

April 2026



# CFAO UK Staff Pension Fund: Implementation Report

April 2026

# Background and Implementation Statement

## Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

## Statement of Investment Principles (SIP)

The Fund updated its SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address ([CFAO UK Staff Pension Fund SIP - 2025](#)).

## Implementation Report

This implementation report is to provide evidence that the Fund continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustee has followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate

## Summary of key actions undertaken over the Fund reporting year

- In November 2025, the Trustee purchased a buy-in policy with Aviva Life & Pensions UK Limited ("Aviva") to insure all of the Fund's liabilities.
- To manage risk ahead of the transaction, the Trustee instructed a partial disinvestment from the Gilt and Index-Linked Gilt portfolio as an interim transition step before the buy-in. This partial disinvestment was carried out on a pro-rata basis across the bond portfolio and reduced funding risk by removing the over-hedge on an approximate basis.
- This step was completed on 5 November with c. £8.0m disinvested from the Gilt and Index-Linked Gilt portfolio, followed by the full and final redemption of c. £5.5m across the Gilt and Index-Linked Gilt portfolio on 14 November to align with when the insurance policy went on-risk.
- Excess cash not required for the buy-in, totalling c. £7.0m, was subsequently transferred to sit alongside an amount of residual assets for retention within an institutional cash fund with Legal & General Investment Management ("L&G") on the Mobius Life investment platform.

### **Implementation Statement**

This report demonstrates that the CFAO UK Staff Pension Fund has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed:

Position:

Date:

# Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Fund assets and present value of liabilities from changes in interest rates and inflation expectations.	The buy-in policy removes these risks.	In November 2025, the Trustee purchased a full Fund buy-in policy with Aviva Life & Pensions UK Limited ("Aviva") to insure all of the Fund's liabilities.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.		An amount of residual assets are being retained within an institutional cash fund with Legal & General Investment Management ("L&G") on the Mobius Life investment platform.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.		
Credit	Default on payments due as part of a financial security contract.		
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Fund's investments.		
Currency	The potential for adverse currency movements to have an impact on the Fund's investments.		

Non-financial

Any factor that is not expected to have a financial impact on the Fund's investments.

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# Changes to the SIP

The SIP was updated over the Fund year (to 31 December 2025) to reflect the changes to the investment strategy following the Trustee purchasing a full Fund buy-in policy with Aviva. A copy of the revised SIP is available on the Trustee website, or via the link shared earlier in this document.

# Current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Fund's policy with regarding to ESG as a financially material risk. This page details how the Fund's ESG policy is implemented.

Given the nature of the buy-in transaction, it is not possible to actively monitor any ESG criteria for the policy. However, the buy-in provider's approach to ESG was reviewed as part of the insurer due diligence process. Residual assets are being retained within an institutional cash fund with L&G which continue to be monitored.

The below table outlines the areas which the Fund's remaining investment manager is assessed on when evaluating their ESG policies and engagements. The Trustee intends to review the Fund's ESG policies and engagements periodically to ensure they remain fit for purpose.

### Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights	<p>The Trustee's investment manager provides annual reporting on how they have engaged with issuers regarding social, environmental and corporate governance issues.</p> <p>The Trustee receives information from the investment adviser on the investment manager' approaches to engagement.</p>	The manager has not acted in accordance with their policies and frameworks (including stewardship priorities).

# ESG summary and engagement with the investment managers

The Trustee, via its investment advisers, engages with the Fund's managers about ongoing engagement activities.

Voting policies do not apply to the Fund as the investment strategy is invested in an institutional cash fund with L&G. Voting rights do not apply to these asset classes.

# Engagement

As the Fund invests via a platform provider, Mobius Life have provided details on engagement actions on behalf of the investment manager (L&G). This includes a summary of the engagements by category for the 12 months to 31 December 2025.

Fund name	Engagement summary (at strategy level unless stated otherwise)	Commentary
L&G Cash Fund <sup>1</sup>	Total engagements: 37 Environmental: 25 Governance: 11 Social: 3	Engagement activity is guided by their global stewardship themes (climate, nature, people, governance, health and digitisation).  L&G do not provide examples of Fund-specific significant engagements.

**Notes:** <sup>1</sup> Engagements do not sum up to stated total as some engagements are related to a combination of E, S and G issues.

