:

- Australia Modern Slavery Act: As part of consultations on reform of Australia's 2018 Modern Slavery Act, we co signed a letter to the Attorney General urging alignment with the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises and the introduction of mandatory, risk based due diligence to promote a proportionate, outcome focused approach.
- EUDR: We wrote to the European Commission opposing any weakening of EUDR due diligence requirements, a position reiterated by Investor Policy Dialogue on Deforestation colleagues in a recent meeting with EU policymakers and corporates.

8.4. Voting:

- Costco: Voted against the remuneration report due to insufficient disclosure of annual bonus targets and concerns that executives were rewarded for the same outcomes under both the short term and long-term incentive packages.
- Apple: Voted against the remuneration report due to weak incentive stretch and repeated near maximum short term incentive payouts, extending dissent to the Chair of the Remuneration Committee after four consecutive years of opposition to the remuneration report.
- Volvo: Abstained on a binding shareholder resolution on climate lobbying disclosure; while supportive of the intent, concerns about reduced flexibility led to abstention, with follow up engagement planned to encourage leading voluntary disclosure.

8.5. 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.

8.6 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.

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 A** in the REO Activity report. This report covers companies across all the Fund's equity portfolios and includes engagement examples from Bayer AG, Infineon, Nat West Group, PepsiCo, Rentokil Initial, Siemens AG and Target Corp.
- 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 B**.
- 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 March 2026 include an article on climate adaptation which covers Danone and an item on electric vehicles which covers General Motors. Other articles such as climate mitigation in aviation may not cover specific companies in the Shropshire portfolio but they do highlight sector issues.

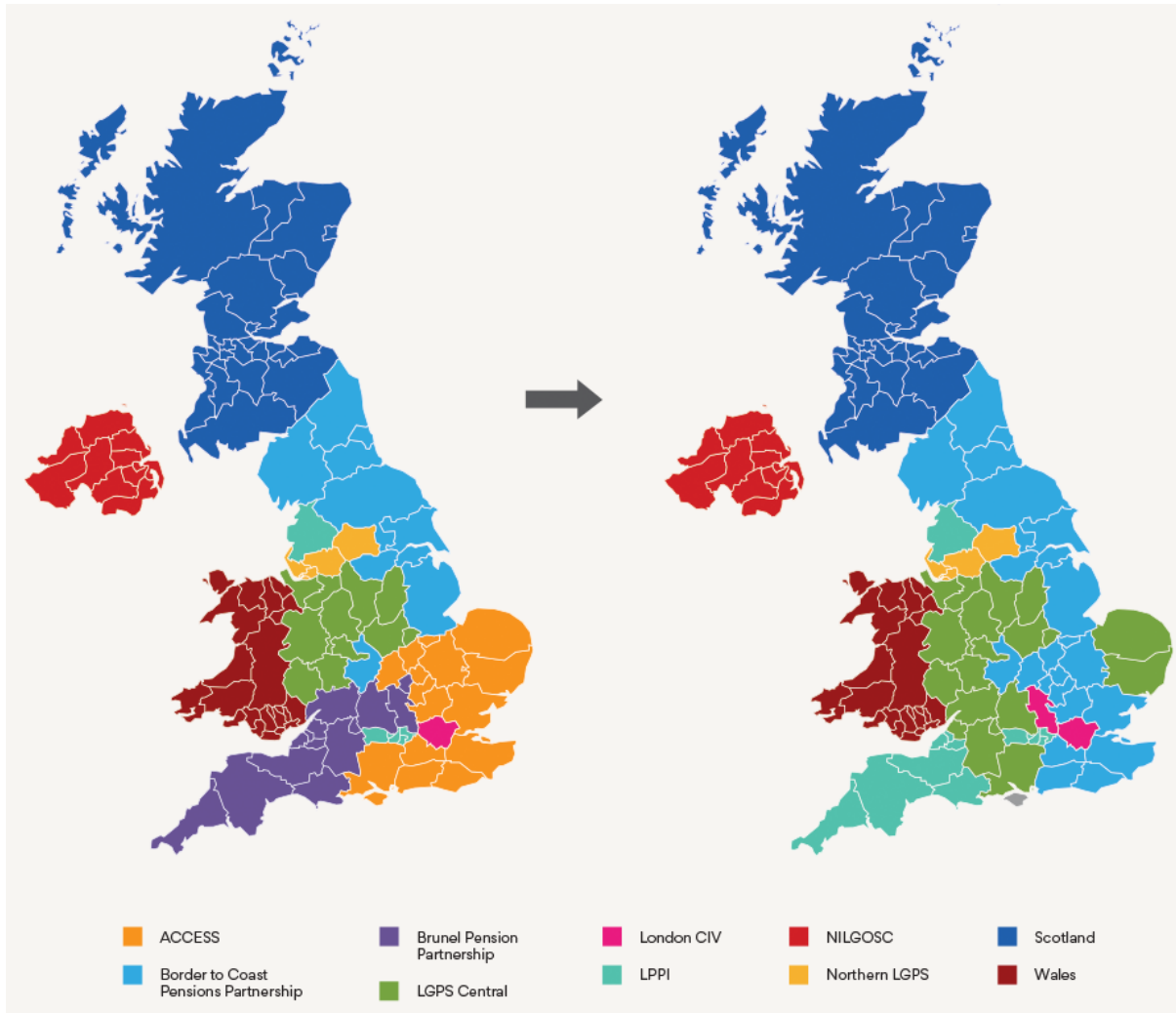
10. Conflict Affected Areas

- 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 2025 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 The Governments response to the letter and the role of Pension Committees was received on 12th May and stresses that "The Government's position is clear: decisions on boycotts, divestment and sanctions are matters of UK foreign policy and are for central government, not local authorities. It is therefore not appropriate for local authorities to adopt investment policies that go beyond or differ from UK Government sanctions or foreign policy positions." A full copy of the response is provided at **Appendix C** to this report.
- 10.5 The Fund continues to keep the position under review and recognises 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. Pensions Bill 2026

- 11.1. The Pensions bill gained royal assent on the 29th April 2026 and brought into law the recommendations raised under the Governments LGPS: fit for the future consultation. The background to the consultation was set out in the paper to Committee in September 2025.
- 11.2. On the 1st April 2026 LGPS Central moved to a pooling company covering 14 funds when the existing 8 members of LGPS Central were formally joined by Gloucestershire, Hampshire, Norfolk, Oxfordshire, Suffolk, and Wiltshire to form a combined pool of 14 LGPS Funds with a combined asset value of approximately £100 Bn. The Isle of Wight continues to negotiate the terms on which it will join LGPS Central.



- 11.3. The revised shareholder agreement was signed by all parties by the 31st March 2026 as required. The exception to this is the Isle of Wight who are still in discussions with LGPS Central about joining the pool.
- 11.4. The guidance for the changes proposed under the pensions Bill is expected to be issued by the end of June and the Government have advised that the six-month timeframe for adoption will be extended from the original 30th September 2026 deadline to 31st December 2026.
- 11.5. There are two sets of regulations for the LGPS. The first covers the LGPS (Pooling, Management and Investment of Funds) Regulations. The second regulation LGPS (Amendment) Governance Regulations 2026. The key changes under these regulations are as follows:

Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations

- 11.6. LGPS Central was already set up in accordance with the majority of the regulations proposals, and the regulations will add safeguards to ensure the Secretary of State can only use direction powers in the interests of all

stakeholders. The regulations are also expected to provide additional guidance on managing the performance of the pooling company.

- 11.7. Changes to the Investment Strategy: All Funds will be required to publish an updated Investment Strategy statement by 31st March 2027 which is aligned with the funding strategy to ensure long term cost efficiency and solvency of the fund. The Fund is well advanced in this process having undertaken training and in early 2026 and agreed a draft strategic assets allocation at the March 2026 meeting. Based on the decisions in March a revised Investment Strategy has been drawn up in draft for review by the Committee at today's meeting. Following this meeting Officers will accommodate any proposed changes from the Committee and issue the strategy for consultation with employers and key stakeholders with the intention of bringing the final Investment strategy statement back to the September Committee meeting for final approval. A separate consultation paper is expected alongside the regulations to clarify exact expectations on the consultation.
- 11.8. The Fund will be required to take primary investment advice from LGPS Central and LGPS Central will be responsible for administering all investments and implementation of the strategic asset allocation.

Local Government Pension Scheme (Amendment) (Governance) Regulations 2026

- 11.9. Knowledge and Skills: Committee Members must comply with knowledge and understanding requirements within three months or by their first meeting, whichever is earliest.
- 11.10. The Governance Strategy must explain when substitute members will be allowed. We are comfortable that our Governance Compliance statement meets this requirement, but we will review once the regulations are received.
- 11.11. All funds will be required to have an Administration Strategy by 2028. Shropshire County Pension Fund has always maintained a separate Administration policy and we will review the regulations to ensure this remains fully compliant.
- 11.12. Conflicts of Interest policy should cover both Pensions Committee and Pensions Board. A new Conflicts of Interest Policy will be presented for approval today to address this area and establish a separate policy to that used by the administering authority.
- 11.13. LGPS Senior Officer: Funds are required to appoint an LGPS Senior Officer by 31st December 2026. As the Committee are aware the Fund appointed an LGPS Senior Officer when it was first recommended in the good governance guidance, though we will have to ensure that this position is fully reflected in the Council Constitution when the regulations are received.
- 11.14. Independent Person: Funds are required to appoint an independent person by the 31st December 2026 and their role is to support the Committee not be a member of the Committee. The associated statutory guidance will cover the process for appointing an independent person.
- 11.15. Independent Governance review: The regulations are expected to clarify the process for undertaking this on a triannual basis and that Administering

Authorities must set out an action plan within six months of the review being published, to resolve any recommendations made in the review.

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 20 June 2025

Corporate Governance Monitoring report, Pensions Committee 19 September 2025

Corporate Governance Monitoring report, Pensions Committee 05 December 2025

Corporate Governance Monitoring report, Pensions Committee 20 March 2026

Local Member:

N/A

Appendices [Please list the titles of Appendices]

Appendix A – Columbia Threadneedle Investments Engagement Overlay Report 1st January 2026 to 31st March 2026

Appendix B – LAPFF Quarterly Engagement Report 1st January 2026 to 31st March 2026

Appendix C – MHCLG Response to Scheme Advisory Board