NORTHERN LGPS 2026: Q1 QUARTERLY STEWARDSHIP REPORT

AI GOVERNANCE / MODERN SLAVERY / CLIMATE ADAPTATION & RESILIENCE

FOCUS Q1: AI GOVERNANCE

Responsible AI Governance in the healthcare industry

AI GOVERNANCE

Overview: Artificial Intelligence (AI) is becoming increasingly embedded in economy, creating both risks and opportunities for investors. AI adoption is accelerating rapidly, sometimes outpacing the governance structures needed to manage it responsibly.[1] However, while companies seek to harness AI to improve efficiency and reduce costs, public disclosure on its use remains limited. In particular, there is little transparency on how AI systems are deployed and how their impacts on data privacy, consumers and the environment are managed.

Many companies view AI integration as essential to long-term value creation.[2] However, as AI becomes more integrated, the associated risks become more material. These risks include data privacy breaches, biased algorithms, environmental impacts linked to AI infrastructure, and concerns around workforce disruption.

An estimated 88% of companies have integrated AI into at least one of their business functions.[3] However, despite this growing reliance on AI, governance preparedness has not always kept pace

1 Thomson Reuters Foundation and UNESCO, 'Responsible AI in practice: 2025 global insights from the AI Company Data Initiative', Thomson Reuters Foundation and UNESCO, 2026, https://www.trust.org/wp-content/uploads/2026/03/AICDI-2025-Responsible-AI-in-practice-1.pdf

2 Boston Consulting Group (BCG), 'AI adoption in 2024: 74% of companies struggle to achieve and scale value', BCG, 2024, https://www.bcg.com/press/24october2024-ai-adoption-in-2024-74-of-companies-struggle-to-achieve-and-scale-value

3 McKinsey & Company, 'The state of AI in 2025: Agents, innovation, and transformation', McKinsey & Company, 2025, https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai

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with the scale and speed of AI adoption.[4] This has created a gap between how extensively AI is used and how effectively it is overseen. Weak governance related to AI integration can expose companies to regulatory penalties, litigation, reputational damage and operational disruption. If not adequately addressed, these risks could undermine trust, restrict market access and erode long-term value.

Regulatory developments are beginning to close this gap. Globally, policymakers are introducing more stringent requirements around AI accountability, transparency and safety. The EU AI Act is the most prominent example, establishing obligations around risk management, human oversight, data governance and organisational training. Regardless of where operations are based, companies globally can be affected by this regulation if their AI systems are sold in the EU. This contrasts with other major markets – including the UK and US – which have up until now taken less prescriptive approaches to AI, largely relying on existing laws and voluntary standards. Whilst this may allow faster scaling of AI deployment, it also shifts more responsibility for managing AI risks onto companies. It can also create greater uncertainty, as firms must address evolving expectations if they are to avoid future regulatory or reputational blowback.

On behalf of Northern LGPS, PIRC engaged with eight companies in the healthcare and medical devices sector across the UK, Europe, North America and Oceania on their approach to AI governance. This sector was selected as it has made substantial progress in embedding various forms of AI technologies across clinical, operational and research activities. Additionally, companies in the health care sector operate under intense regulatory scrutiny due to the potential risks to patient outcomes associated with their products. The engagements aim to assess how companies govern the use of AI, manage associated risks and prepare for evolving regulation and to identify where gaps between adoption and oversight remain.

Issues: Disclosure and transparency are particularly important in the context of AI, as they enable relevant stakeholders to understand how material risks are identified, managed and overseen. Recent increases in AI-related disclosures have been concentrated in the sectors most directly exposed to AI adoption, such as financials, healthcare, industrials, IT and consumer discretionary.[5] However, disclosure quality and governance maturity remain uneven, particularly in high-risk sectors such as healthcare.

A recurring issue is the lack of clarity over accountability at board level. Where oversight is not clearly defined, responsibility for AI use can become fragmented across functions, increasing the risk that ethical, safety, and compliance concerns are not escalated or addressed in a timely way. This diffusion of responsibility is particularly problematic in healthcare, where AI systems may influence clinical outcomes and patient safety. Additionally, while companies may describe their AI governance structures, they often provide limited evidence of how they are applied operationally.[6]

Another concern arises when companies lack a clearly articulated AI strategy. Where firms do not transparently explain how AI is used, how material it is to their business, or how its role may evolve over time, investors are left with an incomplete understanding of risk exposure. This may indicate that AI adoption is reactive rather than strategic, increasing the likelihood of inconsistent practices across products, services, and geographies. Limited disclosures around AI use in core products or research & development (R&D) pipelines also raises questions about long-term regulatory readiness and resilience.

Alongside strategy, companies are increasingly expected to build organisational capability and internal understanding of AI. Emerging regulation, including the EU AI Act, places a growing emphasis on training and internal understanding of AI. Companies are expected to educate employees and board members on AI fundamentals, ethical considerations and associated risks to comply with regulatory requirements. Poor AI literacy can lead to misuse, over-confidence in outputs and inadequate challenge of system limitations. Skills shortages are also widely reported as a constraint on effective AI deployment, even in large firms.[7]

Many companies have adopted high-level AI principles intended to guide the transparent, ethical and responsible use of AI. However, the absence of robust responsible AI frameworks that translate these principles into practice remains a concern. Where commitments to responsible AI are not embedded in policies and governance processes, companies risk deploying systems that fail to meet societal expectations. This includes shortcomings around transparency, data protection and security, as well as a failure to ensure meaningful human oversight. In sectors where trust is fundamental, such gaps can quickly translate into reputational damage and loss of stakeholder confidence. The EU AI Act further reinforces expectations by requiring demonstrable safeguards, risk assessments and governance arrangements for higher-risk AI systems, including medical devices.

A lack of human oversight remains a critical issue. This oversight is essential to ensure that AI outputs are appropriately interpreted and challenged, particularly where systems are used to inform decisions. AI systems that operate with limited or poorly defined human involvement create risks of unchecked decision-making and over-reliance on automated outputs. A company should always clearly outline who is ultimately responsible for the decisions made. Where it is unclear who retains final responsibility for decisions informed by AI, errors may go unchallenged and accountability may be difficult to

4 Thomson Reuters Foundation and UNESCO, 'Responsible AI in practice: 2025 global insights from the AI Company Data Initiative', Thomson Reuters Foundation and UNESCO, 2026, https://www.trust.org/wp-content/uploads/2026/03/AICDI-2025-Responsible-AI-in-practice-1.pdf

5 Harvard Law School Forum on Corporate Governance, 'AI risk disclosures in the S&P 500: Reputation, cybersecurity, and regulation', Harvard Law School, 2025, https://corpgov.law.harvard.edu/2025/10/15/ai-risk-disclosures-in-the-sp-500-reputation-cybersecurity-and-regulation/

6 Thomson Reuters Foundation and UNESCO, 'Responsible AI in practice: 2025 global insights from the AI Company Data Initiative', Thomson Reuters Foundation and UNESCO, 2026, https://www.trust.org/wp-content/uploads/2026/03/AICDI-2025-Responsible-AI-in-practice-1.pdf

7 Organisation for Economic Co-operation and Development (OECD), 'The adoption of artificial intelligence in firms', OECD, 2025, https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/05/the-adoption-of-artificial-intelligence-in-firms_8fab986b/f9ef33c3-en.pdf

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establish after the fact. In clinical or diagnostic settings, this can have serious consequences, particularly if AI-generated recommendations are treated as definitive rather than advisory.

Inadequate AI risk management processes pose significant challenges. Companies that do not systemically identify, assess and monitor AI-related risks leave themselves exposed to technical failures and unintended consequences. These may include inaccurate outputs, hallucinations in generative systems or inappropriate use of AI tools by staff. Without clear escalation, reporting and mitigation mechanisms, such risks can persist undetected, increasing the likelihood of harm before corrective action is taken.

Algorithmic bias represents one of the most material risks in the use of AI. Systems trained on incomplete or unrepresentative datasets can entrench and amplify existing inequalities. In healthcare, this may lead to misdiagnosis, unequal treatment or poorer outcomes for certain demographic groups. Firms that lack processes to identify and mitigate bias risk contributing to discriminatory outcomes, exposing themselves to ethical criticism, regulatory scrutiny and legal action. Given the potential impact on human lives, failures in this area for companies in the medical sector are particularly severe.

Finally, companies face heightened risk if they do not actively monitor and engage with evolving AI regulation. The regulatory landscape is developing at different speeds across jurisdictions, and firms that adopt a reactive approach may be caught unprepared as new laws come into force. This can lead to compliance gaps, operational disruption and increased costs. Limited engagement with policymakers further reduces a company's ability to anticipate regulatory change or influence emerging standards.

Taken together, these issues highlight the importance of closing the gap between AI adoption and governance preparedness. For healthcare and medical device companies, unmanaged AI risks can undermine patient safety, erode trust and destroy long-term value.

ENGAGEMENTS:

FISHER & PAYKEL

Engagement: PIRC met with the Fisher & Paykel to discuss the company's approach to AI governance and its use of AI within the business. Fisher & Paykel Healthcare design, manufacture and sell respiratory medical devices used by patients in hospitals and homes globally. Given the nature of its products, the integrity, safety and reliability of its technologies, including the integration of AI, are essential.

PIRC sought clarity on how Fisher & Paykel is currently using AI and how associated risks are identified and managed. The company explained that it is still at an early stage of AI adoption, developing its own language models and primarily using AI as a design and development tool. The company noted that a sizeable R&D team is exploring potential applications within defined intellectual property parameters. AI related risks are captured within the company's internal risk matrix and considered alongside cybersecurity and intellectual property risks.

In relation to formal policies supporting AI governance, the company noted that board-approved AI principles have been established and that high-level AI guidelines were introduced for desk-based employees around 18 months ago. However, these guidelines do not yet distinguish between different AI use cases and are expected to mature over time. In terms of accountability, oversight sits within the ICT function, including leaders responsible for cybersecurity, data and analytics. These roles report to the Vice President of ICT, then to the CEO and the Audit and Risk Committee. The company added that several New Zealand based directors have undertaken AI training through the Institute of Directors and that a newly appointed director brings additional digital expertise to the board.

The company added that, given that it operates in a highly regulated medical environment, its regulatory affairs and legal teams monitor emerging AI regulation and prepare for compliance.

Outcome: Fisher and Paykel Healthcare has taken initial steps to structure oversight of its AI use, including the establishment of board approved principles and its training programmes. PIRC encouraged further formalisation of AI governance practices and enhanced transparency to strengthen confidence in oversight as AI deployment evolves. PIRC also highlighted the importance of formal AI specific policies, defined escalation processes and clear accountability as regulatory expectations evolve.

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SMITH & NEPHEW

Engagement: PIRC met with Smith & Nephew to better understand how widely AI systems are deployed across the company. The company described two main areas of AI use. The first area of use is in operational efficiency, where AI supports manufacturing optimisation and energy reduction. The second area of use is in product integration, where AI is used to assist clinicians through surgical guidance tools and wound care features that support patient management.

The company highlighted the existence of an internal AI use policy, which PIRC welcomed. Smith & Nephew further explained that the policy is grounded in responsible AI principles, such as transparency, accountability and safety. The company added that the policy is also shaped by internal expertise and external horizon scanning. This policy is actioned through employee training and a clear governance process for approving new AI tools.

Smith & Nephew also outlined its approach to human oversight and bias, noting that AI applications undergo multiple internal reviews, including legal assessments, and are subject to defined guardrails. The company elaborated on the role of its AI Governance Working Group, a cross functional body responsible for ensuring compliance with evolving regulatory requirements such as the EU AI Act.

In addition, the company further pointed to the establishment of two AI Centres of Excellence. An Enterprise Centre focused on AI adoption, skills and ethical governance across the business. The company has also established a separate R&D Centre dedicated to exploring generative AI and machine learning opportunities within product development.

Outcome: Smith and Nephew confirmed that it is preparing for upcoming AI regulation by building compliance processes that align with both new AI rules and existing medical device regulatory frameworks.

GETINGE

Engagement: PIRC met with Getinge to better understand the extent to which AI has been deployed across the business and how its use is governed. Getinge explained that AI is currently used largely at an internal level and remains mostly exploratory rather than being widely embedded across its commercial product portfolio. While AI supports certain digital health solutions, including surgical workflow software for scheduling and resource management, its use as a clinical decision-support tool is limited. The company also confirmed that generative AI is used internally, including in the drafting of its annual report.

PIRC asked whether policies were in place to govern AI use and manage associated risks. Getinge outlined that a Generative AI Directive is in place, setting out permitted and prohibited uses, data confidentiality requirements, and expectations around user awareness of potential bias. For AI use in clinical contexts, Getinge explained that users receive training and clear guidance on product limitations and appropriate use through instruction manuals, with an emphasis on maintaining human oversight.

Getinge noted that management regularly briefs the board on AI-related matters and that an AI governance council brings together representatives from legal, regulatory affairs, intellectual property, IT, and risk management functions. While board members do not currently receive AI-specific training, the company highlighted internal "AI champions" and a short AI course developed in partnership with a university to build AI capability across the organisation.

Outcome: The engagement highlighted several positive steps, including the presence of an internal policy governing generative AI use. Getinge has also established cross-functional governance structures and provides employees with access to AI-related training courses.

However, further progress would be achieved through clearer public disclosure of these governance arrangements and initiatives within the company's annual reporting. In particular, the company is encouraged to clarify whether it considers AI to be a material risk and explain its approach to mitigating the risk. To further strengthen Getinge's transparency on AI governance, more detailed disclosure on incident reporting and risk management processes, particularly where AI is being explored in research and development. Clearer information on how potential bias is identified and mitigated would also enhance transparency.

COLOPLAST

Engagement: PIRC met with Coloplast to discuss its approach to the use and governance of AI. Coloplast explained that it is increasing its investment in AI as part of its new strategy but is not yet using AI within its products. The company aims to use AI in the future as part of its Impact strategy for 2026–2030, noting that it will invest substantially in dedicated technology programmes with a strong focus on AI.

At present, the company relies on rule-based approaches rather than AI systems within its software solutions. AI is primarily used internally as a productivity tool for employees, for example through Microsoft Copilot, and in certain processes where built in AI features support automation. The company emphasised that all processes retain human oversight described its approach as intentionally human centric, with AI used to support employees rather than replace them.

Coloplast described its approach to AI adoption as risk based. It does not currently have high risk use cases and is gradually building experience through lower risk applications. This approach is supported by the company's Data and AI Ethics Policy. New tools undergo screening for data privacy and information security, and only approved tools may be used. Coloplast is also considering the introduction of a future blacklist to block non approved AI tools.

When discussing bias related risks are managed, the company said that each new use case is assessed to understand the user group and potential risks, with legal and IT teams involved early and training used to raise awareness. Coloplast explained that it has a Head of AI that works closely with the Chief Compliance Officer and is responsible for upskilling employees, selecting tools and overseeing a team of developers.

At board level, the Audit Committee oversees internal controls and risk

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management, which includes AI, although overall responsibility does not sit with a single committee. The board has received training on AI and is briefed by IT and compliance teams on AI related risks. Regarding regulation, the company said it does not engage directly with governments but contributes through industry associations that communicate industry perspectives on emerging rules such as the EU AI Act.

Outcome: Coloplast is taking a cautious and measured approach to AI, using it primarily in internal, low risk applications while it builds familiarity and capability. The company has put implemented a Data and AI Ethics Policy that outlines how AI should be used responsibly and ethically, and emphasises a human centric approach to AI use.

Coloplast has also begun to establish governance and oversight structures, including the appointment of a Head of AI. As AI adoption increases, the company could strengthen its governance by providing more detail on how compliance with its AI policy is monitored and how accountability for AI is organised at board level.

MEDTRONIC:

Engagement: PIRC met with Medtronic to discuss the company's approach to expanding its use of AI. During the meeting, Medtronic described a broad range of AI applications across the business and emphasised that its use of AI is focused on supporting clinicians and improving patient outcomes rather than replacing clinical judgement. The company highlighted several examples of AI-enabled software that assist clinicians in improving patient outcomes through enhanced detection of anomalies, breaking down procedural steps and reducing false alerts for vitals.

Medtronic stressed that these tools are designed to support, not supplant, clinical decision making and noted that all employees receive training to ensure the responsible use of AI. As the business expands its use of AI, it has articulated a set of responsible AI principles though its 'AI Compass', which includes commitments to safety, fairness and accountability. Additionally, Medtronic is committed to ensuring that AI is used to alleviate pain, restore health and extend life.

The discussion also explored how Medtronic manages risks associated with AI, including bias and patient safety. The company explained that it seeks to mitigate bias by increasing diversity within clinical trials and ensuring that datasets reflect a broad patient population. Governance oversight at Medtronic is supported by an AI Centre of Excellence, which promotes a consistent approach to AI development across the organisation.

Outcome: The meeting provided a clearer understanding of how Medtronic applies and governs AI. Medtronic has begun to outline how its board and management oversee AI, signalling an awareness of the governance challenges that accompany its growing use of AI. PIRC took the opportunity to highlight areas where further transparency would

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be valuable to stakeholders, particularly how responsible AI principles are translated into operational practice.

PHILIPS:

Engagement: PIRC met with Philips and queried how the company differentiates risk levels across its varied AI applications, from workflow tools to high-risk diagnostic systems such as MRI and CT technologies. The company provided a sizeable and useful set of examples showing where artificial intelligence features across its major business segments, outlining each product's purpose, AI function, validation process and the point of human decision making. This information can also be found publicly on Philips' website. This helped illustrate how some of its AI principles of safety, fairness, transparency, security and privacy appear in practice.

Philips explained that the EU AI Act provides guidance on classifying healthcare applications into different levels of risk, with diagnosis, treatment and patient triage tools falling into the high-risk category. These systems are subject to extensive scrutiny by regulators and expert panels. Philips emphasised that human oversight remains central, with AI insights and outputs designed to be reviewable and overridable by healthcare professionals.

In relation to bias, the company pointed to validation processes involving diverse patient populations. For example, the Auto Measure feature in its ultrasound systems has been tested across multiple geographies and a wide range of cardiac characteristics. Philips confirmed that it has an enterprise-wide AI policy in place, supported by business specific committees and an AI Responsible Office that coordinates standards, guidelines and guardrails across the organisation. Internal audits are also used to help ensure compliance.

The company noted that AI matters are addressed within the supervisory board's existing committee structure, and that in 2025 the board discussed the company's innovation and AI strategy as well as its broader IT landscape. At management level, responsibility sits with the Chief Innovation Officer and the Chief Business Leader for Enterprise Informatics. On wider policy engagement, Philips described its involvement in AI coalitions and trade associations, explaining that it contributes to regulatory discussions rather than resisting them.

Outcome: Philips has laid strong groundwork by establishing clear AI principles, an enterprise-wide policy and unusually detailed product level validation processes. The company's constructive engagement in policy discussions shows willingness to take responsible AI seriously.

Looking ahead, Philips could strengthen transparency by providing further clarity on how employees are guided in practice, how compliance with AI policies is monitored and how management level oversight is structured. Enhanced disclosure in these areas would further support confidence in the robustness of the company's AI governance framework and further demonstrate the company's commitment to responsible AI use.

ASTRAZENECA:

Engagement PIRC met with AstraZeneca on its governance of AI systems. The company explained that its approach to AI governance is well established and continues to evolve as AI becomes more deeply embedded across its R&D, clinical and operational functions. AstraZeneca has taken early and positive steps, including publishing AI ethics principles, disclosing use cases and investing heavily in AI literacy across the workforce. The company has a proportional, risk-based governance model which is a strength, and the integration of AI governance into broader data governance structures shows a maturing approach.

When discussing the most material risks in applying AI across R&D, AstraZeneca explained that it has used machine learning for several years, but that its approach continues to evolve as AI capabilities advance. To mitigate any risk of bias, AstraZeneca stressed that statisticians and data scientists must prove the efficacy of therapies and treatments beyond reasonable doubt before regulatory submission. The company also noted that both the organisation and its AI developers are aware of biases within data and have had time to refine their approach over time. Where possible and data is available for specific demographic groups, AstraZeneca designs healthcare solutions to ensure they are representative of those populations. For example, therapies developed following clinical trials conducted in China are designed with the Chinese population in mind.

PIRC asked how AstraZeneca applies its principle of "governance proportional to impact and risk", and specifically how risk levels are defined and whether higher risk applications have more complex governance. The company explained that anything affecting patient access to medicines, influencing clinical trial outcomes or impinging on GDPR falls into the high-risk category and receives a higher level of scrutiny. AstraZeneca also clarified that it does not operate a centralised AI governance model; instead, AI governance is being integrated into data governance.

Training was highlighted as a key safeguard, with 40,000 employees having completed AI training. Access to AI tools is dependent on completion of the relevant training modules, ensuring that employees only use tools they are prepared to handle. The company also noted that a new enterprise AI unit has been established to bring together data scientists from across the business and to help address challenges such as measuring the effectiveness of AI tools.

AstraZeneca explained that AI is discussed regularly at board meetings, with both the Audit and Sustainability Committees having oversight. The Sustainability Committee has, for instance, considered issues such as mitigating bias and the need to collect more genomic data from underrepresented populations, including in South America and Africa. On regulatory preparedness, the company emphasised that it already operates in a highly regulated environment and has internal groups dedicated to managing compliance with existing and upcoming regulations. AstraZeneca also noted that it does not take political positions.

Outcome: The engagement provided valuable insight into AstraZeneca's evolving governance model, particularly its structured approach to limiting access to AI tools based on completion of

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mandatory training. The establishment of an enterprise AI unit marks a shift towards more consistent oversight and improved measurement of AI effectiveness. While the company has strong foundations, future progress could include clearer enterprise-wide accountability structures, more transparent reporting on board level AI expertise and further development of environmental impact metrics as AI use continues to grow.

SIEMENS HEALTHINEERS

Engagement: PIRC met with Siemens Healthineers to discuss its approach to AI governance. PIRC welcomed the company's transparency on the different applications of AI in use and sought further clarity on the materiality of AI to the business. Siemens Healthineers explained that it does not currently view AI as a significant material risk, as AI is embedded within existing risk management frameworks and supported by a robust governance structure.

The company described how it manages data privacy and security risks, noting that it works with a wide range of data, including clinical images, laboratory data, genomic information and patient histories, all of which undergo strict anonymisation before use in research. Siemens Healthineers emphasised its commitment to data integrity and privacy. The company highlighted that it operates in a highly regulated sector and must demonstrate bias mitigation during regulatory submissions, including performance testing across different subgroups.

The company confirmed that AI is reviewed at board level through the Strategy, Innovation and Sustainability Committee, while at management level the Chief AI Expert and Chief Technology Officer hold responsibility for key AI decisions. AI Centres of Excellence help to build capability and strengthen AI skills across the organisation.

Regarding regulatory preparedness, Siemens Healthineers noted that as an EU company it is subject to some of the most stringent regulatory requirements globally. The company is also exposed to different regulatory regimes across the jurisdictions in which it operates. Simens Healthineers regulatory approach is to comply with the strictest applicable standards, enabling the company to use its products across multiple markets, while adapting products where jurisdiction specific requirements apply.

The company also described its approach to policy engagement, noting that it provides feedback on AI related legislation when consulted and has previously testified before the United States Congress on AI in healthcare. Its AI Technology and Strategy Team works closely with the governmental advisory affairs team to review draft legislation and provide input.

Outcome: Siemens Healthineers articulated a clear approach to managing AI related risks and confirmed both board level and management level oversight. The company also outlined how AI capability is developed internally through its Centres of Excellence, which aligns with expectations in emerging regulation such as the EU AI Act. The company provided insight into its data risk mitigation practices and its approach to monitoring and engaging with regulatory developments.

Image: Alamy

ENGAGEMENT HIGHLIGHTS Q1

MODERN SLAVERY IN THE MEATPACKING AND SEAFOOD INDUSTRIES

Overview: Modern Slavery encompasses forced labour, debt bondage, human trafficking and other forms of sever labour exploitation. With an estimated 50 million people affected worldwide and 28 million in forced labour[8], it represents one of the most serious human rights crises of our time and carries direct implications for companies operating complex, multi-geography supply chains. According to the International Labour Organisation (ILO), a majority of all forced labour cases are linked to global supply chains, with risks particularly concentrated in lower tier suppliers.[9] The agriculture sector alone accounts for an estimated 13% of all adult forced labour worldwide.[10]

During the quarter, PIRC's engagement activities focused on modern slavery risks within the meatpacking and seafood industries. These sectors are widely

8 ILO, Walk Free & IOM (2022), Global Estimates of Modern Slavery - https://www.ilo.org/publications/major-publications/global-estimates-modern-slavery-forced-labour-and-forced-marriage?

9 International Labour Organization (ILO), 'Global Estimates of Modern Slavery: Forced Labour and Forced Marriage', ILO, 2022, https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_norm/@ipec/documents/publication/wcms_854733.pdf

10 International Labour Organization (ILO), 'Global Estimates of Modern Slavery: Forced Labour and Forced Marriage', ILO, 2022, https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_norm/@ipec/documents/publication/wcms_854733.pdf

Image: Alamy

ENGAGEMENT HIGHLIGHTS Q1

recognised as presenting heightened exposure to labour exploitation due to the nature of their supply chains, which often rely on low-paid, temporary, or migrant labour and involve complex global sourcing networks.

For investors, poor labour practices create material risk - including reputational damage, supply chain disruption, litigation exposure and rising regulatory liability as the legislative landscape tightens through potential MSA reform and the EU Corporate Sustainability Due Diligence Directive (CSDDD). Companies that demonstrate credible progress on modern slavery are better placed to manage these risks and meet the rising expectations of customers, regulators and investors alike.

Issues: Under the Modern Slavery Act 2015, UK companies with an annual turnover of £36 million or more must publish an annual modern slavery statement outlining the steps taken to address modern slavery in their operations and supply chains.[11] While landmark at introduction, enforcement remains weak, disclosure quality is inconsistent across the market, and the framework faces growing pressure to reform.

Modern slavery risks in these industries stem from several structural factors. Meat-processing and agricultural supply chains rely heavily on seasonal and migrant workers. This reliance can create vulnerabilities linked to exploitative recruitment practices, including the use of labour brokers and recruitment intermediaries, language barriers, and insecure employment arrangements. In addition to these shared risk factors, seafood supply chains - especially those involving distant water fishing operations - can present elevated risks due to extended periods at sea which result in limited oversight.

While these sectors are widely recognised as high-risk, findings indicate that existing company approaches are often insufficiently robust to address these structural risks. A key issue is the limited depth of due diligence beyond Tier 1 suppliers. Many companies demonstrate visibility over direct suppliers but lack adequate mapping, monitoring, and risk assessment further upstream. This is particularly concerning given that the most sever labour rights abuses often occur deeper in supply chains, including in recruitment channels and informal labour arrangements. As a result, companies may be underestimating their exposure to forced labour risks.

Companies often rely on tools such as the SEDEX self-assessment questionnaire and SMETA audits to assess and monitor labour and human rights risks within their supply chains. SEDEX and SMETS are widely used tools that support supply chain due diligence through supplier self-assessments and standardised audits. However, the effectiveness of these tools is limited by reliance on self-reported data and point-in-time audits, which may not fully identify risks in complex supply chains.

Closely linked to this is a lack of transparency around high-risk sourcing geographies and supply chain nodes. Without clear disclosure, investors are unable to assess whether companies are appropriately identifying and prioritising the most sever risks. This limits accountability and raises concerns about the effectiveness of existing risk management frameworks.

A further issue is the limited disclosure of non-conformances and audit findings within supply chains. While many companies report on the existence of audit programmes or supplier standards, far fewer provide transparency on the nature, frequency and severity of breaches identified. The absence of meaningful reporting on non-conformances also raises concerns about the integrity and effectiveness of audit processes. A lack of disclosed issues is not necessarily indicative of low risk but may instead signal weak or limited transparency on the company's part. Though it may sound counter-intuitive, disclosure of such data is an indicator of robust due diligence and a willingness to engage with underlying risks, rather than obscure them.

Engagement also highlighted weaknesses in the oversight of labour recruitment practices, particularly in relation to the use of third-party labour brokers. In many cases, companies do not have sufficient controls in place to ensure that workers are not charged recruitment fees. This represents a significant gap in the implementation of the Employer Pays Principle (EPP), which stipulates that workers should not bear the cost of recruitment. Failure to implement EPP increases risk of debt bondage – a key indicator of forced labour – and exposes companies to heightened legal and reputational risks, particularly in jurisdictions where regulatory expectations are tightening.

In addition, while most companies have established grievance mechanisms, there are ongoing concerns regarding accessibility, effectiveness and worker trust – particularly for migrant workers who may face language barriers, fear of retaliation of lack of awareness of available channels. This raises questions about whether companies can identify and remediate harms in a timely and meaningful way.

More broadly, there is a gap between policy commitments and operational implementation. Although many companies align with industry initiatives and frameworks, engagement suggests that these commitments do not consistently translate into measurable improvements in labour conditions or demonstrable risk mitigation. This is particularly evident in relation to remediation processes, where there is limited evidence of robust systems to address identified harms and provide remedy to affected workers.

These gaps are financially and reputationally material. Weak due diligence inadequate recruitment oversight, and ineffective remediation mechanisms can result in regulatory scrutiny, supply chain disruption, litigation risk, and loss of investor confidence.

As part of this engagement series, PIRC has drawn on the CCLA Find It, Fix It, Prevent It benchmark as a reference framework. The benchmark assesses companies against best practice standards on modern slavery disclosure, due diligence, worker voice and remediation, and is widely recognised by UK institutional investors as a credible measure of corporate performance on this issue. Where relevant, companies were encouraged to use the benchmark as a tool for strengthening their reporting and identifying gaps, improve transparency around supply chain risks, and demonstrate measurable progress in protecting vulnerable workers.

11 S54 UK MSA - https://www.legislation.gov.uk/ukpga/2015/30/section/54

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CRANSWICK

Engagement: PIRC engaged Cranswick on its workforce practices, supplier due diligence approach, and audit processes. The engagement confirmed that foundational elements are in place - SEDEX coverage across nearly 900 suppliers, annual site audits, worker interviews, GLAA membership and Stronger Together participation. The company's on-site audit process is notably thorough, encompassing wage slip reviews, home address checks for housing adequacy, transport arrangements, passport retention checks, worker interviews and documentation translated into workers' first languages.

The company's supply chains are primarily European raw materials coming into the UK, with sourcing from South America having reduced over recent years. Key suppliers are subject to regular visits, with the company clear that direct supplier relationships carry an obligation to understand how those suppliers operate. SEDEX questionnaire responses are reviewed quarterly to monitor for emerging issues. Current SEDEX coverage is focused on Tier 1.

The company was candid that its key customers - major UK retailers - operate strict modern slavery supplier codes of conduct, creating a strong commercial imperative for compliance. This alignment between commercial interest and good practice is worth noting, though it also suggests that investor expectations need to be clearly connected to business risk to gain traction.

Outcomes: Cranswick's approach to disclosure was rather limited to Tier 1 and more process focused rather than outcomes focused. The company indicated a willingness to receive the CCLA benchmark and confirmed it would welcome examples of best practice disclosure, suggesting a degree of openness to strengthening its reporting in future cycles.

The company did not make specific commitments on non-conformance disclosure and Tier 2 supply chain mapping, and these will remain the primary areas for follow-up in subsequent engagement.

HILTON FOOD GROUP

Engagement: PIRC's engagement with Hilton Food Group was constructive with the company sharing useful detail on how its SEDEX- based programme is being developed across the group.

Hilton Food Group explained that their tier 1 suppliers are abattoirs and tier 2 are the farmers supplying animals to those abattoirs. The company's in scope suppliers are its protein suppliers, which represent the largest share by volume. These suppliers have been asked to link with Hilton Food Group on SEDEX. Packaging and ingredient suppliers represent a very small proportion of purchasing volume and are not currently treated as in scope.

Suppliers are assessed through the SEDEX Self-assessment questionnaire and are categorised as red, amber or green. High-risk suppliers are required to

Image: Alamy

ENGAGEMENT HIGHLIGHTS Q1

complete a SMETA audit. The group-level risk function is relatively young - previously individual businesses managed their own risks independently. The company is targeting full supplier onboarding onto the SEDEX programme by end of 2025, with integration into the broader supplier approval process underway for the past twelve months.

Certain businesses, notably Hilton Seafood, have been on this journey considerably longer and have end-to-end SMETA coverage from feed mill to end product in high-risk geographies. For its Vietnamese supply chain, the company conducts annual two-week on-site visits and has done so consistently for five years.

The company noted it works collaboratively with suppliers to identify and close non-conformances, with defined timeframes and remediation plans required. Hilton Food Group was candid about the sensitivities around public disclosure and expressed caution, given the identifiable nature of its supplier base and a desire to avoid publicly naming and shaming suppliers.

Outcomes: The company confirmed it is targeting full supplier onboarding onto the SEDEX programme by end of 2025 and that due diligence is being progressively integrated into its broader supplier approval process, covering food safety, environmental standards and animal welfare. Hilton Food Group indicated openness to our asks around more clearly defining and demonstrating how in-scope suppliers are identified and how ethical approval is determined and evidenced in its disclosures.

The company engaged constructively with our request for aggregate data on non-conformance, expressing a desire to see examples of how other companies approach this before committing to a format - a reasonable position that provides a basis for follow-up. Overall, the company signalled a willingness to provide greater transparency on the scope and methodology of its due diligence programme in future reporting cycles.

PREMIER FOODS

Engagement: PIRC engaged Premier Foods across supply chain mapping tools, salient risk identification, supplier due diligence processes, non-conformance management, and remediation. The company demonstrated a mature and evolving internal system and was receptive to our asks throughout.

The company uses the Authenticate tool (Ideagen Supply Chain) to map indirect suppliers and geographic risk, fed by country-of-origin data provided by direct suppliers. It is a member of Food Network for Ethical Trade (FNET) and uses the associated risk tool - powered by Emphasis - to identify high-risk commodities by country, prioritised by spend and recipe volumes. The company is currently working on its top ten Tier 2 suppliers as a first step toward deeper supply chain engagement.

The company has identified debt bondage and child labour as its most salient risks. Premier Foods has done specific work in its Indian supply chain, where a brand is manufactured, and has gone beyond RSPO certification reliance in its palm supply chain by hosting engagement workshops requiring suppliers and their own suppliers to present their human rights due diligence.

The company employs a dedicated Ethical Trade Coordinator acting as a SEDEX implant. Internal procurement reporting has evolved beyond tracking supplier registration to assessing the quality of engagement - including outstanding actions, SAQ findings and the age of open non-conformances. Where suppliers are unresponsive, matters are escalated to procurement and can result in contract reduction or termination.

The company has signed up with Bright Future, a programme supporting modern slavery survivors into employment in the food industry. Premier Foods' internal approach includes collaboration with suppliers to resolve recruitment and employment issues, though this has not yet been explicitly referenced in public disclosures.

Outcomes: The company confirmed it is working to disclose percentage spend by country in future modern slavery statements; however, a timeline has not been confirmed. Premier Foods also committed to explaining its risk prioritisation methodology in a way that is accessible to external readers. This is a meaningful step towards greater transparency, involving the inclusion of aggregate data in future reports. The company also welcomed PIRC sharing examples of how other companies present this information. Premier Foods also acknowledged that its commitment to the Employer Pays Principle (EPP) has not been explicitly referenced in its public disclosures but indicated it would look to address this in upcoming reporting. The company confirmed plans to disclose its Bright Future survivor employment partnership in its upcoming modern slavery statement.

PRINCES GROUP

Engagement: PIRC engaged Princes Group in a detailed discussion covering supply chain structure, risk assessment methodology, seafood sourcing, migrant worker recruitment, and remediation. The engagement was notably substantive, with the company demonstrating both depth of thinking and genuine willingness to engage openly on difficult issues.

The company operates with approximately 550 ingredient suppliers alongside packaging suppliers and goods-not-for-resale providers. Tier 2 is increasingly coming into scope driven by evolving UK retailer requirements. The company already publishes a comprehensive Tier 1 supplier list on its website and is working to upload data to the Open Supplier Hub.

The company incorporates FNET country risk ratings into its own framework, overlaying these with internal factors including spend and supplier criticality. A Human Rights Impact Assessment has been completed on its beans and pulses supply chain, with a second planned focusing on steel used in canning - a chain the company acknowledges extends to mines at Tier 6 or 7.

With regards to its seafood supply chain, the company sources canned tuna exclusively through purse-seine and pole-and-line methods. Many vessels are certified under AENOR or AFNOR, requiring social audits every three years. These standard bodies provide a specific certification for responsible fishing vessels, primarily focused on tuna. The company is working to ensure vessels are flagged to ILO 188-ratified states and is trialling a worker voice mechanism on board vessels in partnership with NGOs.

The company recruits migrant workers from Kenya and Sri Lanka for its Mauritian operations, with the Head of HR personally overseeing every recruitment process and being present for the hiring process. The Just Good Work

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app has also been introduced to provide pre-departure information to workers on pay, conditions and recruitment fee rights in their native language.

The company is actively working through one of the first live EPP cases in UK retail, relating to a tuna supplier in the Maldives. Princes Group's position is that liability should be determined on a volume and time-limited basis, with independent oversight and worker voice central to the process.

Outcomes: The company confirmed it would document and publish its remediation approach in its upcoming modern slavery statement and took on board PIRCs suggestion to include aggregate non-conformance data in that statement, for the first time. Princes Group acknowledged that its modern slavery statement was not accessible from its homepage, a requirement under s54 of the MSA and committed to rectifying this promptly.

The company indicated that it would consider disclosing its top ten suppliers by country and spend, subject to procurement approval. The company also confirmed it is in the process of formally assigning board-level human rights oversight responsibility, with the CFO identified as the likely appointee, and committee to reflecting this governance arrangement in its next modern slavery statement (as per Home Office best practice guidance).

Finally, Princes Group affirmed its commitment to bearing a proportionate share of EPP liability in an ongoing Maldivian tuna case, with assurance that worker voice and independent oversight, central to the process. The company confirmed plans to roll out an app-based grievance mechanism in its tomato supply chain, no later than 2028.

FOOD SYSTEM RESILIENCE

On its current trajectory, the world will reach 2.6°C–3.1°C of warming this century. According to the UN, this would bring "debilitating" impacts on people, planet and economies.[12] As such it is increasingly crucial that companies prepare for the physical impacts of climate change on their operations and supply chains. Few sectors are more exposed than agriculture, where rising temperatures, water scarcity and increasingly volatile weather are already eroding the yields, quality and reliability of production. Climate stress also threatens the health, safety and productivity of agricultural workers. These pressures cascade directly into food manufacturing and retail, by increasing prices and undermining supply certainty.

Climate change is already undermining global food security. The 2022–23 droughts in Spain led to shortages of salad tomatoes and broccoli on British supermarket shelves,[13] while adverse climate conditions in Brazil and Vietnam contributed to a sharp rise in coffee prices in 2024.[14] As global temperatures continue to rise, food insecurity and supply instability are expected to intensify further - compounded by other risk drivers such as pandemics and conflict.[15]

Retailers have historically relied on flexible supply chains to absorb localised disruptions. However, climate impacts are expected to escalate in scale, duration and geographic breadth, making them

12 UNEP (2024). Emissions Gap Report 2024. [online] UNEP - UN Environment Programme. Available at: https://www.unep.org/resources/emissions-gap-report-2024.
13 Merrick, J. (2024). Deadly floods in Spain destroy fruit and veg crops sold in UK. [online] inews.co.uk. Available at: https://inews.co.uk/news/politics/deadly-floods-spain-destroy-fruit-veg-crops-sold-uk-3358440.
14 Food and Agriculture Organization (2025). Adverse climatic conditions drive coffee prices to highest level in years. [online]. Available at: https://www.fao.org/newsroom/detail/adverse-climatic-conditions-drive-coffee-prices-to-highest-level-in-years/en.
15 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.

Image: Alamy

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more difficult to diversify from. Analysis by Autonomy suggests that UK food prices could rise by 34% by 2050 due to heatwaves and drought.16 Sustained price increases of this scale are likely to reshape consumer behaviour; reducing the volumes of food sold and therefore weakening the high-volume sales model that supermarkets depend upon. Supply disruptions also carry reputational and social risks for supermarkets, due to their central role in ensuring affordable and reliable access to food for consumers.

Issues: These concerns were reinforced in April 2025, when a group of professionals from across the UK food industry published a memo with the non-profit Inside Track, warning that the sector was dangerously unprepared for climate change.[17] The memo argued that food companies are downplaying material climate-driven supply risks, treating risk disclosures as compliance exercises, and relying on inadequate mitigation measures. The memo cautioned that companies are relying on a "wishful strategy" of simply changing sourcing regions if current ones become untenable. They note that as climate impacts are increasingly widespread and systemic in nature, and other companies will likely be competing for the same alternative sourcing regions. Such a shift would also be capital-intensive and time consuming. The memo also claimed that boards did not give the issue appropriate attention and that business was failing to work constructively with governments on the topic.

Although the memo focused on the UK food system, the globally interconnected nature of food supply chains means that the challenges are likely to affect other markets too. Looking at the supermarket sector globally, PIRC has identified a number of issues. Many supermarkets still assess climate risk at a high level, with limited disclosure on which commodities or sourcing regions are most exposed, and in some cases without modelling the most severe warming scenarios. A climate scenario analysis helps companies stress-test corporate strategies against an uncertain future. A climate scenario is a plausible description of how the future could unfold under different assumptions about emissions, policy and technology over varying time frames. Scenarios typically span an orderly transition, a disorderly transition in which action the policy response is late and abrupt, and a 'hot house world' in which limited action is taken. Companies are also encouraged to quantify the financial impact of climate risks across short, medium and long-term horizons. By doing so, companies can more accurately price risk, allocate capital and build organisational resilience. This transparency allows all relevant stakeholders to better assess the scale of the risk and the appropriateness of the company's response.

Additionally, their climate strategies are largely focused on emissions reduction. While this is critical for managing transition risks, a comparable focus on resilience and adaptation is needed. Transition risks are the financial and operational risks arising from the shift to a low-carbon economy, while resilience and adaptation plans set out how a company will manage the physical impacts of climate change. As some of the larger consequences of climate change are now unavoidable, it is important to understand how companies will protect operations and supply chains from disruptions.

Practical supply chain engagement efforts are emerging but generally early-stage and uneven, with limited visibility on how resilience actions are implemented or the impact they are having. Supporting suppliers through this transition is critical, as many lack the resources and expertise to address climate risks on their own. Companies have a role to play in supporting them through capacity building, knowledge sharing and adaptation planning. Furthermore, establishing long-term relationships with suppliers, can provide them with the requisite certainty to invest in resilience.

Given the materiality of these challenges, PIRC met with a range of companies in the food sector globally to better understand their strategies for resilience and adaptation. This included eight supermarkets and four food manufacturers, some of which were met by PIRC individually and some alongside other investors. The discussions focused on how physical climate risks are being identified and managed in practice, and whether current approaches are sufficient to safeguard supply continuity and long-term business performance. Highlights from selected meetings are detailed below.

ENGAGEMENTS:

AHOLD DELHAIZE

Engagement: PIRC's meeting with Ahold Delhaize focused on the company's approach to assessing physical climate risks and engaging suppliers on resilience. PIRC first asked whether the company had estimated the potential climate related financial impacts of physical risks in any specific scenarios, noting that this would be invaluable for allowing investors to assess the scale of the risk and the appropriateness of the company's response. The company replied that no financial quantification had yet been completed and stressed the need for a holistic approach, including human rights considerations. PIRC also encouraged longer-term scenario analysis, including to 2100 and in a "hothouse world"; however, the company argued this would be too challenging.

PIRC next asked about supplier engagement on climate resilience. The company explained that in the US it buys largely on the spot market, limiting direct relationships, while in Europe it has more control and works with suppliers on climate plans. Most activity is concentrated in Europe, including a programme with 40 strategic retailers in the Netherlands; although it also engages with partners in Africa and South America. Finally, PIRC asked whether the company was in discussion with government or industry groups around climate resilience. The company said it works with EuroCommerce, the Food and Market Institute, and the Global Consumer Goods Forum, but government engagement on the issue is limited due to its small public affairs team. However, it noted its vocal support for the EU

16 The Autonomy Institute. (2025). On the horizon: climate-induced inflation and the price of food. [online] Available at: https://autonomy.work/portfolio/on-the-horizon-climate-induced-inflation-and-the-price-of-food/

17 Inside Track (2025). Investor Memo [online]. Available at: https://drive.google.com/file/d/1tATFmJG0wOtLDHxionMX0qNEXw49tjRl/view

ENGAGEMENT HIGHLIGHTS Q1

Deforestation Regulation.

Outcomes: While the company goes beyond some peers in providing useful disclosure of the most at-risk commodities according to its scenario planning, investors would benefit from more in-depth quantification of the financial risks these commodities face. Furthermore, the company would benefit from increasing its political engagement on the issue of food system resilience, especially in North America, where longer supply chains can hinder traceability and supplier engagement.

CARREFOUR

Engagement: PIRC welcomed the company's structured disclosure on scenario analysis but sought clarity on the temperature pathways used. Carrefour confirmed that it applies the RCP 8.5 pathway for its assessment of climate-sensitive raw materials, which is a model of potential climate impacts likely to occur if there is approximately 4.3 °C of warming, therefore allowing the company to stress-test its business for the most severe physical climate risks. This assessment examined four climate hazards (heavy rainfall, fire, drought and heatwaves) across agricultural production, industrial processing and logistics, drawing on a combination of third-party data and internal systems. The company has identified which commodities are most exposed to climate impacts and is developing a set of commodity-specific action plans in response. This work is guided by four strategic levers: choosing lower-risk sourcing regions, improving traceability and certification, deepening collaboration with suppliers, and reformulating products to reduce dependence on vulnerable raw materials.

Although the company was able provide some detail on the proportion of suppliers exposed to physical climate risks, they noted that financial risk at the level of individual commodities remains difficult. Carrefour highlighted its progress in supplier engagement, including achieving its target of working with 50,000 producers, and its ambition to expand regenerative agriculture commitments through the Food Transition Pact. Climate resilience is considered at board level, with supply chain action plans and supplier engagement targets incorporated into long-term executive compensation. The company also participates in government led initiatives, including French environmental strategy workshops for the retail sector.

Outcomes: Carrefour provided clearer insight into its climate-risk methodology, confirming the use of RCP 8.5, which PIRC welcomed. The company outlined its hazard assessment, commodity exposure mapping and emerging action plans, alongside progress in supplier engagement and regenerative agriculture. In addition, shortly after the meeting took place, the company enhanced its public disclosures on climate risks, publishing a chart on the climate risks relevant to each of its high risk commodities. To improve transparency further, the company could quantify the scale of potential climate risks faced by each major commodity.

CENCOSUD

Engagement: PIRC first sought to understand whether the company had faced climate challenges in the past and how these were addressed. Cencosud noted that it has experienced weather related challenges, including challenging climate events in Peru and seasonal variations affecting fresh produce supply. The company explained that its presence across multiple countries provides flexibility, allowing it to shift sourcing locations easily if needed. At the same time, Cencosud noted that most products are sourced locally or regionally, which shortens supply chains and reduces logistical complexity, geopolitical risks, and potential disruption points.

PIRC asked whether the company had considered climate scenario planning, noting that such analysis can help identify vulnerable commodities, sourcing regions and potential value at risk under different warming pathways. Cencosud explained that it is currently undertaking an evaluation of climate change related risks, with findings expected to be published within the next year. PIRC suggested that more granular disclosure, such as identifying key commodities and sourcing regions most exposed to climate risk, would strengthen reporting.

The discussion also covered supplier support. Cencosud confirmed that it runs development programmes for approximately 300 to 350 small producers, partnering with universities to provide training on optimal farming and management practices. It hopes to extend this programme to more suppliers, beyond Chile. PIRC asked if the company was involved in any industry collaborations with other food system actors to address the issue at a systemic level. Cencosud noted that it participates in the UN Global Compact, climate related workshops, roundtables and Chambers of Commerce initiatives. However, it is not currently part of an industry association solely focused on climate resilience in food systems.

Outcomes: The company's support for smaller farmers and suppliers through training programmes is encouraging. It is also positive that Cencosud has begun ESG assessments for selected suppliers and is developing a broader ESG strategy to be released soon. To strengthen transparency, the company could provide clearer disclosure of climate-related hotspots in its supply chain and outline region-specific mitigation and adaptation plans across sourcing areas and product categories.

JERONIMO MARTINS

Engagement: PIRC began by asking how the physical impacts of climate change could affect the company's supply chain. The company responded that its risk assessments focus on physical risks to primary production and logistics across the entire supply chain, as well as energy transition risks. Jeronimo Martins highlighted rising energy costs as a major risk to the supply chain. The company added that risks are greater in the supply chain than in its own operations. It explained that so far, it has been able to manage disruptions by offering alternative products, such as increasing canned and frozen vegetables during heat related shortages. PIRC then asked about the company's scenario analysis and whether it could financially quantify potential outcomes. The company said it does quantify risks internally but does not plan to disclose them until required, citing uncertainty. PIRC acknowledged the uncertainty but emphasised it would

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even appreciate if financial impacts were disclosed as a predicted range in a given climate scenario, as some peers have done. Similarly, the company was unwilling to disclose its most at-risk commodities, describing the information as strategic and resource intensive to produce.

Outcomes: Jeronimo Martins demonstrated it has a solid understanding of the primary physical climate risks facing the business - chronic water scarcity, extreme heat and rising production costs - and has begun taking practical steps such as supplier engagement and water management measures across its agribusiness operations. However, a key concern was the company's clear reluctance to disclose climate risk information, including financial impacts and the specific commodities most at risk, which would be essential for investors to assess the scale of the risk and the appropriateness of the company's response.

KESKO

Engagement: PIRC's engagement with Kesko focused on how the company currently assesses physical climate risks and nature-related impacts across its supply chain. Kesko explained that each business division carried out a climate risk assessment last autumn, describing it as a high-level exercise which did not identify any material risks over the next 12 months. The company noted that short-term hazards relate mainly to fruit and vegetable supply chains, where climate-driven conditions may affect working environments, while longer-term impacts include pests, diseases and rising temperatures. Kesko outlined its nature-related risk assessment process, which uses the SBTN Locate, Evaluate, Assess, Prepare (LEAP) framework to identify high-impact commodities and assess ecosystem risks. PIRC noted that investors would benefit from clearer disclosure of which commodities face the highest climate-related risks, which the company indicated openness towards providing.

The company described several resilience measures already in place, including avoiding single-country sourcing, prioritising Finnish produce where feasible, and preferring shipping over air freight where quality allows. On governance, Kesko noted that senior and vice presidents from each division jointly assess financial impacts and receive training to build awareness of relevant climate-related risks.

Outcomes: The company's openness to increasing disclosure on high-risk commodities is welcomed. However, the engagement highlighted gaps in Kesko's approach to assessing and disclosing physical climate risks, particularly the absence of high-warming (worst-case) scenario analysis and limited transparency on vulnerable commodities and sourcing regions. PIRC will continue to encourage Kesko to strengthen its climate resilience strategy, improve transparency and enhance governance oversight of physical climate risks.

Image: Alamy

ENGAGEMENT HIGHLIGHTS Q1

METRO

Engagement: The conversation opened with a discussion on the company's view on climate risks to its value chain. The company noted that physical risk exposure is higher in its value chain than in its own operations, reflecting the relatively protected geographic location of its Canadian supermarkets. The company was however resistant to disclosing its commodities most at risk of climate change. It also confirmed that although the risks were considered material, it was not currently planning to publish quantified financial estimates. PIRC noted that some retailers have begun providing indicative financial thresholds to help investors understand the scale of potential impacts.

Separately, PIRC asked how climate adaptation is overseen at board level. Metro explained that the board reviews the TCFD report annually, including governance, targets, metrics and the findings of the scenario analysis. The company added that most board members are familiar with climate and ESG issues through their wider experience on other boards. The discussion then turned to supplier engagement Since 2023, it has used the Sphera platform for supplier self-assessments, with 19% of active suppliers assessed, covering 60% of purchases. Metro said suppliers falling short are given a twelve-month corrective action plan. The company confirmed that Sphera includes non-Canadian suppliers, though it does not yet conduct third-party audits. PIRC asked the company if it had moved towards longer-term contracts to facilitate longer-term investment in resilience. Metro noted that while many of its suppliers have worked with the company for extended period, it was not making a specific move towards longer-term contracts.

Outcomes: Metro has made progress in assessing climate risks and strengthening supplier oversight, but its disclosures still lack the regional granularity needed for investors to understand which parts of its supply chain are most exposed. The company also does not yet provide clarity on how it evaluates the financial materiality of different climate hazards, leaving stakeholders without a sense of the scale or significance of potential impacts. However, it is encouraging that Metro is expanding the reach of its supplier evaluation system and embedding environmental expectations more firmly across its purchasing activities.

SAINSBURY'S

Engagement: PIRC met with Sainsbury's alongside other investors to discuss the company's response to the Inside Track memo on food system resilience. The company noted that it shared the concerns about the UK food system outlined in the report but already had a major focus on the issue, hence the memo did not necessitate changes to company strategy. The company outlined four broad mitigation strategies for supply chain resilience: deeper integration and shorter supply chains, strategic partnerships, third party collective action schemes and reducing single origin or ingredient dependencies.

A major focus for the company has been increasing the proportion of the supplier base with long-term partnerships of five to ten years. This has allowed for longer-term resilience building and has the added advantage of saving time otherwise spent on negotiating price. Sainsbury's noted being an early mover in establishing long-term relationships with meat suppliers and this has allowed them to outperform peers. A current focus is building longer-term relationships with bakery and produce suppliers, which they note has been more difficult. The company also discussed its work within industry groups, such as investing in water-scarce regions and defining standards of good ecological status. One major challenge they noted was data quality on environmental risks, as this has typically been unavailable and unreliable in a variety of areas.

Outcomes: PIRC welcomes that Sainsbury's has a well-developed strategy and disclosures on resilience and adaptation, which exceed several of its peers, allowing investors to effectively assess the scale of risk and the company's response. The investor working group will review if there are areas it could collaborate with Sainsbury's and other supermarkets on government policy.

MARKS AND SPENCER

Engagement: PIRC met with M&S alongside other investors to discuss the company's response to the Inside Track memo. The company said that issues raised in Inside Track memos are familiar to them and are considered routinely by the central ESG team, supported by a quarterly ESG Business Forum. M&S explained that it has completed a major risk assessment of their 50 most frequently used raw materials, analysing the top sourcing countries with two external agencies covering climate, nature, water, deforestation and human rights risks, and are now moving into a second phase. The company said they have created resilience plans focused on working directly with growers and maintaining high standards and have examined 25 high risk ingredient–country combinations. M&S noted that around half of their vegetables come from the UK and emphasised long-term relationships with roughly 400 UK growers.

Regarding its main mitigation strategies, described three levers they use with growers: standards (such as LEAF certification and a 5% habitat requirement), bespoke programmes (including a five year soil health and data collection initiative with LEAF and the Soil Association Exchange), and collective action. The company considers climate driven supply volatility to be immaterial under the assumption that they can switch suppliers easily, though this assessment covered only cotton and UK/Irish protein. In response to queries around how it measures the effectiveness of its strategies, it explained that this will be hard to measure until more data is collected.

Outcomes: The call demonstrated the company has strong governance and active resilience work; in particular, its top 50 raw materials risk assessment and its utilisation of long-term supplier relationships. However, there are concerns that fresh produce is excluded from scenario analysis. In addition, the company's view that climate driven supply volatility is immaterial because it can switch suppliers warrants scrutiny, as climate-induced commodity price shifts may be significant enough that consumption patterns and thus profit margins will be affected.

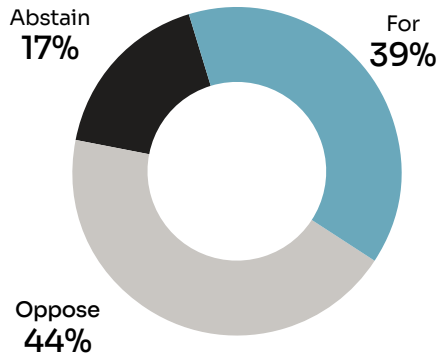
ENGAGEMENTS Q1

Q1 Engagements

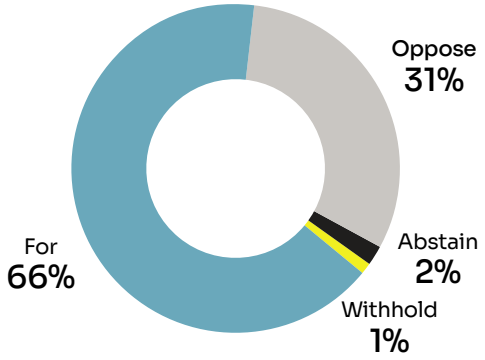
Company	Topic	Domicile
ASSOCIATED BRITISH FOODS PLC	Climate Change	United Kingdom
ASTRAZENECA PLC	AI Governance	United Kingdom
BP PLC	Shareholder Rights	United Kingdom
CARREFOUR SA	Climate Change	France
CENCOSUD SA	Climate Change	Chile
COLOPLAST A/S	AI Governance	Denmark
CRANSWICK PLC	Human Rights	United Kingdom
DAIKIN INDUSTRIES LTD	Environmental Risk	Japan
DANONE	Climate Change	France
FERROVIAL SE	Public Health	Netherlands
FISHER & PAYKEL HEALTHCARE	AI Governance	New Zealand
GETINGE AB	AI Governance	Sweden
GREGGS PLC	Public Health	United Kingdom
HILTON FOOD GROUP PLC	Human Rights	United Kingdom
J SAINSBURY PLC	Climate Change	United Kingdom
J SAINSBURY PLC	Public Health	United Kingdom
JD SPORTS FASHION PLC	Employment Standards	United Kingdom
JD SPORTS FASHION PLC	Employment Standards	United Kingdom
JERONIMO MARTINS SGPS SA	Climate Change	Portugal
KERRY GROUP PLC	Climate Change	Republic of Ireland
KESKO OYJ	Climate Change	Finland
KONINKLIJKE (ROYAL) PHILIPS NV	AI Governance	Netherlands
KONINKLIJKE AHOLD DELHAIZE N.V.	Climate Change	Netherlands
MARKS & SPENCER GROUP PLC	Climate Change	United Kingdom
MEDTRONIC PLC	AI Governance	United States
METRO INC	Climate Change	Canada
NESTLE SA	Climate Change	Switzerland
PREMIER FOODS PLC	Human Rights	United Kingdom
PRINCES GROUP PLC	Human Rights	United Kingdom
SAUDI BASIC INDUSTRIES CORP	Environmental Risk	Saudi Arabia
SEVERN TRENT PLC	Remuneration	United Kingdom
SHELL PLC	Remuneration	United Kingdom
SIEMENS HEALTHINEERS AG	AI Governance	Germany
SMITH & NEPHEW PLC	AI Governance	United Kingdom
STARBUCKS CORPORATION	Employment Standards	United States
SWEDBANK AB	Climate Change	Sweden
TESCO PLC	Environmental Risk	United Kingdom
THE TORONTO-DOMINION BANK	Climate Change	Canada

PIRC VOTE RECOMMENDATIONS FOR AGMS Q1

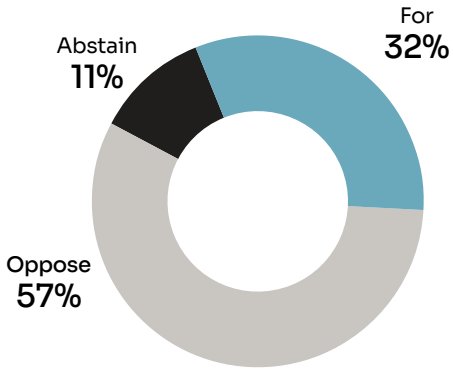
Votes on remuneration advisory, Q1 2026



Director elections, Q1 2026



Votes on remuneration binding, Q1 2026



Auditor appointments, Q1 2026