

Appendix 3 - Risk Register

| Number | Function | Risk | Impact | Pre Mitigants | | | Mitigating Actions / Control Framework | Post Mitigants | | | |
|--------|-------------------|--|---|---------------|----------------|-------|--|----------------|------------|-------|-------|
| | | | | Impact | Likelihood | Score | | Impact | Likelihood | Score | Trend |
| NR06 | Governance | Cyber attack | Fund is unable to operate Members do not receive pension payment on time | Critical | Almost Certain | 25 | - Disaster recovery plan in place - Business continuity plan - B&NES cyber security policy and system defence - Implementation of recent internal cyber audit findings | Critical | Likely | 20 | → |
| NR01 | Admin | Ability to deliver service to agreed standards | Poor member outcomes and/or breach of regulations | Critical | Almost Certain | 25 | - KPIs & complaints monitored and acted on - Plan to digitise will improve self-serve & operations efficiency - Actions to improve staff recruitment & retention - Process improvements being identified and implemented Review of Top 10 Process Controls | High | Likely | 16 | → |
| NR04 | Governance | Governance of Fund not in accordance with APF policies Controls not adequate | Fines for non-compliance Disciplinary issues and reputational risk | High | Almost Certain | 20 | - Internal Audit is undertaking a review of the Fund's controls which we will implement during Q1 2024 - We have initiated a new project to correct errors in annual pension increments | High | Likely | 16 | → |
| NR18 | Comms | Unforeseen events or service issues leads to reputational damage to the Fund amongst its stakeholders | Complaints Detrimental media coverage Loss of stakeholder confidence | High | Likely | 16 | - Regular communications to stakeholders; emergency communication possible through website and email - Press/media enquiries and issues dealt with in accordance to B&NES policy - Workshops and meetings held for current topics to gain stakeholder input - Contracts in place with legal advisors and PR professionals - Media monitoring undertaken | Medium | Likely | 12 | → |
| NR02 | Regs | Regulatory changes | Breach of regulations Poor member outcomes Increased workloads for officers Changes to pooling could undermine delivery of investment strategy | High | Likely | 16 | - Regulatory changes monitored via LGA and professional advisors - Officers attend SWAPOG/Tech Group - Regulatory projects included in service plans - Officers respond to consultations | Medium | Likely | 12 | → |
| NR05 | Governance | Failure to manage personal data per regulations | Personal data corrupted, compromised or illegally shared Fines and reputational damage | Critical | Almost Certain | 25 | - One West is Data Protection Officer for Fund and advises on data protection matters - Record of processing and privacy notice set out how data is managed - Processes reviewed as a result of data breaches - Regular officer training - Data sharing/transfer agreements and DPIAs implemented for all relevant projects | High | Possible | 12 | → |
| NR10 | Investments | Failure to earn investment returns | Scheme cannot meet liabilities and employer contributions could rise | Critical | Likely | 20 | - Diversified asset allocation - Professional and independent investment advice - Risk management strategy supports funding strategy - FRMG & Investment Panel monitor performance and risk - Periodic strategic investment review | High | Possible | 12 | → |
| NR11 | Investments | Brunel fails to deliver client objectives regarding service delivery | Affects Fund's ability to achieve investment objectives | Critical | Possible | 15 | - Brunel governance framework for strategic and operational decision making - Robust performance reporting - Avon-Brunel working group (internal) | High | Possible | 12 | → |
| NR12 | Investments | Failure to achieve decarbonisation targets | Government climate policies not moving fast enough or sufficiently enforced Significant reputational and financial risks to value of investments | Critical | Almost Certain | 25 | - Climate exposure assessed annually - climate risk analysis embedded into strategic decisions - Net Zero target of 2045 - by 2030 will divest from high emission companies that are not aligning to NZ - targets to reduce emissions by 2025 and 2030 - programme to engage with companies and policymakers - Brunel's comprehensive climate change policy and approach to investing underpins each portfolio | Medium | Likely | 12 | → |
| NR08 | Employers Funding | Employers unable to meet financial obligations to Fund | Financial cost to other employers in the Fund | High | Likely | 16 | - Policies on employer financial stability set out in FSS & ISS - Strong covenant management and information gathering processes - Quarterly review and mitigating action | Medium | Possible | 9 | → |
| NR07 | Employers Data | Employers do not comply with regulatory responsibilities | Poor member data Fines and greater scrutiny by TPR Employer liabilities incorrect if data is incorrect. | Critical | Likely | 20 | - Management of employers set out in admin strategy/MOU - Employer KPIs recorded and monitored vs TPR standards - Employer training - Reconciliation of Iconnect & Accounts in regards to contributions and data provided | Medium | Possible | 9 | → |
| NR09 | Investments | Operational risks of investment managers, custodian and other investment suppliers | Loss of assets Inability to trade as assets inaccessible | High | Possible | 12 | - Due diligence and audits of service providers, managers - Controls embedded in investment management agreements - Diversification across different asset managers - Quarterly service & risk review with Brunel and suppliers | Medium | Possible | 9 | → |
| NR14 | Investments | An increase in leverage materially reduces capital value leading to an unplanned and significant deviation in strategic asset allocation | LDI strategy may have to be unwound if insufficient collateral Inability to raise hedge ratio | High | Likely | 16 | - Maintain collateral at prudent level with materia buffer vs risks - Set hedge ratio at level that can be adequately collateralised - Auto pause when LDI hedge ratio hits 40% - Offsetting nature of synthetic equity and equity protection strategies dampens leverage requirements | High | Unlikely | 8 | → |
| NR16 | Finance | Cashflow profile is maturing | Not enough cash in bank to meet pension payments | Critical | Almost Certain | 25 | - Monthly monitoring & forecast of cashflow - Prudent cash buffer - Tradeable assets can be swiftly sold | High | Unlikely | 8 | → |
| NR03 | Governance | Pension Committee cannot operate effectively | Delays in decision making for the Fund Failure to meet MIFD & TPR regulations | Medium | Almost Certain | 15 | - Representation of PC set out in Fund's representation policy - Knowledge requirements in Training policy - Compliance vs regulations defined in Compliance Statement - Decisions responsibilities set out in decision matrix | Medium | Unlikely | 6 | → |
| NR13 | Investments | Treasury investments | Loss of capital or income on cash Delayed return of principle or investment income | Medium | Possible | 9 | - Adopt B&NES Treasury management policy - Due diligence on banks - Diversification across multiple suppliers - Consultation with treasury management advisors | Medium | Unlikely | 6 | → |
| NR17 | Finance | Late / incorrect contributions from employers | Cashflow shortfalls Employer funding Deficits / Default TPR breach | Medium | Possible | 9 | - Monthly reconciliations of contributions - Management reviews and action - Mercer funding monitor tool - Larger employers pre pay contributions | Low | Possible | 6 | → |