Pensions Committee
Date 04 December 2026

Item 6

Public

Corporate Governance Monitoring Report

Responsible Officer:	Peter Chadderton		
email:	peter.chadderton@shropshire.gov.uk	Tel:	07990 086399
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 July 2026 to 30th September 2026, together with the latest position on sanctions in the occupied territories and confirmation of the submission of the Funds stewardship code renewal application.

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 response issued to the PSC on behalf of the Committee.
- Confirmation that the FRC Stewardship code has been submitted.

2.2 Members are asked to note and comment the Funds combined Climate Risk Report and Taskforce for Climate Related Disclosures (TCFD) reported presented by LGPS Central at Item 5 and are asked to endorse the publication of the report on the Fund's website.

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 July 2026 to 30th September 2026.

4.2. An update on the latest developments regarding sanctions for companies operating in the occupied territories.

4.3. Confirmation that the renewal application for the UK Stewardship Code was submitted prior to the deadline.

4.4. LGPS Central will provide an update on the Funds combined climate risk management report and TCFD (Taskforce for Climate Related Financial Disclosures) report and progress by the Fund at 31st March 2026 at item 5 on the agenda.

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. The 2026 report will be presented by LGPS Central in this meeting and added to our website in due course.

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. The four companies shown under the engagement case studies all sit within the Shropshire County Pension Fund portfolio.

8.2. In addition to the report LGPS Central have provided further examples of stewardship activity in Quarter 3 on companies within the Shropshire County Pension Fund portfolio and advocacy undertaken during the period:

Engagements

• **ArcelorMittal**: Following the 2026 AGM we engaged with investor relations to discuss our concerns over the structure of the executive remuneration package. We also discussed the company's interim decarbonisation targets and encouraged better disclosure of how its decarbonisation levers will contribute to its decarbonisation targets.
• **General Motors**: Engagement following the 2026 AGM secured greater clarity on board leadership, climate oversight and the EV transition, alongside a commitment to further dialogue on Indigenous Peoples' rights; however, no commitments were made to change accelerated vesting provisions or separate the Chair and CEO roles.
• **BP**: LGPS Central sought engagement on governance continuity following significant leadership and board changes; although new appointments offer an opportunity to strengthen oversight, further dialogue is needed to assess succession arrangements, board stability and governance effectiveness.
• **BHP**: has published enhanced modern slavery reporting that addresses objectives LGPS Central, alongside PRI Advance, has pursued over several years, including greater transparency around major suppliers, salient risks across the supply chain, and the policies in place to manage those risks. This represents positive progress against our engagement objectives and demonstrates how sustained stewardship can contribute to improved corporate disclosure and risk management.

Advocacy

• The FCA are consulting on the potential removal of the requirement for asset managers to complete TCFD product reporting digressing from TCFD guidance for climate reporting. LGPS Central has vehemently opposed this change.
• The DWP draft guidance on Fiduciary Duty is to be released for consultation in November. It applies to trustees of corporate schemes and their advisers. The

requirement to consider impact of investments on members standard of living in retirement remains.
• The SEC has proposed rescinding Rule 14a-8, which would significantly reduce shareholders' ability to submit proposals via company proxy materials and increase company discretion over excluded proposals. While likely not impacting the 2027 proxy season, the proposal could face legal challenge and may prompt greater use of company bylaws as an alternative route for shareholder proposals.
• The UK Government is consulting on reforms to simplify corporate reporting requirements. Proposals include removing the annual advisory vote on remuneration and permit fully virtual AGMs, which could weaken key shareholder accountability and engagement mechanisms.

8.3. 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

The company are working on the draft 2027-2029 strategy and we will look to arrange a training session with the company for both Committee and Board Members in the new year.

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 JP Morgan Chase and Eaton Corp which sit in both the Funds passive LGIM portfolio and the global equity portfolio. TSMC which is present in the global equity portfolio and Kraft/Heinz Co which is in the LGIM passive portfolio.

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 as at 30th September 2026 under climate include an article on deforestation which covers Restaurant Brands International and Mondelez International. An article concerning Tesco and review of their low carbon concept farm under climate adaption. Engagement with Novo Nordisk under the Nature 100 objectives and TSMC under the energy transition in Asia. Under Social there have been engagements with Ford on human rights in supply chains for electric vehicle production. Under Governance there has been engagement with Smith and Nephew and Pearson on shareholder dissent over executive renumeration. Other articles such as Mining and the PRI advance initiative 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 2026 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.

10.5 The Fund has issued a holding letter at this time whilst we await clarification from the Government through the Scheme Advisory Borad of the points raised. A copy of the response is attached at **Appendix D**

10.6 On the 18th November the Government issued a list of eight initial companies that have been sanctioned for activities in the occupied territories. These companies where all private limited companies and the Fund has no direct exposure to any of these companies in any of its portfolios. LGPS Central are looking to establish if it is possible to get assurance that the Fund has no indirect exposure to these companies through foreign owned companies within the portfolio using these companies as a third-party contractors.

10.7 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.

10.8 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 Fund submitted its application for renewal to the FRC in advance of the 31st October 2026 deadline following review by members and officers. The report covered the 11 identified areas under both disclosure and activities and outcomes as detailed below.

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

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

11.2. We anticipate the FRC outcome to be received in late February 2027 and this will be formally reported to the March Committee meeting with the full application being made publicly available at that time in line with the FRC requirements.

11.3. LGPS Central continue to speak directly to the FRC over further simplification for Funds within the LGPS Central group to reduce duplication of activities and outcomes.

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 05 December 2025** **Corporate Governance Monitoring report, Pensions Committee 20 March 2026** **Corporate Governance Monitoring report, Pensions Committee 19 June 2026** **Corporate Governance Monitoring report, Pensions Committee 18 September 2026**	
Local Member:	**N/A**
Appendices [Please list the titles of Appendices]	
Appendix A – LGPS Central Stewardship Report 1st July 2026 to 30th September 2026 **Appendix B – Columbia Threadneedle Investments Engagement Overlay Report 1st July 2026 to 30th September 2026** **Appendix C – LAPFF Quarterly Engagement Report 1st July 2026 to 30th September 2026** **Appendix D – Copy of Response issued to the PSC.**	