

Engineering Employers' Federation Staff Pension Fund

Implementation statement for the year to 31 March 2025

Introduction

This Implementation Statement has been prepared by the Trustees of the **Engineering Employers' Federation Staff Pension Fund** ("the Scheme") in accordance with the requirements of the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). Its purpose is to:

- Set out how, and the extent to which, the policies in the Statement of Investment Principles (SIP) have been followed during the year;
- Describe any review of the SIP during the year and any changes made;
- Provide information about the voting behaviour by or on behalf of the Trustees, including the most significant votes cast and the use of proxy voting services.

SIP Review

The SIP was last reviewed and updated on **28 March 2025**. The changes made during the year included updates in relation to:

- The Scheme's added an additional objective (to the primary objective of ensuring that the benefit payments are met as they fall due) as follows:
 - Achieve full funding by 2030 on a self-sufficient basis as defined by Gilts + 50 bps p.a.
- The Trustees reviewed and updated their stewardship, voting and engagement policies, to reflect a more strategic and outcome-focused approach to responsible investment.
 - The revised policies place greater emphasis on the selection and monitoring of investment managers with strong ESG and stewardship credentials, rather than on direct engagement or prescriptive oversight.
 - In recognition of the Scheme's pooled fund structure, the Trustee delegates voting and engagement responsibilities to its investment managers and is not able to direct voting decisions. Instead, the Trustee:
 - Appoints managers with robust stewardship policies;
 - Periodically reviews managers' voting activity and engagement practices, particularly in relation to the Scheme's ESG priorities;
 - Communicates expectations to managers regarding the quality and focus of engagement, including key themes such as climate risk, governance standards, and long-term value creation;
 - Engages with managers where concerns are identified, and may consider their performance in future retention or replacement decisions.
 - The Trustee has also adopted a long-term ambition to align Scheme assets with net zero greenhouse gas emissions by 2050.
 - ESG priorities are reviewed regularly and used to guide the Trustee's monitoring and engagement with investment managers.

The SIP reflects the Trustees' investment beliefs and policies, including those on environmental, social and governance (ESG) considerations.

Adherence to the SIP

Due to the changes in the SIP occurring toward the end of the reporting year (on 28 March 2025), the adherence has been considered relative to the previous SIP. The Trustees are satisfied that during the Scheme year:

- The Scheme's investment policies and overall strategy were broadly implemented as intended during the period. The Trustee notes an approximate 10% deviation from the agreed strategic allocation to private credit. Given the illiquid nature of this asset class and the limited scope for rebalancing, this variance is considered to be consistent with the Scheme's long-term investment objectives and rebalancing framework.
- No new asset managers were selected or appointed, but they were monitored in line with the Trustees' policies;
- ESG and stewardship matters were considered in accordance with the policies in the SIP.

Following the reporting period, the Scheme amended its operating model to enhance the delegation of collateral management. This change was implemented to better support the Scheme's objectives, particularly in achieving full funding by 2030 on a self-sufficient basis (Gilts + 50 bps p.a.). The enhanced delegation has improved adherence to the Scheme's collateral management policy by strengthening oversight and alignment with the Scheme's risk management and investment strategies.

Voting and Engagement

The Scheme's assets are invested in pooled funds managed by external investment managers. The Trustees delegate voting and engagement activities to these managers, in line with the stewardship policy set out in the SIP.

Voting Activity

The Scheme's assets are invested in pooled funds focused on fixed income, liability-driven investments (LDI), and other non-equity assets, reflecting the Trustees' strategy to prioritise liability matching and low-risk returns to achieve full funding by 2030 on a self-sufficient basis (Gilts + 50 bps p.a.). As a result, the Scheme did not hold listed equities during the year to 31 March 2025, and no voting opportunities arose.

The Trustees delegate voting responsibilities to investment managers, who are selected for their robust stewardship and voting policies aligned with the Scheme's ESG priorities, including climate risk, governance standards, and long-term value creation. The Trustees review these policies during manager selection and periodic monitoring to ensure readiness for voting if the Scheme's asset allocation changes. Managers are expected to use proxy voting, with decisions reflecting the Scheme's commitment to net zero by 2050 and other ESG objectives.

The Trustees will annually assess whether changes in asset allocation introduce voting opportunities and ensure stewardship policies remain fit for purpose.

Engagement

The Trustees regularly assess the extent to which managers engage with investee companies. Each of the manager's approach to engagement and actions taken over the year are summarised below:

Alcentra

Alcentra defines ESG engagement as direct, logged interactions with companies - including management meetings, sponsor discussions, and due diligence reviews - that address ESG matters. These stewardship activities support Alcentra's objective of delivering long-term investment returns while promoting responsible corporate behaviour.

The following table shows the number of individual interactions and engagement topics per quarter over the year to 31 March 2025:

Quarter	Individual interactions	ESG engagement topics
Q2 2024	10	31
Q3 2024	8	48
Q4 2024	13	46
Q1 2025	9	21

As an example in Q1 2025, Alcentra engaged with a **motorcycle accessories manufacturer** to help integrate ESG considerations into its growth strategy. The engagement included:

- Supporting the development of a sustainability plan aligned with upcoming regulatory requirements;
- Providing the company with learning materials and ESG guidance to structure an actionable ESG roadmap;
- Recommending third-party service providers for data collection and ESG reporting;
- Facilitating the completion of Alcentra's annual ESG questionnaire, which informed baseline metrics and next steps.

Following this engagement, the company committed to exploring external ESG support and began integrating ESG factors into its operational planning. Alcentra expects this engagement to result in improved ESG performance and reporting transparency over time.

Partners Group

Partners Group defines engagement as targeted communication with portfolio companies aimed at encouraging change at an individual issuer level and/or the goal of addressing systematic risk, particularly in relation to governance, sustainability and risk mitigation.

The number of entities engaged was not precisely quantified, but regular engagements were conducted with company management, GPs and stakeholders across multiple regions. Partners Group tracks over 100 ESG-related projects across its direct lead portfolio, covering topics such as energy use, safety and labour.

As an example, Partners Group engaged with **Andra Tech Group** to support its financial stability and strategic positioning, aligning with their investment approach focused on value creation and successful exits.

- Partners Group provided senior secured debt financing and maintained close engagement with company leadership.
- This included ongoing financial oversight and strategic support, culminating in the company's acquisition by Castik Capital in September 2024.

Insight Investment Management

Insight Investment Management defines engagement as purposeful, targeted communication with an entity with the goal of encouraging change at an individual issuer and/or the goal of addressing market-wide or systematic risk.

The following table shows the number of entities engaged and the number of engagements per fund the scheme was invested in over the year to 31 March 2025:

Quarter	Entities engaged	Number of engagements
Global ABS Fund	55	60
LDI Funds	75	126
Liquidity Fund	5	6
Short-dated Buy and Maintain Fund	67	108

As an example, the Global ABS Fund manager engaged with **Pepper**, a significant issuer in the Australian market, to address the lack of ESG considerations in its loan origination and underwriting practices. The engagement began in late 2022 and continued throughout 2023 and late 2024, including multiple meetings with senior company representatives.

- Initial discussions focused on raising awareness of ESG issues in lending decisions and encouraging improved disclosure.
- Follow-up engagement explored ways Pepper could enhance energy performance certificate (EPC) analysis to better assess environmental risks in their loan book.
- Pepper has since acknowledged ESG was not previously a core part of its decision-making but has committed to improving related disclosures and practices.

While changes to origination policies have not yet been made, the outcome is considered positive in terms of increased awareness and disclosure, with further engagement planned to ensure progress on embedding ESG factors in underwriting decisions.

Conclusion

The Trustees believe that the policies set out in the SIP have been adhered to during the Scheme year. The Trustees continue to develop their understanding and oversight of responsible investment and stewardship matters.

This statement will be made available on the Scheme's website: <https://weareigg.com/client-docs/eef-pension-fund/>

Signed: Agreed by the Trustee

On behalf of the Trustees of the Engineering Employers' Federation Staff Pension Fund

Date: 14 October 2025