Pensions Committee
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Item 8

Public

Corporate Governance Monitoring Report

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Cabinet Member (Portfolio Holder):			

1. Purpose of Report

1.1 The report is to inform members of corporate governance issues arising in the quarter, 1st April 2026 to 30th June 2026., together with confirmation of the position in respect of the Funds renewal of its stewardship code application and the latest correspondence with the PSC.

2. Recommendations

2.1. 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**.
- The update on further contact from the PSC on investing in companies in conflict zones.
- The update on the renewal application for the UK Stewardship Code.

2.2 To confirm that the Committee delegate authority to the Chair to agree the response to the Palestine Solidarity Campaign on behalf of the Fund.

3. Background

3.1 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. **Appendix A** to this report shows the engagement examples by EOS and engagement work by LGPS Central.

3.2 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.

3.3 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.

3.4 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

3.5 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**.

3.6 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**.

4. Executive Summary

4.1. Detail is provided on the actions taken by the Funds key stewardship partners in respect of the quarter from 1st April 2026 to 30th June 2026.

4.2. An update on the latest correspondence with the Palestine Solidarity Campaign on funds investing in conflict areas.

4.3. Confirmation that the Fund intends to apply for continuation of its UK Stewardship Code credentials under the new 2026 framework.

Report

5. Risk Assessment and Opportunities Appraisal

5.1. 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.

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

5.3. There are no direct Equalities or Community consequences.

5.4. Environmental Appraisal
The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.

6. Financial Implications

6.1. There are no direct financial implications arising from this report.

7. Climate Change Appraisal

7.1 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.

7.2 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.

7.3 Shropshire County Pension Fund is a signatory to the UK stewardship code.

7.4 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.

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 three companies were not held by the Fund as at the 30th June 2025 – Exxon Mobil, Volution Group, and Vale. The report covers the half year from January to June 2026 because as previously advised no report is produced in Q1 due capacity and priorities at that time.

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 equites are in the name of LGPS Central or LGIM. On average there are approximately between1700/2000 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 23-25.

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 the key companies that LGPS Central and partners have had engagement with across the four key stewardship themes. It also shows the escalation proposed on all companies where there is a failure to see adequate progression. The highest current level of escalation is level 3 across the priority companies. This applies to 10 engagements that impact nine holdings in the Fund's portfolio, the exception being Volution Group. The majority appear under human rights risk and sensitive and topical issues. Level 3 as set out in the report is the highest level of engagement, prior to direct action including actions such as potential public statements, AGM attendance 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 Prysmian, BYD, BMW, Michelin and Mondelez Int.

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 Local Government Pension Scheme (LGPS) 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 June 2026 include an article on climate change mitigation which covers BP and an item on UK Banks Climate obligations which covers HSBC and Nat West. The article on Modern Slavery Benchmark covers engagements with Philip Morris International (PMI), Salesforce and Amgen all of which are held in the Shropshire portfolio. Other articles such as Mining PRI and Earthworks may not cover specific companies in the Shropshire portfolio, but they do highlight sector issues.

10. Conflict Affected Areas

10.1 The Palestine Solidarity Campaign (PSC) has long raised the issue of conflict affected areas specifically in respect of the occupied territories requesting all LGPS Funds divest from companies they allege are involved in breaches of International Humanitarian Law. This point was originally raised in August 2025 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 On the 12th May 2026 the Government through the minister at the MHCLG responded stating "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 was provided at Appendix C to the June Committee meeting.

10.4 Since that response the Palestine Solidarity Campaign (PSC) have again contacted all Funds on 3rd August to challenge the MHCLG letter and question the authority of the minister to provide the direction given. The Fund recognises the seriousness and complexity of the matters raised by the PSC, as well as the significant public interest in them. We are currently finalising a holding letter with LGPS Central as our stewardship partner as we look to further clarity from central government on the legal arguments put forward by the PSC. The response will be agreed with the Chair and a copy provided to all members.

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 CAHRA 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. Stewardship Code 2026

11.1. The Financial Reporting Council (FRC) revised the stewardship code for 2026 to reduce the burden of reporting across both asset owners and manager. From 2026 the requirement on Policy and context disclosures will only require to be submitted every fourth year. This will require the fund to provide disclosures and evidence covering the following five principles.

Disclosure	
A	Organisation, investment beliefs and stewardship approach
B	Governance and resources
C	Policies, processes and review
D	Conflicts of interest
E	Dialogue with clients and/or beneficiaries

11.2. On an annual basis the Fund will be required to submit an activities and outcomes report covering the following six principles as appropriate.

Activities and Outcomes	
1	Integrating stewardship and investment
2	Promoting well-functioning markets
3	Engagement
4	Exercising rights and responsibilities
5	Selection and oversight of managers
6	Monitoring service providers

11.3. The FRC have acknowledged that not all six principles will apply depending upon the setup of the asset owner /manager, so in the instance of SCPF under the Pensions Bill principle 5 will fall under LGPS Centrals control.

11.4. The FRC have designated 2026 a transition year so all existing signatories will remain on the FRC Stewardship code list until 2027, but we intend to submit a 2026 renewal as best practice and to ensure alignment with the new guidance prior to the 2027 renewal.

11.5. Officers will prepare the application with assistance from LGPS Central as our primary stewardship provider, and this will be circulated to Members for comment prior to the 31st October submission deadline.

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 19 September 2025 Corporate Governance Monitoring report, Pensions Committee 05 December 2025 Corporate Governance Monitoring report, Pensions Committee 20 March 2026 Corporate Governance Monitoring report, Pensions Committee 19 June 2026	
Local Member:	N/A
Appendices [Please list the titles of Appendices]	
Appendix A – LGPS Central Stewardship Report 1st January 2026 to 30th June 2026 Appendix B – Columbia Threadneedle Investments Engagement Overlay Report 1st April 2026 to 30th June 2026 Appendix C – LAPFF Quarterly Engagement Report 1st April 2026 to 30th June 2026	