

CHB Investment Committee (Financial Investments) Detailed risk register EXCLUDING COMPLETED ACTIONS

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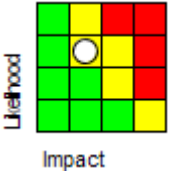
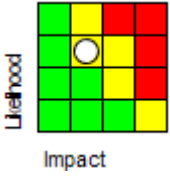



Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB FIB 01 Insufficient assets - City's Cash City's Estate	<p>Cause: The asset allocation of the City's <u>Cash Estate</u> investment portfolio is unable to fund long term expenditure requirements due to market movements.</p> <p>Event: There are insufficient assets to meet expenditure requirements.</p> <p>Effect: Reduced income or lower than anticipated growth which could impact on the Corporation's medium term financial plans. City's <u>Cash Estate</u> would be required to sell financial assets to fund expenditure requirements.</p>	<p>Lielihood</p> <p>Impact</p>	12	<p>The absolute return target for City's <u>Cash Estate</u> has been set at CPI + 4%. As at 31 July 2023- The Fund generated a positive absolute return of +11.8% for the year to <u>31 March 2024</u>, the Fund <u>and is</u> outperforming over the quarter but underperforming its absolute return target across all other time horizons <u>its absolute return target over all time horizons except the 3-year period</u>. The Fund has produced a positive return over all time frames. <u>This is largely as a result of global equity markets which witnessed a robust end to 2023, and this momentum continued into Q1 (Jan 2024 – Mar 2024) amid a resilient and generally solid economy, despite on-going geo-political tensions, and continued enthusiasm around Artificial Intelligence.</u></p>	<p>Lielihood</p> <p>Impact</p>	8	31-Mar-2024	

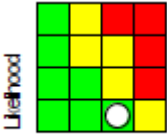
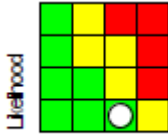
08-Mar-2018 Kate Limna; Priya Nair				02 May 2024				Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 01a	The City's Cash <u>Estate</u> investment strategy is reviewed at least every three years by the Investment Committee.	<p>The City has appointed Stanhope Capital as the outsourced Chief Investment Officer function (OCIO) reporting to the Chamberlain and covering City Fund (property) and City's Cash <u>Estate</u> (property and financial investments). Draft Investment Strategies have been commented on for City Fund and City's Cash <u>Estate</u> by the Committee; these working drafts will be further developed over the next 3-6 months.</p> <p>The OCIO function will be advising on:</p> <ul style="list-style-type: none"> • <i>City's Cash <u>Estate</u></i>: asset allocation between property and financial investments • <i>City Fund and City's Cash <u>Estate</u></i>: diversification of asset classes within appetite and appropriate pace for transition. • <i>City Fund & City's Cash <u>Estate</u></i>: Suitable income targets. <p>The City's Cash <u>Estate</u> Investment strategy is expected to be reviewed in 2024/25.</p>	Caroline Al-Beyerty; Kate Limna	02-May-2024	31-Mar-2024
CHB FIB 01b	The investment performance is measured against absolute return targets required to meet long term objectives. This is reported to the Investment Committee throughout the year and is supplemented by market insight from the Corporation's investment consultants which will assist any strategic decisions required in between the three-year formal strategy reviews.	City's Cash <u>Estate</u> investment performance will be brought to each meeting of the Investment Committee for consideration.	Kate Limna	02-May-2024	31-Mar-2024

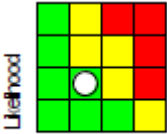
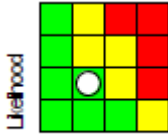
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CHB FIB 02 Targeted returns - City's Cash Estate	<p>Cause: Fund managers fail to achieve the targeted investment returns because</p> <ul style="list-style-type: none"> the Committee appoints unsuitable fund managers; individual fund managers underperform against the benchmarks agreed by the Committee; aggregate fund manager performance fails to achieve the Committee's long-term targets. <p>Event: Failure to be seen to manage the fund responsibly. Effect: Supervisory intervention over management of the funds.</p>		6	<p>The performance of fund managers and their aggregate performance is reported against target to each Investment Committee. The Committee sets a diversified investment strategy to mitigate volatility and as such it expects different parts of the strategy to outperform at different times.</p> <p>Where relative returns are negative, Members and officers seek to understand why in order to determine whether there is continued conviction in the manager's strategy to recover performance.</p> <p>The fund has underperformed its absolute return target of CPI +4% over all time horizons except the quarter to 31 July 2023, but this is due to the strength of inflation, which rose by 6.8% in the 12 months to July 2023 being high. However, it should be noted that CPI +4% is the long term target.</p> <p><u>The fund has outperformed its absolute return target of CPI + 4% over all time horizons except the 3-year period, as in inflationary pressures are subsiding, with UK inflation rising by 3.2% in the 12 months to March 2024 having reached a peak of 11.1% in October 2022. However, it should be noted that CPI +4% is the long-term target.</u></p>		6	31-Mar-2024	

08-Mar-2018 Kate Limna; Priya Nair				02 May 2024				Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 02a	Investment managers' performance and their aggregate performance is measured against appropriate benchmarks and monitored by the Investment Committee throughout the year. It is supplemented by market insight from the Corporation's investment consultants which provides peer group comparisons; checks on movement of key officers; and reviews on the incorporation of ESG considerations in implementing their investment strategies. Fund managers are invited to meet with Officers and Members to account for their performance as and when the Committee deem this necessary/as required.	The latest performance for City's Cash Estate Fund to 31 March July 2024 along with the Investment Consultant's quarterly report (to June 2023 March 2024) is is reported to the Investment Committee on 22 September 2023 21 May 2024 .	Kate Limna	02-May-2024	31-Mar-2024

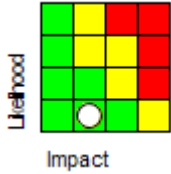
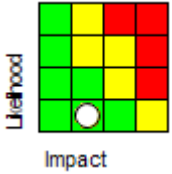

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CHB FIB 03 Service provider failure 08-Mar-2018 Kate Limna; Priya Nair	Cause: Corporate, financial, economic or cybersecurity threats result in service provision withdrawal or liquidation of partner organisations. Event: Failure of fund manager, investment consultant or other service provider without notice. Effect: Asset valuations at risk or a period of time without service provision.	 Likelihood Impact	4	Officers meet regularly with fund managers, investment consultants and other service providers. Officers write to all counterparties requesting latest internal control report from fund managers and custodian ahead of the closure of accounts. 02 May 2024	 Likelihood Impact	4	31-Mar-2024	Constant

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CHB FIB 03a	Detailed due diligence is carried out when new fund managers, investment consultant or other service provider are appointed.	New manager due diligence undertaken in consultation with investment consultant. There are currently no plans to appoint any additional managers. The <u>current</u> investment consultant contract was re-tendered via the National LGPS procurement framework. Following a rigorous and competitive exercise Mercer were appointed to the role in October 2021.	Kate Limna	02-May-2024	31-Mar-2024
CHB FIB 03b	Review of internal control reports on annual basis.	Corporate Treasury compile an archive of the most up to date relevant annual internal control reports issued by all issuing fund managers and custodian as part of statement of account compilation across Funds. All internal control reports from the pooled fund managers have been received where available. Officers are in the process of reviewing the findings of the reports to ensure they remain satisfied with the control environments operated by the Corporation's appointed asset managers.	Kate Limna	02-May-2024	31-Mar-2024
CHB FIB03c	Monitor markets regularly through financial publications and seek advice of managers and investment consultant when appropriate.	Officers regularly monitor financial press and industry publications particularly in search of any news regarding entities that have an existing relationship across the Corporation's Funds	Kate Limna	02-May-2024	31-Mar-2024

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CHB FIB 07 Failure to discharge responsible investment duties 20-Jun-2019 Priya Nair	Cause: Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments. Event: The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood. Effect: The Corporation suffers reputational or financial damage.	 Likelihood Impact	4	The Investment Committee inherits an advanced approach to responsible investment and asset stewardship. The Corporation (via the previous Financial Investment Board) has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment Policy which also outlines the Corporation's approach in this area. The City of London Corporation (as a whole) is a signatory to the Principles for Responsible Investment (PRI). The Financial Investment Board (now Investment Committee) undertook an in-depth review of its climate risk exposure in 2021 resulting in a commitment to achieve net zero carbon emissions by 2040 together with the development of interim goals via a transition pathway. 02 May 2024	 Likelihood Impact	4	31-Mar-2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 07a	Reporting on responsible investment activities to the Principles for Responsible Investment is completed on an annual basis. The Committee (along with other relevant Committees/Boards) receives an annual Transparency	City's submission is being currently being finalised. The PRI are expecting to release the results of the submission in November 2023. The full 2022/23 PRI results were released in January 2024, and the results were presented to the April Investment Committee.	Kate Limna	02-May-2024	31-Mar-2024

	Report from the PRI from which it can evaluate progress against responsible investment goals.	<u>The PRI 2023/2024 assessment opened on 2 May 2024, and closes 26 July 2024.</u>			
CHB FIB 07c	As part of the regular management and monitoring of investment mandates, the Committee and responsible officers challenge investment managers on ESG issues arising in the portfolio. The Investment Consultant reports to the Committee on its monitoring of ESG risks on a quarterly basis.	The Board Committee receives regular updates on ESG standings amongst its appointed investment managers from the Investment Consultant on a quarterly basis. The Board Committee has established new climate risk expectations for existing and potential investment managers and these form part of the regular ongoing monitoring of managers' performance.	Kate Limna	02-May-2024	31-Mar-2024
CHB FIB 07e	There is a general commitment by the City Corporation to meeting the standards of the new 2020 UK Stewardship Code and needs to ensure compliance is developed. The Committee reviews asset stewardship across its investment mandates on an annual basis and uses the exercise encourage better ESG outcomes amongst its existing managers (this will need to be done in conjunction with other committees which now have investment oversight responsibilities).	All of the City's Cash Estate UK-based pooled fund managers (i.e. excluding the alternative assets portfolio) are signatories to the Stewardship Code.		02-May-2024	31-Mar-2024
CHB FIB 07f	The Committee (along with other relevant Committees/Boards) has been assigned several key actions which will enable the Corporation to deliver its Climate Action Strategy. Key to this is achieving a clear plan on how to achieve Paris-alignment by 2040.	With the support of a specialist external consultancy firm, an in-depth review of the climate risk exposure involving the use of scenario analysis, the development of a transition pathway consistent with a net zero by 2040 commitment, and the establishment of expectations for existing and potential mandates <u>was undertaken</u> . The transition pathway itself involves a series of specific actions with various deadlines which the Committee (along with other relevant Boards and Committees) will target over the coming years. <u>A second scenario analysis will be carried out during 2024/25.</u>		02-May-2024	31-Mar-2024

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CHB FIB 04 Counterparty failure - Treasury Management 08-Mar-2018 Kate Limna; Priya Nair	Cause: External events, including cybersecurity incidents, threaten the solvency of counterparties the Corporation has lent to. Event: Failure of counterparty to fulfil obligation to the Corporation, i.e. default on repayments. Effect: Asset valuations at risk.		<u>2</u>	The current Treasury Management Strategy restricts lending to high-quality counterparties and remains fit for purpose. External credit ratings for existing counterparties are currently at acceptable levels although credit default swap prices for the existing counterparties (where available) have been gradually rising over the last quarter. 02 May 2024		<u>2</u>	31-Mar-2024	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 04a	Detailed due diligence is carried out when new counterparties are onboarded.	<p>Independent analysis and consultation with treasury investment advisor when adding additional counterparties.</p> <p>Where the Corporation invests in money market funds, officers monitor the funds' weekly liquidity profiles to ensure the vehicles retain adequate liquidity. At present, there are no liquidity concerns with any of the Corporation's existing fund counterparties. These funds invest in very short term and very high-quality instruments, so default risk is low.</p> <p>The Corporation's short-dated bond fund investments are more sensitive to changes in economic conditions and performance is more volatile. Short term interest rates have increased during 202<u>3</u>2 and this has had a negative impact on the total returns available from the short-dated bond funds. However, the Corporation invests in these instruments on a longer-term basis (at least three years) where there is a greater tolerance for volatility in returns, <u>and these only impact City Fund.</u></p> <p>Officers also continue to monitor changes in the credit standing of direct counterparties via ratings changes from the three main credit rating agencies and other news.</p>	Kate Limna	02-May-2024	31-Mar-2024

CHB FIB 04b	When lending directly to counterparties, ensure they meet the minimum credit criteria as set out in the most recent Treasury Management Strategy Statement.	All lending is conducted within the parameters of the current 2024/25 Treasury Management Strategy Statement <u>& Annual Investment Strategy (relating to Treasury Management) (TMSS)</u> as agreed by Court of Common Council (CoCo) on 7 March 2024.. Additionally, officers have implemented financial metric-based criteria for determining the eligibility of local authority borrowers. When onboarding new financial institutions, officers review banks' financial standing including standard financial reporting ratios for assessing capitalisation and liquidity.	Kate Limna	02-May-2024	31-Mar-2024
CHB FIB 04c	Monitor markets regularly through credit rating updates and financial publications, plus seeking the advice of treasury investment advisors when appropriate.	Officers continually monitor for credit rating updates as well as the financial press and industry publications in search of any news regarding the Corporation's counterparties. Treasury investment advisors provide rating agency credit watches and other market data including Credit Default Swap prices on money market participants.	Kate Limna	02-May-2024	31-Mar-2024