

An aerial photograph showing a dark asphalt road with white dashed lines running vertically through the center. To the left of the road is a dense, lush green forest. To the right is a cleared area with brown soil, scattered dry pine needles, and several stacks of cut logs.

NORTHERN LGPS 2026: Q2 QUARTERLY STEWARDSHIP REPORT

DEFORESTATION / HEALTH AND SAFETY / OIL & GAS

FOCUS

Q2: DEFORESTATION



Deforestation in tobacco supply chains

Overview: Forests hold immense economic, social and environmental value due to the central role they play in regulating climate systems, protecting biodiversity, and mitigating climate change. As major carbon sinks, forests absorb around one-third of the carbon dioxide released from burning fossil fuels, making them a critical component of

climate mitigation efforts.¹ Forests are also home to the majority of terrestrial biodiversity, which is increasingly important for building resilience to climate change and disease.²

Forests also underpin economic growth and asset values by sustaining the ecosystem services on which businesses depend. Often hidden, these

dependencies include stable rainfall, biodiversity and healthy soils, and it is estimated that around half of global GDP is reliant on nature.³ In addition, forests directly support the livelihoods of about 25% of the global population.⁴

Deforestation, therefore, poses a serious economic, social and environmental risk. Between 2015 and 2025, an

¹ IUCN (2023). Forests and climate change. International Union for Conservation of Nature. [online] 21 Mar. Available at: <https://iucn.org/resources/issues-brief/forests-and-climate-change>.

² FAO and UNEP (2020) *The State of the World's Forests 2020: Forests, biodiversity and people*. Rome: Food and Agriculture Organization of the United Nations. Available at: <https://doi.org/10.4060/ca8642en>

³ Russo, A. (2020). *Half of World's GDP Moderately or Highly Dependent on Nature, Says New Report*. [online] World Economic Forum. Available at: <https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/>.

⁴ United Nations (2023). *Forests - nature's solution to carbon pollution* | United Nations. [online] Available at: <https://www.un.org/en/climatechange/science/climate-issues/forests>.

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average of 10.9 million hectares of forest were lost per year.⁵ Consequently, halting deforestation has become a priority for many communities, policymakers, and investors. Similarly, efforts to end land “conversion” aim to prevent other valuable natural ecosystems – such as wetlands, grasslands and savannahs – from being displaced.

Issues: One sector with a notable impact on deforestation is tobacco. The tobacco industry can drive forest loss in many ways, including agricultural expansion, fuelwood use in the curing process and demand for paper-based packaging materials. In 2012, approximately 4.3 million hectares of land were dedicated to tobacco farming, predominantly in low-income countries.⁶ Tobacco is also a nutrient-intensive crop, requiring higher levels of nitrogen, phosphorous and potassium than other crops, which can accelerate degradation as well as increase the carbon intensity of the end product.⁷ Furthermore, where tobacco is farmed as a monocrop, it can result in soil erosion, which has, in some cases, resulted in desertification.⁸ This degradation of land can, in turn, drive further forest clearance as new cropland is needed.

Tobacco curing can also be a significant driver of deforestation due to its heavy reliance on wood fuel. Flue-curing, the principal method used to produce Virginia tobacco, is the most common method of drying tobacco and accounts for nearly 71% of tobacco production globally.⁹ The process involves heating tobacco in wooden barns for prolonged periods using sustained heat, which is often generated through the burning of wood. This creates considerable demand for both fuelwood and wood to construct the barns themselves, with tobacco curing estimated to consume an

estimated 11.4 million metric tonnes of wood annually.¹⁰

More sustainable tobacco curing technologies exist, including the utilisation of efficient barn designs and alternative fuels. However, the upfront investments needed for these are often prohibitively expensive for smallholder tobacco farmers, due to the low prices they receive for tobacco.¹¹ As there are only a handful of major tobacco-buying companies, these firms have the leverage to maintain low purchasing prices. Furthermore, tobacco buyers often use a contract-farming model to secure low prices in return for credit, inputs and a guaranteed buying market. This leaves farmers with thin or uncertain margins, limiting their ability to self-finance improvements.

Smallholder farmers face significant financial and practical challenges in adopting more sustainable farming and curing practices. Doing so requires greater financial and practical support from buyers. Buyers also need to have a robust monitoring and escalation process to ensure that suppliers comply with ‘no-deforestation’ policies. Best practice would be to demonstrate this process by quantifying the number of audits taking place and providing practical examples of corrective actions when standards are breached.

While most companies in scope have signalled an ambition to eliminate deforestation, several of their commitments are not robust enough in practice. For example, some companies have framed their commitments as “no net deforestation” which still permits trees to be harvested, providing it is offset by new trees planted elsewhere. This approach can still result in biodiversity loss and ecosystem degradation, as newly planted forests rarely replicate the

ecological value of natural forests.

Companies are expected to set absolute “no deforestation and conversion” targets as they set a clearer and more credible expectation that forest loss should be avoided rather than offset.

Companies have cited traceability challenges as a reason for not setting absolute commitments that cover the entire value chain. These challenges stem from fragmented supply chains involving many smallholder producers and intermediaries, as well as gaps in geolocation, data collection and verification systems. As such, they underline the need for stronger supplier engagement and better traceability infrastructure.

Tobacco companies face financially material risks if deforestation in the supply chain is not tackled appropriately. As forests are depleted or subject to tighter controls, fuelwood prices can rise and supply can be disrupted. For example, in 2014, Zimbabwe threatened to ban tobacco production altogether due to excessive deforestation, indicating that supply disruption could be both severe and abrupt.¹² On the demand side, heightened awareness of deforestation impacts could trigger reputational harm or regulatory action.

The most significant regulatory development with regard to deforestation is the EU Deforestation Regulation (EUDR), which is expected to reshape global supply chains by requiring companies to demonstrate that relevant commodities are deforestation and conversion free. While tobacco itself, as well as the wood typically used in curing are not currently within the scope of the regulation, the sector is not entirely unaffected. The EUDR will still apply to wood-based inputs, including cigarette components and packaging materials. As a result, companies will still need to

⁵ Food and Agriculture Organization of the United Nations (FAO) (2025) *Global Forest Resources Assessment 2025: Key findings*. Rome: FAO. Available at: <https://openknowledge.fao.org/server/api/core/bitstreams/2dee6e93-1988-4659-aa89-30dd20b43b15/content/FRA-2025/key-findings.html> (Accessed: 15 May 2026)

⁶ Forbes, K. and Broadhead, J. (2013). *Forests and landslides: The role of trees and forests in the prevention of landslides and rehabilitation of landslide-affected areas in Asia*. [online] Food and Agriculture Organization of the United Nations. Available at: <https://www.fao.org/4/i3245e/i3245e.pdf>.

⁷ Mangora, M.M. (2018). *Tanzania Tobacco Takes its Toll in the Miombo Woodlands*. [online] Unfairtobacco. Available at: https://unfairtobacco.org/wp-content/uploads/2018/12/Mangora_Unfairtobacco_Tanzania_deforestation.pdf.

⁸ Forbes, K. and Broadhead, J. (2013). *Forests and landslides: The role of trees and forests in the prevention of landslides and rehabilitation of landslide-affected areas in Asia*. [online] Food and Agriculture Organization of the United Nations. Available at: <https://www.fao.org/4/i3245e/i3245e.pdf>.

⁹ Stopping Tobacco Organizations and Products (STOP) (2026) *Flue-Cured Tobacco Fact Sheet*. Available at: https://exposetobacco.org/wp-content/uploads/Flue_Cured_Tobacco_FCV_Fact_Sheet.pdf (Accessed: 15 May 2026)

¹⁰ Forbes, K. and Broadhead, J. (2013). *Forests and landslides: The role of trees and forests in the prevention of landslides and rehabilitation of landslide-affected areas in Asia*. [online] Food and Agriculture Organization of the United Nations. Available at: <https://www.fao.org/4/i3245e/i3245e.pdf>.

¹¹ Tobacco Tactics. (2022). *Tobacco and the Environment - Tobacco Tactics*. [online] University of Bath. Available at: <https://www.tobaccotactics.org/article/tobacco-and-the-environment/>.

¹² The New Humanitarian. (2014). *Tobacco-curing eats up Zimbabwe's forests*. [online] Available at: <https://www.thenewhumanitarian.org/news/2014/07/31/tobacco-curing-eats-zimbabwe-s-forests> [Accessed 14 May 2026].

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ensure compliance across their packaging supply chains, increasing due diligence requirements to verify that all wood-based components are deforestation free.

Finally, there is often a lack of clarity on how tobacco companies ensure that the land rights of indigenous people are respected. If supplier activities threaten the resources, customary lands or culturally significant sites of indigenous people, this can lead to land disputes, community opposition and operational disruption. This includes guaranteeing

Free, Prior and Informed Consent (FPIC) – ensuring that suppliers consult with and seek the consent of any affected indigenous communities before commencing operations.

On behalf of Northern LGPS, PIRC engaged with four of the largest tobacco companies globally: British American Tobacco, Imperial Brands, Philip Morris International and Japan Tobacco.

ENGAGEMENTS

BRITISH AMERICAN TOBACCO (BAT)

Engagement: Engagement with BAT focused on how the company identifies, manages and reports deforestation risks across its tobacco supply chain, as well as the extent to which it is supporting more sustainable production practices.

BAT explained that it monitors deforestation risks through a combination of regular visits to farmers by field technicians annually and satellite-based mapping tools to identify land-use changes over time. Where the system detects potential deforestation, farms receive unannounced field inspections and corrective actions.

PIRC then asked about the extent to which BAT's deforestation targets and metrics cover the full supply chain, noting that current reporting does not include all suppliers contracted via third parties. BAT indicated that this reflects traceability challenges associated with these indirect farmers, but that its 2030 target now applies to the full supply chain. PIRC also asked about deforestation risks linked to land-use conversion for tobacco leaf production. BAT said that while this remains a real risk, the company noted that it expects pressure to convert land for tobacco farming to reduce over time as demand for tobacco declines.

PIRC also explored BAT's approach to supporting suppliers in transitioning towards more sustainable curing methods. The company said it does not mandate a single global fuel approach due to varying local conditions, and instead focuses on improving curing efficiency, phasing out coal, and sourcing wood sustainably where wood remains in use. When asked about barriers to wider adoption, the company emphasised local availability, affordability, and land availability, noting that farmers are generally receptive where the benefits are understood.

PIRC also queried the extent to which BAT is able to measure the impact of regenerative agriculture, a set of farming practices aimed at improving soil health and supporting ecosystem restoration.

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BAT said that it is investing in regenerative agriculture and is investigating methods of tracking ecosystem quality over time.

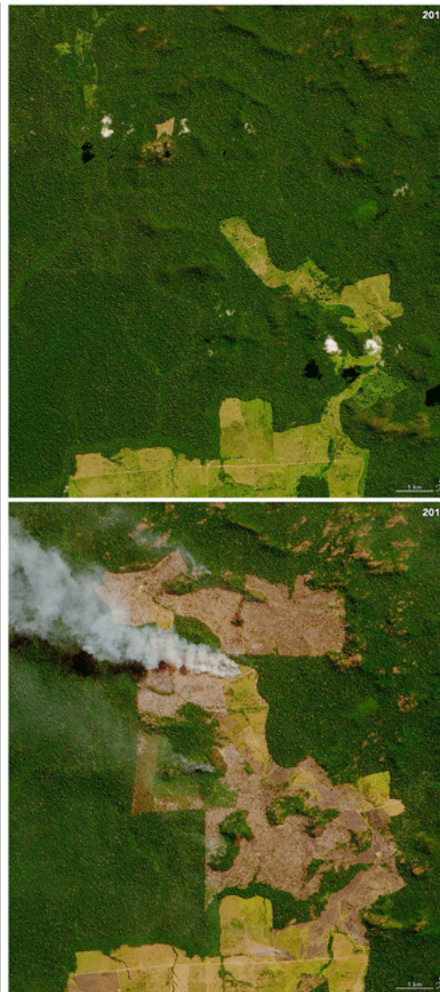
Outcome: The call highlighted BAT's continued investment in traceability and monitoring systems, including on-the-ground monitoring and satellite monitoring, and its intention to extend target coverage across the full supply chain. The company's efforts to develop a clearer approach to measuring regenerative agriculture outcomes are also welcome. While the company is taking practical steps to reduce deforestation impacts from curing, it would be positive to see the company address wider socioeconomic barriers which could prevent farmers investing in new curing methods.

PHILIP MORRIS INTERNATIONAL (PMI)

Engagement: PIRC's engagement with PMI focused on the company's approach to reducing deforestation risk, overseeing supplier compliance, and addressing indigenous rights within its supply chain.

PMI explained that the company had initially prioritised the elimination of deforestation in primary forests and focused on the main drivers of deforestation risk, specifically the wood used as a fuel for tobacco curing and that used to construct barns for curing. PIRC asked about the company's deforestation-related targets, querying the use of a net deforestation goal, which allows forest loss to be offset by tree planting, rather than a more robust, absolute commitment. PMI noted that it already applied an absolute deforestation standard to primary and protected forests. The company added that it intends to extend this approach over time, including to pulp and paper by 2030.

PIRC also sought clarification on how supplier compliance is reviewed and assured. PMI outlined its approach that uses a combination of satellite analysis, field visits, and independent external verification. The company said that all suppliers are reviewed annually and that around 30% are subject to on-site audits,



covering most high-risk regions. PMI explained that where issues are identified, its approach is based on remediation and continued engagement rather than immediate punitive action.

Finally, PIRC asked about the company's approach to free, prior and informed consent (FPIC) of indigenous people, and how this is reflected in supplier expectations. PMI said that it does not currently view FPIC as highly material to its business, arguing that land use conflict is less common in tobacco value chains than in extractive industries. Nevertheless, the company supports and endorses FPIC principles and follows relevant laws and regulations in the jurisdictions where it operates.

Outcome: PIRC welcomes PMI's shift towards ending deforestation on an absolute basis, moving away from net measures that may rely on tree-planting to offset negative impacts. The company

has also described a structured compliance system based on annual reviews, audits, and remediation. PMI's acknowledgement of FPIC principles is also noted, although it would benefit from a more formal and public integration of these expectations into supplier requirements

JAPAN TOBACCO (JT)

Engagement: PIRC's engagement with JT focused on how the company identifies and manages deforestation risk, tracks progress against its commitments and strengthens traceability across its supply chain. JT explained that deforestation risk is identified through desk-based assessments supported by supplier engagement. Directly contracted growers are visited frequently, while third-party tobacco buyers are expected to apply JT's standards to their suppliers.

JT indicated that it was on track to meet its deforestation targets, citing actions such as tree planting and efforts to reduce wood demand through more efficient curing practices. The company also said that it is developing a metric to report progress on eliminating deforestation more clearly, while noting that much of its sourcing is currently assessed as low risk.

PIRC then queried JT's response and escalation process in the event that it detects deforestation in the supply chain. The company explained that appropriate actions such as restoration or compensation would be required, proportionate to the scale of impact and agreed through a consultative process. It added that there is no fixed timeline for corrective actions; instead, suppliers are expected to act quickly and effectively, with timelines set on a case-by-case basis depending on non-compliance severity, the supplier's role, and the feasibility of mitigation and restoration.

Finally, JT's traceability systems to determine the origin of sourced commodities were also addressed. JT said directly sourced tobacco can be traced to individual farms using location data, while third-party sourcing can usually only be traced to a general region due to more complex supply chains and reliance on external reporting. The company

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explained that as most third-party suppliers already have strong traceability, a priority is improving supplier control and obtaining more precise, plot-level location data. JT highlighted a programme to improve data sharing with suppliers in order to access grower-level coordinates for risk assessment and verification.

Outcome: JT demonstrates a structured approach to assessing deforestation risk and responding through grower engagement and practical support, particularly in higher-risk regions. The company's plans to report progress on deforestation more clearly are also welcomed. To improve, the company should disclose a more robust and formalised escalation process in the event of non-compliance.

IMPERIAL BRANDS

Engagement: PIRC's engagement with Imperial Brands focused on the company's progress in addressing deforestation and conversion risks in its supply chain, as well as the barriers that continue to affect performance. The

company highlighted its commitment to achieving 100% sustainable wood, meaning wood sourced from sustainably managed forests or offset through verified tree planting programmes. Key challenges identified include traceability across geographically dispersed supply chains, as well as having a greater reliance on third-party suppliers than its peers.

PIRC raised concerns that only around 85% of the company's curing fuel can be traced to the production unit and confirmed as deforestation-free. The company responded that traceability gaps are largely concentrated in Tanzania, where it has chosen to remain engaged rather than exit. In response, the company had initiated a managed planting programme in 2022–2023, meaning that a renewable source of wood will become available from 2028–2029. PIRC queried whether this might allow the company to set an absolute no-deforestation commitment, meaning that it would eliminate deforestation entirely rather than relying on offsetting through tree planting. The company emphasised that target-setting on deforestation will be informed by the evolving guidance of the

Science-Based Targets initiative and must go through internal governance processes.

On agricultural practices, PIRC asked about soil health and the risk of land degradation driving deforestation. The company stated that land conversion associated with tobacco farming is limited and declining, reflecting the overall contraction of the sector and farmer diversification. It emphasised efforts to support improved soil health and yields, which help minimise the need for agricultural expansion. The company also noted its selective approach to suppliers, favouring those focused on long-term productivity and efficiency.

Outcome: The call highlighted a positive step in the company's long-term approach, particularly its investment in managed planting in Tanzania, which is expected to provide a renewable and more traceable wood supply over time. While this signals progress towards eliminating deforestation, making a clear, absolute no-deforestation and no-conversion commitment would better reassure stakeholders on the direction of travel.

ENGAGEMENT HIGHLIGHTS

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A memorial service for the victims of the dam collapse in Brumadinho five years after the disaster

HEALTH & SAFETY: MINING

Overview: Mining is widely recognised as one of the most dangerous forms of work, exposing employees to a broad range of immediate safety hazards and longer-term health risks.¹³ These hazards arise from the nature of the working environment and include risks such as ground instability, machinery and vehicle incidents, flooding, explosions, and exposure to toxic gases. In addition, the physical demands of mining can lead to musculoskeletal injuries through repetitive tasks, awkward postures, and

heavy manual handling. The long working hours associated with mining work may also contribute to fatigue, increasing the likelihood of errors and accidents.

Despite decades of regulatory development and technological advancements, the mining sector continues to record high rates of fatalities and serious injuries relative to other industries.¹⁴ While many companies have strengthened safety systems and invested in monitoring technologies, disclosure on the effectiveness of these systems, leading indicators, and long-term health risk management remains uneven. As a result, there is often a disconnect

between the scale of operational hazards and the level of transparency available to investors seeking to assess operational resilience.

Worker safety is recognised as a fundamental right, reflected in international frameworks such as the International Labour Organization's (ILO) Occupational Safety and Health (OSH) Convention, 1981 (No. 155), which requires employers to adopt a systematic approach to identifying and managing workplace risks. In the mining sector specifically, the Safety and Health in Mines Convention, 1995 (No. 176), sets out additional obligations tailored to the sector's heightened risk profile, including

¹³ Cruz-Ausejo, L. et al. (2024). Occupational accidents in mining workers: scoping review of studies published in the last 13 years. *BMJ Open*. [online] Available at: <https://doi.org/10.1136/bmjopen-2023-080572>.

¹⁴ Baraza, X. et al. (2023). Statistical analysis of the severity of occupational accidents in the mining sector. *Journal of Safety Research*. [online] Available at: <https://doi.org/10.1016/j.jsr.2023.07.015>.

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requirements for competent supervision, emergency preparedness and continuous monitoring of hazardous conditions.¹⁵

These standards make clear that effective health and safety management is not only a legal and ethical obligation but also a core component of operational risk oversight. Companies that fail to meet these expectations face heightened exposure to regulatory scrutiny, workforce disruption and reputational damage.

As in other high-risk sectors, weak safety performance in mining can translate directly into financial loss, particularly where low probability but high consequence failures occur. The 2019 Brumadinho tailings dam collapse in Brazil illustrates the scale of that risk. The collapse resulted in the death of 272 people, released millions of cubic metres of waste, and resulted in a settlement of approximately \$7 billion. It also triggered production restrictions, litigation and a sharp fall in Vale's market value.¹⁶ Investigations and legal proceedings that followed pointed to serious concerns around dam stability assurance, risk management processes, and the handling of known structural concerns.

Similarly, the 1994 Moura underground explosion in Queensland, Australia, killed 11 workers and exposed serious failures in gas monitoring, ventilation management and hazard identification.¹⁷ The incident triggered major regulatory reforms and reinforced the financial and operational consequences of inadequate safety controls.

Beyond catastrophic events, routine injuries and occupational illnesses also carry material costs. Lost-time injuries can disrupt production, trigger mandatory safety stand-downs, increase overtime requirements and contribute to workforce turnover.¹⁸ Additionally, long-term health impacts can lead to substantial liabilities, as demonstrated by the 2019 South

African silicosis settlement, in which several major gold mining companies agreed to allocate roughly \$400 million to compensate miners affected by silicosis and tuberculosis lung conditions linked to silica dust exposure.¹⁹

Issues: As mining companies continue to invest in safety systems and risk management processes, attention is increasingly turning to how effectively these frameworks are implemented in practice. Although many companies have formalised comprehensive occupational health and safety systems, implementation often varies across sites, operations and workforce groups. This persistent gap between policy and practice can reduce the effectiveness of safety controls and weaken incident prevention.

Workforce composition adds a further layer of complexity to health and safety management in mining. The sector's increasing reliance on contract labour can create inconsistencies in training, supervision and safety culture. In many cases, contractors are also brought in to carry out higher-risk or specialist tasks. Contract workers often experience higher injury rates due to inconsistent onboarding, different training standards and limited familiarity with site-specific hazards.²⁰ Frequent rotation between sites and commercial pressures to complete work efficiently can further increase exposure to risk. This raises questions about whether companies are applying consistent safety standards across their workforce and are taking clear accountability for contracted personnel.

At an operational level, the management of critical controls remains a key area of concern. Critical controls are the specific measures that must function to prevent a high-consequence event, or to mitigate its impact if it occurs.²¹ Many serious incidents occur not because

controls are absent, but because they are not consistently implemented or effectively verified in practice. Low overall injury rates can mask these weaknesses, creating a misleading sense of assurance. Ensuring that critical controls are clearly defined, systematically monitored and regularly tested across all major hazards is essential to reducing the likelihood of high-consequence events.

Supervisory effectiveness is closely linked to these outcomes. Supervisors play a critical role in translating corporate safety policies into frontline practice, yet their ability to do so is often constrained by competing demands. Administrative responsibilities and production pressures can limit time spent on site, reducing opportunities for hazard identification, control verification and early intervention. Where supervisory presence is limited, the reliability of safety systems may be compromised.

Mining work can also involve long-term exposure to hazards that lead to chronic illnesses such as pneumoconiosis, silicosis, chronic obstructive pulmonary disease (COPD) and lung cancer. These conditions often develop gradually and may not become apparent until years after exposure, which can contribute to under recognition. However, companies may face significant long-term health, regulatory and reputational risks if occupational exposures are not effectively monitored and controlled.

The mining industry also experiences high rates of anxiety, burnout, and depression, partly due to the demands of fly-in, fly-out (FIFO) and drive-in, drive-out (DIDO) work arrangements. Extended periods away from family and social support networks, combined with long shifts and remote working conditions, can adversely affect workers' mental health and wellbeing.²² These risks can be reduced through targeted

¹⁵ International Labour Organization (ILO). (2014). Occupational safety and health in the mining (coal and other mining) sector. [online] Available at: <https://www.ilo.org/resource/occupational-safety-and-health-mining-coal-and-other-mining-sector> [Accessed 19 June 2026].

¹⁶ Responsible Investor. (2022). SEC charges Vale with misleading investors over Brumadinho safety. [online] Available at: <https://www.responsible-investor.com/sec-charges-vale-with-misleading-investors-over-brumadinho-safety/> [Accessed 18 June 2026].

¹⁷ Australian Institute for Disaster Resilience (AIDR). Industrial – Moura mine explosion, Queensland, 1994. [online] Available at: <https://knowledge.aidr.org.au/resources/industrial-moura-mine-explosion-queensland-1994/> [Accessed 19 June 2026].

¹⁸ Heberger, J.R. (2018). Demonstrating the financial impact of mining injuries with the "Safety Pays in Mining" web application. Mining Engineering. [online] Available at: <https://doi.org/10.19150/me.8643>.

¹⁹ BBC News. (2018). South Africa silicosis: Miners win class-action lawsuit. [online] Available at: <https://www.bbc.co.uk/news/business-43995165> [Accessed 18 June 2026].

²⁰ International Council on Mining and Metals (ICMM). (2025). 2020–2024 ICMM Safety Performance: Insights. [online] Available at: <https://www.icmm.com/en-gb/research/health-safety/2020-2024-safety-performance-insights> [Accessed 21 July 2026].

²¹ International Council on Mining and Metals (ICMM). (2026). Critical Control Management (CCM): Good Practice Guide. [online] Available at: <https://www.icmm.com/en-gb/guidance/health-safety/2026/ccm-good-practice-guide> [Accessed 19 June 2026].

²² Asare, B.Y.A., Robinson, S., Powell, D. and Kwasnicka, D. (2023). Health and related behaviours of fly-in fly-out workers in the mining industry in Australia: a cross-sectional study. *International Archives of Occupational and Environmental Health*, 96, pp. 105–120. [online] Available at: <https://doi.org/10.1007/s00420-022-01908-x> [Accessed 21 July 2026].

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wellbeing initiatives, access to counselling and peer support services, and effective fatigue management programmes.

Transparency also remains uneven across the sector. Although reporting has gradually expanded to include indicators such as high-potential incidents, near misses, serious injury categories, and inspection completion rates, disclosure remains inconsistent. This limits comparability between companies and reduces investors' ability to assess whether improvements in reported outcomes reflect genuine risk reduction or simply differences in reporting practices.

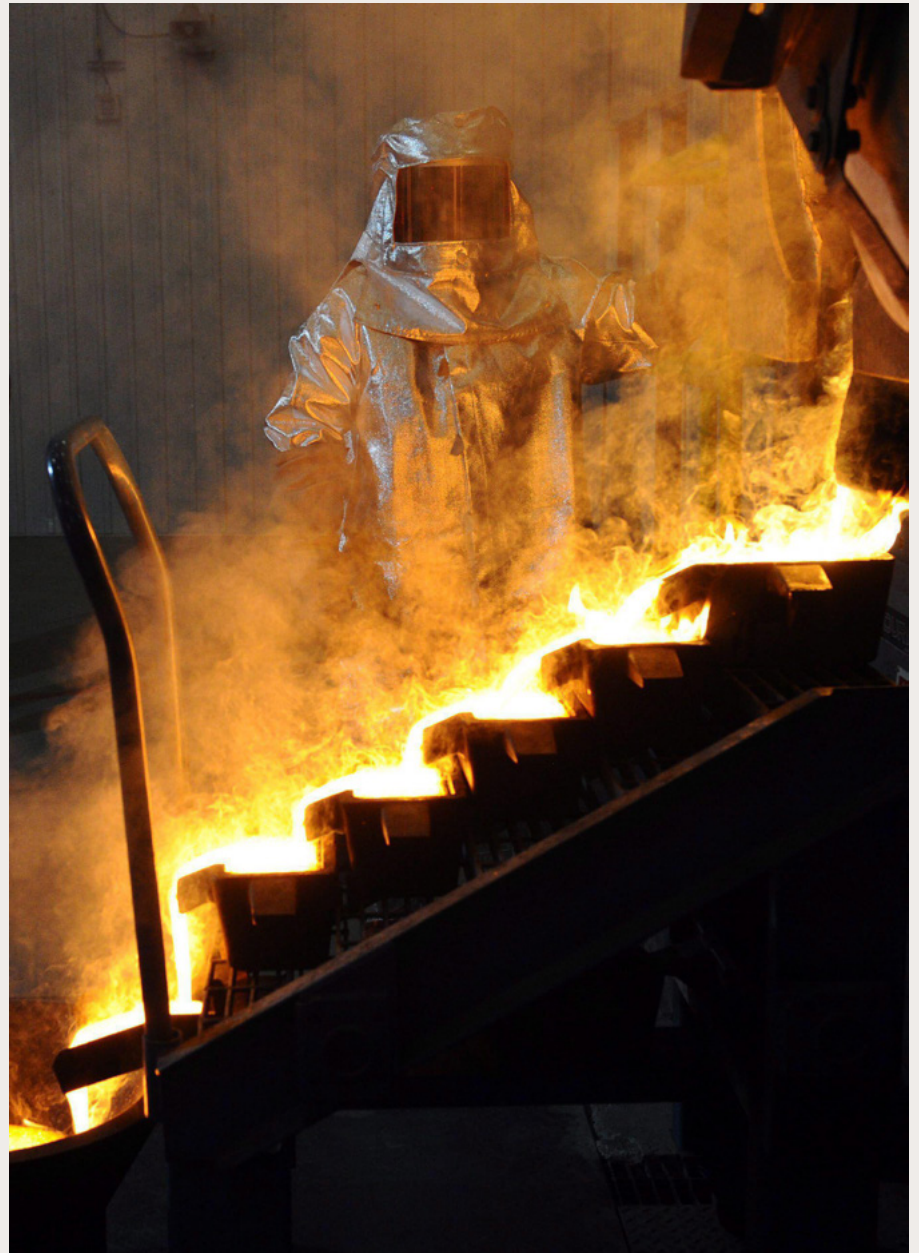
Taken together, these issues highlight the importance of strengthening the link between occupational health and safety systems and operational outcomes. Where companies cannot demonstrate consistent implementation, effective monitoring and meaningful disclosure, they remain exposed to avoidable incidents, regulatory scrutiny and long-term financial risks. Addressing these gaps will be critical to improving both worker protection and the resilience of mining operations.

On behalf of Northern LGPS, PIRC engaged with five companies in the mining industry: Agnico Eagle Mining, Rio Tinto, Cameco, Anglo American and ArcelorMittal.

ENGAGEMENTS:

AGNICO EAGLE MINING

Engagement: Agnico Eagle has suffered three fatalities in 2026. The company has also identified 16 major hazards across its portfolio and is implementing a critical controls framework, but internal reviews have identified weaknesses in supervisory consistency and execution - the point at which most controls fail in practice. The decentralised, site-specific operating model, while appropriate given differing operational conditions across the portfolio, creates uneven maturity across sites and has potentially limited the company's ability to demonstrate consistent control effectiveness groupwide.



Contractor injury rates also tend to be higher than those of direct employees, attributed to the transient nature of contractor work and greater exposure to high-risk activities. However, no targeted strategy to close this gap was clearly articulated during the engagement.

The company's response centres on accelerating the rollout of its major hazards and critical controls framework and renewing focus on supervisory capability and organisational behaviour. The adoption of the ICAM investigation methodology²³ has improved consistency

in incident learning, and the supervision formula - requiring daily risk assessment and control verification by supervisors - provides a structured mechanism for frontline oversight. Worker engagement at Agnico Eagle appears to be relatively robust, with collaboration committees providing formal channels for employee feedback, and peer-to-peer mental health support is well embedded. However, the absence of a clear, targeted strategy to address the contractor safety differential is a notable gap relative to peers, and the company did not commit to enhanced

²³ ICAM - Incident Cause Analysis Method. It is a process used to look deeply into why a workplace accident happened.

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public disclosure of targets or timelines during the engagement.

Leading indicator disclosure remains limited, hindering investors' ability to assess whether the accelerated controls rollout is translating into improved risk management in practice. The company acknowledged deteriorating safety performance and identified supervisory execution as the primary gap, but external visibility on near-miss trends, critical control verification rates, and site-level performance variance is insufficient to support independent assessment.

Outcomes: Agnico Eagle demonstrates a credible and evolving safety framework, with strong foundations in risk identification, worker engagement, and learning culture. However, the effectiveness of controls remains uneven, with gaps in supervisory execution and inconsistencies across sites. Disclosure on risk management progress and leading indicators remains limited, and greater transparency would support external assessment of performance.

RIO TINTO

Engagement: Rio Tinto has a developed and structured approach to safety management, with clearly defined global standards linked to its most material risks, including energy isolation, vehicle interactions, falling objects, confined spaces, and water-related hazards. These are supported by a comprehensive enterprise risk management framework, with asset-level adaptation to reflect site-specific conditions.

The company demonstrated a strong emphasis on proactive risk management through its Critical Risk Management (CRM) system, which embeds layered verification across all levels of the organisation. Operators, supervisors, and managers each have defined responsibilities for verifying critical controls, supported by extensive assurance processes and high volumes of data collection. The company provided quantitative insight into control performance, including non-conformance rates, indicating active monitoring and a willingness to identify and address weaknesses.

Rio Tinto has also integrated technological solutions to reduce exposure to

risks, including automation, remote operations, and fatigue detection systems. Occupational health management is comparatively advanced, with clear identification of priority risks such as silica exposure, diesel particulates, noise, and psychosocial factors. The company is increasingly focusing on engineering solutions and electrification to mitigate long-term health risks.

Governance structures appear robust, with frequent board-level engagement, dedicated committees, and regular site visits. However, while the company collects extensive data and operates sophisticated systems, there is less clarity on how these translate into consistently improved outcomes across all areas. Safety remains a structural challenge, with higher injury rates - similar to peers - attributed to the transient and higher-risk nature of contractor work.

Outcomes: Rio Tinto demonstrates leading practices in the design and implementation of safety systems, with strong governance, comprehensive risk frameworks, and effective use of leading indicators. The company's approach to occupational health and technological risk reduction is particularly advanced.

However, challenges remain in translating these systems into consistently improved outcomes, particularly in relation to contractor safety. There is also an opportunity to further enhance worker voice mechanisms and increase transparency around how employee feedback informs decision-making. Expanding the use of leading indicators alongside injury frequency rates could also support a more forward-looking approach to health and safety management.

CAMECO CORPORATION

Engagement: Cameco's health and safety risks are shaped by the hazardous nature of uranium mining and milling, where radiation exposure, ground control, and contractor-intensive capital programmes represent the most material operational risks. The company has reported that there is still room for improvement on safety performance, with higher contractor injury rates a persistent feature - attributed to the non-routine nature of contractor work and elevated

exposure during periods of operational change and capital upgrades. This is a financially and reputationally relevant risk given the regulatory sensitivity of the nuclear sector, where safety incidents attract heightened scrutiny from regulators, governments, and the public.

The company's response is characterised by a strong emphasis on safety culture and workforce engagement, with internal audits, hazard verifications, job task observations, and increased supervisory site presence forming the core of the operational framework. A notable shift in approach involves moving away from process-driven compliance toward qualitative engagement through direct interaction and storytelling, informed by internal culture assessments that identified in-person communication as the most effective mechanism for embedding safe behaviours. The company has demonstrated willingness to remove underperforming contractors and applies its standards to contractor activities. However, mitigation for the contractor performance gap relies primarily on oversight and training rather than a more systemic strategy, which limits confidence in the robustness of improvement.

External disclosure remains largely focused on lagging indicators, with limited transparency on near-miss trends, control effectiveness metrics, or how risks are tracked over time. This constrains investors' ability to assess the effectiveness of the company's proactive risk management, particularly given the acknowledged gap between current performance and desired outcomes. Enhanced leading indicator disclosure would be a meaningful step toward demonstrating that the company's cultural and behavioural emphasis is supported by measurable systems-level evidence.

Outcomes: Cameco demonstrates a strong safety culture with meaningful workforce engagement mechanisms, but the reliance on behavioural approaches is not yet clearly supported by systems-level evidence of control effectiveness. The principal risks are the structural contractor safety gap, the absence of a clearly defined strategy to address it, and limited external disclosure of leading indicators.

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ANGLO AMERICAN

Engagement: Anglo American's health and safety risk profile is shaped by exposure to high-consequence mining hazards – including tailings failures, underground incidents, fire and explosions, and explosives management failures – across a complex, multi-geography portfolio. These risks are managed through a framework linking enterprise-level risk processes with site-level risk registers, underpinned by group-wide technical standards covering critical hazard categories including energy isolation, working at height, confined spaces, and underground work. The persisting risk is whether this framework translates into consistent control execution in practice, particularly given the extent of high-hazard work undertaken by contractors.

The company's stewardship strategy addresses incident learning through a group-wide platform that escalates events according to severity, with fatalities triggering CEO-level accountability and remuneration consequences for senior leaders. On contractor safety, the approach is more structured than some peers, with a performance management programme piloted in Brazil and being extended across the business, embedding safety expectations into contract terms and applying control verification to contractor activity. The proposed merger with Teck Resources introduces additional integration risk, with early alignment of safety systems underway but operational differences requiring phased implementation.

Disclosure of leading indicators and evidence of outcomes from the contractor programme remain the principal gaps for investors seeking to assess whether the framework is delivering consistent results. The company has not yet clearly demonstrated the extent to which contractor safety interventions are reducing injury risk in practice, and the merger with Teck Resources adds complexity that will require sustained monitoring. Greater transparency on critical control verification rates, contractor performance data, and the quality of corrective actions

following incidents would materially strengthen assessment of the company's risk management effectiveness.

Outcomes: Anglo American demonstrates a structured approach to health and safety risk, with clear escalation routes, group-wide standards, and defined governance mechanisms. The principal areas requiring continued monitoring are contractor safety outcomes, evidence of effectiveness from the incident learning and leadership programmes, and integration risk from the Teck Resources merger.

ARCELORMITTAL

Engagement: Health and safety risk has been a material focus for Arcelor Mittal over the past 2.5 years. A fatal incident at its former coal operations in Kazakhstan demonstrated the consequences of inconsistent safety culture and governance across a complex, multi-geography group. The DSS+ audit²⁴, commissioned in response, identified two systemic risks: inconsistent implementation of group policies at site level, and inadequate contractor safety management. These findings are significant given that contractor workforces typically account for a disproportionate share of serious incidents in industrial operations, and that regulatory, legal, and reputational consequences of fatalities in this sector can be material.

The company's response is structured around a three-year improvement programme. Year one established governance foundations such as an enhanced three lines of assurance to board level, revised KPI monitoring by segment, integration of safety into performance reviews, and a safety competency model identifying required skills by role, down to supervisor level. External assessments against that model are now underway, with gaps addressed through a structured training partnership.

On contractor risk specifically, a Fatality Prevention Standard has been rolled out group-wide in 2025, introducing a consistent assessment framework with

colour-coded performance ratings and escalation requirements for underperforming contractors. A 7% reduction in lost-time injury frequency rate provides early evidence of improvement, though the company is at an early stage of a multi-year programme and implementation consistency across the group remains the central execution risk.

Occupational health represents a less visible but important long-term risk. Dust and emissions exposure is managed through technology controls, including recently installed zero-dust filters at Fos-sur-Mer and AI-enabled PPE monitoring being rolled out across sites. However, the company does not currently disclose near-miss rates, high-potential incident data, or critical control verification rates, limiting investors' ability to assess leading indicators of safety performance. Systematic tracking of long-term occupational disease latency was also not confirmed.

Outcomes: ArcelorMittal has responded to material safety failures with a credible, externally validated improvement programme, and early metrics suggest directional progress. The principal residual risks are the consistency of implementation across a complex operating portfolio and the effectiveness of contractor safety controls, neither of which has yet been demonstrated through outcome data.

OIL & GAS:

BP

Since Bernard Looney's resignation in 2023, BP has seen repeated leadership changes, including Murray Auchincloss's departure in December 2025 and Meg O'Neill's appointment as chief executive in April 2026. This period of instability resulted in a sharp strategic reversal. In February 2025, BP announced a 'fundamentally reset strategy' that increased planned investment in oil and gas and reduced transition business spending. This marked a clear departure from the decarbonisation path that had previously

²⁴ DSS+ audit – A comprehensive evaluation of a company's safety culture, risk management, and operational processes. Conducted by dss+ (formerly DuPont Sustainable Solutions), these audits assess how well an organization protects its workers and assets, and they provide actionable recommendations for improvement.

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helped distinguish the company from some of its peers.

BP's return to oil has prompted significant shareholder concern, not only over climate ambition but also over governance, capital discipline and the long-term rationale for the shift. Those concerns were reflected in the filing of a shareholder resolution at BP's 2026 AGM by the Australasian Centre for Corporate Responsibility (ACCR). This resolution

was co-filed by a group of long-term investors that include Merseyside Pension Fund and Greater Manchester Pension Fund. The resolution called on BP to provide enhanced disclosure on how its upstream capital expenditure decisions demonstrate capital discipline and acceptable long-term returns, including through transparency on project cost competitiveness and exploration spending, particularly in light of BP's

long-term underperformance relative to energy sector benchmarks.

On top of investor concern over the pivot back to being a predominantly hydrocarbon-based business, the Notice of Meeting for BP's 2026 AGM raised a number of significant governance concerns and potential threats to shareholder rights at the company. Notably, the company excluded a climate-related shareholder proposal

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requisitioned by FollowThis, prompting concerns that BP is suppressing potential shareholder dissent around the company's climate strategy. West Yorkshire Pension fund were co-filers of the resolution. This exclusion occurred despite BP acknowledging that the proposal met the required ownership threshold to be placed on the ballot, and notwithstanding the fact that peer company Shell accepted a near identical proposal at its own AGM.

The company also proposed to "retire" two shareholder resolutions passed several years ago with the Board's support, claiming that they had "largely been superseded". These resolutions require disclosure on how the company's strategy and capital expenditure align with the goals of the Paris Agreement and provide useful information for shareholders. One resolution on the 2026 ballot would repeal both shareholder proposals if passed, preventing shareholders from expressing a view on the merits of each proposal separately.

The company had also proposed amendments to its Articles of Association that would permit AGMs to be held exclusively in virtual format at the Board's discretion. PIRC has concerns that fully virtual AGMs materially weaken shareholder participation and scrutiny. This view is consistent with the position of the International Corporate Governance Network (ICGN), which has highlighted that virtual-only meetings may allow boards to filter questions, provide generic responses to pre-submitted queries, and limit opportunities for follow up, thereby reducing meaningful engagement. BP has argued that the change would "facilitate broader engagement and participation in general meetings, in a cost effective and streamlined way, recognising the international nature of its shareholder base."

Engagement: On 26th March 2026, PIRC met with BP regarding material governance concerns and threats to shareholder resolutions relating to proposals made at its AGM. The company argued that the appointment of a new chair had brought clarity to its strategic reset, with strong alignment between the board and leadership team on the actions required. BP said its focus is on pace, discipline and simplification, and pointed to strong performance in 2025. BP also argued that the repeal of the two previous

climate resolutions was about "modernising, simplifying and standardising" climate reporting and that it did not represent any retreat from climate related disclosure.

On the ACCR resolution, BP similarly argued that bespoke disclosure was unnecessary and would divert management attention, noting that existing disclosures on capital allocation were already extensive and sufficient.

PIRC further raised concerns about the company's decision not to put the FollowThis resolution to a shareholder vote. BP explained that while the filing threshold had been met, the resolution was deemed not to satisfy company law requirements or the company's own articles, on the basis that the underlying request lacked a binding constitutional impact. While the company had exercised discretion in permitting a similar FollowThis resolution in 2023, it stated that it had chosen not to do so this year in the interests of simplification. PIRC highlighted concerns about the optics of this decision, particularly given the company's failure to provide shareholders with a vote on the withdrawal of several climate objectives last year. The company responded that institutional shareholders did not expect a vote on strategy and that investors retained the ability to vote against directors if dissatisfied. The company also rejected the suggestion that the significant vote against then chair Helge Lund in 2025 was linked to climate-related issues.

Finally, PIRC probed the proposed authority to permit virtual AGMs, citing potential adverse impacts on shareholder participation and accountability. The company argued that the resolution was not intended to be permanent in practice, and that the Board would review the AGM format annually. BP noted that it had developed guidance with industry peers to safeguard shareholder rights, and that the UK government was moving towards enabling virtual AGMs. PIRC questioned how, given the open-ended nature of the authority, shareholders would be able to express disagreement with its ongoing use, a concern the company said was addressed through its year-round shareholder engagement programme. PIRC also raised concerns that the authority sought approval for virtual AGMs without specifying the online format, which the company argued was

no different from the Board's existing discretion in determining the format of in-person AGMs.

Outcome: PIRC recommended opposition to the election of the Chair, in light of the Board's decision to omit the FollowThis proposal and the company's inadequate climate targets. PIRC also recommended opposition to the proposal to allow virtual shareholder meetings and the proposal to revoke the previously approved shareholder resolutions.

Since PIRC's engagement with BP, the company has held its 2026 AGM and faced significant investor pushback, underlining the seriousness of the governance concerns raised ahead of the meeting. Shareholders voted 52.88% against the proposal to permit virtual-only shareholder meetings and 52.53% against the proposal to repeal BP's existing climate reporting requirements. The ACCR shareholder resolution received 25.85% support, a notable level of backing for a shareholder proposal, requiring the company to respond. Finally, 18.23% of shareholders voted against the re-election of Albert Manifold as chair.

Shortly after the AGM, Manifold was removed from his role as chair less than eight months after taking office. BP stated that the decision followed 'serious concerns' relating to Manifold's governance standards, oversight and conduct. Manifold's departure so soon after appointment and a contested AGM has made it more difficult for the board to restore investor confidence in the company's stability and future direction.

BP has once again asked Senior Independent Director Amanda Blanc to lead the search for a new chair. This is despite her having overseen the previous process while also serving as Group Chief Executive Officer of Aviva. This raises a further question over whether the board has put in place a sufficiently robust process and whether Blanc can devote adequate time and attention to a second chair appointment at a moment of heightened governance scrutiny.

ENGAGEMENT HIGHLIGHTS

Q2



HEALTHY MARKETS

Issues: Inadequate diets have driven high rates of obesity and diet-related disease in the UK, with 64.5% of adults now overweight or obese, increasing risks of conditions like diabetes, heart disease and cancer.²⁵ The costs of obesity are estimated at 3% of UK GDP, including costs to individuals, the NHS, and workplace productivity.²⁶ This directly affects government budgets, long-term economic growth, and investment returns. As such, addressing nutrition has been an increasing priority for the government.

At the same time, growing public awareness of nutrition, alongside the rapid uptake of GLP-1 weight loss drugs, are driving consumers towards healthier options. Together, regulatory risks and market trends pose a significant long-term risk to the business models of companies reliant on selling unhealthy food.

PIRC has called on companies to disclose a standardised measure of the healthiness of their portfolios, using a

recognised, standardised Nutrient Profiling Model (NPM) metric. These metrics allow investors to understand the overall healthiness of a company's portfolio and evaluate the health-related risks it faces. PIRC also recommends that companies disclose targets to improve their performance against this metric, enabling investors to assess management's ambition and commitment to improving portfolio health. The UK government has indicated plans to mandate NPM disclosure and targets for large businesses, but policy specifics and timelines are still unclear.²⁷

Engagement: On behalf of Northern LGPS, PIRC met with three companies in the food and drink sector to discuss their approaches to consumer health, as part of ShareAction's Healthy Markets Initiative. Constructively, Greggs announced that it is working on measuring the health of its portfolio under UK's Nutrient Profiling Model and expressed that it planned to set a target for improvement by 2030. In contrast, Coca-Cola argued against disclosing a metric of portfolio health, saying that it prioritised offering

consumer choice, including smaller pack size and low- and no-calorie options. Sainsbury's expressed support for mandatory NPM reporting but was more reluctant to disclose a target under this metric. PIRC queried the company's failure to meet its previous healthy food target, which the company argued was a result of its high baseline performance and the pandemic changing consumption patterns.

Outcome: Greggs' proactive choice to measure its NPM helps prepare it for regulation and will fulfil a key request of the initiative. Greggs will join Sainsbury's in disclosing auditable and comparable health metrics, allowing investors to assess portfolio resilience and compare them with peers. However, companies were more reluctant to set targets to improve NPM performance, citing a lack of clarity around the government's plans. This means that investors cannot adequately assess whether their level of ambition is proportionate to the risks faced. Target-setting will therefore remain a priority in future engagements.

²⁵ Office for Health Improvement & Disparities (2025). *Obesity profile: short statistical commentary, May 2025*. [online] GOV.UK. Available at: <https://www.gov.uk/government/statistics/obesity-profile-may-2025-update/obesity-profile-short-statistical-commentary-may-2025>.

²⁶ Rachel, G. (2023). *The costs of obesity: an update*. [online] Institute for Fiscal Studies and University of Manchester. Available at: <https://ifs.org.uk/sites/default/files/2023-11/The-costs-of-Obesity-update.pdf>.

²⁷ Bowes Byatt, L. (2025). *What is the government's new healthy food standard, and how does it work?* [online] NESTA. Available at: <https://www.nesta.org.uk/project-updates/what-is-the-governments-new-healthy-food-standard-and-how-does-it-work/>.

ENGAGEMENTS

Q2

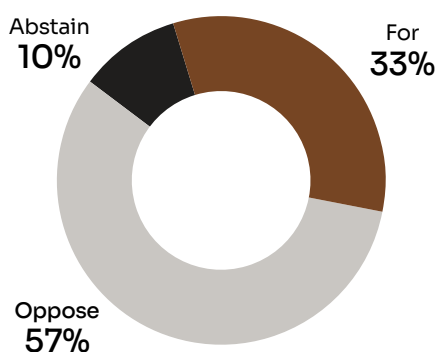
Q2 Engagements

Company	Topic	Domicile
LLOYDS BANKING GROUP PLC	Remuneration	GBR
THE COCA-COLA COMPANY	Social Risk	USA
VINCI	Social Risk	FRA
JPMORGAN CHASE & CO.	Governance (General)	USA
STANDARD CHARTERED BANK	Climate Change	KEN
BRIDGESTONE CORP	Environmental Risk	JPN
PIRELLI & CO	Environmental Risk	ITA
TESCO PLC	Climate Change	GBR
JAPAN TOBACCO INC	Environmental Risk	JPN
AGNICO EAGLE MINES LIMITED	Employment Standards	CAN
RIO TINTO PLC	Employment Standards	GBR
BRITISH AMERICAN TOBACCO PLC	Climate Change	GBR
PHILIP MORRIS INTERNATIONAL INC.	Environmental Risk	USA
YARA INTERNATIONAL ASA	Climate Change	NOR
CAMECO CORPORATION	Employment Standards	CAN
IMPERIAL BRANDS PLC	Environmental Risk	GBR
CLP HOLDINGS	Human Rights	HKG
ANGLO AMERICAN	Human Rights	GBR
ARCELORMITTAL	Human Rights	LUX
SHELL	Climate Change	GBR

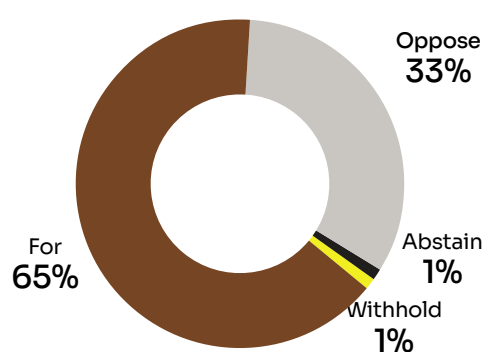
PIRC VOTE RECOMMENDATIONS FOR AGMS

Q2

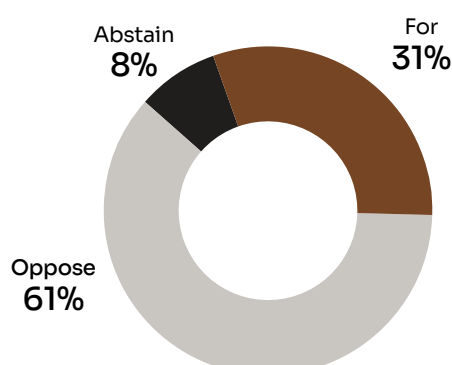
Votes on remuneration advisory, Q2 2026



Director elections, Q2 2026



Votes on remuneration binding, Q2 2026



Auditor appointments, Q2 2026

