

Pension Fund Investment Sub-Committee

12 September 2022

Governance Report

Recommendations

That the Pension Fund Investment Sub-Committee:

1. Considers and comments on the items contained within this Governance Paper, including providing its suggestions in respect of how training and development for members can be made more accessible.
2. Approves the proposed changes to the Responsible Investment Policy at Appendix 6.

1. Executive Summary

- 1.1 The Report sets out to summarise the main governance areas affecting the Warwickshire Pension Fund. These areas include the Forward Plan, Risk Monitoring, updated Policies and Training.

2. Financial Implications

- 2.1 None.

3. Environmental Implications

- 3.1 Climate Risk is identified as a key risk on the Risk Register.
- 3.2 Revised Climate and Environmental, Social and Governance (ESG) Policies, are contained with this report in Appendix 6.

4. Supporting Information

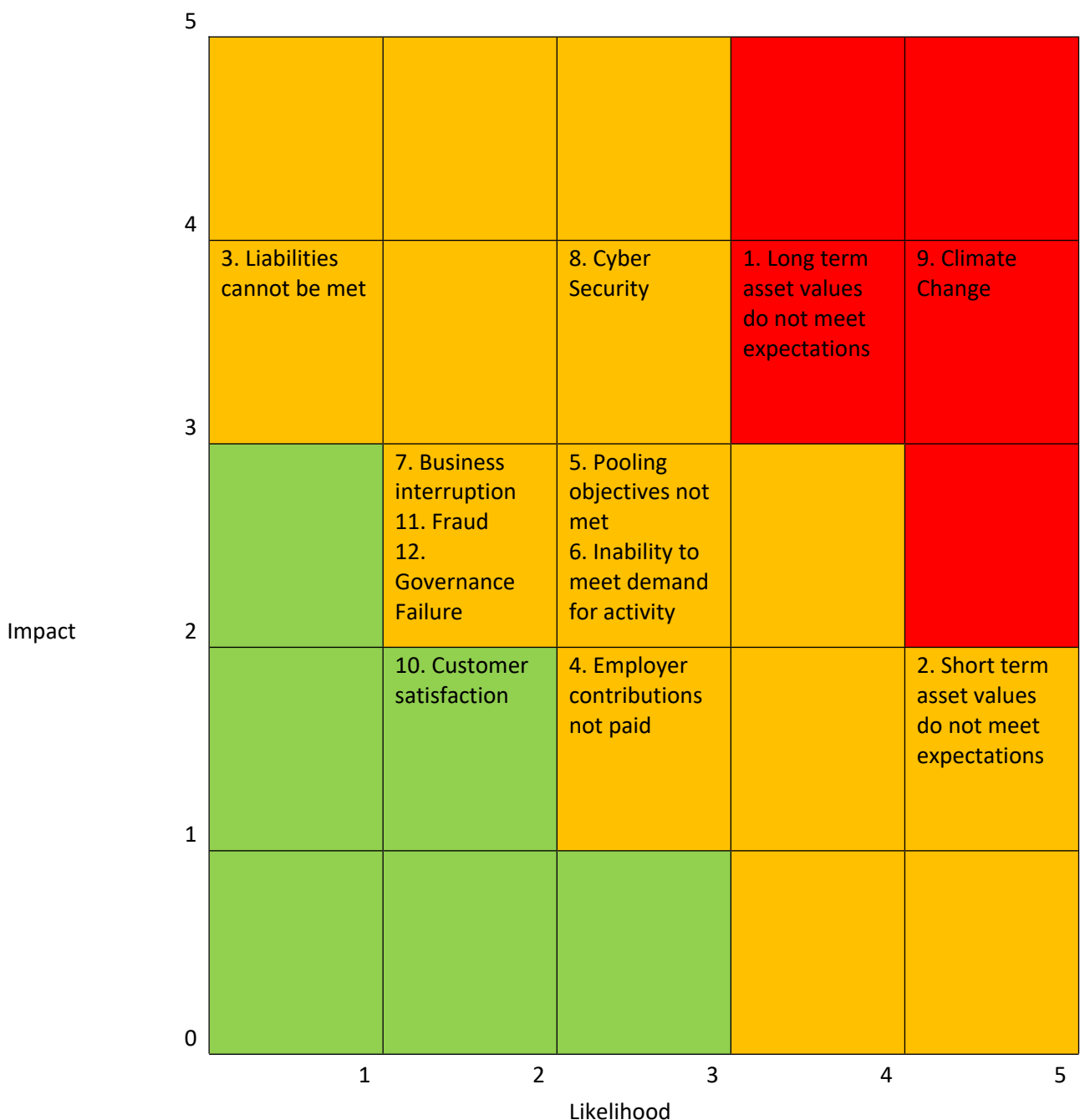
Forward Plan

- 4.1 The purpose of this report is to provide an updated forward plan for the Pension Fund Investment Sub-Committee rolled forward to cover the year ahead. The plan is set out in Appendix 1.
- 4.2 In order to provide a complete picture of policy activity, a schedule of policy review activity at the Staff and Pensions Committee is also provided in Appendix 1.

Risk Monitoring

4.3 This item provides an update on the risks facing the Fund and the management actions to address them. Fund officers have reviewed the risks facing the fund and have updated the risk register with actions and revisions as appropriate. Appendix 2 reproduces the Fund’s risk appetite. Appendices 3 and 4 reproduce the criteria for scoring risks and Appendix 5 provides an updated risk register. Any new updates to the commentary in the risk register since the previous report to the Investment Sub-Committee are presented in red font, and where future actions have become current actions, these are highlighted in a green font.

4.4 This chart shows the net risks facing the Fund:



4.5 Please note that our latest Risk Map illustrates that several items on the Register have changed position. The Risks that have changed are as follows:

- **(2) Short Term Market Risk** has increased to reflect the lack of WPF control over risks materialising. Any changes to the Market in the short-term can have a material impact on the WPF potentially affecting the results of the valuation and the funding level of our employers.
- **(3) Financial Mismatching Risk** has decreased to reflect the successful mitigation of some risks' impact.
- **(6) Inability to meet demand for activity Risk** has reduced due to the implementation of new systems and growing team experience.
- **(9) Climate Change Risk** has increased as the Fund on its own can have limited impact on what happens globally, although we do work in conjunction with others to try and make a difference. The Fund must acknowledge that Climate Change is moving at an accelerating rate, much quicker than was originally expected.

This is affecting geo-politics, the world's changing energy supplies and rising inflation, which in turn affect WPF's ability to maintain a stable funding level.

- **(12) Governance Failure Risk** has decreased because of the introduction of more robust practices within the Team, these include greater traceability through our management co-ordination meetings reviewing of contracts and policies and overall, more driven approaches.

4.6 Please note the specific Covid related risk items have now been removed, as any residual Covid risk forms part of the other risks covered.

Policy Review

4.7 Following the August Workshop run by Hymans Robertson, the Environmental and Social Governance: Policy and Climate Risk Policy has been updated.

4.8 Hymans have produced a marked-up Responsible Investment Policy (Appendix 6), they will then prepare final version of the policy once discussed and if approved at this meeting. The changes were discussed by Members and officers at the August Workshop.

4.9 Hymans will also create a marked-up climate policy and prepare a final version once it has been discussed at the Committee meeting in December.

Training

4.10 Our current 'Training Schedule' offering inhouse and external training is enclosed at Appendix 7. In addition to this Members have access to the online Portal provided by Hymans Robertson that also offers valuable training material.

- 4.11 Where members cannot attend these sessions, they can view the slides from the sessions and any recordings at a later date.
- 4.12 Given the governance requirements to ensure the competence of Pension Committee Members through training and development, it is important that we deliver training in a way that allows all Members to access what they need. Officers would like to receive feedback from Members on how training can be delivered or structured in a way that would make it more accessible.
- 4.13 Hymans Robertson have also launched their 2022 National Knowledge Assessment. This is the third national assessment they will have conducted, having previously run the Assessment in 2020. This assessment allows the Fund to test the knowledge of our Committee and Board across a range of areas. The results will help to identify areas of greater and lesser knowledge and enable the Fund to tailor the training plan to address any knowledge gaps in a timely way. Hymans Robertson will provide a draft training plan as part of the Fund's results report, and we expect to receive the assessment in September 2022. Members are asked to assist with the assessment by completing the returns sent out to them.

5. Timescales associated with the decision and next steps

- 5.1 None.

6. Appendices

- Appendix 1 – Forward Plan
- Appendix 2 – Fund's risk appetite
- Appendix 3 – Risk Scoring Convention
- Appendix 4 – Impact Score Definitions
- Appendix 5 – Risk Register
- Appendix 6 – Responsible Investment Policy (Tracked Version)
- Appendix 7 – Training Plan

Background Papers

None

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