

# *Implementation Statement, covering the Fund Year from 1 April 2023 to 31 March 2024 (the “Fund Year”)*

The Trustee of the EEF Staff Pension Fund (the “Fund”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Fund Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Fund Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustee has had regard to the guidance on “Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement”, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

## **1. Introduction**

No changes were made to the voting and engagement policies in the SIP during the Fund Year.

The Fund did not invest in listed equities during the Fund Year. Consequently, the Trustee’s focus in implementing DWP’s guidance has been on the engagement undertaken in relation to its non-equity holdings.

The Trustee has, in its opinion, followed the Fund’s voting and engagement policies during the Fund Year.

## **2. Voting and engagement**

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. The links to the Fund’s investment managers investment policies are below:

- Partners Group: [Responsible Investment Policy](#)
- LGIM: [UK corporate governance and responsible investment policy](#)
- Insight: [Responsible Investment Policy](#)
- Alcentra: [Responsible Investment Policy](#)

The Trustee takes ownership of the Fund’s stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Fund’s investment adviser, LCP (who was appointed during the Fund Year), incorporates its assessment of the nature and effectiveness of managers’ approaches to engagement.

In particular, in February 2024, the Trustee fully redeemed from its LGIM assets and invested the proceeds with Insight. In selecting and appointing Insight, the Trustee reviewed LCP’s Responsible Investment assessment of the manager to ensure their approach was aligned with its own beliefs.

Following the introduction of DWP’s guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with its investment managers on specific ESG factors. The Trustee discussed and agreed to make climate change a stewardship priority for the Fund. This priority was selected because the Trustee believes climate change is a key market-wide risk and an area where it believes that good stewardship and engagement can improve long-term financial outcomes for the Fund’s members.

## **3. Description of voting behaviour during the Fund Year**

The Trustee has delegated the exercise of voting rights of the underlying holdings and engagement with investee companies and other stakeholders as appropriate to its investment managers. Over the Fund Year, the Fund did not invest in any funds that held listed equities. As expected, given the nature of the assets held, the investment managers confirmed that there were no voting opportunities over the year.

The Trustee has therefore included a summary on the managers' approaches to engagement and the number of engagement actions over the year, split between environmental, social and governance.

## Alcentra

Alcentra defines ESG engagement as the direct communication logged from management meetings, sponsor meetings, diligence reviews etc on environmental, social and governance matters. Alcentra believes that its stewardship activities directly support its objective of delivering strong, long-term investment returns. It engages with companies and stakeholders to promote its ESG expectations.

### Engagement example: Consumer markets insights provider

Alcentra took ownership of this company in 2020 and since then has installed ESG as a central pillar to the company's strategy.

Alcentra has pushed for a balanced governance structure at the board level between the management team, independent expertise and itself as shareholder. The Group's governance used to concentrate all decision-making with the executive directors and shareholders. Alcentra addressed this by ensuring that an independent external non-executive director was appointed Chairman of the Board. Their appointment contributes to better board-level decision-making. ESG matters and initiatives are on the board agenda at least quarterly, which is something Alcentra has asked for, though pertinent discussions around a variety of ESG topics.

The business is naturally asset-light, but its environmental responsibility has been thoroughly reviewed as part of the ESG agenda (e.g. travel policy, cost structure). Since late 2019, the Group has embarked onto a digital transformation project and now has a digital first approach, which has led to a reduction in consumption of materials (e.g. less print, reduced shipping). The business also increasingly works with clients marketing products with high environmental and social objectives: e.g. meat-free, dairy-free products.

## Partners Group

Engagement with companies is a key component of Partners Group's investment process. It uses a proprietary ESG assessment to raise awareness and concerns and encourage positive change. Its engagement consists of constructive dialogue with the investee companies on how they manage ESG risks and seize business opportunities associated with sustainability challenges.

### Engagement example: Aroma-Zone, a French natural beauty brand

Partners Group had a call with the head of ESG to discuss how the company could improve its recycling and reduce the use of single-use packaging for its products. The company agreed to set some key performance indicators (KPIs) to help it transition to improve its recycling practices.

Following the engagement, Aroma-Zone has managed to achieve all its KPIs that it was set, these included the following:

- 96% of products only have 1 wrapping (instead of the customary two);
- 92% of its products are packaged with recycled paper; and
- 100% of the company's electricity comes from renewable sources.

## LGIM

### Approach to engagement

LGIM believes companies should take account of the interests of their stakeholders on material issues. Therefore, regular dialogue with key stakeholders is encouraged to ensure a good understanding of material concerns. LGIM expects companies to report in its annual disclosures on how engagement with key stakeholders has fed into board discussions.

LGIM believes that engagement constitutes a vital risk-mitigation tool for the Board of investee companies. Engagement with investors should be a two-way discussion. Board directors should aim to use engagement meetings with investors as an opportunity to explain company decisions and to make sure they are well understood by the market. Such meetings should also be an opportunity to listen to investors, use their experience and act on their feedback.

No specific engagement examples were provided by LGIM.

## Insight

Engagement with issuers is a key part of Insight’s credit analysis and complements its approach to responsible investment. Insight’s credit analysts regularly meet with issuers to discuss ESG related and non-ESG related issues. Given the size and depth of its credit analyst resource, one of the key inputs into its ESG analysis is the direct information which Insight receives from companies via its engagements.

Insight has a dedicated stewardship programme, which includes its prioritised ESG engagement themes. Insight’s prioritised themes for 2023 were climate change, water management, and diversity and inclusion. Insight uses a research-led approach to identify poor performers to initiate targeted engagement to encourage positive improvements across each of these themes.

In 2022, Insight conducted 1,178 engagements with corporate bond issuers, including derivative counterparties, the majority of which incorporated discussions of environmental, social and governance (ESG) issues. Insight also worked with governments, companies and civil society organisations to build knowledge and awareness, to share expertise and to create a common voice on these issues when engaging with stakeholders. For example, in recent years Insight has engaged with the industry on the transition from LIBOR, central clearing for European pension schemes, and RPI reform.

No specific engagement examples were included for Insight as the Fund started investing with Insight in February 2024.

## Total engagements over the year

The table below shows the number of engagements that took place for Alcentra, Partners Group and the LGIM Absolute Return Bond Fund across the ESG categories:

Fund	Environmental	Social	Governance	Other	Total
Alcentra – Direct Lending Fund III	32	22	37	0	<b>91</b>
Partners Group – Private Market Credit Strategies 2018	1	1	0	3	<b>5</b>
Legal and General – Absolute Return Bond Fund	76	16	46	18	<b>156</b>

Note: Engagement analysis excludes LGIM LDI (lack of data) and Insight (due to the investment being made towards the end of the accounting period).