NORTHERN LGPS 2025: Q1 QUARTERLY STEWARDSHIP REPORT

HUMAN RIGHTS IN SOLAR SUPPLY CHAINS/ ESG ROLLBACK/ SUSTAINABLE AQUACULTURE

FOCUS Q1: CONFLICT-AFFECTED AND HIGH-RISK AREAS

Accommodation and recreation facilities of a polysilicon company in northwest China s Xinjiang Uygur Autonomous Region

Human rights risks in solar supply chains

Overview: Large scale renewable energy generation remains crucial in transitioning to a net zero economy. However, the solar industry continues to face accusations of human rights abuses that undermine its sustainability. At the heart of these concerns is the use of forced labour in the solar panel supply chain, particularly the production of polysilicon – a key material in solar panel manufacturing. Addressing human rights abuses in the solar supply chain, particularly in Conflict-Affected and High-Risk Areas (CAHRAs) is essential to ensuring the integrity of the renewable energy transition.

The solar industry is particularly vulnerable to human rights abuses as approximately 45% of the world's supply of polysilicon originates in the Xinjiang region of China – this includes quarrying, processing, refining, and manufacturing. With an additional 50% of the world's polysilicon supply being produced in other regions of China, the state effectively dominates the global polysilicon market. This high concentration of production raises serious concerns due to the extensive reports of human rights violations in Xinjiang, including forced labour practices and systematic oppression of minority groups.

According to the International Labour Organisation (ILO), forced labour is defined as "all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered themselves voluntarily"1. Reports suggest that the indigenous

1 International Labour Organization (2024). What is forced labour? | International Labour Organization. [online] www.ilo.org. Available at: https://www.ilo.org/topics/forced-labour-modern-slavery-and-trafficking-persons/what-forced-labour.

Cover photo: An allegedly-enslaved Chinese worker

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Uyghur population in China's Xinjiang region is unable to choose or leave work voluntarily, due to the threat of penalty, aligning with the ILO definition of forced labour[2].

International investigations have documented a system where Uyghurs are coerced into working in polysilicon refineries and other parts of the solar supply chain. The Helena Kennedy Centre for International Justice found that all polysilicon manufacturers in the Uyghur region have participated in forced labour transfer programmes or are supplied by raw materials manufacturers that have[3].

This has created a dilemma for the companies participating in the renewable energy sector – wherein clean energy solutions designed to address climate change are subject to significantly increased human rights risks within their supply chains.

The Intergovernmental Panel on Climate Change (IPCC) notes that the solar and electric vehicle (EV) sectors play a vital role in the transition away from fossil fuels[4]. The International Energy Agency (IEA) also calculates that solar generation capacity will have to triple by 2030 to reach net zero by 2050[5].

The recent energy crisis triggered by Russia's invasion of Ukraine, has also accelerated the need for renewable energy deployment in the European Union (EU). This has resulted in the IEA revising their forecast for renewable capacity additions in the EU upwards by 40% compared with before the war[6]. Rapid growth in distributed solar PV is one of the primary drivers for this more positive outlook, accounting for almost three-quarters of the EU forecast revisions. This is driven by high electricity prices that make solar PV more financially attractive as well as increasing policy support in key EU markets, especially in Germany, Italy and the Netherlands[7]. The need for a swift transition to green energy has rapidly accelerated the growth of the solar industry and is a reason for companies to exercise greater diligence as they manage increased demand.

The growth of the solar industry presents a stark contradiction, clean energy technologies that are necessary to address climate change being tainted by serious human rights abuses. In response, several countries, including the United States, have implemented import restrictions on solar products with components from Xinjiang, creating supply chain challenges for the industry while attempting to address these human rights concerns.

Issues: Due to the pervasiveness of forced labour in the region, and the inability to conduct credible due diligence because of the controlled environment, investors and companies should presume that all products made in the region or by state-transferred Uyghur labourers working in other parts of China are made with forced labour[8].

Sourcing polysilicon from China presents an unprecedented challenge for companies and investors, characterised by systemic barriers to responsible supply chain management and human rights due diligence. At the core of this challenge is a deliberately opaque and controlled environment that effectively prevents meaningful investigation of labour practices and transparency within supply chains.

Investigators, auditors, and independent observers are systematically blocked from conducting on-the-ground due diligence in Xinjiang. This deliberate obstruction creates an environment where companies are unable to verify the absence of forced labour in their supply chains and renders any existing due diligence processes ineffective.

Additionally, many companies lack robust traceability systems capable of comprehensively tracking materials and monitoring working conditions. This can lead to multiple points of potential exploitation, even in relatively short supply chains. As a result, there are no valid means for companies or investors to verify that any workplace in the Uyghur region is free from forced labour. Companies are therefore unable to prevent, mitigate or remedy the use of forced labour in the workplaces in line with the principles of human rights due diligence.

However, economic pressures further complicate decision making. Despite growing awareness of human rights abuses, companies face significant financial incentives to continue sourcing from China. The surge in production of solar panels from Chinese manufacturers has significantly reduced the price for Western solar suppliers[9]. This has made it economically harder for companies to move away from sourcing from Chinese suppliers. While many companies have nominally moved away from direct sourcing in Xinjiang, they continue to source from other parts of China, there remains the risk that products manufactured in Xinjiang are sold through companies in other parts of China to conceal their origin.

Materiality: Investors have a critical role to play in ensuring that the transition to renewables does not contribute to further human rights violations against the Uyghur people and other marginalised populations.

Allegations of systemic forced labour and human rights abuses against the Uyghur population and other ethnic

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2 Sudworth, J. (2022). *The faces from China's Uyghur detention camps*. [online] BBC News. Available at: https://www.bbc.co.uk/news/extra/85qihtvw6e/the-faces-from-chinas-uyghur-detention-camps.

3 Murphy, L. and Elimä, N. (2021). *IN BROAD DAYLIGHT Uyghur Forced Labour and Global Solar Supply Chains 2 IN BROAD DAYLIGHT: UYGHUR FORCED LABOUR AND GLOBAL SOLAR SUPPLY CHAINS*. [online] Available at: https://shura.shu.ac.uk/29640/1/Murphy-InBroadDaylight%28VoR%29.pdf.

4 IPCC (2023). *Synthesis report of the IPCC Sixth Assessment Report (AR6) Summary for Policymakers*. [online] *IPCC*. Intergovernmental Panel on Climate Change. Available at: https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf.

5 IEA (2023). *Executive summary – Renewable Energy Market Update - June 2023 – Analysis*. [online] IEA. Available at: https://www.iea.org/reports/renewable-energy-market-update-june-2023/executive-summary.

6 IEA (2023). *Executive summary – Renewable Energy Market Update - June 2023 – Analysis*. [online] IEA. Available at: https://www.iea.org/reports/renewable-energy-market-update-june-2023/executive-summary.

7 IEA (2023). *Executive summary – Renewable Energy Market Update - June 2023 – Analysis*. [online] IEA. Available at: https://www.iea.org/reports/renewable-energy-market-update-june-2023/executive-summary.

8 Murphy, L. and Elimä, N. (2021). *IN BROAD DAYLIGHT Uyghur Forced Labour and Global Solar Supply Chains 2 IN BROAD DAYLIGHT: UYGHUR FORCED LABOUR AND GLOBAL SOLAR SUPPLY CHAINS*. [online] Available at: https://shura.shu.ac.uk/29640/1/Murphy-InBroadDaylight%28VoR%29.pdf.

9 Rejwan, T. (2024). *Solar prices are plummeting amid Chinese 'slave labour' allegations - Curation Group*. [online] Curationcorp.com. Available at: https://www.curationcorp.com/blog/solar-prices-are-plummeting-amid-chinese-slave-labour-allegations [Accessed 15 Apr. 2025].

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minorities have drawn significant scrutiny from governments, international organisations and advocacy groups. The UK Modern Slavery Act, along with the US Uyghur Forced Labour Prevention Act, places increasing pressure on companies to demonstrate that their supply chains are free from labour exploitation. Failure to comply can lead to detained shipments, operational delays, and financial penalties that threaten business continuity.

Investors are also exposed to reputational risks as regulators, consumers and other stakeholders demand ever-greater transparency and accountability. Exposure to state-imposed forced labour presents distinct risks for investors and therefore necessitates innovative approaches to due diligence and engagement.

European Union legislation, such as the Corporate Sustainability Due Diligence Directive (CSDDD), attempts to establish a comprehensive framework for addressing these challenges. The directive introduces robust obligations for large companies to identify, prevent and mitigate adverse human rights and environmental impacts. These requirements extend beyond direct operations to encompass subsidiaries and business partners throughout their value chains.

While the EU's Omnibus Directive may reduce the potency of CSDDD in addressing systemic human rights violations. The regulatory framework will mandate a greater emphasis on supply chain due diligence.

During Q1, PIRC engaged with five European companies involved in renewable energy production to set out expectations as it relates to managing human rights risks within their solar supply chain. The engagements highlighted a lack of disclosure related to human rights abuses, inadequate due diligence processes and other challenges in maintaining responsible sourcing practices.

Chinese workers check production of photovoltaic cells for solar panels

EFFECTIVE ENGAGEMENT:

IBERDROLA SA

Issues: Iberdrola has identified a risk of forced labour in 0.4% of its total purchases,1 demonstrating greater transparency than many industry peers who do not disclose their risk assessments. However, this figure represents only a theoretical risk, as no instances of non-compliance were publicly reported in 2023, and no supplier contracts were terminated due to human rights violations. While 0.4% may seem small, for a global energy company, the absolute value of purchases at risk is likely to be significant, posing both financial and reputational risks.

Engagement: In the engagement meeting with PIRC on the 16th of January 2025, Iberdrola outlined several key due diligence measures implemented throughout the contracting cycle, including those previously mentioned. However, the company acknowledged that completely eliminating the risk of forced labour remains a significant challenge owing to geopolitical and regulatory constraints. This has prompted the company to take a pragmatic approach focused on supplier engagement and industry coalitions like the Solar Stewardship Initiative (SSI), which aims to foster responsible production, sourcing, and stewardship of materials across the global solar value chain.

While Iberdrola acknowledged the need to diversify the solar supply chain, the company noted that transitioning away from China would remain financially unfeasible in the short term. However, the company reaffirmed its commitment to strengthening supply chain transparency through its involvement in the SSI, which has begun implementing physical audits of solar manufacturers. The company also pointed out that most major Chinese and

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European solar suppliers now participate in SSI, positioning it as a key industry initiative. The company believes that collaboration across the sector is essential, with SSI involving suppliers, academia, and industry representatives to strengthen traceability and audit mechanisms.

Outcome: To address forced labour risks in its supply chain, Iberdrola has introduced several measures, including contractual clauses requiring suppliers to reject forced labour and negotiated provisions allowing independent third-party inspections to audit supply chain traceability. However, the effectiveness of these measures remains unclear, as the company does not publicly disclose instances of non-compliance, or any actions taken in response.

While Iberdrola has strong due diligence and reporting practices, the company remains reliant on industry-wide initiatives to improve traceability and responsible sourcing. This results in a diffusion of responsibility, making it more difficult to uphold corporate accountability for its supply chain. Disclosing case studies and actions taken in cases of non-conformance within its supply chain would be a first step towards demonstrating the effectiveness of its due diligence and risk management mechanisms. PIRC expects to see more evidence the company is ensuring human rights due diligence processes are consistently applied across all subsidiaries.

ARCELORMITTAL SA

Issues: ArcelorMittal's core business is steel production; however, its exposure to the solar sector is growing as the company advances its decarbonisation efforts through both its own solar projects and joint ventures. Despite this, ArcelorMittal has yet to commit to greater transparency, traceability mechanisms, or industry-wide initiatives such as the Solar Stewardship Initiative. While the company has established strong due diligence processes for 3TG minerals (tin, tungsten, tantalum, and gold) to meet legal requirements in the US and Europe,[2] quartz does not receive the same level of scrutiny. Additionally, although ArcelorMittal claims to conduct extensive supplier risk assessments that account for financial and geographic risks, it does not publish any findings. PIRC's research also highlights concerns around the company's joint ventures, particularly in Brazil and India, where there is little transparency regarding whether stringent due diligence practices apply.

Engagement: PIRC's engagement with ArcelorMittal on the 13th of February 2025 focused on strengthening the company's solar supply chain due diligence to match the standards applied to its core steel operations. ArcelorMittal outlined several human rights due diligence measures, including media screening on ESG credentials and supplier risk assessments.

The company also highlighted a pilot due diligence programme launched in Germany, driven by rapidly evolving due diligence legislation, which has since been expanded across the group. Given that a significant portion of ArcelorMittal's solar supply chain exposure comes from its joint ventures (JVs), particularly in Brazil and India, PIRC questioned whether the company applies its due diligence processes consistently to these ventures. ArcelorMittal indicated that while it provides advice where necessary, JVs often operate independently. Additionally, the company noted that it is in the process of rolling out enhanced human rights training to 100,000 suppliers as part of the first phase of its strengthened due diligence process.

Outcome: The engagement highlighted gaps in ArcelorMittal's human rights due diligence within its solar supply chain. PIRC emphasised the need for greater transparency regarding key sourcing regions.

While ArcelorMittal acknowledged risks within its joint ventures in Brazil and India, it did not present a structured plan to ensure supplier accountability in these regions. PIRC recommended enhanced public disclosures on supplier audits and non-conformance cases would further enhance stakeholder trust and demonstrate a more proactive approach to responsible sourcing.

RWE AG

Issues: RWE's human rights management practices are strongly aligned with the German Supply Chain Act, which imposes relatively stringent requirements compared to other legislations. However, the company's efforts have scope for improvement in order to meaningfully mitigate the risk of forced labour in its supply chain.

While RWE asserts that it does not source from Xinjiang,[3] its public disclosures offer little evidence to rule out indirect supply chain links to the region. This is because the company's due diligence rarely extends beyond tier-1 suppliers, overlooking the deeper layers of the supply chain where the greatest risks occur. This is particularly concerning as manufacturers involved in processing quartz into polysilicon and producing wafers and cells—where forced labour risks are highest—do not always supply directly to utility companies.

Furthermore, the company conducts various risk assessments across countries and sectors, employs digital monitoring tools, and follows a multi-level due diligence process.[4] However, in the absence of sourcing region disclosures, public risk disclosures, case studies and other concrete examples, the effectiveness of these measures in identifying human rights risks is limited. Finally, despite being a major renewable energy company, RWE has no mention of industry partnerships (such as the Solar Stewardship Initiative) in its disclosures.

Engagement: During PIRC's engagement with RWE on the 14th of February 2025, the company provided an overview of its human rights risk management tools and supply chain practices. RWE stated that it employs a digital monitoring tool that scrapes the internet for adverse news reports about its suppliers across multiple languages, enabling internal teams to conduct more sophisticated supply chain risk assessments.

Regarding sourcing, RWE acknowledged procurement from high-risk regions but declined to disclose its major sourcing countries. The company also noted that while it has an internal whistleblowing mechanism, no complaints related to human rights risks

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An employee operates a machine at the production workshop of at a polysilicon company in northwest China s Xinjiang Uygur Autonomous Region

have been reported through this channel. RWE adheres to a €50,000 due diligence threshold, in line with legal requirements, but recognised its limitations in monitoring smaller, high-risk suppliers. However, the company stated that the threshold is designed to prioritise screening for the largest sources of risk. When asked whether it would consider publicly disclosing cases of non-conformance, RWE representatives stated that they would relay this expectation internally.

Outcome: RWE's willingness to enhance transparency around publicly disclosing cases of non-conformance is an important step which can demonstrate the effectiveness of its internal risk management as well as external reporting mechanisms. While the use of a digital monitoring tool is a welcome development, its reliance on publicly available news sources makes it highly dependent on press freedom, which is often restricted in regions with a high risk of forced labour.

Similarly, the fact that RWE's whistleblowing mechanism has not flagged any material human rights concerns it raises questions about whether this reflects a genuine absence of issues or barriers to reporting. In addition, RWE's compliance-based approach under the German Supply Chain Due Diligence Act (LkSG) results in gaps in supply chain risk management, as the company meets only the minimum legal requirements without proactively addressing human rights risks beyond direct suppliers.

ENEL SPA

Issues: A key differentiator for Enel is its active supply chain diversification, reducing reliance on high-risk regions—particularly China—by expanding its 3Sun Gigafactory in Italy to 3 GW per year, enhancing European energy

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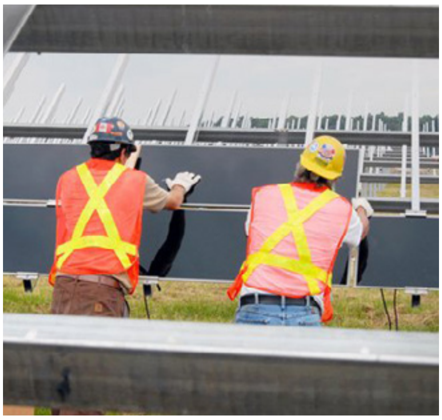
independence and mitigating forced labour risks in the solar value chain. The company enforces supplier qualification and factory assessments covering human rights, safety, and ethical integrity, alongside traceability requirements to track materials through its supply chain. However, verifying supplier claims remains challenging, particularly in regions where independent audits are restricted. Additionally, Enel's move to heterojunction (HJT) solar panels reduces its reliance on silicon, further lowering forced labour risks.

Despite Sheffield Hallam University's (SHU) "In Broad Daylight"10 report linking four of Enel's suppliers to forced labour, the company states that it found no direct evidence of such practices. However, without greater transparency on non-compliance findings, concerns remain over the credibility of these claims.

Enel's human rights risk assessment maps supply chain risks by linking key materials to their countries of origin and categorising risks at different supply chain stages, but the risk scores are also not publicly available, making it difficult to scrutinise its sourcing practices.

Engagement: During PIRC's engagement with Enel on the 5th of February 2025, the company outlined key measures taken since the 2021 Sheffield Hallam University (SHU) report, emphasising its efforts to ensure Chinese suppliers adhere to its Human Rights Policy, including a clause rejecting forced labour and allowing direct and third-party audits. Enel acknowledged that full control over Chinese suppliers is not feasible but has pressured key suppliers to comply.

The company highlighted that its strategic business decisions—such as establishing the 3Sun Gigafactory and shifting investment from solar to onshore wind due to solar overproduction and market imbalances in Spain, Sweden, and Germany—have naturally minimised exposure to forced labour risks. Of its €12 billion renewables budget, 50% is allocated to onshore wind, 25% to solar, and the remainder to hydro and battery



Construction of an EDF solar farm

storage. While not excluding China entirely, Enel stated it will only source from suppliers that demonstrate their materials do not originate from high-risk regions.

To strengthen oversight, Enel requires Chinese suppliers to map their own supply chains, even though only 5–10 companies from the country supply to Enel. The company also conducts stakeholder consultations and risk monitoring every three years, supplemented by gap analyses and improvement plans.

Outcome: While negotiating clauses that enable supplier audits is a positive step, PIRC requested more granular disclosure relating to these audits in order to better assess the impact on forced labour. This should go hand-in-hand with routine disclosure of non-conformances, which is an area where most utility companies lag. Although Enel is shifting away from solar energy and reducing its exposure to high-risk regions through investments like the 3Sun Gigafactory, the company should continue to leverage its dominant industry position in partnerships like the Solar Stewardship Initiative and SolarPower Europe.

EDF

Issues: Électricité de France (EDF) is wholly owned by the French government. The company was fully renationalized in June 2023 after a period of partial privatization. As such the company is not directly held by Northern LGPS member funds however the company is a relevant stakeholder in the context of developing and managing solar assets. The company identified the risk of human rights in its supply chain and recognises the role that it has to play as a large purchaser of polysilicon. The company has leveraged its position to hold suppliers in China to a high standard by employing strict supplier codes of conduct that are able to cascade action throughout the supply chain.

Engagement: On the 6th of March 2025, PIRC engaged with EDF on human rights risks in their supply chain. EDF recognises the human rights risks in the solar supply chain and outlined several key due diligence measures implemented by the company to reduce risk. It has implemented a vigilance mechanism to identify, evaluate, and prevent human rights violations which is consistent with the French Corporate Duty of Vigilance Law and UNGPs on business and human rights. The company has a thorough qualification process for suppliers which involves a desktop review, an audit of the factory that will be producing the component and strict supplier codes of conduct. EDF supports suppliers in the qualification process through engagement and equips them in cascading action throughout their own supply chains through education and engagement. Furthermore, the company has been able to work with and consistently audit suppliers in China to limit their exposure to human rights abuses in the factories that produce their PV panels.

Outcome: As EDF sourced polysilicon for its solar panels from Xinjiang, its operations were affected by the news of human rights abuses. However, EDF used this as an opportunity to strengthen their human rights due diligence processes, grievance mechanisms and supplier engagement across their business. EDF has since worked with its suppliers to limit human rights risks present in its supply chains and continuously monitors and audits its suppliers in China.

10 Murphy, L. and Elimä, N. (2021). *IN BROAD DAYLIGHT Uyghur Forced Labour and Global Solar Supply Chains 2 IN BROAD DAYLIGHT: UYGHUR FORCED LABOUR AND GLOBAL SOLAR SUPPLY CHAINS*. [online] Available at: https://shura.shu.ac.uk/29640/1/Murphy-InBroadDaylight%28VoR%29.pdf.

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President Donald Trump speaks during a news conference at Mar-a-Lago

ESG ROLLBACK

The ESG rollback refers to the recent retreat from Environmental, Social and Governance (ESG) investment considerations and policies that has occurred across financial markets and regulatory frameworks. The focus of the rollbacks has been on Diversity, Equity & Inclusion (DEI) initiatives and climate action.

The rollback has been driven by several factors including political pushback in North America who view ESG as ideologically motivated, increased regulatory scrutiny in the US, UK and EU and corporate hesitancy amid conflicting stakeholder demands. A central component of the rollbacks has been the concerted effort to undermine progress that has been made to increase the consideration of ESG factors within the investment and corporate communities.

At a regulatory level, there has been a watering down of existing frameworks as well as amendments made to policies set to come into force. In the US, there has been action at both a state and federal level to prohibit some ESG-related activities. The US Securities and Exchange Commission (SEC) revised its policies concerning ESG issues that impact shareholder engagement and corporate governance, making it harder for shareholders to propose votes on ESG issues.

At a state level, the US has also denounced the Sustainable Development Goals (SDGs) and withdrawn from the Paris Agreement. The EU has softened the climate accounting policies in the Omnibus Directive and is also set to weaken the EU taxonomy and Corporate Sustainability Due Diligence Directive (CSDDD) as a result of company pressure. On a similar note, the UK's Stewardship Code is set to redefine stewardship by removing or at least relegating the importance of environmental and social factors, the listing rules have been reformed and proposed changes to the UK Corporate Governance Code have not proceeded.

For investors and companies, this rollback means navigating a more complex landscape where ESG considerations remain important to some stakeholders but face greater scepticism and less regulatory support.

This trend has been more evident in certain sectors, including financial services and oil & gas over their

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approaches to climate change.

Over recent months, some governments and businesses have reduced their focus on climate-related initiatives or limited certain regulations on corporate behaviour if they believed that it restricts economic growth or goes against the preferences of certain stakeholders. This is evident in the decision of some large investors to pull out of the CA100+ initiative and the Net Zero Asset Manager (NZAM) having to suspend activities. Several major – mainly American - financial institutions, including JPMorgan Chase, Morgan Stanley and Bank of America, have withdrawn from the Net Zero Banking Alliance (NZBA) in the past year.

This exodus represents a blow to coordinated climate action from the financial sector. The banks cited concerns about antitrust issues and regulatory scrutiny, while facing simultaneous pressure from some state officials who threatened legal action against climate alliance participation. This retreat highlighted the growing tension between environmental commitments and political-economic pressures, becoming a prominent symbol of the broader ESG rollback.

Beyond the US, there have been notable rollbacks from the oil and gas sectors, with Shell and BP u-turning from their decarbonisation targets. Shell and BP were once at the forefront of oil majors pivoting towards renewable energy, but both have significantly scaled back their green ambitions in the last couple of years.

In 2023, Shell announced a retreat from its ambitious reduction targets, maintaining its 2050 net-zero goal but abandoning interim targets that would have cut production by 1-2% annually through 2030. Similarly, BP backtracked on its pledge to cut oil and gas production by 40% by 2030, revising this target to just under 25% under CEO Bernard Looney and then further weakening it under its current CEO Murray Auchincloss. This corporate reversal was driven by investor pressure for stronger financial returns, as both companies delivered lower profits in the last couple of years.

Over the last year, PIRC engaged with both supermajors on the reversal of their targets and plans to expand their fossil fuel businesses.

SHELL

Issues: Shell is exceptionally bullish in its demand forecast for liquified natural gas (LNG) and is planning 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. ACCR modelling outlines that for every $1/MBtu that prices fall, there could be a $14bn impact on Shell's net present value (NPV).

Engagement: PIRC met with Shell on two occasions during Q1 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 to 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.

Outcome: Merseyside and Greater Manchester Pension Funds co-filed a resolution ahead of Shell's 2025 AGM asking company to justify how plans to expand LNG production aligns with existing climate goals. Senior representatives from both MPF and GMPF are scheduled to meet with the Chair of Shell ahead of the AGM.

BP

Issues: BP has recently announced a fundamental reset in its climate strategy, rolling back several of its climate commitments. It has now 'retired' several of its aims relating to climate change, including its Scope 3 targets and its goal to increase investment into the transition. Instead, it announced that it would increase its investment into oil and gas by 20% and cut costs elsewhere. Controversially, the company has opted not to offer shareholders a vote on the new strategy, despite having done so with the previous more ambitious strategy, which was supported by 85% of shareholder votes cast.

Engagement: On the 27th of March 2025, PIRC met with BP ahead of its AGM to discuss its recent reset in climate strategy. PIRC questioned BP's reset, arguing that it effectively positions the company as a pure play integrated oil and gas business as opposed to a business in transition. During the engagement, PIRC emphasised its position that oil and gas companies not in transition should be in long-term managed decline, with a focus on returning profits to shareholders rather than reinvesting them into new hydrocarbon projects. The company maintained that the reset does not undermine its 2050 net zero goal, describing it as a necessary short-term adjustment due to rising energy demand, competition, and its lower-than-expected returns on renewables. It also emphasised its disciplined approach to investments.

PIRC also raised concerns over the absence of a 'Say on Climate' vote for such a fundamental shift, with BP claiming that most shareholders it had spoken to were not requesting one and some argued it would serve as a distraction during a critical phase for BP. Additionally, PIRC questioned the company's decision to retire aims related to political advocacy and trade associations, to which BP suggested that shareholders had found these commitments overly complex and that it remains engaged in advocacy where aligned with its interests.

Outcome: Due to the lack of a 'Say on Climate' vote, as well as broader concerns about BP's climate strategy, PIRC recommended opposition to the re-election the Chair of the Board, Helge Lund, as well as the Chair of the Sustainability Committee, Melody Meyer. Days after PIRC's recommendation was issued, the Chair of the Board announced his intention to step down from the board of directors during 2026.

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A salmon fish farm in Norway

SUSTAINABLE AQUACULTURE

While the salmon aquaculture industry's reliance on wild-caught fish for feed has reduced considerably since the 1980s, the pace of improvement has stagnated. As part of a collaborative engagement with the FAIRR initiative, PIRC engaged with a Norwegian seafood producer to understand how the company plans to reduce their reliance on wild-caught fish, fish meal and fish oil, to mitigate their wider biodiversity risks and identify potential opportunities.

Globally, 70% of salmon are now farmed, making salmon aquaculture the fastest growing food production system in the world[11]. Salmon requires a high-protein diet, which is commonly delivered by including fish meal and fish oil (sourced from wild fish) alongside plant-based proteins (such as soy) in their feed. As a result, the industry is acutely exposed to the climate and biodiversity-related risks associated with obtaining these ingredients.

The engagement aims to gain commitments from large salmon producers to conduct meaningful risk assessments, in alignment with Taskforce on Nature-related Financial Disclosures (TNFD) guidance, examining how forage fish availability could constrain salmon production growth in the future. Furthermore, companies will be encouraged to disclose a timely target to reduce their exposure to forage fish, supported by a clear strategy detailing the role of each potential mitigation actions (e.g. using an increased quantity of trimmings or alternative ingredients). Companies will be asked to report on their performance relating to reducing the quantity of wild-caught fish used in their salmon feed. Finally, companies will also be encouraged to increase the amount of Research & Development (R&D) spent on alternative ingredients (e.g. algal oil) which can be used in salmon feed.

GRIEG SEAFOOD

Issues: While Grieg Seafood was an early adopter of TNFD, the company has not conducted a thorough risk assessment that examined how forage fish availability could constrain salmon production growth. The company has also not disclosed a timely, quantified target to reduce its exposure to forage fish, supported by a clear strategy. Finally, the company does not have a target to reduce the absolute amount of forage fish sourced or a plan to support the use of alternative ingredients.

Engagement: On the 17th of January 2025, PIRC engaged with Grieg Seafood alongside other investors and the FAIRR initiative. Investors wanted to better understand Grieg Seafood's risk assessment with regards to forage fish availability, to clarify the practices it undertakes to mitigate its exposure to forage fish, as well as to discuss initiatives the company has in place to increase the amount of R&D spent on alternative ingredients.

During the meeting, Grieg Seafood discussed its governance structure and progress on implementing the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations, including the challenges faced due to staffing constraints and its prioritisation of Corporate Sustainability Reporting Directive (CSRD) reporting. The company provided insights on its risk assessment framework, specifically on forage fish availability, the traceability of feed ingredients, and its compliance with the Aquaculture Stewardship Council (ASC) standards.

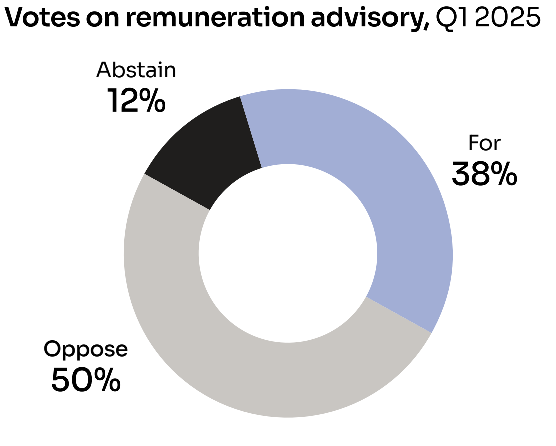
Investors raised questions about the company's reliance on marine-based feed ingredients, its plans for including novel feed ingredients such as algal oil and insect meal, and its target of sourcing 5% of feed from novel ingredients by 2030. Grieg Seafood also highlighted its efforts to use sustainability metrics in its feed ingredient selection, the company's advancements in digital tools for traceability, and its collaboration with feed suppliers on innovative solutions. The company also confirmed that it has not disclosed any R&D spend directed towards alternative feed ingredients because it does not develop raw materials, but rather it approves them by investigating documentation provided by feed producers.

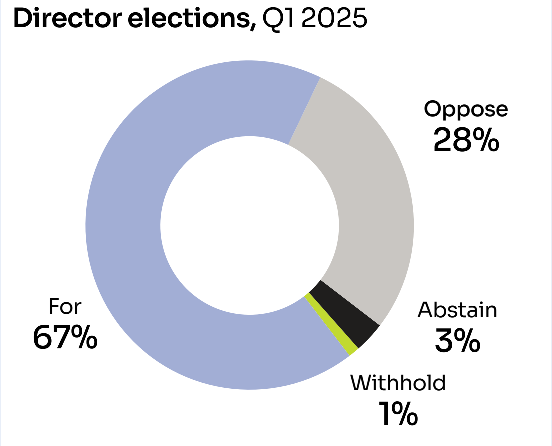
Outcome: Investors noted that Grieg Seafood does not appear to have a specific strategy or goal to increase the use of trimmings in its feed, and that the company stated it does not believe it is suitable for companies to set their own targets, but that goals for the sustainable use of trimmings should rather be set at the global level. The company believes all trimmings must be certified, though this is difficult due to the challenge of separating fish species and identifying bycatch.

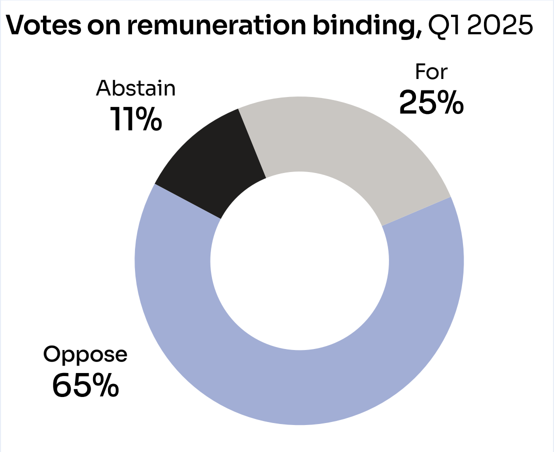
Investors noted Grieg Seafood aims to nearly double its fish harvest by 2026 and asked if the inclusion of alternative feed ingredients is enough to remedy the risk of wild stock depletion. The company explained that it does not believe its growth will be limited going forward, but that a critical issue is the inclusion of EPA and DHA sources in salmon feed – nutrients that are typically delivered by fish oil. The company was dependent on Peruvian anchovies' fisheries, though this was proven not to be a sustainable solution.

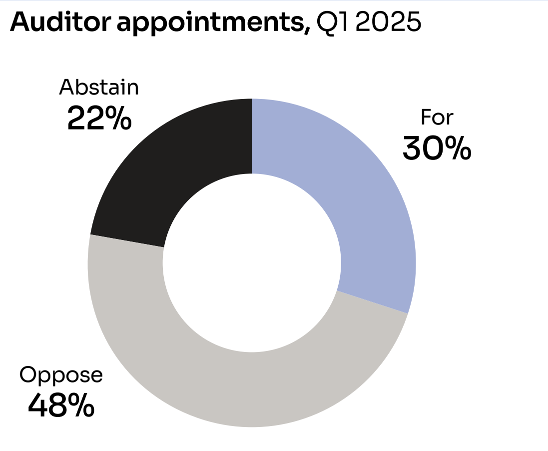
11 World Wildlife Fund. (2012). *Farmed Salmon | Industries | WWF.* [online] Available at: https://www.worldwildlife.org/industries/farmed-salmon.

VOTING Q1









Q1 Engagements

Company	Topic	Domicile
SHELL PLC	Climate Change	GBR
ENEL SPA	Human Rights	ITA
GRIEG SEAFOOD AS	Environmental Risk	NOR
RWE AG	Human Rights	DEU
BHP GROUP LIMITED (AUS)	Social Risk	AUS
SHELL PLC	Audit Practices	GBR
MONDELEZ INTERNATIONAL INC	Audit Practices	USA
VOLVO AB	Climate Change	SWE
MEDIOBANCA SPA	Shareholder Rights	ITA
VINCI	Social Risk	FRA
IBERDROLA SA	Human Rights	ESP
ARCELORMITTAL SA	Human Rights	LUX
EDF (ELECTRICITE DE FRANCE) SA	Human Rights	FRA
BP PLC	Climate Change	GBR
HSBC HOLDINGS PLC	Climate Change	GBR
SOCIETE GENERALE SA	Climate Change	FRA