



## **Pensions Committee**

**2.00pm, Wednesday, 24 June 2020**

### **Risk Management Summary**

**Item number 5.14**

#### **1. Recommendations**

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The Pensions Committee (Committee) is requested to:

- 1.1 note the Quarterly Risk Overview and the LPF group's approach to risk management.

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# Risk Management Summary

## 2. Executive Summary

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- 2.1 In line with the Lothian Pension Fund's (LPF) ongoing risk management procedures, this paper provides an overview of LPF's risk analysis for consideration by the Committee.

## 3. Background

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- 3.1 LPF's risk management procedures require it to:
- 3.1.1 maintain a detailed operational risk register which sets out all the risks identified and assessed by the officers on an ongoing basis against the group's risk appetite, the degree of risk associated in each case and the action taken to mitigate those risks (the Operational Risk Register); and
  - 3.1.2 produce a summary report of the risk register for the Committee and the Pensions Audit Sub Committee which highlights the material risks facing the group and identifies any new risks/concerns and the progress being made over time by the officers in mitigating the relevant risks (the Quarterly Risk Overview).

## 4. Main Report

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- 4.1 The Operational Risk Register is issued to the Conveners of the Committee and the Pensions Audit Sub Committee and the Independent Professional Observer on a quarterly basis. It is also submitted annually to the Audit Sub Committee for a detailed review.
- 4.2 The Quarterly Risk Overview, as at 18 May 2020, is set out in Appendix 1 to this report for consideration.
- 4.3 An additional meeting of the Risk Management Group was held on 23 April to assess the group risk environment in the prevailing circumstances of the COVID-19 pandemic, and material items included in the risk register. More granular risks arising from the pandemic have also been identified and closely managed at an operational level by the Recovery Group established expressly for this purpose. A more detailed report on the outcomes from this group and the Fund's response to the pandemic has been reported separately to Committee.

- 4.4 The risk management process for the LPF group is integrated within all of the group's governance and controls. In particular, the Committee should be aware of the following:
- 4.4.1 *Risk appetite*: considered and set by the Senior Leadership Team (SLT) in conjunction with the Risk Management Group.
  - 4.4.2 *Risk management group*: routine meetings held quarterly and otherwise on an as required basis to consider and assess the LPF group's risk register and wider risk environment and track relevant actions. The group comprises representation across all functions and includes the SLT.
  - 4.4.3 *Compliance checklist*: listing critical points of compliance for monitoring and as a reference point for breach reporting. Reviewed and signed off on a quarterly basis by the senior management of the LPF group, which includes SLT, with key actions being tracked by the risk function and relevant business units.
  - 4.4.4 *Assurance Overview and Mapping*: providing analysis and oversight of the group's overarching risk assurance framework across the 'four lines of defence' and mapping those points of assurance to relevant risks. This is managed by the risk function, with oversight from SLT, and presented to the Committee annually.
  - 4.4.5 *LPF group systems and controls assessment*: managed by SLT and the LPFI and LPFE boards, and reported to Committee and JISP annually.
  - 4.4.6 *Third party supplier management*: a supplier management framework is managed on an ongoing basis by the risk function in conjunction with the wider business and overseen by SLT.
  - 4.4.7 *Internal Capital Adequacy Assessment Process (ICAAP)*: which is managed on an ongoing basis by the SLT. The ICAAP itself is reviewed and approved at least annually by the LPFI board, with various aspects considered separately and in more detail routinely throughout the year.
  - 4.4.8 *ICT oversight and governance procedures*: which are managed by the ICT Oversight Group on an ongoing basis and overseen by the SLT.
  - 4.4.9 *People and HR Procedures*: which are managed by the People Group on an ongoing basis and overseen by the SLT and the LPFE board.
  - 4.4.10 *Investment Controls and Parameters (LPF Group Controls and Compliance report)*: which are now mostly automated on the CRIMS order management system, managed by the compliance, front and back office functions and overseen by SLT, the LPFI board and JISP (with annual reporting to Pensions Audit Sub Committee).

- 4.4.11 *Overall review of governance and the LPF group structure:* managed by SLT and overseen annually by the Committee and Pensions Audit Sub Committee.
- 4.4.12 *COVID-19:* as above, managed by the Recovery Group on an ongoing basis, in conjunction with the Risk Management Group, and overseen by SLT.

## **5. Financial impact**

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- 5.1 There are no direct financial implications as a result of this report.

## **6. Stakeholder/Regulatory Impact**

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- 6.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the fund and they are invited to comment on the relevant matters at Committee meetings.
- 6.2 Except as otherwise stated in the report itself, there are no adverse health and safety, governance, compliance or regulatory implications as a result of this report.

## **7. Background reading/external references**

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- 7.1 None.

## **8. Appendices**

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Appendix 1 – Quarterly Risk Overview, as at 18 May 2020



# **Quarterly Risk Overview**

**18 May 2020**

## EXECUTIVE SUMMARY

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This risk overview provides a summary of the assessment of the LPF group's risks by the Risk Management Group on 18 May 2020.


The LPF group continues to go through a period of meaningful business transformation, where it is seeking to enhance its wider structure and service delivery, as well as support its strategy to seek mutual benefits by collaborating with other likeminded pension funds. In doing so it has taken on additional operational risk within its appetite. The group is however coming to the "beginning of the end" of this transformational work and so anticipates that many of the risks surrounding these projects will reduce over the next year as they complete and additional LPF group governance and controls are implemented.

The unique feature of this quarter's risk reporting is, of course, the COVID-19 pandemic and, with that in mind, an additional meeting of the Risk Management Group was held in April to assess the impact on the LPF group's business and risks. Many of the immediate risks assessed at that initial meeting have reduced over the period, with the effective operation of the LPF group's business continuity plan and ongoing management of issues to re-position the fund for full remote working. Some assessments remain higher than normal, but these largely reflect the wider environment within which the fund is now operating rather than being a negative reflection of LPF's business resilience by comparison with the sector at large. It is anticipated that these risks will also reduce as either restrictions around the pandemic relax or the business and wider environment continue to adjust to a longer period of remote working.

The overall position remains stable and within appetite in the context of the longer-term risk reduction benefits of the ongoing transformation projects and the circumstances of a global pandemic. However, the Systems & Controls and COVID-19 papers provide a more detailed update on the work being progressed to further mitigate and reduce the risks facing the fund.

## DETAILED OVERVIEW




### UPDATE ON MOST NOTABLE RISKS



Risk & Reference Number	Update	Trend / RAG
<p>Failure of IT systems used in the fund with serious consequences for investment management, benefit administration and oversight activities (7)</p>	<p>The core ICT platform has proved to be resilient, with key issues being escalated and prioritised appropriately and many enhancements in LPF's Digital Strategy already being delivered by the incumbent supplier in response to the pandemic. There are naturally ongoing issues and inefficiencies generated by the significant increase in demand on the platform, but this is currently the same across all businesses and sectors.</p> <p>However, this risk has necessarily increased as a result of the additional reliance placed on ICT functions, and heightened impact of any outages or failure, whilst all LPF group staff work from home in the prevailing circumstances of the COVID-19 pandemic</p> <p>Additional ICT continuity oversight is in place during COVID-19 through the creation of the LPF Recovery Team, which monitors implementation of the business continuity plan and supports the ICT Oversight and Governance Manger/Group by providing enhanced management and monitoring of specific operational issues arising from the circumstances of the pandemic.</p> <p>In addition, LPF continues to identify and resolve 'business as usual' issues and progress critical ongoing projects through its ICT Oversight Group and function. Those include continuing to progress (i) the Digital Strategy and appointment of the new ICT provider, (ii) systems access, security governance and supplier diligence, and (iii) resolving laptop availability for new staff.</p> <p>A project group continues to monitor the operation of the Charles River Investment Management System (CRIMS) following its implementation, as well as providing oversight of its supplier. Refinements are identified/tracked and fixes resolved on an ongoing basis.</p>	<p><b>Increase</b></p> 






Risk & Reference Number	Update	Trend / RAG
<p>Business continuity issues <b>(11)</b></p>	<p>The business continuity plan has been implemented successfully and is being refined on an ongoing basis to adapt to the ongoing developments and phases of the pandemic. Business continuity remains good in the circumstances, but the risk has been increased to reflect the fact that the continuity plan is in operation and therefore the LPF group is in a period of special continuity management.</p> <p>LPF's Recovery Group continues to implement, oversee and refine continuity arrangements to further mitigate this risk. The Senior Leadership Team (SLT), ICT Oversight, People and Risk groups also continue to address specific matters alongside the Recovery Group.</p> <p>'Key workers' have been identified and are supported by guidance ensuring that social distancing is adhered to at all times, as well as health and safety regulation. Currently, only critical activities are undertaken in the office by the identified key workers. In addition, the relevant health and safety procedures are in place for homeworkers and LPF has a clear process in place for the reporting of any breach of the Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).</p> <p>Annual leave continues to be monitored to ensure sufficient cover is in place at all times during lockdown and thereafter.</p> <p>The planned office move is currently on hold with the more immediate priority being the plan, now underway, for the return of staff to the existing office premises. More detail on this is set out in the group systems and controls report.</p>	<p><b>Increase</b></p> 
<p>Members' confidential data is lost or made public. Breach of Data Protection Act. <b>(12)</b></p>	<p>There is a potential increased risk of cyber attacks as a result of COVID-19 and LPF, as with the wider business community, has experienced targeted phishing attacks. LPF continues to strengthen controls around the security of members' confidential data, with additional checks to folder security, remote working and other key activities. The use of new facilities by LPF, such as for mail processing and scanning, is under detailed review to ensure these processes continue to be secure.</p>	<p><b>Increase</b></p> 

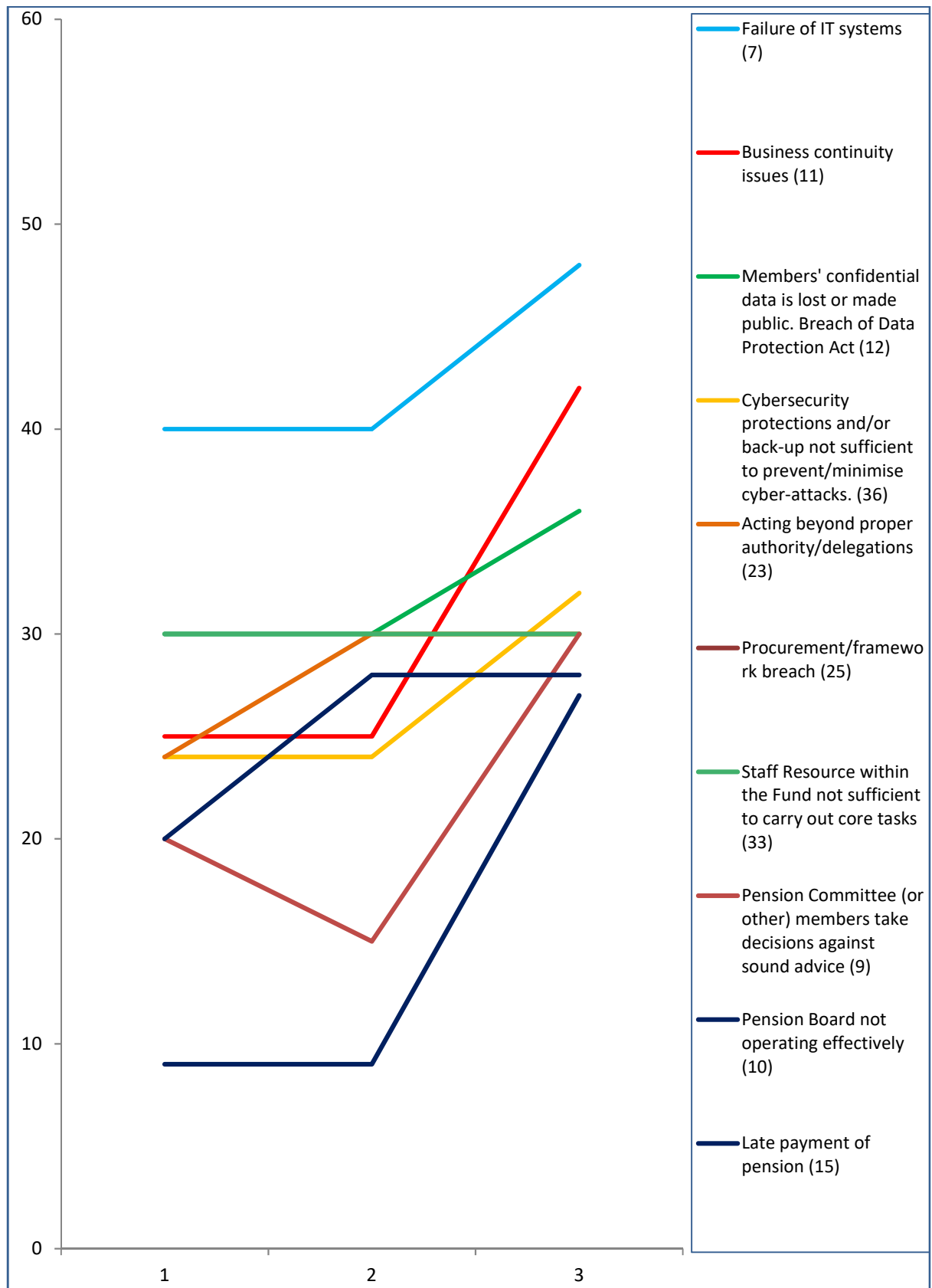


Risk & Reference Number	Update	Trend / RAG
Cybersecurity protections and/or back-up not sufficient to prevent cyber-attacks or minimise their impact <b>(36)</b>	<p>As mentioned above, there is a currently a potential increased risk of cyber attacks due to COVID-19, with LPF having received phishing emails targeting its private markets capital call processes and also purporting to replicate communications from senior management. LPF is communicating key messages to all staff regarding cybersecurity and has reminded employees to be vigilant.</p> <p>The ICT Oversight and Governance Manager continues to review the robustness of systems and processes and is progressing the Digital Strategy, which itself will allow enhancements to controls and governance in this area.</p>	<p><b>Increase</b></p> 
Acting beyond proper authority/delegations. <b>(23)</b>	<p>LPF has paid close attention to the operation of its delegations under the present circumstances, with all the team remote working and with key person dependencies in mind. The group has only required minimal adaption to current processes so far and has sought to introduce supporting systems (e.g. e-signing) where necessary to mitigate any associated continuity risks.</p> <p>LPF is also looking to update and refresh its delegations to take account of: (i) recent appointments and updates arising from its organisational development review, (ii) the operation of the property portfolios, (iii) SM&amp;CR implementation, (iv) the LPF Governance Review, and (v) the implementation of the new Front Office system. In addition, LPF is scheduling further employee communications to reinforce awareness of scheme of delegation requirements and update its new website to ensure its group governance structures are clearer.</p> <p>Due to the prevailing circumstances and the outstanding actions the risk remains on amber, although there has been no breach in existing delegations.</p>	<p><b>Static</b></p> 
Procurement/framework breach <b>(25)</b>	<p>LPF is continuing to work closely and well with CEC's procurement team to best align its procurement processes to the specific needs of the LPF group business and also to satisfy CEC's parent oversight requirements.</p> <p>The risk is static due to the enhanced impact the procurement regime has on LPF's developing business model (sitting unusually within all of the financial services, pensions and public sector regimes) and the fact that it continues to be in the midst of developing new systems, controls and procedures in this area.</p>	<p><b>Static</b></p> 

Risk & Reference Number	Update	Trend / RAG
<p>Staff Resource within the Fund not sufficient to carry out core tasks in conjunction with active or anticipated projects. <b>(33)</b></p>	<p>This risk remains at amber due to the additional resource attributable to significant strategic initiatives such as the implementation of the Digital Strategy and extension of investment management services. However the Organisational Development Review has been successfully implemented, with only one role outstanding, and so LPF anticipates that the risk will reduce over the next few quarters.</p> <p>The recruitment strategy is continuing remotely as LPF continues to mitigate this risk.</p>	<p><b>Static</b></p> 
<p>Pensions Committee (or other) members take decisions against sound advice, on political grounds or due to lack of knowledge <b>(9)</b></p>	<p>In April this risk was raised significantly to reflect the onset of COVID-19 lock-down and its impact on governance, with the requirement for emergency powers to be implemented for a brief period which effectively suspended the usual March Committee cycle and by delegating the powers of the administering authority to the Council's Leadership Advisory Panel. There was nevertheless ongoing engagement with the Committee, Board and IPO, with March papers being circulated to ensure continuity and transparency during this challenging period.</p> <p>The risk has subsequently reduced due to the relatively quick reversion to the group's usual governance arrangements for the June Committee, albeit meeting remotely, and in light of the formal clarification in the Council's process that the LPF Group's governance arrangements would be carved out of its own emergency arrangements.</p> <p>The risk will remain amber until it is clear that the June cycle of meetings has operated effectively on a remote basis and along the lines envisaged.</p> <p>LPF continues to engage with the Pensions' Regulator on this, alongside other matters, to ensure due notification is made and appropriate context.</p>	<p><b>Increase</b></p> 

Risk & Reference Number	Update	Trend / RAG
<p>Pension Board does not operate effectively to detriment of the Fund (e.g. due to external factors, lack of attendance/participation or not maintaining sufficient levels of knowledge, skill and/or expertise.) <b>(10)</b></p>	<p>In April this risk was increased significantly due to the impact of emergency governance arrangements for the March cycle (in line with the above) and it was similarly reduced at May's meeting of the Risk Management Group.</p> <p>The Pension Board still has two vacancies. The continued requirement to fill these vacancies, and recent levels of turn-over, has presented a continuity challenge for LPF and the Pension Board itself.</p> <p>The Pension Board will be discussing a proposal by LPF to reduce the number of board members to 8 (4 member/4 employer) to mitigate this issue.</p> <p>The score will remain amber until the composition of the Board is finalised and the remote arrangements for meetings have been implemented and shown to be effective.</p>	<p>Static</p> 
<p>Failure to pay pensions as they fall due including as a result of administration failure. <b>(15)</b></p>	<p>This risk has increased slightly to reflect the COVID-19 enforced remote working arrangements. The potential for staff absence on health grounds, IT failure and the increase of a potential cyber attack has also fed into the increase in this risk. Pension payments have been identified as one of the five core critical tasks for the fund and as such the Recovery Group are monitoring and supporting processes carefully to mitigate the risk as far as possible.</p>	<p>Increase</p> 
<p>Adverse investment performance causes funding levels to fall requiring higher employer contributions. <b>(1)</b></p>	<p>LPF and the JISP are reviewing investment portfolios in order to understand the COVID-19 impact and continue to best position the fund. In addition, LPF is engaging with the actuary regarding assumptions as part of triennial valuation. This risk has rased due to the potential impact of COVID-19 and until the review is complete and actions are clear.</p>	<p>Increase</p> 

**NOTABLE RISKS: PROGRESSION OF CURRENT RISK (ACCOUNTING FOR CONTROLS) IN LAST THREE QUARTERS:**

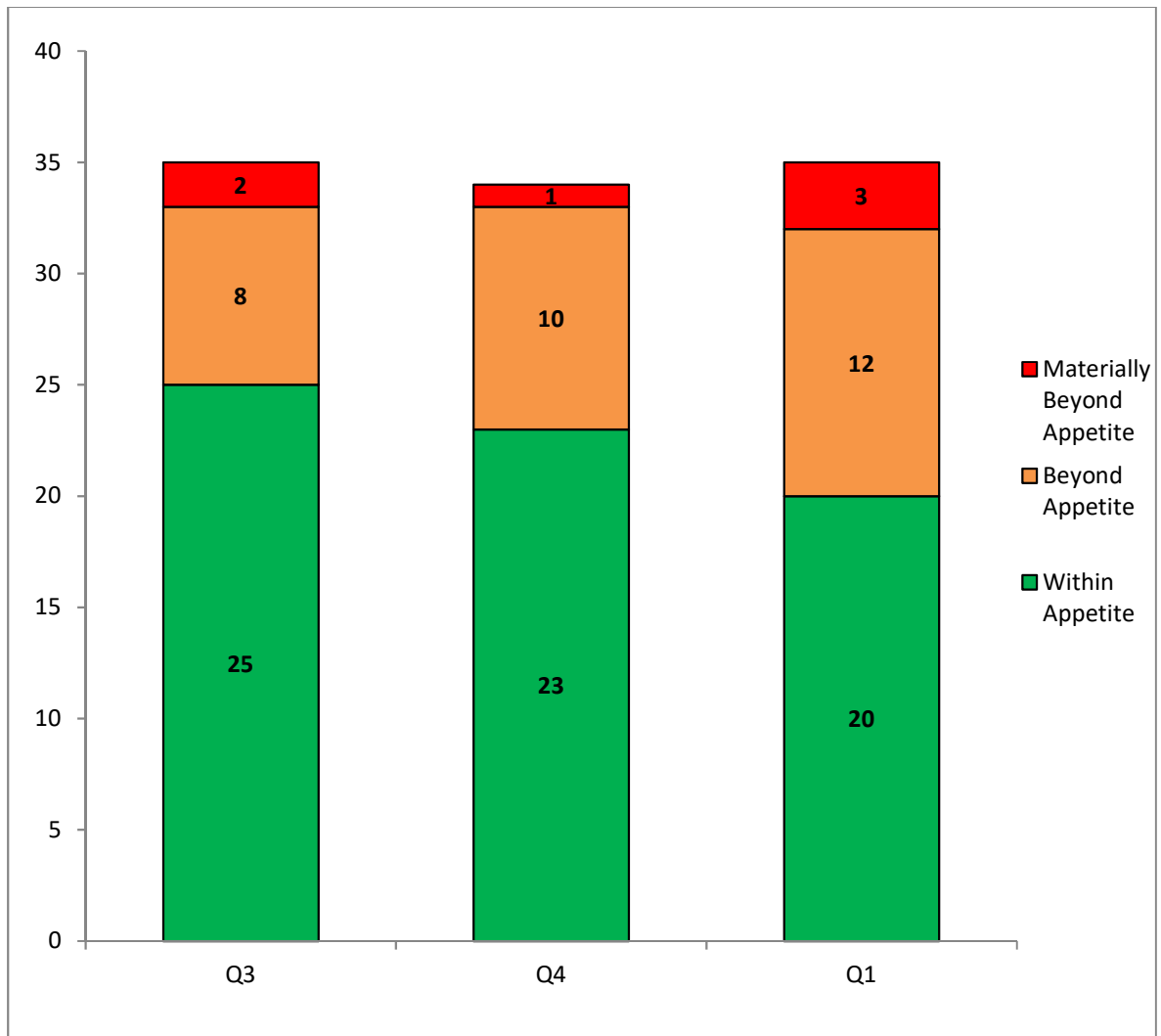


**OTHER KEY POINTS**

<b>New notable risks</b>	Procurement process compromising ability to secure required resource. (26)
<b>Other new risks</b>	None.
<b>New controls</b>	<p>Communications, staff training and enhanced awareness of fraud risk/cyber risk during COVID-19. (5, 36)</p> <p>Enhanced oversight of Pensions Administration mailbox. (5)</p> <p>Enhanced oversight of Private Market Capital call procedure. (5)</p> <p>Additional Recovery Group oversight. (5, 7, 15, 34)</p> <p>Monitoring and engaging on exercise of emergency powers by CEC. (9, 10)</p> <p>People Group, Risk Group, ICT Oversight Group and SLT continue to address COVID-19 specific matters. (11)</p> <p>Reporting of Injuries, Diseases and Dangerous Occurrences Regulation (RIDDOR). (11)</p> <p>Agile reviews by ICT, Risk and SLT of new systems and technology introduced to account for business continuity during extended COVID-19 remote working. (12)</p> <p>Royal Mail redirect to new scan and sort facility (more enhanced location and supplier diligence ongoing). (12)</p> <p>Initial high-level review of COVID-19 related supplier reliance and resilience carried out focusing on critical suppliers only. This review to cascade down to the next level over time. (19)</p> <p>LPFI ICAAP process. (20)</p> <p>Discretions policy approved. (20)</p> <p>Website updated for COVID-19 (22) and additional communications for employers and members. (22, 29)</p> <p>Extra LPFI board meeting to consider COVID-19 specific issues. (28)</p> <p>Monitoring levels of collaborative partner support required, and appropriate, during COVID-19 period. (33)</p> <p>Monitoring childcare, potential for sickness and other staffing and efficiency matters arising from the prevailing circumstances through Recovery Group and SLT oversight. (33)</p> <p>Recruitment strategy continues remotely. (33)</p>

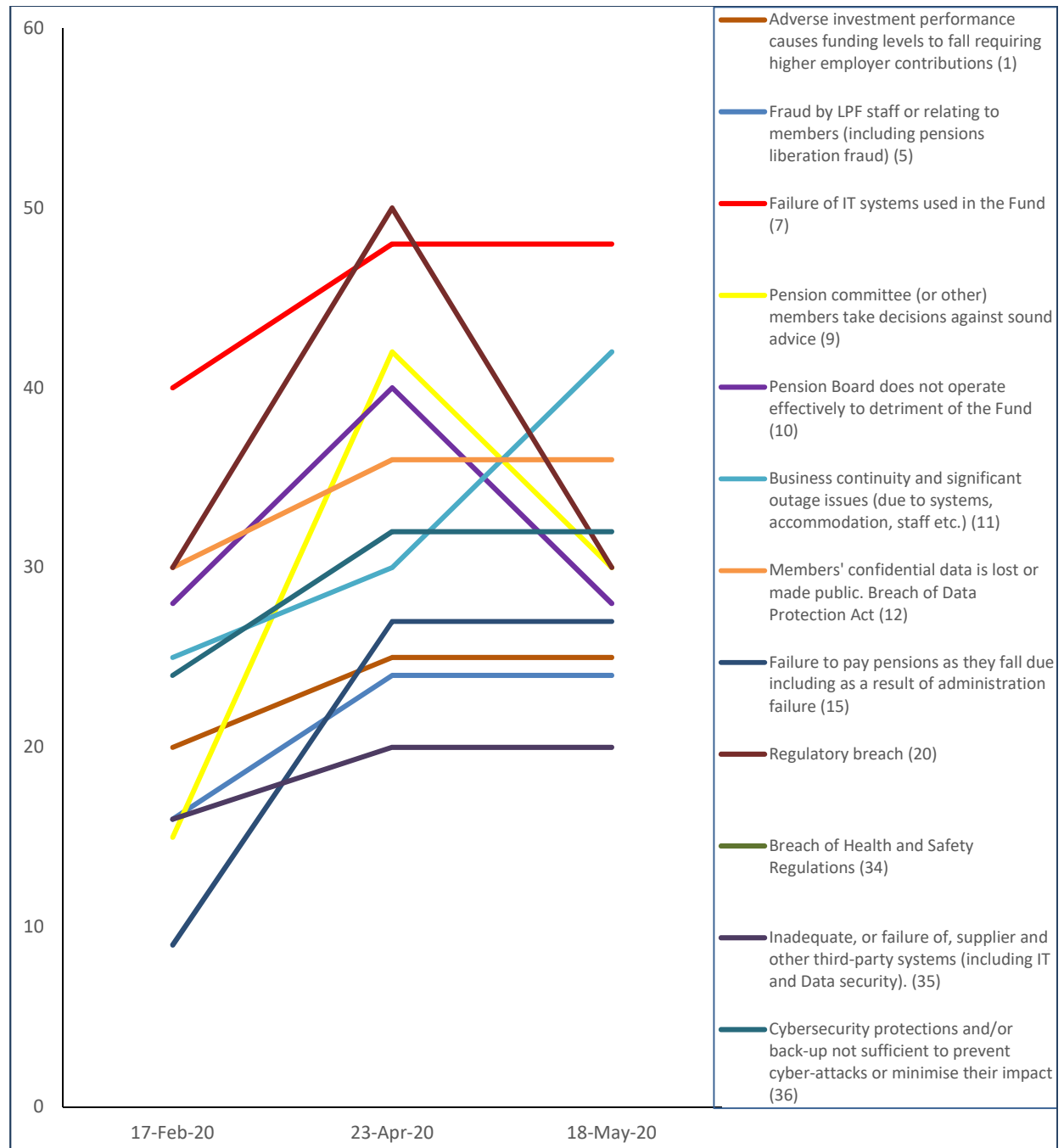
<b>Eliminated risks</b>	None.
<b>Other notable initiatives / actions</b>	<p>Funding Strategy Statement -proposed changes to Pensions Committee in June 2020, with employer consultation to follow. (3)</p> <p>Liaise with SPPA and SAB re scheme affordability issues, e.g. charitable sector. (3)</p> <p>Additional employer covenant analysis and engagement in response to COVID-19 being carried out with updates provided to all four Councils regarding aligned bodies. (3)</p> <p>SLT prioritising and engaging with LPFE board and the business to ensure key processes remain on track during any extended remote working period. (4)</p> <p>Controlled adaptations of pensions administration procedures for remote working scenarios. All adaptations will be revisited on 1 December 2020 and pension payments suspended if any shortfalls. (5)</p> <p>Monitoring home working impact on processes through line management and team meetings. (5)</p> <p>Roll out of refinements to the performance management process 2021. (6)</p> <p>Review of HR people policies and relaunch of key policies by end 2020. (6)</p> <p>Reviewing onboarding processes and procedures in light of potentially bringing staff into the fund during any lock-down or other remote working scenario. (6)</p> <p>CRIMS Project team monitoring and implementing fixes and refinements to the new order management system (7).</p> <p>Update to the Personal Account Dealing policy to be communicated to staff and the annual disclosure process finalised. (16)</p> <p>Extension of COVID-19 supplier resilience, reliance and 'best value' review. (19)</p> <p>Escalation process underway to address poor PAS performance by employers, e.g. lateness of retiral and leaver information. (30)</p> <p>Appoint a H&amp;S officer for LPF as part of role – make sure LMS new system covers all adequate training. (34)</p> <p>DSE and sickness absence as remote working continues under review. (34)</p> <p>Enhanced engagement with collaborative partners though the pandemic and to maintain committed client service levels. (28)</p>
<b>Material litigation</b>	None.

## ALL RISKS: STATUS OVERVIEW

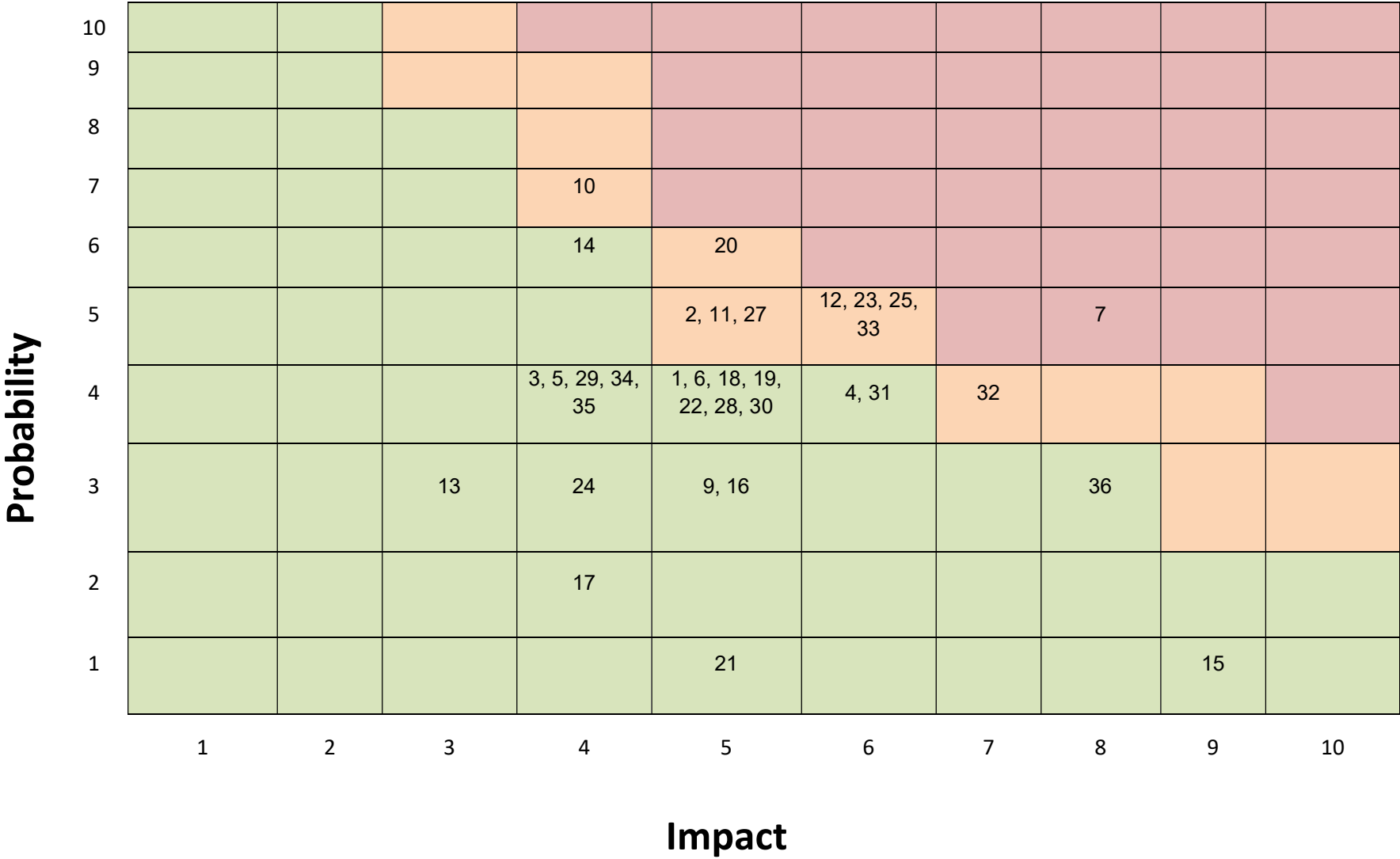




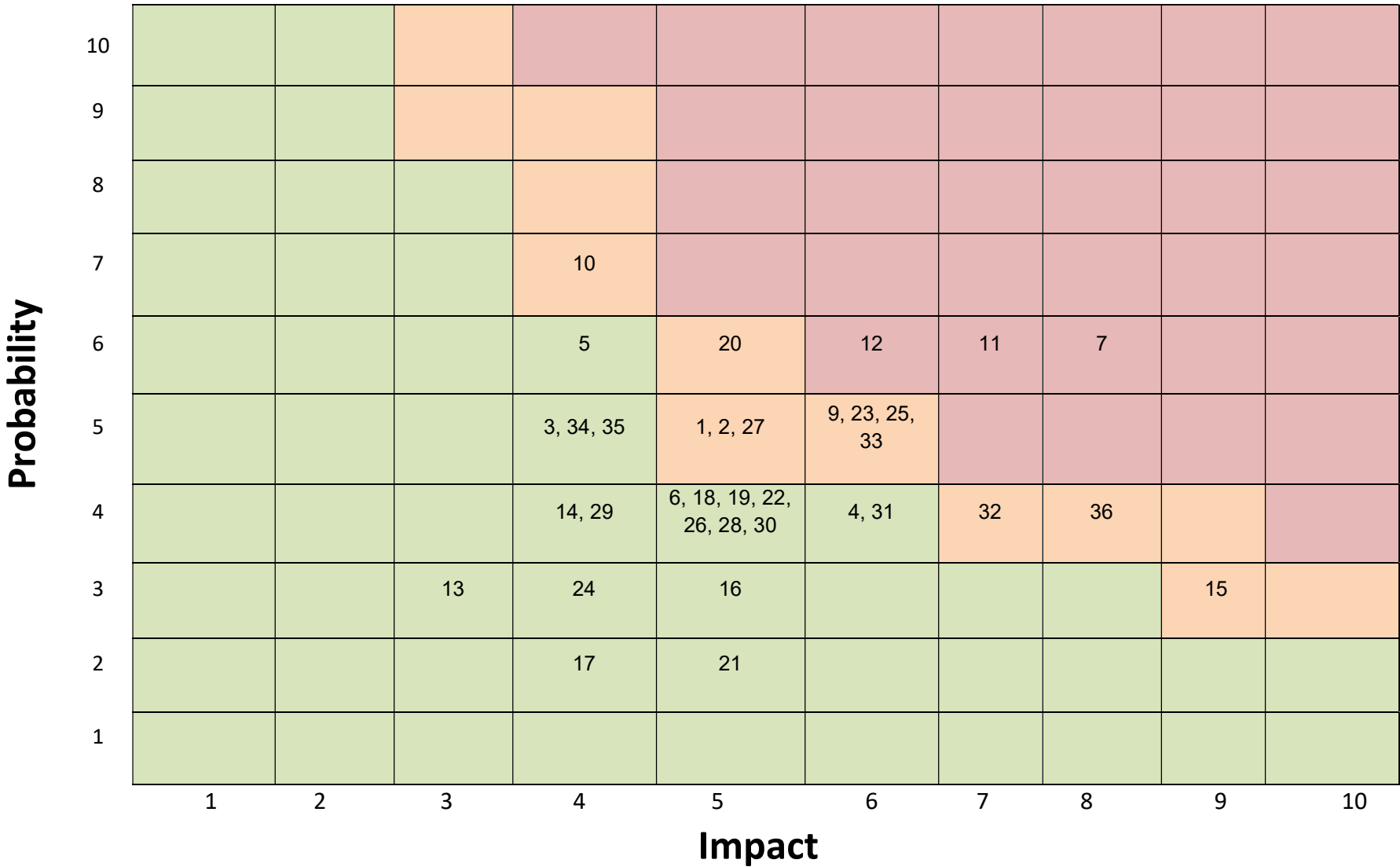
## Immediate term COVID-19 risk movements



QUARTER 4  
 2019/20 ALL RISKS: IMPACT AND PROBABILITY OVERVIEW






QUARTER 1  
2020/21 ALL RISKS: IMPACT AND PROBABILITY OVERVIEW



## KEY: RISKS BY NUMBER

1	Adverse Investment performance causes funding levels to fall requiring higher employer contributions.	20	Regulatory Breach.
2	Adverse change in non-investment actuarial assumptions causes funding levels to fall requiring higher employer contributions assumptions- pressure on employer contributions.	21	FOI process not in accordance with law.
3	Failure of an employer to pay contributions causes funding levels to fall, requiring higher contributions from other employers.	22	Incorrect communication with members.
4	Failure to recruit, engage and retain talent leads to workforce capability gaps with implications for oversight, control, administration and achievement of service plan goals.	23	Acting beyond proper authority/delegations.
5	Fraud or theft of Pension fund assets.	24	Inappropriate use of pension fund monies.
6	Staff Negligence.	25	Procurement/framework breach.
		26	Procurement process compromising ability to secure required resource.
7	Failure of IT systems used in the fund with serious consequences for investment management, benefit administration and oversight activities.	27	Group Structure and Governance not fully compliant and up to date (including integration of subsidiaries) or working effectively resulting in adverse impact on group strategy and business plan delivery.
8	<b>Removed.</b>	28	Claim or liability arising from shared services.
9	Committee members take decisions against sound advice.	29	Unauthorised access to PensionsWEB.
10	Pension Board not operating effectively.	30	Incorrect data from Employers leading to fines etc.
11	Business continuity issues.	31	Inadequate contractual protection for services.
12	Members' confidential data is breached.	32	Over reliance on single core service provider.
13	Loss due to stock lending default.	33	Human resource insufficient to carry out active projects.
14	Risk of incorrect pension payments.	34	Breach of health and safety regulations.
15	Failure to pay pensions as they fall due.	35	Inadequate, or failure of, supplier and other third-party systems (including IT and data security).
16	Market abuse by investment team or others.	36	Cybersecurity protections and/or back-up not enough to prevent cyber-attacks or minimise their impact.
17	Portfolio transition issues.		
18	Disclosure of confidential information.		
19	Material breach of contract.		

Risk Status	
	Materially beyond appetite: resolve urgently where possible (probability and impact total 35 and above)
	Beyond appetite: resolve where possible (probability and impact total 25 to 34)
	Within appetite: monitor (probability and impact total 24 and below)

### Risk Scoring

	Impact
0	(None)
1	No discernible effect
2	Little discernible effect
3	Some effect noticeable
4	Some effect on service provision
5	Noticeable effect on service provision
6	Some disruption of service
7	Significant service disruption
8	Material disruption to services
9	Major service disruption
10	Catastrophic

	Probability
0	(None)
1	Virtually impossible
2	Extremely unlikely
3	Remotely possible
4	May occur
5	Fairly likely to occur
6	More likely to occur than not
7	Likely to happen
8	Probably will happen
9	Almost certainly will happen
10	Already happening

Risk No below													
↓	Description	Q2 2017/18 Total	Q3 2017/18 Total	Q4 2017/18 Total	Q1 2018/19 Total	Q2 2018/19 Total	Q3 2018/19 Total	Q4 2018/19 Total	Q1 2019/20 Total	Q2 2019/20 Total	Q3 2019/20 Total	Q4 2019/20 Total	Q1 2020/21 Total
1	Investment Performance pressure on employer contributions (1)	●	●	●	●	●	●	●	●	●	●	●	●
2	Adverse Movement - pressure on employer contributions (2)	●	●	●	●	●	●	●	●	●	●	●	●
3	Failure of an employer to pay contributions (3)	●	●	●	●	●	●	●	●	●	●	●	●
4	Retention of key staff (4)	●	●	●	●	●	●	●	●	●	●	●	●
5	Fraud by LPF staff or relating to members (including pension liberation fraud) (5)	●	●	●	●	●	●	●	●	●	●	●	●
6	Staff negligence, maladministration or lack of specialist knowledge (6)	●	●	●	●	●	●	●	●	●	●	●	●
7	Failure of IT systems (7)	●	●	●	●	●	●	●	●	●	●	●	●
8	Risk removed	●	●	●	●	●	●	●	●	●	●	●	●
9	Pension Committee (or other) members take decisions against sound advice (9)	●	●	●	●	●	●	●	●	●	●	●	●
10	Pension Board not operating effectively (10)	●	●	●	●	●	●	●	●	●	●	●	●
11	Business continuity issues (11)	●	●	●	●	●	●	●	●	●	●	●	●
12	Members' confidential data is lost or made public. Breach of Data Protection Act (12)	●	●	●	●	●	●	●	●	●	●	●	●
↓	Description	Q2 2017/18 Total	Q3 2017/18 Total	Q4 2017/18 Total	Q1 2018/19 Total	Q2 2018/19 Total	Q3 2018/19 Total	Q4 2018/19 Total	Q1 2019/20 Total	Q2 2019/20 Total	Q3 2019/20 Total	Q4 2019/20 Total	Q1 2020/21 Total
13	Loss due to stock lending default (13)	●	●	●	●	●	●	●	●	●	●	●	●
14	Risk of incorrect pension payments (14)	●	●	●	●	●	●	●	●	●	●	●	●
15	Late payment of pension (15)	●	●	●	●	●	●	●	●	●	●	●	●
16	Market abuse by investment team (16)	●	●	●	●	●	●	●	●	●	●	●	●
17	Portfolio transition issues (17)	●	●	●	●	●	●	●	●	●	●	●	●
18	Disclosure of confidential information (18)	●	●	●	●	●	●	●	●	●	●	●	●
19	Material breach of contract (19)	●	●	●	●	●	●	●	●	●	●	●	●
20	Regulatory breach (20)	●	●	●	●	●	●	●	●	●	●	●	●
21	FOI process in accordance with law (21)	●	●	●	●	●	●	●	●	●	●	●	●
22	Incorrect communication with members (22)	●	●	●	●	●	●	●	●	●	●	●	●
23	Acting beyond proper authority/delegations (23)	●	●	●	●	●	●	●	●	●	●	●	●
24	Inappropriate use of pension fund monies (24)	●	●	●	●	●	●	●	●	●	●	●	●
↓	Description	Q2 2017/18 Total	Q3 2017/18 Total	Q4 2017/18 Total	Q1 2018/19 Total	Q2 2018/19 Total	Q3 2018/19 Total	Q4 2018/19 Total	Q1 2019/20 Total	Q2 2019/20 Total	Q3 2019/20 Total	Q4 2019/20 Total	Q1 2020/21 Total
25	Procurement/framework breach (25)	●	●	●	●	●	●	●	●	●	●	●	●
26	Procurement process compromising ability to secure required resource. (26)	●	●	●	●	●	●	●	●	●	●	●	●
27	Group structure and governance fully compliant and up-to-date. (27)	●	●	●	●	●	●	●	●	●	●	●	●
28	Claim or liability arising from shared services (28)	●	●	●	●	●	●	●	●	●	●	●	●
29	Unauthorise access to PensionsWEB (29)	●	●	●	●	●	●	●	●	●	●	●	●
30	Incorrect data from Employers leading to fines (30)	●	●	●	●	●	●	●	●	●	●	●	●
31	Inadequate contractual protection for services (31)	●	●	●	●	●	●	●	●	●	●	●	●
32	Over reliance on single core service provider (32)	●	●	●	●	●	●	●	●	●	●	●	●
33	Staff Resource within the Fund not sufficient to carry out core tasks (33)	●	●	●	●	●	●	●	●	●	●	●	●
34	Breach of Health and safety regulations (34)	●	●	●	●	●	●	●	●	●	●	●	●
35	Inadequate, or failure of, supplier and other third-party systems (including IT and data security). (35)	●	●	●	●	●	●	●	●	●	●	●	●
36	Cybersecurity protections and/or back-up not sufficient to prevent/minimise cyber-attacks. (36)	●	●	●	●	●	●	●	●	●	●	●	●

## BACKGROUND PROCESS AND PARAMETERS (EXTRACTED FROM RISK REGISTER)

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*The Risk Management Group, and risk register, form part of the LPF group's critical assurance framework, covers all entities within the group and should be read in conjunction with the other forms of assurance set out in LPF's assurance overview document.*

*The register is formally considered by the Risk Management Group quarterly but is also updated on an ad hoc basis where required. The register also takes into account material risks identified by the wider business, including arising from (i) the other oversight groups (e.g. SLT, People, ICT Oversight and/or any relevant project groups), (ii) any prior board, committee and stakeholder feedback, and (iii) compliance monitoring and processes (e.g. breach reporting, whistleblowing).*

*The Risk Management Group itself comprises senior officers of each function within the LPF group, as well as the Senior Leadership Team (SLT). All members are accountable for escalating material risks, with a particular focus on their respective areas, for consideration. If relevant and deemed sufficiently material, the risk will be included in the register and monitored by the risk function in conjunction with the relevant business unit.*

*The approved risk register is tabled and considered by SLT following sign-off to ensure additional oversight and ongoing engagement with any resulting actions. Those actions are tracked and followed up by the LR&C team with the business on an ongoing basis. The risk register is also circulated to the conveners of the Pensions Committee and Audit Sub-Committee, Chair of the Pension Board and Independent Professional Observer on a quarterly basis, with summary analysis and reporting provided to those bodies each quarter. In addition, an in-depth risk report is provided to the Audit Sub Committee annually, which includes a review of the full register.*

*The risk register is a continually evolving document and doesn't purport to be a comprehensive list of every risk or potential exposure to which the LPF group entities are subject or involved in managing. It should therefore continue to be read in the context of the LPF group's overall business strategy, risk appetite and assurance map. The risk register may cross-refer to separate operational project management tools or action trackers which monitor relevant items in more granular detail and for which the business units are accountable.*

*Importantly, that risk appetite and assurance structure will flex to ensure that it continues to be proportionate to the size and nature of the business of the LPF group and also adhere to the following industry best practice principles:*

- ❖ *Ensure that the LPF group's risk appetite **aligns with its strategy** and is **set by its senior management team without undue influence** either externally or otherwise across its assurance stack.*
- ❖ *Integrates risk as **a key component of the group's management and decision-making** processes, and so through the spine of its governance and operations.*



- ❖ Engenders an **open, 'live' and engaged risk culture** which seeks to pro-actively identify current and future risks for the business, simplifying layers of controls to ensure this is not stifled, and so...
- ❖ **Not establish or perpetuate systems, controls or processes** which are out of line with, or **disproportionate to, the group's risk appetite**. That can be counterproductive in distracting key focus and resource away from delivering the group's strategy, core function and assurance over a manageable number of critical risks.
- ❖ Remain **aligned to LPF's existing resources** and organisational development.
- ❖ Ensure an **effective and independent risk and compliance function** is maintained, as a general principle and in line with the standards of the UK regulated financial services sector.
- ❖ Ensure appropriate levels of **separation and independence** of each of the **'four lines of defence'**, as a general principle and in line with the standards of the UK regulated financial services sector.
- ❖ Ensure appropriate levels of **co-operation and information sharing** across the **'four lines of defence'**.