



## **Conflict-Affected and High-Risk Areas: LAPFF Engagement Expectations of Companies**

The Local Authority Pension Fund Forum (LAPFF) recognises that companies operating in Conflict-Affected and High-Risk Areas (CAHRAs) face heightened operational, reputational, legal, and financial challenges. Such areas, which may be affected by armed conflict, civil war, military occupation, or other forms of widespread violence, create complex conditions that can lead to severe human rights and humanitarian law violations. As responsible investors, LAPFF acknowledges these risks and seeks to engage with investee companies to ensure rigorous processes for preventing and mitigating harm are adopted.

Ongoing global conflicts have underscored the financial repercussions and reputational damage businesses can suffer when linked to human rights abuses or war crimes. Investee companies may face exposure through sanctions, disrupted supply chains, and potential legal liabilities.

LAPFF's expectations of companies are guided by the UN Guiding Principles on Business and Human Rights (UNGPs) which call for human rights due diligence in all operating contexts. In CAHRAs, however, the UNGPs and guidance released by the UN Development Programme in cooperation with the UN Working Group on Business and Human Rights, advise undertaking a more comprehensive process known as heightened human rights due diligence (hHRDD).

Standard human rights due diligence focuses on identifying, preventing, mitigating, and accounting for human rights impacts. hHRDD extends this approach by requiring companies not only to examine their impacts on people, but also on the dynamics of the conflict itself. This includes recognising early warning "red flags" that might signal escalating violence or instability. Such red flags could be the presence of private security contractors, pervasive hate speech, severe restrictions on media, or forced displacement of people.

LAPFF therefore expects companies operating in or linked to CAHRAs to implement the following core asks:

- Adopt and publicly disclose policies on hHRDD, including criteria for entering, remaining in, or exiting a CAHRA.



- Conduct robust conflict and human rights impact assessments, integrating findings into their corporate strategy.
- Strengthen supply chain oversight, ensuring that contracts and business relationships do not contribute to abuses.
- Engage openly with stakeholders and provide transparent reporting on progress, challenges, and any remedial actions taken.

These principles build on the approach that LAPFF takes with companies on human rights issues and applies a more comprehensive approach to those exposed to CAHRAs.

To actively encourage the implementation of these expectations LAPFF engages companies for change. These engagements, including progress and outcomes, are disclosed in LAPFF's quarterly engagement reports.

Engagements cover a wide range of geographies, conflict and high-risk areas, and specific causes and situations. Nevertheless, despite the unique situations the core asks remain the same. LAPFF does so regardless of circumstance to mitigate and manage the human rights and humanitarian risks to the people and communities affected and to reduce the financial risks to companies and their investors.