



<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	8
23 June 2023	Public
10.00am	

CORPORATE GOVERNANCE MONITORING

**Responsible
Officer**

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1. Synopsis

- 1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter, 1st January 2023 to 31st March 2023.

2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report in respect of voting and engagement activity, Manager Voting Reports from LGPS Central at Appendix A (A1 & A2) & B, Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix C and LAPFF engagement Report at Appendix D.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 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.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.
- 3.4 There are no direct Equalities or Community consequences.

4. Financial Implications

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

5. Climate Change Appraisal

- 5.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing where thorough due diligence is undertaken considering all risks including climate change. The investment managers vote on the Fund's behalf, Columbia Threadneedle engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and a signatory to the previous UK Stewardship Code and in the process of becoming a signatory to the new Code with an application submitted in May 2023.
- 5.2 Shropshire County Pension Fund has also received and published Climate Risk Reports and TCFD reports since December 2020.

6. Background

- 6.1 The Shropshire County Pension Fund has been actively voting for over fifteen years at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests. Voting is carried out by individual Fund Managers on all equity portfolios.
- 6.2 The Fund is also addressing its social responsibility through a strategy of responsible engagement with companies. Columbia Threadneedle provides this responsible engagement overlay on the Fund's global equities portfolios.

7. Manager Voting Activity

- 7.1 Details of managers voting activity during the quarter relating to equity portfolios are attached:
Appendix A1 LGPS Central Voting statistics
Appendix A2 LGPS Central Stewardship Report for Quarter including examples of engagement action.
Appendix B LGIM – Voting summary and key examples.
- 7.2 The LGIM report is a generic report across all LGIM's investment activity and not specific to the low carbon index in which the Fund is invested. Examples that relate to the Funds LGIM portfolio as at 31st March 2023 include Novo Nordisk, Air Products and Chemicals Inc and Kansai Electric Power. Glencore is not included in the LGIM portfolio but does sit within the LGPS Central Global Equity portfolio.

8. Responsible Engagement Activity

- 8.1 During the last quarter Columbia Threadneedle 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 C in the REO Activity report. This report covers companies across all the Fund's equity portfolio's.

- 8.2 In addition to the service provided by Columbia Threadneedle 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 D.
- 8.3 As with the earlier LGIM report at Appendix B, 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. Examples of some of the companies within the Shropshire portfolio on 31st March 2023 include Rio Tinto, Constellation Brands, Volvo, Amazon and Nestle.

9. Stewardship Code Update

- 9.1 Following the last meeting a final copy of the Funds application to become a signed signatory to the FRC (Financial Reporting Council) Stewardship code, including member amendments was submitted on the 22nd May 2023 prior to the 31st May deadline, after signature by the Head of Pensions and the Chair of the Committee as agreed at the March 2023 meeting.
- 9.2 At the time of writing there has been no response from the FRC and we have no definitive timescale for a response to the application. We will advise both the Committee and the Board once a response has been issued.

10. DLUHC TCFD Consultation

- 10.1 As reported in December 2022, the Council has formally responded to this consultation alongside our pooling company LGPS Central. At the time of writing there has been no response from the DLUHC in response to the consultation which ended on the 24 November 2022. We will advise both the Committee and the Board once a response has been issued.

11. LGPS Central Climate Change Training

- 11.1 Following a request for training at the March Meeting, we were awaiting the results of the elections at Telford and Wrekin so that training could be provided to all members new and existing. Now that this has been resolved we shall make arrangements with LGPS Central to set up a training session.
- 11.2 As an interim measure a glossary of some of the terms commonly referred to in these reports is attached at Appendix E.

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

Corporate Governance Monitoring report, Pensions Committee 24 June 2022

Corporate Governance Monitoring report, Pensions Committee 16 September 2022

Corporate Governance Monitoring report, Pensions Committee 2 December 2022

Climate Risk Report, Pensions Committee 2 December 2022

Corporate Governance Monitoring report, Pensions Committee 17 March 2023

Cabinet Member

N/A

Local Member

N/A

Appendices

- A. LGPS Central Manager Voting Activity Reports (A1 -A2).
- B. LGIM Manager Voting Activity Report
- C. Columbia Threadneedle Responsible Engagement Overlay Reports.
- D. LAPFF Quarterly Engagement Report
- E. Responsible Investment Glossary