Environment Agency
Pension Fund

Risk management policy

The Environment Agency Pension Fund ('the fund') is committed to promoting excellence in risk management; embedding it in all decision making and sharing best practice.

The fund operates within the strategic risk framework of its principal employer, the Environment Agency, which recognises that risk is necessary to achieve our objectives and that staff should be prepared to take well-informed, well-managed risks, seizing opportunities when they arise.

'Well-informed, well-managed' in our context as a public body means understanding the consequences of our actions and making informed decisions about the level of risk we're willing to accept. It is neither economic, nor realistic to manage out all risk completely but we need to show that we understand and actively manage our risks.

This policy sets out our strategic approach to effective risk management and provides cross references to the detailed risk assessment in the principal strategy documents of the fund;

- Funding strategy statement
- Statement of investment principles
- Responsible investment policy
- Governance policy
- Governance Compliance Statement
- Administration Strategy Statement
- Communications Plan

Risk objectives

The fund's risk objectives are to;

- Integrate risk management into the culture and day to day operations of the fund to enable it to anticipate and respond positively to change.
- Increase awareness of risk management with those connected with the delivery of the fund.
- Maintain a robust framework and processes for risk identification, analysis, assessment and management of risk, and reporting, recording, and be in line with the methodology of the Environment Agency and consistent with best practice.
- Minimize the cost of risk.

Identifying and analysing business risk

Consistent with the approach of the Environment Agency, the risks to the funds can be understood in terms of two big risks areas, integrity and delivery. When identifying risks to the fund, we therefore consider them in terms of either our integrity as a fund, or our ability to deliver our critical pension fund services as follows:

The integrity of our fund, which could be impacted by:

- External factors, e.g. structural changes, policy changes.
- Operational factors, e.g. external service provision, poor customer service.
- Governance factors, e.g. poor control of risks, break down in trust.

The capacity for us to deliver, which could impact on:

- High profile work areas, e.g. challenging new pieces of work.
- Capability and capacity, e.g. incidence response.
- Internal change, e.g. changes across our employers.
- Financial resources, e.g. budget management, maximizing outcomes.
- Staff and effectiveness, e.g. skills, resilience and retention.
- How we do things, e.g. embedding best practice in what we do.

Evaluation and prioritization

Once identified, risks need to be understood in terms of the likelihood of them happening and the impact if they do happen. The combination of these two aspects gives a total level of risk exposure and informs the action that should be taken.

Whilst the assessment of risk remains a judgment, the Environment Agency and the fund has adopted a standard scoring approach that supports this judgment. By using a common approach we can compare, prioritise and allocate resource effectively. See table below.

Very High (5)	5 A	10 A/R	15 A/R	20 R	25 R
High (4)	4 A/G	8 A	12 A/R	16 R	20 R
Medium (3)	3 A/G	6 A	9 A	12 A/R	15 A/R
Low (2)	2 G	4 A/G	6 A	8 A	10 A/R
Very Low (1)	1 G	2 G	3 A/G	4 A/G	5 A
Impact / **Likelihood**	**Very Low (1)**	**Low (2)**	**Medium (3)**	**High (4)**	**Very High (5)**

Managing business risks

The effective management of risk requires clear roles and responsibilities which are defined in the risk registers of the fund and at project level as appropriate. Clear lines of reporting have been established through the use of risk dashboards at each and every Pension Committee and its sub-groups.

As reducing risks will often incur additional costs, it is important that we make an informed decision about how much we want to reduce the risk against how much it will cost. This decision is a judgment to be made by officers in conjunction with the Pensions Committee and its sub-groups, supported by the standard risk scoring approach. We're unlikely to be able to, or want to, eradicate all risk, but we can reduce it to a level where the remaining risk is acceptable.

Monitoring and review

Monitoring risk management should be fully integrated into the day to day operations of the officers and our service providers with oversight by the Pensions Committee and its sub- groups, no less than every 3 months. An internal review of risk management and reduction measures is undertaken every two years. On an on-going basis managers ensure that risks are understood at the appropriate level in the organisation and that changing situations are understood and dealt with promptly and in an appropriate way.

The fund maintains a risk register to assist in the monitoring and management of risks as well as providing evidence of assurance and good governance. All significant risks must be documented on in the risk register template, consistent with that used by the Environment Agency. Management teams should be reviewing their risk registers at least quarterly and are required to submit them centrally on an annual basis.
In addition, we share information on the EAPF risks with all employers. Through sharing with the Environment Agency Directors Team and Environment Agency Board, they in turn will inform Defra to help inform a broader view of risk management across the Defra network.

Approved by the Pensions Committee on 28 September 2016.