



Financial Investment Board

Date: WEDNESDAY, 3 JULY 2019
Time: 1.45 pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Nicholas Bensted-Smith (Chairman)
Henry Colthurst (Deputy Chairman)
Simon Duckworth
Alderman Robert Howard
Alderman Robert Hughes-Penney
Deputy Jamie Ingham Clark
Deputy Clare James
Tim Levene
Andrien Meyers
Deputy Henry Pollard
James de Sausmarez
Ian Seaton
Deputy Philip Woodhouse

Next Meetings: 17 Sept 2019 29 Nov 2019 11 Feb 2020

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N.B. Part of this meeting may be subject to audio-visual recording.

Lunch will be served in the Guildhall Club at 1.00pm.

**John Barradell
Town Clerk**

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 20 May 2019.

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. **RISK REGISTER FOR FINANCIAL INVESTMENT BOARD**
Report of the Chamberlain

For Decision
(Pages 23 - 36)
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 20 May 2019.
- For Decision**
(Pages 37 - 40)
11. **NON-PUBLIC OUTSTANDING ACTIONS**
Report of the Town Clerk
- For Information**
(Pages 41 - 42)
12. **INVESTMENT MONITORING REPORTS**
- a) **Investment Performance Monitoring to 31 March 2019**
Report of the Chamberlain
- For Information**
(Pages 43 - 78)
- b) **Quarterly Monitoring Report Q1 2019**
Report of Mercer
- For Information**
(Pages 79 - 96)
13. **HAMPSTEAD HEATH TRUST & CHARITIES POOL INVESTMENT PERFORMANCE MONITORING TO 31 MARCH 2019**
Report of the Chamberlain
- For Information**
(Pages 97 - 100)
14. **SIR WILLIAM COXEN TRUST FUND PERFORMANCE MONITORING TO 31 MARCH 2019**
Report of the Chamberlain
- For Decision**
(Pages 101 - 104)
15. **BHE: PART INVESTMENT OF THE PROCEEDS FROM THE SALE OF 1-5 LONDON WALL BUILDINGS - REQUEST FOR DELEGATED AUTHORITY**
Report of the Chamberlain
- For Decision**
(Pages 105 - 110)
16. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

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

FINANCIAL INVESTMENT BOARD

Monday, 20 May 2019

Minutes of the meeting of the Financial Investment Board held at Guildhall, EC2 on
Monday, 20 May 2019 at 1.45 pm

Present

Members:

Nicholas Bensted-Smith (Chairman)
Henry Colthurst (Deputy Chairman)
Deputy Jamie Ingham Clark
Deputy Clare James
Tim Levene
Andrien Meyers
James de Sausmarez
Ian Seaton

Also in attendance:

Deputy Tom Hoffman (Chief Commoner)

Officers:

Joseph Anstee	- Town Clerk's Department
Peter Kane	- Chamberlain
Kate Limna	- Chamberlain's Department
James Graham	- Chamberlain's Department
Catrina Arbuckle	- Mercer

1. APOLOGIES

Apologies for absence were received from Alderman Robert Howard, Alderman Robert Hughes-Penney and Deputy Henry Pollard.

The Board gave thanks and paid tribute to Andrew McMurtrie, the immediate past Chairman who had served as Chairman of the Financial Investment Board for the past 4 years.

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 meeting held on 16 May 2019, appointing the Board and approving its composition, membership, frequency of meetings and terms of reference.

4. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED - That the public minutes and non-public summary of the meeting held on 12 February 2019 be agreed as a correct record.

5. **MONTHLY INVESTMENT ANALYSIS**

The Board received a report of the Chamberlain concerning the monthly investment analysis review for March 2019. The Board noted the current investment list, total investment values and average rate of return set out in the report.

The Chairman drew Members' attention to the current investment list and suggested the Board consider further investment in short-dated bond funds, given their higher average rate of return. The Chamberlain advised that the counterparty limit for short-dated bond funds was £100 million and suggested that the Board consider an investment of an additional £25 million in each of the two funds. The Chamberlain added that whilst interest rates were going up for this type of investment they could also fall in the future. It was possible to withdraw from the funds at short notice. The Board agreed that officers should look at an additional investment of £25 million in each of the short-dated bond funds, making a total of £75 million in each. In discussing overall cash flows the Chamberlain added that there were more funds available than at February as the collection of business rates had resumed since then.

A Member asked whether any of the current allocations were considered competitive, citing the performance of Payden Sterling Reserve Fund. It was noted that this was indicative of a different risk appetite and the Chamberlain responded that risk appetite in general would be reviewed, and that commentary on the performance of the Payden fund would be provided between meetings.

A Member asked for clarification on the downgrading of the Support Rating of Canadian Banks. The Chamberlain responded that this related to action taken by the prudential authorities in Canada that meant the Canadian banks had a lesser degree of support from the Canadian government, and so were considered to carry a greater degree of risk in this regard. The Chamberlain added that a fuller note on this action and its implications would be circulated to Members of the Board.

RESOLVED – That the report be noted, and that an additional investment of £25 million be made into each of the short-dated bond funds L&G and Royal London.

6. **RISK REGISTER FOR THE FINANCIAL INVESTMENT BOARD**

The Board considered a report of the Chamberlain reviewing the Financial Investment Board's risk register. The Board noted that all risks except Governance were currently at target.

The Chairman suggested that the Board consider how to go about reaching their target position and that this be noted as an outstanding reference for the Board. The Board discussed whether the target risk score should be

reconsidered, whether Principles of Responsible Investment (PRI) and risks related to the London Collective Investment Vehicle (LCIV) should be added to the Board's risk register as part of the Governance risk, and whether cybersecurity and the risk of hacking was held within counterparty risk. The Board asked the Chamberlain to consider how best to incorporate risks relating to cybersecurity.

The Board noted a typing error to be corrected under the Insufficient Assets risk and asked that the covering report describe the Board's reviews of the register as semi-annual rather than bi-annual. The Deputy Chairman suggested that in the long-term, risk relating to PRI could be incorporated into the Governance risk, but was an appropriate standalone risk at present.

RESOLVED – That the Financial Investment Board:

- Review the existing risks and actions present on the Financial Investment Board's Risk Register, and confirm that appropriate control measures are in place;
- Confirm that a dedicated PRI risk is added to the Risk Register and brought back to the next meeting for consideration; and
- Request that officers consider how to incorporate Cybersecurity and Pooling risks, adding a risk relating to the LCIV to the register if deemed appropriate and in line with other local authorities, and reconsider the target risk score for governance.

7. REPORT OF ACTION TAKEN

The Board received a report of the Town Clerk advising Members of actions taken by the Town Clerk under delegated authority or urgency procedures since the last meeting of the Committee.

RESOLVED – That the report be noted.

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 – 18	3
19 – 20	-

11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING
RESOLVED** - That the non-public minutes of the meeting held on 12 February 2019 be agreed as a correct record.
12. **NON-PUBLIC OUTSTANDING ACTIONS**
The Board received a list of non-public outstanding actions.
13. **REVIEW REPORT OF FIB ACTIVITIES OVER THE LAST 12 MONTHS**
The Board received a report of the Chamberlain.
14. **INVESTMENT MONITORING REPORT TO 28 FEBRUARY 2019**
The Board received a report of the Chamberlain.
15. **STEWARDSHIP REVIEW**
The Board considered a report of the Chamberlain.
16. **GLOBAL EQUITY MANAGER POST TRANSITION ANALYSIS (PENSION FUND)**
The Board received a report of the Chamberlain.
17. **GLOBAL EQUITY MANAGER TRANSITION (CITY'S CASH AND BRIDGE HOUSE ESTATES)**
The Board received a report of the Chamberlain.
18. **NON-PUBLIC REPORT OF ACTION TAKEN**
The Board received a report of the Town Clerk.
19. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were several non-public questions.
20. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There was one item of other business.

The meeting ended at 2.35 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.	20 May 2019	Support Rating of Canadian Banks	Corporate Treasurer / Town Clerk	3 July 2019	Officers circulated a brief explanation of changes to the credit ratings on Canadian banks on 30 May 2019
2.	20 May 2019	Short Dated Bond Funds	Corporate Treasurer	3 July 2019	Additional investments of £25 million were made into each of the short-dated bond funds L&G and Royal London on 05 June 2019.
3.	20 May 2019	Risk Register	Corporate Treasurer / Town Clerk	3 July 2019	An amended FIB Risk Register following consideration at May meeting is included in today's agenda.

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City Of London Corporation

Monthly Investment Analysis Review

May 2019

General Economy

May's economic data began with April's Manufacturing Purchasing Managers Index (PMI), coming in slightly lower at 53.1 from the previously recorded figure of 55.1; this was broadly in line with forecasts as stockpiling that occurred before the potential Brexit date has subsequently slowed. However, Construction PMI moved out of contraction territory (ie a reading below 50) to a 3 month high of 50.5. The return to expansion was thanks to a pickup in housebuilding. To round the PMI figures off, Services also rose out of contraction territory, rising from 48.9 to 50.4 in April. Despite the overall improvement, underlying data within the survey showed new orders contracted for a fourth month in a row, the longest such run since the global financial crisis. Combined, the surveys left the Composite figure at 50.9, indicative of modest economic growth in the early stages of the second quarter.

The Bank of England's Monetary Policy Committee (MPC) voted unanimously to keep interest rates on hold at 0.75% in May. Despite this, Governor Mark Carney did use his press conference to warn that markets were underestimating the speed of potential hikes in the near future, but he also warned that Brexit uncertainty was still weighing on business investment.

The UK's trade deficit fell in March, from an upwardly revised £6.22bn to £5.41bn. Exports rose 2.7% m/m to £54.57bn while imports grew at a slower pace, rising 1.1% to £59.97bn. Meanwhile, Britain's economy registered a sharp boost in the first three months of 2019, rising at a quarterly rate of 0.5% in Q1, with y/y growth rising to 1.8%, up from 1.4% in the last 3 months of 2018 – this was the highest reading since Q3 2017. Part of this improvement was caused by manufacturers' stock building for a potential no-deal Brexit, which is expected to be reversed in Q2 and thus act as a drag.

The UK's labour market remains very tight, as the unemployment rate fell to 3.8% in the 3 months to March, from 3.9% previously, with the data release also showing that 99,000 more people gained employment. However, wage growth also fell slightly; average earnings "excluding bonuses" dropped from 3.4% to 3.3%, whilst the "including bonuses" figure showed a greater fall from 3.5% to 3.2%.

CPI inflation rose back above the Bank of England's 2% target in April, increasing from 1.9% y/y to 2.1%. The main reasons for this were cited as an increase in electricity and gas prices, whilst computer game and package holiday prices acted as a modest offset. The Core CPI figure (which strips out the more volatile components of inflation) remained at 1.8%, signalling that underlying inflationary pressures have not risen. The m/m CPI figure rose to 0.6% from 0.2% in the previous month.

British shoppers paused for breath in April after months of strong spending; retail sales remained flat in April m/m, and fell to 5.2% y/y from 6.7% in March. Consumer spending has generally been a bright spot for the UK economy, contrasting with falling investment by businesses. Surveys from the British Retail Consortium suggested that Britons spent more money in bars and restaurants at the expense of retailers last month.

May's Confederation for British Industry (CBI) and GfK surveys produced mixed results; the CBI's Distributive Trades Survey

(covering retailing) fell to -27 from a previous figure of +13, and its Industrial Trends survey also showed a drop, from -5 to -10. Contrasting these releases, the GfK Consumer Confidence reading showed a rise from -13 to -10, suggesting a rise in economic sentiment among consumers.

The government's public finances figures showed a deficit of £4.97bn in April, little different to £5bn in the same month last year, but the lowest April net borrowing figure since 2007. Excluding state-controlled banks, the deficit came in at £5.8bn, less than the £5.83bn a year earlier. The UK's government debt is £1.8trn as of the end of April, equivalent to 82.7% of GDP, a figure which has been falling over the last year.

In the USA, Nonfarm Payrolls came in at 263,000 in April, up from 189,000 in March and suggested lasting rigour in the US economy, combined with earnings remaining at 3.2% y/y and 0.2% m/m. The unemployment rate dropped to 3.6% to 3.8%, showing yet more tightening of the labour market. The second estimate of US GDP growth came in at 3.1%, above Q1's 2.2% figure, but slightly short of forecasts. Meanwhile, in the Eurozone, GDP growth remained at 1.2% in Q1, as the effects of the global slowdown, particularly in China, have taken hold. Unemployment fell to 7.6% from 7.7% last month, the lowest jobless rate since August 2008.

Housing

According to Nationwide, house prices increased by 0.9% y/y in April, and 0.4% on the month, both figures coming in above estimates. Meanwhile, Halifax's 3-month y/y figure increased dramatically to 5% from 2.6% previously, above estimates of a 4.5% jump. On the month, they increased from a previously negative figure of -1.3%, to +1.1%, also above forecasts.

Currency

Over the month of May, the pound eased against the dollar from \$1.312 to \$1.265. It was a similar story against the euro, beginning at €1.17 and ending at €1.133.

Forecast

Link Asset Services currently forecast the next rate rise to come in Q1 2020, followed by further rises in Q3 2020, and reaching 1.75% by Q1 2022. This forecast is scheduled to be reviewed following the release of the Bank of England Quarterly Inflation Report in August. Capital Economics have cut back their forecasts, not predicting a rate rise until Q3 2020.

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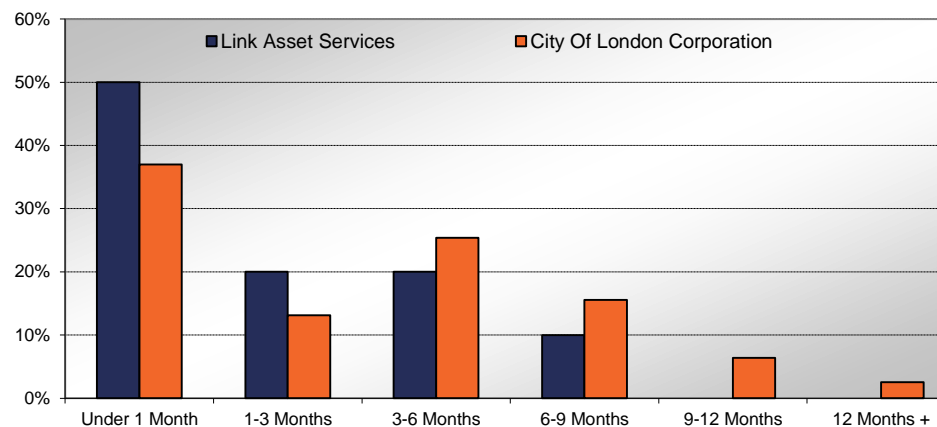
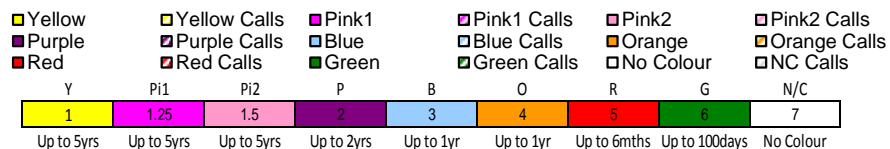
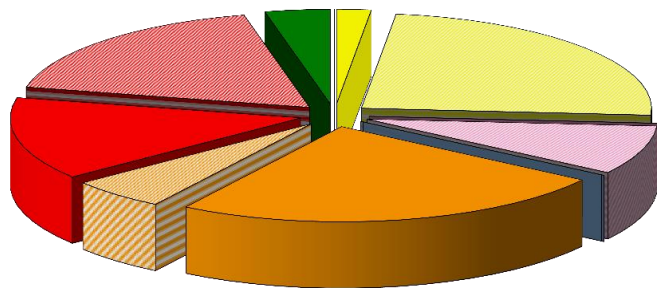
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Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Fitch Long Term Rating	Historic Risk of Default
USDBF Aberdeen Standard Investments	5,000,000	1.05%		USDBF	AAA	AAA	0.000%
MMF Aberdeen Standard Investments	43,500,000	0.77%		MMF	AAA	AAA	0.000%
MMF CCLA	10,000,000	0.78%		MMF	AAA	AAA	0.000%
MMF Deutsche	37,400,000	0.75%		MMF	AAA	AAA	0.000%
USDBF Federated Sterling Cash Plus Fund	5,000,000	0.89%		USDBF	AAA	AAA	0.000%
MMF Federated Investors (UK)	46,000,000	0.77%		MMF	AAA	AAA	0.000%
MMF Invesco	52,500,000	0.80%		MMF	AAA	AAA	0.000%
Lloyds Bank Plc (RFB)	19,400,000	0.65%		Call	A+	A+	0.000%
USDBF Payden Sterling Reserve Fund	55,000,000	0.88%		USDBF	AAA	AAA	0.000%
Lloyds Bank Plc (RFB)	15,000,000	1.00%	08/06/2018	10/06/2019	A+	A+	0.001%
Goldman Sachs International Bank	20,000,000	1.12%	02/07/2018	02/07/2019	A	A	0.005%
Lloyds Bank Plc (RFB)	22,600,000	0.80%		Call32	A+	A+	0.005%
Lloyds Bank Plc (RFB)	15,000,000	1.00%	13/07/2018	15/07/2019	A+	A+	0.006%
Australia and New Zealand Banking Group Ltd	20,000,000	0.91%	29/04/2019	29/07/2019	AA-	AA-	0.004%
Lloyds Bank Plc (RFB)	10,000,000	0.95%	28/03/2019	05/08/2019	A+	A+	0.010%
Lloyds Bank Plc (RFB)	15,000,000	0.95%	05/04/2019	05/08/2019	A+	A+	0.010%
Leeds Building Society	8,400,000	0.89%	03/04/2019	03/09/2019	A-	A-	0.014%
Santander UK Plc	20,000,000	0.90%		Call95	A	A+	0.014%
Barclays Bank Plc (NRFB)	25,000,000	0.98%	04/04/2019	04/09/2019	A	A+	0.014%
Lloyds Bank Plc (RFB)	10,000,000	1.00%	28/03/2019	30/09/2019	A+	A+	0.018%
Australia and New Zealand Banking Group Ltd	10,000,000	1.00%	02/04/2019	02/10/2019	AA-	AA-	0.008%
Australia and New Zealand Banking Group Ltd	10,000,000	1.05%	09/04/2018	09/10/2019	AA-	AA-	0.009%
Australia and New Zealand Banking Group Ltd	20,000,000	1.01%	24/04/2019	24/10/2019	AA-	AA-	0.010%
Barclays Bank Plc (NRFB)	25,000,000	1.01%	29/04/2019	29/10/2019	A	A+	0.022%
Lloyds Bank Plc (RFB)	20,000,000	1.00%	08/05/2019	08/11/2019	A+	A+	0.023%
Lloyds Bank Plc (RFB)	20,000,000	1.00%	21/05/2019	21/11/2019	A+	A+	0.025%
Santander UK Plc	30,000,000	1.00%		Call180	A	A+	0.026%
Goldman Sachs International Bank	20,000,000	1.00%		Call185	A	A	0.027%
Lancashire County Council	15,000,000	1.27%	14/05/2018	16/12/2019	AA	AA	0.013%
Australia and New Zealand Banking Group Ltd	15,000,000	1.09%	27/03/2019	27/12/2019	AA-	AA-	0.014%
Australia and New Zealand Banking Group Ltd	11,400,000	1.07%	02/04/2019	02/01/2020	AA-	AA-	0.014%
Yorkshire Building Society	20,000,000	1.15%	26/04/2019	27/01/2020	A-	A-	0.035%
Coventry Building Society	20,000,000	1.00%	16/05/2019	17/02/2020	A-	A-	0.038%
Goldman Sachs International Bank	20,000,000	1.09%		Call270	A	A	0.039%
Santander UK Plc	50,000,000	1.15%		Call365	A	A+	0.053%
Goldman Sachs International Bank	20,000,000	1.32%	02/11/2018	Call	A	A	0.054%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date			
L&G UTM CLIENT ACC (UTM)	50,000,000	2.24%					
ROYAL LONDON UT MGRS LTD DEALING A/C	50,000,000	2.29%					
Total Investments	£881,200,000	1.10%					0.013%
Total Investments - excluding Funds	£781,200,000	0.95%					0.014%
Total Investments - Funds Only	£100,000,000	2.27%					

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Portfolio Composition by Link Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = **3.40**

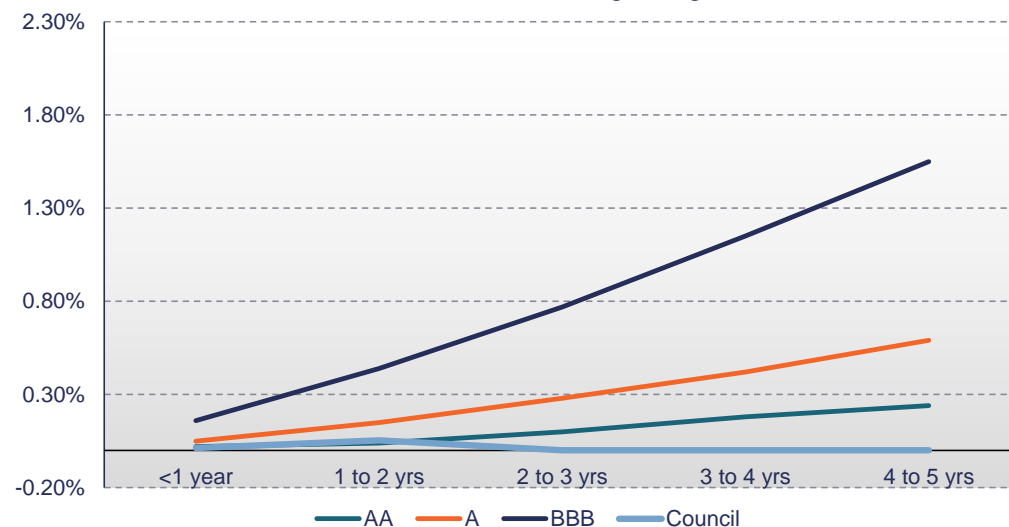
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

		WAM - Weighted Average Maturity									
		% of Colour			Amount of	% of Call	WAM			Excluding Calls/MMFs/USDBFs	
		% of Portfolio	Amount	in Calls	Colour in Calls	in Portfolio	WARoR	WAM	WAM at Execution	WAM	WAM at Execution
Yellow Pink1 Pink2 Purple Blue Orange Red Green No Colour		26.16%	£204,400,000	92.66%	£189,400,000	24.24%	0.81%	15	43	199	581
		0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
		8.32%	£65,000,000	100.00%	£65,000,000	8.32%	0.89%	0	0	0	0
		0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
		0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
		29.88%	£233,400,000	17.99%	£42,000,000	5.38%	0.95%	100	189	118	227
		32.00%	£250,000,000	56.00%	£140,000,000	17.92%	1.06%	216	253	177	260
		3.64%	£28,400,000	0.00%	£0	0.00%	1.07%	198	240	198	240
		0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
		100.00%	£781,200,000	55.86%	£436,400,000	55.86%	0.95%	110	157	147	254

City Of London Corporation

Investment Risk and Rating Exposure

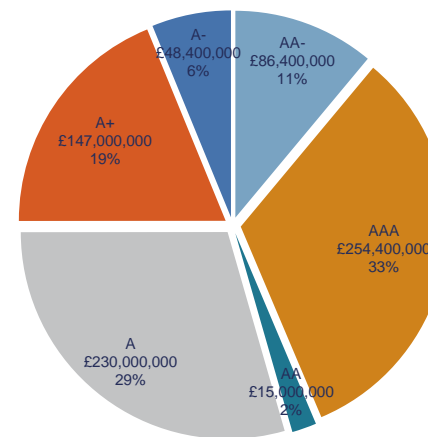
Investment Risk Vs. Rating Categories



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	0.013%	0.054%	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.

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Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
				No Rating Changes to Report.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
17/05/2019	1683	Barclays Bank Plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
17/05/2019	1683	Goldman Sachs International Bank	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
16/05/2019	1682	Natwest Markets Plc (NRFB)	United Kingdom	The Long Term Rating was upgraded to 'A-' from 'BBB+' and the Outlook on the Long Term Rating was changed to Stable from Positive.
16/05/2019	1682	National Westminster Bank Plc (RFB)	United Kingdom	The Long Term and Short Term Ratings were upgraded to 'A' from 'A-' and 'A-1' from 'A-2' respectively. At the same time, the Outlook on the Long Term Rating was changed to Stable from Positive.
16/05/2019	1682	The Royal Bank of Scotland Plc (RFB)	United Kingdom	The Long Term and Short Term Ratings were upgraded to 'A' from 'A-' and 'A-1' from 'A-2' respectively. At the same time, the Outlook on the Long Term Rating was changed to Stable from Positive.
21/05/2019	1684	Credit Suisse AG	Switzerland	The Long Term Rating was upgraded to 'A+' from 'A' and the Outlook on the Long Term Rating was changed to Stable from Positive.

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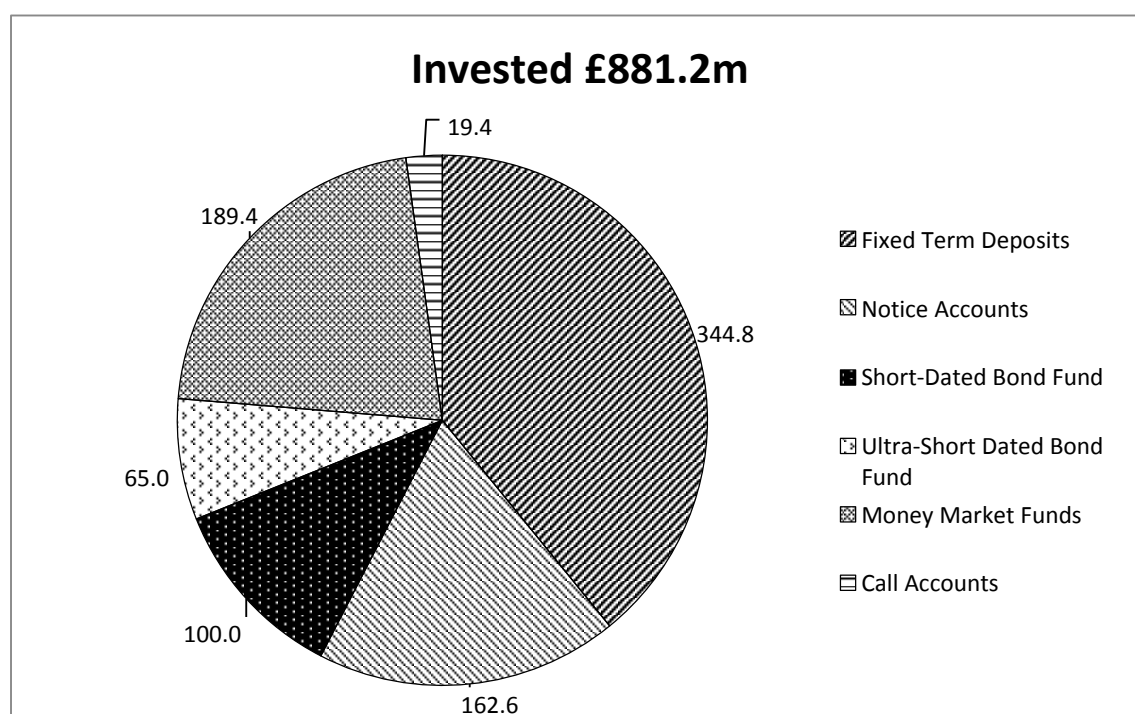
MONTHLY INVESTMENT REVIEW AS AT 31 MAY 2019

	Counterparty Limit	Total Invested as at 31-May-19 £M	Average Rate of Return %
	£M		
<u>TOTAL INVESTED</u>		881.2	1.10%
 <u>UK BANKS</u>			
Barclays	100.0	50.0	1.00%
Goldman Sachs	100.0	40.0	1.13%
HSBC	100.0	-	-
Lloyds	150.0	124.4	0.91%
RBS	100.0	-	-
		214.4	
 <u>BUILDING SOCIETIES</u>			
Coventry	20.0	20.0	1.00%
Leeds	20.0	8.4	0.89%
Nationwide	120.0	-	-
Skipton	20.0	-	-
Yorkshire	20.0	20.0	1.15%
		48.4	
 <u>FOREIGN BANKS</u>			
Australia & New Zealand	100.0	86.4	1.01%
National Australia Bank	100.0	-	-
Svenska Handelsbanken	100.0	-	-
		86.4	
 <u>LIQUIDITY FUNDS</u>			
Aberdeen SLI Liquidity Fund	100.0	43.5	0.79%
CCLA - Public Sector Deposit Fund	100.0	10.0	0.78%
Deutsche Global Liquidity Fund	100.0	37.4	0.75%
Federated Prime Liquidity Fund*	100.0	46.0	0.77%
Invesco Sterling Liquidity Fund	100.0	52.5	0.80%
		189.4	
 <u>ULTRA SHORT DATED BOND FUNDS</u>			
Payden Sterling Reserve Fund	100.0	55.0	0.88%
Aberdeen SLI Short Duration Fund*	100.0	5.0	1.05%
Federated Sterling Cash Plus Fund*	100.0	5.0	0.89%
Standard Life Short Duration Fund*	100.0	-	-
		65.0	
 <u>SHORT DATED BOND FUNDS</u>			
L&G	100.0	50.0	2.24%
Royal London	100.0	50.0	2.29%
		100.0	
 <u>NOTICE ACCOUNTS</u>			
Goldman Sachs 185 Days Account	100.0	20.0	1.00%
Goldman Sachs 270 Days Account	100.0	20.0	1.09%
Lloyds 32 Days Account	100.0	22.6	0.80%
Santander 95 Days Account	100.0	20.0	0.90%
Santander 180 Days Account	100.0	30.0	1.00%
Santander 365 Days Account	100.0	50.0	1.15%
		162.6	
 <u>PUBLIC SECTOR</u>			
Lancashire CC	25.0	15.0	1.27%
		15.0	
<u>TOTAL</u>		881.2	

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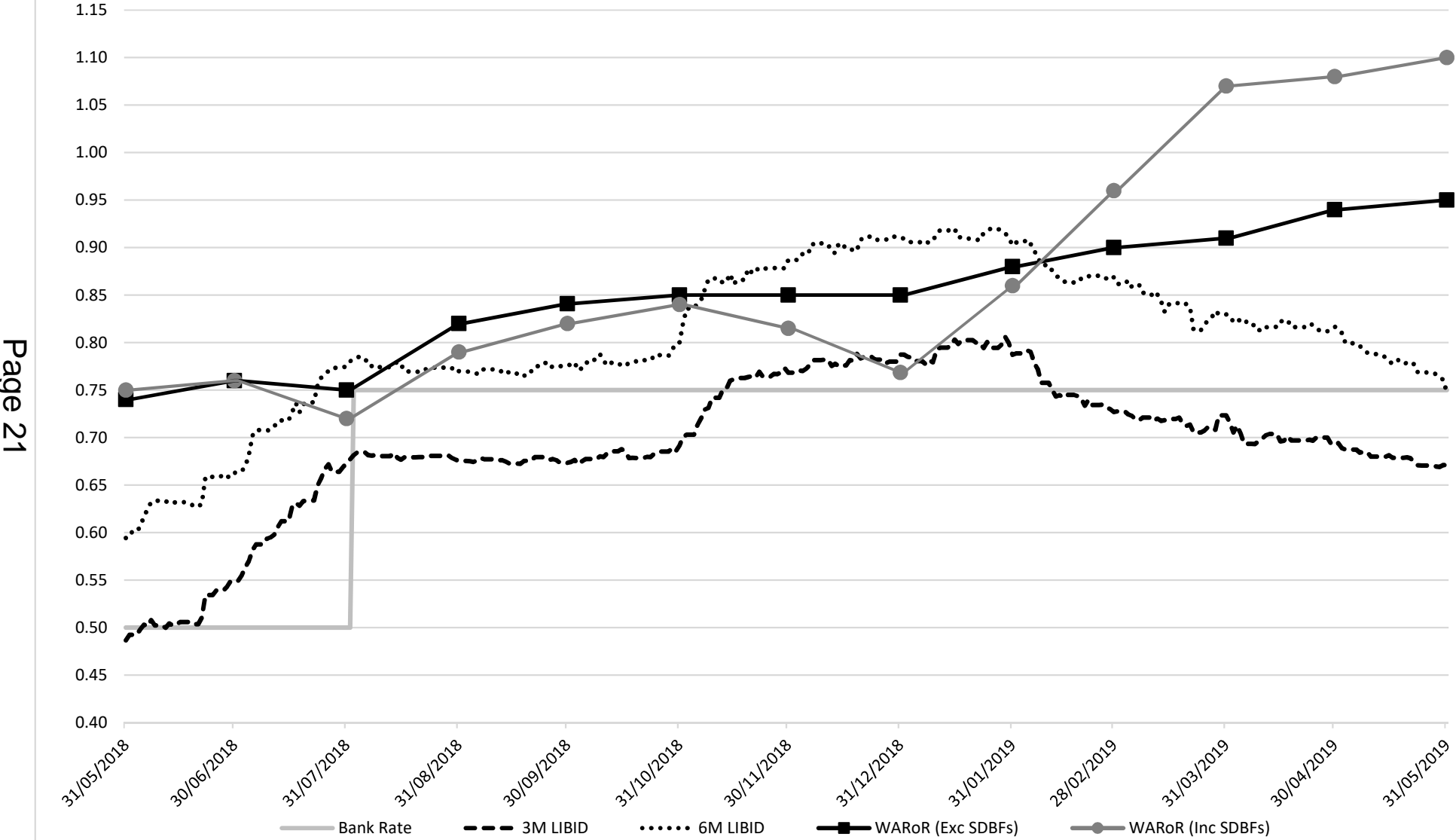
MONTH BY MONTH REPAYMENT PROFILE

	Invested as at 31-May-19 £M	Average Rate of Return %
Total	<u>881.2</u>	<u>1.10%</u>
Fixed Term Deposits		
Jun-19	15.0	
Jul-19	65.0	
Aug-19	15.0	
Sep-19	43.4	
Oct-19	65.0	
Nov-19	60.0	
Dec-19	30.0	
Jan-20	31.4	
Feb-20	20.0	
	<u>344.8</u>	1.04%
Money Market Funds	189.4	0.78%
Ultra-Short Dated Bond Fund	65.0	0.89%
Short-Dated Bond Fund	100.0	2.27%
Notice Accounts		
-Goldman Sachs 185 Days	20.0	
- Goldman Sachs 270 Days	20.0	
- Santander 95 Days	20.0	
- Santander 180 Days	30.0	
- Santander 365 Days	50.0	
- Lloyds 32 Days	22.6	
	<u>162.6</u>	1.02%
Call Accounts		
- Lloyds Same Day Access	19.4	0.65%
	<u>536.4</u>	



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Treasury Portfolio Weighted Average Rate of Return (WARoR) vs. Benchmarks



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Committee:	Date:
Financial Investment Board	03 July 2019
Subject:	Public
Risk Register for Financial Investment Board	
Report of:	For Decision
The Chamberlain	
Report author:	
James Graham – Chamberlain’s Department	

Summary

The Risk Register was presented to the Financial Investment Board for review at its meeting on 20 May 2019. Members provided feedback and requested amendments be made and for the revised Risk Register to be brought back to the next Board meeting.

A revised Risk Register incorporating amendments is included at Appendix 2 with the proposed changes highlighted. The Risk Register is reviewed semi-annually by the Financial Investment Board and more frequently by officers, who report any material changes or new risks identified in between reviews on an exceptions basis.

Recommendations

Members are asked to review the amended risks and actions for the Financial Investment Board’s revised Risk Register and confirm that appropriate control measures are in place.

Main Report

Background

1. At the meeting of the Financial Investment Board on 24 May 2019, Members reviewed the Board’s Risk Register and considered whether appropriate control measures were in place. Officers were asked to incorporate several changes to the Risk Register following feedback from Members and to bring a revised version to the next Board meeting.

Review of Risks

2. The method of assessing risk reflects the City of London’s standard approach to risk assessment as set out in its Risk Management Strategy approved by the Audit and Risk Management Committee in May 2014. The City of London Corporation risk matrix, which explains how risks are assessed and scored, is attached at Appendix 1 of this report. Risk scores range from one, being lowest risk, to the highest risk score of thirty-two. These scores are summarised into 3 broad groups, each with increasing risk, and categorised “green”, “amber” or “red”.

Amendments

3. The revised Risk Register is attached at Appendix 2 and the amendments have been highlighted. In summary, the main changes are as follows:

- a. Asset pooling risks – the governance risk associated with asset pooling in the Local Government Pension Scheme has been incorporated into the Risk Register. Under the asset pooling requirements, the London CIV will be responsible for appointing individual managers to sub-funds in which the Corporation is invested. Officers propose that the existing risk CHB FIB 06 (“Governance”) is amended to capture the Board’s exposure here. The description of the risk has been updated to highlight the need for adequate oversight of the London CIV.
 - b. Responsible investment – A new risk has been added as CHB FIB 07 (“Failure to deliver responsible investment”) to identify the possible financial and reputational damage arising from ineffective management and monitoring of the environmental, social and governance factors of investment.
 - c. Cybersecurity – Existing risks CHB FIB 03 (“Service provider failure”) and CHB FIB 04 (“Counterparty failure”) have been updated to reflect the presence of a vulnerability to cybersecurity or hacking violations amongst organisations that the Financial Investment Board depends on in order to discharge its investment responsibilities.
4. The Risk Register has not been updated to reflect the Corporation’s own exposure to cybersecurity violations, as this risk is already identified on the Corporate Risk Register as CR16 (“Information Security”). Under this risk the Corporation has noted that a breach of IT systems resulting in unauthorised access to data could result in a failure of IT infrastructure, harm to individuals, financial penalties and reputational damage. The most recent edition of the Corporate Risk Register (May 2019) states that information security projects are being delivered as planned.

Conclusion

5. The Board is requested to review the risks and confirm that appropriate control measures are in place for these risks and that there are no other risks that should be added to the Risk Register.

Appendices

- Appendix 1 - City of London Corporation Risk Matrix
- Appendix 2 – Financial Investment Board Risk Register

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Appendix 1

City of London Corporation Risk Matrix (Black and white version)

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom right (B) respectively) it is possible to calculate a risk score. For example a risk assessed as Unlikely (2) and with an impact of Serious (2) can be plotted on the risk scoring grid, top right (C) to give an overall risk score of a green (4). Using the risk score definitions bottom right (D) below, a green risk is one that just requires actions to maintain that rating.

(A) Likelihood criteria

	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10-5)	Less than one chance in ten thousand (<10-4)	Less than one chance in a thousand (<10-3)	Less than one chance in a hundred (<10-2)

(B) Impact criteria

Impact title	Definitions
Minor (1)	Service delivery/performance: Minor impact on service, typically up to one day. Financial: financial loss up to 5% of budget. Reputation: Isolated service user/stakeholder complaints contained within business unit/division. Legal/statutory: Litigation claim or fine less than £5000. Safety/health: Minor incident including injury to one or more individuals. Objectives: Failure to achieve team plan objectives.
Serious (2)	Service delivery/performance: Service disruption 2 to 5 days. Financial: Financial loss up to 10% of budget. Reputation: Adverse local media coverage/multiple service user/stakeholder complaints. Legal/statutory: Litigation claimable fine between £5000 and £50,000. Safety/health: Significant injury or illness causing short-term disability to one or more persons. Objectives: Failure to achieve one or more service plan objectives.
Major (4)	Service delivery/performance: Service disruption > 1 - 4 weeks. Financial: Financial loss up to 20% of budget. Reputation: Adverse national media coverage 1 to 3 days. Legal/statutory: Litigation claimable fine between £50,000 and £500,000. Safety/health: Major injury or illness/disease causing long-term disability to one or more people. Objectives: Failure to achieve a strategic plan objective.
Extreme (8)	Service delivery/performance: Service disruption > 4 weeks. Financial: Financial loss up to 35% of budget. Reputation: National publicity more than three days. Possible resignation leading member or chief officer. Legal/statutory: Multiple civil or criminal suits. Litigation claim or fine in excess of £500,000. Safety/health: Fatality or life-threatening illness/disease (e.g. mesothelioma) to one or more persons. Objectives: Failure to achieve a major corporate objective.

(C) Risk scoring grid

Likelihood	Impact			
	X	Minor (1)	Serious (2)	Major (4)
	Likely (4)	4 Green	8 Amber	16 Red
	Possible (3)	3 Green	6 Amber	12 Amber
	Unlikely (2)	2 Green	4 Green	8 Amber
	Rare (1)	1 Green	2 Green	4 Green
				8 Amber

(D) Risk score definitions

RED	Urgent action required to reduce rating
AMBER	Action required to maintain or reduce rating
GREEN	Action required to maintain rating

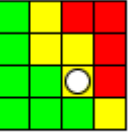
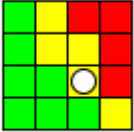
This is an extract from the City of London Corporate Risk Management Strategy, published in May 2014.

Contact the Corporate Risk Advisor for further information. Ext 1297

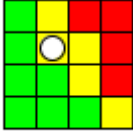


October 2015

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Report Author: James Graham

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	Current Risk score change indicator
<div style="position: absolute; left: -60px; top: 50%; transform: translateY(-50%); font-size: small;">Page 27</div> FIB FIB 01 Insufficient assets - Pension Fund, City's Cash and Bridge House Estates	<p>Cause: The asset allocation of each investment portfolio (Pension Fund, City's Cash and Bridge House Estates) are unable to fund long term liabilities and expenditure requirements due to market movements.</p> <p>Event: There are insufficient assets to meet liabilities or expenditure requirements.</p> <p>Effect: Reduced income or lower than anticipated growth which could impact on the Corporation's medium-term financial plans. Employers of the Pension Fund are required to provide further funding through contributions to finance liabilities. City's Cash and Bridge House Estates would be required to sell financial assets to fund expenditure requirements.</p>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: x-small;">Likelihood</div>  </div> <div style="display: flex; align-items: center;"> <div style="width: 20px; height: 20px; background-color: green;"></div> <div style="margin-left: 5px; font-size: x-small;">Impact</div> </div>	8	The Pension Fund's Investment Strategy review carried out in October 2017 required no changes to the Fund's existing asset allocation. It was agreed to amend the Pension Fund's absolute return target to 5.7% from 1st April 2018. City's Cash and Bridge House Estates' Investment Strategy review was carried out in March 2018 and it was agreed to amend both Fund's return target to CPI+4% from 1st April 2018. As at 28 February 2019, all funds are outperforming their absolute return targets over three years. The Pension Fund and City's Cash are ahead of the target over five years whilst Bridge House Estates is marginally behind. 20 June 2019	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: x-small;">Likelihood</div>  </div> <div style="display: flex; align-items: center;"> <div style="width: 20px; height: 20px; background-color: green;"></div> <div style="margin-left: 5px; font-size: x-small;">Impact</div> </div>	8	29-November-2019	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 01a	The Investment strategy of the Pension Fund, Bridge House Estates and City's Cash is reviewed at least every three years by the Financial Investment Board.	The Pension Fund's triennial liability valuation is carried out by the Fund's actuary as required by statute every three years and this serves as foundation for the Pension Fund's Investment Strategy, which in turn provides the basic themes and framework for the City's Cash and Bridge House Estates' Investment Strategy reviews. The Pension Fund's Investment Strategy review was completed in October 2017. The Investment Strategy review for City's Cash was completed in May 2018. For the Bridge House Estates, whilst initial work as part of the governance review has been completed further work is to be undertaken to review the investment strategy of the Charity as a whole with the support of an external consultant and this expected to be completed next year.	Caroline Al-Beyerty; Kate Limna	20-June-2019	29-November-2019
CHB FIB 01b	The investment performance of the Pension Fund, City's Cash and the Bridge House Estates is measured against absolute return targets required to meet long term objectives. This is reported to the Financial Investment Board 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.	Individual Fund investment performance is brought to each Financial Investment Board for consideration.	Kate Limna, James Graham;	20-June-2019	29-November-2019

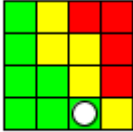
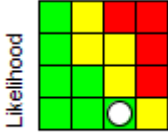

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 02 Targeted returns – Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Peter Kane	Cause: Fund managers fail to achieve the targeted investment returns because <ul style="list-style-type: none"> the Board appoints unsuitable fund managers, individual fund managers underperform against the benchmarks agreed by the Board, aggregate fund manager performance fails to achieve the Board's long-term targets Event: Failure to be seen to manage the funds responsibly. Effect: Supervisory intervention over management of the Funds. Reduced income or lower than anticipated asset growth could impact on the Corporation's medium term financial plans.	 Likelihood Impact	6	The performance of fund managers and their aggregate performance is reported against target to each Financial Investment Board. Two underperforming managers have been replaced in 2018. 20 June 2019	 Likelihood Impact	6	29-November-2019	 Constant

Page 29

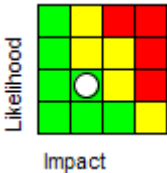
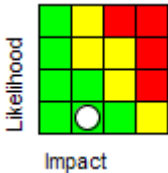
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
FIB FIB02a	Investment manager performance and their aggregate is measured against appropriate benchmarks and monitored by the Financial Investment Board throughout the year. It is supplemented by market insight from the Corporation's 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 Board deem this necessary/as required.	Alongside officers, investment consultant Mercer provide quarterly performance reviews of the Funds	Kate Limna, James Graham	20-June-2019	29-November-2019

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	Current Risk score change indicator
CHB FIB 04 Counterparty failure – Treasury Management 08-Mar-2018 Peter Kane	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.	 Likelihood	4	Treasury Management Strategy Statement was agreed at Court of Common Council on 7th March 2019. 20-June-2019	 Likelihood	4	29-November-2019	Constant

Action no	Action description	Latest Note		Action owner	Latest Note Date	Due Date
CHB FIB04a	Detailed due diligence is carried out when new counterparties are onboarded.	Independent analysis and consultation with treasury investment advisor when adding additional counterparties; most recent additions are L&G and Royal London.		Kate Limna, James Graham	20-June-2019	29-November-2019
CHB FIB04b	When lending directly to counterparties, ensure they meet the minimum credit criteria as set out in the most recent Treasury Management Strategy Statement.	Treasury Management Strategy Statement agreed by Court of Common Council on 7 th March 2019.		Kate Limna, James Graham	20-June-2019	29-November-2019
CHB FIB04c	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, also 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, James Graham	20-June-2019	29-November-2019

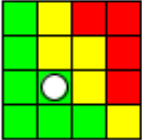
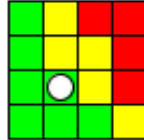
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 05 Insufficient Cash – Treasury Management 08-Mar-2018 Peter Kane	Cause: Inaccurate cash flow modelling for Corporation as a whole. Event: There is insufficient cash available to meet day to day obligations. Effect: Overdrawn position incurs unnecessary expenditure and missed payments damages the Corporations reputation.	Likelihood  Impact	4	Officers continue to maintain a cash flow model projecting the Corporation's combined known and unknown cash flow requirements for the forthcoming year on an on-going basis. 20 June 2019	Likelihood  Impact	4	29-November-2019	 Constant

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
Page 32 CHB FIB 05a	Combined cashflow daily forecast maintained to project inflows and outflows over the year forward to ensure a sufficient level of on-going liquidity. Cashflow requirement is the fundamental consideration when agreeing duration of fixed term deposits or placing capital in money market funds.	Cash flow model maintained daily, incorporating known flows and estimating payments and income of uncertain timing based on the cash flow profiles of the previous 12 months.			Kate Limna, James Graham	20-June-2019	29-November-2019

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	Current Risk score change indicator
CHB FIB 06 Governance 08-Mar-2018 Peter Kane	<p>Cause: Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc. Inadequate oversight of the operations and developments at the regional pool operator, the London CIV.</p> <p>Event: Board members and officers do not have appropriate skills or knowledge to discharge their responsibilities. Regulatory breach. The Pension Fund's pooled assets are managed inappropriately.</p> <p>Effect: Inappropriate decisions are made leading to a financial impact or a breach of legislation or service not provided in line with best practice and legal requirements. Potential regulatory fines. The financial value of the Pension Fund's assets is impaired.</p>		4	<p>Member and officer experience and knowledge was assembled as part of the MiFID II opt up process and deemed sufficient by all Fund Managers, advisors and counterparties to substantiate opt up to 'professional' client status. Members undertook treasury management training in February 2019. Members and officers monitor changes in applicable regulations.</p> <p>20 June 2019</p>		2	29-November-2019	Constant

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB FIB 06a	Training provided to Board Members on a range of investment topics and asset classes on a needs basis. Continued Professional Development (CPD) records maintained and updated annually.	Training record created in support of MiFID II application to professional client status and will be updated annually.			Kate Limna, James Graham	20-June-2019	29-November-2019
CHB FIB 06b	Job descriptions used at recruitment to attract candidates with skills and experience related to investment finance. The Corporation maintains membership of CIPFA's Pension Network, CIPFA's Treasury Management Network plus the LAPFF, LPFA and PLSA – all providing access to training opportunities via courses, seminars and conferences.	Officers continue to attend training courses, seminars and conferences where deemed appropriate to enhance understanding of markets, financial instruments, regulatory and statutory reporting issues.			Caroline Al-Beyerty; Kate Limna	20-June-2019	29-November-2019
CHB FIB 06c	Training plans in place for all staff as part of the performance appraisal arrangements, which are reviewed every six months.	Appraisals due to take place after the end of March for all staff including review of individual training requirements going forward.			Caroline Al-Beyerty; Kate Limna	20-June-2019	29-November-2019

CHB FIB 06d	External professional advice sought where required.	Investment consultants provide focused training session as and when required.	Kate Limna, James Graham	20-June- 2019	29- November- 2019
CHB FIB 06e	The Board maintains regular oversight of the London CIV	The CEO of the London CIV is to be invited to an upcoming meeting of the Board	Kate Limna, James Graham	20-June- 2019	29- November- 2019

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	Current Risk score change indicator
CHB FIB 07 Failure to deliver responsible investment 20-Jun-2019	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 Board has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment policy which also outlines the Board's approach in this area. The City of London Corporation is a signatory to the Principles for Responsible Investment through which the Board seeks to generate appropriate disclosure on ESG issues amongst its investments. The Board incorporates ESG considerations into investment manager selection and appointment criteria (most recently with the appointment of Baillie Gifford) and monitors ESG developments in its existing mandates on a quarterly basis. ESG risks are also discussed at Member and officer level meetings with managers. Furthermore the Board conducts an annual stewardship review of its investment mandates which it uses to encourage progress amongst its managers. 20 Jun 2019	Likelihood  Impact			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 Board receives an annual Transparency Report from the PRI from which it can evaluate progress against responsible investment goals.	The Board's reporting for 2018 was successfully submitted before the PRI's deadline in March 2019. The Board is currently awaiting the release of its first Transparency Report from the PRI which will be reviewed in due course.		20-Jun-2019	29-Nov-2019
CHB FIB 07b	The Board formally reviews asset stewardship across its investment mandates on an annual basis and uses the exercise encourage better ESG outcomes amongst its existing managers.	The Board received a report on its annual asset stewardship review on 20 May 2019 and agreed various follow-up actions to be undertaken amongst its investment managers which officers are currently implementing.		20-Jun-2019	29-Nov-2019
CHB FIB 07c	As part of the regular management and monitoring of investment mandates, the Board and responsible officers challenge investment managers on ESG issues arising in the portfolio. The Investment Consultant reports to the Board on its monitoring of ESG risks on a quarterly basis.	The Board continues to receive updates from the Investment Consultant on ESG monitoring. Members most recently met with investment managers Ruffer and Majedie, where the ESG factors were discussed.		20-Jun-2019	29-Nov-2019

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