

10A	Risk Description	ESG & Climate Regulatory Compliance Risk	Risk Score:	Impact	9	Likelihood	3	Total	27
Failure to comply with statutory environmental, social and governance (ESG) and climate-related governance and disclosure requirements, including TCFD reporting obligations and emerging pensions legislation, leading to regulatory breach, reputational damage and potential legal challenge.									
Risk Owner(s)		Phil Triggs							
Summary risk update/current position (incl. key metrics)					Date updated:		31 December 2025		
<p><i>TCFD reporting requirements for LGPS funds came into force from December 2024. The Fund has produced its required disclosures in line with statutory guidance, including governance, strategy, risk management, and metrics and targets.</i></p> <p><i>The regulatory landscape continues to evolve, with increasing expectations around climate scenario analysis, stewardship transparency and responsible investment governance. Ongoing monitoring of legislative developments, including proposed pensions reform measures, remains necessary to ensure continued compliance.</i></p> <p><i>Failure to meet disclosure standards, maintain appropriate governance documentation, or evidence effective oversight could result in regulatory scrutiny, audit challenge or reputational harm.</i></p>									
Proposed/planned mitigations						Mitigation Owner	Date for completion	Current Status	
TREAT									
1. Maintenance and regular review of Responsible Investment and Climate Risk policies						Tri-Borough Pensions Team	Ongoing	Ongoing	
2. Ongoing monitoring of legislative and regulatory developments						Tri-Borough Pensions Team	Ongoing	Ongoing	
3. Committee training on ESG regulatory obligations						Tri-Borough Pensions Team	Ongoing	Ongoing	
10B	Risk Description	Climate-Related Investment and Financial Risk	Risk Score:	Impact	9	Likelihood	3	Total	27
Failure to appropriately manage climate-related financial risks within the investment strategy, including transition risk, physical risk and stranded asset exposure, leading to asset underperformance, funding deterioration and increased employer contribution requirements.									
Risk Owner(s)		Phil Triggs							
Summary risk update/current position (incl. key metrics)					Date updated:		31 December 2025		
<p><i>Climate change presents financially material risks to long-term investment performance. Market repricing linked to decarbonisation policy, technological disruption and carbon regulation may materially affect asset valuations, particularly within energy, infrastructure and carbon-intensive sectors.</i></p> <p><i>The Fund incorporates climate considerations within strategic asset allocation, manager monitoring and stewardship oversight. Carbon metrics and scenario analysis are reviewed annually; however, climate data limitations and modelling uncertainty remain inherent risks.</i></p> <p><i>A disorderly transition or misalignment between portfolio positioning and global decarbonisation pathways could adversely impact funding levels over the long term.</i></p>									
Proposed/planned mitigations						Mitigation Owner	Date for completion	Current Status	
TREAT									
1. Diversification across asset classes to manage transition and concentration risk (to be managed in discussion with the LCIV)						Tri-Borough Pensions Team	Ongoing	Ongoing	

2. Engagement with investment managers on transition planning and stewardship outcomes (to be managed in discussion with the LCIV)	Tri-Borough Pensions Team	Ongoing	Ongoing
3. Integration of climate risk analysis within strategic asset allocation reviews (to be managed in discussion with the LCIV)	Tri-Borough Pensions Team	Ongoing	Ongoing

The tables above split what is currently one risk (Risk 10 ESG & Climate Risk) into two distinct risks; 10a – ESG & Climate Regulatory Compliance Risk, and 10b – Climate-Related Investment and Financial Risk.. While these issues are related, they represent materially different categories of risk with distinct drivers, consequences and control mechanisms. The rationale for separating them is primarily that it would improve clarity within the Fund’s risk framework and strengthen oversight by the Committee.

Since the introduction of mandatory TCFD reporting for LGPS funds, ESG considerations have moved beyond reputational concerns and are now embedded within statutory compliance requirements. Failure to meet disclosure obligations, maintain appropriate governance documentation, or evidence effective oversight could expose the Fund to regulatory scrutiny, audit challenge or reputational damage. This aspect of the risk is procedural in nature and relates primarily to governance, reporting and compliance processes.

By contrast, climate-related investment risk is financial in character and affects the Fund’s balance sheet. Transition risk, physical climate risk and stranded asset exposure may materially affect asset valuations and long-term funding outcomes. A disorderly transition to a low-carbon economy or misalignment between the portfolio and global decarbonisation pathways could result in asset underperformance and increased employer contribution requirements. This is therefore an investment strategy and funding risk rather than a compliance issue.

The control environments for these two risk types are also different. Compliance risk is mitigated through policies, reporting frameworks, regulatory monitoring and member training. Investment climate risk is managed through strategic asset allocation, manager oversight, scenario modelling, portfolio diversification and stewardship activity. Combining both exposures within a single risk reduces transparency regarding which controls are being relied upon and how effectively they are operating.

Unless there is objection from the Pension Fund Committee, the risk register will split these into separate risks for future quarter’s reporting.

19	Risk Description	Liability Risk	Risk Score:	Impact	10	Likelihood	5	Total	50
Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices.									
Risk Owner(s)		Phil Triggs							
Summary risk update/current position (incl. key metrics)				Date updated:		31 December 2025			
<i>Following the significant inflationary spike experienced during 2022–2023, UK CPI has moderated from peak levels but remains subject to volatility. While headline inflation has reduced, services inflation and wage growth remain relatively persistent compared to pre-pandemic norms. Ongoing geopolitical tensions, energy market sensitivity and structural labour market constraints continue to present upside risks. The current environment presents less risk of an acute inflation shock than in prior years; however, there remains a meaningful risk that inflation settles structurally above long-term actuarial assumptions. Inflation and related macroeconomic indicators continue to be monitored alongside actuarial advice and investment strategy review.</i>									
Proposed/planned mitigations						Mitigation Owner	Date for completion	Current Status	
TREAT									
1. <i>Inflation sensitivity analysis undertaken as part of actuarial valuation - The actuary includes CPI sensitivity modelling within the triennial valuation to quantify the funding impact of changes in inflation assumptions. This ensures the Committee understands the scale of liability exposure to assumption variation.</i>						Tri-Borough Pensions Team	Ongoing	Ongoing	
2. <i>Investment strategy diversification including assets with inflation linkage - The Fund maintains exposure to asset classes with potential inflation-hedging characteristics (e.g. index-linked gilts, infrastructure, real assets), reducing the mismatch between asset performance and inflation-linked liabilities. This would be managed with the LCIV's investment advisor going forwards.</i>						Tri-Borough Pensions Team	Ongoing	Ongoing	
3. <i>Regular monitoring of macroeconomic indicators with the investment consultant - Inflation trends, monetary policy developments and broader economic conditions are reviewed regularly with the investment consultant to assess whether strategic adjustments are required. This would be managed with the LCIV's investment advisor going forwards.</i>						Tri-Borough Pensions Team	Ongoing	Ongoing	

28	Risk Description	Liability Risk	Risk Score:	Impact	7	Likelihood	4	Total	28
The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher-than-expected liabilities.									
Risk Owner(s)		Phil Triggs							
Summary risk update/current position (incl. key metrics)				Date updated:		31 December 2025			
<i>The 2025 Triennial Valuation is being finalised this month. Assumptions regarding CPI inflation, discount rates and long-term interest rates have been set following detailed analysis by the Fund Actuary, taking account of prevailing market conditions and forward-looking economic expectations. Since the inflationary spike of 2022–2023, UK CPI has moderated; however, inflation remains subject to volatility and structural uncertainty. Services inflation and wage growth continue to exhibit persistence relative to pre-pandemic norms, while geopolitical tensions and energy market sensitivity present ongoing</i>									

upside risks. At the same time, interest rates remain materially higher than the ultra-low-rate environment experienced during the 2010s, although market expectations point to gradual easing over the medium term.

The Fund's liabilities are highly sensitive to both inflation and discount rate assumptions. While higher discount rates may reduce the present value of liabilities, upward pressure on CPI and salary growth assumptions increases projected benefit payments. The overall funding impact therefore depends on the interaction between these variables rather than any single assumption in isolation.

The 2025 valuation incorporates updated economic assumptions intended to balance prudence with affordability for employers. Sensitivity analysis has been undertaken to illustrate the funding impact of small changes in key assumptions. Notwithstanding the completion of the valuation, the risk remains that actual economic experience diverges from assumptions over the inter-valuation period, potentially leading to funding level volatility and pressure on employer contribution rates.

Macroeconomic conditions continue to be monitored alongside actuarial advice and investment strategy alignment to ensure the Fund remains resilient to changes in inflation and interest rate expectations.

Proposed/planned mitigations	Mitigation Owner	Date for completion	Current Status
TREAT			
1. Robust Assumption Setting Process at Triennial Valuation - The Fund works closely with the Actuary to ensure that economic and demographic assumptions adopted at valuation are evidence-based, forward-looking and appropriately prudent. This includes consideration of market-implied inflation expectations, gilt yields, long-term growth forecasts and peer LGPS benchmarking.	Tri-Borough Pensions Team / Actuary	31 March 2026	Completed for 2025 Valuation
2. Annual IAS19 disclosures and interim funding updates are reviewed to identify emerging divergence between actual economic experience and valuation assumptions. This provides early warning of funding pressure between triennial valuations.	Tri-Borough Pensions Team	Ongoing	Annual Completion

There is a reasonable argument in favour of merging Risks 19 and 28 on the basis that both arise from the same underlying exposure: divergence between actuarial assumptions and actual economic outcomes. Inflation and interest rates are intrinsically linked within the valuation framework, and both ultimately affect liabilities through changes in CPI revaluation, salary growth and discount rates. The mitigations are also similar, relying on actuarial oversight, sensitivity analysis and investment strategy alignment. Combining the risks could therefore simplify the risk register, reduce duplication and present a single, coherent “Actuarial Assumption Risk” aligned to how the Fund monitors macroeconomic variables in practice.

However, there is also a strong case for retaining them as distinct risks. Risk 19 focuses specifically on CPI inflation exceeding expectations, which directly and measurably increases pension liabilities and has a clearly articulated sensitivity (e.g. 0.1% CPI resulting in a material percentage increase in liabilities). Risk 28 is broader in scope and captures the wider risk that valuation assumptions — including discount rates and long-term interest rates — may prove inaccurate. While related, the drivers and funding impacts of inflation risk and discount rate risk can differ materially, particularly where movements in bond yields partially offset inflation effects.

Maintaining separate risks also improves transparency and accountability. Inflation is a highly visible and politically sensitive variable with direct implications for employer affordability and contribution stability, warranting focused monitoring. In contrast, broader assumption risk encompasses technical actuarial judgment and long-term economic forecasting, which may require different reporting emphasis and oversight. Keeping them separate ensures that neither inflation sensitivity nor assumption calibration is diluted within a single combined entry.

On balance, although there is conceptual overlap, retaining Risks 19 and 28 as distinct entries provides clearer governance, more precise risk scoring and stronger monitoring discipline. The interrelationship between inflation and other assumptions can be acknowledged within narrative updates, but maintaining separate risks ensures that both specific CPI exposure and wider actuarial assumption risk continue to receive appropriate scrutiny.