Quarterly Engagement Report

January-March 2026

Climate Change Adaption • Aviation • Zero Hour Contracts

Local Authority Pension Fund Forum

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Cover image: kateryna-ivanovaunsplash; left: lee-milo unsplash

CLIMATE CHANGE ADAPTATION & RESILIENCE

FOOD / PROTEIN / AGRICULTURAL SUPPLY CHAINS

Climate adaptation has continued to be a focus for LAPFF during Q1 of 2025. With climate change and more frequent extreme weather events already impacting our planet and economy, ensuring companies are taking measures to adapt to the physical risks is of significant interest to investors. In this context, climate adaptation relates to companies anticipating and preparing for the climate-related changes already with us and predicted to intensify. According to a 2024 report by the World Economic Forum, climate hazards could drive $560-610 billion of asset losses annually across listed companies by 2035, rising to $1.1 trillion by 2055.[1] In a scenario without adaptation strategies, this could lead to a 6.6% to 7.3% drop in average company earnings every year by 2035. Climate adaptation differs from mitigation, where companies work to reduce the risk that the negative impacts will occur in the first place, which remains a central focus of LAPFF's work.

Climate-related impacts will be felt across the entire economy but will affect some sectors more than others. One such area is food systems, whereby the UK government has identified climate change as one of the greatest risks to the long-term stability of global food security.[2] This means food producers and distributors will experience the impacts of climate change acutely, with the material negative impacts stemming from extreme heat, drought, and water stress. In the context of the UK, Met Office projections[3] indicate that warmer, wetter winters and hotter, drier summers will become more frequent, as will extremes like floods and droughts. These all have implications for how food is produced. The extent to which companies need to adapt depends on the specific hazard (its frequency and certainty), their vulnerability to its impacts, and the geographic exposure of their operations. As a result, adaptation strategies demand a bespoke approach at the industry and company level.

Inside Track is a non-profit organisation that provides a platform for people working within key industries to confidentially share internal insights, with the aim of shaping strategic interventions to support industry change. In April 2025, it published a memo from anonymous food industry executives in which they were voicing concerns about the threat climate change poses to food security.[4] The memo stressed that yield, security, and predictability of supply will become unreliable due to climate risks such as declining soil health, water scarcity, and global heating. The memo cautioned that the food sector is ill-equipped to deal with the magnitude of these risks and called on investors to lead a pragmatic dialogue with companies, urging them to strengthen supply chain resilience.

Objective: What can LAPFF do to encourage companies to prepare?

The starting point is for investee companies to understand and be clear about what a higher temperature outcome might mean for their business. LAPFF is therefore actively encouraging companies to identify and describe

1 https://reports.weforum.org/docs/WEF_Business_on_the_Edge_2024.pdf
2 https://lordslibrary.parliament.uk/impact-of-climate-change-and-biodiversity-loss-on-food-security/
3 https://weather.metoffice.gov.uk/climate-change/climate-change-in-the-uk
4 https://insidetrack.org.uk/foodmemo

ENGAGEMENTS

climate adaptation issues that are financially material. Such disclosures should include the potential impacts and the actions that the company is taking to reduce the risks. By doing so, companies would be aligning with the IFRS S2 standard.

To further this objective, in Q1 LAPFF held engagement calls with Sainsbury's, Associated British Foods (ABF), Danone, Marks and Spencer (M&S), and Nestlé. This was part of a dialogue facilitated by BNP Paribas. These collaborative engagements sought to encourage companies to identify and describe financially material physical climate-related impacts, and disclose the adaptation measures they are taking to mitigate such risks. LAPFF expects these measures to be company-specific and embedded within a range of 'reasonable outcomes', not just a single 'preferred' scenario. Given the heterogeneity of global climate change, companies should be focused on the regional differences of key sourcing areas and commit to regularly disclosing information that allows investors to monitor progress. LAPFF upholds the expectation that the board must have direct oversight of the execution of climate-adaptation strategies, anchored by a named director to ensure clear accountability.

Achieved

Sainsbury's

Sainsbury's disclosed that supply chain resilience is embedded within its commercial strategy; it has and continues to be a high priority for the Board. Sainsbury's identified water stress and scarcity as one of its greatest risks, particularly in Peru and Spain, noting that the four growing areas across Spain face different climate hazards. A key pillar of its adaptation strategy is to prioritise long-term supplier partnerships, whereby the sustained commitment empowers suppliers to invest in localised mitigation and adaptation measures. Sainsbury's aims to enhance traceability across the end-to-end value chain by establishing shorter supply chains. It emphasised its commitment to industry collaboration, particularly in sourcing regions where it cannot operate alone.

ABF

ABF outlined a risk management process led by the CFO who reports to the Board. The company highlighted how physical climate-related risks are identified and managed within its devolved business units (Retail, Grocery, Sugar, Agriculture and Ingredients), with periodic reporting to central management. ABF noted that some risks may be material at a business level without aggregating to group level materiality. The company acknowledged investor feedback that disclosures could be strengthened through financial quantification of physical risk impacts, beyond qualitative risk ratings.

Danone

In 2025, Danone conducted a multi-layer risk mapping of its supply chains, including the physical risks of climate, land use change, supply concentration and water usage. The study identified the top 15 high-risk commodities and potential yield changes by 2030 and 2050. This exercise was used to guide investment in mitigation. Milk was identified as its top priority, followed by sugar and strawberries. North America, Spain, France, and Mexico were identified as its risk focus areas, noting the UK is not an area of concern as it is relatively small from a sourcing perspective.

In addition, Danone has committed to ensuring that 45% of its supply is sourced from farmers using regenerative agriculture by 2030. It is working to identify where the climate impacts will be most severe and assess whether regenerative practices demonstrate greater resilience relative to conventional farming; one way they are measuring this is by leveraging satellite imagery.

Through its January 2024 Sustainable Sourcing Programme, Danone introduced new contractual commitments for strategic suppliers aligned with SBTi requirements and has since collected 93% of supplier specific emissions factors from its dairy ingredient suppliers, strengthening visibility and accountability across its supply chain.

M&S

The Board of M&S has ultimate oversight of its ESG strategy, reinforced by the board-level ESG committee. The cross-functional ESG Business Forum operationalises delivery across business units, meeting quarterly to track progress, manage risks, and report to the Executive Committee and the ESG Committee; M&S noted that the most recent meeting explored its supply chains.

In 2025, the company conducted a risk assessment of its top 50 raw materials, including palm oil, cocoa and coffee, to prioritise resilience strategies for those with the highest environmental and social risks. It is committed to funding and scaling innovative projects that address supply chain risks usings its annual £1m 'Plan A Accelerator Fund'; current projects include extending the season of British tenderstem broccoli, drone-based crop monitoring, and biochar trials. With regards to milk yields, M&S' milk pool of 40 British farmers embeds resilience by maintaining the highest welfare and environmental standards, supported by a five-year programme that funds the equipment for the real-time monitoring of animal health and wellbeing as well as regenerative farming practices, such as soil heath and biodiversity. This data spans 42 metrics, with results interpreted by on-site visits from environmental experts.

M&S emphasised that its long-term partnerships, particularly in Britain, provide assurance for its suppliers to invest in both climate mitigation and adaptation strategies. M&S added that it is collaborating with the UK government to help drive policy changes in this space at the national level.

Nestlé

Nestlé defined a climate resilience strategy underpinned by a proprietary risk-mapping tool that identifies where its key ingredients are sourced, the physical climate risks these regions face, and hotspots of high biodiversity. Nestlé is scaling regenerative agricultural practices across its supply chain alongside identifying alternative sourcing regions. Across Côte d'Ivoire and Ghana, two of its key cocoa sourcing regions, Nestlé supports it farmers to implement regenerative agriculture practices, including shade-tree systems and frequent pruning. Malaysia has been pinpointed as a region for future cocoa sourcing, whereby cocoa trees will be planted alongside existing palm oil plantations. Intercropping aims to diversify monoculture plantations, which can enhance crop resilience to weather extremes. Nestlé continues to scale climate-linked insurance across

ENGAGEMENTS

Image: Alamy

commodities including coffee and palm oil, using its long-term sourcing relationships to improve farmers' access to coverage. It noted that this remains challenging in cocoa due to unpredictable and highly variable yields. Nestlé reiterated the importance of a collectively recognised definition for regenerative agriculture, and moving towards consistent reporting frameworks and standardised regulation across the industry.

In Progress: There is growing recognition among both companies and investors that climate change will negatively impact most agricultural activities; this will impose material risks on companies across the food supply chain.[5] While financially viable solutions are available, it's often not clear who will fund the required actions. Given this, it is not unreasonable for investors to require that companies clearly set out not just the possible impacts, but also the detailed actions they will be taking, as has been made clear during engagements in Q1.

At the February 2026 Business meeting, LAPFF issued a report entitled 'Climate Adaptation: Food Producers and Distributors', setting out what the Forum and other stewards of capital should be asking investee companies with exposure to the most at risk commodities. The report covered dairy, fresh fruit & vegetables as well as coffee and chocolate. For those companies exposed to dairy farming, the report recommended a focus on three key areas: herd management, land management, and infrastructure. In the case of fresh fruit and vegetables, this would include a requirement for companies to set out specific actions they are proposing to take, such as plans to shift sourcing away from the most exposed parts of its supplier base.

LAPFF will continue to engage companies exposed to the physical risks of climate change on agriculture, in particular, exploring opportunities for enhanced stewardship while determining any appropriate level of sector or commodity focus over time.

5 https://www.wwf.org.uk/press-release/uk-supermarkets-track-meet-critical-targets

ENGAGEMENTS

Image: Alamy

South West Water handing out emergency rations of bottled water to anyone affected by the Cryptosporidium outbreak in Torbay

WATER UTILITIES

Issue: LAPFF has maintained longstanding engagement with the water utilities sector regarding pollution from storm overflows and required upgrades to ageing Victorian infrastructure. Building on this foundation, LAPFF is expanding its engagement focus to include the growing risks posed by per- and poly-fluoroalkyl substances (PFAS), or "forever chemicals", and other environmental contaminants, such as microplastics.

PFAS are synthetic chemicals and environmental contaminants built around strong carbon–fluorine bonds; these are chains of carbon atoms bonded to fluorine, with each compound containing at least one fully fluorinated carbon group. These bonds are among the strongest in organic chemistry, which is why PFAS are often called "forever chemicals": they break down extremely slowly and can persist in water, soil, and air for decades or even centuries.

Their chemical stability makes them highly resistant to oil, water, heat, and stains. As a result, PFAS have been widely used in many commercial and household products, including non-stick cookware, water- and stain-repellent fabrics, firefighting foams, certain paints, medical devices, and various types of food packaging.

However, the same durability that makes PFAS useful also makes them a major environmental concern. PFAS, especially short-chain varieties, can travel easily through the environment and accumulate in soil, plants, and animals, ultimately entering the human food chain. They are frequently detected in drinking water supplies around the world. Epidemiological studies have linked PFAS exposure to several health risks, including adverse reproductive outcomes in women, immune system disruption, and potential carcinogenic effects.

LAPFF also notes the significant regulatory changes underway within the UK water sector via the government's decision to dismantle Ofwat and transition to a new integrated water regulator, as recommended in the government-commissioned 2025 Independent Water Commission: review of the water sector, the Cunliffe Report[6], and detailed in the January 2026 DEFRA Water White Paper "A New Vision for Water"[7]. These reforms signal a shift toward more coordinated, system-wide oversight of the sector. In this context, LAPFF's engagement will encourage companies to demonstrate how they are addressing both legacy pollution challenges and emerging risks, while adapting to the forthcoming regulatory

6 https://www.gov.uk/government/publications/independent-water-commission-review-of-the-water-sector
7 https://assets.publishing.service.gov.uk/media/698dd6d5ceeaa48d377f6a73/Defra_Water_White_Paper_2026_print__with_correction_slip_.pdf

ENGAGEMENTS

framework and supporting sector-wide collaboration to deliver a more resilient and sustainable water system.

Achieved: LAPFF met with Pennon's ESG Committee Chair, senior executives, and incoming leadership to discuss progress across environmental performance, preparation for regulatory changes, and governance, particularly in relation to its South West Water operations. The company reported strengthened capability through an expanded ESG function and creation of a dedicated Chief Strategy and Regulatory Affairs role.

Pennon outlined material improvements across its operations, including continued delivery of the 'Upstream Thinking' catchment programme as well as the company's long running, nature-based catchment management programme designed to improve water quality at source by working with farmers, landowners, and environmental partners across the South West. The company also outlined energising two new renewable energy sites as part of its ambition to self-generate 40% of energy consumption by 2030.

On pollution via storm overflows, Pennon confirmed progress, noting 291 overflow improvements have been completed, all bathing-water overflows have been addressed, and the company remains committed to achieving fewer than ten overflows a year by 2040. This progress is welcome, given South West Water has historically recorded some of the highest storm overflow incident rates in England, according to Environment Agency (EA) Event Duration Monitoring (EDM) data (2024-2020)[8]. The 2025 data was released by the EA after the meeting with Pennon in late March 2026. Its latest Incident Reduction Plan is forthcoming, and the company continues to target 4-star EPA ratings, which Pennon confirms is reviewed at every board meeting.

On emerging contaminants, Pennon described active PFAS monitoring in coordination with the Drinking Water Inspector (DWI) and participation in national trials, noting its partnership with the University of Exeter's CREWW to develop PFAS removal methods and advance microplastics detection and research. The company reiterated its support for the 'polluter pays' principle, cautioning that end-of-pipe solutions alone are unsustainable for bill payers.

Pennon also discussed the 2026 Water White Paper and the sectors transition to a new single regulator, welcoming the sector-wide shift from a water-sector to a water-system approach. It noted active involvement in transition planning and supported the reintroduction of a Chief Engineer to strengthen asset health oversight. The company recognised the importance of improved regional planning and better alignment between regulators and the unique geographic and socio-economic context of the South West.

In Progress: Pennon continues to operate in a challenging risk environment, where climate-driven weather variability and legacy infrastructure pressures are shaping day-to-day performance. Although progress has been made on storm-overflow reductions, progress is lagging, and Pennon remains under heightened public and regulatory scrutiny. A notable example is Channel 4's Dirty Business[9] which aired in February; a series examining the UK water industry and associated issues. Additionally, shortly after LAPFF's meeting with the company, South West Water pleaded guilty to supplying water unfit for human consumption following the 2024 cryptosporidium outbreak in Brixham - which resulted in more than 140 confirmed cases, several hospitalisations, and a prolonged boil water notice affecting thousands of households - as reported on 4 March 2026 by the BBC[10]. This incident underscores ongoing risks around water quality management and the importance of robust internal controls, transparent reporting, and strengthened oversight as the sector transitions towards a new regulatory model.

Pennon also faces a period of leadership transition, with CEO Susan Davy stepping down and incoming CEO Keith Haslett assuming the role in April 2026. The transition will require continued stability and board-level focus to maintain momentum on long-term environmental targets. LAPFF will monitor how the company manages this leadership change while responding to regulatory expectations, rebuilding public trust, and ensuring that lessons from recent incidents translate into operational improvements.

Valuing Water Finance Initiative

LAPFF is also focused on effective water stewardship as a member of the Valuing Water Finance Initiative (VWFI), a coalition of 108 investors representing US$18.1 trillion in AUM. The initiative calls on companies to meet the Corporate Expectations for Valuing Water, which provides guidance as to how companies should manage, protect, and value freshwater across their operations and supply chain. LAPFF was co-chair of the Valuing Water Finance Task Force whilst these expectations were developed.

During Q1, LAPFF signed a letter circulated to 56 companies across four water-intensive industries, namely food, beverage, apparel, and high-tech. The letter reinforces investor attention to mitigating water risk and reflects key themes found in Ceres' 2025 VWFI benchmark analysis, which outlined that while companies are aware of water-related risks, significant gaps remain that place value at risk.

The letters encourage each company to identify the most water-dependent and water-impacting areas across its operations and supply chains and to then disclose credible water-related targets along with the actions taken to achieve them.

ARE Protein Transition Platform – Meiji & Nissin

Objective: Asia Research and Engagement's Protein Transition platform is an initiative focused on the contributions of Asia-based food companies to regional and global protein security through expanding the share of sustainable proteins.

8 https://environment.data.gov.uk/dataset/21e15f12-0df8-4bfc-b763-45226c16a8ac

9 https://www.channel4.com/programmes/dirty-business?gad_source=1&gad_campaignid=19633109208&gbraid=0AAAAACqZr-DdkkgpdPlqGlMMIRPdBYGb3&gclid=Cj0KCQiAk6rNBhCxARIsAN5mQLvVfSUopVyHwVoJAge8s12qga2TXotdhl27JJc9yKdujNEC13MPgKgaAkblEALw_wcB

10 https://www.bbc.co.uk/news/articles/cvg3599690yo

ENGAGEMENTS

The initiative looks at a wide range of issues within protein producers, including climate change, animal welfare, deforestation, responsible use of natural capital, fair labour, and responsible use of chemicals. In total, the initiative has set 19 goals for companies to hit by 2030 with a view to a just, human, and climate-safe protein transition.

Achieved: LAPFF participated in calls through the platform for the first time in Q1, meeting Nissin Foods and Meiji HD.

In a meeting with Nissin Foods, key issues covered included deforestation, food waste, animal disease, antibiotic use, and protein diversification. Nissin has implemented 'Satelligence', a Netherlands-based satellite data platform, to monitor deforestation on a weekly basis. The company has also shown a 34.9% reduction in food waste, driven primarily by improved procurement planning and sales forecasting, alongside the recycling of unsold products into animal feed. LAPFF discussed a growing demand for plant-based products and cage-free eggs as business opportunities, although uptake in Japan was described as materially lower than that in the UK and Europe.

In a meeting with Meiji, LAPFF welcomed the company's recent move to participate in the 'In-Setting Consortium', an industry coalition aimed at reducing scope 3 GHG emissions and transitioning the food value chain towards 'nature positive'. While Meiji plans to harness this platform to enhance the traceability of its supply chain, it is yet to set a strategy or timebound targets. It also provided limited detail on why it was unable to provide transparency on certain commodities where a number of its peer companies do, which was stressed as a point of potential improvement for the company. Meiji echoed the sentiment expressed by in Nissin Foods, that Japanese consumers were less concerned by animal welfare or cage-free eggs than other markets.

In Progress: LAPFF will continue to support the platforms core aims of a transition to net zero, which also encourages companies to move towards net positive practices for nature and biodiversity and supports workers in a fair and just transition.

CLIMATE CHANGE MITIGATION

Aviation

Objective: Aviation remains heavily dependent on fossil-based jet fuel, making it a significant source of hard-to-abate emissions and subject to increasingly stringent regulatory requirements across the UK, EU, and international markets.

In Q1, LAPFF met with major European airline groups, including Ryanair, International Consolidated Airlines Group (IAG), Wizz Air, and easyJet, to press for decarbonisation strategies that are credible, measurable, and aligned with a 1.5°C pathway. Across all engagements, LAPFF sought to understand airlines' plans for scaling Sustainable Aviation Fuel (SAF), the extent to which long term SAF targets are being converted into firm supply agreements, and how companies intend to meet emerging SAF mandates that may reshape cost structures and competitive dynamics within the sector.

LAPFF also focused on how each airline is managing material climate-related risks, including regulation, operational impacts, and supply chain, as well as whether governance structures, board-level oversight, and executive incentives are sufficiently robust to support long term climate objectives. Additionally, LAPFF assessed the credibility of airlines' pathways to net-zero, including the roles of new aircraft technology, fleet renewal, operational efficiency, and investment in disruptive technologies such as hydrogen power and synthetic fuels. Given the sectors complex value chain, LAPFF also sought assurance on supplier accountability, Scope 3 emissions transparency, and how companies intend to address gaps or non-compliance among critical suppliers.

Achieved:

Ryanair

LAPFF met with Ryanair's Director of Sustainability and Finance to discuss climate strategy, governance, and regulatory developments. The company clarified recent media coverage surrounding CEO Michael O'Leary's remarks on Sustainable Aviation Fuel (SAF), noting that while it expects to meet the 2030 first- and second-generation SAF mandates under ReFuelEU, it views the e-SAF sub-mandate as unachievable given current technology readiness and supply constraints. Ryanair confirmed that it has secured MoUs for around 80% of its 12.5% SAF target for 2030 and does not expect this target to shift. The company highlighted systemic challenges in the European SAF market, including high penalties for fuel suppliers and a lack of incentives relative to the US, which can drive feedstocks and producers out of Europe.

Ryanair outlined ongoing investments in SAF innovation through its partnership with Trinity College Dublin, which is supporting certification of 15 feedstocks to broaden future supply. The company also discussed its engagement in policy debates around EU ETS, ReFuelEU, and the "polluter pays" principle, warning that current policies favour long-haul carriers, with higher emissions, over short-haul point-to-point operators.

On governance, Ryanair explained that sustainability oversight sits with the audit committee and that three board sustainability sessions occur annually. LAPFF welcomed the company's transparency on regulatory challenges, SAF progress, and technological limitations while noting the space for continued development of governance structures and long-term decarbonisation planning.

IAG

LAPFF met with IAG's sustainability and investor relations leads to continue dialogue with the company on decarbonisation strategy. IAG provided a detailed overview of its emissions trend, noting that recent increases in reported Scope 3 emissions reflect expanded and more accurate disclosure rather than operational deterioration. The company highlighted early achievement of its 2025 carbon-intensity target of 80g/pkm, attributing this to fleet modernisation, including the retirement of Boeing 747s and the introduction of new neo aircraft, as well as upgrades to ground vehicle fleets now operating on HVO (Hydrotreated Vegetable Oil) fuel or electric power.

IAG outlined significant improvements

ENGAGEMENT

Image: Alamy

in supplier engagement, supported by its partnership with Watershed to standardise Scope 3 methodologies across the Group and focus on high-risk suppliers. The company described strengthened auditing using EcoVadis and SEDEX, with follow up action plans implemented where non-compliance is identified. IAG also noted its work on wildlife-trafficking prevention and local biodiversity assessments, reflecting a broadened sustainability remit beyond decarbonisation.

On policy and regulation, IAG emphasised the growing complexity of global SAF mandates and the need for more coherent frameworks, particularly given the limited production capacity for advanced SAF pathways such as Power-to-Liquid (PtL) and Alcohol-to-Jet (AtJ) in Europe. IAG also raised concerns about future feedstock availability, noting growing jurisdictional competition as countries introduce its own SAF mandates and seek to secure domestic supply. This is particularly relevant for waste-based feedstocks such as used cooking oil, where China is a major global supplier. As China's domestic SAF market develops, more of that feedstock may be absorbed domestically rather than exported, potentially tightening supply for European producers, increasing price volatility, and making long-term planning more difficult for airlines reliant on imported feedstocks.

Wizz Air

LAPFF met with Wizz Air's sustainability, corporate affairs, and investor relations leads. Wizz Air emphasised the central role of its young, fuel-efficient fleet for its position as one of Europe's lowest-emitting airlines on a per-RPK (Revenue Passenger Kilometres) basis. The company reported continued improvements, with emissions intensity coming in at c.52.2 grams of CO_2 per passenger kilometre and reiterated its target of operating a 100% neo fleet by 2028.

Wizz Air described proactive steps to secure SAF supply well ahead of increasing EU mandates, including equity investments in UK-based Firefly, producing SAF from human waste, and US-based CleanJoule. These investments aim to diversify feedstocks and overcome geographic supply limitations across Wizz Air's dispersed airport network, which was also a challenge raised in discussions with easyJet. Wizz Air confirmed its aspiration to reach a 10% SAF blend by 2030 and noted that while SAF availability remains the largest barrier to progression, it is still mapping pathways to move beyond the 10% blend. The company noted SAF uptake is driven primarily by mandate compliance rather than customer demand, with trial flights demonstrating limited consumer willingness to pay a premium.

On governance and reporting, Wizz Air reiterated that Scope 1 emissions remain its primary focus, with Scope 2 targets expected this year and Scope 3 targets planned over a longer timeframe. LAPFF highlighted reputational risks associated with delayed Scope 3 commitments and encouraged the company to consider a future 'Say On Climate' vote. Wizz Air also raised concerns about fragmented regulatory frameworks, infrastructure constraints for SAF distribution, and the need for coordinated European investment to scale next generation SAF.

ENGAGEMENT

easyJet

LAPFF met with easyJet's Director of Sustainability and investor relations representatives at the airline's Luton headquarters to discuss the company's decarbonisation strategy and governance approach. easyJet presented its "Reduce, Replace, Remove" framework, which translates into a 75% reduction in emissions intensity by 2050, with a 35% interim reduction target by 2035. The airline highlighted operational efficiency improvements, such as retrofitting sharklets, use of lighter-weight materials like paint, single-engine taxiing, APU switch-off procedures, and deployment of the IRIS air-traffic management system, as well as progress in fleet renewal with the more efficient A320neo and A321neo aircraft.

On SAF, easyJet noted, like Wizz Air, the challenges associated with smaller airlines operating across multiple bases, unlike larger hub-based carriers. This was said to limit its ability to secure SAF at scale at any single airport. The airline currently relies on MoUs and is exploring tripartite agreements between producers, fuel suppliers, and airports to bridge the gap between long term offtake needs and its annual procurement cycle. It highlighted that SAF suppliers require long-term commitments to attract investment, while logistical and supply chain constraints continue to hinder scale up.

easyJet also discussed its longer-term interest in hydrogen propulsion aviation, expressing cautious optimism for post-2035 potential of this technology. However, the airline did acknowledge manufacturer (e.g. Airbus) delays and technological hurdles. On governance, LAPFF noted the absence of a designated sustainability director on the board, in response easyJet pointed to regular board sessions on sustainability, dedicated ESG and SAF steering committees, and sustainability-linked remuneration.

In Progress: Across the aviation sector, LAPFF observes that while all four engaged airlines are making progress on fleet modernisation, operational efficiencies, and early stage SAF procurement, significant challenges remain in translating long-term decarbonisation ambitions into fully deliverable pathways. A recurring theme across engagements was the structural fragility of the SAF market, marked by limited supply, regional imbalances, and growing jurisdictional competition. The extent to which airlines are dependent on policy coherence, feedstock availability, and accelerated investment in advanced pathways such as PtL and AtJ to meet future mandates were also flagged as structural issues. Smaller, multi-base carriers like Wizz Air, easyJet and Ryanair face logistical disadvantages in accessing SAF at scale, while even the larger hub-based carriers within IAG highlighted ongoing cost pressures, constrained infrastructure, and the need for clearer long-term regulatory signals to support supply chain development.

LAPFF further notes that although airlines are, broadly speaking, strengthening aspects of governance, emissions reporting, and supplier engagement, gaps remain in board-level sustainability oversight. The Forum will continue to monitor how companies address these structural barriers, improve governance arrangements, and strengthen transparency around Scope 3 emissions. LAPFF will also assess how airlines balance emerging technologies such as hydrogen and synthetic fuels with credible near-term decarbonisation action. Additionally, the Forum will maintain scrutiny of whether corporate transition strategies remain aligned with a 1.5°C pathway as airlines respond to evolving mandates, cost pressures, and the sector-wide need for coordinated investment in next-generation SAF.

SAY ON CLIMATE

Say on Climate – Schroders and Land Securities

Objective: LAPFF and CCLA lead an investor campaign calling on FTSE 100 companies to provide shareholders with a regular vote on their climate risk and resilience strategies. LAPFF's view is that companies should give shareholders a say at least once every three years, in line with guidance from the Transition Plan Taskforce (TPT), now under the ISSB.

LAPFF's view is that climate change is a systemic financial risk, and companies should demonstrate credible decarbonisations plans. A dedicated shareholder vote improves accountability, transparency, and investor confidence in how companies plan to navigate climate transition.

Achieved: LAPFF met with Schroders and Land Securities Group in Q1 to request the companies consider including a management resolution setting out their respective transition plans

LAPFF built on an engagement with Schroders in Q4 2025, in which the company provided further detail regarding its climate stewardship, including voting and engagement activity. The company outlined its established expectations of investee companies, including the adoption of material Scope 1, 2 and 3 emissions targets, net-zero commitments, credible transition plans, and ongoing disclosure, noting that these expectations have remained broadly consistent and are reviewed annually. LAPFF queried the effectiveness of engagement with Schroders' highest-emitting and hard-to-abate companies.

Schroders outlined its approach to climate stewardship, describing voting and engagement as a continuum, and at the core of its efforts on managing climate risk whilst maximising opportunities. The company reiterated its long-standing expectations of investee companies, including the setting of material Scope 1, 2 and 3 targets, net-zero commitments, credible transition plans and ongoing disclosure, noting that these expectations have remained consistent and are reviewed annually.

Discussion focused on the credibility of transition plans among the highest-emitting and hard-to-abate companies, with Schroders noting an increased focus on a narrower group of issuers where delivery against 2030 targets was becoming more challenging. Schroders reflected on its approach to 'Say on Climate', explaining that it is not fundamentally opposed to management resolutions as a vehicle to engage on issuers approach to transition but prefers targeted engagement and existing voting tools, including voting against management where concerns persist. The discussion also covered broader shareholder rights and governance considerations, including the role of regulatory frameworks in supporting

ENGAGEMENT

Image: Alamy

investor accountability.

LandSec undertakes large-scale development and regeneration projects and launched a dedicated £135 million Net Zero Transition Investment Plan in 2021 to support decarbonisation initiatives through to 2030, forming a key component of the company's transition strategy. LAPFF sought further detail on capital allocation under the plan, including the effectiveness of investments to date and how capital will be deployed through to 2030 to ensure the company meets its targets. LAPFF also asked about the company's approach to addressing harder-to-abate embodied emissions associated with development activity, and whether LandSec would consider submitting a 'Say on Climate' resolution to its 2026 AGM.

Schroders and LandSec indicated that they would keep market sentiment around climate transition plans under review but confirmed that there are currently no plans to include such a resolution on the agenda of upcoming AGMs.

In Progress: LAPFF will continue to approach shareholder oversight of climate transition plans as an ongoing governance issue. Throughout 2026, the Forum will track the introduction, withdrawal, and framing of climate-related resolutions at company AGMs and maintain engagement and, where appropriate, escalation.

SOCIAL FACTORS

Zero-hours contracts & employment rights act

Objective: Building on LAPFF's ongoing focus on workforce standards and modern slavery risk, engagements were held with InterContinental Hotels Group (IHG) and Mitie Group (Mitie) to assess preparedness for forthcoming changes under the UK Employment Rights Act (ERA), including rights to request guaranteed hours, reforms affecting agency labour, and wider provisions such as Day 1 unfair dismissal rights.

Across both engagements, LAPFF sought to understand: (i) how companies are adapting operational models historically reliant on flexible labour; (ii) how risks associated with zero-hours contracts (ZHCs) and agency workers are being managed, particularly in higher-risk sectors; (iii) the implications for recruitment, probation and performance management processes; and (iv) how oversight and transparency – including in relation to migrant and agency workers – can be strengthened within complex operating models (e.g. franchise or client site structures).

Achieved:

InterContinental Hotels Group (IHG)

Engagement with IHG clarified the distinction between directly managed and franchised operations. IHG confirmed that it does not operate zero-hours contracts within the parts of the business it directly controls. Where newly onboarded hotels have ZHCs in place, these may remain temporarily during integration but are typically phased out. Within the franchised estate, employment models remain under franchisee control, though IHG said they could raise ZHC practices in discussion with owners.

On the ERA reforms effective from 1 April, IHG acknowledged that provisions relating to guaranteed hours and agency workers may have operational implications, particularly in hospitality contexts characterised by fluctuating demand (e.g. large events or banqueting). While recognising the reputational sensitivities surrounding ZHCs, the company noted that some workers value

ENGAGEMENT

flexibility that ZHC provide. The company is engaging with labour providers to assess how legislative changes may affect agency staffing models and indicated an intention to create greater permanency in roles where feasible.

LAPFF noted there is an increased risk of reputational damage within the franchise model should individual franchisees fail to respond adequately to new legislative requirements. IHG acknowledged this inherent exposure and outlined mitigation mechanisms, including contractual obligations requiring compliance with applicable laws; engagement through Owners Association and regional People Committees; legislative briefings via UK-specific HR forums; and a confidential, multilingual whistleblowing channel covering employment and supply chain concerns.

On disclosure, IHG noted that its granular employment data across the franchised estate is not centrally collected and therefore not reported in corporate disclosures. It is noted that IHG provided the same explanation when LAPFF met with the company in 2024. Within the managed and corporate estate, workforce metrics (including agency usage) are monitored through optimisation processes and employee voice surveys. IHG acknowledged that agency and migrant workers represent heightened risk groups and confirmed that its forthcoming modern slavery statement will provide enhanced detail on identified issues and remediation actions.

Mitie Group

The engagement with Mitie focused on operational preparedness and practical implications of the ERA. Since the previous meeting in September 2024, Mitie described the legislative landscape as having evolved, with some proposals amended or removed, including the removal of the unfair dismissal compensation cap. The company characterised its overall position as "no better and no worse," but with greater clarity on likely impacts.

Mitie indicated that guaranteed hours provisions may be more manageable than initially anticipated, noting that it often has more available hours than employees seek, resulting in a balancing exercise to fill gaps. However, concerns were raised about being required to offer guaranteed hours to individuals who may prefer flexible arrangements, potentially creating administrative and operational burdens.

The company was among a limited number of firms to publicly sign an open letter to senior government ministers expressing concerns that certain provisions could have unintended consequences. Mitie reported engagement with members of the House of Lords and noted particular concern regarding Day 1 unfair dismissal rights, which it suggested could result in more conservative and bureaucratic hiring processes.

On probation and performance management, Mitie confirmed a standard three-month probation period (extendable), operating within a six-month qualifying period before ERA protections apply. Approximately 630 employees are currently categorised within the lowest performance bracket (out of a workforce of c.72,000), and the company acknowledged that performance management practices may require strengthening. Work is underway to improve clarity and consistency in this area.

Agency labour was described as forming a small proportion of the workforce, though flexible demand remains critical in certain areas (e.g. airport security and surge capacity roles). Around 25% of Mitie's workforce are trade union members. The company anticipates that expanded trade union access rights may represent one of the more significant practical changes, particularly where staff operate on client-owned sites.

Mitie further noted it is monitoring potential future reforms, including sector-wide collective bargaining proposals, which may evolve significantly over the coming year.

In Progress: Across both engagements, several themes remain under active scrutiny. LAPFF will continue to assess how companies operationalise guaranteed hours provisions in practice, particularly where employee preference for flexibility may diverge from statutory entitlements. Further engagement will examine how recruitment, probation and early-stage performance management processes are being adapted in response to ERA reforms, including the removal of the compensation cap and changes to unfair dismissal rights.

For IHG, continued dialogue will focus on transparency and assurance mechanisms within the franchised estate, including oversight of agency and migrant worker experiences and thresholds for agency reliance. For Mitie, follow up will explore data on probation outcomes, performance management effectiveness, and the scale and oversight of migrant labour within both direct operations and supply chains.

More broadly, LAPFF will monitor how legislative reform interacts with business models reliant on flexible labour, and whether companies can demonstrate that workforce flexibility is being balanced with strengthened protections, effective risk mitigation, and credible disclosure.

CONFLICT-AFFECTED AND HIGH-RISK AREAS (CAHRAS)

Objective: With conflicts increasing globally, having seen a rise from 147,000 in 2023, to over 200,000 in both 2024 and 2025[11], companies face heightened operational, reputational, legal, regulatory and financial risks where conflict dynamics intersect with actual or potential adverse impacts on people[12]. Against this backdrop, LAPFF expects companies with exposure to CAHRAs to demonstrate and explain how they identify, prevent, mitigate and accounts for these risks, including where heightened human rights due diligence (hHRDD) is applied, in line best practice principals set out by international standards such as the United Nations Guiding Principles on Business and Human Rights, amongst others.

LAPFF considers that companies should have policies, governance arrangements and due diligence

11 https://acleddata.com/series/acled-conflict-index
12 https://publications.schroders.com/view/3335662/

ENGAGEMENT

processes that explicitly address CAHRAs. This should include an assessment of human rights impacts, conflict impacts, and the cross section where conflict and human rights impacts intersect, which can only be done by applying the principles of hHRDD.

Achieved: LAPFF wrote to 31 companies considered to have operations, or business activities linked to the Occupied Palestinian Territories. The letter contains a 12-question survey, requesting information on companies' policies, policy and governance, identification of risks, action and hHRDD, and transparency.

As of 31 March 2026, 12 companies had responded, or stated their intent to respond in due course. Responses for which are currently under review.

This outreach prompted further engagement with Motorola Solutions. The discussion focused on the company's oversight mechanisms, its approach to new business, and the processes it uses to assess risks within its existing client base.

Motorola shared examples of withdrawing from certain regions ahead of formal sanctions, such as its exit from Russia, and instances where it had sought advice from external human rights experts in particularly challenging jurisdictions. While these examples were helpful, the company's broader disclosures on how it manages high-risk transactions remain limited. It is still unclear how Motorola consistently applies heightened human rights due diligence across its business, or whether it fully evaluates how its commercial decisions may influence conflict dynamics.

In Progress: LAPFF is currently reviewing responses to the questionnaire, which will be presented to members in due course. Escalation will be considered based on responses and non-responses, through either voting alerts or at company AGMs.

Electric Vehicles – General Motors

Objective: LAPFF engages automotive manufacturers to assess how they are managing the human rights and supply chain risks associated with a transition to electric vehicles. In particular, engagements focus on critical mineral sourcing, supply chain traceability, and the extent to which companies apply robust human rights due diligence in regions where risks are more present, and supply chains more opaque. LAPFF seeks greater clarity on governance, oversight, and implementation, including how risks linked to battery production and raw material extraction are identified, mitigated, and remediated, and whether disclosure is sufficient to demonstrate that electrification plans are being delivered responsibly.

Achieved: LAPFF has been engaging General Motors (GM) on these issues since 2022. In a notable move, the company did not publish a standalone sustainability report in its most recent reporting period.

Whilst a more fragmented approach to reporting has been taken by GM, it has made notable progress in mapping its supply chain, providing better visibility throughout its supply chains. It has also been consulting NGOs and other civil society organisations to better understand how to address both systemic and localised human rights issues, designed to complement a series of other tools that GM is using such as social auditing, capacity building, and training with suppliers.

In Progress: LAPFF will continue to expand its engagement across automotive manufacturers and relevant value chain actors to assess how human rights risks associated with electric vehicle production are being identified and managed.

Image: Alamy

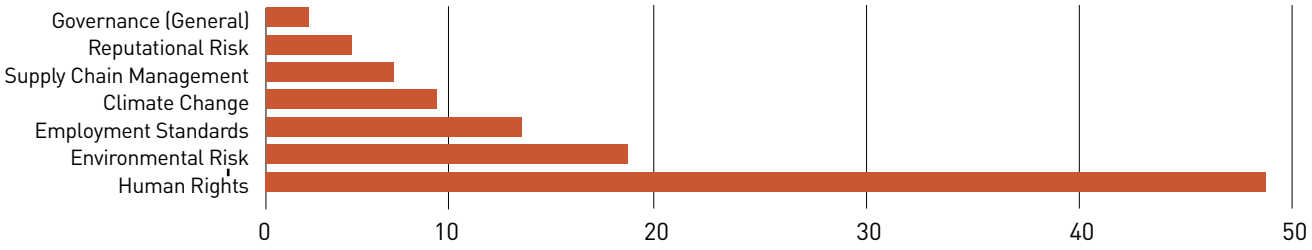
COMPANY PROGRESS REPORT

The table below represents data taken from 'Meetings', 'AGMs' and 'Received Correspondence' only. LAPFF engaged 65 companies engaged over the quarter

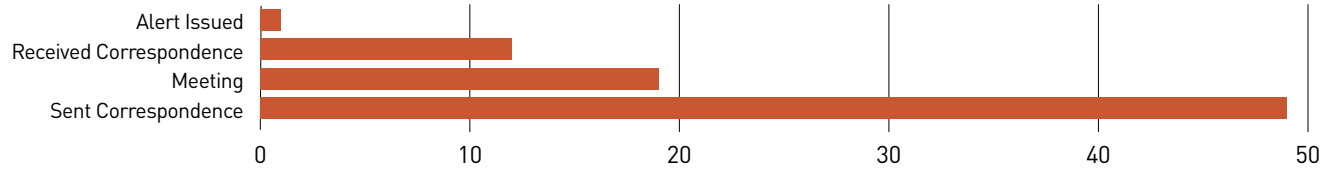
Company/Index	Activity	Topic	Outcome
ABB LTD	Received Correspondence	Human Rights	No Improvement
AMAZON.COM INC.	Received Correspondence	Human Rights	No Improvement
AP MOLLER - MAERSK AS	Received Correspondence	Human Rights	No Improvement
ASSOCIATED BRITISH FOODS PLC	Meeting	Environmental Risk	Dialogue
ATLAS COPCO AB	Received Correspondence	Human Rights	No Improvement
BOOKING HOLDINGS INC.	Received Correspondence	Human Rights	Moderate Improvement
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Small Improvement
CNH INDUSTRIAL NV	Received Correspondence	Human Rights	No Improvement
DANONE	Meeting	Environmental Risk	Dialogue
EASYJET PLC	Meeting	Climate Change	Dialogue
EXPEDIA GROUP INC	Received Correspondence	Human Rights	No Improvement
GENERAL MOTORS COMPANY	Meeting	Human Rights	Dialogue
INTERCONTINENTAL HOTELS GROUP PLC	Meeting	Employment Standards	Dialogue
INTERNATIONAL CONSOLIDATED AIRLINES GROUP SA	Meeting	Climate Change	Dialogue
J SAINSBURY PLC	Meeting	Environmental Risk	Dialogue
LAND SECURITIES GROUP PLC	Meeting	Climate Change	Small Improvement
MARKS & SPENCER GROUP PLC	Meeting	Environmental Risk	Moderate Improvement
MEIJI HOLDINGS CO LTD	Meeting	Environmental Risk	Small Improvement
MICROSOFT CORPORATION	Received Correspondence	Human Rights	No Improvement
MITIE GROUP PLC	Meeting	Employment Standards	Small Improvement
MOTOROLA SOLUTIONS INC.	Meeting	Human Rights	Small Improvement
NESTLE SA	Meeting	Environmental Risk	Dialogue
NISSIN FOOD HLDGS CO LTD	Meeting	Environmental Risk	Dialogue
PENNON GROUP PLC	Meeting	Environmental Risk	Dialogue
PRADA SPA	Received Correspondence	Human Rights	Dialogue
RYANAIR HOLDINGS PLC	Meeting	Climate Change	Dialogue
SCHRODERS PLC	Meeting	Climate Change	Satisfactory Response
SIEMENS AG	Received Correspondence	Human Rights	Moderate Improvement
STARBUCKS CORPORATION	Alert Issued	Employment Standards	
VOLVO AB	Received Correspondence	Human Rights	Small Improvement
WIZZ AIR HOLDINGS PLC	Meeting	Climate Change	Dialogue

ENGAGEMENT DATA

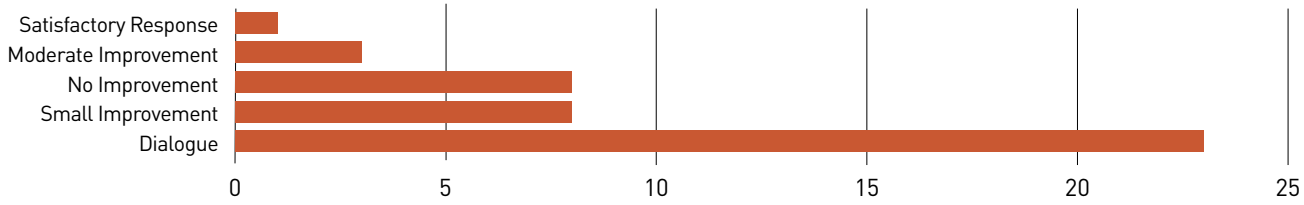
ENGAGEMENT TOPICS



ACTIVITY

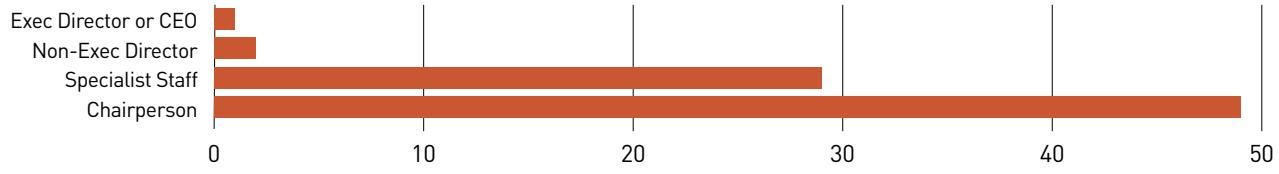


ENGAGEMENT OUTCOMES*

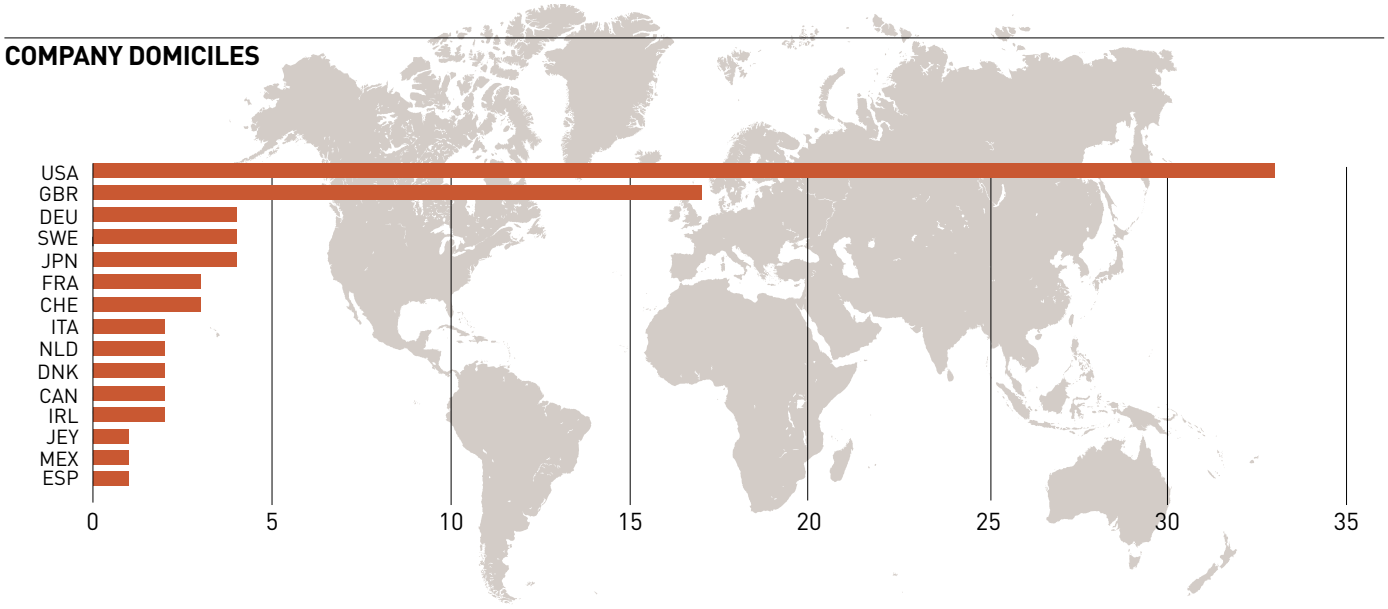


*Outcomes data is taken from 'Meetings', 'AGMs' and 'Received Correspondence' only

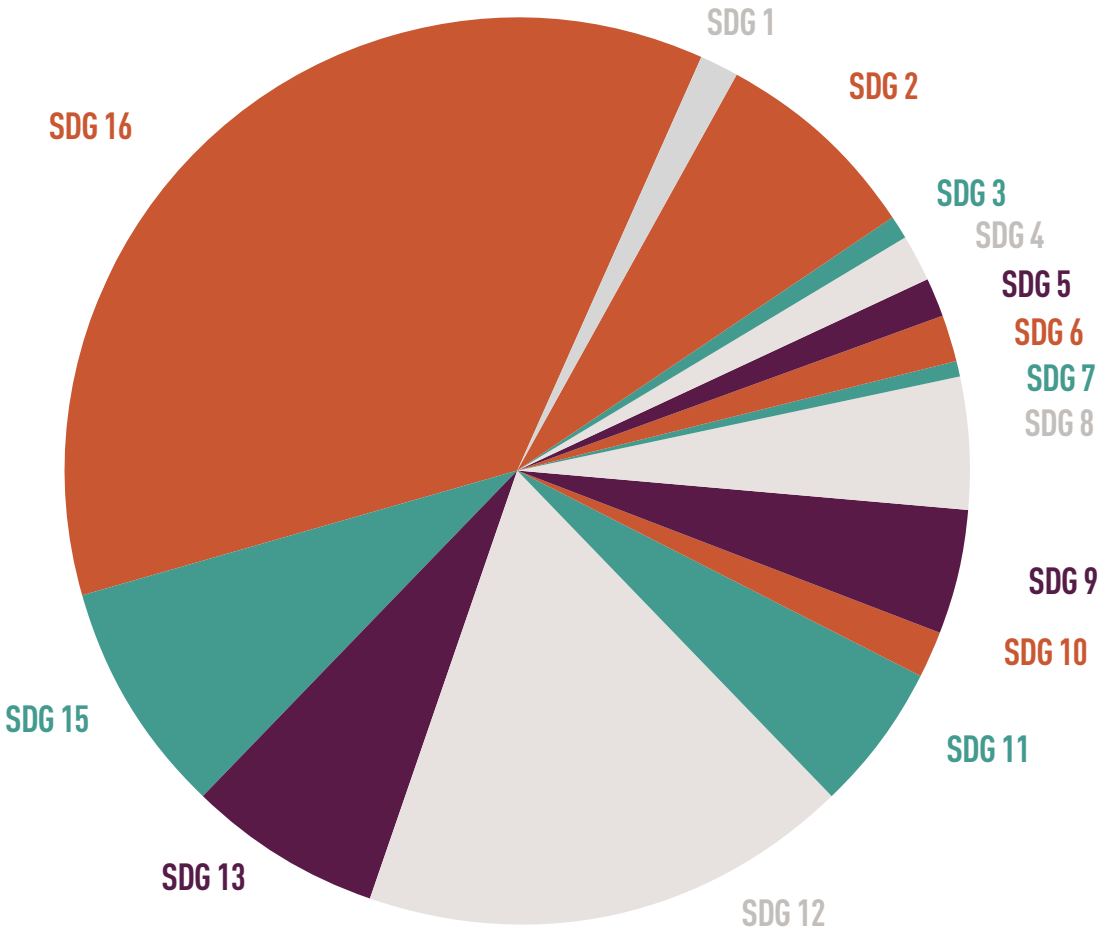
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	2
SDG 2: Zero Hunger	10
SDG 3: Good Health and Well-Being	1
SDG 4: Quality Education	2
SDG 5: Gender Equality	2
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	6
SDG 9: Industry, Innovation, and Infrastructure	6
SDG 10: Reduced Inequalities	2
SDG 11: Sustainable Cities and Communities	7
SDG12: Responsible Production and Consumption	23
SDG 13: Climate Action	9
SDG 14: Life Below Water	0
SDG 15: Life on Land	11
SDG 16: Peace, Justice, and Strong Institutions	47
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