

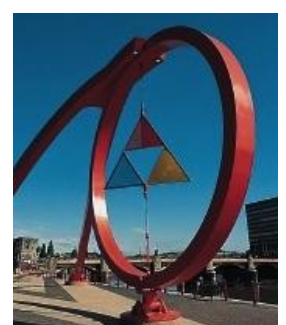
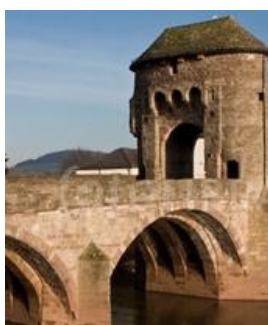


**TORFAEN
COUNTY
BOROUGH**



**BWRDEISTREF
SIROL
TORFAEN**

Greater Gwent (Torfaen) Pension Fund Risk Appetite Statement June 2026



Background & Introduction

The Greater Gwent (Torfaen) Pension Fund ('the Fund') is a Local Government Pension Scheme based in South Wales and is the second largest fund within the Wales Pension Partnership (WPP), an LGPS pool comprising of all 8 Welsh partner funds.

Risk management is an integral part of good governance and effective and meaningful risk management involves taking a balanced view of risk and opportunity in delivering the Fund's strategic objectives.

Purpose

The Fund's Risk Appetite Statement (RAS) is a core part the Fund's risk management framework. Its purpose is to articulate the degree of risk that the Fund is willing to accept to achieve its strategic objectives. The RAS distinguishes between areas where the Fund is willing to accept a greater degree of risk and areas where it is risk averse.

Implementation

All the Fund's employees are responsible for the appropriate management of risks and when seeking approval for key strategic and operational decisions, risk appetite must be considered.

All risks which are determined as unacceptable and outside of risk appetite will be reported to the Head of Pensions and/or Pensions Manager in the first instance, and subsequently as appropriate to the Pensions Committee and Local Pension Board. Remedial action plans will be put in place to reduce these risks back to acceptable levels and within risk appetite.

Risk appetite is monitored by officers working within all functions of the Fund's governance structure via the use of metrics, known as **Key Risk Indicators**¹, with defined boundaries, to help inform this monitoring.

Where risk tolerances are exceeded, action is taken to escalate, report and remediate to revert the risk back to acceptable levels and within risk appetite.

Risk Appetite Descriptors

The risk appetite statements across the Fund's risk categories are outlined below:

Appetite Level	Description
Low Appetite	The Fund has low appetite for risk taking which has a casual or indirect link to the pursuit of its strategy or where there are potentially significant negative impacts on members or employers, or damages or losses to the Fund associated with the risk
Moderate Appetite	The Fund has a moderate appetite for responsible risk taking which has a clear link to the pursuit of its strategy and where the risk has been evaluated as having the potential to result in only minor negative impacts on members or employers

¹ Key Risk Indicators (KRIs) are metrics which can provide early warning signs of increasing risk exposure. KRIs help in proactively managing risks before they potentially materialize into significant issues. KRIs can be quantitative or qualitative and can assist in pinpointing where action needs to be taken

High Appetite

The Fund has a high appetite for responsible risk taking that is key to achieving its strategy where the risk has been evaluated as having a negligible negative impact on members or employers and where the expected benefits to the Fund significantly outweigh any potential damages or losses.

The Pension Committee ensures the RAS is aligned to the Fund's vision, purpose, values and strategy. The Fund's core vision is to *safeguard the financial well-being of our scheme members and pensioners over the long-term, through collaborative working, prudent investment management, transparent governance, and a steadfast dedication to sustainability*

The success of the Fund achieving its vision and purpose is reliant on its ability to operate within risk appetite.

Key Risk Categories

The RAS sets out the risk appetite for each of the Fund's five key risk categories:

- I. Administrative & Operational
- II. Compliance & Regulatory
- III. Funding & Employer Covenant
- IV. Governance
- V. Investment

Tolerance Ranges

Within each risk category, underlying risks are assigned **tolerance ranges** that broadly define an acceptable degree of variability or deviation from the expected level of risk that the Fund is prepared to withstand to achieve its objectives. This is according to the assigned degree of appetite for each category. Essentially, it is the level of strictness in which the appetite for a given risk must be adhered to: Low tolerance suggests that only minor deviation from the assigned appetite level is accepted, whereas high tolerance allows for greater leeway.

Generally speaking, the Fund has a low appetite for risks that could undermine operational integrity, compliance, or stakeholder confidence, but maintains a moderate appetite for investment-related risks that are well understood, appropriately rewarded and aligned with the Fund's long-term objectives. Each risk within the Fund's risk register is assigned to a level of risk appetite and tolerance range.

Administrative and operational

The Fund's administrative and operational functions are key to enabling the delivery of services to members and employers. Failures to manage its operations will have follow on effects in member and employer experience and potentially result in reputational damage and financial loss. The reliance on several key third parties and external suppliers to deliver services, or failings caused by, or relating to, these external parties, may also restrict the Fund's ability to operate effectively.

Underlying Risk Area	Tolerance Range (Low, Medium, High)
Payment Processing	Low
Cyber	Low
Member Communication	Medium
Data maintenance/Record Keeping	Low

The Fund will manage these risks in accordance with a '**Low**' risk appetite. Paying the right pension to the right member at the right time is ultimately the Fund's core objective and managing the variables that could prevent this is key. A 'low' risk appetite encourages the Fund to maintain stability, control, and a solid reputation for reliability in this regard.

Compliance & Regulatory

The Fund's ability to manage its compliance and regulatory risk is imperative to maintaining regulatory trust, ensuring market integrity, and achieving the best outcomes for members and employers. Failing to comply and adhere to LGPS regulations could lead to serious ramifications, which could hinder the Fund's ability to conduct its primary functions.

Underlying Risk Area	Tolerance Range
Legal	Low
Financial Crime	Low
UK Government Legislation	Low
Data Protection	Low

The Fund will manage these risks in accordance with a '**Low**' risk appetite. The Fund is subject to legal, regulatory and statutory requirements that need to be harmoniously implemented. A 'low' risk appetite helps to promote and support a strong risk culture and acknowledges a robust and responsible approach to managing risks centred around compliance and regulatory requirements.

Funding & Employer Covenant

The Fund must effectively manage both long-term and short-term financial risk to ensure liabilities and capital requirements can be met as and when required and to ensure that it remains compliant with statutory regulations.

Underlying Risk Area	Tolerance Range
Cash Flow/Liquidity	Medium
Funding Level	Low
Actuarial Assumptions	Low

The Fund will manage these risks in accordance with a '**Low**' risk appetite. A 'low' risk appetite promotes stability and safeguards against potential losses, retaining employer

confidence through the focus on security and long-term Fund sustainability, whilst ensuring all short-term financial obligations, such as paying pensioners on time, are met.

Governance

The Fund's governance arrangements span across multiple layers, leveraging expertise from a broad range of stakeholders, including those associated with the Wales Pension Partnership (WPP). Ensuring these arrangements are effective, appropriate and transparent is paramount. It is also important that those charged with decision making authority are equipped with the necessary knowledge and skills to ensure an effective system of governance is maintained.

Underlying Risk Area	Tolerance Range
Third-Party Service Providers	Low
Knowledge and Skills	Medium
Resources/Staff	Low

The Fund will manage these risks in accordance with a **'Low' risk appetite**. Ensuring the Fund is governed in a way that maximises the possibility of achieving its long-term objectives is essential. Improper governance pertaining to the abovementioned risks would be of severe detriment to the Fund, so promoting a 'low' risk appetite for these risks is deemed appropriate.

Investment

The Fund seeks to deliver sufficient investment returns over the long term to achieve its funding targets and to ensure that employer contribution rates remain sustainable and affordable. Through its investments, the Fund also strives to have a positive impact on the economy and society by continuing to integrate Environmental, Social and Governance (ESG) considerations across its portfolio, acting as a good steward of capital in the process.

Underlying Risk Area	Tolerance Range
Investment Performance	High
Responsible Investment	Low
Impact Investment	High
Investment Strategy	Medium
Volatility	Low

The Fund will manage these risks in accordance with a **'Moderate' risk appetite**. A moderate risk appetite allows the Fund to strike a balance between risk and return through a diversified portfolio that allows the scheme to meet its fiduciary duty, ensuring sufficient long-term returns to meet future pension liabilities. This aligns with the Fund's core strategic objective of achieving scheme sustainability.

Monitoring & Review of the RAS

The RAS will be monitored on an ongoing basis to ensure it remains fit for purpose and will be subject to a comprehensive formal review at least every three years in conjunction with the Fund's triennial valuation exercise.

Further Information

If further information about anything in or related to this policy is required, please contact:

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