



Financial Investment Board

Date: THURSDAY, 12 JULY 2018
Time: 1.45 pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Andrew McMurtrie (Chairman)
Nicholas Bensted-Smith (Deputy
Chairman)
Henry Colthurst
Deputy Tom Hoffman
Alderman Robert Howard
Deputy Jamie Ingham Clark
Deputy Clare James
Tim Levene
Andrien Meyers
Deputy Henry Pollard
James de Sausmarez
Ian Seaton
Deputy Philip Woodhouse

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Lunch will be served in Guildhall Club at 1PM
NB: Part of this meeting could be the subject of audio or video recording

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 24 May 2018.

For Decision
(Pages 1 - 4)
4. **OUTSTANDING ACTIONS**
Report of the Town Clerk.

For Information
(Pages 5 - 6)
5. **MONTHLY INVESTMENT ANALYSIS REVIEW**
Report of the Chamberlain

For Information
(Pages 7 - 22)
6. **ESG AND THE DRAFT STATEMENT OF COMMITMENT TO THE UK STEWARDSHIP CODE**
Report of the Chamberlain

For Decision
(Pages 23 - 30)
7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
8. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
9. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

10. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 24 May 2018.

For Decision
(Pages 31 - 38)
11. **NON-PUBLIC OUTSTANDING ACTIONS**
Report of the Town Clerk

For Decision
(Pages 39 - 40)
12. **INVESTMENT PERFORMANCE MONITORING TO 31 MAY 2018**
Report of the Chamberlain

For Information
(Pages 41 - 60)
13. **MULTI ASSET MANAGER SEARCH - CITY'S CASH AND BRIDGE HOUSE ESTATES**
Report of the Chamberlain and Mercer

For Decision
(Pages 61 - 94)
14. **PENSION FUND - LCIV GLOBAL FUND MANAGERS**
Report of the Chamberlain

For Decision
(Pages 95 - 124)
15. **EQUITY PORTFOLIO MANAGER STRUCTURE REVIEW**
Report of the Chamberlain and Mercer

For Decision
(Pages 125 - 146)
16. **SIR WILLIAM COXEN TRUST FUND PERFORMANCE MONITORING TO 31 MARCH 2018**
Report of the Chamberlain

For Decision
(Pages 147 - 150)

17. **HAMPSTEAD HEATH TRUST & CHARITIES POOL INVESTMENT MONITORING
TO 31 MARCH 2018**

Report of the Chamberlain

For Decision
(Pages 151 - 154)

18. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE
COMMITTEE**

19. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND
WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE
PUBLIC ARE EXCLUDED**

FINANCIAL INVESTMENT BOARD

Thursday, 24 May 2018

Minutes of the meeting of the Financial Investment Board held at the Guildhall EC2 at 1.45 pm

Present

Members:

| | |
|--|----------------------|
| Andrew McMurtrie (Chairman) | Deputy Clare James |
| Nicholas Bensted-Smith (Deputy Chairman) | Tim Levene |
| Deputy Tom Hoffman | Andrien Meyers |
| Deputy Jamie Ingham Clark | Deputy Henry Pollard |

Officers:

| | |
|---------------------|----------------------------|
| Joseph Anstee | - Town Clerk's Department |
| Peter Kane | - Chamberlain |
| Caroline Al-Beyerty | - Chamberlain's Department |
| Tom Broughton | - Chamberlain's Department |
| Kate Limna | - Chamberlain's Department |
| Catrina Arbuckle | - Mercer |

1. APOLOGIES

Apologies were received from Henry Colthurst, Alderman Robert Howard, James de Sausmarez, Ian Seaton and Deputy Philip Woodhouse.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

3. RESOLUTION OF THE INVESTMENT COMMITTEE

The Board noted the resolution of the Investment Committee on 9 May 2018, appointing the Board and approving its terms of reference. With regards to the Board's appointments to the Social Investment Board, the Board agreed that Henry Colthurst should be appointed alongside the Chairman.

4. MINUTES OF THE PREVIOUS MEETING

It was clarified that the use of the word 'underwritten' to describe the central government's role in loans between local authorities was misleading. The central government had the power to intervene in the finances of a local authority in exceptional circumstances, and for this reason it is considered unlikely that any local authority would default on a loan repayment. However, Central government does not underwrite loans taken out by local authorities.

RESOLVED – That, pending the above clarification, the public minutes and non-public summary of the meeting held on 22 March 2018 be agreed as a correct record.

5. **OUTSTANDING ACTIONS**

The Board noted that Member training would be available to members of the Financial Investment Board and Finance Committee, and would not be delivered through the Member Development Steering Group. Officers would liaise to arrange a suitable date and time in the ensuing months.

RESOLVED – That the report be noted.

6. **MONTHLY INVESTMENT ANALYSIS REVIEW**

The Board received a report of the Chamberlain concerning the monthly investment analysis review for March 2018.

RESOLVED – That the report be noted.

7. **FINANCIAL INVESTMENT BOARD - RISK REGISTER**

The Board considered a report of the Chamberlain reviewing the amended risks and actions for the Financial Investment Board's revised risk register. The register had been amended following feedback from Members at the last meeting of the Financial Investment Board and the Investment Committee.

RESOLVED – That the Financial Investment Board confirm that appropriate control measures were in place, and agree to review the risk register twice per year, updating where necessary.

8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

9. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There was no other business.

10. **EXCLUSION OF THE PUBLIC**

RESOLVED - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

| Item No. | Paragraph(s) in Schedule 12A |
|----------|------------------------------|
| 11-16 | 3 |
| 17-18 | - |

11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

RESOLVED - That the non-public minutes of the meeting held on 22 March 2018 be agreed as a correct record.

12. **PRESENTATION BY PRINCIPLES FOR RESPONSIBLE INVESTMENT**
The Board received a presentation from representatives of Principles for Responsible Investment.
13. **REVIEW OF FINANCIAL INVESTMENT BOARD ACTIVITIES 2017/18**
The Board received a report of the Chamberlain.
14. **CITY'S CASH AND BRIDGE HOUSE ESTATES - INVESTMENT STRATEGY REVIEW FOLLOW-UP**
The Board considered a report of the Chamberlain.
15. **LONDON CIV - APPOINTMENT OF A MULTI ASSET CREDIT MANAGER**
The Board received a report of the Chamberlain.
16. **INVESTMENT MONITORING REPORTS**
 - a) **Investment Monitoring to 31 March 2018 and**
 - b) **Quarterly Monitoring Report**The Board received reports of the Chamberlain and of Mercer.
17. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no non-public questions.
18. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There was no other business.

The meeting closed at 3.30 pm

Chairman

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Financial Investment Board – Outstanding Actions

| Item | Date | Action | Officer responsible | To be completed/ progressed to next stage | Progress Update |
|-------------|-----------------|-----------------------|----------------------------------|--|--|
| 1. | 1 February 2018 | Board Member Training | Corporate Treasurer / Town Clerk | In the new municipal year | Training session by Link Asset Services to be arranged for Board Members |

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City Of London Corporation

Monthly Investment Analysis Review

May 2018

General Economy

The data releases for the month kicked off with the Markit/CIPS Manufacturing PMI, which fell to 53.9 in April from a downwardly-revised 54.9 in March. This was the lowest headline level since November 2016. The release suggested that the sector has struggled to re-gain momentum at the start of Q2, which further reduced the chances of a rate hike at the Monetary Policy Committee (MPC) meeting on May 10th. The Markit/CIPS Services PMI, on the other hand, picked up slightly in April, to 52.8 from 51.7 in March. Nonetheless, the reading remains only showing tepid growth, implying that the economy has lost some of its underlying momentum. The construction PMI also improved, rebounding to 52.5 in April from 47.0 in March, suggesting that the sector was making up for activity delayed by March's adverse weather. Taking the three surveys together, the all-sector PMI suggests quarterly GDP growth of around 0.3% at the start of Q2, indicating only a small improvement on the weak start to the year.

Despite markets pricing in an almost 100% chance of a rate hike in mid-April, weaker economic data, alongside recent comments by Mark Carney, meant that the MPC's actual decision to leave policy unchanged at its May meeting was fully expected. Note that in the second half of April, market rate hike expectations fell from near 100%, to just 10%! Minutes for the meeting showed that the MPC thought that the economy's slow start to the year should prove to be temporary and is waiting for more evidence before it considers tightening monetary policy conditions. In the May Inflation Report, the Bank of England revised down GDP growth for this year from 1.8% to 1.4%, reflecting the weak start to the year. The Bank also revised down its wage growth forecast for this year by 25 basis points. Otherwise, the minutes from the MPC meeting noted that the central forecast for economic activity remained little changed from the Bank's February Inflation Report. Even with the weaker growth this year, the more hawkish members of the MPC – Ian McCafferty and Michael Saunders – still voted for an immediate rate hike as they believe that the weakness in growth figures for Q1 may have been overstated given the tendency for revisions. The rest of the Committee, on the other hand, wanted to wait until it becomes clearer that the weaker start to the year was only temporary before raising rates. Through the remainder of the month, markets were mixed as to their view of a change in August, November, or the potential for any move to be delayed into 2019.

Labour market data seemingly left an August rate hike looking more likely as employment rose by a substantial 197,000 in the three months to March. This was some way above the market consensus of a 130,000 rise and the biggest quarterly rise since the end of 2015. Furthermore, jobs growth was solely driven by the 271,000 rise in employees, while the number of self-employed workers dropped by 33,000. The unemployment rate remained at 4.2%, its lowest level since 1975 while the headline rate of weekly earnings excluding bonuses rose from 2.8% to 2.9% - above the MPC's 2.75% forecast for 2018 as a whole.

In other news, April's public finances figures gave the new fiscal year a positive start. The public sector net borrowing excluding public sector banks measure came in at £7.8bn, the lowest April figure since 2008. Thus, this should provide the Chancellor with some wriggle room to scale back any planned austerity in the Autumn Budget.

Inflation continued to head downwards as CPI dropped to 2.4% in April from 2.5% in March, its lowest level since March last year. However, fuel price and utility price rises are likely to hinder further drops in CPI inflation in the next few months, thus according to some analysts, a rate hike in August looks more likely.

The second estimate of first quarter GDP confirmed that the economy slowed down sharply as the 0.1% quarterly gain was left unrevised. The annual rate of 1.2% was also left unchanged and is the weakest since Q2 2012. GDP growth would have been stronger if it had not been for the large negative contribution from inventories. Without this, GDP would have risen by 0.3%, which would have been in line with the Bank of England's original forecast for growth.

Over in the EU, headline inflation rose to 1.9% in May from 1.2% in April, which was far higher than the consensus forecast of 1.6%. The increase was partly due to a jump in energy inflation to 6.1% in May from 2.6% in April. Core inflation also increased to an eight-month high of 1.1% due to a rise in services inflation. The boost in services prices could also be a result of the improving labour market in the EU as unemployment fell to 8.5% in April. Additionally, slowly rising wage growth is likely to push core inflation steadily higher this year and the recent rise in oil prices is expected to send the headline rate above 2%.

In the US, the unemployment rate hit an 18-year low of 3.9% in April while non-farm payrolls increased by 164,000 in April, which was below the consensus expectation of a 198,000 increase. However, the 103,000 rise in March was revised upwards to 135,000. The original estimate of Q1 GDP growth was revised down to 2.2% annualised in the second estimate, from 2.3%. However, incoming monthly data suggests that Q2 GDP growth will be much stronger, a trend that the US economy has seen in a number of recent years. Minutes of the latest Federal Reserve policy meeting revealed that most members thought another rate hike would be appropriate soon, reinforcing market views that the next hike will come in June.

Housing

Nationwide revealed house prices fell by 0.2% m/m in May, cancelling out the 0.2% rise in April. Compared with May last year, prices are 2.4% higher. According to Halifax, house prices fell by 3.1% in April following a 1.6% rise in March. Annual house prices rose by a weaker-than-expected 2.2% in the three months to April, compared with a 2.7% rise in March and significantly weaker than the expectation of a 3.3% rise.

Forecast

Link Asset Services (LAS) updated its Bank Rate forecast in May following the MPC meeting. LAS suggests that the next interest rate rise will be to 0.75% in the final quarter of this year, with further rises of 25 basis points in Q3 2019, Q2 2020 and Q4 2020. Capital Economics, however, changed their forecast to expect that the next rate rise to 0.75% will be in August, with further rises of 25 basis points in Q4 2018, Q2 2019, Q4 2019 and Q4 2020.

| Bank Rate | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 |
|---------------------|--------|--------|--------|--------|--------|
| Link Asset Services | 0.50% | 0.50% | 0.75% | 0.75% | 0.75% |
| Capital Economics | 0.50% | 0.75% | 1.00% | 1.00% | 1.25% |

City Of London Corporation

Current Investment List

| | Borrower | Principal (£) | Interest Rate | Start Date | Maturity Date | Lowest Long Term Rating | Historic Risk of Default |
|--|--|---------------|---------------|------------|---------------|-------------------------|--------------------------|
| | MMF CCLA | 10,000,000 | 0.54% | | MMF | AAA | 0.000% |
| | USDBF Federated Sterling Cash Plus Fund | 5,000,000 | 0.46% | | USDBF | AAA | 0.000% |
| | MMF Federated Investors (UK) | 19,000,000 | 0.53% | | MMF | AAA | 0.000% |
| | MMF Invesco | 31,900,000 | 0.54% | | MMF | AAA | 0.000% |
| | Lloyds Bank Plc (RFB) | 15,100,000 | 0.40% | | Call | A+ | 0.000% |
| | USDBF Payden Sterling Reserve Fund | 55,000,000 | 0.35% | | USDBF | AAA | 0.000% |
| | USDBF Standard Life Short Duration Cash Fund | 5,000,000 | 0.54% | | USDBF | AAA | 0.000% |
| | MMF Standard Life | 11,200,000 | 0.52% | | MMF | AAA | 0.000% |
| | Leeds Building Society | 5,000,000 | 0.37% | 05/09/2017 | 05/06/2018 | A- | 0.001% |
| | Leeds Building Society | 5,000,000 | 0.37% | 07/09/2017 | 07/06/2018 | A- | 0.001% |
| | Goldman Sachs International Bank | 20,000,000 | 1.02% | 03/07/2017 | 02/07/2018 | A | 0.005% |
| | Lloyds Bank Plc (RFB) | 22,600,000 | 0.57% | | Call32 | A+ | 0.005% |
| | Nationwide Building Society | 25,000,000 | 0.73% | 05/04/2018 | 13/07/2018 | A | 0.006% |
| | Leeds City Council | 15,000,000 | 0.65% | 13/04/2018 | 20/07/2018 | AA | 0.003% |
| | Lloyds Bank Plc (RFB) | 15,000,000 | 0.75% | 03/11/2017 | 03/08/2018 | A+ | 0.009% |
| | Birmingham City Council | 20,000,000 | 0.77% | 27/04/2018 | 17/08/2018 | AA | 0.005% |
| | Nationwide Building Society | 10,000,000 | 0.70% | 20/04/2018 | 20/08/2018 | A | 0.012% |
| | Santander UK Plc | 100,000,000 | 0.60% | | Call95 | A | 0.014% |
| | Barclays Bank Plc (NRFB) | 25,000,000 | 0.76% | 29/09/2017 | 28/09/2018 | A | 0.018% |
| | Goldman Sachs International Bank | 20,000,000 | 0.95% | 26/09/2017 | 01/10/2018 | A | 0.018% |
| | Australia and New Zealand Banking Group Ltd | 15,000,000 | 0.60% | 03/01/2018 | 03/10/2018 | AA- | 0.008% |
| | Barclays Bank Plc (NRFB) | 36,000,000 | 0.77% | 04/10/2017 | 03/10/2018 | A | 0.018% |
| | Lloyds Bank Plc (RFB) | 10,500,000 | 0.65% | 23/04/2018 | 23/10/2018 | A+ | 0.021% |
| | National Australia Bank Ltd | 10,000,000 | 0.81% | 04/04/2018 | 05/11/2018 | AA- | 0.011% |
| | National Australia Bank Ltd | 15,000,000 | 0.84% | 04/04/2018 | 18/12/2018 | AA- | 0.014% |
| | Coventry Building Society | 20,000,000 | 0.70% | 02/01/2018 | 02/01/2019 | A | 0.032% |
| | Goldman Sachs International Bank | 20,000,000 | 0.95% | 08/01/2018 | 08/01/2019 | A | 0.033% |
| | Lloyds Bank Plc (RFB) | 15,000,000 | 0.82% | 02/05/2018 | 23/01/2019 | A+ | 0.035% |
| | Northamptonshire County Council | 20,000,000 | 0.73% | 31/01/2018 | 30/01/2019 | AA | 0.016% |
| | Barclays Bank Plc (NRFB) | 14,000,000 | 0.93% | 25/04/2018 | 01/02/2019 | A | 0.036% |
| | Goldman Sachs International Bank | 15,000,000 | 1.01% | 18/05/2018 | 18/02/2019 | A | 0.039% |
| | London Borough of Southwark | 20,000,000 | 1.10% | 19/03/2018 | 28/03/2019 | AA | 0.020% |
| | Goldman Sachs International Bank | 10,000,000 | 1.20% | 29/03/2018 | 29/03/2019 | A | 0.045% |
| | Skipton Building Society | 20,000,000 | 1.00% | 23/04/2018 | 18/04/2019 | BBB+ | 0.140% |
| | Yorkshire Building Society | 20,000,000 | 0.88% | 27/04/2018 | 26/04/2019 | A- | 0.049% |

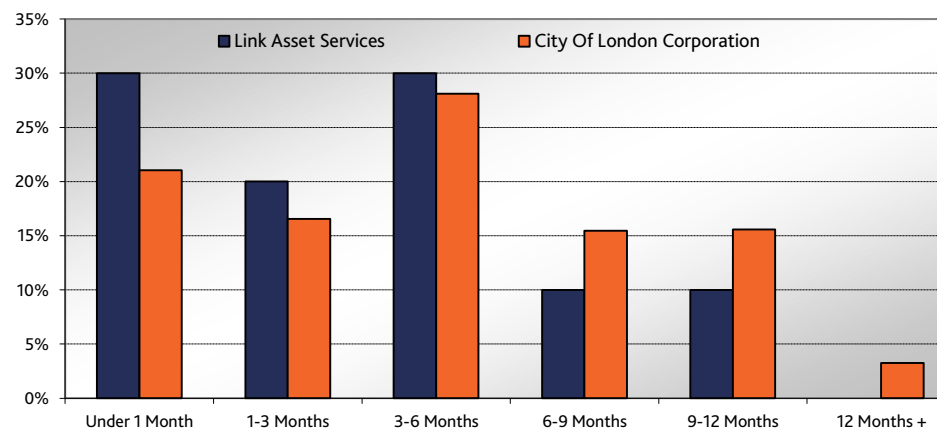
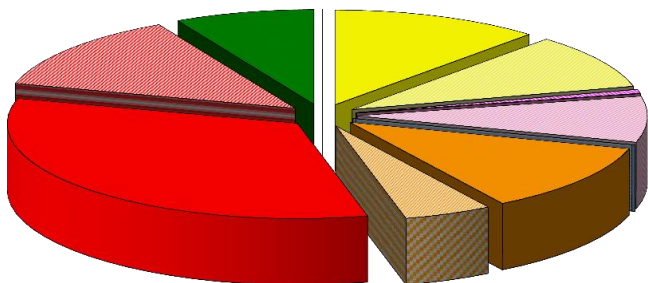
City Of London Corporation

Current Investment List

| Borrower | Principal (£) | Interest Rate | Start Date | Maturity Date | Lowest Long Term Rating | Historic Risk of Default |
|---|----------------------|----------------------|-------------------|----------------------|-------------------------|--------------------------|
| Barclays Bank Plc (NRFB) | 25,000,000 | 1.07% | 17/04/2018 | 01/05/2019 | A | 0.049% |
| Leeds Building Society | 10,000,000 | 0.86% | 16/05/2018 | 16/05/2019 | A- | 0.052% |
| Goldman Sachs International Bank | 15,000,000 | 1.13% | 18/05/2018 | 18/05/2019 | A | 0.052% |
| Australia and New Zealand Banking Group Ltd | 10,000,000 | 1.05% | 09/04/2018 | 09/10/2019 | AA- | 0.031% |
| Lancashire County Council | 15,000,000 | 1.27% | 14/05/2018 | 16/12/2019 | AA | 0.034% |
| Borrower - Funds | Principal (£) | Interest Rate | Start Date | Maturity Date | | |
| L&G UTM CLIENT ACC (UTM) | 50,000,000 | 0.64% | | | | |
| ROYAL LONDON UT MGRS LTD DEALING A/C | 50,000,000 | 0.98% | | | | |
| Total Investments | £870,300,000 | 0.75% | | | | 0.018% |
| Total Investments - excluding Funds | £770,300,000 | 0.74% | | | | 0.020% |
| Total Investments - Funds Only | £100,000,000 | 0.81% | | | | |

City Of London Corporation

Portfolio Composition by Link Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = 3.77

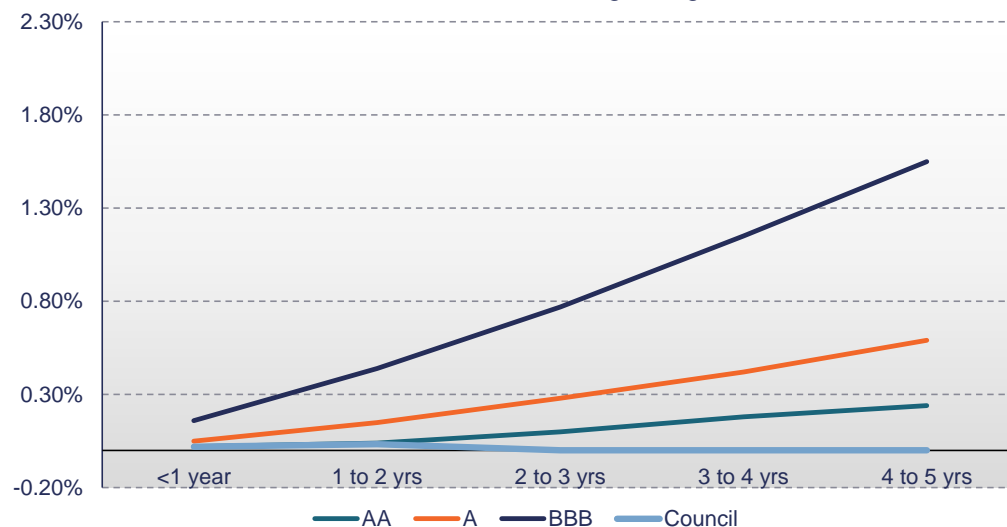
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

| | % of Portfolio | Amount | % of Colour in Calls | Amount of Colour in Calls | % of Call in Portfolio | WARoR | WAM | WAM at Execution | Excluding Calls/MMFs/USDBFs | |
|--------------|----------------|---------------------|----------------------|---------------------------|------------------------|--------------|------------|------------------|-----------------------------|------------------|
| | | | | | | | | | WAM | WAM at Execution |
| Yellow | 21.04% | £162,100,000 | 44.48% | £72,100,000 | 9.36% | 0.74% | 134 | 168 | 241 | 302 |
| Pink1 | 0.65% | £5,000,000 | 100.00% | £5,000,000 | 0.65% | 0.54% | 0 | 0 | 0 | 0 |
| Pink2 | 7.79% | £60,000,000 | 100.00% | £60,000,000 | 7.79% | 0.36% | 0 | 0 | 0 | 0 |
| Purple | 0.00% | £0 | 0.00% | £0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 |
| Blue | 0.00% | £0 | 0.00% | £0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 |
| Orange | 16.64% | £128,200,000 | 29.41% | £37,700,000 | 4.89% | 0.70% | 142 | 205 | 193 | 283 |
| Red | 46.09% | £355,000,000 | 28.17% | £100,000,000 | 12.98% | 0.81% | 154 | 257 | 178 | 321 |
| Green | 7.79% | £60,000,000 | 0.00% | £0 | 0.00% | 0.83% | 277 | 348 | 277 | 348 |
| No Colour | 0.00% | £0 | 0.00% | £0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 |
| Total | 100.00% | £770,300,000 | 35.67% | £274,800,000 | 35.67% | 0.74% | 144 | 215 | 204 | 314 |

City Of London Corporation

Investment Risk and Rating Exposure

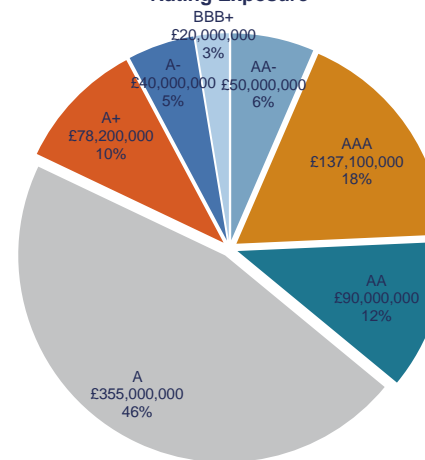
Investment Risk Vs. Rating Categories



Historic Risk of Default

| Rating/Years | <1 year | 1 to 2 yrs | 2 to 3 yrs | 3 to 4 yrs | 4 to 5 yrs |
|--------------|---------|------------|------------|------------|------------|
| AA | 0.02% | 0.04% | 0.10% | 0.18% | 0.24% |
| A | 0.05% | 0.15% | 0.28% | 0.42% | 0.59% |
| BBB | 0.16% | 0.44% | 0.77% | 1.15% | 1.55% |
| Council | 0.020% | 0.033% | 0.000% | 0.000% | 0.000% |

Rating Exposure



Historic Risk of Default

This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk

This is the authority's risk weightings compared to the average % risk of default for "AA", "A" and "BBB" rated investments.

Rating Exposures

This pie chart provides a clear view of your investment exposures to particular ratings.

City Of London Corporation

Monthly Credit Rating Changes FITCH

| Date | Update Number | Institution | Country | Rating Action |
|------------|---------------|--------------------------------------|-----------|---|
| 01/05/2018 | 1606 | National Westminster Bank Plc | UK | Long Term Rating upgraded to 'A-' from 'BBB+', removed from Positive Watch and placed on Stable Outlook |
| 08/05/2018 | 1607 | Commonwealth Bank of Australia | Australia | Outlook on the Long Term Rating changed to Negative from Stable |
| 16/05/2018 | 1610 | NatWest Markets Plc (NRFB) | UK | Outlook on the Long Term Rating changed to Positive from Stable |
| 16/05/2018 | 1610 | National Westminster Bank Plc (RFB) | UK | Outlook on the Long Term Rating changed to Positive from Stable |
| 16/05/2018 | 1610 | The Royal Bank of Scotland Plc (RFB) | UK | Outlook on the Long Term Rating changed to Positive from Stable |
| 16/05/2018 | 1610 | Royal Bank of Scotland Group Plc | UK | Outlook on the Long Term Rating changed to Positive from Stable |

City Of London Corporation

Monthly Credit Rating Changes MOODY'S

| Date | Update Number | Institution | Country | Rating Action |
|------------|---------------|---------------|---------|--|
| 08/05/2018 | 1608 | Sovereign | France | Outlook on the Sovereign Rating changed to Positive from Stable |
| 31/05/2018 | 1611 | HSBC Bank Plc | UK | Outlook on the Long Term Rating removed from Negative Watch and placed on Stable Outlook |

City Of London Corporation

Monthly Credit Rating Changes S&P

| Date | Update Number | Institution | Country | Rating Action |
|------------|---------------|--------------------------------------|---------|---|
| 08/05/2018 | 1609 | Lloyds Bank Plc | UK | Long Term Rating upgraded to 'A+' from 'A', Outlook changed to Stable from Positive |
| 08/05/2018 | 1609 | Bank of Scotland Plc | UK | Long Term Rating upgraded to 'A+' from 'A', Outlook changed to Stable from Positive |
| 31/05/2018 | 1612 | Natwest Markets Plc (NRFB) | UK | Outlook on the Long Term Rating changed to Positive from Stable |
| 31/05/2018 | 1612 | National Westminster Plc (RFB) | UK | Long Term Rating upgraded to 'A-' from 'BBB+' |
| 31/05/2018 | 1612 | The Royal Bank of Scotland Plc (RFB) | UK | Long Term Rating upgraded to 'A-' from 'BBB+' |

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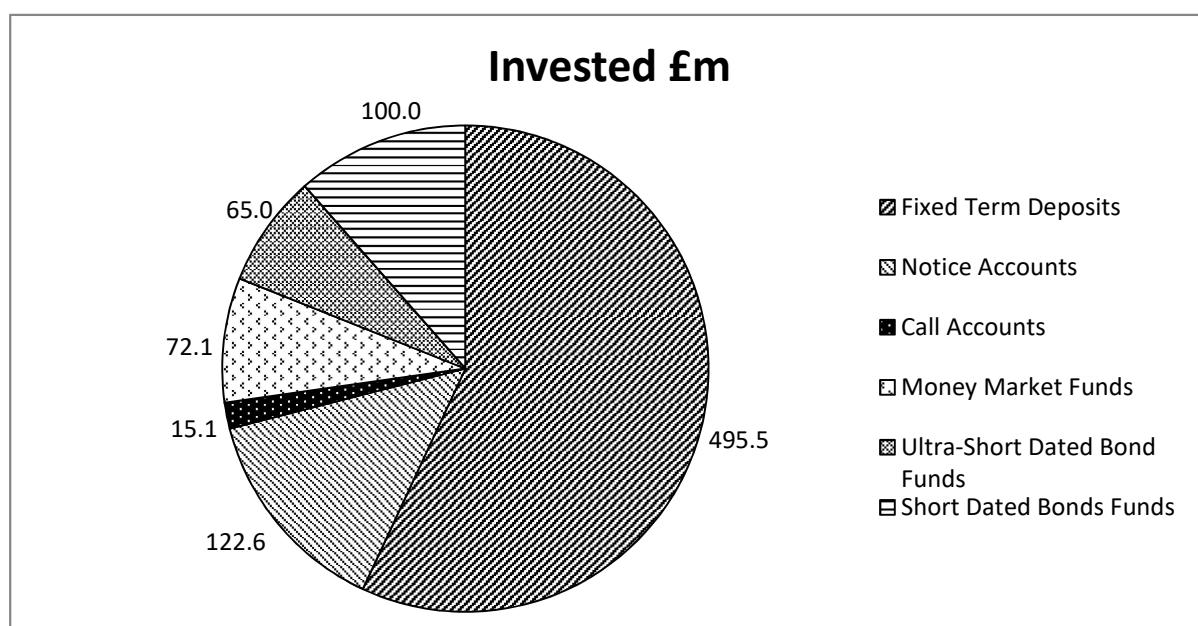
MONTHLY INVESTMENT REVIEW AS AT 31 MAY 2018

| | Counterparty Limit | Total Invested as at 31-Mar-18 | Average Rate of Return |
|--|-------------------------------|---|---------------------------------------|
| | £M | £M | % |
| <u>TOTAL INVESTED</u> | | <u>870.3</u> | <u>0.75%</u> |
| <u>UK BANKS</u> | | | |
| Barclays | 100.0 | 100.0 | 0.86% |
| Goldman Sachs International | 100.0 | 100.0 | 1.03% |
| HSBC | 100.0 | - | - |
| Lloyds | 150.0 | 78.2 | 0.63% |
| RBS | 100.0 | - | - |
| | | <u>278.2</u> | |
| <u>BUILDING SOCIETIES</u> | | | |
| Coventry | 20.0 | 20.0 | 0.70% |
| Leeds | 20.0 | 20.0 | 0.65% |
| Nationwide | 120.0 | 35.0 | 0.00% |
| Skipton | 20.0 | 20.0 | 1.00% |
| Yorkshire | 20.0 | 20.0 | 0.88% |
| | | <u>115.0</u> | |
| <u>FOREIGN BANKS</u> | | | |
| Australia & New Zealand | 25.0 | 25.0 | 0.78% |
| National Australia Bank | 25.0 | 25.0 | 0.83% |
| Svenska Handelsbanken | 25.0 | - | - |
| | | <u>50.0</u> | |
| <u>LIQUIDITY FUNDS</u> | | | |
| Aberdeen Liquidity Fund | 100.0 | - | - |
| CCLA - Public Sector Deposit Fund | 100.0 | 10.0 | 0.54% |
| Deutsche Global Liquidity Fund | 100.0 | - | - |
| Federated Prime Liquidity Fund* | 100.0 | 24.0 | 0.53% |
| Invesco Sterling Liquidity Fund | 100.0 | 31.9 | 0.54% |
| Standard Life (Ignis) Liquidity Fund* | 100.0 | 16.2 | 0.52% |
| | | <u>82.1</u> | |
| <u>ULTRA SHORT DATED BOND FUNDS</u> | | | |
| Payden Sterling Reserve Fund | 100.0 | 55.0 | 0.35% |
| Federated Sterling Cash Plus Fund* | 100.0 | 5.0 | 0.46% |
| Standard Life Short Duration Fund* | 100.0 | 5.0 | 0.54% |
| | | <u>55.0</u> | |
| <u>SHORT DATED BOND FUNDS</u> | | | |
| L&G | 100.0 | 50.0 | 0.64% |
| Royal London | 100.0 | 50.0 | 0.98% |
| | | <u>100.0</u> | |
| <u>NOTICE ACCOUNTS</u> | | | |
| Santander 95 Days Account | 100.0 | 100.0 | 0.60% |
| | | <u>100.0</u> | |
| <u>PUBLIC SECTOR</u> | | | |
| Birmingham City | 25.0 | 20.0 | 0.77% |
| Lancashire CC | 25.0 | 15.0 | 1.27% |
| Leeds City Council | 25.0 | 15.0 | 0.65% |
| Northamptonshire CC | 25.0 | 20.0 | 0.73% |
| LB Southwark | 25.0 | 20.0 | 1.10% |
| | | <u>90.0</u> | |
| <u>TOTAL</u> | | <u>870.30</u> | |

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MONTH BY MONTH REPAYMENT PROFILE

| | Invested as at 31-May-18 £M | Average Rate of Return % |
|------------------------------------|-----------------------------------|-----------------------------------|
| Total | 870.3 | 0.75% |
| Fixed Term Deposits | | |
| Jun-18 | 10.0 | |
| Jul-18 | 60.0 | |
| Aug-18 | 45.0 | |
| Sep-18 | 25.0 | |
| Oct-18 | 81.5 | |
| Nov-18 | 10.0 | |
| Dec-18 | 30.0 | |
| Jan-19 | 75.0 | |
| Feb-19 | 29.0 | |
| Mar-19 | 30.0 | |
| Apr-19 | 40.0 | |
| May-19 | 50.0 | |
| Oct-19 | 10.0 | |
| | 495.5 | 0.87% |
| Money Market Funds | 72.1 | 0.53% |
| Ultra-Short Dated Bond Fund | 65.0 | 0.37% |
| Short-Dated Bond Fund | 100.0 | 0.81% |
| Notice Accounts | | |
| - Santander 95 Days | 100.0 | |
| - Lloyds 32 Days | 22.6 | |
| | 122.6 | 0.59% |
| Call Accounts | | |
| - Lloyds Same Day Access | 15.1 | 0.40% |
| | 374.8 | |



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|--|---------------------|
| Committee: | Date: |
| Financial Investment Board | 12 July 2018 |
| Subject: Update - ESG and the Draft Statement of Commitment to the UK Stewardship Code | Public |
| Report of: Chamberlain | For Decision |
| Report author: Kate Limna – Chamberlain’s Department | |

Summary

Following the May Financial Investment Board meeting, this report provides an update on points raised by Members following a presentation from colleagues at Principles of Responsible Investment (PRI).

The report also provides an update on the advice/comments received from the Financial Reporting Council following the submission of a draft Statement of Commitment to the UK Stewardship Code.

Recommendation(s)

Members are asked to:

- (i) agree the revised Statement of Commitment to the UK Stewardship Code (the Statement) and for Mercer to submit it to the FRC for formal Assessment.
- (ii) confirm their agreement to progress the City’s application to PRI.
- (iii) delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman to agree any further changes to the Statement, in the event the FRC do not assess it at Tier 1.

Main Report

Background

1. Members will recall that at their November 2017 meeting, Mercer reported back on the results of the ESG survey that had been sent to both the Financial Investment Board and the Social Investment Board Members. Since then a considerable body of work has been undertaken in developing a Statement of Commitment to the UK Stewardship Code and a Responsible Investment Policy. In addition, Mercer have undertaken a Stewardship Review of the City’s equity and multi asset managers.
2. At your meeting in March 2018, Members noted the Stewardship Review findings. Members also agreed
 - (i) That the revised draft Statement of Commitment to the UK Stewardship Code (the Statement) should be shared with the Financial Reporting

- Council and seek their feedback and guidance on the Statement with the aim of becoming a Tier 1 signatory.
- (ii) That to assist the process of becoming a signatory of the Principles of Responsible Investment, PRI colleagues would be invited to give a presentation at the May Board meeting about the organisation and the on-going commitment that is expected from organisations that sign up.
 - (iii) To approve the revised Responsible Investment Policy.
 - (iv) For Mercer to advise each of the equity and multi asset managers of the outcome of their review and engage further with managers where appropriate.
3. A presentation was made to the Board by PRI colleagues at the May 2018 meeting. Following the presentation, Members discussed the PRI and the potential for the City Corporation to become a signatory. Whilst the basic approach and PRI aims and themes were supported there were some issues around reputational risk.

PRI

4. Since the last Board meeting, the Chamberlain has spoken with PRI colleagues and Mercer which has confirmed that the reputational risk is low and can be mitigated against. Mercer have already advised that the strands of work that the City has already undertaken in developing a Responsible Investment Policy and a Statement of Commitment to the UK Stewardship Code along with the Stewardship Review of the equity and multi asset managers and the subsequent follow up with them, would put the City in a strong position to receive a positive end of year report.
5. PRI colleagues have advised that
- “On the reporting framework and doing well: firstly the actions you are taking, especially developing your policy and reviewing and communicating with your managers will have a direct and positive impact on your assessment scores. Secondly, as I mentioned if you were to sign now – the 2019 reporting (online tool open between 1 January and 31 March) would be entirely voluntary and private. This means you will have a test run to hone your responses and adjust processes in time for your mandatory reporting in 2020. Lastly, you may have seen news about minimum requirements and signatories being put on the watchlist this week. I can confirm that if you do develop a policy by 2020, you will not be caught out by this”***
6. Members will note that signing up in 2018 would mean that the City would not be required to report until 2020 (although we would voluntarily report during the first year) and Mercer have also confirmed that we are even then not required to publish the PRI feedback on the report.
7. In terms of the workload involved, PRI have advised that the first year is the most challenging as we have to bring the build data collection between ourselves and our managers. PRI have also underlined that they offer specialist reporting support to all asset owners in the first year of reporting – they have a dedicated team to help respond to questions during the 3 month period the reporting remains open. Mercer will also be able to provide assistance for a fee.
8. On that basis, the intention would therefore be to pursue the application to become a PRI signatory in line with the Responsible Investment Statement and the

Corporation's wider commitment to Responsible Business. This would also be in line with the London CIV which has recently signed up to the PRI.

Draft Statement of Commitment to the UK Stewardship Code

9. Mercer have submitted the draft Statement of Commitment to the UK Stewardship Code (Statement of Commitment) to the Financial reporting Council (FRC). The FRC have advised that there were some areas where they would like more details to be added as well as some background additional background and information on collaborative activities. In light of these comments Mercer have made some changes to the draft Statement of Commitment and this is attached at Appendix A with the changes highlighted.
10. Mercer have advised that this revised draft Statement of Commitment should be confirmed by the Board as the next time it is submitted to the FRC will be for a formal assessment.
11. The FRC did confirm that they were happy with one statement covering the three underlying entities (Pension Fund, City's Cash and Bridge House Estates)

Conclusion

12. Members are asked to agree the revised Statement of Commitment to the UK Stewardship Code and for Mercer to submit it to the FRC for formal Assessment. Members are also asked to agree to progress the City's application to PRI. In the event the FRC do not assess the Statement at Tier 1, authority is delegated to the Town Clerk in consultation with the Chairman and Deputy Chairman of the Financial Investment Board to agree any further changes.

Appendices

- Appendix A – Revised draft Statement of Commitment to the UK Stewardship Code.

Background Papers

- Environmental, Social and Governance (ESG) Update – FIB: 22 March 2018
- Responsible Investment: Environmental, Social and Governance (ESG) Draft Policy and Action Plan – FIB:1 February 2018
- ESG Survey Results – FIB 30: November 2017

Kate Limna

Corporate Treasurer – Chamberlain's Department

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E: kate.limna@cityoflondon.gov.uk

UK STEWARDSHIP CODE – STATEMENT OF COMMITMENT **[DRAFT]**

CITY OF LONDON CORPORATION – June 2018

Approach to Responsible Investment and Stewardship

The City of London Corporation's Court of Common Council and Finance Committee have delegated the investment management responsibility of the City of London Pension Fund, the Bridge House Estates and the City's Cash to the Investment Committee, which in turn has charged the detailed investment arrangements to the Financial Investment Board (FIB).

The Financial Investment Board ("FIB") of the City of London Corporation (the "Corporation") believe that Environmental, Social and Corporate Governance ("ESG") issues should be taken into account on an ongoing basis and the consideration of ESG issues is integrated throughout the Corporation's approach to investing, consistent with the Corporation being a long-term responsible investor. In applying its approach to the integration of ESG issues, the FIB takes a holistic and consistent approach across the Corporation's assets.

ESG issues can have a material impact on long-term risk and return outcomes and considering these issues is consistent with the fiduciary duty of the FIB. The FIB believes that effective shareholder engagement is a key aspect of strong corporate governance and managing ESG risks, which in turn may lead to enhanced returns. The Corporation supports the UK Stewardship Code (the Code) and further detail is provided below on how the Corporation addresses each of the Code's seven underlying principles.

For full details of the Corporation's approach to Responsible Investment (RI), please see the Corporation's Responsible Investment Policy. [\[Add link\]](#).

Corporation Duties to Clients

Members of the FIB recognise that they have a duty to safeguard the Corporation's assets on behalf of both the Corporation and underlying beneficiaries.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Corporation takes its responsibilities as a shareholder seriously and has made a commitment to the informed exercise of its ownership rights.

The Corporation may invest via both segregated and pooled funds. Where assets are held on a segregated basis, the Corporation exercises all votes associated with its equity holdings where practicable. For pooled investments, the FIB expects the Corporation's underlying investment managers to exercise voting and engagement rights on its behalf. The FIB expects its investment managers to exercise all votes associated with the Corporation's equity holdings where practicable. The Corporation encourages its underlying investment managers to comply with the UK Stewardship Code and monitors the compliance of its underlying equity managers and multi-asset managers on an annual basis.

For pooled investments, the Corporation is subject to the ESG and voting policies of its underlying investment managers. The FIB considers these policies when appointing a new manager and when monitoring investment managers as well as considering whether each manager's actions and engagement activities have been appropriate and in keeping with the Corporation's approach.

In considering its stewardship activities, the Corporation monitors the activities of its investment managers with regard to the following:

- The exercise of voting rights
- The integration and management of Environmental, Social and Corporate Governance (ESG) issues
- Engagement activities and progress.

The Corporation is a long-term investor and is committed to being an active owner. It wishes to promote a policy of dialogue on responsible investment issues, both directly and through its investment managers, with company management.

The Corporation recognises that taking a collaborative approach with other investors can help to achieve wider and more effective outcomes. The Corporation is supportive of the activities and principles of the Principles for Responsible Investment (PRI), which aims to promote best practice on RI issues on a global basis and is taking steps to become a signatory to the PRI.

The Corporation regularly reviews its approach to responsible investment and the exercise of its stewardship activities.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Corporation expects its investment managers to have effective policies addressing potential conflicts of interest related to stewardship such that the managers are acting in the best interests of the Corporation and its underlying beneficiaries. The management of conflicts of interest in relation to stewardship is considered as part of the annual stewardship review. The Corporation's investment consultant independently assesses each of the Corporation's equity and multi-asset investment managers regarding the management of conflicts of interest with respect to stewardship. The assessment considers the disclosure of each manager's approach, the robustness of approach and how issues are managed when the interests of clients/beneficiaries diverge from those of the manager.

In respect of potential conflicts of interest within the Corporation, the following are undertaken to manage potential conflicts of interest:

- In accordance with the requirements of the Localism Act 2011 S.29, all elected Members are required to complete a statutory declaration (of pecuniary interests) within 28 days of taking office.
- Members also have to declare relevant pecuniary interests of spouses/partners (S.30).

- The Corporation requires that members also submit a list of other interests (non-pecuniary)

In addition, Members of the FIB are required to make declarations of interest prior to each FIB meeting.

All declarations are captured in the minutes of the meeting. Potential conflicts, based on declarations, are managed accordingly by the Chairman of the FIB.

Principle 3: Institutional investors should monitor their investee companies.

While the day-to-day responsibility for managing the Corporation's equity and multi-asset holdings is delegated to the Corporation's appointed investment managers, the Corporation recognises that it cannot delegate its stewardship obligations. The FIB monitors the Corporation's investment managers on a regular and ongoing basis, including with respect to stewardship activities.

As such, the Corporation expects its investment managers to monitor investee companies, intervene where necessary, and report back regularly on activity undertaken. This may be via written reports, phone calls or meetings with the FIB or Corporation officers.

In addition the Corporation receives an annual report from its investment consultant on the stewardship credentials of its investment managers as well as quarterly updates related to ESG integration and progress as outlined below.

The Corporation receives quarterly reports from each of its investment managers, and FIB receive a consolidated, independent quarterly report from the Corporation's investment consultant. Reporting includes assessment of performance against benchmark, as well as commentary and attribution of returns. The reporting from the investment consultant includes their assessment (by way of a rating) of the investment managers' integration of ESG factors into their investment process.

In addition, the Corporation meets with its investment managers to further monitor performance and receive updates on engagement activity and the integration of ESG into portfolio positioning.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Responsibility for day-to-day interaction with companies is delegated to the Corporation's investment managers, including the escalation of engagement activities when necessary.

The FIB monitors the escalation activities undertaken by the Corporation's investment managers through the regular reporting provided by the Corporation's managers and the independent assessment of the investment manager's approach by its investment consultant. The investment consultant considers both the disclosure of escalation guidance by the Corporation's investment managers as well as examples of such activity.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

The Corporation seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies.

The Corporation works with other like-minded investors through its participation, on behalf of the City of London Pension Fund, in the Local Authority Pension Fund Forum, as well as its participation in the London CIV.

In addition, as part of its approach to Responsible Investment, the Corporation is taking steps to become a signatory to the PRI, which will lead to increased collaboration with other institutional investors.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

The FIB expects the Corporation's underlying investment managers to exercise voting and engagement rights on its behalf. The FIB expects its investment managers to exercise all votes associated with the Corporation's equity holdings where practicable. The Corporation encourages its investment managers to publicly disclose their voting records.

Generally, the Corporation expects its investment managers to support resolutions that are consistent with the UK Corporate Governance Code and represent best practice. In overseas markets, the FIB expects its managers to take account of local best practice principles.

The FIB expects the investment managers to report on their voting activities on a regular basis and the FIB considers whether each manager's actions and engagement activities have been appropriate and in keeping with the Corporation's policy.

The policy is reviewed regularly in order to take account of regulatory developments and timely issues may be discussed at FIB meetings.

With respect to stock lending, the majority of the investments are held in pooled funds and each manager's approach to stock lending is reviewed as part of the appointment process.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

As noted above, the Corporation expects its underlying investment managers to report regularly to the FIB with respect to voting and engagement activities, including examples of company engagement, progress on engagement over time and collaborative activities. The Corporation encourages its investment managers to report publicly on their stewardship activities.

On an annual basis, the Corporation's investment advisor undertakes an independent assessment of the stewardship activities of the Corporation's equity and multi-asset investment managers, including an assessment of the reporting provided on voting and engagement activities. This assessment considers whether meaningful reporting on stewardship activities (such as voting statistics supported by clear explanations of voting and engagement activity) is provided on a regular basis as well as the overall

quality and transparency of the reporting. A summary of the findings of this assessment will be reported to the FIB and investment managers may be encouraged to improve reporting as a result of the assessment.

This (draft) statement has been approved by the FIB on ***** 2018.

If you have any questions on this statement or the Corporation's approach to stewardship, please contact [ADD preferred contact details To Be Confirmed]

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