Quarterly Engagement Report

January-March 2025

Local Authority Pension Fund Forum

Energy Suppliers, Housebuilders, Water Stewardship

ENGAGEMENTS

CLIMATE

Objective: LAPFF remains actively engaged with the UK's largest housebuilders on their climate transition strategies. Currently, the industry's greenhouse gas emissions are divided between emissions from the production and building of houses (including supplier emissions such as diesel-powered vehicles and cement production) and emissions from homes in use. These engagements aim to ensure that companies have clear plans to achieve net-zero homes, adopt Paris-aligned transition strategies and targets, collaborate with suppliers to lower emissions, and prepare for upcoming regulations like the Future Homes Standard.

In Q1, LAPFF engaged with Persimmon and Barratt Developments. Additionally, LAPFF re-engaged with Vistry, this time with a focus on governance. This is reported on in more detail under the Governance section of the report.

Achieved:

Persimmon

LAPFF engaged with Persimmon to assess its transition plan, focusing on Scope 3 emissions, just transition planning, and value chain decarbonisation. Persimmon is finalising its net-zero transition plan, set for inclusion in the 2025 annual report, and preparing long-term targets aligned with a 90% emissions reduction by 2045. Just transition considerations, including supply chain opportunities and local employment, are being integrated.

Persimmon has been disclosing Scope 3 emissions since 2022, with reductions reported in 2023. A study on embodied carbon in its ten most popular house types is underway, though current reporting relies on spend data, which can be impacted by price fluctuations. A hybrid approach combining spend data and direct embodied carbon measurements is in development. The company is engaged with Future Homes Hub to improve carbon reporting and acknowledges the challenge of decarbonising materials like cement, though specific supplier commitments remain unclear.

Persimmon is awaiting finalised Future Homes Standard legislation and confirmed it is not lobbying for lower standards. Its innovation centre, featuring a prototype net-zero home, will be open for stakeholder visits in summer 2025. Key areas for further engagement include finalising and improving the transparency of its transition plan, refining Scope 3 reporting, making clearer supply chain commitments, and preparing for regulatory changes. Continued engagement will be crucial to ensuring a credible and ambitious climate strategy.

Barratt Redrow

LAPFF engaged Barratt Redrow following its recent 2024 merger (formerly Barratt Developments and Redrow) to assess its decarbonisation strategy and sustainability commitments. Discussion

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with the Chair and Group Sustainability Director covered the company's approach to balancing net-zero goals with the need for large-scale housing development. Barratt Redrow reaffirmed its commitment to achieving net-zero homes despite regulatory uncertainties, policy delays, and infrastructure challenges.

The company continues to integrate sustainability within its operations to ensure climate risks, and challenges such as planning and zoning restrictions, and infrastructure readiness, are embedded in business strategy. The company is actively engaging with the supply chain through workshops, conferences, and data-driven insights to align industry expectations, though pricing pressures and shifting regulatory standards remain key concerns. Barratt Redrow is also mindful of workforce transition, recognising the need for upskilling and industry-wide collaboration to support sustainable building practices.

The company highlighted its focus on electrified housing solutions through innovation, partnerships and research-led projects. Notably the Zed House and eHome2, developed in collaboration with the University of Salford. The Zed House serves as one of the UK's first zero carbon homes built by a major housebuilder and goes beyond what is anticipated by the Future Homes Standard, while eHome2, created in partnership with materials manufacturer Saint-Gobain, explores real-world applications of low-energy design, smart technology, and reduced grid dependency. Barratt Redrow's CEO, David Thomas, is a member of the UK's Net-Zero Council, which aims to support the construction industry's transition toward decarbonisation in alignment with the upcoming Future Homes Standard

In Progress: LAPFF will continue to engage with Persimmon and Barratt Redrow as they progresses their climate transition strategies. Persimmon is in the process of finalising its net-zero transition plan, set for inclusion in its 2025 annual report, while also working to improve Scope 3 emissions reporting by developing a hybrid approach that combines spend-based data with direct embodied carbon measurements.

Similarly, Barratt Redrow is navigating complexities associated with its recent merger while maintaining its net-zero ambitions. The company is working to align sustainability efforts across its newly combined operations and is actively engaging with suppliers to encourage industry wide commitments. However, challenges such as policy uncertainty, infrastructure limitations, and pricing pressures remain barriers to large-scale decarbonisation.

LAPFF will continue monitoring housebuilders in key areas regarding their decarbonisation, particularly in relation to supply chain commitments and preparedness for compliance with the incoming Future Homes Standard.

ENERGY SUPPLIERS

Objective: Decarbonising energy supply is essential for climate change mitigation, as fossil fuel emissions are a major contributor to global warming. LAPFF aims to accelerate the transition to zero-carbon energy by advocating for energy supply companies to shift production and investments away from fossil fuels, scale up renewable energy, and address risks such as stranded assets and disruptive technologies. The focus is on reducing Scope 3 emissions, investing in clean energy infrastructure, and aligning with climate goals for 2030, 2050 and beyond.

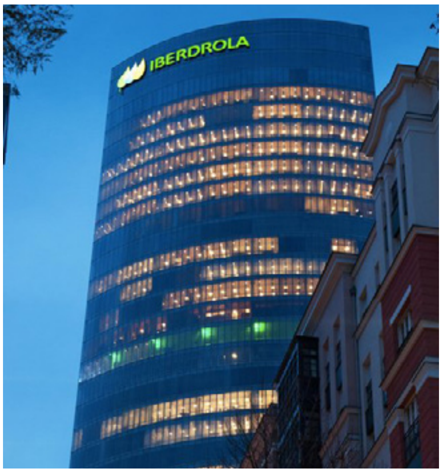
LAPFF will challenge ineffective transition plans, particularly from energy and oil & gas companies, and advocate for increased investment in renewables, energy storage, and grid modernisation to ensure a sustainable and affordable energy future.

Achieved:

Iberdrola

LAPFF engaged with Iberdrola as part of its work on decarbonising energy supply. While Iberdrola has made progress towards its sustainability objectives, room for further progress remains whilst notable challenges persist.

The company is on track to achieve its carbon neutrality goals for Scope 1 and 2 emissions by 2030 and aims for Net Zero by 2040. Meanwhile, reliance on gas in certain regions, especially Spain and the US, continues to be a challenge. Despite significant strides in renewable energy integration, with 81% of its energy



production coming from emission-free sources, Iberdrola's progress could be more consistent across its operations, particularly in the regions where gas distribution remains its primary business.

The company's just transition stakeholder engagement strategies appear robust, addressing the needs of employees, customers, and communities. However, its approach to a just transition remains somewhat cautious, especially in regions with heavy fossil fuel reliance. Additionally, Iberdrola has embraced innovative solutions such as nature-based carbon offset programs. While Iberdrola is confident in the increasing market competitiveness of these solutions, particularly for customers and in commercial sector, the viability in the industrial sectors is still to be seen.

In Progress: Both Iberdrola and SSE continue to make progress in their decarbonisation efforts. However, the companies' reliance on gas for energy security and during market fluctuations underscores the complexities of fully transitioning away from fossil fuels. For SSE, leadership changes introduce an element of uncertainty, making it crucial for SSE to reinforce governance structures and maintain strategic momentum.

While SSE is investing in technological carbon capture and storage (CCS), Iberdrola is taking a different approach by focusing on nature-based solutions. LAPFF remains sceptical over the long-term viability and effectiveness of CCS. Further clarity on how these initiatives will translate into tangible cost benefits for consumers is needed to strengthen SSE's credibility and ensure its transition aligns with both sustainability and affordability goals.

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OIL & GAS

Objective: Drax's Yorkshire power station is the UK's largest single emitter of carbon dioxide. LAPFF has focused for several years, from its own research as well as public coverage of the company, on Drax's business model which faces considerable challenges. These challenges include the continuation of government subsidy which is in excess of £500m a year and is more than all of the profit. That subsidy runs out in 2027. There is an additional proposal to add carbon capture and storage to Drax for what is called BioEnergy Carbon Capture and Storage (BECCS) which would require further subsidy, locked in for the duration of at least 25 years. This proposal has to this point not been approved by HM Government.

Drax's operation is currently dependent on both contracts for difference (CfDs) – by which Drax receives a fixed price for its power output, and subsidy.

On the environmental side there are significant issues with claims of net zero as well as continuity of supply of imported wood pellets.

Achieved: Since meeting with the Senior Non-Executive Director in December 2024, there has been more press coverage that Drax has been cutting down rare forest wood in Canada.

In February 2025, the Government announced that subsidies will continue for another 4 years from 2027, but on a more restrictive basis. The subsidy will be halved, and the output will be more than halved. That is because rather than operating as a baseload plant (operating at any time), Drax will become a dispatchable source of power (i.e. to make up demand when other sources are short).

In revenue terms, the reduced operation may be beneficial as dispatchable power sells at a much higher price. However, the fact Drax will operate as a dispatchable source of power makes any Carbon Capture Storage proposition less viable. That is on cost grounds, as there is less operating time to cover the fixed costs, but also, there is no working model of CCS on dispatchable power as the CCS plant would require power when the generation is off. The capture of carbon is not an instantaneous process, whereas a dispatchable power station coming on and going offline is.

The Government has attached conditions on supply of pellets, to mitigate the import of wood pellets linked to deforestation, and subsidies can be cancelled or repaid if such problems recur.

In Progress: The issues LAPFF has raised are central to the business model.

The argument for the government to continue to support Drax is the claim that "the UK can't be carbon net-zero by 2050 without it" thus Drax with carbon capture and storage would result in "negative emissions". But Drax with a lower output would result in less "negative emissions".

BP & Shell

Objective: Both BP and Shell are retreating from the transition towards renewables.

During continued engagement with Shell and BP, LAPFF's approach has remained to test oil and gas companies beyond claims of decarbonisation based on existing business models to challenge the viability of the current business. This expectation, based on LAPFF policy, is that the demand for hydrocarbons will reduce in aggregate terms; and that demand will be met by lowest cost producers.

Renewable power generation (especially solar) can operate on a decentralised and localised basis, scale is not a necessity. Oil and gas production and distribution in contrast is highly centralised and scale has been a necessity.

With there being no shortage of investment in renewables into, and then from, the power generation sector then the need for capital gathering and investment to be intermediated by the large-scale oil and gas sector is less clear.

As opposed to requiring subsidy, renewable power is now a disruptive transition due to the alternative and innovative technologies. The war in Ukraine has also increased governments' focus on less reliance on fossil fuels on energy security and price volatility grounds.

The incentive to decarbonise sits well with the existing power generation sector which is investing in renewables, to increase electricity output and consumption (such as encouraging heat pumps and EVs) and in the process competing favourably with the fossil fuel sector.

The same cannot be said for the oil and gas sector, where investment in renewables means competing with itself – the fossil fuel business.

There now seems to be an inevitable shrinkage in the sector, not matched by growth from elsewhere. That supports the argument for rigorous Paris Aligned capital discipline and more cash returns - not buybacks - to shareholders instead. LAPFF would question the benefit of holding a larger proportion (the effect of buybacks) in an ex-growth sector that is in long-term retreat.

Developments at Shell: LAPFF has been engaging with the Australian Centre for Corporate Responsibility which, with the support of LAPFF members has tabled a resolution for the 2025 AGM. The resolution focuses on the company's planned expansion of LNG, as the implied demand/supply significantly exceeds International Energy Authority ('IEA') projections.

Shell held a "Liquid Natural Gas ('LNG')" day in February 2025 at which an LNG Outlook document was produced. That refers to "LSG" – Liquid Synthetic Gas, which is chemically and physically identical to LNG (methane). LSG is produced by "methanation" a reaction which combines hydrogen and carbon dioxide.

The presentation implies that future LSG can use "existing" LSG (existing and proposed) infrastructure. What is also not clear from the presentation is the cost and energy consumption needed to create LSG.

There is a diagram showing that the hydrogen would come from green hydrogen (from electrolysis using renewable power) and carbon dioxide obtained by direct air capture (DAC). DAC and green hydrogen would be very energy intensive and inefficient given the only output of energy is the combustion of methane.

It would appear that LSG is being promoted as a means of prolonging the life of existing and new LNG infrastructure. This in LAPFF's view would be a very risky – and subsidy dependent – way of going about it.

Credibility issues have arisen with Shell before. LAPFF had previously questioned Shell on trees as "nature-based solutions" (i.e. planting trees) as the IPCC regards that as necessary for hard to abate sectors, not fossil fuel companies.

Shell has said that it cannot make the investment case for renewables. That is

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Grangemouth Petro Chemical Plant

not in itself unreasonable but does support the argument for more cash returns to shareholders instead.

Developments at BP: BP had been regarded as at the better end of the sector in recognising climate change as an issue but faces the same competitive and structural pressures set out above.

In February 2025 BP announced that it was abandoning key parts of its strategy of being an integrated energy company. That means it will cut investment in non-fossil fuel assets and is selling some of the same. It has also announced it will be increasing production in oil and gas to between 2.3 million and 2.5 million barrels of oil equivalent a day by 2030 and raise spending to $10 billion a year, about 20 per cent higher than previous levels.

That marks a U-turn from a target for a 25 per cent reduction in output to about 2 million barrels a day, compared with 2019 levels.

LAPFF's policy of managed decline is all the more relevant given retrenchment in the sector.

In Progress Shell: LAPFF continues to challenge whether Carbon Capture and Storage (CCS) can be made to work as a line of business, given that the costs involved make it a last resort if cheaper substitute energy sources are not possible.

Developments in aviation fuels and biofuels need to be examined in more detail, particularly as the mode of synthetic aviation fuel Shell refers to is to take CO_2 resulting from combustion by carbon capture from elsewhere and converting it – by an energy intensive process – into a hydrocarbon. LAPFF's view is that is merely using the same emission twice, whilst still resulting in emissions is not a meaningful contribution to net zero.

CCS has been given prominence for, inter alia, gas (methane) for power, hydrogen for home heating, hydrogen for ammonia production and hydrogen for steel making. All of these have non-fossil hydrogen alternatives. It should be noted that CCS for coal was heavily promoted as a way of maintaining coal demand but never materialised with the phase out of coal on economic as well as emissions grounds. There is the same risk with gas.

In Progress BP: The position of the whole board, given the major shift in strategy from that previously adopted by the whole board, needs scrutiny.

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BP has decided not to put a climate change strategy to the vote at this year's AGM. That is unsatisfactory given that the strategy has now changed.

In previous years the company has questioned the validity of shareholder resolutions requesting enhanced climate disclosure and commitments on the basis that the company has a robust transition strategy. This same argument has lost credibility following the recently announced retrenchment.

With more of the business being in joint ventures with other producers (such as Exxon and Chevron) that progress to net zero is to some extent out of the control of BP itself and would imply that the joint venture partners have the same commitment, or lack of, to net zero for those shared assets.

Particular attention is needed to understand the role of Elliot Advisers, the fund manager which is reported to have pushed BP towards its new position. There is no evidence yet that the objective of increasing BP's share price has been achieved.

In progress both BP and Shell: LAPFF's policy has not been that oil and gas companies should all transition towards renewables but that the sector needs to be in managed decline from fossil fuels. The managed decline is all the more relevant now as that it is the only route to Paris Alignment.

BANKS - FINANCING THE FOSSIL FUEL SECTOR

NatWest

Objective: LAPFF continues to engage with the banking sector, recognising its pivotal role in financing the transition to a decarbonised economy, with a particular focus on energy supply. The objective of LAPFFs engagements in this sector is to accelerate the transition to zero-carbon energy sources, in alignment with global climate change mitigation goals and the COP 2023 focus on phasing out fossil fuels.

LAPFF aims to encourage the diversion of capital away from new fossil fuel extraction and promote the rapid expansion of clean energy, while addressing strategic risks such as stranded assets and the disruptive impact of emerging technologies. LAPFF's engagement with the banking sector aims to ensure that financiers integrate climate and transition factors into their lending practices, particularly when financing fossil fuel producers and low-carbon alternatives, and in doing so, supporting the broader shift to sustainable energy.

Achieved: In Q1, LAPFF engaged with NatWest with a focus on the bank's financing of the fossil fuel industry, particularly its approach to defining "credible transition plans." This issue has been under intense media scrutiny due to NatWest's continued financing of oil and gas giant BP, this despite BP's rollback on climate commitments described earlier in this report and NatWest having a policy in place which supposedly limits the provision of services to companies which do have a credible transition plan in place.

While NatWest reaffirmed its commitment to aligning its financing decisions with climate goals, particularly in the oil and gas sector, the meeting highlighted some potential concerns in its approach. When pressed on the matter, NatWest acknowledged the complexities of defining a 'credible transition plan' and noted the difficulty in determining appropriate plans for companies at different stages of their transition journey, particularly as these plans tend to evolve over time. The bank also emphasised the challenges associated with relying on third-party assessments, such as those from the Transition Pathway Initiative (TPI) and Science-Based Targets initiative (SBTi), both of which have altered or withdrawn guidance within the oil and gas sector. NatWest highlighted issues with these tools when combining scientific data with judgement and highlighted how this can create ambiguity when defining clear and consistent transition pathways.

Despite these challenges, NatWest emphasised its commitment to responsible financing and sustainability, particularly in ending harmful activities, fostering strong partnerships, and improving internal operations. The bank has exceeded its 2025 carbon reduction target ahead of schedule and has set an ambitious new goal of achieving a 70% reduction in emissions by 2030. NatWest also reaffirmed its commitment to supporting small and medium-sized enterprises (SMEs) in their transition efforts, recognising that these businesses often require more tailored support, which the bank is committed to providing.

Overall, while NatWest has limited its oil and gas exposure to less than 1% of its portfolio, it continues to maintain relationships with existing fossil fuel clients. This reflects the complex and nuanced nature of defining and assessing "credible" transition plans. A challenge which the bank is currently in the process of reassessing. NatWest welcomed further engagement and dialogue with LAPFF as it works to address these challenges and refine its approach.

In Progress: NatWest's emphasis on transparency and open dialogue with LAPFF is welcomed, but its overall strategy remains under scrutiny. LAPFF will continue to monitor the bank's progress to ensure that its actions align with its stated climate goals and hold the bank accountable for its financing decisions, particularly regarding its ongoing support for fossil fuel industries. LAPFF also raised the bank's reported plans to significantly increase the quantum available under its executive compensation package. The company agreed to raise this concern internally.

ENVIRONMENTAL

Water Stewardship

Objective: Water is a vital natural resource crucial to communities, ecosystems, and industries. However, the United Nations warns of a 40% global water shortfall by 2030 if current consumption trends continue. With freshwater consumption outpacing replenishment rates, it is becoming increasingly difficult to meet water needs and achieve the United Nations' Sustainable Development Goal for Water (SDG 6).

LAPFF engages with investee companies, including those in the mining sector, to address critical water-related risks. As the threat of water scarcity increases, LAPFF advocates for

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companies to develop holistic water stewardship strategies. These strategies should ensure responsible water use, protect ecosystems, and address the environmental risks posed by water shortages.

LAPFF also encourages companies to enhance transparency in water usage and reporting, encouraging businesses to integrate water management into their long-term sustainability goals. In doing so, companies swill ultimately reduce operational disruptions, regulatory risks, and reputational damage tied to water-related issues. By fostering accountability and guiding companies towards sustainable water practices, LAPFF seeks to drive positive environmental outcomes, safeguard communities, and mitigate long-term risks to investors.

Achieved:

Fortescue Metals Group

LAPFF held its first meeting with Australian mining company Fortescue Metals Group in Q1, focusing on water management. The meeting provided a valuable opportunity to establish dialogue with the company and gain insight into its approach to water stewardship.

Fortescue Metals outlined ongoing internal water assessments at its Pilbara mining sites in Western Australia, including the Western, Chichester, and Solomon hubs. The company reported that its water targets for these sites are either met or in progress, with full achievement expected by 2025. LAPFF will continue to monitor these targets and seek access to relevant data and methodologies used in the assessments going forward.

The discussion also addressed challenges at Fortescue's Iron Bridge magnetite mining site, where leaking pipes have resulted in loss of water resource and delayed production progress. The company have not indicated there has been any significant environmental damage from the reported leaks, however, due to the operational setbacks, Fortescue recently revised its production target for Iron Bridge, significantly reducing them for the 2024/25 financial year. The company indicated that pipe issues are being resolved, through water flow adaptions rather than pipe replacement, allowing production to ramp up. Water targets for Iron Bridge are expected to be set in FY25.

Graphite mine near the Andasibe-Mantadia National Park, Madagascar

Rio Tinto

Rio Tinto met with LAPFF in Q1 as part of a wider investor meeting focused on water management. LAPFF originally wrote to Rio Tinto to engage on the topic of its water management strategy, requesting a meeting to learn about development of efforts to conduct independent water assessments at its mine sites globally, including QIT Madagascar Minerals (QMM) and Oyu Tolgoi.

In the investor meeting, Rio Tinto's Head of Health, Safety, Environment & Security and Group Head of Environment and Nature reiterated the company's commitment to water stewardship, transparency, and incorporating both Indigenous and Western scientific perspectives in decision-making. LAPFF reiterated its ongoing concerns, including unresolved community grievances and the lack of meaningful progress at critical sites such as QMM.

While Rio Tinto outlined initiatives to address water-related risks, significant

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gaps remain, particularly in implementation, scale, and communication. The company acknowledged its sustainability goals are being hindered by slow progress and cited a cautious approach in setting targets, to avoid overly ambitious targets without clear execution plans. The investor meeting also highlighted issues such as limited communication and a lack of concrete data demonstrating measurable improvements.

Most recently, in April 2024, a group of villagers in Madagascar wrote to the company and filed a legal claim against Rio Tinto, alleging pollution linked to the QMM mine. The claim references blood test results showing high lead levels, some exceeding World Health Organization (WHO) safety thresholds, including in children requiring medical treatment. Additionally, the letter addressed concerns regarding uranium exposure, particularly as local communities rely on nearby water sources for drinking, washing, and fishing. In its 2024 annual reporting, Rio Tinto noted it is taking the letter and legal filing seriously, however, it does not support the allegations raised in the letter.

Valuing Water Finance Initiative (VWFI)

LAPFF has joined the 2025 Valuing Water Finance Initiative's (VWFI) annual investor letter to focus list companies. As a signatory, LAPFF signed onto 56 letters which were sent to targeted companies in January, including: Alphabet Inc., Microsoft Corporation, Amazon.Com, Diageo, LVMH Moët Hennessy Louis Vuitton, Unilever PLC, and Nestle S.A. The letters emphasise the importance of addressing water-related risks and the growing need for companies to tackle supply chain vulnerabilities.

In February, Amazon.com replied to the VWFI letter outlining its approach to water stewardship, highlighting progress toward AWS's goal of becoming water positive by 2030; this includes efforts to improve water efficiency, expand the use of sustainable water sources, and support replenishment projects globally. Amazon also noted recent water commitments in India, as well as newly launched projects in Brazil, Chile, China, and the US. Additionally, the company referenced a global water risk assessment used to prioritise water stewardship interventions, while noting that some details remain confidential due to competitive sensitivity.

In Progress: The Forum continues to push for meaningful action across high-impact sectors, with initial dialogue established with Fortescue Metals Group and growing investor pressure heightening its long-standing engagement with Rio Tinto.

LAPFF's engagements continue to highlight significant and persistent gaps within mining companies, particularly regarding implementation, transparency, and responsiveness to community concerns. The recent April 2024 legal claim related to Rio Tinto and QMM, alongside repeated concerns and sustained investor pressure, underscores the need for these companies to proactively address water-related risks and community impacts.

Through continued engagement and dialogue with companies, participation in initiatives such as the VWFI, and ongoing monitoring of corporate progress, LAPFF will continue to press for more robust, measurable, and equitable water management practices across high-impact sectors.

NATURE

Procter & Gamble – NA100

Objective: Since Nature Action 100 (NA100) published its benchmark in October 2024, LAPFF has worked within investor groups to refine the asks of companies. This follows a series of calls with companies in 2024 that largely set out the expectations of investors working within NA100 and to gain a better understanding as to how companies were approaching nature risk.

The investor group that LAPFF works within for Procter & Gamble (P&G) had met with the company once, before the NA100 benchmark was published, and sought a subsequent meeting with the company this quarter, choosing to focus on the 'Assessment', 'Target Setting' and 'Governance' pillars.

Achieved: There were positive updates from P&G noting its progress with the TNFD process, including working through the framework and refining its biodiversity disclosures. The company acknowledged transparency gaps in disclosures around biodiversity impact assessments but highlighted positive steps, including commitments to align with TNFD by 2026 and ongoing work on water stress assessments. On deforestation, P&G outlined its approach, which includes third-party certification, satellite monitoring covering 98% of its palm oil supply, and a grievance mechanism for non-compliance. It discussed preparedness for the EUDR (EU deforestation regulation), stating that its suppliers are responsible for compliance and that the additional delay will help smaller suppliers meet geolocation requirements. Finally, it touched on executive remuneration, indicating that ESG factors are integrated into compensation structures but without full disclosure of specific weighting or targets.

In Progress: LAPFF will continue to join engagements as a part of the NA100 initiative and intends to progress engagements past the initial round of engagements which were designed to understand how companies were approaching nature risk.

Nestlé Chair's Roundtable

LAPFF attended a roundtable in London with Nestlé Chair Paul Bulcke. LAPFF attends this meeting each year, providing an opportunity to ask questions directly to the chair of the world's largest food and beverage company.

The company provided a high-level overview of its corporate strategy for the coming year, including how it continues to incorporate a variety of ESG factors into this strategy. LAPFF joined 10–15 other investors in a round of questioning, which largely focused on the succession of the company's CEO in August 2024. In this transition, Mark Schneider, who had been CEO for seven years, was replaced by Laurent Freixe, an executive who has been with the company since 1986.

There were questions on the lessons learned from failures under Schneider and how Freixe is operationalising core parts of Nestlé's strategy. Given the significant role that regenerative agriculture is set to play in Nestlé's net zero strategy, LAPFF asked questions on this topic, focusing on efficiencies and the positive impact the company can have on nature.

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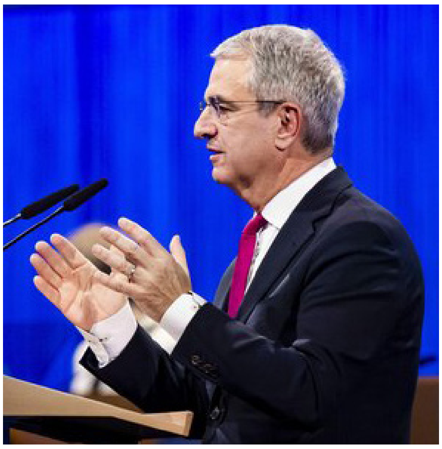

Laurent Freixe, CEO of Nestle

Nestlé has surpassed its 2025 target for regenerative agriculture, with 21.3% (target of 20%) of key ingredients now sourced from farmers adopting these practices and appears to remain on track to reach 50% by 2030. The company's efforts focus on improving soil health, reducing reliance on synthetic inputs, and supporting farmers in adopting techniques such as cover cropping and precision farming. Through its Nestlé Agriculture Framework, the company continues to provide long-term support, training, and incentives to accelerate the transition to sustainable food systems

SOCIAL FACTORS

Conflict-Affected and High-Risk Areas

Objective: LAPFF maintains a continued focus on engaging companies with business activities in or linked to conflict-affected and high-risk areas. LAPFF's expectations of companies are guided by the UN Guiding Principles on Business and Human Rights (UNGPs), which call for human rights due diligence in all operating contexts. Further guidance is provided for CAHRAs through the UNGPS and guidance released by the UN Development Programme in cooperation with the UN Working Group on Business and Human Rights, which advises undertaking a more comprehensive process known as heightened human rights due diligence (hHRDD).

Standard human rights due diligence focuses on identifying, preventing, mitigating, and accounting for human rights impacts. hHRDD extends this approach by requiring companies not only to examine their impacts on people, but also on the dynamics of the conflict itself. This includes recognising early warning "red flags" that might signal escalating violence or instability. Such red flags could be the presence of private security contractors, pervasive hate speech, severe restrictions on media, or forced displacement of people. LAPFF therefore expects companies operating in or linked to CAHRAs to implement the following core asks:

Adopt and publicly disclose policies on hHRDD, including criteria for entering, remaining in, or exiting a CAHRA.

Conduct robust conflict and human rights impact assessments, integrating findings into their corporate strategy.

Strengthen supply chain oversight, ensuring that contracts and business relationships do not contribute to abuses.

Engage openly with stakeholders and provide transparent reporting on progress, challenges, and any remedial actions taken.

Achieved:

Occupied Palestinian Territories (Bank Leumi & Bezeq)

LAPFF has engaged companies that were included on the UN OHCHR's list of companies considered active in the Occupied Palestinian Territories since its inception in 2020 and met with Israeli based companies Bank Leumi and Bezeq this quarter.

Since LAPFF last met with Bank Leumi in May 2023, the company has issued a public human rights policy. LAPFF also noted some improvements in due diligence processes in investment considerations. However, there was no evidence the company was undertaking hHRDD for its operations within CAHRAs.

Bezeq detailed how it operates in Israel and Palestine, stating that its infrastructure provides services to the Palestinian people. LAPFF pressed the company for enhanced human rights disclosures including a commitment to adhere to the UNGPs, although is not clear the company is undertaking hHRDDD at this point.

FTSE100 Letter

In December 2024, LAPFF wrote to all FTSE100 companies (excluding investments trusts) on behalf of LAPFF. These letters aimed to deepen the Forum's understanding of how companies approach risk mitigation in relation to CAHRAs, and signal increasing investor interest and concern on the risks associated with business in CAHRAs.

LAPFF received 28 responses from companies and met NEXT and Aviva in Q1 2025 to discuss this.

LAPFF has previously engaged NEXT Plc in relation to labour rights issues in Myanmar. The most recent meeting this quarter sought to expand prior conversations to include the undertaking of heightened human rights due diligence. NEXT appears to be taking a thorough approach to its business activities in Myanmar, although does not currently have a policy for operations in CAHRAs more widely.

During Q1 LAPFF also held a call with Aviva. The company emphasised it was enhancing its internal human rights policies and conducts a human rights saliency assessment to identify risks to people, rather than just to business, across its insurance and investment portfolios. This includes mapping risks such as modern slavery, indigenous rights, and data privacy. It also focuses on sector-specific risks, particularly where conflict could be exacerbated and is considering how its underwriting and stewardship activities might be better aligned to support CAHRA risks. Although the company's disclosures on CAHRA specific risks were limited, representatives explained that it was an issue of increasing focus

LAPFF is currently liaising on getting meeting dates with Phoenix Group, BAE Systems, and EasyJet, who have all offered calls in response to the letter.

2024 CAHRA Related Shareholder Resolutions

As geopolitical tensions have risen alongside increased conflict, so have shareholder resolutions relating to CAHRAs. LAPFF analysed a series of companies who had received such shareholder resolutions in 2024 and subsequently wrote to Mondelez, JPMorgan Chase & Co, Texas Instruments, Eli Lilly, Lockheed Martin, and RTX

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Corporation, seeking engagement on both the resolutions specifically, and company approaches to CAHRAs.

In March, LAPFF met JPMorgan Chase & Co. The company outlined that it did not undertake any specific or heightened due diligence relating to CAHRAs beyond the process it applies for all business transactions, but that this would incorporate geopolitical and reputational risk. LAPFF asked if the company would consider disclosing examples in which a transaction had been impacted as a result of geopolitical or reputational risk to demonstrate that its existing approach would capture concerns relating to CAHRAs. The company said it would consider this request.

In a meeting with Texas Instruments (TI), the company outlined its values-driven approach to business, including efforts to prevent product diversion to sanctioned countries, enhanced due diligence processes, and a preference for actions beyond just compliance. While LAPFF welcomed TI's transparency and commitment to screening and manual checks, it raised concerns regarding the lack of public reporting on human rights due diligence and CAHRAs.

LAPFF received a response to a letter sent to RTX Corporation on this topic. RTX stated that it was unable to discuss its approach to human rights risk management due to legal, contractual, customer, and policy considerations. It instead directed LAPFF to its human rights policy, which did not answer LAPFF's queries on heightened human rights due diligence. The company's human rights policy states that the assessment of specific business opportunities can present heightened human rights risks but does not discuss potential monitoring of end user product use and how this might be further mitigated.

Mondelez, Eli Lilly and Lockheed Martin have yet to respond

Electric Vehicle Manufacturers

LAPFF has held engagements with global auto manufacturers on their electric vehicle (EV) battery supply chains since 2021, seeing positive outcomes at Mercedes, BMW, Ford, General Motors, and Renault. Whilst these companies are making notable progress, there are still a number of manufacturers that are performing poorly in the context of managing human rights risks present in the critical mineral supply chain. In this quarter, LAPFF wrote to BYD, Toyota, Kia, Honda, Nissan, and Hyundai, seeking engagement on human rights considerations in the transition to electric vehicles. LAPFF has not yet received responses from these manufacturers and is in the process of considering escalation at the respective AGMs.

Response from Home Depot re Uyghur forced labour – Investor Alliance for Human Rights

Alongside other investors from the Investor Alliance for Human Rights' Uyghur Working Group, LAPFF has met with Home Depot twice to discuss the company's approach to alleged Uyghur forced labour in its luxury vinyl tile flooring. LAPFF wrote to Home Depot again this quarter seeking further engagement on the issue and received a written response.

Home Depot was able to provide positive developments in the efficacy of its traceability initiatives, detailing information on programmes that had been discussed in past engagements, further enhancements in the company's auditing practices and verification process, and a continuation of how it was monitoring evolving regulatory standards.

In Progress: LAPFF will continue to focus attention on CAHRAs and engage sectors that operate in them. LAPFF will also monitor best practice across industries and consider escalation through AGM attendance and voting alerts to members as the year progresses.

Luxury Goods

Objective: In 2024, the Local Authority Pension Fund Forum (LAPFF) expressed concerns that the luxury goods sector was being overlooked in comparison to high street apparel regarding human rights and supply chain management. There is a common misconception that higher prices for luxury goods directly translate into better working conditions and wages for workers. Following engagements with the sector in 2024, LAPFF has sought further meetings to discuss risk management and proactive action.

LAPFF wrote to companies before the European Commission's proposed Omnibus Package was announced on 26 February 2025, which aims to simplify sustainability reporting and due diligence requirements for businesses. Alongside existing asks, LAPFF is committed to ensuring that these regulatory changes do not lead to diminished oversight of human rights practices within the luxury goods sector. The Forum aims to engage with luxury brands to assess how they plan to adapt to the revised regulations and to encourage the maintenance or enhancement of robust human rights and supply chain management practices despite the potential easing of compliance obligations.

Achieved: LAPFF met with Burberry and Kering on these issues for the second time. The meeting with Burberry covered the company's double materiality assessment, due diligence processes, and supply chain transparency efforts in the context of evolving regulatory requirements such as CSRD and CSDDD. Burberry provided updates on its worker engagement initiatives, ethical trading compliance measures, and partnerships with NGOs and the International Organization for Migration (IOM) to support oversight. Despite regulatory uncertainty with the EU Omnibus Plan, Burberry appeared committed to progressing compliance efforts, refining governance structures, and taking what it described as "no regrets actions" to enhance data robustness and due diligence.

In a meeting with Kering, LAPFF discussed the company's first Corporate Sustainability Reporting Directive (CSRD) compliant annual report. Kering outlined its first CSRD disclosures, identifying 79 material areas and highlighting robust supplier auditing, with 4,500 audits conducted—52% of which were unannounced—and the termination of 89 supplier relationships. LAPFF found that the depth of reporting had not improved greatly since it met the company in 2024, although there appeared to be work in progress on transparency and targets that may be reflected in the company's 2026 reporting. LAPFF encouraged clearer examples of remediation and deeper insight into sub-tier supply chains and whistleblowing effectiveness. Kering acknowledged areas for improvement

ENGAGEMENT

and noted plans to enhance transparency, audit consistency, and stakeholder communication

In Progress: LAPFF has a call scheduled with LVMH Moët Hennessy Louis Vuitton in April. LAPFF has not received a response from Moncler or Richemont at this time but will follow up with further requests to attempt to meet in Q2. The Forum has not had a response from Hermès International on request for engagement to date and is considering next steps.

GOVERNANCE

Vistry

Objective: LAPFF believes UK board structures should align with the principles of the UK Corporate Governance Code. This includes ensuring a balanced mix of executive and non-executive directors with diverse experience who can act independently and hold management accountable. A careful balance in the composition of the board is crucial, as boards with an overrepresentation of executives may dilute the influence of independent directors. LAPFF also supports the separation of chair and chief executive. LAPFF considers the roles distinct role and if combined can lead to concentration of power within the board. LAPFF emphasises the importance of succession planning and developing a diverse executive pipeline to maintain an effective and accountable board composition.

Achieved: LAPFF held a follow-up meeting with Vistry Group to revisit governance concerns initially raised during a September 2024 discussion on decarbonisation and the ongoing CMA investigation. This meeting primarily focused on the company's dual CEO and Chair role, held by Greg Fitzgerald since 2024.

LAPFF met with Rob Woodward, Senior Independent Director, to better understand the rationale behind the leadership model and its impact on independent oversight. While Vistry defended the structure, pointing to shareholder support and internal governance processes, LAPFF expressed concerns about power concentration, the independence of non-executive directors, and long-term governance stability. Currently, Vistry has no set timeline for any changes to the dual role. The discussion also addressed cultural and leadership challenges following recent restructuring. LAPFF acknowledged that a significant portion of Vistry's shareholders are based in the US, where the dual CEO and Chair role is more common. However, the Forum emphasised that this structure does not align with best practices in the UK, where Vistry is headquartered.

In Progress: Although Vistry asserts that its governance model is functioning, LAPFF will continue to monitor and raise concerns about potential long-term risks. LAPFF is committed to maintaining an ongoing dialogue with the company, and Vistry has welcomed further discussion as the governance structure evolves to ensure a balanced and accountable leadership framework.

London Stock Exchange Group

Objective: As has been noted in previous quarterly reports, LAPFF has been concerned about the weakening of standards relating to new entrants to the London listed companies' market, which has included, Aston Martin Lagonda, NMC Health, Finablr and Quindell, the former of which has lost >90% of its value since listing, the other three being 100% losses.

As noted before, the LAPFF Executive convened a 'Capital Markets Working Group' in the light of a recent concerted campaign by some interests to further weaken the standards of the listing regime. That campaign has included the Capital Markets Industry Taskforce, which is just that, it is a coalition of "fee earning" interests rather than shareholder interests, including issues of investor protection. It is chaired by the CEO of the London Stock Exchange.

Achieved: A meeting with the Senior Executive Director of the LSEG, Cressida Hogg was held in January. An outcome has been that a meeting is being arranged with the CMIT Chair and members of the CMIT.

One positive outcome from correspondence with the CMIT chair is that there is a shared understanding regarding the fundamental challenge facing the London Stock Exchange. Some work has already been done on that by the LAPFF Executive Working Group.

In Progress: A meeting with the CMIT is pending.

COLLABORATIVE ENGAGEMENTS

Rathbones 'Votes Against Slavery'

LAPFF signed onto Rathbones led initiative "Votes Against Slavery", a collaborative investor-led initiative launched in 2020. The campaign aims to combat modern slavery by ensuring companies comply with Section 54 of the UK Modern Slavery Act 2015. This legislation requires businesses above a certain size operating in the UK to report on the steps they are taking to ensure modern slavery and human trafficking are not occurring within their operations or supply chains. LAPFF signed onto a selection of companies in the FTSE 350 index. The Forum has noted good progress by the initiative over the past few years and will monitor it as the year goes on, joining engagement calls as appropriate.

Nike Inc

LAPFF signed onto a collaborative investor letter raising concerns regarding human rights risks in Nike's supply chain, outlining expectations on heightened human rights due diligence, the effectiveness of binding agreements, especially in high-risk contexts, and worker concerns around wage theft. LAPFF has previously attempted to engage Nike on its approach to human rights, looking at labour rights issues in both Myanmar and the Xinjiang Uyghur Autonomous Region (XUAR) but has not received a response from the company. LAPFF also recommended members support two shareholder resolutions at the company AGM last September relating to supply chain management and social responsibility.

ENGAGEMENT

PRI Vale and Anglo American

Objective: LAPFF continues to lead and participate in the PRI Advance human rights collaborative investor group initiatives; leading the Vale investor group and participating in the Anglo American group.

Achieved: In Q1, LAPFF participated in the first quarterly PRI Advance investor group meeting of 2025, for both Vale and Anglo American initiatives.

Vale

LAPFF led the first quarterly PRI Advance Vale investor group catch-up of 2025, co-leading the initiative alongside Regia (which formed from a merger including JPG Asset Management who LAPFF has worked with previously). The meeting focused on developing the engagement strategy for the year, continuing to emphasise employee and community feedback, grievance mechanisms, and governance, particularly around human rights. With Vale's second Customer Perceptions Survey due to be published in Q1, the investor group plans to request access to the survey results and schedule a related meeting with the company.

Anglo American

Anglo American is implementing a business 'simplification' strategy, following its 2023 asset review. This strategy includes significant corporate restructuring, such as demergers and divestments. A key concern raised by the PRI investor group was the human rights due diligence associated with this simplification. The group requested a meeting with the company, but Anglo American has opted to respond only in writing. The PRI group has submitted their questions and is awaiting the company's response to determine next steps.

The broader engagement with Anglo American focuses on enhancing human rights governance, due diligence, community engagement, grievance mechanisms, employee health and safety, and environmental management.

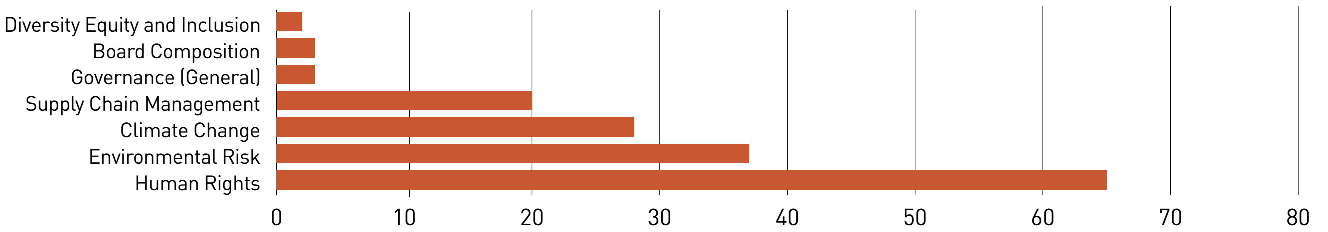
In Progress: LAPFF remains actively involved in the PRI Advance initiatives, with a continued focus on human rights issues within the mining sector. In 2025, the PRI Advance groups are aiming to facilitate engagement meetings with the companies, Vale and Anglo American. Additionally, LAPFF will maintain its independent engagement with these companies to strengthen relationships and foster ongoing dialogue on human rights and sustainability concerns within their operations.

COMPANY ENGAGEMENT TABLE

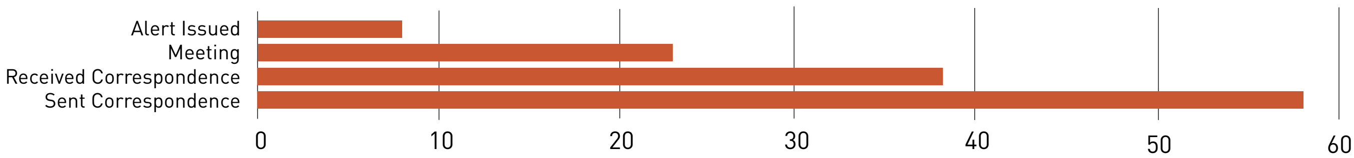
Company/Index	Activity	Topic	Outcome
FORTESCUE METALS GROUP	Meeting	Environmental Risk	Dialogue
BARRATT REDROW PLC	Meeting	Environmental Risk	Dialogue
PERSIMMON PLC	Meeting	Environmental Risk	Satisfactory Response
RIO TINTO GROUP (AUS)	Meeting	Climate Change	No Improvement
NESTLE SA	Meeting	Board Composition	Moderate Improvement
IBERDROLA SA	Meeting	Climate Change	Dialogue
SSE PLC	Meeting	Climate Change	Dialogue
NEXT PLC	Meeting	Supply Chain Management	Small Improvement
TEXAS INSTRUMENTS INCORPORATED	Meeting	Human Rights	Dialogue
LONDON STOCK EXCHANGE GROUP PLC	Meeting	Governance (General)	Dialogue
BURBERRY GROUP PLC	Meeting	Human Rights	Moderate Improvement
KERING SA	Meeting	Human Rights	Small Improvement
THE PROCTER & GAMBLE COMPANY	Meeting	Environmental Risk	Small Improvement
AVIVA PLC	Meeting	Human Rights	Change in Process
CURRYS PLC	Meeting	Employment Standards	Small Improvement
NATWEST GROUP PLC	Meeting	Climate Change	Dialogue
VISTRY GROUP PLC	Meeting	Board Composition	No Improvement
SSP GROUP PLC	Meeting	Diversity Equity and Inclusion	Small Improvement
J SAINSBURY PLC	Meeting	Employment Standards	Dialogue
LEGAL & GENERAL GROUP PLC	Meeting	Diversity Equity and Inclusion	Dialogue
BEZEQ THE ISRAELI TELECOMMUNICATION CORP LTD	Meeting	Human Rights	Dialogue
BANK LEUMI LE-ISRAEL BM	Meeting	Human Rights	No Improvement
JPMORGAN CHASE & CO.	Meeting	Human Rights	No Improvement

ENGAGEMENT DATA

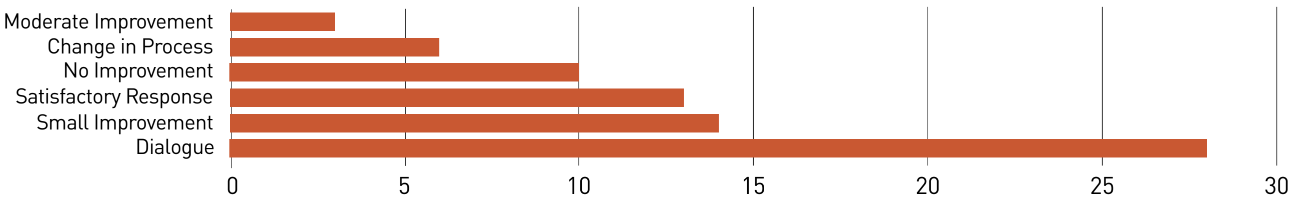
ENGAGEMENT TOPICS



ACTIVITY

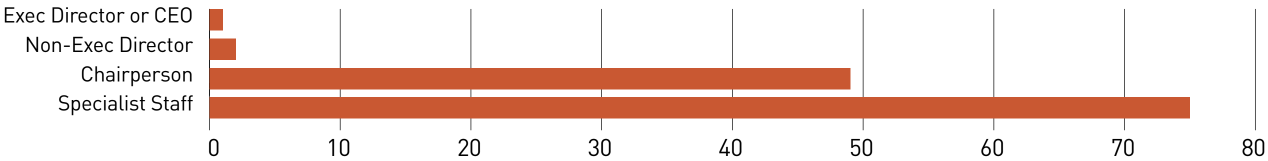


MEETING ENGAGEMENT OUTCOMES*

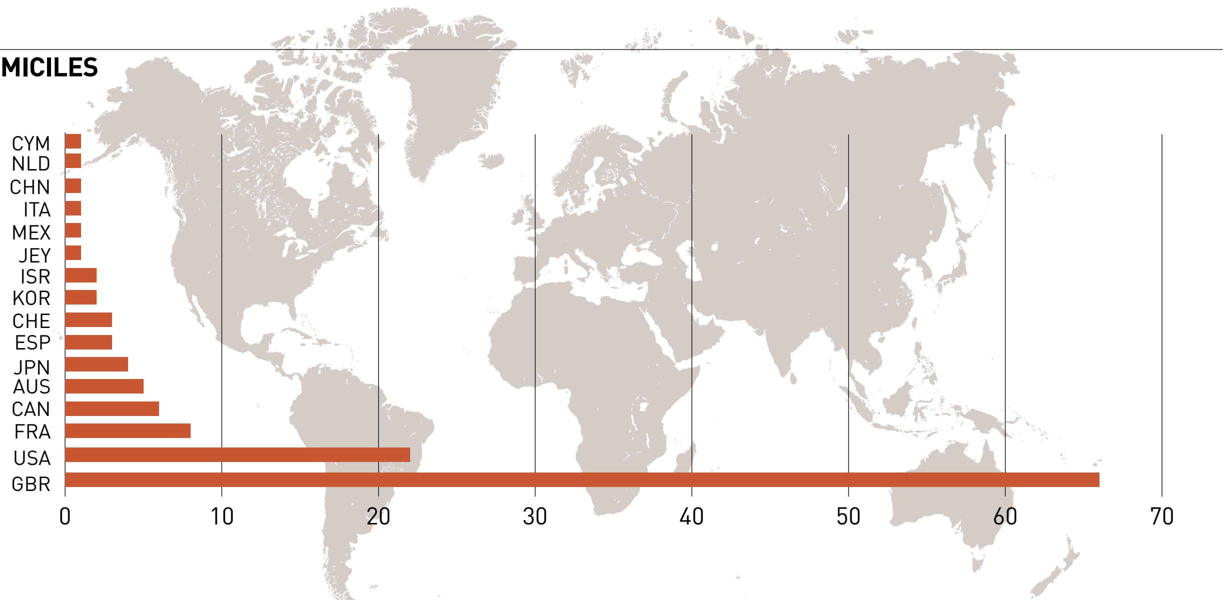


*Outcomes data is taken from 'Meetings', 'AGMs' and 'Received Correspondence' only

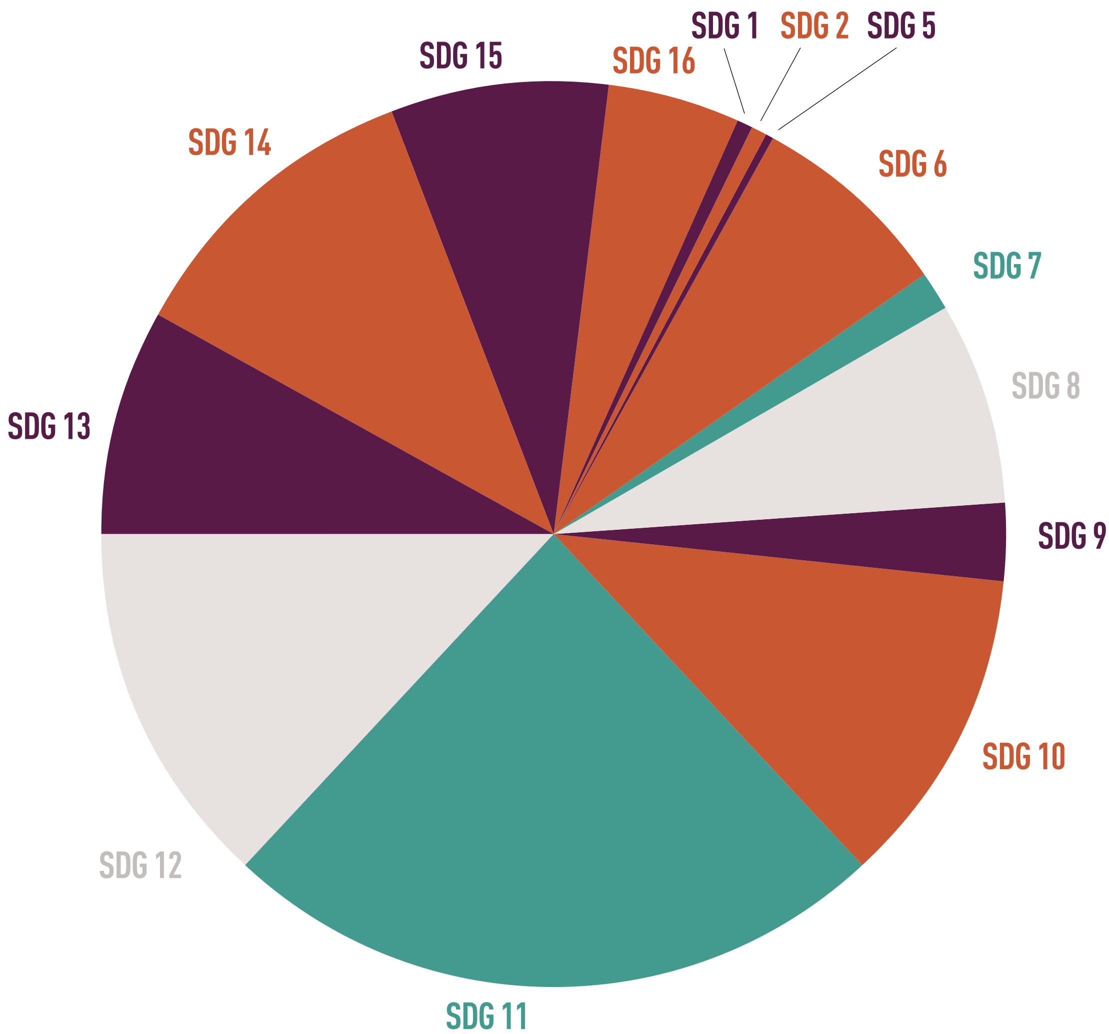
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	2
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	0
SDG 4: Quality Education	0
SDG 5: Gender Equality	1
SDG 6: Clean Water and Sanitation	19
SDG 7: Affordable and Clean Energy	3
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	7
SDG 10: Reduced Inequalities	30
SDG 11: Sustainable Cities and Communities	62
SDG12: Responsible Production and Consumption	34
SDG 13: Climate Action	21
SDG 14: Life Below Water	29
SDG 15: Life on Land	20
SDG 16: Peace, Justice, and Strong Institutions	12
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

ACCESS Pool
Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership