



NORTHERN LGPS 2025: Q2 QUARTERLY STEWARDSHIP REPORT

**WATER STEWARDSHIP / RESPONSIBLE TAX /
DECENT WORK / CLIMATE CHANGE**

FOCUS

Q2: WATER STEWARDSHIP IN THE APPAREL SECTOR



Untreated toxic waste of local garments and other industries is dumped into the river Buriganga through the canals every day, Dhaka, Bangladesh

Water Stewardship in the Apparel Sector

Overview: Water is the world's most precious natural resource, with communities, ecosystems and whole industries dependent on it. The United Nations predicts a 40% global shortfall in water supply by 2030 if current consumption and production patterns do not change.¹ With consumption of freshwater surpassing the rate at which it can be replenished, it is becoming

increasingly difficult to access fresh water and is threatening the health of ecosystems.

Corporations are the single largest user of water globally and have much to lose from critical water risks, with over two-thirds of all freshwater resources going into corporate supply chains.² The risks around the distribution and availability of freshwater are being

compounded by climate change, making it imperative that companies with a dependence on freshwater to address water risks by developing holistic water stewardship strategies and embracing water-related opportunities.

Materiality: CDP predicts that the financial impacts of water risks are five times greater than the costs of addressing

¹ United Nations Environment Programme (2016). *Half the World to Face Severe Water Stress by 2030 unless Water Use is "Decoupled" from Economic Growth*, Says International Resource Panel. [online] UNEP. Available at: <https://www.unep.org/news-and-stories/press-release/half-world-face-severe-water-stress-2030-unless-water-use-decoupled>.

² World Economic Forum (2022). *Why businesses must act together to alleviate the global water crisis*. [online] World Economic Forum. Available at: <https://www.weforum.org/stories/2022/07/why-businesses-must-act-together-to-alleviate-the-global-water-crisis/>.

FOCUS Q2 WATER STEWARDSHIP IN THE APPAREL SECTOR

them.³ Operational disruptions due to water shortages, regulatory hurdles stemming from evolving water-related legislation, and the potential for reputational damage in a landscape increasingly focused on sustainable practices all underline the urgency of strategic water management. The cost associated with inaction is significant and results in investors being exposed to water related risks.

Businesses that proactively address water-related risks and adopt sustainable practices can gain a competitive edge by strengthening their brand reputation as well as alleviating the possibility of timely and costly operational disruptions. Similarly, investors actively embracing water stewardship strategies are better positioned to navigate the systemic risks associated with water.

Issues: In Q2, PIRC engaged with several companies in the apparel sector on water stewardship, due to the sector's significant exposure to water-related risks. While apparel and retail brands typically face low direct water risks, their value chains are highly water-intensive, and the associated risks could be materially detrimental to operations.⁴

The textile sector faces potential challenges from multiple water-related pressures. Apparel value chains are heavily concentrated in water-stressed regions such as India, Pakistan and Bangladesh, meaning that production processes are threatened without the adoption of more sustainable practices. Manufacturing processes such as wet processing - which includes the dyeing and finishing of textiles – consume significant water resources, making the industry vulnerable to supply chain disruptions. Climate change, inefficient usage, and untreated disposal are expected to further strain water availability in key manufacturing hubs. The WWF projects that the average physical water risk faced by the 82 largest apparel and textile industry clusters will rise from medium to high by 2050.⁵

Beyond operational risks, apparel companies also face reputational challenges and opportunities. McKinsey reports that 67% of consumers consider the use of sustainable materials an important factor in their purchasing decisions.⁶

Increasing water stress in many manufacturing regions may require exposed corporates to increase their spending to develop or access alternative water suppliers. There might also be an increased cost of raw materials caused by water.

The water intensity of raw material production, particularly for fabrics like cotton, is a key issue for apparel companies. This high water usage can worsen water scarcity and pollution in regions that are already vulnerable to water stress. While raw material production occurs further down the value chain, apparel companies are facing increasing pressure to take responsibility and engage with suppliers to support them in reducing their water footprint. There has also been a shift towards more sustainable materials like organic cotton and research into alternative, less water-intensive materials like cactus leather.

Engagement meetings were held with luxury goods companies Kering and Moncler, sportswear brands Asics and Puma, and mass-market retailers such as Zalando and Primark. While conversations were tailored to each company's risk profile, these engagements assessed the quality of available disclosures, target setting approaches, pollution risk management, and supplier engagement strategies throughout the value chain.

EFFECTIVE ENGAGEMENT:

KERING SA

Overview: Kering is a French multinational luxury goods company headquartered in Paris. Founded in 1963 as Pinault S.A., the company owns brands including Gucci, Saint Laurent, Bottega Veneta, and Balenciaga.

Issues: Kering has shown strong leadership in water stewardship, becoming the first company to adopt freshwater targets under the Science Based Targets Network's (SBTN) framework. The company is also a frontrunner in the apparel sector for disclosing its Environmental Profit & Loss (EP&L) data. Kering's EP&L assessment allow the company to measure their environmental impact across their value chain and translate it to monetary terms for effective decision making.

However, since 2021, Kering has only released simplified EP&L infographics as opposed to full reports, limiting time-series analysis, peer benchmarking, and insight into material impacts. Although the company met its target of reducing EP&L intensity by 40% four years ahead of schedule, it has not set an absolute reduction target - meaning that while impact per unit has decreased, the company's overall environmental footprint continues to expand. Additionally, while its water strategy focuses on textiles and leather, past EP&L data indicates significant impacts from metals - an area still largely unaddressed. Furthermore, despite leadership in freshwater quantity targets, Kering has yet to set freshwater quality targets, citing a lack of basin-level data.

Engagement: On 30 May 2025, PIRC engaged with Kering to discuss its water and biodiversity strategy. In its engagement with PIRC, the company

3 CDP (2020). *A Wave of Change: The role of companies in building a water-secure world* - CDP Global Water Report 2020. [online] CDP. Available at: https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/577/original/CDP_Water_analysis_report_2020.pdf?1617987510.

4 Wielechowski, R., Cozzolino, G. and Layden, A. (2024). *Ripple Effects*. [online] Planet Tracker. Available at: <https://planet-tracker.org/wp-content/uploads/2024/02/Ripple-Effects.pdf>.

5 Morgan, A.J., Camargo, R., Luthra, P., Baig, A., Laporte-Bisquit, A., Dar, S. (2022) *Avant-garde: the water risks and opportunities facing apparel and textiles clusters* - Part II, Water risk facing the Industry's value chain. WWF Germany / WWF-Sweden

6 Granskog, A., Lee, L., Magnus, K.-H. and Sawers, C. (2020). *Survey: Consumer Sentiment on Sustainability in Fashion*. [online] McKinsey & Company. Available at: <https://www.mckinsey.com/industries/retail/our-insights/survey-consumer-sentiment-on-sustainability-in-fashion>.

FOCUS Q2

WATER STEWARDSHIP IN THE APPAREL SECTOR

explained that a detailed EP&L report has not been published since 2021, as the methodology is currently undergoing a comprehensive update to incorporate more primary data. Kering also stated that in the long term, it plans to set absolute EP&L targets. The company acknowledged persistent challenges in addressing water impacts from metals, citing traceability issues, use of recycled materials, and the difficulty of measuring improvements - particularly within its jewellery brands. Additionally, the company noted that existing Life Cycle Analysis (LCA) methodologies and reporting frameworks such as the CSRD tend to focus heavily on mitigation and do not adequately reflect positive contributions. Nonetheless, Kering expressed its commitment to scaling best practices and collaborating with other companies to advance water stewardship and biodiversity outcomes.

As part of their efforts, Kering engages with their raw material producers and supports farmers in adopting regenerative agricultural practices. Recognising that the production of materials like cotton and wool are currently major drivers of biodiversity loss and climate change – the company launched the ‘Regenerative Fund for Nature’ with the aim of transforming 1,000,000 hectares of land in fashion supply chains into regenerative agricultural spaces by 2026.⁷

Outcome: Kering acknowledged the gaps highlighted by PIRC and explained that its EP&L methodology is being updated, and that the company is committed to setting absolute EP&L targets. Kering was involved in the SBTN pilot project and helped shape the target setting process. The company continues to actively engage with the SBTN to improve the target setting process and to expand the scope of their target.

While PIRC welcomed Kering as an example to others in the industry, the company highlighted areas for improvement that it identified as necessary to maintain its leading position. Industry leaders like Kering are critical for raising the bar across their sector as they drive innovation, raise expectations and encourage peers to follow suit.

PRIMARK (ASSOCIATED BRITISH FOODS PLC)

Overview: Associated British Foods (ABF) is a UK-based multinational company operating in food processing, agriculture, and retail, with Primark as its main retail division. Primark is a fashion retailer offering low-cost clothing, accessories, and home goods. It operates more than 450 stores in Europe and the US, using a high-volume, low-price model.

Issues: Primark has launched several commendable water initiatives, including a 30% reduction target for UK-sold products by 2030. However, the company’s water stewardship approach appears fragmented, lacking overarching, company-wide targets across all geographies and product categories. Within the supply chain, efforts are largely concentrated in Bangladesh, where a £1mn investment has supported water footprint assessments, wastewater quality improvements, and pilot recycling technologies. Yet these efforts remain in early stages, focused on identifying reduction opportunities rather than delivering measurable savings. While this major investment has identified opportunities for improvement there is little public evidence of equivalent programmes in other major sourcing countries. While Primark has identified 100 high-risk basins and participates in the Alliance for Water Stewardship, it has not set numeric targets for water use or replenishment at the catchment level. Engagement with Tier 2 suppliers, especially at the wet processing stage, also lacks specific water reduction benchmarks or timelines. Without comprehensive, quantitative targets beyond selected product-level efforts, it is difficult to assess Primark’s overall progress in managing water impacts across its global value chain.

Engagement: On 29 April 2025, PIRC engaged with Primark wherein the company highlighted progress in water stewardship through its 30% product-level water reduction target for UK

products, major recycling initiatives like the Sustainable Manufacturing and Environmental Pollution (SMEP) programme’s SNAP (Scaling National Action Plan) project in Bangladesh - set to become the country’s largest water recycling facility - and adherence to Zero Discharge of Hazardous Chemicals (ZDHC) water quality standards. ZDHC alignment is encouraged as it provides a standardised framework for eliminating hazardous chemicals from apparel supply chains – across various regions and regulatory expectations. However, the company confirmed that expanding quantitative water targets beyond the UK depends on baseline data and collective industry action and noted that there were no current plans for site-based, catchment-level, or Tier 2 supplier-specific reduction targets. The company emphasised action over numeric targets and maintained that transparency would continue via group-level (ABF) CDP disclosures.

Outcome: Primark’s piecemeal approach and limited forward-looking plans beyond current initiatives were evident during the engagement. The company appears to be taking a cautious stance on expanding its water stewardship activities, including setting company-wide targets, engaging Tier 2 suppliers, and adopting science-based or context-specific water goals. Continued dialogue and clearer roadmaps will be needed to strengthen its strategy and ensure more consistent impact across its global operations.

PUMA SE

Overview: Puma SE is a major sportswear manufacturer headquartered in Herzogenaurach, Germany. The company designs, manufactures, and sells athletic and casual footwear, apparel, and accessories in over 120 countries, operating through its own retail stores, e-commerce platforms, and wholesale distribution channels.

Issues: PUMA’s 10FOR25 strategy outlines 10 sustainability targets to be met by 2025, covering areas such as human

7 Kering. Regenerative Fund for Nature. [online] Kering. Available at: <https://www.kering.com/en/sustainability/safeguarding-the-planet/regenerative-fund-for-nature/>.

FOCUS Q2

WATER STEWARDSHIP IN THE APPAREL SECTOR



A Puma factory, Phnom Penh, Cambodia

rights, climate action, and circularity. As part of its 10FOR25 strategy, Puma aims to reduce water intensity by 15% and ensure 90% of core suppliers meet industry standards for wastewater quality by 2025. While Puma reports disaggregated progress by product category, it does not provide an overall figure, making it difficult to assess total progress. Available data suggests mixed results: water intensity for their apparel lines rose by 9.4% (2020–2023), and new tanneries drove an 11.7% increase in leather water intensity, although reductions were achieved in textiles and footwear.

Cotton, which drives about 75% of Puma's water impact, remains a key material risk. The company promotes "sustainable cotton" (organic, recycled, Better Cotton), but it is unclear how these efforts translate into measurable water savings. Supply chain efforts focus largely on Tier 1 and 2 suppliers, with little engagement at Tier 4 (raw material stage) where the greatest water impacts occur. Moreover, Puma lacks basin-specific or

context-based water targets, relying instead on operational reductions - limiting the depth of its water stewardship approach.

Engagement: On 28 May 2025, PIRC engaged with PUMA to discuss its water stewardship strategy and the progress made towards its 15% water intensity reduction target. Puma acknowledged that it has not disclosed an overall progress figure against this target but stated that its efforts focus on the most impactful areas of its value chain. The company reported that approximately 80% of its Tier 1 and 2 suppliers currently participate in training programmes.

Puma highlighted its CDP Water score that improved to an 'A-' and outlined progress in wastewater recycling and supplier engagement. CDP disclosure on water stewardship is encouraged as it contributes to the creation of a more standardised and comprehensive data set for the apparel sector – which does not currently exist. The company also noted

ongoing challenges in scaling sustainable materials, such as recycled cotton, and managing material complexity without affecting product quality. The company said it continues to collaborate with WWF and other stakeholders to improve water management at shared facilities, with wastewater recycling identified as a key area of focus. Puma also indicated openness to setting a Science-Based Target for nature as part of developing its water and biodiversity strategy.

Outcome: Despite progress in water stewardship, Puma provides limited clarity on its water targets, which appear unlikely to be fully met under the 10FOR25 strategy. There is also little transparency on post-2025 commitments. Key gaps remain, including the absence of basin-specific targets and limited engagement beyond core suppliers, particularly at the Tier 4 level where water impacts are highest. Nevertheless, the company's openness to SBTN target-setting and willingness to collaborate with peers are welcomed.

FOCUS Q2

WATER STEWARDSHIP IN THE APPAREL SECTOR

MONCLER SPA

Overview: Moncler SpA is an Italian luxury fashion company specialising in high-end outerwear, apparel, and accessories. Founded in 1952, the company operates over 200 boutiques worldwide and distributes products through both direct-to-consumer and wholesale channels. In 2020, Moncler acquired the Italian luxury menswear brand Stone Island.

Issues: Moncler has taken steps to manage its water impacts, including a water footprint assessment and support for regenerative agriculture. However, it lags behind high-end peers due to the absence of quantitative water targets. While no Tier 1 suppliers operate in high-stress areas, expanding engagement to Tier 2 and beyond - where water use is highest - would improve supply chain oversight. Participation in initiatives like ZDHC and CDP Water Security, along with a public water strategy and enhanced disclosures, would strengthen transparency and signal stronger commitment to best practices.

Engagement: On 12 May 2025, PIRC engaged with Moncler and the company outlined its sustainability strategy which was launched in 2020. Moncler's strategy focuses on five key pillars: climate action, product circularity, supply chain transparency, diversity and inclusion, and community engagement. The company emphasised water as a critical resource and has conducted water footprint assessments since 2022, initially focusing on direct operations while acknowledging the need to improve data on indirect water consumption and traceability across Tier 2 to Tier 4 suppliers. Moncler noted that none of its 43 wet processing suppliers currently operate in water-stressed regions.

The company is in the process of developing material-specific quantitative targets, such as for cotton and wool. Moncler has achieved 80% traceability by volume for key materials and is extending environmental and social audits deeper into its supply chain. While Moncler's Stone Island brand is a signatory to the ZDHC programme, the group does not plan to join at the corporate level but benchmarks its practices against relevant

chemical management standards.

Moncler is exploring setting a nature target through the SBTN, aiming to finalise its adoption by year-end, and is piloting regenerative agriculture projects through industry and governmental initiatives. The company also noted its commitment to sourcing 50% organic cotton by 2025.

Outcome: Despite Moncler's growing pipeline of initiatives, its water stewardship remains at an early stage. While traceability is improving, full visibility beyond tier 1 remains a challenge, particularly for water-intensive processes. Moreover, Moncler has not yet committed to joining ZDHC at the group level and does not publicly disclose to CDP Water Security in a meaningful way. As a high-margin luxury fashion company, Moncler has a strong opportunity to replicate the success its peer Kering in adopting leading water stewardship practices.

ASICS CORPORATION

Overview: Asics Corporation is a Japanese multinational sportswear company. Founded in 1949, the company specialises in designing and manufacturing athletic footwear, apparel, and accessories. ASICS also owns the lifestyle brand Onitsuka Tiger.

Issues: Asics has made significant progress in reducing water use in footwear, achieving a 30% reduction per pair of shoes and adopting solution dyeing. However, expanding these efforts to apparel and accessories is critical to addressing the broader water impact. Ideally, product-level water targets should be aligned under a company-wide water reduction target, informed by a standalone water strategy. Asics should also consider setting context-based targets for regions facing water stress.

The company's materiality matrix currently excludes raw material production, despite the water intensity of materials like cotton, limiting the focus to only part of its supply chain. Additionally, Asics does not disclose the material composition of its products, hindering

any detailed analysis of its environmental footprint, including water use. Finally, Asics should set time-bound targets for increasing the adoption of sustainable materials and adopt global standards like ZDHC to reduce water pollution in its supply chain.

Engagement: During PIRC's engagement with Asics on April 16, 2025, the company reiterated its commitment to water stewardship within its broader environmental strategy. While water ranks low at 9 among material issues for the company, Asics indicated that it collects water data using tools like WRI Aqueduct and focuses on water efficiency in the polyester dyeing process through solution dyeing, but supplier engagement has been more focused on climate initiatives.

Asics acknowledged that raw material water use remains a gap in its water strategy. In response to PIRC's query about absolute water targets, Asics confirmed an internal review is underway, with updated KPIs expected later in 2025. The company expressed openness to disclosing its full material mix and water data from HIGG FEM and indicated it will explore SBTN-aligned targets after completing its assessment.

Outcome: Asics expressed openness to greater transparency on its water impact, including water data collected through HIGG FEM and potential disclosure of its material mix, and stated that it would consider aligning with the SBTN framework after its internal assessment concludes. However, several areas for improvement remain. Asics does not yet have a standalone water strategy, and the company has yet to set absolute or context-based water targets. Supplier expectations remain largely focused on regulatory compliance rather than global benchmarks like ZDHC.

ZALANDO SE

Overview: Zalando SE is a German multinational e-commerce company specialising in fashion and lifestyle products. Zalando operates in 25 European countries, offering clothing, footwear, accessories, and beauty products from over 6,000 brands. Zalando

FOCUS Q2

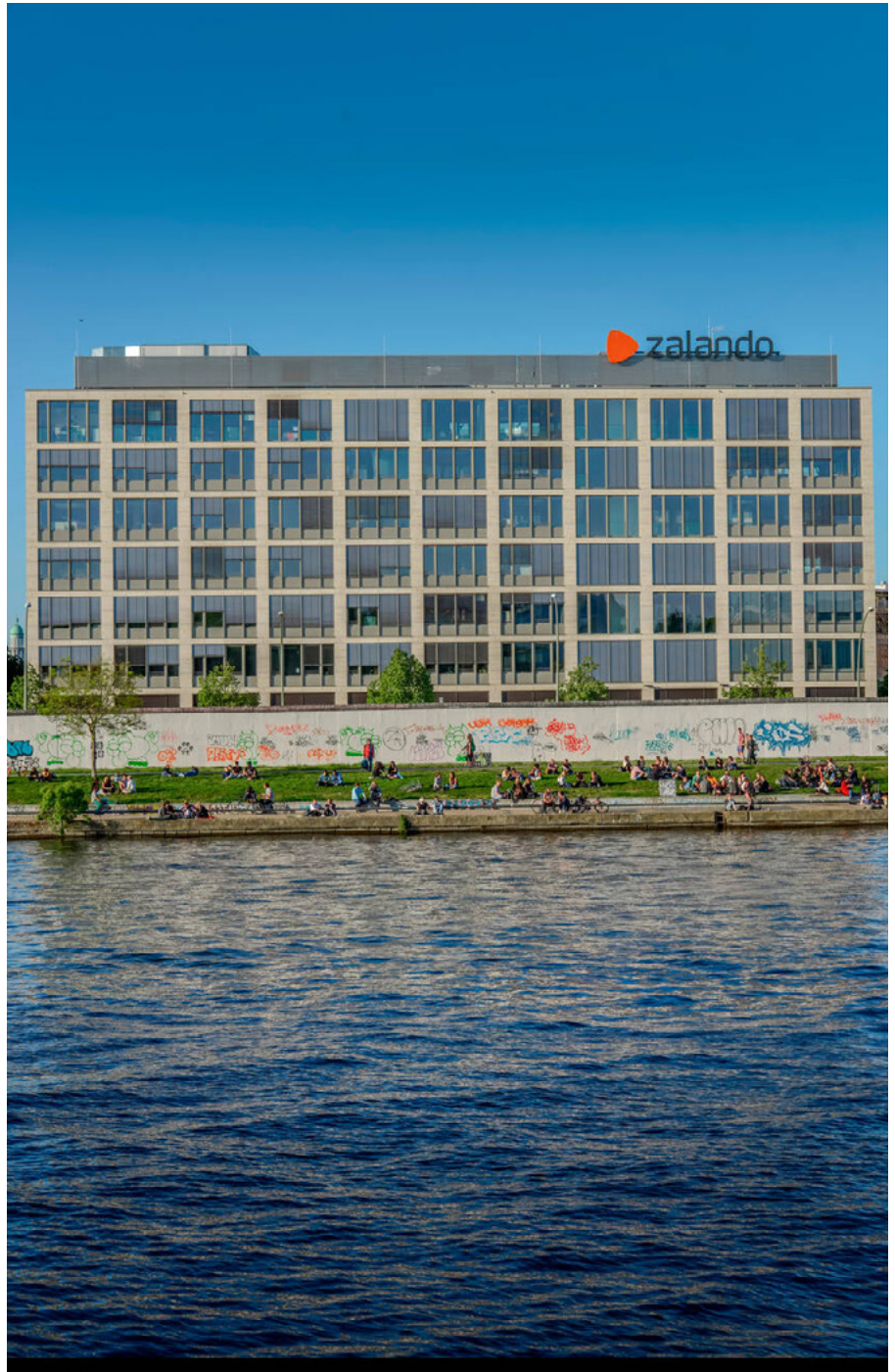
WATER STEWARDSHIP IN THE APPAREL SECTOR

serves more than 51 million active customers and has about 15,000 employees.

Issues: Zalando's *do.MORE* strategy prioritises climate, packaging, and circularity, but notably omits water as a strategic focus - despite the apparel sector's heavy reliance on water-intensive processes. While the company has taken steps like rolling out Higg FEM across Tier 1 suppliers, launching a Facility Improvement Program, and disclosing operational water data for the first time in 2023, its approach remains fragmented.

Although it has acknowledged water as a material risk and planned to identify water-scarce areas and conduct a full value chain risk assessment in 2024, it is unclear whether these have been completed. Without embedding water stewardship into its core strategy and accelerating the delivery of these foundational steps, Zalando risks falling behind both peers and regulatory expectations.

Engagement: During PIRC's meeting with Zalando on the 8th of April 2025, the company outlined how water is increasingly integrated into their broader environmental strategy, though not yet a standalone priority. Water stewardship is viewed as a co-benefit of efforts like material innovation and carbon reduction, particularly in wet processing, where reducing heated water also cuts emissions. In line with regulatory drivers like CSRD and double materiality, Zalando has started collecting operational and supply chain water data, conducting a risk assessment using the WRI Aqueduct tool to map water stressed regions. Their Facility Improvement Program targets carbon and water reductions in private label suppliers across key production countries. Measures include wastewater recycling, dye bath optimisation, and retrofits, with plans to expand the programme to more factories in 2024. Zalando is developing a 2025 roadmap focused on nature and water impact reduction, with water targets under consideration for withdrawal, quantity, and scarcity. Although private labels form a smaller part of the supply chain, they serve as the starting point for these initiatives, guided by supplier maturity and strategic



Zalando, Zentrale, Muehlenstrasse, Tamara-Danz-Strasse, Friedrichshain, Berlin, Germany

importance. The company is also a ZDHC member and plans to require supplier reporting on foundational water limits. Internally, water metrics are feeding into KPIs, with early work underway on regenerative cotton and textile recycling.

Outcome: The engagement offered new insights into Zalando's water-related efforts, particularly planned 2024

activities not yet publicly disclosed. However, water remains absent from its core sustainability strategy, and there are no clear targets on withdrawal, scarcity, or value chain consumption. Current efforts focus narrowly on private labels, with no timeline for broader application. This signals the need for stronger governance and greater transparency to achieve meaningful water impact.

ENGAGEMENT HIGHLIGHTS

Q2



RESPONSIBLE TAX

Overview: Responsible corporate tax practices are an important aspect of good governance and social responsibility, enabling financial stability and public trust in the long run. Given that taxes underpin essential public services which all businesses rely on, such as healthcare, education and infrastructure, aggressive tax planning strategies harm the broader economy while also worsening inequalities and eroding public trust.

Additionally, the direct financial

consequences companies employing such strategies are increasingly material for issuers themselves. The UK has been proactive in addressing this issue through public procurement policies. Since 2013, businesses bidding for public contracts worth over £5 million have been required to self-certify their tax compliance.⁸ Non-compliance can lead to significant repercussions, including regulatory penalties and exclusion from government contracts.

Beyond the UK, there is growing momentum towards enhanced transparency and fairness in corporate taxation. A landmark agreement brokered by the Organisation for Economic

Co-operation and Development (OECD) in 2021 introduced a 15% global minimum corporate tax rate, aiming to curtail profit-shifting by multinational corporations and ensure taxes are paid where value is created.⁹

Furthermore, in 2024, the United Nations adopted a resolution to create a global tax convention, marking a major international step towards reforming corporate tax practices.

The legal risks of aggressive tax avoidance are evident in recent high-profile cases. In September 2024, the European Court of Justice upheld the European Commission's 2016 decision requiring Apple to repay €13 billion in

⁸ Cabinet Office (2014) Procurement Policy Note: Measures to Promote Tax Compliance. Available at: <https://www.gov.uk/government/publications/procurement-policy-note-0314-promoting-tax-compliance>.

⁹ OECD (2021) Tax Incentives and the Global Minimum Corporate Tax. Available at: https://www.oecd.org/en/publications/tax-incentives-and-the-global-minimum-corporate-tax_25d30b96-en.html.

ENGAGEMENT HIGHLIGHTS

Q2

back taxes to Ireland, while affirming that the favourable tax arrangements constituted illegal state aid.¹⁰

In Australia, Rio Tinto paid a \$1 billion settlement to tax authorities in 2022 over allegations of profit-shifting through a Singapore marketing hub, a controversial transfer pricing strategy that minimised the company's Australian tax obligations.¹¹

Tax practices also hold considerable significance for investors. Corporations engaging in aggressive tax strategies risk fines, reputational damage, and operational disruptions, all of which can diminish shareholder value. On the other hand, adherence to international frameworks such as the Global Reporting Initiative (GRI) 207 Tax Standard and the OECD's Base Erosion and Profit Shifting (BEPS) guidelines demonstrates robust tax governance and minimises these risks.

PIRC believes that public Country-by-Country Reporting (pCbCR) on taxes paid, revenues generated, profits earned, and disclosing other key financial metrics such as effective tax rate is essential for promoting transparency and accountability in corporate tax practices. This level of detailed reporting in line with GRI 207 helps stakeholders to assess whether companies are paying their fair share of taxes in the jurisdictions where they operate, thereby reducing the risks of tax avoidance and profit shifting. Crucially, the transparency and accountability that pCbCR offers will underpin various other tax initiatives like OECD Pillar Two and the Digital Services Tax (DST). OECD Pillar Two is a landmark agreement designed to prevent base erosion by establishing a global minimum tax rate of 15% Multinational Enterprises (MNEs).¹² This will ensure that MNEs pay at least 15% tax in each jurisdiction where they operate, curtailing profit shifting and ensure taxes are paid where value is created.

New rules for pCbCR have also been passed in the EU and Australia, taking effect for financial years starting after June 2024 and requiring a disclosure to the general public. In the EU, pCbCR reporting obligations will impact both EU and non-EU MNEs that have consolidated

revenues exceeding €750mn and operating in multiple EU states.¹³

Engagements: During Q2 2025, PIRC engaged with Capita plc, Cameco Corporation, Rheinmetall AG, Serco Group plc, Kier Group plc, and Leonardo SpA, on tax transparency and alignment with the GRI 207 guidelines. These companies were selected due to their significant reliance on government contracts or involvement in past tax disputes. Government contractors face heightened risks from profit shifting, as tax compliance can be a key criterion in public procurement processes, and their revenue ultimately depends on public funds generated through taxation. The primary objective was to encourage companies to adopt pCbCR and to better understand their approaches to responsible tax governance and stakeholder engagement.

In its engagement with **Capita plc**, PIRC acknowledged the company's Fair Tax Mark accreditation and low-risk tax approach as positive foundations. However, PIRC noted that the accreditation does not fully satisfy the requirements of GRI 207, particularly regarding jurisdiction-level reporting, reconciliation of tax paid and accrued, and transparency around governance, risk management, and stakeholder engagement. Capita recognised these limitations and indicated openness to enhancing its disclosures. The company stated it would consider incorporating public CbCR in its next reporting cycle and expressed willingness to publish improved tax information on its website.

By contrast, **Cameco Corporation**, a Canadian uranium supplier, maintained a strictly compliance-driven stance on tax transparency. The company referred to its disclosures under Canada's Extractive Sector Transparency Measures Act (ESTMA), which mandates reporting of payments to governments, such as taxes, royalties, and fees, by country and project. However, ESTMA focuses exclusively on payments and does not encompass the broader transparency expectations under GRI 207—such as a

public tax strategy, CbCR of profits alongside tax payments, or meaningful stakeholder engagement. Cameco declined to adopt a standalone tax strategy or commit to public CbCR, citing potential legal risks. Given the fact that the company has faced protracted legal disputes over transfer pricing practices with its sales subsidiaries with the Canada Revenue Agency in the past, its compliance-focused approach may expose it to further scrutiny given its limited responsiveness to stakeholder expectations.

Rheinmetall AG, a German defence and automotive group, similarly indicated that while it prepares CbCR in line with national legislation, it has no plans to make the information public or to align with GRI 207. The company publishes only a UK-specific tax strategy and does not disclose a group-wide policy or commit to broader responsible tax practices, such as ensuring tax is paid where value is created. While Rheinmetall emphasised cooperation with tax authorities and adherence to OECD transfer pricing principles, it showed little intention to engage proactively with investors or civil society on tax matters. Rheinmetall's lack of transparency and minimal stakeholder engagement place it behind some of its peers on responsible tax practices.

A leader within the sector is **Leonardo SpA**, an Italian multinational specialising in aerospace, defence and security. The company, which has appeared in the Dow Jones Sustainability Index for a decade, currently publishes voluntary public CbCR for key jurisdictions including Italy, the US and the UK, while aggregating data for others under an 'Other' category. However, this approach limits the ability to assess whether tax is being paid where value is created, particularly in non-OECD jurisdictions where tax evasion risks are higher. When these limitations were raised, the company was reluctant to expand disclosures beyond regulatory requirements. Consequently, alignment with GRI 207—particularly around jurisdictional disaggregation and stakeholder engagement beyond tax

¹⁰ The Times. (2024) Apple loses landmark tax case with EU. Available at: <https://www.thetimes.co.uk/article/apple-loses-landmark-tax-case-with-eu-gb5l95wj4>

¹¹ ABC News. Rio Tinto settles \$1 billion tax bill with ATO. 21 July 2022. Available at: <https://www.abc.net.au/news/2022-07-21/rio-tinto-settles-1b-tax-bill-ato/101256184>

¹² OECD (2021). *Pillar Two Model Rules in a Nutshell*. [online] OECD. Available at: <https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/global-minimum-tax/pillar-two-model-rules-in-a-nutshell.pdf>

¹³ Deloitte. EU Public Country-by-Country Reporting obligations. [online] Deloitte. Available at: <https://www.deloitte.com/global/en/services/tax/perspectives/eu-public-cbcr-country-by-country-reporting.html>

ENGAGEMENT HIGHLIGHTS

Q1

authorities—remains unmet.

Finally, **Serco Group plc** presented a relatively constructive engagement. The company confirmed it will be able to comply with the EU's forthcoming public CbCR requirements by 2026. Current disclosures remain high-level and regionally aggregated, lacking country-specific detail, and stakeholder engagement to date has primarily involved tax authorities, with limited interaction with civil society or investors. While Serco maintains a non-aggressive tax position, its past use of subsidiaries in low-tax jurisdictions such as Hong Kong and Luxembourg, and its implication in a critical report by the Centre for International Corporate Tax Accountability and Research (CICTAR), suggest the company will need to go beyond regulatory compliance to mitigate reputational risks.

Outcomes: Across the six engagements, Capita, Serco, and Leonardo showed moderate progress toward improved tax transparency, while Cameco and Rheinmetall remained firmly within a compliance-only approach. As regulatory and stakeholder expectations rise, PIRC urges all companies, particularly those reliant on public contracts, to embed tax transparency within their ESG commitments as essential to sustaining public trust.

LIVING WAGE RESOLUTION AT NEXT PLC

As part of the ShareAction Good Work Coalition (GWC), PIRC has continued to engage with retailers on the issue of real living wage (RLW). Set by the Living Wage Foundation, the RLW represents the minimum hourly rate necessary for workers to afford housing, food, and other basic needs. The new RLW rates for 2024/2025 are £12.60 per hour across the UK and £13.85 per hour in London, up from £12 and £13.15 respectively.

The coalition's engagement has primarily focused on the retail sector, which is characterised by high employee turnover and heavy reliance on low-paid labour. After several years of dialogue with companies on Living Wage and insecure work, investors decided to



High street fashion retailer NEXT, UK

escalate the issue at select retailers. Investors are calling on companies to disclose their workforce management strategies, allowing shareholders to better assess how these businesses are addressing financial pressures while promoting long-term sustainability.

In 2025, a Northern LGPS fund co-filed a shareholder resolution. The proposal requested the company assess the impact of implementing a living wage throughout its business. Despite being the UK's largest fashion retailer and reporting its strong financial performance of over £1bn in pre-tax profits, Next continues to face growing scrutiny over its labour practices, wage disparities and lack of transparency on human capital management.

The decision to file was driven by concerns about the company's continued reliance on low-paid retail staff, many of whom earn just above the statutory minimum. This presents a material risk to long-term resilience and profitability, contributing to high turnover, reduced productivity, and reputational risks – factors that collectively create an unstable operating environment. Adopting the RLW for all retail staff, including both directly employed and contracted workers, would significantly enhance employee living standards while safeguarding the long-term interests of investors.

Next have cited rising employer costs, including those resulting from the 2024 Autumn Budget, as a constraint. The company anticipates a £67 million increase in its £1.05 billion wage bill by January 2026—£21 million from National Living Wage increases and £26 million

from National Insurance increases. However, Next's own analysis suggests that paying directly employed staff the UK RLW would cost Next an additional £5.6 million—just 21% of the projected cost from National Insurance changes. These costs, the company acknowledge, could be offset through operational efficiencies and modest price adjustments.

Outcome: Ahead of the 2025 AGM, a meeting was held with the CEO and company secretary at Next to discuss the asks of the resolution. The company was open to understanding the drivers behind investors filing the resolution and willing to engage on the topic. However, Next remained reluctant to make any commitments regarding their disclosures and approach to wage setting. As part of their willingness to engage, Next was open to the suggestion of continuing the conversation with investors post-AGM to discuss possible next steps.

Next's AGM took place on 15 May 2025. The resolution received 27% shareholder support. This came amid a broader trend of declining support for social and climate-related resolutions.

Despite the challenging context, this outcome signals investor concern and underscores the importance of continued engagement on low pay and workforce equity. In its response, Next stated that while it did not agree with the form of the resolution, it recognised the value of providing more clarity around wage setting and confirmed it will publish a response on 15 November 2025, alongside its Annual Report.

ENGAGEMENT HIGHLIGHTS Q2

CASE STUDY SHELL PLC



A pipeline carrying liquified natural gas.

In 2025, two Northern LGPS fund co-filed a resolution ahead of Shell's 2025 AGM asking the company to justify how plans to expand Liquified Natural Gas (LNG) production align with existing climate goals.

Shell has been exceptionally bullish in its demand forecast for LNG and plans to increase output significantly over the next decade and beyond. This raises concerns on two fronts; analysis undertaken by the Australasian Centre for Corporate Responsibility (ACCR) indicates that the company's LNG output is 310% higher than the IEA Net Zero Scenario; ACCR also found that Shell's uncontracted LNG position presents risk to shareholders, with 1.4bn tonnes of uncontracted LNG through to 2050, around twice that of the next largest independent oil and gas company, the company is more exposed to price volatility than competitors.¹⁴

Meetings were held with Shell on three occasions prior to the AGM to discuss concerns relating to its LNG strategy. The company's response to reconciling its LNG business with its climate ambitions was to outline the role of LNG in the UK energy mix over the medium term, pointing to the UK's reliance on gas for heating homes. The company also argued that LNG prices are likely to fall and stimulate more demand through 2040. With regards to concerns of price sensitivities, Shell highlighted it had already carried out an impairment sensitivity analysis that assesses the impact of a low commodity price environment on its gas business.

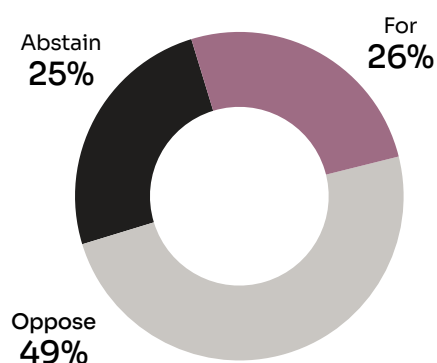
At the 2025 AGM, over 20% of shareholders supported the shareholder resolution, demanding a response from the Board. Shell is required under UK listing rules to consult shareholders and explain how the company will address the concerns raised in the resolution. This level of support reflects increasing investor concerns over the financial risks associated with continued fossil fuel investments.

This win follows from a long standing engagement with Shell on their climate commitments and demonstrates the power of sustained, strategic investor

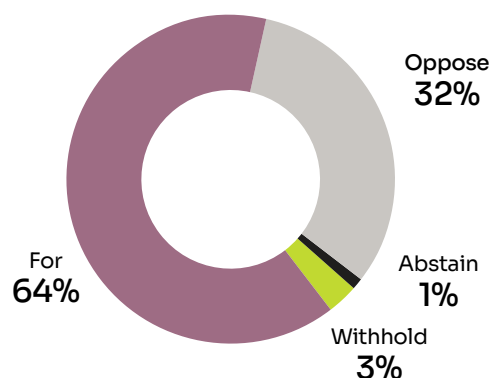
¹⁴ ACCR (2025). Investor Briefing: Shell's gamble on gas – Updated research and analysis ahead of Shell's 2025 AGM. [online] ACCR. Available at: https://www.accr.org.au/downloads/investor-briefing-shell-gamble-on-gas_2025.pdf.

PIRC VOTE RECOMMENDATIONS FOR AGMS Q2

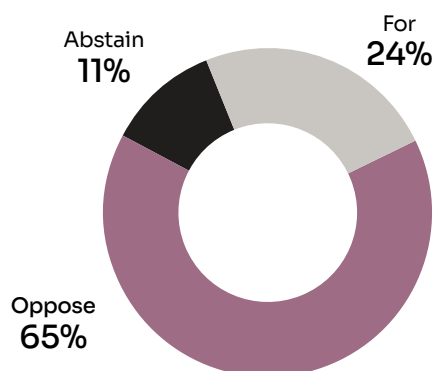
Votes on remuneration advisory, Q2 2025



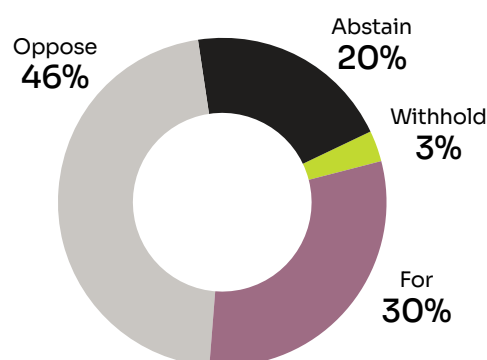
Director elections, Q2 2025



Votes on remuneration binding, Q2 2025



Auditor appointments, Q2 2025



Q2 Engagements

Company	Topic	Domicile
ASICS CORP	Environmental Risk	JPN
ASSOCIATED BRITISH FOODS PLC	Environmental Risk	GBR
BRITISH AMERICAN TOBACCO PLC	Employment Standards	GBR
CAMECO CORPORATION	Tax	CAN
IAG	Climate Change	GBR
IBERDROLA SA	Governance (General)	ESP
J Sainsbury	Human Rights	GBR
KERING SA	Environmental Risk	FRA
KIER GROUP PLC	Tax	GBR
LEONARDO SPA	Tax	ITA
MONCLER SPA	Environmental Risk	ITA
NEXT PLC	Employment Standards	GBR
PUMA SE	Environmental Risk	DEU
RHEINMETALL AG	Tax	DEU
SERCO GROUP PLC	Tax	GBR
TENCENT HOLDINGS LTD	Governance (General)	HKG
YARA INTERNATIONAL ASA	Climate Change	NOR
ZALANDO SE	Environmental Risk	DEU