

Pension Protection Fund Risk Appetite Statement V1

Pension Protection Fund Risk Appetite Statement

This note outlines the Board's risk appetite, which will be considered annually and monitored by the Audit Committee and the Investment Committee as appropriate.

In general, the Board has a cautious risk appetite with respect to all risk categories apart from investment operations where it is even more risk averse. This reflects our preference for safe delivery options that have a low degree of residual risk with a strong control framework in place for investment operations.

We will take risks that have been carefully considered and where controls have been implemented to reduce the likelihood of a risk materialising or the impact if one did materialise.

This means that we will put in place processes and systems that will ensure that we will achieve our planned outcomes, although we would not expect controls to be put in place where the cost of these exceed the value of the expected benefits.

Where commercially viable, we would expect financial risks to be hedged through appropriate instruments or insurance.

Risks will be monitored by the use of key risk indicators as agreed by the Executive team through the Asset and Liability Committee and the Risk Management Committee as described in our risk management policy.

Individual risk appetite statements for each of our key risk categories are as follows:

Strategy/Environmental

We have limited appetite for changes in the external environment not being identified and managed.

Legal

We favour prevention over cure, but not at any cost. We accept that untested legislation and the Board's obligation to set policy in some areas (notably levy) could lead to challenges. Judgemental caution will always be exercised in this area.

Operational

We support innovation and empowerment and have an appetite to accept risks which would improve throughput and reduce costs where the materialisation of these risks would have a limited impact on the achievement of our stated goals.

Reputational

We have limited appetite for accepting risks that will damage the PPF's reputation, but will tolerate risk taking where there is a low chance of a significant impact, and appropriate steps or plans are in place to minimise any exposure.

Organisational Design/Culture

We have limited appetite for an inappropriate culture, and will seek innovation and actively desire challenge to ensure that our culture remains fit for purpose.

Funding and Investment Strategy

We seek to provide security for current and future members, but recognise the potential cost to levy payers of aiming for a resilient balance sheet whilst high levels of external risk persist.

Investment Operations

We have a low appetite for operational risk in respect of our investment portfolio. We have put in place a strong control environment which is supported by accurate and frequent monitoring of asset and liability data.

Version	Recommended by	Approved by	Effective from
V1.0	COO	Board	28 September 2010