



LGPS Central Limited

Stewardship Update

Leicestershire Local Pension Committee

3 July 2026

For Professional Investors Only

Stewardship: What & Why



What

- Stewardship Definition:

“Responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries”.

- In practice, it means acting as active owners, voting and engaging companies/managers, to protect and enhance investment value over time.

Stewardship targets financially material issues. By engaging companies on such issues (e.g. risk oversight, strategy, governance), investors aim to mitigate risks and unlock value, aligning stewardship with the fiduciary goal of maximising long-term returns for beneficiaries.

Why

- Financial Materiality:

- An issue is financially material if it could alter a company’s valuation or a reasonable investor’s decision.
- This could involve governance quality, workforce practices, supply chain management.



Stewardship Approach



Direct Approach

Stewardship Overlay Services

Themes

Process



Climate



Natural Capital



Human Rights



Sensitive / Topical Issues

Key Performance Indicators (KPIs)

KPIs allocated to each engagement

Measures of Success

Tracking engagement outcomes using the Measures of Success framework

LGPSC Voting Guidelines

Encompassing robust procedures on corporate governance, climate, human rights, natural capital, and human capital.

Outcome-based reporting

Biannual reporting on engagement outcomes, KPI performance and next steps



Next Step: Stewardship Approach



Additional areas for potential enhancements:

- Integration of managers' engagement activity into reporting
- Re-organisation of stewardship priorities and inclusion of market confidence engagement programme (including AI)
- Further dialogue on escalation
- Advocacy Approach

Timeline

1:1 consultation with PFs	April – May 2026
Internal Research	May – June 2026
1 st Draft of Stewardship Strategy	June – July 2026
Internal Governance	August 2026
Share Final Draft of Stewardship Strategy with PFs	September – December 2026
Stewardship Strategy Launch	1 st January 2027

Stewardship Tools - Voting



Investors with voting rights should seek to vote shares held and make informed and independent voting decisions, applying due care, diligence, and judgment across their entire portfolio in the interests of beneficiaries or clients. (Principle 5, Investor Corporate Governance Network, Global Stewardship Principles)



Voted at **4,202** MEETINGS and on **49,670** RESOLUTIONS

Supported **40.9%** (498) SHAREHOLDER PROPOSALS

Number of resolutions voted

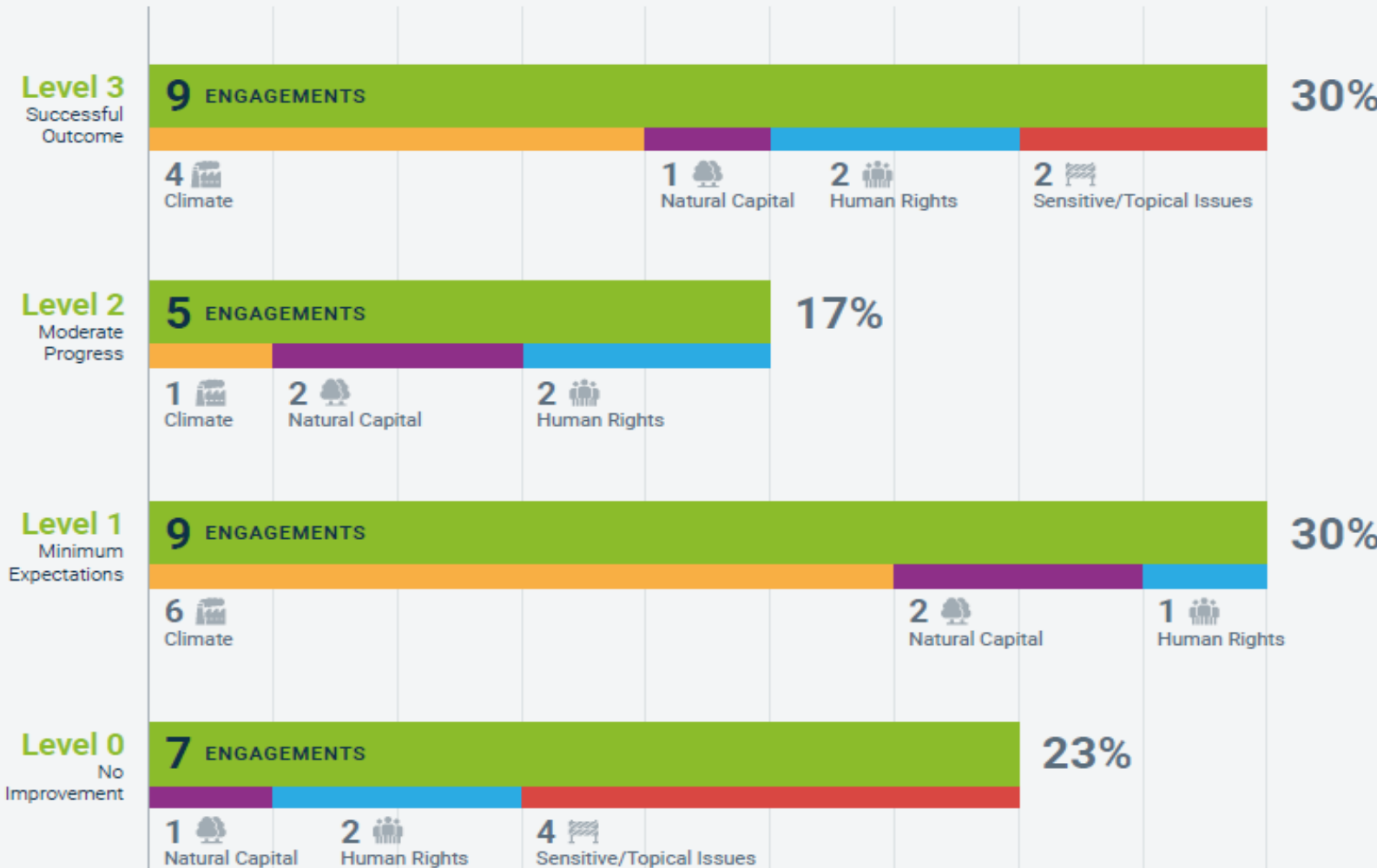
FOR	41,913	84.4%
AGAINST/WITHHELD	6,734	13.6%
ABSTAIN	791	1.6%
OTHER	232	0.5%

Number of resolutions voted on by theme

AMEND ARTICLES	4,317	8.7%
AUDIT + ACCOUNTS	6,783	13.7%
BOARD STRUCTURE	25,510	51.4%
CAPITAL STRUCTURE + DIVIDENDS	4,397	8.9%
INVESTMENT/M&A	11	0.0%
OTHER	1,373	2.8%
POISON PILL/ ANTI-TAKEOVER DEVICE	44	0.1%
REMUNERATION	6,021	12.1%
SHAREHOLDER RESOLUTION ENVIRONMENT	155	0.3%
SHAREHOLDER RESOLUTION GOVERNANCE	872	1.8%
SHAREHOLDER RESOLUTION SOCIAL & ETHICAL	187	0.4%
TOTAL	49,670	100%

Statistics are taken from LGPS Central's 2025 Stewardship Code report

2025 Engagement Outcomes



Statistics are taken from LGPS Central's 2025 Stewardship Code report
 A successful outcome is achieved when an engagement objective has been met, i.e. Level 3 – Effectiveness Matrix.

77%

of priority engagements led to some progress during the reporting period, including 9 successful outcomes



100%

of stewardship priority companies engaged

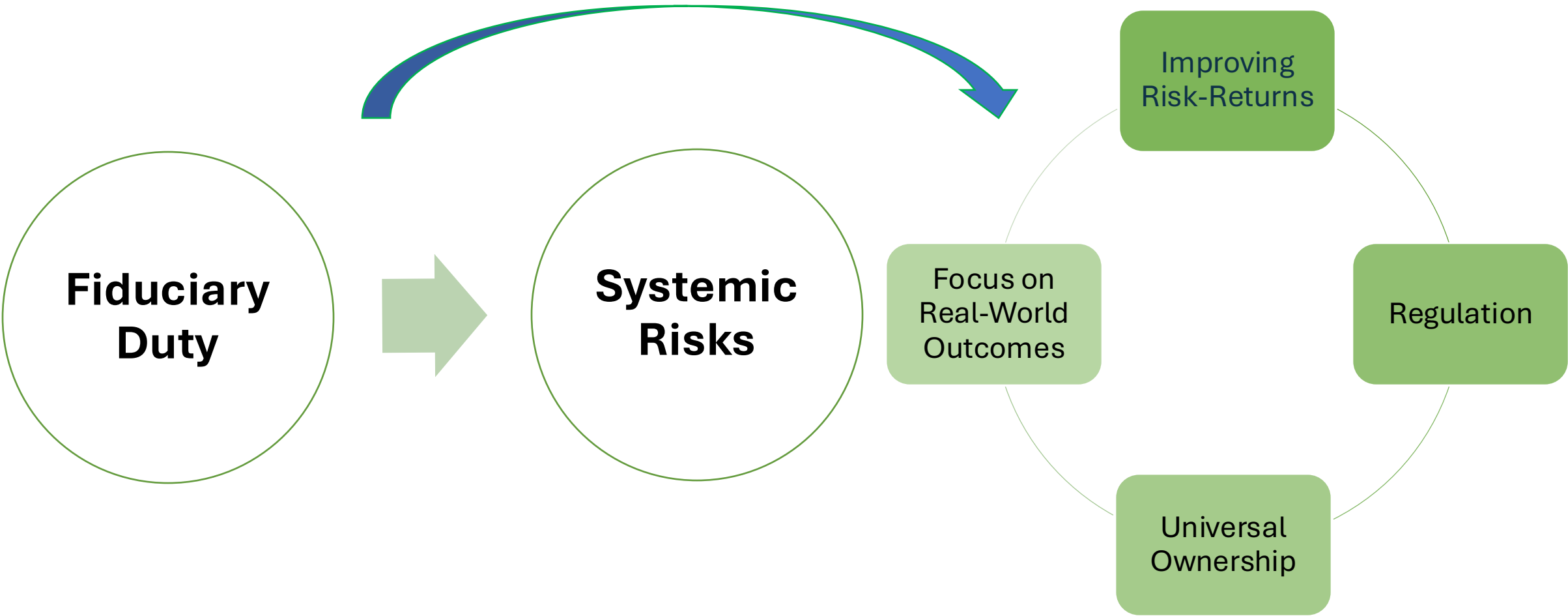
100%

allocation KPIs to stewardship priority companies

9

companies have been removed due to engagement objective being achieved or due to portfolio turnover

Why investors steward their assets?

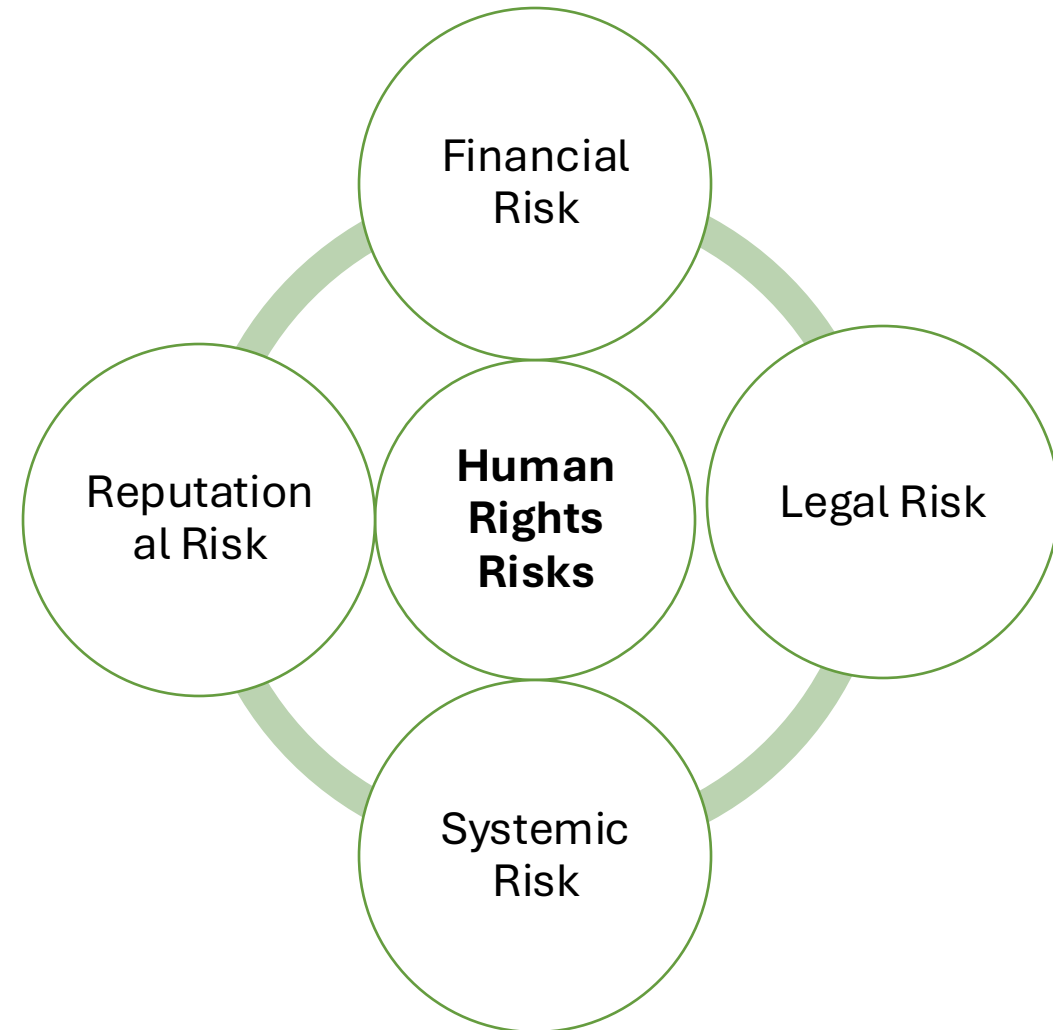


The materiality of human rights



Human rights abuses by companies or in their supply chains can impact financial performance due to:

- Legal action and fines.
- Reputational damage to the brand.
- Supply chain disruption.
- Non-compliance with regulation (e.g. UK Modern Slavery Act).



The materiality of corporate governance



- Governance relates directly to how a company is run.
- Poor governance often leads to low investor confidence.
- Good governance can protect long-term shareholder value.



75

Stewardship: In Practice



Objective: Assess whether the UNGPs are fully integrated into the business strategy

Engagement: OCP operates in areas with contested boundaries and issues raised by the UN Special Rapporteur. While the company cites the International Bill of Human Rights, the UNGPs, and discloses grievance and due diligence processes, LGPSC sought assurance that these commitments are applied across the supply chain and embedded for the long term. This was necessary given OCP's corporate structure, regulatory context, and its business relationship in the European Union.

Outcome: After several attempts, in October 2024, LGPSC, along with another investor, met with the OCP Group's Investor Relations and OCP's Head of Sustainability. The Company confirmed that its human rights policy and approaches are fully integrated within OCP Group's business strategy, including regular supplier due diligence and ambitions to strengthen grievance reporting. The Company also requested that we remain in regular contact to further discuss the challenges for emerging market companies in integrating human rights' best practices.

Financial Materiality: Failure to align with the regulatory context in their buyer market is deemed financially material because it threatens revenue continuity, customer retention, and long-term market access.



Objective: To ensure that the executive pay package incentivises long-term value creation.

Engagement: We opposed the say-on-pay resolution. Annual bonus targets were lowered year-on-year while payout opportunities were maintained, resulting in above-target awards. The LTI relied heavily on one-year performance periods and duplicated STI metrics, and most non-CEO NEO equity was time-vesting. Hence, the management was not incentivised by stretching targets and enhanced returns to shareholders. Executives also received a one-time award, part of which could be earned on one-year performance.

Outcome: Say-on-pay received only 35.6% support (vs. 88.8% in 2024). In January 2026 we met the Corporate Secretary and Investor Relations to outline our concerns. The 2026 proxy demonstrated strong shareholder responsiveness: outreach to holders of 56% of outstanding shares, discussions with holders of 47%, and disclosure of investor feedback. The compensation committee made meaningful improvements, including extending PRSU performance periods to 3 years, removing metric duplication, and increasing PRSU awards to 50% of the NEO award value.

Financial Materiality: Excessive pay is financially material because it raises costs, weakens incentives, and increases governance risk, thereby potentially diluting long-term shareholder returns.



LGPS Central Limited

Appendices

July 2026

Effectiveness Matrix

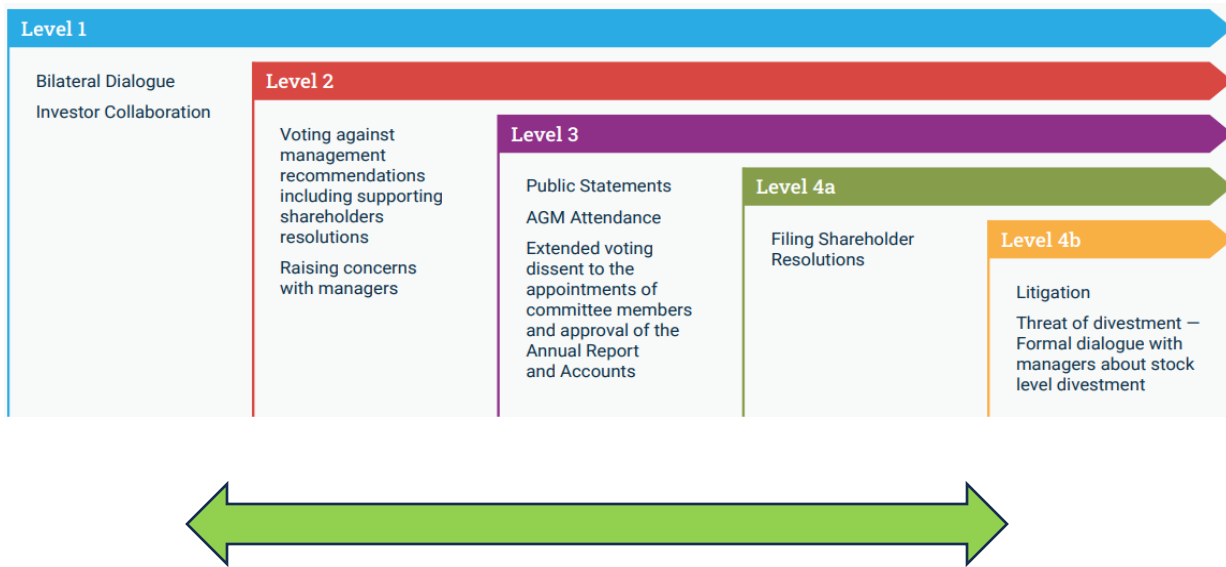


	 Climate	 Natural Capital	 Human Rights	 Sensitive / Topical Activities
LEVEL 3: SUCCESSFUL OUTCOME	<ul style="list-style-type: none"> Company demonstrate alignment with LGPSC net zero strategy. 	<ul style="list-style-type: none"> Company undertook a nature impacts and dependencies assessment and has published an ambition to align with the GBF. Company has disclosed robust petrochemical strategy underpinned by credible targets. 	<ul style="list-style-type: none"> Company demonstrates full alignment with UNGPs or Modern Slavery Act. 	<ul style="list-style-type: none"> Company has disclosed a plan for: <ul style="list-style-type: none"> Addressing the alleged controversy. Improve ESG practices at reasonable level.
LEVEL 2: MODERATE PROGRESS	<ul style="list-style-type: none"> Progress observed in the Climate Action 100+ Benchmark Framework, CDP. Companies improving on TPI management quality ladder. Companies are partly aligned with LGPSC net zero strategy. 	<ul style="list-style-type: none"> Progress on undertaking a nature impacts and dependencies assessment or on publishing an ambition to align with the GBF. Progress on developing a robust petrochemical strategy underpinned by credible targets. 	<ul style="list-style-type: none"> Partial progress observed by Find it, Fix it and Prevent it, Corporate Human Rights Benchmark and LAPFF research. 	<ul style="list-style-type: none"> Company has disclosed a plan for: <ul style="list-style-type: none"> Partly addressing the alleged controversy including acknowledgment of the controversy. Partly improve ESG practices at reasonable level.
LEVEL 1: MINIMUM EXPECTATIONS	<ul style="list-style-type: none"> Companies disclosing data to facilitate carbon performance assessment if relevant. 	<ul style="list-style-type: none"> Evidence of constructive meeting with companies. 	<ul style="list-style-type: none"> Companies responded to engagement request. 	<ul style="list-style-type: none"> Companies responded to engagement request.
LEVEL 0: NO IMPROVEMENT	<ul style="list-style-type: none"> No progress has been made. 	<ul style="list-style-type: none"> No progress made. 	<ul style="list-style-type: none"> No progress has been made. 	<ul style="list-style-type: none"> No progress have been made.

Escalation /Enhanced Stewardship Reporting



LGPS Central Escalation Framework



Outcome Report

STEWARDSHIP THEME: SENSITIVE/TOPICAL ACTIVITIES

COMPANY NAME	ENGAGED AS AT DEC 2025	PROGRESS	MOMENTUM	ESCALATION GRADE	VOTING DISSENT	REMOVAL
TESLA	✓	Level 0		Level 3	✓	✗
HYUNDAI	✓	Level 3	⬆		✗	✓
KIA	✓	Level 0		Level 3	✓	✗
META	✓	Level 0	⬇	Level 3	✓	✗
AMAZON	✓	Level 0		Level 2	✓	✗
BERKSHIRE HATHAWAY	✓	Level 0		Level 2	✓	✗
M3	✓	Level 3	⬆		✗	✓



Thank you **for listening**

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All information is prepared as of **22 June 2026**.

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