

| Ref | Risk  | Cause  | Effect  | Risk Owner                  | Gross Risk |        |            | Existing Actions(in place or completed)   | NET Risk   |        |            | Further Risk Actions   |                             |             |
|-----|---|--|---|-----------------------------|------------|--------|------------|---|------------|--------|------------|--|-----------------------------|-------------|
|     |   |  |   |                             | Likelihood | Impact | Risk Level |   | Likelihood | Impact | Risk Level | Description<br>(actions must be referenced to objectives in business unit plans or service plans)  | Action Owner                | Review Date |
| 1   | Long term returns fail to be in line with assumptions | Inappropriate investment strategy<br>Inflation levels exceed asset returns<br>Climate change (e.g. causing stranded assets, causing conflicts impacting on trade, etc) | Lower funding levels than planned at future valuations<br>Higher employer contribution rates required at future fund valuations<br>Higher risk investment strategies required in future | Pension Investments Manager | 3          | 4      | 12         | Use of relatively prudent investment strategy assumptions including inflation and market performance<br>Triennial valuations and investment strategy reviews, with more frequent investment strategy reviews when circumstances require.<br>Use of retained actuaries and fund advisers providing an independent view on the strategy.<br>Quarterly investment performance reports to pension fund investment sub committee<br>Use of independent financial advisers and other specialist advisers as required.<br>Investment in real assets to offer protect against inflation risk in the medium to long term<br>Introduction of a climate change policy.<br>Design of a new ISS driven by the 2019 valuation           | 2          | 3      | 6          | Implementation of a new ISS in a timely way<br>Liaison with Border to Coast to ensure appropriate investment vehicles are available                                  | Pension Investments Manager | Ongoing     |
| 2   | Short term falls in asset values                      | Natural volatility in some asset classes, e.g. equities.   | Exposure to risk of selling assets under distress at unfavourable values<br>Pressure to introduce volatility into employer contributions to match market fluctuations                   | Pension Investments Manager | 3          | 3      | 9          | Diversification of growth assets to provide exposure to growth whilst reducing exposure to a single market risk (e.g. listed stock market investments)<br>Diversification between growth and income assets to mitigate the risk/need to have to sell growth assets under distress<br>Quarterly review of fund assets to ensure appropriate exposure to risk<br>Performance monitoring over rolling medium term time horizons to reduce exposure to short term decision making on asset sales<br>Long term approach to employer contribution rates including stabilisation mechanisms and long term valuation periods<br>Ensure actual asset allocations remain within tolerances to ensure exposure to risk is as planned | 3          | 2      | 6          | Consider asset protection strategies (e.g. equity protection, currency protection, diversification, etc) when appropriate for meeting specific short term objectives | Pension Investments Manager | Ongoing     |

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| 3   | Cashflow requirements cannot be met        | Changing profile of membership over time moving the fund towards a cashflow negative position<br><br>The probability of large early payments of pension fund contributions has reduced, and this simplifies cash management.<br><br>Pooling reducing the liquidity of some assets in comparison to non pooled assets                | Sale of volatile assets under distress at low prices<br><br>Sale of illiquid assets under distress and low prices and high cost<br><br>Being unable to meet payment deadlines and incurring further costs or reputational damage | Pension Investments Manager | 3          | 3      | 9          | Design of a new ISS driven by the 2019 valuation<br><br>Strategic cashflow review by fund officers and financial advisers.<br><br>Provision of information to precepting authorities who may make early pension payments, ensuring appropriate notice is provided to the fund. | 2          | 3      | 6          |   |                             |             |
| 4   | Poor performance of actively managed funds | making inappropriate decisions, or taking inappropriate risks<br><br>Failure to hold managers to account<br><br>Higher fees of active management hinder the potential to make a positive net return<br><br>Over-reliance of the fund on fund managers simply meeting or beating a benchmark instead of delivering the target return | Long and / or short term losses in asset values<br><br>Returns exceed benchmarks but miss targets  | Pension Investments Manager | 3          | 3      | 9          |  | 3          | 2      | 6          | Embedding of appropriate monitoring of funds managed by the Border to Coast Pension Partnership   | Pension Investments Manager | 1/9/20      |
| 5   | Failure to realise pooling benefits        | Inappropriate investment vehicles designed and offered by the pool<br><br>Inappropriate investments made in the pool<br><br>Inadequate governance arrangements for the pool<br><br>Making late decisions to join new funds increasing the costs   | Missed opportunities to save costs or improve risk adjusted returns<br><br>Higher costs than necessary<br><br>High transition costs<br><br>Lack of long term cost savings  | Pension Investments Manager | 2          | 3      | 6          | Implementation of a new ISS in a timely way  | 2          | 2      | 4          | Review of mechanisms for monitoring cost savings to ensure maximum transparency                   | Pension Investments Manager | 1/12/20     |

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| 6   | Fraud  | Fraud by investment managers, custodian, or brokers<br>Fraud within the administrating authority   | Loss of assets and inability to recover them   | Strategy and Commissioning Manager | 3          | 3      | 9          |  | 2          | 3      | 6          | Implement any recommendations arising from the 2019/20 routine internal audit of Pension Administration | Pensions Administration Delivery Lead | 31/3/2021   |
| 7   | <b>Liabilities increase further than assumptions</b> | Fall in risk free returns leading to rise in present value of liabilities<br>Life expectancy of membership increases<br>Changes to regulations and benefits set by Government e.g. cost cap adjustment or McCloud remedy | Reduction in long term valuation position<br>Increase in long term contributions required by employers<br>Increase in risks required to be taken with investments<br>Mismatch of asses and liabilities | Strategy and Commissioning Manager | 3          | 3      | 9          | Liaison with Border to Coast to ensure appropriate investment vehicles are available | 2          | 2      | 4          |   |                                       |             |

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| 8   | Inadequate data quality               | Employers not aware of data provision responsibilities<br>Employers not having the capacity or expertise to manage and provide their data<br>Fund not supporting employers<br>Fund not escalating data issues<br>Fund systems or processes allowing or creating errors   | Inaccurate assessment of liabilities<br>Inaccurate setting of contribution rates requiring later correction<br>Inaccurate setting of employer asset shares<br>Reputational damage | Pensions Administration Delivery Lead | 3          | 4      | 12         | Monthly monitoring of actual and potential breaches activity<br>Embed new protocols for co-ordination with Warwickshire County Council payroll<br>Implementation of iConnect<br>Implementation of Member Self Service<br>Review/debrief of lessons learned form 2019 Valuation                     | 2          | 3      | 6          |   |                                       |             |
| 9   | Employer contributions not being paid | Financial challenges to employer organisations<br>Poor processes and procedures in employer organisations<br>Lack of clarity from the Fund about expectations<br>Lack of escalation by the fund<br>Lack of mechanisms available to the Fund to enforce payment<br>Significant changes in employer funding levels | Shortfalls in employer contributions<br>Reputational risk to the Fund<br>Risk of pension fund liabilities causing a risk to the viability of employers                            | Pensions Administration Delivery Lead | 4          | 3      | 12         | Introduction of a climate change policy.<br>Updated and revised Administration Strategy including the facility to charge costs for late payment<br>New staffing structure with more dedicated capacity for policy development and employer liaison   | 3          | 3      | 9          | Covenant review of high risk employers where appropriate  | Pensions Administration Delivery Lead | Dec-20      |
| 10  | Fund reputation is harmed             | Poor service provided to members or employers<br>Adverse audit reports<br>Persistently poor investment returns compared to benchmarks<br>Breaches of the law<br>Data breaches<br>Lack of regard for climate change, carbon footprint, or ESG issues  | Lack of confidence in the fund<br>Additional costs incurred to review and fix perceived or actual issues  | Strategy and Commissioning Manager    | 3          | 3      | 9          | Restructure of the service increasing capacity to meet delivery and governance requirements<br>Maintenance of a fund website for member and employer communications<br>Action plans in respect of audit recommendations<br>Transparent reporting to pension committees and the Local Pension Board | 2          | 3      | 6          | New data improvement plan stemming from review of 2019 valuation                                  | Pensions Administration Delivery Lead | 1/12/20     |

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| 11  | Loss of service provision due to disruption | Fire<br>Flood<br>National event/emergency<br>Cyber Crime<br>Systems Failure  | Inability to pay pensioners<br>Inability to make payments into investment funds that are called by fund managers<br>Inability to collect employer contributions<br>Inability to keep data up to date leading to data inaccuracy and data backlogs | Pension Investments Manager        | 1          | 4      | 4          | Data back ups stored off site<br>Use of scheme administrator disaster planning processes<br>Digital imaging of records<br>Investment data is held online by the fund's custodian<br>Access to the scheme administrator's systems security facilities<br>Creation of a cyber security policy   | 1          | 3      | 3          | Review and update of disaster recovery plan   | Pension Investments Manager   | 1/11/20     |
| 12  | Lack of skills and knowledge                | Insufficient availability of external contract service providers<br>Inability to recruit two permanent posts<br>Conflicting and competing priorities and were close in respect of the scheme administrator functions<br>Increasing demand and complexity within the scheme<br>Pressure to maximise efficiency and minimise | Deterioration in data quality<br>Inability to make decisions<br>Inability to make decisions in a timely way<br>Workload backlogs<br>Inability to meet service objectives and deadlines<br>Reputational damage                                     | Strategy and Commissioning Manager | 3          | 3      | 9          | Use of procurement processes to maximise contracting choices<br>Training for new staff<br>Documentation of procedures and practices<br>Implementation of the new staffing structure and recruitment to new posts<br>The implementation of a new training and development regime for staff<br>Pro-active talent mapping and succession planning for internal staff   | 2          | 2      | 4          | The introduction of longer term workforce planning<br>Budget setting informed by cost drivers not cash limits | Strategy and Commissioning Manager<br>and<br>Transformation Manager | Mar-21      |
| 13  | Failure to meet governance standards        | Inadequate reporting to pension fund committees or the Local Pension Board<br>Lack of training<br>Out of date policies<br>Not following and responding to external developments<br>Lack of capacity to focus on planning and governance  | Breaches of the law<br>Decisions taken without appropriate authority<br>Poor decisions taken based on inadequate information or insufficiently skilled boards, officers, or advisers  | Strategy and Commissioning Manager | 3          | 3      | 9          | Training plans for pension fund investment sub committee and Local Pension Board members<br>Quarterly committee and board meetings<br>Comprehensive governance arrangements for the Border to Coast Pension Partnership including a Joint Committee<br>Review of Terms of Reference of the Local Pension Board<br>Governance review by an independent expert<br>Pensions administration action plan<br>Rolling forward plan of fund policy reviews<br>Structural separation of governance and policy from deliver<br>Active quarterly monitoring of fund risks by the Local Pension | 2          | 3      | 6          | Review of terms of reference of pension fund committees   | Strategy and Commissioning Manager                                  | Mar-21      |