



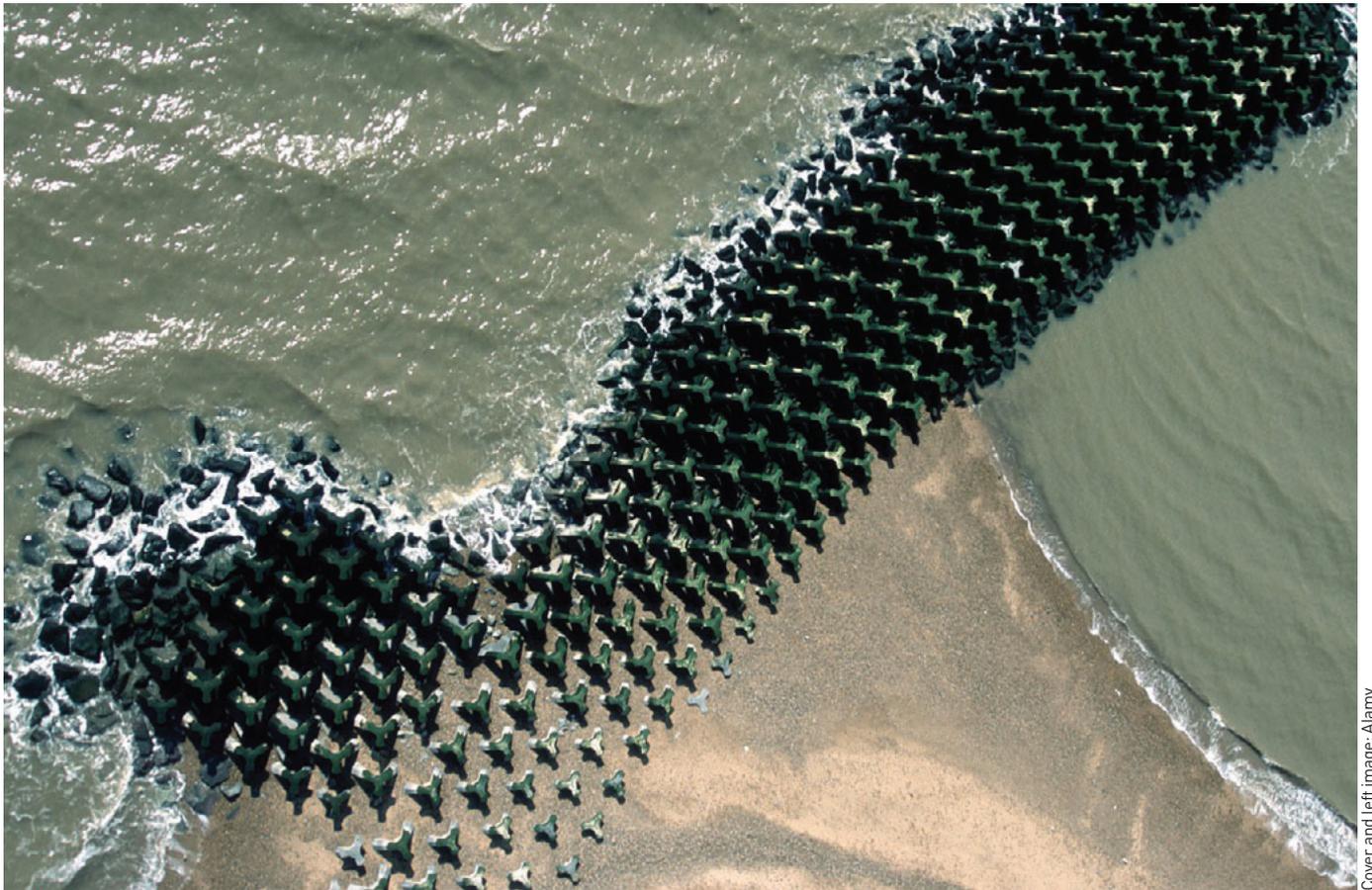
Quarterly
Engagement
Report

October-December
2025



• **Climate**
Transition Plans
• **CAHRAs** • **Steel**
Decarbonisation

ENGAGEMENTS



Coastal sea defences in Suffolk England

Cover and left image: Alamy

CLIMATE

CLIMATE TRANSITION PLANS

Climate change is a systemic and financially material risk to long-term investors. LAPFF considers companies that provide credible transition pathways, and demonstrate strategic adaptability are better positioned to navigate this transition.

In this context, robust climate transition planning has become a core governance priority. While an increasing number of companies now publish their transition strategies, there is still a material segment of issuers which do not have climate commitments underpinned by measurable targets, clear delivery pathways, or transparent reporting on associated financial planning and capital

expenditure. Ensuring effective oversight mechanisms are in place is therefore critical. As such, LAPFF considers it best practice for companies to put their climate transitions plans, commonly referred to as a ‘Say on Climate’, to shareholder vote at least once every three years, and more frequently if significant changes to the climate strategy have occurred. For minority shareholders with limited access to senior management, governance mechanisms of this nature are important as a means of holding boards to account. These votes also provide a valuable opportunity for investors to express support or concern on a core part of a company’s strategy.

Objective: To ensure that issuers are planning for the decarbonisation of their business and effectively managing transition risks, LAPFF engages companies on the development, disclosure and implementation of robust climate transition strategies. LAPFF expects these plans to include

quantifiable, measurable and science-based targets, supported by credible and clearly articulated strategies for delivery, alongside disclosure of material climate-related impacts within the financial statements.

Achieved: LAPFF and CCLA facilitated a letter to the FTSE 100 (minus investment trusts) urging constituents to provide shareholders with a vote on their firms’ climate transition plans and strategies at least once every three years. The letter was supported by investors with a collective AUM of £3.1 trillion.

Of the 95 companies that LAPFF wrote to, 71 provided material responses outlining their approaches to climate change and confirming whether they would put their transition plans to a shareholder vote. Within this, eight companies committed to holding such a vote, five of which noted that this would be on a triennial basis. The companies that committed to doing so were Legal & General Group, Anglo American,

ENGAGEMENTS

Glencore, SSE, National Grid, United Utilities, Centrica, and Shell. A further six are keeping the option of holding a vote under review.

Following receipt of the letter, LAPFF also held meetings with Schroders, Lloyds, SSE, Barclays, Shell and Standard Chartered in Q4 to discuss these plans.

Schroders outlined its approach to climate transition planning, including early publication of a climate transition plan in 2022, Science Based Targets (SBTs) set in 2021, and portfolio-level temperature alignment analysis which it described as being focused on real-economy transition, particularly in hard-to-abate sectors, supported by extensive company engagement and board-level oversight of climate risk.

While Schroders reiterated its strong commitment to climate governance and active ownership, it maintained its position against putting its climate transition plan to a shareholder vote, arguing that its engagement-led model provides greater flexibility and impact; LAPFF reiterated the value of a formal Say on Climate, particularly for minority and less-engaged shareholders, and encouraged continued consideration of this mechanism.

Lloyds outlined how climate and sustainability are embedded within its group strategy and governance, including reporting sustainability objectives alongside financial objectives, linking remuneration to sustainability and diversity metrics, and progressing delivery across key “systems” (built environment, transport, food & farming, and energy), supported by sustainable finance targets and expanded work on nature risk and client engagement.

Lloyds confirmed the board considers the potential of a transition plan vote annually but maintained its current approach of treating climate as integral to overall strategy (rather than a standalone vote), alongside ongoing disclosure enhancements and engagement channels.

Barclays outlined progress on its climate transition strategy, including publication of its latest transition update in July 2025, continued commitment to a 2050 net-zero target, sector-specific emissions reduction targets, and enhanced disclosure on sustainable and transition finance.

Barclays highlighted its client transition framework, portfolio-wide



climate stress testing, and integration of transition and physical climate risks into credit and capital planning, while noting that it continues to keep a ‘Say on Climate’ vote under review.

Shell reaffirmed its commitment to holding a shareholder vote on its climate transition strategy, confirming that its next strategic update will be published in the second half of 2026 and put to a shareholder vote at the 2027 AGM.

LAPFF also discussed key elements of Shell’s transition strategy, including its reliance on carbon capture and storage, treatment of LNG as a transition fuel, and exposure to demand, pricing, and geopolitical risks.

Standard Chartered outlined progress against its 2022 shareholder-approved Net Zero Roadmap, including delivery of its inaugural transition plan in 2025, completion of interim 2030 targets across all 12 Net Zero Banking Alliance (NZBA) high-emitting sectors, reductions in financed and operational emissions, and deeper integration of climate considerations into client engagement, capital allocation, and credit risk management.

LAPFF noted material changes in the

external environment since 2022 to the bank. Standard Chartered maintained that the existing shareholder mandate remains valid and that it continues to report and deliver against it, while acknowledging the role of shareholder votes as a governance mechanism and committing to ongoing dialogue with investors.

LAPFF engaged SSE to secure a clear and durable approach to shareholder oversight of the company’s Net Zero Transition Report as it moves to a three-year “Say on Climate” cycle and navigates leadership changes in both the CEO and Chief Sustainability Officer roles. In LAPFF’s meeting with SSE, the company confirmed the next advisory vote will be at the 2028 AGM, and outlined how it will report progress annually through its reporting suite, including alignment with Transition Plan Taskforce (TPT) guidance and annual assurance of GHG emissions. SSE explained its governance processes for assessing and escalating material changes, confirmed oversight arrangements (including the Safety, Sustainability, Health and Environment Advisory Committee), and set out how climate and sustainability considerations are reflected in executive pay.

In Progress: Looking ahead, LAPFF will continue to treat shareholder oversight of climate transition planning as an evolving governance issue rather than a one-off exercise. The Forum will monitor the use, withdrawal, and framing of climate-related resolutions at company AGMs through 2026, and will maintain structured dialogue with issuers where transition plans are put to a vote or materially updated.

In parallel, LAPFF is increasingly focused on emerging risks to accountability within this mechanism. In particular, the Forum is concerned by instances where companies dilute, defer, or withdraw previously articulated climate commitments, or materially alter transition strategies, without providing shareholders with a corresponding opportunity for approval or re-endorsement. Where companies step back from commitments that were previously supported by a significant majority of shareholders, LAPFF will expect clear justification, enhanced disclosure, and evidence of board-level scrutiny.

ENGAGEMENTS



Image: Alamy

Fossil-free steel is manufactured at the ironworks at SSAB in Oxelosund, Sweden

STEEL

Objective: Building on LAPFF's engagements with leading steelmakers in Q4, LAPFF met with SSAB, thyssenkrupp and Nippon Steel. Within these engagements, the objective was to assess the sector's progress in commercialising and scaling low/no-carbon steel and the credibility of transition delivery plans. LAPFF sought updated detail on the market and expected production volumes, target customers and end-use sectors, and how companies anticipate green price premiums evolving over time.

Engagement explored the scope for independent verification of product claims (including potential third-party ResponsibleSteel verification), and clarify the key milestones, dependencies and risks in shifting major production sites to low-carbon production pathways. A further focus was on how companies are managing constraints around

scrap availability, access to renewable electricity, and hydrogen/alternative fuel supply, and how the transition is being financed (including any public support), with particular attention to implications for balance sheets, capital discipline and overall risk profiles.

Achieved

Nippon Steel: Nippon Steel clarified that the company's low-/no-carbon steel offering remains at an early stage of commercialisation. The company indicated it can meet some spot demand, but is not yet in a position to scale to meet larger, longer-term demand requirements, particularly for the automotive sector. The company also stated it could not provide a robust forecast for volumes and demand at this stage. The discussion further improved understanding of how the company approaches product credibility and customer communication, including its use of mass-balance traceability and customer certificates, as well as

sensitivities around green claims. The engagement further surfaced key constraints shaping the transition pathway, including limited availability of DRI-grade iron ore, uncertainties around hydrogen availability and economics, and the likelihood that CCUS may be required for residual emissions in parts of the pathway. The company also referenced involvement in government-led initiatives/projects, indicating that public-sector support and enabling infrastructure remain relevant considerations.

Achieved

SSAB: The SSAB engagement provided more concrete insight into near-term plans and dependencies for scaling low-/no-carbon steel. SSAB discussed its ambition for SSAB Zero, its no-carbon product, volumes, including a stated 2025 target of 100,000 tonnes (noting the challenge of delivering this), and indicated an intention to disclose medium- and long-term volume

ENGAGEMENTS

targets in due course. The discussion also clarified SSAB's view on "green premiums": SSAB considers premiums to be more defensible for net-zero steel than for "lower-emissions" products, and emphasised that premiums should ultimately reflect quality and performance. It also noted that green premiums may reduce over time as fossil-free routes become cost-competitive. On transition delivery, the engagement clarified revised timelines and the extent to which progress is shaped by external enabling conditions, particularly grid connections and infrastructure, with updated targets including it's Luleå plant moving to end-2029 and Oxelösund plant shifting to early-2027. It is worth noting that Sweden's abundant supply of low-carbon electricity is a key advantage underpinning SSAB's leadership position in scaling fossil-free steel. Finally, SSAB outlined an approach to financing that relies primarily on balance sheet and cash flow, stating that the transition is not contingent on government subsidies.

Achieved

thyssenkrupp: Engagement with thyssenkrupp helped deepen understanding of the company's staged product strategy (including *Bluemint* steel and its longer-term hydrogen-based steel ambitions) and the commercial and policy conditions affecting scale. The company highlighted that demand and competitiveness are being shaped by high energy costs, competition (including from imports), and the wider restructuring context, and it noted that *Bluemint* output has been lower than planned, without providing a clear split between *Bluemint* volumes and total shipments.

The discussion also clarified where demand is emerging including packaging steel and engagement with European automotive Original Equipment Manufacturers (OEMs). thyssenkrupp noted that new steel production routes remain more expensive than optimised blast furnace production. On milestones, the engagement confirmed that the company's timelines for operationalising its flagship direct reduction (DR) project has shifted closer to 2028 and higher output closer to 2029, and that decisions on further EAF expansion remain subject to optionality. The company's position on CCS and offsets remains the same as previous engagement where CCS is

not widely available domestically, and offsets are described as being used only where customers request "zero carbon" steel that cannot otherwise be supplied. Financing and enabling policy support were discussed in the context of subsidies and market incentives, with the company indicating that the lack of materialised support remains a challenge for investment and customer demand.

In progress: Overall, across the 2025 engagements, LAPFF has advanced its understanding of how steelmakers are approaching the commercialisation and scale-up of low-/no-carbon products, the near-term reality of constrained volumes, and the evolving nature of customer demand and price premiums. Engagements also took place against a challenging year for the sector, with demand for scaled "green" products often slower than companies had expected, and heightened uncertainty linked to market policy and tariff environment, including how overseas import volumes and pricing will evolve (eg: imports from Asia into Europe), and what that means for domestic producers' ability to compete on price and margins in core regional markets.

Several objectives remain in progress and will benefit from continued engagement in 2026. In particular, LAPFF will continue pressing for clearer forward-looking visibility on expected volumes and customer pipelines, and for stronger, more decision-ready approaches to assurance and verification. LAPFF will also maintain close scrutiny of plant transition milestones and delivery risk, especially where project timelines have shifted, and deepen assessment of practical constraints around renewable electricity, hydrogen/alternative fuels, and scrap/ore availability. Finally, LAPFF's work remains ongoing in testing how transition plans are being financed (including any role for public support) and what these strategies imply for balance sheets, capital discipline, and overall risk profiles.

ASIA RESEARCH AND ENGAGEMENT – ENERGY TRANSITION PLATFORM

Objective: LAPFF continues to support engagement with companies through Asia Research and Engagement's Energy Transition Platform, which focuses on accelerating the transition to sustainable energy in the continent. It engages across Asia's leading financial markets, with a focus on carbon risk and coal at financial institutions and coal-exposed power companies. LAPFF's two engagements with ARE in Q4 were with financial institutions, where there is a focus on enhanced disclosure, strengthened transition finance frameworks, and the adoption of clearer policies relating to the financing of more emissions intensive energy sources such as coal and oil sands.

Achieved: During the quarter, LAPFF joined a call with BDO Unibank for the first time, and Kasikornbank PCL (KBank) for the third time as part of this collaboration.

The engagement with BDO focused on the bank's progress in integrating climate and sustainability across its operations. Discussion covered the development of sectoral decarbonisation targets, coal phaseout, and alignment with national energy transition policies. LAPFF and other investors sought further detail on how BDO is assessing physical and transition risks under TCFD, embedding climate metrics into credit risk processes, and engaging clients on transition planning. The meeting also explored board oversight and ESG-linked remuneration, clarification of Scope 3 financed emissions, and BDO's expansion of its sustainable finance framework to include women-led enterprises, affordable housing, and new thematic bond initiatives.

In a meeting with KBank, the company discussed Thailand's potential shift to a 2050 national net-zero target and said it is closely monitoring this development. KBank also highlighted the uplift of its

ENGAGEMENTS

sustainable-finance commitment to THB 500bn (USD\$15bn) from THB 200bn, its tighter guardrails on gas financing, and the development of sectoral transition glidepaths, alongside a shift from a broad ESG approach to a transition-focused approach that includes just transition considerations. On sustainable finance execution, KBank noted its use of an internal framework and green taxonomy to classify activities, and reports that the total value of KBank's sustainable finance continues to grow. The bank monitors high-emitting clients against sector glidepaths and where alignment is lacking, KBank prioritises early engagement over punitive escalation. The bank notes SME uptake of green-loans remains limited due to awareness and policy constraints, so is focusing first on advisory-led support.

In Progress: Companies face regulatory bottlenecks and policy uncertainty in domestic markets, limiting their ambitions or implementation speed. The Forum will continue building on this foundation and collaboration with ARE to ensure companies decarbonisation strategies are credible.

ENVIRONMENT

Objective: LAPFF seeks to strengthen company preparedness for the physical impacts of climate change, recognising the need to build resilience throughout the value chain. The Forum expects investee companies to identify, disclose, and manage financially material physical climate and nature-related risks. This work is informed by emerging best practice, including IFRS sustainability standards and the objectives of Nature Action 100 (NA100), particularly where climate impacts intersect with nature-related dependencies such as water, land use, and ecosystem resilience.

Achieved: Continuing engagement under the NA100 framework, LAPFF joined a call with Zoetis, who demonstrated increased openness to deepening its approach to addressing nature-related risks and impacts. The company confirmed continued alignment with TCFD and SASB standards, strong voluntary disclosure on water, waste, climate and pharmaceuticals in the environment

(PiE), and active participation in NA100 benchmarking. Investors pushed the company on improving water efficiency, exploring on-site water reuse projects, and strengthening PiE disclosure, including the potential for expanded, standalone reporting.

In Progress: LAPFF continues to push companies to integrate nature-related risks into their governance and disclosure frameworks, particularly in line with TNFD recommendations. LAPFF also continues to monitor whether companies already engaged, are beginning to translate commitments into tangible actions on biodiversity, water stewardship, and supply chain risks.

SOCIAL FACTORS & HUMAN RIGHTS

MINING

Vale

Objective: LAPFF continues to act as lead investor on the Vale engagement under the PRI Advance Initiative, alongside EOS at Federated Hermes, PIMCO, Schroders, Erste Asset Management and Pensioenfonds Detailhandel. The group's objective is to strengthen how Vale governs and manages human rights risks, particularly grievance mechanism effectiveness, remediation delivery, and the credibility of employee and community feedback linked to the Brumadinho and Mariana dam collapses. During the quarter, investors met Vale to discuss findings from the second iteration of its Community Perception Survey and how these insights are being translated into risk management and site-level action. The engagement also took place against the backdrop of the 10-year anniversary of the Mariana disaster (5 November 2015), reinforcing investor expectations for demonstrable, outcomes-based progress for affected communities.

Achieved: The Q4 PRI Advance meeting focused on community and employee engagement and results from Vale's 2024 Community Perception Survey. The survey, conducted in 2024, was the second iteration of the community survey which was expanded to include traditional

communities. The first was in 2022. Vale acknowledged key signals in the findings, notably a decline in perceived quality of life versus 2022 and a reduction in general trust, alongside some positive movement such as improved perceptions of average income, and said it is analysing local drivers and translating feedback into operational actions.

The investor group also sought updates on Mariana and Brumadinho reparations, including how community satisfaction is being measured. Vale said the Renova Foundation - established in 2016 under the TTAC (Termo de Transação e Ajustamento de Condut) by Samarco Mineração S.A together with its shareholders Vale and BHP to deliver remediation and compensation following the Fundão dam collapse - is being liquidated, with remaining reparation programmes transitioning to Samarco Mineração itself (and, where relevant, public authorities) under settlement agreements.

Investors raised media reporting from August 2025 (Financial Times/Reuters) that BHP and Vale had offered \$1.4bn in relation to the UK litigation over Mariana. Neither Vale nor BHP have publicly commented on this report.

In Progress: The engagement with Vale will continue into 2026, as LAPFF will continue to press Vale for clearer, outcome-based evidence that insights from the 2024 Community Perception Survey are being translated into concrete, site-level changes, including how priorities are set, what actions are implemented, and how improvements (particularly on trust, quality of life and grievance effectiveness) are measured and disclosed over time. The engagement will be informed by external perspectives from communities, including Earthworks' April 2025 The Truth About Vale report, which highlights the need to reconcile company and community accounts and demonstrate verified outcomes.

GLENCORE

Objective: LAPFF progressed engagement with Glencore in 2025, by meeting with the Chair, Mr Kalidas Madhavpeddi. This engagement built on an earlier meeting with the Company Secretary and Head of Sustainability in

ENGAGEMENTS

May which focused on water stewardship and broader E&S governance.

The objective for the engagement with the Chair was to strengthen board-level governance and accountability for key environmental and social risks, while also testing the Board's approach to ethics and compliance post-monitorship, and oversight of climate strategy and human rights.

Achieved: LAPFF met Glencore's Chair, Kalidas Madhavpeddi in-person in London for a wide-ranging discussion that picked up from earlier dialogue on water stewardship. The company described ongoing investment in desalination and site-level water monitoring, and the meeting explored the governance of environmental and social issues, including just transition considerations. The discussion also covered the early conclusion of the US Department of Justice compliance monitorships (which were imposed on the company in 2022 after it was convicted of paying bribes and manipulating commodities markets) and the implications for embedding a durable ethics and compliance culture, alongside topics including cyber security and the company's approach to managing current tariff changes.

In progress: LAPFF values its strong engagement with Glencore and will continue to press the company for measurable governance improvements, including: a clear commitment to independent water risk assessments across operations, stronger disclosure of named board-level accountability for climate strategy and human rights (remit, skills and KPIs), more granular grievance mechanism performance data, and a more robust approach to lobbying/trade association alignment supported by transparent criteria and time-bound actions. LAPFF will also continue to test the Board's oversight of just transition delivery and the embedding of post-monitorship compliance culture, including how progress is reported to investors.

Sora Molino area, in the vicinity of Porco. This area is deserted because of the lack of water and the environmental contamination linked to the mining activities of the region.



Employment Rights Act 2025

The Employment Rights Act (ERA) 2025 (formerly the Employment Rights Bill) is the most significant shake-up of UK employment law in a generation. The Act is a highly anticipated element of Labour's 2024 election manifesto. Officially introduced by the Labour Government in October 2024, the Bill has now completed its passage through Parliament and is set to come into force in phases from April 2026.

The Bill promises to deliver sweeping reforms: day-one rights for workers, stronger protections on sick pay and parental leave, restrictions on "fire and rehire" practices and enhanced union rights. At the heart of the public debate, and the material focus of LAPFF's recent company engagements on the Act, are the changes to the use and management of zero hours contracts.

Overview of the ERA:

The Act's central aim is to "make work fairer". Key measures include:

Day-one rights: parental leave, and flexible working request available from the first day of employment.

Stronger sick-pay: removal of waiting days and extension to lower-paid workers.

Predictability at work: new protections against one-sided flexibility in working arrangements.

Limits on "fire and rehire": curbing the practice of dismissing staff only to re-engage them on worse terms.

Union and collective rights: simplifying recognitions rules and repealing "minimum service levels" legislation.

Zero Hour Contracts (ZHCs)

Around 1 million UK workers are on ZHCs, disproportionately impacting women and ethnic minorities. Prior to the Act, workers on ZHCs had no guaranteed hours, even if they regularly worked the same pattern. Employers could cancel or reschedule shifts at very short notice. The only new right before Labour's reforms was the right to request predictable hours under the 2023 Workers (Predictable Terms and Conditions) Act, but this had not yet come into force and could be refused on business grounds.

With the introduction of the ERA, casual contracts are essentially moving from flexibility to stability and predictability.

During scrutiny at the House of Lords (September 2025), Peers pressed for amendments to reduce the practical burden on employers – particularly those in sectors with seasonal/variable-hours workers, namely retail, hospitality and social care. Amendments sought for included longer reference periods, exemptions for small businesses and weaker enforcement measures.

Whilst engaging issuers across different sectors, two themes have been consistently been raised. First, companies are already phasing out ZHCs, often ahead of legislative requirements. Second, they are weighing the tension between providing contractual certainty and retaining operational flexibility.

During LAPFF's follow-up engagement on the subject of the ER Act with Hollywood Bowl, the leisure operator's senior executives confirmed that ZHCs had been fully phased out over the summer of 2024. These were replaced with fixed-hour

and seasonal contracts. While supportive of the wider policy direction, the company remained consistent and raised concerns about how such changes might affect opportunities for younger or student workers who value flexibility, this concern was also noted by LAPFF during the engagement with the company in 2024. LAPFF also noted the company's sentiment concerning enhanced reporting on contract types and demographics, stating this would be burdensome for the company to complete unless required by law.

In the hospitality sector, Intercontinental hotels Group (IHG) the global hotel group, told LAPFF that it too had removed ZHCs from its directly managed hotels, though it could not confirm how prevalent such contracts remain in franchised or outsourced operations. The shift, in this case, was not only in anticipation of legislative reform but also a pragmatic response to post-pandemic hiring and retention pressures. The group acknowledge that agency work and outsourced cleaning services still involve ZHC arrangements, and that reputational risk remains if franchisees are slow to adapt. LAPFF will meet with IHG and facilities management and outsourcing services company, Mitie, in Q1 of 2026 to further engage on the impacts of the ERA.

Key Reflections

LAPFF engagements on the ERA underline three important points for investors and stakeholders:

- 1. Momentum is already shifting** – many companies are moving ahead of regulation, but their approaches vary. Some see ZHC reform as aligning with workforce strategy, others as a compliance exercise.
- 2. Flexibility vs. fairness** – Businesses continue to voice concerns about potential unintended consequences, particularly where variable hours suit parts of the workforce. Balancing this with fair and secure contracts remains a live discussion.
- 3. Transparency and reporting** – There is little appetite for voluntary disclosure on contract types and demographics. Unless mandated, companies are unlikely to provide additional data to investors or the public.

Looking Ahead

As the ERA moves towards implementation in 2026, companies will be expected not only to comply with the letter of the law but also to demonstrate that they are managing workforce risk responsibly. The strategic phasing-out of ZHCs is just one visible example of this shift.

LAPFF's position on the provision and use of ZHCs remains that there is no clear evidence that companies using zero-hour contracts and precarious work practices outperform companies with different and more inclusive human capital strategies. If used, companies should justify their use to shareholders. Therefore, the Forum's role will be to continue engaging with businesses, encouraging them to anticipate the operational and reputational implications of the ERA reforms, particularly in respect to ZHCs, rather than waiting for regulation to compel change. The message to businesses is clear: the ground is already moving, and those who adapt early will be better placed to navigate the new landscape.

ENGAGEMENT

ELECTRIC VEHICLES

Objective: LAPFF has continued engagement with electric vehicle manufacturers, seeking enhanced due diligence in their supply chains, which often are subject to heightened human rights risks. LAPFF supports the principles of a fair and just transition and companies must demonstrate that they are effectively preventing, addressing, and remedying any potential or actual human rights abuses in their supply chains. Commitments from companies should translate into demonstrated action with qualitative and quantitative datasets to support their claims.

Achieved: LAPFF met with Renault during the quarter to discuss governance, risk management, supplier transparency and audit practices in relation to human rights. Renault outlined recent updates to its Supplier Code of Conduct, now aligned with OECD Guidelines and strengthened with enhanced human rights provisions, including a new chapter on Indigenous rights and expectations for suppliers to implement and cascade due diligence.

The company has refreshed its supplier ranking system, tightened sourcing processes, and expanded use of EcoVadis. Renault described its risk-mapping exercise covering 18 minerals and 81 countries, informing heat maps, supplier engagement and mitigation plans. The company is developing digital traceability tools to meet emerging regulatory requirements, including CSDDD, EUDR, and FLR.

LAPFF pushed the company for enhanced transparency on its audit results and risk mapping exercises, explaining that responsible and resilient companies demonstrate this by taking ownership of issues at all levels of their supply chain.

In Progress: LAPFF is continuing to seek engagements with electric vehicle manufacturers, impressing upon them the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand what work companies are doing and how they are managing a just transition.

CONFLICT AFFECTED AND HIGH-RISK AREAS (CAHRAS)

Objective: LAPFF aims to drive improved corporate practices in conflict-affected and high-risk areas (CAHRAs), recognising these contexts pose acute human rights, legal, and reputational risks for companies and investors alike. Against a backdrop of increased global conflict, LAPFF seeks to engage companies to encourage heightened human rights due diligence (hHRDD), informed by the UN Guiding Principles on Business and Human Rights, and additional pieces of guidance related to best practice in CAHRAs. The Forum also seeks greater transparency on how companies make decisions about operating in these areas, how they provide or contribute to remedy when harm occurs, and whether the company is undertaking conflict analyses where relevant.

Achieved: Volvo and Microsoft were two companies that LAPFF reached out to in the second half of 2025 in relation to their business activities being noted as contributing to conflict dynamics in the occupied Palestinian territories (OPT).¹

Volvo

In a meeting with Volvo during Q4, LAPFF sought additional information on the company's human rights due diligence and responsible sales practices in CAHRAs. The company outlined its global dealer due diligence process, contractual human rights requirements, and updated risk assessments completed in 2024. Volvo confirmed it has no direct operations in Israel but does have an independent dealer. LAPFF discussed the company's approach around legal and operational complexities of managing product use in CAHRAs,

Volvo noted legal and operational complexities of managing product use in conflict-affected areas but explained its undertaking of engagement with legal experts and UN representatives to develop its approach. LAPFF encouraged the company to consider a more formal

conflict analysis framework that considers its entire portfolio.

Microsoft

Two shareholder proposals were filed at Microsoft ahead of its December AGM relating to human rights. Resolution 8, 'Report on Data Operations in Human Rights Hotspots', requested that the company assess the human rights implications of locating cloud datacentres in countries of significant concern and outlining strategies to mitigate related risks. Resolution 9 'Report on Human Rights Due Diligence', requested that the company assess the effectiveness of its human rights due diligence processes in preventing, identifying, and addressing customer misuse of its AI and cloud services that could contribute to human rights violations or breaches of international humanitarian law.

LAPFF issued a voting alert to its members, recommending a vote in favour of both resolutions 8 & 9, with a view that companies operating in CAHRAs should demonstrate clear, transparent, and robust approaches to heightened human rights due diligence. As Microsoft continues to expand its cloud and AI infrastructure globally, including in jurisdictions with restrictive civic environments and heightened risks of state surveillance, shareholders should have the confidence that the company is actively assessing and mitigating potential adverse human rights impacts linked both to its operations and to end-use of its technologies. Within its arguments, Microsoft articulated commitments and processes aligned with international standards but LAPFF did not view these as providing sufficient clarity on how risks assessments were undertaken, how decisions were made, or how oversight mechanisms function in CAHRAs. Investor sentiment on concerns around Microsoft's practices related to these resolutions was echoed at the AGM, with the resolutions receiving significant support of 27.48% and 26.34% respectively.

LAPFF also raised concerns at Microsoft's AGM, asking the company to commit to heightened human rights due diligence, and to conduct an in-depth assessment of its exposure to CAHRAs.

¹ <https://www.ohchr.org/en/documents/country-reports/ahrc5923-economy-occupation-economy-genocide-report-special-rapporteur>

ENGAGEMENT

Tunneling for water pipeline known as West East Link Main for United Utilities

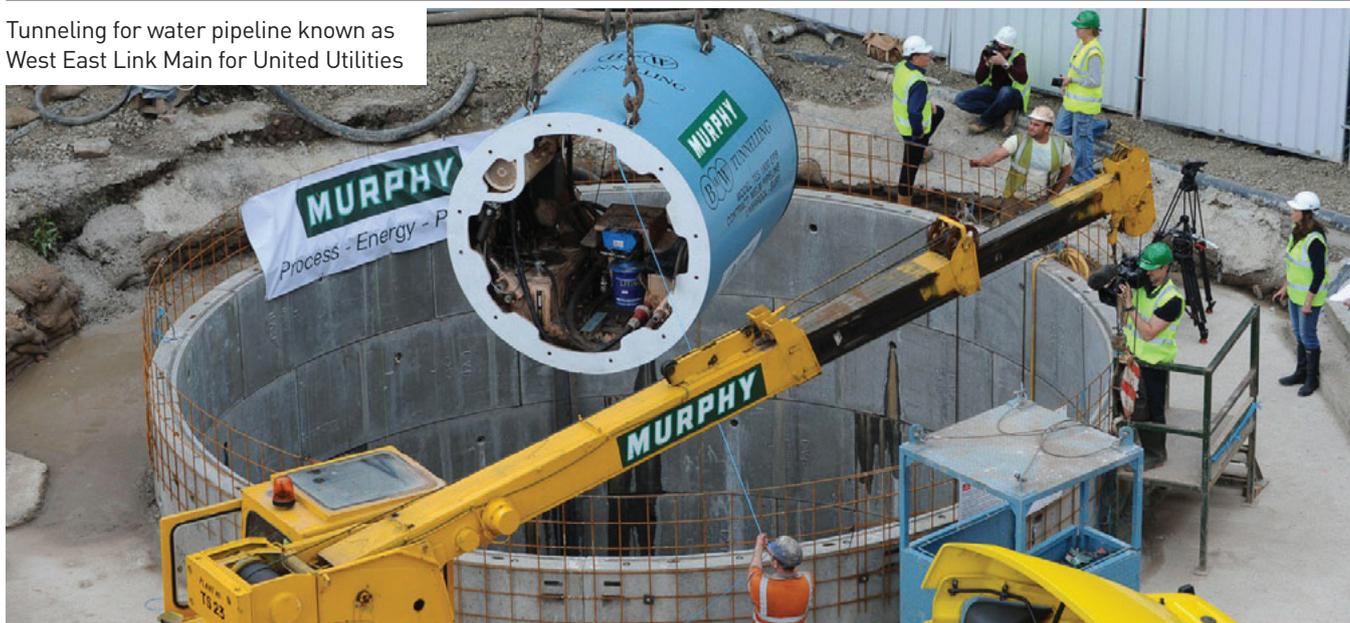


Image: Alamy

Chevron

The oil & gas sector is inherently exposed to conflict affected and high-risk areas (CAHRAs), in part due to the geographies in which operations are situated. In December, LAPFF met with Chevron to discuss its approach to managing human rights and security risks in CAHRAs. Chevron outlined its use of Verisk Maplecroft as one input into its broader Operational Excellence Management System (OEMS), which integrates environmental, social, and security risk assessments at the business unit level and is reviewed annually, with findings escalated to senior management and the board. Chevron described a layered risk management approach involving local leadership, corporate subject-matter experts, and third-party assurance, with board-level oversight through regular briefings and deep dives on higher-risk jurisdictions.

LAPFF focused the discussion on whether Chevron's framework constitutes heightened human rights due diligence appropriate to CAHRAs, including the extent to which the company undertakes conflict-sensitive analysis. While Chevron stated that it takes a "360-degree view" of how its operations may affect surrounding communities, it did not provide clarity on whether it conducts formal conflict analysis or systematically assesses how its activities may interact with or exacerbate conflict dynamics beyond operational safety considerations. LAPFF encouraged Chevron to strengthen

its hHRDD approach in CAHRAs through clearer conflict analysis and improved public disclosure on grievance outcomes and community impacts. LAPFF was also invited to attend an investor workshop, coordinated by the Heartland Initiative and TrustWorks Global, to consider that investor best practice looks like in the analysis of risks associated with investments in CAHRAs, and how to lead engagements on the issue. During the three days, LAPFF also attended a range of sessions covering human rights impacts and due diligence. A consistent theme across discussions was the need to place affected stakeholders at the centre of business decision-making when human rights risks are present. Speakers emphasised that grievance mechanisms and access to remedy must be designed to anticipate harm rather than simply respond to it, and that meaningful stakeholder engagement is essential at every stage of due diligence. Ensuring that affected communities and workers can shape these processes not only reduces future risk but also strengthens the resilience and legitimacy of companies' business models. LAPFF attended sessions covering topics on stakeholder engagement, artificial intelligence, CAHRAs, labour migration, and human rights defenders.

In Progress: LAPFF continues to focus on CAHRAs and intends to write to more companies in the first half of 2026 requesting further detail on approach

to managing human rights risks in the context of CAHRAs. LAPFF will also be following up, seeking an engagement meeting with Microsoft, alongside providing tailored recommendations to Volvo and Chevron regarding LAPFF's expectations on CAHRAs.

GOVERNANCE

United Utilities

Objective: LAPFF continued its engagement with UK water utilities, meeting with United Utilities in Q4. These water sector engagements remain highly material as the sector faces heightened scrutiny over environmental performance and public trust. Engagement prioritises understanding the company's plans, governance and investment delivery to reduce storm overflow and sewage discharges, in the context of persistently high spill activity reported in 2024. Additionally, through 2025 the Forum was also exploring how water utilities companies are preparing for the UK's evolving regulatory landscape, including the Government's announcement that Ofwat will be abolished and replaced by a single, more powerful regulator combining key functions currently split across multiple bodies.

Furthermore, LAPFF's long-standing engagement in the sector has begun incorporating emerging

ENGAGEMENT

concerns, particularly how companies are responding to PFAS (per- and polyfluoroalkyl substances), including trifluoroacetic acid (TFA), and other “forever chemicals” in Britain’s rivers. Research led by the University of York tested samples from 32 rivers across all four UK nations and detected TFA in 98% of locations, underscoring the scale of the issue and raising concerns about potential long-term health effects, including possible reproductive impacts. As additional investment flows into the sector, funded in part through higher customer bills, robust engagement on water quality, accountability, and risk management in this vital public service remains highly material.

Achieved

United Utilities: The meeting with the Chair of United Utilities (UU), Sir David Higgins, strengthened LAPFF’s understanding of how the company is approaching the sector’s core environmental and trust challenges. UU set out the operational and investment programme it is pursuing to reduce storm overflows, including a trajectory for its higher-priority sites (moving from a baseline of around 40 to 26 currently, with a further reduction target to 18 by 2030 and 10 by 2050). The engagement also provided useful detail on how

monitoring and public reporting shape perceptions of performance: UU noted it already has per-second monitoring capability, while some peers have historically reported at much lower resolution, and the sector’s move to a common two-minute standard will materially change comparability.

A further key insight was UU’s focus on resilience and enabling infrastructure, particularly power reliability, with UU stating that around one-third of spill events are linked to power failures and highlighted mitigations such as deploying backup generators at vulnerable sites.

On the regulatory landscape, UU described an ongoing debate about the respective roles of Ofwat and the Environment Agency and expressed concern about the risks of “two regulators not talking” and fragmented accountability. The discussion referenced the Cunliffe recommendations and the prospect of a single-regulator model, with UU suggesting that some benefits of reform could be delivered even before formal legislative change if there is alignment and closer coordination across leadership and institutions. Overall, UU expects tighter coordination between economic and environmental regulation and is preparing for the implications of reform through the current price control period.

In progress: LAPFF will monitor United Utilities’ delivery of its storm overflow programme by seeking clearer interim milestones and outcome-based reporting. This should enable like-for-like comparisons as a sector-wide two-minute overflow monitoring standard is embedded and help communicate impacts in plain language.

Further work is also needed to understand how UU is translating enabling-infrastructure risks (particularly power reliability) into a mapped, prioritised resilience plan (including engagement with energy regulators and network operators where relevant).

On PFAS and microplastics, LAPFF will continue to seek clearer disclosure on UU’s strategy, including how trade-waste controls, sludge disposition capacity, and public reporting will evolve, and how the company benchmarks its readiness against peers.

As sector investment rises and is funded in part through customer bills, ongoing engagement should test how UU, and the water utilities sector within the UK more broadly, is assuring value for money, transparency, and long-term environmental outcomes, including how regulatory changes may affect governance, accountability and incentives.

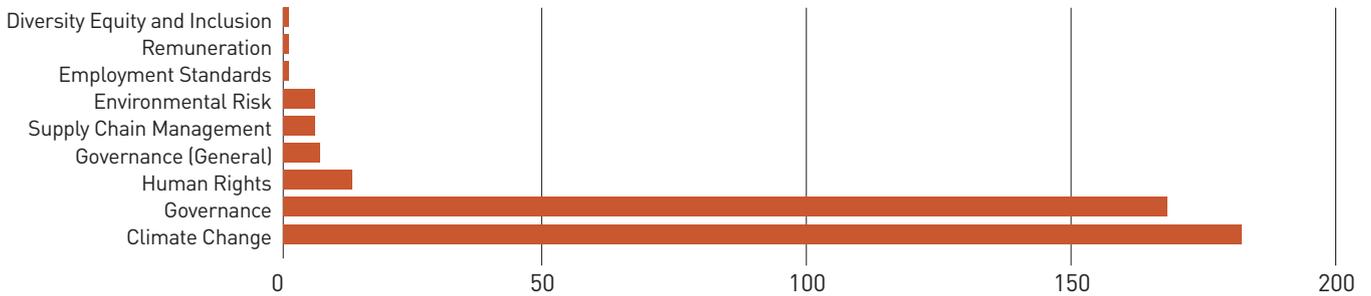
COMPANY PROGRESS REPORT

LAPFF engaged 116 companies over the quarter. The dataset below represents data taken from ‘Meetings’ only

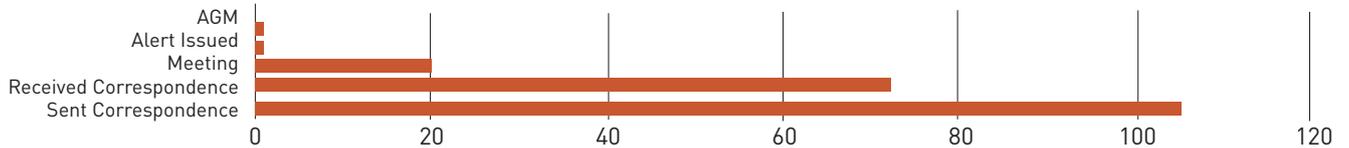
Company/Index	Activity	Topic	Outcome
BARCLAYS PLC	Meeting	Climate Change	Dialogue
BDO UNIBANK INC	Meeting	Climate Change	Change in Process
CHEVRON CORPORATION	Meeting	Human Rights	Dialogue
GLENCORE PLC	Meeting	Environmental Risk	Small Improvement
JD SPORTS FASHION PLC	Meeting	Employment Standards	No Improvement
KASIKORNBANK PCL	Meeting	Environmental Risk	Small Improvement
LLOYDS BANKING GROUP PLC	Meeting	Climate Change	Dialogue
MOLINA HEALTHCARE INC	Meeting	Remuneration	Change in Process
NIPPON STEEL CORP	Meeting	Climate Change	No Improvement
RENAULT SA	Meeting	Human Rights	Change in Process
SCHRODERS PLC	Meeting	Climate Change	Dialogue
SHELL PLC	Meeting	Climate Change	Dialogue
SSAB (SVENSKT STAL AB)	Meeting	Climate Change	Dialogue
SSE PLC	Meeting	Climate Change	Satisfactory Response
STANDARD CHARTERED PLC	Meeting	Climate Change	Dialogue
THYSSENKRUPP AG	Meeting	Climate Change	Dialogue
UNITED UTILITIES GROUP PLC	Meeting	Environmental Risk	Small Improvement
VALE SA	Meeting	Human Rights	Dialogue
VOLVO AB	Meeting	Human Rights	Dialogue
ZOETIS INC.	Meeting	Environmental Risk	Change in Process

ENGAGEMENT DATA

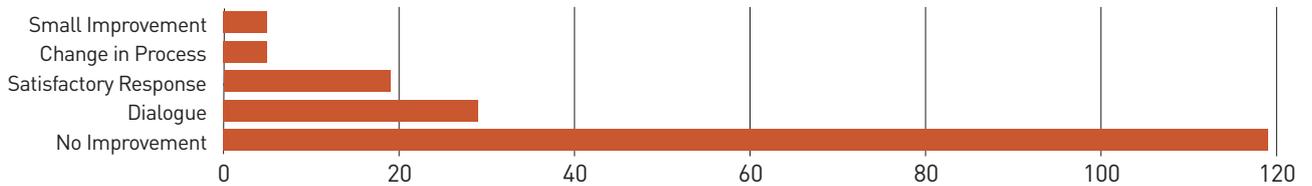
ENGAGEMENT TOPICS



ACTIVITY

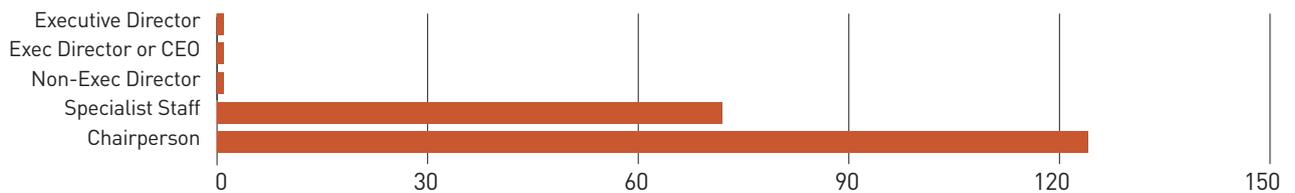


MEETING ENGAGEMENT OUTCOMES*

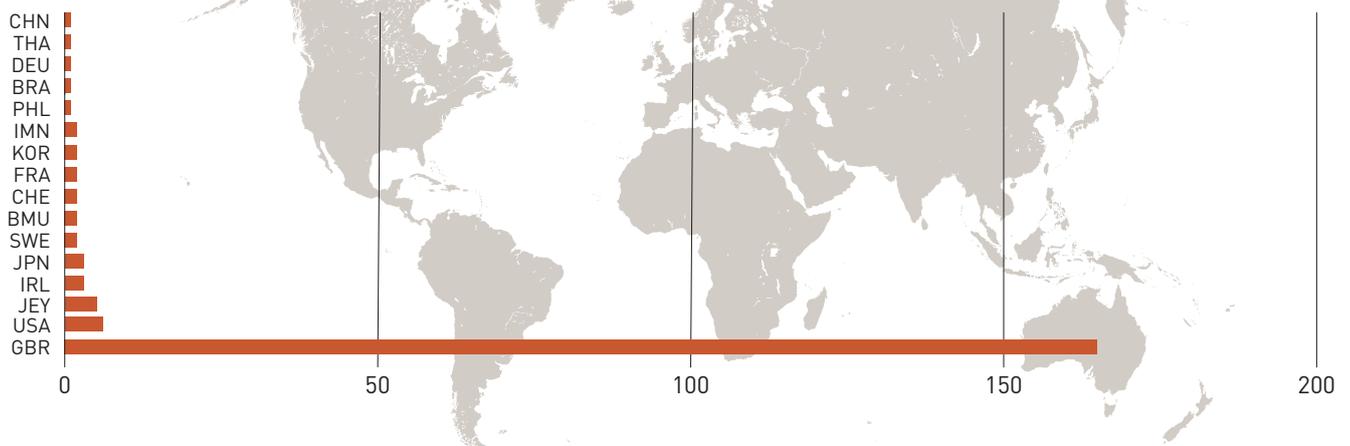


*Outcomes data is taken from 'Meetings', 'AGMs' and 'Received Correspondence' only

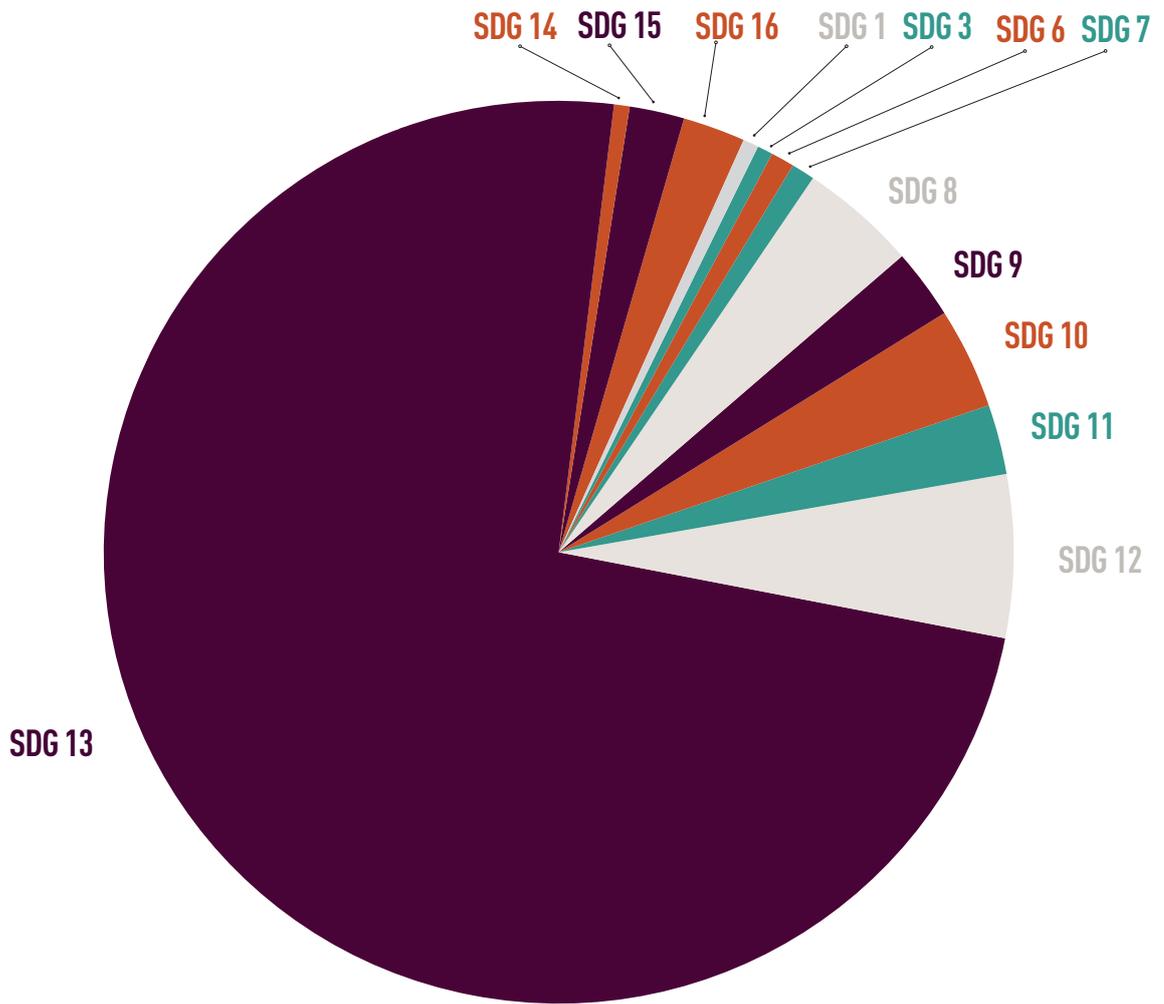
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	2
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	1
SDG 4: Quality Education	0
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	10
SDG 9: Industry, Innovation, and Infrastructure	6
SDG 10: Reduced Inequalities	9
SDG 11: Sustainable Cities and Communities	6
SDG 12: Responsible Production and Consumption	14
SDG 13: Climate Action	179
SDG 14: Life Below Water	1
SDG 15: Life on Land	5
SDG 16: Peace, Justice, and Strong Institutions	5
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