



Financial Investment Board

Date: WEDNESDAY, 23 SEPTEMBER 2020

Time: 1.45 pm

Venue: <https://youtu.be/6B9HnhxUjAc>

Members: Nicholas Bensted-Smith (Chairman)
Henry Colthurst (Deputy Chairman)
Anne Fairweather
Alderman Prem Goyal
Deputy Tom Hoffman
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: 25 Nov 20 9 Feb 2021 20 May 2021

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Accessing the virtual public meeting

Members of the public can observe this virtual public meeting at the below link:

<https://youtu.be/6B9HnhxUjAc>

This meeting will be a virtual meeting and therefore will not take place in a physical location following regulations made under Section 78 of the Coronavirus Act 2020. A recording of the public meeting will be available via the above link following the end of the public meeting for up to one municipal year. Please note: Online meeting recordings do not constitute the formal minutes of the meeting; minutes are written and are available on the City of London Corporation's website. Recordings may be edited, at the discretion of the proper officer, to remove any inappropriate material.

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. RESOLUTION OF THE INVESTMENT COMMITTEE**
To receive the resolution of Investment Committee on 21 July 2020 appointing the Board and approving its terms of reference.

For Information
(Pages 1 - 6)
- 4. MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 13 July 2020.

For Decision
(Pages 7 - 10)
- 5. OUTSTANDING ACTIONS**
Report of the Town Clerk

For Information
(Pages 11 - 12)
- 6. MONTHLY INVESTMENT ANALYSIS REVIEW**
Report of the Chamberlain

For Information
(Pages 13 - 30)
- 7. END OF YEAR TREASURY MANAGEMENT REVIEW 2019/20**
Report of the Chamberlain

For Information
(Pages 31 - 36)
- 8. CLIMATE ACTION STRATEGY**
Report of the Town Clerk & Chief Executive

For Information
(Pages 37 - 74)
- 9. CITY OF LONDON PENSION FUND - INVESTMENT STRATEGY STATEMENT**
Report of the Chamberlain

For Decision
(Pages 75 - 104)

**10. LOCAL GOVERNMENT PENSIONS BOARD - PENSION FUND INVESTMENT
ACTIVITIES 1 APRIL 2019 TO 31 MARCH 2020**

Report of the Chamberlain

For Decision
(Pages 105 - 110)

11. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

12. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

13. 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

14. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

To agree the non-public minutes of the meeting held on 13 July 2020.

For Decision
(Pages 111 - 118)

15. NON-PUBLIC OUTSTANDING ACTIONS

Report of the Town Clerk

For Information
(Pages 119 - 120)

16. INVESTMENT PERFORMANCE MONITORING REPORTS

- a) **Performance Monitoring to 31 July 2020: Pension Fund**
Report of the Chamberlain

For Information
(Pages 121 - 136)

- b) **Performance Monitoring to 31 July 2020: City's Cash and Bridge House
Estates**
Report of the Chamberlain

For Information
(Pages 137 - 156)

- c) **Quarterly Monitoring Report to 30 June 2020**
Report of Mercer

For Information
(Pages 157 - 172)

17. PRI - ASSESSMENT UPDATE

Report of the Chamberlain

For Information
(Pages 173 - 206)

18. METHODOLOGY FOR CARBON FOOTPRINTING INVESTMENTS

Report of the Chamberlain

For Information
(Pages 207 - 218)

19. STEWARDSHIP PLAN - TO FOLLOW

Report of the Chamberlain

For Decision

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

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

RESOLUTION OF THE INVESTMENT COMMITTEE OF 21 JULY 2020

To: **Financial Investment Board**

23 September 2020

From: **Investment Committee**

21 July 2020

4. **APPOINTMENT OF THE BOARDS AND FREQUENCY OF MEETINGS**

The Committee considered a report of the Town Clerk seeking Members' approval on the composition, frequency of meetings, and co-option protocol for the Committee's Boards.

The Town Clerk read a list of names who had indicated their wish to serve on the Financial Investment Board. As there were 15 Members indicating their willingness to serve for 12 to 14 places, it was: -

RESOLVED – That the Financial Investment Board be expanded to 15 Members of the Investment Committee for the year ensuing; and that the following Members be appointed to the Financial Investment Board for the year ensuing:

Nick Bensted-Smith
Henry Colthurst
Anne Fairweather
Alderman Prem Goyal
Deputy Tom Hoffman
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

Election of Chairman and Deputy Chairman to the Financial Investment Board

The Town Clerk invited Members of the newly-appointed Financial Investment Board to elect a Chairman in accordance with Standing Order 29. A list of Members eligible to stand was read out and Nick Bensted-Smith, being the only Member indicating his willingness to serve, was declared to have been elected for the year ensuing.

The Town Clerk invited Members of the newly appointed Financial Investment Board to elect a Deputy Chairman in accordance with Standing Order 30. A list of Members eligible to stand was read out and Henry Colthurst, being the only Member indicating his willingness to serve, was declared to have been elected for the year ensuing.

RESOLVED - That the Investment Committee:

- a) Approve the appointment of the Financial, Property and Social Investment Boards, and that the frequency of meetings, terms of reference and co-option protocol for the Committee's Boards be approved;
- b) Appoint Alderman Robert Hughes-Penney to the Social Investment Board;
- c) Delegate authority to the Town Clerk, in consultation with the Chair and Deputy Chairman of Investment Committee, to appoint Members of the Investment Committee to the Boards where there is a vacancy and where a Member of Investment Committee expresses a willingness to serve; and
- d) Note that the Chairman and Deputy Chairman of the Investment Committee are ex-officio Members of the following Committees:
 - Policy & Resources
 - Finance

(A) Financial Investment Board

Composition

- Chairman – To be determined by the Board
- 15 Members of the Investment Committee (expanded from 12-14 Members of the Investment Committee for the ensuing year)

Quorum

Any three Members of the Board.

Terms of Reference

- a) to approve the appointment of and to monitor the performance of investment managers of the following funds:
 - i. City's Cash
 - ii. Bridge House Estate
 - iii. Pension Fund
 - iv. Charities Pool
 - v. Hampstead Heath TrustTogether with such other funds as are under the City of London Corporation's control;
- b) to review the investment strategy for the securities investments of the Pension Fund, City's Cash, Bridge House Estates, Hampstead Heath Trust Fund and the Charities Pool;
- c) to authorise investments and approve the overall parameters within which the investment fund managers will be authorised to operate;
- d) to invest all new monies in respect of the Pension Fund and the Charities Pool;
- e) to invest such other sums as are from time to time allocated for this purpose;
and
- f) to monitor the activities of the Chamberlain in connection with his role as banker to the City of London Corporation.

There is provision within the Investment Committee's Terms of Reference to enable the Chairman of the Financial Investment Board to report on and speak to their activities and responsibilities in the Court of Common Council and to ensure that any decisions are taken without undue delay.

Financial Investment Board

Members appointed by Investment Committee 2020/21

Nick Bensted-Smith (Chairman)
Henry Colthurst (Deputy Chairman)
Anne Fairweather
Alderman Prem Goyal
Deputy Tom Hoffman
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

Protocol for co-option to the Financial Investment Board, the Property Investment Board and the Social Investment Board

1. The Financial Investment Board, the Property Investment Board and the Social Investment Board are empowered to co-opt people with relevant expertise or experience, including non-Members of the Court of Common Council, to assist in their deliberations.
2. The arrangements for co-option and the co-opted membership of individuals to the Financial Investment Board, the Property Investment Board and Social Investment Board will be reviewed on an annual basis at the May meeting of the Investment Committee (and thereafter at the first meetings of the respective Boards).
3. Whilst being conscious of expertise and any required skill sets, Members should consider the gender (sex) and ethnic mix of the relevant Board when proposing co-options, and should seek to introduce new and talented people, from diverse backgrounds, who could make a contribution to the work of the Boards.
4. Members of the Court of Common Council can be co-opted to the Financial Investment Board, the Property Investment Board or the Social Investment Board by agreement of the relevant Board, following proposal of the co-option at a meeting of the Board.
5. When suggesting external individuals with relevant expertise or experience for co-option, Members of the Financial Investment Board, the Property Investment Board or the Social Investment Board will be required to:-
 - a. send a written request for co-option to the Town Clerk, specifying whom it is proposed should be co-opted to either the Financial Investment Board or the Property Investment Board or the Social Investment Board and the reasons for their co-option;
 - b. send a CV or supporting statement, for the individual being suggested for co-option, to the Town Clerk. Bearing in mind the Board's terms of reference, the letter and supporting statement or CV should demonstrate the individual's relevant skills and experience.
6. For the Standards Committee, is it considered inappropriate for past Members of the Court of Common Council or former City Corporation employees to be eligible to serve as [independent] outside members and Members will need to consider if the same conditions should apply in respect of co-option to the Financial Investment Board, the Property Investment Board and Social Investment Board. It would be inappropriate for a close friend or relative of any Member or officer to serve or indeed an employee of any organisation of which the City Corporation is a client.
7. The Town Clerk will consult the relevant Chief Officer to discuss the co-option request and will, if necessary, prepare a report for the next meeting of the

respective Board. Members of the respective Board will then be asked to consider the co-option request.

8. Unless co-option is time-banded or topic/project restricted, co-opted Members of the Financial Investment, the Property Investment Board and Social Investment Board will be entitled to attend all meetings of the respective Board for a maximum of 12 months (prior to the annual review in May) and to receive all committee-related documentation, including exempt papers, unless otherwise determined by the Town Clerk in consultation with the relevant Chief Officer.
9. The Financial Investment Board, the Property Investment Board and the Social Investment Board are empowered to approve their own co-opted membership (majority vote) without prior consultation with, or agreement by, the Investment Committee. The Town Clerk will inform the Chairman and Deputy Chairman of the Committee once a Board has agreed co-option of an individual.
10. Co-opted Members would not have voting rights.
11. Co-opted Members of the Financial Investment Board, the Property Investment Board and Social Investment Board will be required to complete a Register of Interest form and declare personal and prejudicial interests when in attendance at meetings.

FINANCIAL INVESTMENT BOARD **Monday, 13 July 2020**

Minutes of the virtual meeting of the Financial Investment Board held on Monday, 13 July 2020 at 1.45 pm

Present

Members:

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

Officers:

Peter Kane	- Chamberlain
Kate Limna	- Chamberlain's Department
James Graham	- Chamberlain's Department
Divindy Grant	- Chamberlain's Department
Lucy Tusa	- Mercer
Joseph Anstee	- Town Clerk's Department
James Gibson	- Town Clerk's Department

At the start of the meeting, the Chairman welcomed Members and those watching the live broadcast of the meeting via YouTube, before reminding Members of the guidance circulated for the conducting of remote meetings.

The Board then welcomed Lucy Tusa, representing Mercer, to the meeting.

1. APOLOGIES

Apologies for absence were received from Alderman Robert Hughes-Penney and Deputy Clare James.

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

There were no declarations.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED - That the public minutes and non-public summary of the meeting held on 3 June 2020 be agreed as a correct record.

4. **OUTSTANDING ACTIONS**

The Board received a list of outstanding actions. The Chairman advised that the Risk Register was on the agenda for the meeting, and that the Board would now provide an update to the Local Government Pensions Board in September, due to the cancellation of the Local Government Pensions Board's July meeting.

RESOLVED – That the report be noted.

5. **RISK REGISTER FOR FINANCIAL INVESTMENT BOARD**

The Board considered a report of the Chamberlain reviewing the Financial Investment Board's risk register. The Chairman introduced the item and advised that further amendments had been made to the Risk Register following discussion at the last Board meeting. In response to a question from a Member, the Chamberlain confirmed that the target score for risk CHB FIB 07 had been omitted in error, but was the same as the current score.

A Member suggested that there may be a bigger risk around targeted returns than was currently set out, due to the volatility of markets and capital. Whilst it was not necessarily a red risk, the Board could consider amending the risk scores.

In response to a question from a Member, the Chamberlain explained that whilst the overall maturity of the Pension Fund was monitored, and a cash balance of around £5 million held as a liquidity buffer, which was also monitored, there was no formal Treasury Management strategy specifically for the Pension Fund. The Chairman added that this would be a logical point for the Board to discuss, and requested that this be added to the Outstanding Actions list to be brought back to the Board for consideration.

RESOLVED – That the Financial Investment Board:

- a) Note the existing risks and actions present on the Financial Investment Board's Risk Register, and confirm that appropriate control measures are in place;
- b) Confirm that there are no further risks relating to the services overseen by the Financial Investment Board; and
- c) Request that officers amend the Register as suggested ahead of the Board's next scheduled review in November.

6. **MONTHLY INVESTMENT ANALYSIS REVIEW**

The Board received a report of the Chamberlain concerning the monthly investment analysis review for May 2020. The Board noted the current investment list, total investment values and average rate of return set out in the report.

The Deputy Chairman raised the possibility of introducing an overall limit on Local Authority lending in addition to the counterparty limit of £25 million. The

Chamberlain advised that an overall limit was applied to other types of lending, and if agreed, could be incorporated to the Treasury Management Strategy and reported to the Court of Common Council for ratification.

In response to a question from a Member, the Chamberlain advised that whilst the Board received treasury management advice from Link Asset Services and a number of appointed fund managers used Link Fund Solutions, there was no conflict of interest for the City of London Corporation arising from any potential legal procedure against Link Fund Solutions as administrator of the Woodford Equity Income Fund.

RESOLVED – That the Financial Investment Board:

- a) Note the report; and
- b) Recommend an overall limit of £250 million for Local Authority lending be incorporated into the Treasury Management Strategy.

7. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

9. 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
10 – 18	3
19 – 20	-

10. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

RESOLVED – That the non-public minutes of the meeting held on 3 June 2020 be agreed as a correct record.

11. NON-PUBLIC OUTSTANDING ACTIONS

The Board received a list of non-public outstanding actions.

12. SIR WILLIAM COXEN TRUST FUND PERFORMANCE MONITORING TO 31 MARCH 2020

The Board considered a report of the Chamberlain.

13. PENSION FUND STRATEGY REVIEW

a) **Pension Fund - Rebalancing of the Multi Asset Allocation**

The Board considered a report of the Chamberlain.

- b) **Pension Fund Investment Strategy Review Update**
The Board received a report of Mercer.
- 14. **GREEN FINANCE WORKSHOP UPDATE**
The Board considered a report of the Chamberlain.
 - a) **Green Finance Workshop Update**
The Board received a report of the Chamberlain.
 - b) **Stewardship and Climate Action Strategy**
The Board considered a report of the Chamberlain.
- 15. **INVESTMENT PERFORMANCE MONITORING REPORTS**
 - a) **Performance Monitoring to 31 May 2020: Pension Fund**
The Board received a report of the Chamberlain.
 - b) **Performance Monitoring to 31 May 2020: City's Cash and Bridge House Estates**
The Board received a report of the Chamberlain.
- 16. **2020 STEWARDSHIP ASSESSMENT**
The Board considered a report of the Chamberlain.
- 17. **HAMPSTEAD HEATH TRUST & CHARITIES POOL INVESTMENT PERFORMANCE MONITORING TO 31 MARCH 2020**
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 no 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 no other business.

The meeting ended at 2.56 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.	13 July 2020	Risk Register	Corporate Treasurer / Town Clerk	Nov 2020	An updated Risk Register will be brought to the Board at its next scheduled review (November 2020).
2.	11 February 2020	Local Government Pensions Board	Corporate Treasurer / Town Clerk	Sept 2020	Officers to provide a note on the Board's activities to the Local Government Pensions Board on behalf of the Financial Investment Board.
3.	13 July 2020	Pension Fund Treasury Management	Corporate Treasurer	Sept 2020	To consider whether a formal TM Strategy is required for the Pension Fund to mitigate the risk of insufficient Cash – CHB FIB 05. This is covered within the Pension Fund ISS which is on today's agenda

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City of London Corporation

Monthly Investment Analysis Review

July 2020

Monthly Economic Summary

General Economy

The UK Flash (i.e. provisional) Manufacturing PMI rose to 53.6 in July from June's final release of 50.1, pointing to the strongest pace of expansion in manufacturing since 2019 following the easing of lockdown. Similarly, the Flash Services PMI rose to 56.6 in July from 47.1 in May, signalling the first expansion in service sector output since lockdown measures were put in place in March. As a result of these increases, the Composite PMI (which incorporates both sectors) reached 57.1 in July compared to 47.7 in June, easily beating market expectations of 51.1. As such, these figures point to the strongest month of expansion in the private sector since June 2015, suggesting that the reopening of many businesses in June has led to a respectable recovery from the downturn caused by the pandemic. Near term economic prospects were also underpinned further by the measures announced in the Chancellor's Summer Statement, which come into effect in August. The construction PMI, meanwhile, which is released one month behind the others, surged to 55.3 in June from an all-time low of 28.9 in April, signalling the steepest increase in construction output since July 2018, with residential construction work expanding by the most in almost five years.

Mirroring the recovery referred to above, GDP expanded by 1.8% m/m during May - although it remained 24% below its year ago level. The contraction of the economy by a record 19.1% during the three months to May, meanwhile, revealed the extent to which government restrictions to combat the coronavirus pandemic have dramatically reduced economic activity. The positive contribution made by the external sector to UK growth was revealed by the £4.3 billion trade surplus recorded in May, which was the second largest on record, as exports rose 3.5% m/m and imports fell 1.7% m/m.

Despite GDP having contracted by 19.1% in the three months to May, the unemployment rate remained at 3.9% during the same period, beating market expectations of a rise to 4.2%, as the government's Coronavirus Job Retention Scheme helped fund employees' wages during lockdown. However, the 126,000 fall in employment, which was the most since 2011, the fall in job vacancies to a record low 333,000 and the fall in total weekly hours worked by a record 175.1 million hours compared to last quarter, all painted a much bleaker picture. Mirroring this weakness, average earnings excluding bonuses rose just 0.7% y/y in the three months to May, down from 1.7% y/y in the three months to April.

Consumer Price Inflation edged up to 0.6% y/y in June from a four-year low of 0.5% y/y in May, exceeding market expectations of 0.4%, with the main upward contributions coming from computer game and console prices, as people sought entertainment during lockdown. Similarly, the core inflation rate - which strips out the more volatile components like energy, food and alcoholic beverages - rose to 1.4% y/y in June from 1.2% y/y in May, with the monthly rate rising to 0.2% from a flat reading in May. With inflation still well below its 2% target, there are unlikely to be calls for the Bank of England's Monetary Policy Committee to tighten monetary policy by raising the Bank Rate from 0.1% during their forthcoming August meeting.

Buoyed by increases of 45.5% and 21.5% in non-food and fuel stores sales respectively, retail sales rose by 13.9% m/m in May, beating market expectations of an 8% rise. As a result, retail sales have now recorded successive monthly increases, following an upwardly revised 12.3% m/m rise during May, continuing their recovery from the sharp fall recorded in March and April. However, sales remain 0.6% lower than in February (prior to the coronavirus pandemic) and 1.6% lower than a year ago. The GfK Consumer Confidence Index, meanwhile, rose 3 points to -27 in July, suggesting that consumers appear to be slightly more confident as

City of London Corporation

Current Investment List

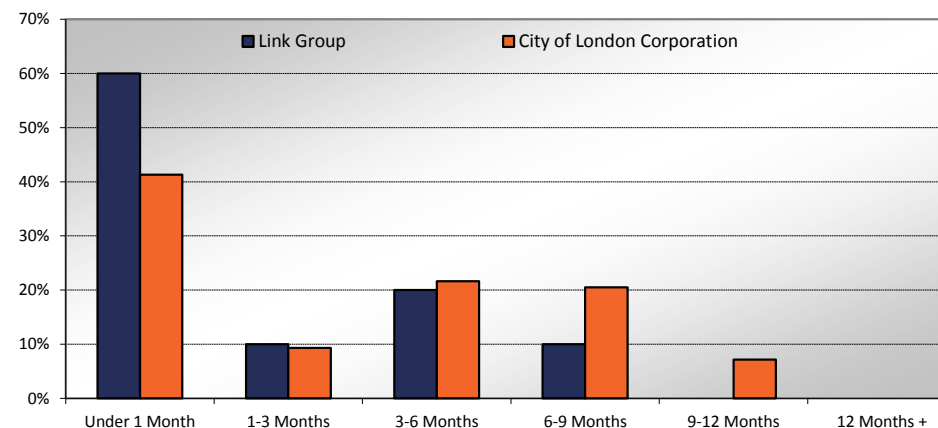
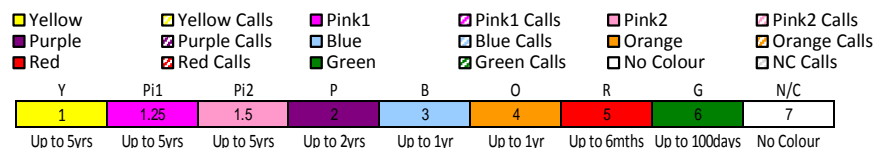
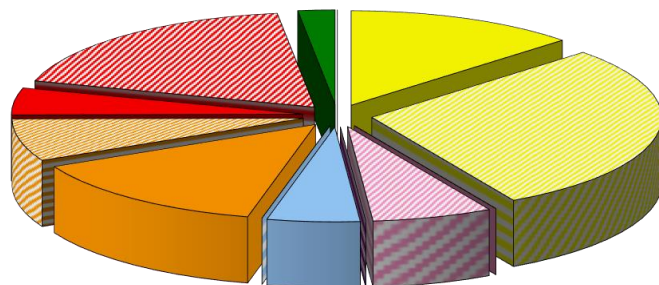
	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
	MMF Aberdeen Standard Investments	78,100,000	0.17%		MMF	AAA	0.000%
	MMF CCLA	10,000,000	0.19%		MMF	AAA	0.000%
	MMF Deutsche	41,400,000	0.11%		MMF	AAA	0.000%
	MMF Federated Investors (UK)	54,000,000	0.15%		MMF	AAA	0.000%
	MMF Invesco	99,200,000	0.18%		MMF	AAA	0.000%
	USDBF Aberdeen Standard Investments	5,000,000	0.83%		USDBF	AAA	0.000%
	USDBF Federated Sterling Cash Plus Fund	5,000,000	0.66%		USDBF	AAA	0.000%
	USDBF Payden Sterling Reserve Fund	55,000,000	1.02%		USDBF	AAA	0.000%
	Lloyds Bank Plc (RFB)	20,000,000	1.10%	06/08/2019	06/08/2020	A+	0.001%
	London Borough of Haringey	5,000,000	0.95%	14/02/2020	14/08/2020	AA-	0.001%
	Plymouth City Council	10,000,000	0.92%	14/02/2020	14/08/2020	AA-	0.001%
	Australia and New Zealand Banking Group Ltd	10,000,000	0.80%	17/02/2020	17/08/2020	A+	0.002%
	National Westminster Bank Plc (RFB)	10,000,000	0.95%	01/11/2019	28/08/2020	A	0.004%
	Plymouth City Council	10,000,000	0.95%	23/12/2019	23/09/2020	AA-	0.004%
	London Borough of Waltham Forest	5,000,000	0.80%	30/04/2020	30/09/2020	AA-	0.004%
	Goldman Sachs International Bank	20,000,000	1.04%	02/01/2020	02/10/2020	A+	0.009%
	National Westminster Bank Plc (RFB)	20,000,000	0.93%	06/01/2020	06/10/2020	A	0.010%
	Fife Council	6,000,000	0.95%	29/01/2020	29/10/2020	AA-	0.006%
	Barclays Bank Plc (NRFB)	25,000,000	1.01%	29/10/2019	29/10/2020	A	0.013%
	London Borough of Waltham Forest	5,000,000	0.85%	30/04/2020	30/10/2020	AA-	0.006%
	Lloyds Bank Plc (RFB)	10,000,000	1.10%	01/11/2019	02/11/2020	A+	0.014%
	Santander UK Plc	20,000,000	0.50%		Call95	A	0.014%
	Lloyds Bank Plc (RFB)	20,000,000	0.30%		Call95	A+	0.014%
	Lloyds Bank Plc (RFB)	15,900,000	1.10%	04/11/2019	04/11/2020	A+	0.014%
	Lloyds Bank Plc (RFB)	20,000,000	1.10%	06/11/2019	06/11/2020	A+	0.014%
	London Borough of Southwark	15,000,000	0.85%	11/05/2020	11/11/2020	AA-	0.007%
	Lloyds Bank Plc (RFB)	20,000,000	1.10%	27/11/2019	27/11/2020	A+	0.017%
	Lloyds Bank Plc (RFB)	20,000,000	1.10%	27/12/2019	29/12/2020	A+	0.022%
	Lloyds Bank Plc (RFB)	10,000,000	1.10%	02/01/2020	04/01/2021	A+	0.023%
	Australia and New Zealand Banking Group Ltd	10,000,000	0.98%	06/01/2020	06/01/2021	A+	0.023%
	Leeds Building Society	20,000,000	0.30%	14/07/2020	14/01/2021	A-	0.024%
	Santander UK Plc	30,000,000	0.60%		Call180	A	0.026%
	Australia and New Zealand Banking Group Ltd	50,000,000	0.40%		Call185	A+	0.027%
	Goldman Sachs International Bank	20,000,000	1.00%		Call185	A+	0.027%
	Goldman Sachs International Bank	20,000,000	0.99%		Call185	A+	0.027%
	Goldman Sachs International Bank	20,000,000	1.00%		Call185	A+	0.027%
	Northumberland County Council	5,000,000	1.00%	27/02/2020	25/02/2021	AA-	0.014%
	Birmingham City Council	15,000,000	1.20%	28/02/2020	26/02/2021	AA-	0.014%
	Stockport Metropolitan Borough Council	15,000,000	1.05%	28/02/2020	26/02/2021	AA-	0.014%
	Birmingham City Council	10,000,000	1.20%	02/03/2020	01/03/2021	AA-	0.014%

City of London Corporation

Current Investment List

	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
	Manchester City Council	25,000,000	1.20%	26/03/2020	25/03/2021	AA-	0.016%
	Goldman Sachs International Bank	20,000,000	0.96%		Call270	A+	0.039%
	National Westminster Bank Plc (RFB)	20,000,000	0.42%	03/07/2020	05/07/2021	A	0.049%
	Santander UK Plc	50,000,000	0.75%		Call365	A	0.053%
	Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		
	L&G	75,000,000	2.44%				
	ROYAL LONDON	75,000,000	2.45%				
	Total Investments	£1,124,600,000	0.90%				
	Total Investments - excluding Funds	£974,600,000	0.66%				0.013%
	Total Investments - Funds Only	£150,000,000	2.45%				

Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = **2.80**

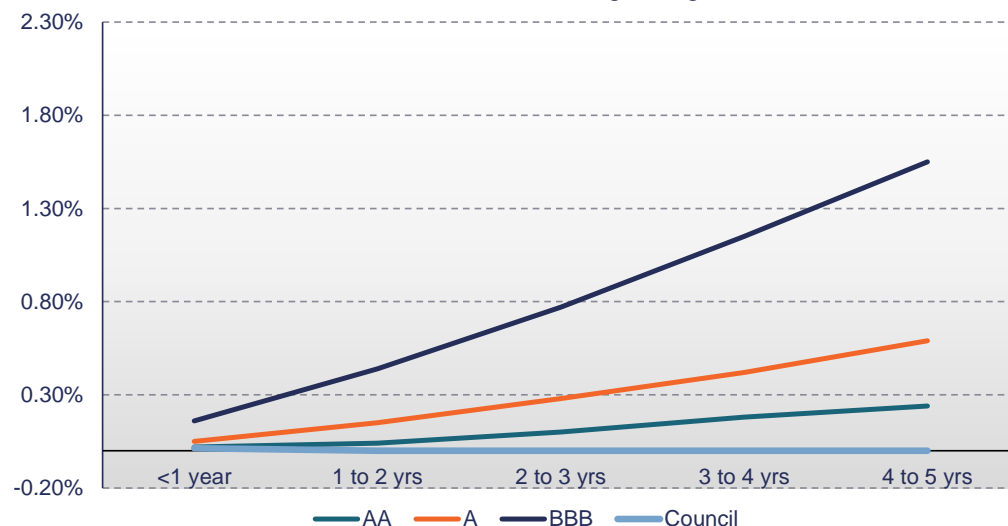
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

		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		41.94%	£408,700,000	69.17%	£282,700,000	29.01%	0.43%	46	91	151
Pink1		0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0
Pink2		6.67%	£65,000,000	100.00%	£65,000,000	6.67%	0.98%	0	0	0
Purple		0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0
Blue		5.13%	£50,000,000	0.00%	£0	0.00%	0.73%	168	317	168
Orange		21.13%	£205,900,000	34.00%	£70,000,000	7.18%	0.83%	119	287	98
Red		23.09%	£225,000,000	80.00%	£180,000,000	18.47%	0.85%	202	252	78
Green		2.05%	£20,000,000	0.00%	£0	0.00%	0.30%	167	184	167
No Colour		0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0
		100.00%	£974,600,000	61.33%	£597,700,000	61.33%	0.66%	103	177	126
										316

City of London Corporation

Investment Risk and Rating Exposure

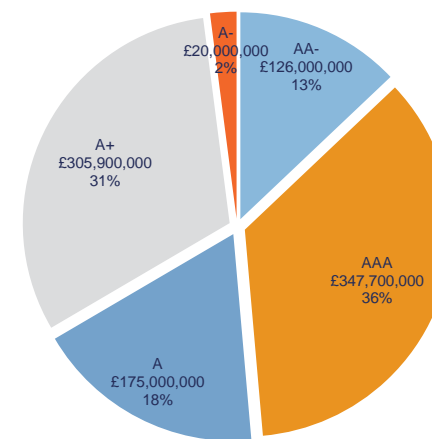
Investment Risk Vs. Rating Categories



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%	0.000%	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
10/07/2020	1769	Clydesdale Bank PLC	United Kingdom	The Long Term Rating was removed from Negative Watch and placed on Negative Outlook. At the same time the Viability Rating was removed from Negative Watch.

City of London Corporation

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
10/07/2020	1768	Co-Operative Bank Plc (The)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Positive.

City of London Corporation

Monthly Credit Rating Changes
S&P

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

Whilst Link Group makes every effort to ensure that all the information it provides is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. All information supplied by Link Group should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision. The Client should not regard the advice or information as a substitute for the exercise by the Client of its own judgement.

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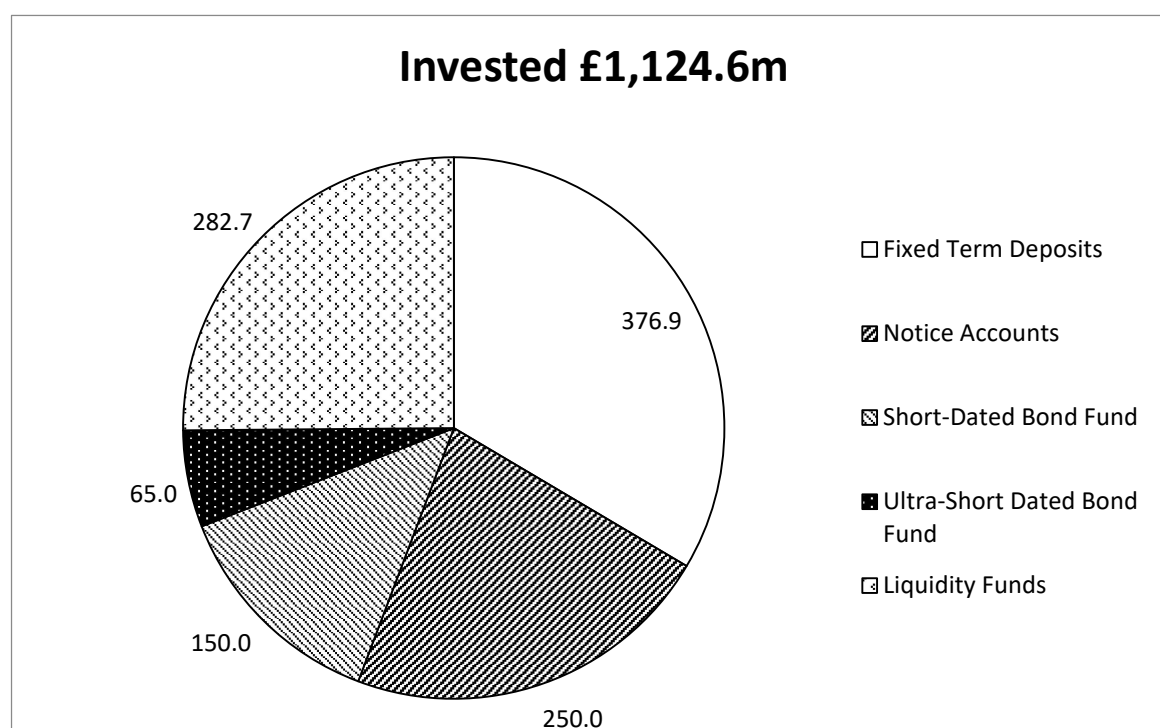
MONTHLY INVESTMENT REVIEW AS AT 31 JULY 2020

	Counterparty Limit	Total Invested as at 31-Jul-20	Average Rate of Return
	£M	£M	%
<u>TOTAL INVESTED</u>		<u>1,124.6</u>	<u>0.90%</u>
<u>FIXED TERM DEPOSITS</u>			
<u>UK BANKS</u>			
Barclays	100.0	25.0	1.01%
Goldman Sachs	100.0	20.0	1.04%
Lloyds	150.0	115.9	1.10%
NatWest	100.0	50.0	0.73%
		<u>210.9</u>	
<u>BUILDING SOCIETIES</u>			
Leeds	20.0	20.0	0.30%
		<u>20.0</u>	
<u>FOREIGN BANKS</u>			
Australia & New Zealand	100.0	20.0	0.89%
		<u>20.0</u>	
<u>LOCAL AUTHORITIES</u>			
Birmingham City	25.0	25.0	1.20%
Fife Council	25.0	6.0	0.95%
LB Haringey	25.0	5.0	0.95%
LB Southwark	25.0	15.0	0.85%
Manchester CC	25.0	25.0	1.20%
Northumberland CC	25.0	5.0	1.00%
Plymouth CC	25.0	20.0	0.93%
Stockport CC	25.0	15.0	1.05%
LB Waltham Forest	25.0	10.0	0.83%
		<u>126.0</u>	
<u>LIQUIDITY FUNDS</u>			
Aberdeen SLI Liquidity Fund	100.0	78.1	0.17%
CCLA - Public Sector Deposit Fund	100.0	10.0	0.19%
Deutsche Global Liquidity Fund	100.0	41.4	0.11%
Federated Prime Liquidity Fund*	100.0	54.0	0.15%
Invesco Sterling Liquidity Fund	100.0	99.2	0.18%
		<u>282.7</u>	
<u>ULTRA SHORT DATED BOND FUNDS</u>			
Payden Sterling Reserve Fund	100.0	55.0	1.02%
Aberdeen SLI Short Duration Fund*	100.0	5.0	0.83%
Federated Sterling Cash Plus Fund*	100.0	5.0	0.66%
		<u>65.0</u>	
<u>SHORT DATED BOND FUNDS</u>			
L&G	100.0	75.0	2.44%
Royal London	100.0	75.0	2.45%
		<u>150.0</u>	
<u>NOTICE ACCOUNTS</u>			
Australia and New Zealand 185 Days Account	100.0	50.0	0.40%
Goldman Sachs 185 Days Account	100.0	20.0	1.00%
Goldman Sachs 185 Days Account	100.0	20.0	0.99%
Goldman Sachs 185 Days Account	100.0	20.0	1.00%
Goldman Sachs 270 Days Account	100.0	20.0	0.96%
Lloyds 95 Days Account	150.0	20.0	0.30%
Santander 95 Days Account	100.0	20.0	0.50%
Santander 180 Days Account	100.0	30.0	0.60%
Santander 365 Days Account	100.0	50.0	0.75%
		<u>250.0</u>	
<u>TOTAL</u>		<u>1,124.6</u>	

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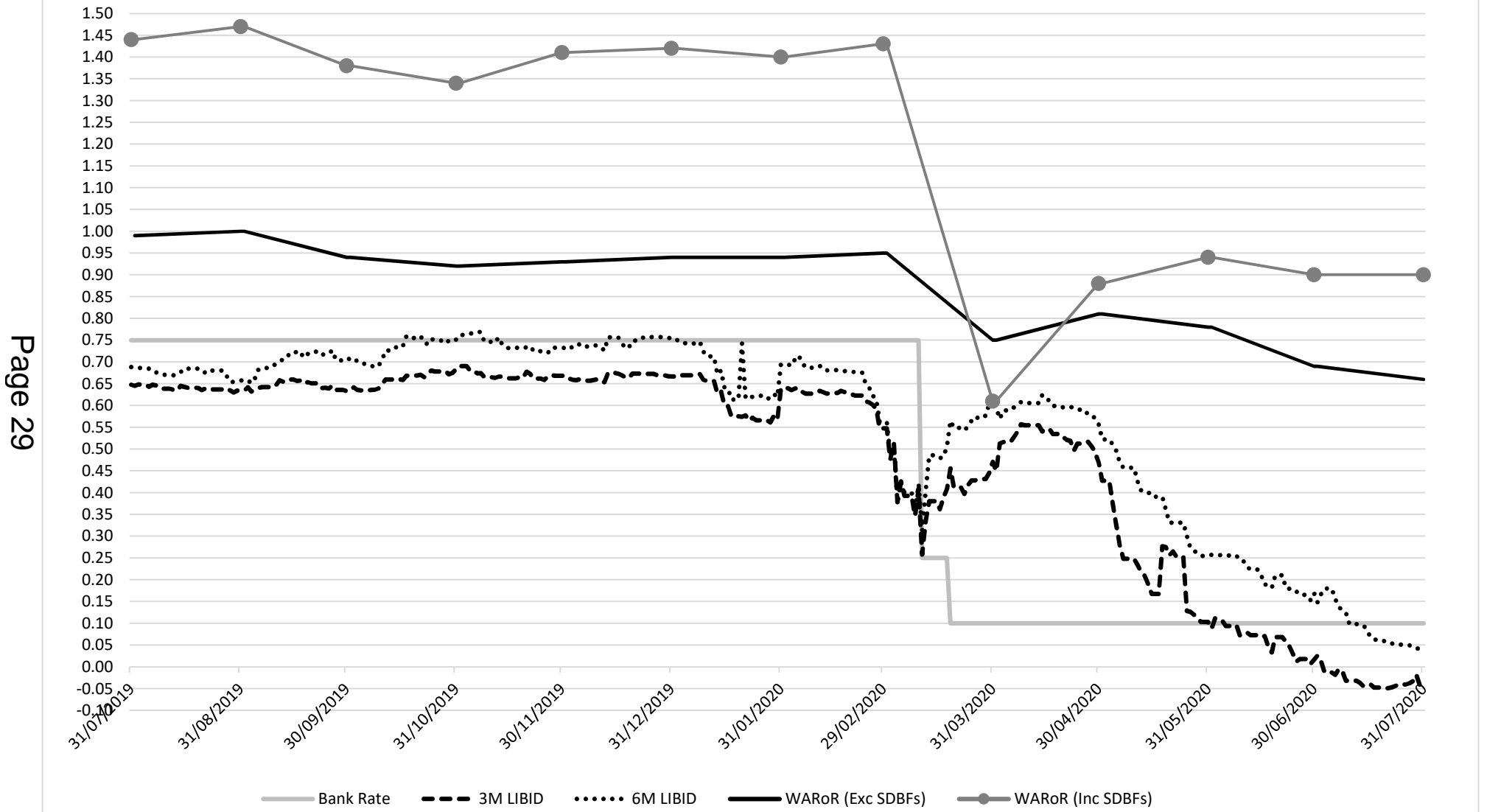
MONTH BY MONTH REPAYMENT PROFILE

	Invested as at 31-Jul-20 £M	Average Rate of Return %
Total	1,124.6	0.90%
Fixed Term Deposits		
August 2020	55.0	
September 2020	15.0	
October 2020	76.0	
November 2020	80.9	
December 2020	20.0	
January 2021	40.0	
February 2021	35.0	
March 2021	35.0	
July 2021	20.0	
	376.9	0.97%
Liquidity Funds	282.7	0.16%
Ultra-Short Dated Bond Fund	65.0	0.98%
Short-Dated Bond Fund	150.0	2.45%
Notice Accounts		
- ANZ 185 Days	50.0	
- Goldman Sachs 185 Days	60.0	
- Goldman Sachs 270 Days	20.0	
- Santander 95 Days	20.0	
- Santander 180 Days	30.0	
- Santander 365 Days	50.0	
- Lloyds 95 Days	20.0	
	250.0	0.68%
	747.7	



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



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Committee:	Date:
Financial Investment Board Audit and Risk Management	23 September 2020 3 November 2020
Subject:	Public
End of Year Treasury Management Review 2019/20	
Report of:	For Information
The Chamberlain	
Report author:	
James Graham – Chamberlain's Department	

Summary

The Treasury Management Strategy Statement for 2019/20 was approved by the Financial Investment Board and the Finance Committee in February 2019 and by the Court of Common Council on 7 March 2019.

Under CIPFA's Code of Practice on Treasury Management, which was adopted by the Court of Common Council on 3 March 2010, there is a requirement to provide an end of year report. The main points to note are as follows:

- As at 31 March 2020, the City had treasury balances totalling some £1,014.7m. The majority of these balances are held for payment to third parties or are restricted reserves.
- Cash balances increased by £148.8m over the course of the year, which is largely due to the receipt of borrowing proceeds in the period relating to City's Cash.
- Short term investment returns continue to be low, and have decreased further in the year following the Bank of England's decision to decrease its base rate on 11 March 2020 (to 0.25%) and 19 March 2020 (to 0.10%). Previously, the level had been held at 0.75% since 2 August 2018.
- The investment of funds during the year conformed to the approved strategy and there were no liquidity difficulties or breaches of the approved creditworthiness policy.
- In October, the Government increased the interest rate payable on new loans from the Public Works Loan Board from 0.8% above gilt yields to 1.8% above gilt yields.
- The treasury management strategy remained the same throughout 2019/20.

Recommendation

Members are asked to note the report.

Main Report

Introduction

1. The City of London Corporation (the City) is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
2. The Treasury Management Strategy Statement (TMSS) for 2019/20 was approved by the Financial Investment Board (12 February 2019), Finance Committee (19 February 2019) and the Court of Common Council (7 March 2019). During 2019/20 the Financial Investment Board received investment analysis reports at each Board meeting.

Overall Treasury Position as at 31 March 2020

3. The City's treasury position at the start and end of 2019/20 was as follows:

Table 1	31/03/19 Principal £m	Rate/ Return %	Average Life Yrs	31/03/20 Principal £m	Rate/ Return %	Average Life Yrs
Fixed rate funding						
- PWLB	0			0		
- Market	0			0		
	0			0		
Variable rate funding						
- PWLB	0			0		
- Market	(125.0) ⁽ⁱ⁾			(250.0) ⁽ⁱⁱ⁾		
	(125.0)			(250.0)		
Total debt	(125.0)			(250.0)		
Total investments	865.9	0.97	0.21	1,014.7	0.63	0.39
Net Investments	745.9			764.7		

(i) Bridging facility for City's Cash drawn down March 2019

(ii) Private Placement (£250m) for City's Cash drawn down September 2019, followed by repayment of the bridging facility in September 2019.

The Strategy for 2019/20

4. Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that the Bank of England's base rate (Bank Rate) would stay at 0.75% during 2019/20 and would only rise gradually to 1.0% during 2020.

5. Short term interest rates were relatively stable for most of the year until the emergence of Covid-19 in early 2020. The Bank of England acted to stimulate the economy by reducing rates twice in March 2020, first reducing Bank Rate from 0.75% to 0.25% and then again to 0.10%, causing investment rates to fall sharply.
6. The City's treasury cash continues to be invested in a diversified balanced portfolio commensurate with proper and prioritised levels of security and liquidity.
7. There were no changes to the TMSS during the year.
8. The 2019/20 TMSS also included a number of prudential and treasury indicators for the year which are shown in Appendix 1. The City complied with all indicators in 2019/20.

The Borrowing Requirement and Debt

9. UK gilt yields were on a declining trend throughout 2019/20. Yields momentarily spiked in March during the severe downturn in financial markets brought about by the emergence of Covid-19 but quickly reversed as investors sought safe haven assets. The Bank of England has loosened monetary policy in an attempt to protect the economy which has helped to suppress borrowing costs and in spite of the Government's historically significant increase in fiscal activity in response to Covid-19, yields have remained low.
10. However, action taken by HM Treasury during the year has raised the cost of borrowing for local authorities. In October 2019, the Government increased the margin over gilt yields used to set Public Works Loan Board (PWLB) loans from 80 basis points to 180 basis points. The Treasury has since consulted on the future lending arrangements of the PWLB (a consultation in which the City participated) and it is expected that the Government will review the increase in the margin above gilts used to price PWLB loans following the implementation of new lending arrangements. The consultation makes clear that the Government intends to prevent local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.
11. The 2019/20 TMSS highlighted a future borrowing requirement for both City's Cash and City Fund as a result of the City's capital plans. During 2019/20 City's Cash issued £450m of market debt of which £250m was received in September 2019 with the remaining £200m deferred until July 2021. The first £125m of this market debt was immediately used to repay the borrowing facility of £125m taken out in March 2019.
12. No external borrowing was undertaken by the City Fund during the 2019/20, and actual capital expenditure in that year (£53m) was lower than anticipated in the 2019/20 TMSS (£211m). The City Fund's capital financing requirement is expected to increase in the next few years as a result of the planned capital expenditure and it is likely that at least a portion of this borrowing need will be met through internal borrowing. This strategy remains prudent in the current interest rate environment given the City Fund's cash balances. However, the Chamberlain will continue to

monitor the outlook for interest rates to ensure the borrowing strategy remains appropriate.

13. Bridge Houses Estates did not enter into any borrowing during the year.

Investment Outturn for 2019/20

14. **Investment Policy** – the City's investment policy is governed by MHCLG guidance on Local Government Investments and the CIPFA Treasury Management Code which has been implemented in the annual investment strategy approved by the Court of Common Council on 7 March 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.)

15. Investment returns remained historically low during 2019/20. Rates were largely stable, if on a generally declining trend through much of 2019, experiencing brief periods of limited volatility in the context of political developments concerning Brexit. However, rates dropped sharply in March 2020 with the emergence of the global coronavirus pandemic as a clear "risk-off" attitude prevailed amongst investors. By the end of the year some of these declines had been reversed as a result of liquidity shortages but the policy action undertaken to by the Bank of England to protect the economy (the Bank reduced Bank Rate twice in March from its previous level of 0.75% to where it currently stands at 0.10%) has led to a fall in sterling money market rates.

16. The City's overall return on cash under management for 2019/20 was 0.63%, which compares to a return of 0.97% in 2018/19 and a budgeted assumption of 0.50%.

17. Returns are comprised of both interest earned on deposits and the gains and losses on the market value of the Corporation's short dated and ultra-short dated bond funds. This latter component had a significant negative impact on overall returns at the end of the year as the short dated bond fund investments, in particular, were subject to high levels of volatility in March 2020 as credit spreads widened materially and bond values declined. The values of the short-dated bond funds have recovered entirely since 31 March 2020.

18. The investment activity during the year conformed to the approved strategy, and the City of London had no liquidity difficulties.

Conclusion

19. Treasury management activities over the past financial year were carried out in accordance with the 2019/20 TMSS, which remained unchanged over the course of the year. Investment returns remained at historically low levels and were further reduced in March following the Bank of England's monetary stimulus.

20. City's Cash issued £450m of market debt, £200m of which is deferred until July 2021, to support capital expenditure. The temporary borrowing facility of £125m entered into in March 2019, was repaid in full.

Appendices

Appendix 1 – Treasury Indicators

James Graham

Group Accountant (Pensions and Treasury Management)

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Appendix 1

Treasury Indicators

TABLE 1: TREASURY MANAGEMENT INDICATORS	2018/19	2019/20	2019/20
	Actual	Estimate	Actual
	£'000	£'000	£'000
Authorised Limit for external debt -			
Borrowing	£0	£0	£0
other long term liabilities	£13,888	£13,770	£13,770
TOTAL	£13,888	£13,770	£13,770
Operational Boundary for external debt -			
Borrowing	£0	£0	£0
other long term liabilities	£13,888	£13,770	£13,770
TOTAL	£13,888	£13,770	£13,770
Actual external debt	£0	£0	£0
Upper limit for total principal sums invested for over 364 days (per maturity date)	£0m	£300m	£0m

TABLE 2: Maturity structure of fixed rate borrowing during 2019/20	upper limit	lower limit
under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	0%

Committee	Date
Property Investment Board with Corporate Assets Sub Committee (<i>For Information</i>)	19 August 2020
Resource Allocation Sub Committee (<i>For Decision</i>)	7 September 2020
Planning & Transportation Committee (<i>For Information</i>)	8 September 2020
Procurement Sub Committee (<i>For Information</i>)	9 September 2020
Open Spaces Chairs (<i>For Information</i>)	9 September 2020
Projects Sub Committee (<i>For Information</i>)	15 September 2020
Corporate Asset Sub Committee (<i>For Information</i>)	15 September 2020
Property Investment Board (<i>For Information</i>)	16 September 2020
Resource Allocation Sub Committee (<i>For Decision</i>)	18 September 2020
Port Health & Environmental Services Committee (<i>For Information</i>)	22 September 2020
Finance Investment Board (<i>For Information</i>)	23 September 2020
Policy & Resources Committee (<i>For Decision</i>)	24 September 2020
Court of Common Council (<i>For Decision</i>)	8 October 2020
Subject Climate Action Strategy	Public
Report of The Town Clerk & Chief Executive	
Report Author Damian Nussbaum, Director of Innovation & Growth	For Decision

Summary

This paper contains a scoped and costed Climate Action Strategy for the City of London Corporation, to be considered by the Policy & Resources Committee in September and the Court of Common Council in October 2020. It presents:

- i. **Appendix 1:** The proposed Climate Action Strategy;
- ii. **Appendix 2:** Action sets by committee; and
- iii. **RASC Confidential Appendix 3:** Resource Allocation Sub Committee only with an approach to funding the strategy.

The proposed strategy has three, interlinked primary objectives for the City Corporation and the Square Mile: to support the achievement of net zero emissions, to build resilience and to champion sustainable growth.

Climate Action is an extension of our work to advance London and UK as centre for excellence in green finance. Championing sustainable growth is therefore already core to the work done across the City Corporation. It is also an integral part of our work under the Responsible Business Strategy (2018-23). This paper therefore focuses on the other two primary objectives:

- Net zero: mitigating the impact of climate change by achieving net zero emissions for the City Corporation and the Square Mile; and

- Resilience: ensuring our buildings and public realm are resilient to the more extreme weather conditions that are going to occur.

Founded on science-based targets, rather than simply a call to action, the proposed strategy sets out a vision and goals for the next two decades. The City Corporation would be committing to:

- 1. Achieve net zero emissions by the end of:**
 - **2025 for the City Corporation's direct emissions**
 - **2040 in the City Corporation's wider value chain**
- 2. Achieve net zero in the Square Mile's direct and indirect emissions, excluding those resulting from investment activity.**
- 3. Further reduce climate-related risks by strengthening climate resilience of the Square Mile and the City Corporation's assets to extreme weather conditions and rising sea levels.**

To do this, we will cut the emissions associated with our direct activities such as buildings, and business. We will also tackle indirect emissions that are associated with our purchased goods and services, and our investments and other parts of our value chain. We will optimise the role of our open spaces and the public realm in removing carbon and as places for people and nature. We will work with our partners across the Square Mile to build upon our efforts to increase climate resilience and reduce risks posed by climate change. And we will maximise how net zero and resilience mutually reinforce each other, especially with respect to buildings.

The Climate Action Strategy introduces a new and permanent way of working for the City Corporation, where all decision-making integrates considerations of the risks and opportunities associated with climate change. It reinforces existing City Corporation strategies and will be pivotal to achieving the outcomes at the heart of the Corporate Plan (2018-23). As much as the overarching strategy addresses the next 20 years, the baselines, action plan and targets will be reviewed and refreshed every five years to drive transparent performance tracking and accountability. Learning on which actions and interventions are most efficiently driving impact will be incorporated on a more frequent basis.

Through this strategy, we will secure and strengthen our market position globally as a financial centre. Locally, we will ensure the competitiveness of our buildings, investment properties and public spaces as attractive places to work, live, study and visit, both now and in the future.

Though focused on tackling climate change, the strategy's impact will be wider. It will support the economy. It will enhance the physical environment and open spaces. And it will benefit individuals through creating jobs and improving air quality. More immediately, it will also ensure that the City Corporation has a strong platform to present at the Green Horizon Summit in November, one year ahead of the United Nations annual climate meeting, COP26.

Recommendations

Planning & Transportation Committee, Resource Allocation Sub Committee, Procurement Sub Committee, the Open Spaces Chairs, Projects Sub Committee, Corporate Asset Sub Committee¹, Port Health & Environmental Services Committee and Finance Investment Board are recommended to:

- i. Note the report, the draft strategy at **Appendix 1** and the action sets by committee at **Appendix 2**.

Resource Allocation Sub Committee only is also recommended to:

- ii. Consider the options for funding the additional budget required to deliver the strategy, shown at **Confidential Appendix 3**, and decide which to recommend to the Policy & Resources Committee for approval.

Main Report

Background

1. In June 2020, Policy & Resources Committee agreed that a Climate Action Strategy should be presented to the Committee in September, and the Court of Common Council in October, for approval. Building on a series of studies which reported in June/July, there has been intensive work over the summer to develop the strategy, so that it is impactful, affordable and deliverable.
2. The City Corporation's approach to developing this strategy has been set out in previous public papers and is summarised in the strategy at **Appendix 1**.

Current position

3. The baseline position, describing current and projected resilience risks, emissions sources and carbon removal capacity for the City Corporation and Square Mile, was shared with Members at a briefing in May and is also summarised in the strategy at **Appendix 1**.
4. With enormous financial pressures, affordability is critical. Initial indications pointed to additional spending of £100m-£120m for the remaining four years of the Medium-Term Financial Plan (MTFP). Over the summer, departments across the City Corporation have worked at pace to strengthen the financial modelling, strip out costs and both reprioritise and align with existing programmes. Members have also looked at how to achieve the outcomes while managing cost and risk. As a result, the additional envelope for the MTFP amounts to an annual cost of £15m capital and £2m revenue. (N.B. These figures were being finalised at the time of submission and will be confirmed in the confidential appendix on funding options.)

¹ Property Investment Board reviewed the information presented here at their 19 August meeting and agreed the actions associated with the Investment Property Estate.

5. There is also a major financial upside. These capital investments will also bring major reductions in energy costs. In the case of the owned/operated properties, this will drive down future revenue requirements, as less money is spent on energy. This has the potential to save £3.5m per annum in future revenue costs. Equally, on the investment property estate, the reduction in energy costs amounts to £2m per annum. This offers an opportunity to enhance yields/values. Given time lags, these reductions are excluded from the funding options.

Options

6. Funding options are set out in **Confidential Appendix 3**, for consideration for Resource Allocation Sub Committee, only, so that it can put forward its recommendation to Policy & Resources Committee.

Proposals

7. Proposed actions for the first five years of the strategy are set out at **Appendix 2** to inform relevant committees before these are put to Policy & Resources Committee for decision.

Public and stakeholder engagement

8. The engagement plan, approved by Policy & Resources Committee in June 2020, has three phases. Phase 1 – April to June 2020 – involved workshops with expert officers and external technical experts, written submissions from stakeholder groups and a survey of businesses about their climate action plans.
9. Phase 2 – mid-July to the end of August 2020 – broadened out the opportunity to share views to the wider public by means of an online survey on a dedicated web portal. Its purpose was to check levels of priority and the feasibility of potential options with our stakeholders and to gather contact details and followers in preparation for phase 3. At the time of drafting, over 2600 people had responded to the survey. 16% were residents, 44% were workers, 20% were visitors, 4% were students and 8% work at the City Corporation. 77% said climate change should be extremely important to the City Corporation. More information is available on request.
10. Phase 3 will commence with the launch of the strategy following approval by the Court of Common Council and continue for the duration of the strategy. Its purpose is to support implementation and local action.

Next steps

11. The governance timetable is set out in the title box of this report. If Policy & Resources Committee and the Court of Common Council approve and endorse this strategy, the cross-departmental officer team will firm up detailed action plans and key performance indicators for the first period of the strategy, taking

us up to 31 March 2025 . The first step is to ensure the financials and actions are embedded in departmental budgets and Business Plans.

12. Governance and accountabilities will also be firmed up within the revised governance arrangements and operating model, which will also underpin a comprehensive approach to capability. This offers opportunities to work more effectively across the City Corporation and improve how we drive performance. Funding will be released as and when sufficient controls – clear targets, transparency on outcomes and accountability – are demonstrably in place. And we will report annually on progress.

Corporate & Strategic Implications

13. Strategic Implications – This strategy complies with the latest climate science necessary to meet the goals of the Paris Climate Agreement (2015) and is complementary to London-wide and national efforts to reduce emissions and improve resilience of our communities and urban spaces. This includes the draft London Plan, GLA London City Resilience Strategy 2020, the London Councils' Leaders' commitment to a 'green recovery', the UK Committee on Climate Change, Climate Risk Assessment 2017 and National Adaptation Programme, as well as the landscape of policies set out by government.
14. It is integral to achieving economic, societal and environmental outcomes in the Corporate Plan, 2018-23. As stated above, it builds upon existing strategies and policies, including: The Responsible Business Strategy 2018-23, the Responsible Investment Policy, the City Procurement Strategy 2020-24, the Local Plan 2015, the draft City Plan 2036, the Transport Strategy 2018-43, the Air Quality Strategy 2015-20, the Climate Mitigation Strategy, the Carbon Descent Plan, the Transition to a Zero Emission Fleet Policy, the Renewable Electricity Policy & Sourcing Strategy and related campaigns, such as Plastic Free City. It is aligned to ongoing reviews of our financial and property investment portfolios and is influencing the development of the Bridge House Estates Strategy 2020-45 which is proceeding in parallel through governance.
15. Financial Implications – The additional envelope for the MTFP amounts to an annual cost of [£15m] capital and [£2m] revenue. Proposals on Climate Action beyond this MTFP will be brought to Members in the usual way, and savings made following investment in this first period should offset future investment requirements.
16. Resource Implications – Implementing the strategy will require changes in capability, capacity and culture. This will include expertise and skills sets in some areas that the City Corporation does not currently have. But it will be critical to the deliverability of the strategy that there is not only the funding for the capital works, but the capability to manage these projects successfully. Resource and capability requirements are being built into the new operating model. Any additional resources are included in the funding calculations or will be absorbed into existing budgets.

17. Risk Implications – This strategy is primarily focused on addressing risks to the competitiveness and physical environment of the Square Mile. These relate to unavoidable climatic events impacting critical infrastructure and natural resources, financial risk from decreased value of assets or opportunity loss and reputational risks from both operational failure and failing to adapt to UK and global decarbonisation commitments. Residual risks relate to successful implementation. These will be explored by means of a ‘deep dive’ discussion at Audit & Risk Management Committee on 1 October 2020, to provide additional assurance to the Court.
18. Legal Implications – There are no legal implications at this stage as recommendations are compliant with legislation, including the City Corporation’s obligations under the UK Climate Change Act (revised 2019), which has enshrined in law both a target of net zero emissions by 2050 and requirements for measures for climate adaptation (improved resilience). It is however highly likely that contracts and contract changes will result from the proposed actions.
19. Equalities Implications – A Test of Relevance was undertaken on the options put forward for consideration to Resource Allocation Sub Committee in June 2020. The purpose was to identify any potential detrimental impact on the nine protected groups defined in the Equality Act 2010. It showed that people in at least one of the following five protected groups - age, disability, race, pregnancy/maternity and gender - would be likely to benefit from actions set out in this strategy. This is due to the emphasis on improvements in air quality, the public realm and indoor comfort and on reducing fuel poverty. The widening of pavements would be expected to lead to an enhanced feeling of safety for all. No negative impacts were identified. Equalities analysis will be carried out throughout implementation so that any negative impacts can be mitigated and opportunities for positive impacts exploited.
20. The public survey included standard demographic questions to enable equality analysis. No statistically significant differences in feedback from the groups was identified. In terms of reach, 6% of visits to the website and survey used the Bengali translated site. Due to the timing and ongoing disruption at educational facilities, under 25 representation was low. This will be addressed in phase 3.
21. Security Implications – There are no security implications arising from the recommendations in this report.
22. Climate Implications – This section will be added to all committee papers seeking decisions going forward.

Conclusion

23. The Climate Action Strategy offers the City Corporation a unique opportunity to act decisively in responding to climate change – a key challenge of our time – while managing costs. The strategy has the potential to be a defining cross-Corporation policy. Founded on science-based targets, rather than simply a call to action, it will ensure that the City Corporation has a credible approach to climate action that is impactful, affordable and deliverable. This will allow us to protect our physical and financial assets for decades to come. It also positions the City to seize the opportunities presented by the transition to a low-carbon economy.

Appendices

1. The Draft Climate Action Strategy (2020-2040)
2. Action Sets by Committee
3. Confidential Funding Options (for Resource Allocation Sub Committee only)

Damian Nussbaum

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The City of London Corporation's Climate Action Strategy 2020-2040

**Draft 0.5
August 2020**

Who we are

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK.

The Square Mile is the historic centre of London and is home to the ‘City’ – the financial and commercial heart of the UK. Our reach extends far beyond the Square Mile’s boundaries and across private, public and charitable and community sector responsibilities. This, along with our independent and non-party political voice and convening power, enables us to promote the interests of people and organisations across London and the UK and play a valued role on the world-stage.

What we can do

In the context of climate action, this means we can support the achievement of net zero¹, build climate resilience and champion inclusive and sustainable growth to achieve a truly sustainable City. We will do this by means of the following actions that we committed to in our [Corporate Plan, 2018-23](#), against which we drive our performance. We will...

1. Build climate resilience by...

- Building resilience to natural and man-made threats by strengthening, protecting and adapting our infrastructure directly and by influencing others.
- Protecting consumers and users of buildings, streets and public spaces.
- Preparing our response to natural and man-made threats.

2. Support the achievement of net zero by...

- Influencing UK and global policy and regulation and international agreements to protect the environment.
- Providing environmental stewardship and advocacy, in use of resources, emissions, conservation, greening, biodiversity and access to nature.
- Providing thriving and biodiverse green spaces and urban habitats.
- Providing a clean environment and driving down the negative effects of our own activities.

3. Champion sustainable growth by...

- Providing world-class spaces for businesses and markets to thrive.
- Modelling new ways of delivering inclusive and sustainable growth.
- Supporting organisations in pioneering preparing for and responding to changes in regulations, markets, products and ways of working.
- Supporting, celebrating and advocating for responsible practices and investments.

¹ See Glossary on Page 6

Why us, why now?

[Foreword - To be finalised post approval by RASC and edited by comms team prior to seeking approval from the appropriate Members.]

The City of London Corporation's core purpose is to promote the long-term interests of the City and thereby support the UK's economy. We have long been champions of sustainability – playing a key role in bringing in the Clean Air Act 1956, as the first local authority to develop a climate change adaptation strategy in 2010 and, more recently, supporting the growth of the UK's green finance sector.

Scientific evidence tells us the climate is already changing and that we need to act now if we are to limit global warming to 1.5 degrees and thereby avoid the more extreme effects of climate change. This means we need to commit to achieving net zero and to ensuring the Square Mile, and our assets outside it, are resilient to more extreme weather events. Acting now is key both to securing and advancing our market position globally as a financial centre and to ensuring the competitiveness of our buildings, investment properties and public spaces as attractive places to work, live, study and visit, both now and in the future.

It is not the case that we need to compromise the economy to fix the environment - in reality, climate action will drive growth and jobs. Now, in order to remain relevant and be commercially viable, we need to be responsible and resilient. What used to be 'green finance' is fast becoming the only option for the financial and professional services sector.

Founded on science-based targets, rather than simply a call to action, our Climate Action Strategy aims to ensure the Square Mile and City Corporation make a positive contribution to tackling climate change, are resilient to the risks it poses and seize the opportunities presented by the transition to a net zero economy.

This is one of the defining cross-City Corporation policy approaches supporting delivery of our Corporate Plan, 2018-23. But we cannot do this alone. This strategy sets out how we will work in partnership with City stakeholders to develop the solutions to tackle climate change and build back better following the pandemic, making sure no one is left behind.

We invite you to work with us as we adapt our physical and financial assets so that our society can flourish for decades to come.

[Insert photo and signature]

[Insert photo and signature]

The Rt Hon. The Lord Mayor,
Alderman William Russell

Catherine McGuinness
Chair of the Policy & Resources Committee

Introduction

This document sets out the City of London Corporation's Climate Action Strategy for 2020-2040. This work is integral to achieving the economic, societal and environmental outcomes described in the Corporate Plan, 2018-23, and will underpin all decision-making at the City Corporation from 2020 to 2040.

It has been developed to comply with the latest climate science necessary to meet the goals of the Paris Climate Agreement (2015)² and meet our obligations under the UK Climate Change Act (revised 2019), which has enshrined in law both a target of net zero emissions by 2050 and measures for climate adaptation (improved resilience). It is complementary to London-wide and national efforts to reduce emissions and improve resilience of our communities and urban spaces. Crucially this includes the draft London Plan, GLA London City Resilience Strategy 2020, the London Councils' Leaders' commitment to a 'green recovery', the UK Committee on Climate Change, Climate Risk Assessment 2017 and National Adaptation Programme, as well as the landscape of policies set out by government.

In this way it sets us up to play our part globally, to help the UK reap the benefits of transitioning to a low-carbon economy, to address risks to the Square Mile and the City Corporation and to achieve better outcomes for people and business.

Clearly, we cannot do this alone. We must demonstrate robust climate action ourselves and share our methodology with, and learn from, others on this journey. So, in developing this strategy, we have focused on achieving best practice with our evidence-based approach, the range of physical risks and the breadth of emission sources we will address.

Our evidence-based approach

This strategy brings together numerous related City Corporation strategies, policies and campaigns – from our Local Plan and Responsible Business Strategy through to our Clean City Awards – and builds on the momentum, progress and lessons learned so far. See the 'Our baseline' section for more information on achievements to date.

To understand how far we had come already and what is left to do, we commissioned experts to investigate our current and future resilience levels, carbon emissions and capacity for removing carbon from the atmosphere. We followed the leading global standards and best-practice guidelines in developing our approach.

We explored resilience risks with the sectors and organisations that our economic growth is built upon, from utilities and transport providers through to financial and professional services and our cultural sector. Together, we identified what is needed for the Square Mile to continue to compete successfully in the face of climate change. And we asked the public how important climate action is to them, what they would like to see happen and what they would be willing to do themselves. Three-quarters of respondents said climate change should be extremely important to us. Together, this provided the evidence base upon which we built our action plan and the data we need to set and track stretching but reachable targets, and test and learn as we go. It also means that rather than picking one date as our net zero target, we

² See Glossary at Page 6

have identified separate targets for the Square Mile, the City Corporation and types of emissions.

The breadth of emission sources we will address

Many organisations and authorities focus on driving down the emissions they have most control over – scope 1 and 2. Addressing scope 3 can be daunting as it covers everything an organisation buys, sells, invests in, leases to others and disposes of as well as commuting and business travel. But for organisations and financial centres like ours, scope 3 makes up a large portion of the total carbon footprint – and measuring it can lead to the design of innovative solutions to lower carbon emissions significantly.

We have included scope 1, 2 and 3 emissions to take ownership, show leadership and to illustrate how others can make this standard practice. This can make it appear that we are larger emitters than our comparators that have not included as full a picture of scope 3 in their data. We will continue to enhance our understanding of scope 3 data with our partners and keep pushing for standardisation of reporting to ensure everyone addresses their total carbon footprint effectively.

Whatever action we and others take, we still need to prepare for hotter drier summers, warmer wetter winters, more frequent extreme weather events and rising sea levels. As we do this, we will go beyond mitigation and seize opportunities to make positive changes that mean that everyone benefits from climate action.

[Here we will use an infographic showing how risks can become opportunities:

- Risks to health, wellbeing and productivity from high temperatures
 - Risk of shortages in the public water supply
 - Flooding of communities, businesses and infrastructure
 - Risks to ³natural capital, including terrestrial and freshwater ecosystems, soils and biodiversity
 - Threats to food production and trade
 - New and emerging pests and diseases, and invasive non-native species, affecting people, plants and animals.
-
- Fewer people living in fuel poverty
 - Benefits to health, wellbeing and productivity from climate action
 - More and better space for people and nature, and biodiversity
 - A resilient global business environment in the face of climate impacts
 - Benefits over other global financial centres which will face more extreme challenges
 - Job creation
 - Reductions in insurance premiums and support for the City's Insurance sector
 - Reduction in unnecessary use of resources (water, food) and generation of waste and use of natural capital (greening rather than air con to reduce temperatures)]

³ See Glossary on Page 6

Glossary

BASIC+ emissions include those from within the Square Mile from stationary energy, transportation and waste, as well as transboundary transportation, industrial processes and product use and the agriculture, forestry and land use sectors. It does not include emissions from investments.

Carbon removal is the process by which a **carbon sink**, such as forestry, reduces the amount of greenhouse gases in the atmosphere.

Circular economy principles means keeping resources in use for as long as possible, extracting the maximum value from them whilst in use, then recovering and regenerating products and materials at the end of each service life.

Climate resilience is the ability to anticipate, prepare for and respond to hazardous events, trends or disturbances related to climate. (Centre for Climate and Energy Solutions)

Ecosystem services are benefits to humans from the natural environment and from healthy ecosystems.

GHGs means greenhouse gases - the emissions responsible for global warming.

ktCO₂ is the unit of measurement for GHG emissions. It standardises greenhouse gases into units of kilo-tonnes of carbon dioxide equivalent (ktCO₂e).

A **low-carbon economy** is simply an economy that causes low levels of GHG emissions compared with today's carbon-intensive economy. 'Carbon' refers to carbon dioxide, the GHG which contributes the most to climate change. The low-carbon economy can be seen as a step in the process towards a zero-carbon economy. (Science Direct)

Natural capital refers to the stock of natural resources, which includes geology, soils, air, water and all living organisms.

Net zero emissions is a state where annual residual GHG emissions are completely cancelled out through offsetting or removed through carbon dioxide removal or emissions removal measures. It is also referred to as carbon neutrality. (C40 Cities Climate Leadership Group, Defining Carbon Neutrality for Cities & Managing Residual Emissions, April 2019)

Science-based / Paris-aligned (Science-Based Target Setting Manual, April 2020) GHG emissions reduction targets are considered "science-based" if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Climate Agreement 2015 - to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

For an organisation: (Carbon Trust definitions)

Scope 1 means direct emissions from owned or controlled sources

Scope 2 means indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company

Scope 3 means all other indirect emissions that occur in a company's value chain

For a city:

Scope 1 means direct emissions from within the geographical boundary

Scope 2 means indirect emissions from within the geographical boundary

Scope 3 means all other direct emissions from outside the geographical boundary

Our baseline [using mainly infographics]

Supporting the achievement of net zero

The City Corporation has achieved a 19% reduction in energy consumption within our operational sites since 2008 (using data from 2018/19) and since 2018 100% of the electricity we have purchased has been renewable.

We bought six new electric vehicles and eight new hybrid vehicles in 2018/19 and installed 20 new electric vehicle charging points as part of the City's "Transition to a Zero Emission Fleet" policy.

The Square Mile has achieved a 55% reduction in Scope 1 and 2 emissions since 2008 (using data from 2018/19). This has been assisted by our ambitious planning requirements which have led to 75% of new commercial developments with over 20,000m² floorspace achieving at least a BREEAM 'Excellent' rating since 2014.

Where the City Corporation's emissions come from

Where the Square Mile's emissions come from

How we remove carbon from the atmosphere

We look after over 11,000 acres of green spaces across London and its green belt. This equates to approximately 5,500 football pitches. This natural capital not only provides valued space for people and nature but also currently removes **416 ktCO₂ per year**. This is equivalent to 40% of the City Corporation's scope 1 and 2 emissions.

Building resilience

The City Corporation has long used its planning powers to implement a range of resilience measures in the Square Mile. These include green roofs, urban greening, landscaping, flood resilience and climate resilient new buildings.

As of 2020, the Square Mile has 42,600m² of green roof, up from 11,200 m² in 2005. This is set to increase to 65,800m² by 2024 through planning permissions in the current pipeline.

Championing sustainable growth

The UK is the only global financial centre that is also a leading centre for green finance, topping both conventional and 'green' rankings. UK market players are most committed to sustainable principles and the regulatory context is both favourable and innovative. The London Stock Exchange is the 'greenest' main stock exchange across all global financial centres and the UK is best placed to produce talent that is trained and skilled in sustainability matters.

⁴ See Glossary on Page 6

Our climate vision, aims and goals

Our vision

The City of London is competitive, sustainable and resilient.

Our aims

- 1) To support the achievement of net zero
- 2) To build climate resilience
- 3) To champion sustainable growth.

Our goals

For the City of London Corporation

- A. City of London Corporation scope 1 and 2 emissions are net zero by 2025 and scope 3 emissions are net zero by 2040.
- B. The City of London Corporation and its assets are resilient to climate change.
- C. The City of London Corporation influences UK and overseas organisations to become climate responsible.

For the Square Mile's fabric and function

- D. The Square Mile's scope 1, 2 and 3 emissions (BASIC+ definition) are net zero by 2040.
- E. The Square Mile's buildings, public spaces and infrastructure are resilient to climate change.

For society

- F. People in the Square Mile and beyond benefit from a cleaner, greener and safer environment and job creation.

The first 5 years

Reinforcing and building on the commitments we made in our Corporate Plan (2018-23) to make sure we're doing all we can to reach our goals, we commit to:

- Identifying measurable targets to track performance against our goals
- Keeping our actions and targets in line with changing legislation and recommendations, for example from the Intergovernmental Panel on Climate Change, the Committee on Climate Change and the UK Government
- Working with our stakeholders and partners and listening to their ideas, experiences and views
- Ensuring that vulnerable groups who are most likely to be impacted by climate change are prioritised in our decision making
- Accessing the best evidence of our impact possible so we can learn and hone our actions as we go
- Reporting publicly to our committees and via published annual reports and
- Reviewing and refreshing the action plan every five years and re-baselining regularly.

The actions and targets set out below therefore only relate to the first five years of the strategy – **up to the end of March 2025**.

To support the achievement of net zero

Our goals are...	Actions we will take are...	We will assess our impact by measuring...
B. City of London Corporation scope 1 and 2 emissions are net zero by 2025 and scope 3 emissions are net zero by 2040.	<p>Transform the energy efficiency of our operational buildings through the adoption of best available technologies</p> <p>Maximise the use of renewable energy sources across our operational buildings</p> <p>Introducing new land management practices across our open spaces aiming to maximise their ability to remove carbon, and optimise their biodiversity and resilience value</p> <p>Aligning our financial investment portfolio with the goals of the Paris Agreement on climate change</p>	

	<p>Embedding circular economy⁵ principles into our capital projects using life cycle carbon and cost assessment techniques</p> <p>Accelerating the move to net zero carbon and energy efficient tenanted buildings, working closely with tenants to achieve shared goals</p> <p>Strengthening our supplier engagement to drive performance and innovation in delivering low carbon, sustainable products and solutions</p>	
E. The Square Mile's scope 1, 2 and 3 emissions (BASIC+ definition) are net zero by 2040.	<p>Working with businesses and organisations to develop collaborative solutions to improve the energy efficiency of buildings in Square Mile</p> <p>Developing a Square Mile renewable energy strategy to support others to transition to renewable energy.</p> <p>Using our planning role to influence others to embed carbon analysis and circular economy principles in capital projects</p> <p>Advocating for the importance of green spaces as natural carbon sinks, and their contribution to biodiversity and overall wellbeing</p> <p>Supporting organisations in the Square Mile to build circular, low-carbon and resilient supply chains</p>	<p>Tonnes of carbon is removed from the atmosphere</p> <p>Percentages of low-carbon and circular buildings in existing stock and new builds</p> <p>Percentage of Square Mile businesses committed to transition to low-carbon</p>

To build climate resilience

Our goals are...	Actions we will take are...	We will assess our impact by measuring...
A. The City of London Corporation and its assets are resilient to climate change.	Build on our existing work to develop an early warning system, and clear resilience strategies for pests and diseases across our ports and markets, driving down the climate related food security risks	

⁵ See Glossary at Page 6

	<p>Embed resilience measures into our upgrade plans for our owned and operated buildings</p> <p>Upskill our workforce on climate resilience and embed a climate resilience lens into all our decision making</p>	
<p>D. The Square Mile's buildings, public spaces and infrastructure are resilient to climate change.</p>	<p>Make the Square Mile public realm more climate change ready through adding in more green spaces, flood resistant road surfaces, adaptable planting regimes and heat resistant materials</p> <p>Reduce the risk of flooding through developing sustainable rain and surface water management policies, resulting in a connected system of water recycling, sustainable urban draining and rainwater management measures</p> <p>Strengthen our planning guidance on climate resilience measures for new developments</p> <p>Work with our partners to create a more climate resilient and diversified energy network across the Square Mile</p> <p>Develop a strong, data-led approach to deepen our understanding of climate related risks and mitigations across the Square Mile</p> <p>Ensuring that we continue to protect the residents, critical assets, infrastructure and heritage of the Square Mile</p>	<p>Attractiveness ratings of workers, residents, visitors and students</p>

To champion sustainable growth

Our actions and targets build upon our Responsible Business Strategy (2018 - 23) – “Towards a Sustainable Future” and our ongoing work in supporting innovation and growth in the financial and professional services sector.

Our goals are...	Actions we will take are...	We will assess our impact by measuring...
C. The City of London Corporation influences UK and overseas organisations to become climate responsible.	<p>Improving visibility and standards across our projects - Catalysing change across the UK real estate market</p> <p>Work with Square Mile Businesses to promote sustainability best practice</p> <p>Share best practice on standards, tools, platforms and expertise to facilitate green and sustainable investment and growth</p> <p>Support charities and SMEs to consider, prepare for lead response to climate change</p> <p>Increase engagement and communications about sustainability with residents, business, visitors and other stakeholders</p> <p>Promote responsible procurement and investment practices for both asset managers and owners</p> <p>Support and drive innovation in the UK to provide the financing solutions to address climate change</p> <p>Enhancing London’s capacity to finance sustainable investment opportunities globally including emerging markets</p> <p>Work with UK Government and the financial services sector to deploy and scale sustainable finance products and services that countries and corporates need to help them transition to low-carbon.</p> <p>Improve the transparency and global standardisation of sustainability</p>	<p>Value of green and sustainable bonds issuance & trading at London Stock Exchange</p> <p>No. of firms reporting in line with TCFD principles</p> <p>Signatories to PRI</p> <p>London Stock Exchange sustainability disclosure rate</p> <p>Z/Yen’s latest Global Green Finance Index report</p> <p>Number of new products which consider environmental and social factors</p> <p>Jobs created and size of investment in UK green tech sector</p> <p>Comparison of take up of technical products and services with other financial centres</p> <p>Investment levels and growth figures in businesses that have transition plans in place</p> <p>Growth in businesses transitioning to net zero.</p>

	<p>reporting through influencing and supporting the delivery of technical solutions to increase comparability of data and ease of reporting.</p> <p>Share learning and best practice about challenges opportunities of our net zero journey</p> <p>Support SMEs in Square Mile to refurbish</p>	
<p>F. People in the Square Mile and beyond benefit from a cleaner, greener and safer environment and job creation.</p>	<p>Addressing existing inequalities and ensuring no one is left behind.</p> <p>Prepare people with jobs for the future</p> <p>Facilitate collaborative action on air pollution in London</p> <p>Reduce pollution and increase the resilience of the Square Mile</p> <p>Implement our ambitious air quality and transport strategies</p> <p>Embrace circular economy principles across our strategies and work</p> <p>Work with our creative and educational sector partners to deliver sustainable initiatives</p> <p>Enhance greening and biodiversity across our public realm and open spaces</p>	<p>NOx levels reach 90% WHO compliance by 2025</p> <p>1000 new jobs are created</p> <p>Energy performance of residential buildings improves</p> <p>Number of firms in the Square Mile engaged in Responsible Business initiatives</p> <p>Visitor satisfaction levels at Square Mile and Open Spaces</p>

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Appendix 2 – Detailed profile of each action area for Net Zero

Action area 1: Corporate Property and Landlord Areas

Committee: CASC

NET ZERO VISION: The City Corporation is responsible for some of Central London's most historic, landmark buildings. The net-zero future will prepare them for the next one hundred years, reducing emissions and costs, while improving occupant comfort and productivity.			
STRATEGY GOALS: A) City of London Corporation scope 1 and 2 emissions are net zero by 2025 and scope 3 emissions are net zero by 2040			
High level actions Action 1.1 Update building condition surveys Action 1.2 Undertake funding sources review Action 1.3 Develop energy efficient and low-carbon refurbishment standards Action 1.4 Upgrade to LED lighting and controls Action 1.5 Implement centralised BMS Action 1.6 Sub-meter energy consumption Action 1.7 Begin installation of heat pumps and deep fabric retrofit schedule	Net cost £2.62m	Job creation (estimate) 71	What it pays for <ul style="list-style-type: none"> • A better understanding the condition of our buildings to allow us to prioritise our investment approach • The ability to maximise the use of external funding to scale up our ability to increase energy efficiency of the portfolio • An upgrade to the lighting in our buildings to be energy efficient • A change in the way we manage the energy use of our buildings to make it more efficient • An upgrade to the insulation in the fabric of our buildings to increase energy efficiency • An upgrade of our gas boilers to low emission heat pumps
Impact on net zero 2,250 ktCO ₂ e per year	Measurement Energy intensity (kWh/m ²) of operated buildings		Key Benefits <ul style="list-style-type: none"> • Improved indoor comfort • Improved occupant satisfaction, increased productivity and employee retention • Future-proof CPG estate • Tackle fuel poverty for residents • Increased building performance data • Reduction in long-term property maintenance costs • Increased visibility and control on capital spend • Green jobs and economic multipliers for green / tech ecosystem • Energy savings
	Strategic Links Corporate Plan Outcomes – 5,11,12, Lighting Strategy 2018-21, Responsible Business Strategy 2018-23, the Local Plan 2015, The draft City Plan 2036, Waste Strategy 2013-20		

Action area 2: Purchased goods and services

Committee: Finance and Procurement Sub

NET ZERO VISION: A future where climate and carbon are a leading driver in all organisational procurement decisions and where individuals and organisations have adjusted their consumption and travel habits, with consequential health and wellbeing, community and family benefits.

STRATEGY GOALS: A) City of London Corporation scope 1 and 2 emissions are net zero by 2025 and scope 3 emissions are net zero by 2040 G) People benefit from a cleaner, greener and safer environment and job creation

High level actions Action 2.1 Measured-data emissions footprint Action 2.2 Strengthen supplier engagement Action 2.3 Set carbon intensity reduction targets for top 25 emitters Action 2.4 Decarbonisation route map Action 2.5 Upgrade fleet vehicles to EV	Net cost £1.66m	Job creation (estimate) 19	What it pays for <ul style="list-style-type: none">• A better understanding of the carbon emissions in our supply chains• A strengthened relationship with our suppliers through shared goals on carbon emission reduction• Clear targets for carbon reduction in our top suppliers• An automated carbon emissions reporting tool for our supply chain
Impact on net zero 1,000 ktCO ₂ e per year	Measurement Carbon intensity (ktCO ₂ e per £m of revenue spend)		Key Benefits <ul style="list-style-type: none">• Positive reputation amongst suppliers• Improved supplier emissions footprints benefit other buyers• New standards and approaches to procurement for local authorities• Increased visibility and standards across and within projects• Economic multipliers for green / clean tech ecosystem
	Strategic Links Corporate Plan Outcomes – 5,11,12, Transport Strategy 2018-43, Local Plan 2015, The draft City Plan 2036, Responsible Business Strategy 2018-23, Waste Strategy 2013-20, City Procurement Strategy 2020-24		

NET ZERO VISION: A future where all construction materials have a second life and where innovation is prioritised to identify materials and design efficiencies. Where all organisations are competing to rent the lowest carbon and circular buildings and where empty existing buildings are immediately re-purposed.			
STRATEGY GOALS: A) City of London Corporation scope 1 and 2 emissions are net zero by 2025 and scope 3 emissions are net zero by 2040 G) People benefit from cleaner, greener and safer environment, and job creation			
High level actions Action 3.1 Measured-data emissions footprint Action 3.2 Sustainable and circular design standards (new build and refurb) Action 3.3 Low-impact materials specifications Action 3.4 Circular construction / low-embodied emissions pathfinder project Action 3.5 Assess commercial and operational viability of new design standards	Net cost £0.7m	Job creation (estimate) 6	What it pays for <ul style="list-style-type: none"> • A new toolkit to assess the life cycle carbon emissions of our capital projects to enable better decision making • A commercially viable standard specification guide to ensure climate action and responsible business goals are considered in new builds and refurbishments • An approved catalogue of low carbon, low impact materials to replace higher carbon, commonly used materials • A historic building refurbishment programme demonstrating best practice on low carbon interventions
Impact on net zero -1,500 ktCO ₂ e per year	Measurement Carbon intensity (ktCO ₂ e per £m of revenue spend)		Key Benefits <ul style="list-style-type: none"> • Economic multipliers through growth in green / clean tech industries • Positive reputation amongst businesses • Catalyse change across UK real estate market • Increased visibility and standards across and within projects • Increased visibility and control on capital spend
	Strategic Links Corporate Plan Outcomes – 5,11,12, Waste Strategy 2013-20, City Procurement Strategy 2020-24		

Action area 4: Investment Property Group (Leased Downstream Assets)

Committee: Property Investment Board

NET ZERO VISION: The City Corporation is responsible for some of Central London's most historic, landmark buildings. The net-zero future will prepare them for the next one hundred years, reducing emissions and costs, while improving tenant satisfaction and long term valuation.

STRATEGY GOALS: A) City of London Corporation scope 1 and 2 emissions are net zero by 2025 and scope 3 emissions are net zero by 2040 D) The Square Mile's scope 1, 2 and 3 emissions (BASIC+ definition) are net zero by 2040

High level actions Action 4.1 Review risks of future relevant regulations and develop a readiness plan Action 4.2 Ensure environmental requirements in new acquisition and leases Action 4.3 Embed energy efficient and low carbon solutions in refurbishment standards Action 4.4 Establish a comprehensive program to monitor energy consumption Action 4.5 EPC B upgrade programme for buildings coming off lease with planned refurbishment works between 2020-2025 Action 4.6 Design and agree operational plan to deliver 60% emission reduction across the IPG estate by 2040 with 5-year incremental performance targets named, with yearly reporting on progress against targets	Net cost £1.39m	Job creation (estimate) 48	What it pays for <ul style="list-style-type: none"> • A plan for meeting and potentially exceeding The Non-Domestic Private Rented Sector Minimum Energy Efficiency Standards. • A strengthened relationship with our tenants through identifying and agreeing low carbon interventions with shared benefits • A strong alignment of energy efficiency initiatives across our leased buildings, new capital project design specifications, and refurbishment guidance • A new central energy monitoring system for leased buildings • An upgrade to EPC B for all our leased buildings over the next 20 years • A clear and considered operational plan for meeting climate action targets in line with agreed dates
Impact on net zero 2,350 ktCO ₂ e per year	Measurement Energy intensity (kWh/m ²) of investment property	Key Benefits <ul style="list-style-type: none"> • Energy savings • Potential increase in property values and yield • Increase in tenant satisfaction and reduced void periods • Reduction in long-term property maintenance costs • Reduction in letting costs • Future proof key asset base for Corporation • Increased visibility and control on capital spend • Green jobs and economic multipliers for green tech ecosystem 	Strategic Links Corporate Plan Outcomes – 5,7,11,12, Responsible Business Strategy 2018-23, Local Plan 2015, The draft City Plan 2036, Waste Strategy 2013-20, City Procurement Strategy 2020-24

Action area 5: Financial investments

Committee: Financial Investments Board

NET ZERO TARGET: ESG Integration and Climate Related Financial Risk Analysis are used to drive manager and product selection. The Corporation influences others to take action and actively contribute to advancing understanding of how to manage climate related financial risks.

STRATEGY GOALS: A) City of London Corporation scope 1 and 2 emissions are net zero by 2025 and scope 3 emissions are net zero by 2040 B) The City of London Corporation and its assets are resilient to climate change. C) The City of London Corporation influences UK and overseas organisations to become climate responsible

High level actions Action 5.1 Embed ESG Integration and Climate Related Financial Risk in Investment Mandates Action 5.2 Ensure climate criteria are embedded in Fund Manager selection Action 5.3 Commit to at least 60% of portfolio Paris-aligned by 2040 Action 5.4 Signal ambition for 100% portfolio aligned by 2030 and become signatory to TCFD	Net cost £0.1m	Job creation (estimate) 1	What it pays for <ul style="list-style-type: none"> • A better understanding of the ESG and climate risk exposure in our portfolio • A clear plan on how to achieve a Paris-aligned portfolio by 2040 • A stretching plan on how to achieve a Paris-aligned portfolio by 2030 • A new investment criterion on climate action added into our fund manager mandates • Regular reporting to the Task Force on Carbon Disclosure (TCFD) in line with our peers
Impact on net zero 10,750 ktCO ₂ e per year 2030	Measurement Carbon intensity (ktCO ₂ e per £m of revenue spend)		Key Benefits <ul style="list-style-type: none"> • Reduction of reputational and climate-related financial risk • Capitalise on investment returns as economy transitions • Future proof key asset base of Corporation • Increased visibility on performance and engagement record • Corporation's profile as responsible investor aligned with peers and international dialogue at Green Horizons Summit, COP26 and other international platforms • Increased understanding of risk across portfolio
	Strategic Links Corporate Plan Outcomes – 5,11,12, Responsible Business Strategy 2018-23, Local Plan 2015, The draft City Plan 2036		

NET ZERO TARGET: Streets that inspire and delight, world-class connections and a Square Mile that is accessible to all. The Square Mile will be a healthy, attractive and easy place to live, work, learn and visit.			
STRATEGY GOALS: D) The Square Mile's scope 1, 2 and 3 emissions (BASIC+ definition) are net zero by 2040, G) People benefit from cleaner, greener and safer environment, and job creation			
High level actions Action 6.1 Pavement widening to comfort level A+ Action 6.2 Additional 20km timed street closures Action 6.3 Freight consolidation centre	Net cost £1.51m	Job creation (estimate) 20	What it pays for <ul style="list-style-type: none"> • 14km of widened pavement to support pedestrian movements and reduce emissions from vehicles • A network of new pedestrian priority streets • A pilot study on a new logistical hub to manage and reduce freight vehicles and emissions
Impact on net zero 3,250 ktCO ₂ e per year <div>Page 64</div>	Measurement Carbon intensity (ktCO ₂ /m ²) per capita		Key Benefits <ul style="list-style-type: none"> • Improved air quality • Improved employee health leads to reduced absenteeism • Increased footfall and local spending • Job creation
	Strategic Links and Partners Corporate Plan Outcomes –1, 5,11,12, Air Quality Strategy 2019-24, Transport Strategy 2018-43, Responsible Business Strategy 2018-23, Local Plan 2015, The draft City Plan 2036, Culture Strategy 2018-22, Waste Strategy 2013-20, City Procurement Strategy 2020-24		

NET ZERO TARGET: The net-zero future sees the unique built environment of the Square Mile prepared for the next one hundred years, reducing emissions and costs, while improving commercial value and occupant comfort.

STRATEGY GOALS: D) The Square Mile's scope 1, 2 and 3 emissions (BASIC+ definition) are net zero by 2040 F) Businesses capitalise on commercial opportunities through transitioning to net zero

<p>High level actions</p> <p>Action 7.1 Square Mile renewable energy strategy</p> <p>Action 7.2 Historic building energy efficiency retrofit challenge</p> <p>Action 7.3 Create exemplar guidance on Square Mile refurbishment</p> <p>Action 7.4 Tighten standards for new buildings through SPG</p>	<p>Net cost (pa)</p> <p>£1.26</p>	<p>Job creation (estimate pa)</p> <p>15</p>	<p>What it pays for</p> <ul style="list-style-type: none"> • A leading strategy developed with key stakeholders on how to source renewable energy for the Square Mile • New approaches to energy efficiency in historic buildings developed through an innovation competition, hosted in partnership with Royal Institute of British Architects • A guide for best practice in energy efficiency design approaches for building types in the Square Mile • A Supplementary Planning Guidance document requiring improvement in the carbon emissions and energy efficiency performance of new developments
<p>Impact on net zero</p> <p>11,800 ktCO₂e per year</p>	<p>Measurement</p> <p>Carbon intensity (ktCO₂/m²) per capita</p>		<p>Key Benefits</p> <ul style="list-style-type: none"> • Improved air quality • Improved employee health leads to reduced absenteeism • Increased footfall and local spending • Green jobs and economic multipliers
	<p>Strategic Links</p> <p>Corporate Plan Outcomes –1, 5,11,12, Air Quality Strategy 2015-20, Transport Strategy 2018-43, Responsible Business Strategy 2018-23, Local Plan 2015, The Draft City Plan 2036, Waste Strategy 2013-20</p>		

NET ZERO TARGET: The Square Mile transitions towards a circular economy, where the City Corporation engages with key stakeholders to accelerate the adoption of global best practices.

STRATEGY GOALS: D) The Square Mile's scope 1, 2 and 3 emissions (BASIC+ definition) are net zero by 2040 F) Businesses capitalise on commercial opportunities through transitioning to net zero

High level actions Action 8.1 Improve material and floorspace efficiency in construction Action 8.2 Scope Square Mile carbon offset fund Action 8.3 Launch Square Mile carbon offset fund	Net costs (pa) £0.21	Job creation (estimate pa) 2	What it pays for <ul style="list-style-type: none"> • Collaborative Square Mile-wide solutions to deal with supply chain emissions, working closely with the business community • A Square-Mile carbon offset fund, which all businesses can contribute to, to offset residual emissions
Impact on net zero N/A (outside of target scope)	Measurement N/A		Key Benefits <ul style="list-style-type: none"> • Positive reputation as innovative green finance leader • Green jobs and economic multipliers
	Strategic Links Corporate Plan Outcome 7, Local Plan 2015, The draft City Plan 2036, Responsible Business Strategy 2018-23		

NET ZERO TARGET: The City Corporation open spaces are celebrated as high-value ecological habitats that also form an integral part of balancing any residual emissions. Enhanced land management practices set the standard for others to follow.

STRATEGY GOALS: A) City of London Corporation scope 1 and 2 emissions are net zero by 2025 and scope 3 emissions are net zero by 2040 C) The City of London Corporation influences UK and overseas organisations to become climate responsible. G) People benefit from a cleaner, greener and safer environment, and job creation.

High level actions Action 9.1 Sequestration modelling study building upon baseline study Action 9.2 Woodland and grassland ecological restoration where appropriate	Net cost (pa) £0.83m	Job creation (estimate pa) 8	What it pays for <ul style="list-style-type: none"> • A change in land management to re-introduce pollarding and coppicing on Epping Forest • A commercially viable model for using timber in biomass burners at Epping Forest and Burnham Beeches
Impact on net zero 10,000 ktCO ₂ e per year Page 67	Measurement Carbon removal (ktCO ₂ per year)		Key Benefits <ul style="list-style-type: none"> • Enhanced biodiversity • Optimisation of benefits from other ecosystem services, such as pollination, water quality and air pollution mitigation • Enhance and expand area of ecosystem services resilience • Direct effect on green jobs
	Strategic Links Corporate Plan Outcomes 11,12. Local Plan 2015, The draft City Plan 2036, Responsible Business Strategy 2018-23, Hampstead Heath Management Strategy 2018-28, Waste Strategy 2013-20		

Action area 10: Strategy implementation

Committee: Policy and Resources

NET ZERO TARGET: Climate action is embraced and integrated across the City Corporation, with Members informed and officers empowered to deliver measurable impact. This cross-Corporation function responds to changing conditions, monitoring performance and realigning strategy and plans where necessary, ensuring long-term emissions targets are achieved or exceeded. Climate action becomes a driver of corporate performance.

STRATEGY GOALS: A) City of London Corporation scope 1 and 2 emissions are net zero by 2025 and scope 3 emissions are net zero by 2040 B) The City of London Corporation and its assets are resilient to climate change C) The City of London Corporation influences UK and overseas organisations to become climate responsible.

High level actions Action 10.1 Identify programme and data management resource for implementation Action 10.2 Create a data management and carbon accounting system Action 10.3 Monitor performance targets Action 10.4 Report progress to agreed internal and external partners / networks Action 10.5 Sustained engagement programme and publicise success stories	Net cost (pa) £0.4m	Job creation (estimate pa) 2	What it pays for <ul style="list-style-type: none"> • A dedicated climate action strategy programme team • A carbon accounting system • A performance measurement and reporting system linked to the corporate performance framework – holding us to account • Regular reporting of progress and targets to both internal and external partners • A clear internal and external communications plan
Impact on net zero and resilience Ensures delivery across the programme	Measurement Total no. climate risks managed		Key Benefits <ul style="list-style-type: none"> • Climate related performance drives commercial performance across Corporation • Additional skills and expertise transferred to wider staff • Accelerate use of Corporate Performance Framework • Implementation of carbon accounting system will allow for capture of other sustainable accounting practices
	Strategic Links Corporate Plan Outcomes – 7,8 Responsible Business Strategy 2018-23		

Appendix 2b – Detailed profile of each action area for Climate Resilience

Action area 1: Ports and Market resilience

Committee: Port Health

STRATEGY GOALS: B) The City of London Corporation and its assets are resilient to climate change. E) The Square Mile's buildings, public spaces and infrastructure are resilient to climate change.			
High level actions Action 1.1 Pest and disease horizon scanning, surveillance and research programme Action 1.2 Ports and markets operational resilience planning Action 1.3 Undertake funding sources review	Net cost (pa) £0.1m	Job creation (estimate pa) 0	What it pays for <ul style="list-style-type: none"> • Clear mitigation strategies for a wide variety of pests and diseases, with emphasis on those specific to markets and ports • An early warning system for pests and diseases • A dedicated resilience strategy for the ports and markets • An ability to maximise external funding sources and strategies
Resilience Risks <ul style="list-style-type: none"> • Food • Pest and disease Impact on resilience risks <ul style="list-style-type: none"> • Working with traders and local businesses to develop contingency plans for periods of food shortage • A dedicated resilience strategy for ports and markets will allow clear strategies to respond to shock events and climate related emergencies • An early warning system for pests and disease will allow us to respond quickly and effectively 	Measurement Total no. climate risks managed		Key Benefits <ul style="list-style-type: none"> • Future-proof commercial resilience of key assets • Indirect effect on green jobs
	Strategic Links Corporate Plan Outcomes –11,12.		

Action area 2: Resilient Streets and Greening

Committee: Planning and Transport

STRATEGY GOALS: B) The City of London Corporation and its assets are resilient to climate change. E) The Square Mile's buildings, public spaces and infrastructure are resilient to climate change. G) People benefit from a cleaner, greener and safer environment, and job creation			
High level actions Action 2.1 Flood modelling, which include SUDs and other mitigation strategies, to complement EA flood models Action 2.2 Conduct pilot to test heat resistant materials in planned works for streets and highways during 2021-2025 Action 2.3 Develop City Corporation and Square Mile water footprint management strategy Action 2.4 Develop natural flood risk management areas Action 2.5 Sustainable rain and surface water management policies and implementation Action 2.6 Work with partners to accelerate actions to address water leak management Action 2.7 Increase the quality and provision of green space and coverage in the Square Mile and wider City Corporation spaces Action 2.8 Introduce climate-resistant and adaptive landscaping in planned works Action 2.9 Undertake funding sources review	Net cost (pa) £2.2m	Job creation (estimate pa) 9	What it pays for <ul style="list-style-type: none"> • An investigation into new water infrastructure such as strategic SUDs, roof top greening, catchment greening and afforestation, and more as relevant • A register and upgrade plan for roads that are vulnerable to acute heat which mainstreams heat-resistant road surfacing • A connected system of water recycling, urban drainage and rainwater management measures • More greenery in the Square Mile public realm • Climate change adaptable landscapes and planting • A strong partnership with Thames Water to reduce water wastage through leaking
Resilience Risks <ul style="list-style-type: none"> • Flooding • Overheating • Water stress • Natural capital Impact on resilience risks <ul style="list-style-type: none"> • Additional guidance on climate resilience forming part of Planning Policy will reduce all resilience risks • Minimising temperature increases through the public realm, creating cool spots • Interventions such as shading, urban greening, heat-resistant road surfacing, natural flood risk management areas, flood defence asset maintenance and careful material selection will reduce all resilience risks 	Measurement Total no. climate risks managed	Key Benefits <ul style="list-style-type: none"> • Positive reputation amongst suppliers and construction industry • Indirect effect on green jobs and economic multipliers for green tech ecosystem • Increased visibility and standards across projects • Future proof public realm for climate impacts 	Strategic Links Corporate Plan Outcomes – 5,7, Local Plan 2015, The draft City Plan 2036, Transport Strategy 2018-43, Responsible Business Strategy 2018-23, Local Flood Risk Management Strategy 2014-2020

Action area 3: Resilient buildings

Committee: Property Investment Board, CASC

STRATEGY GOALS: B) The City of London Corporation and its assets are resilient to climate change E) The Square Mile's buildings, public spaces and infrastructure are resilient to climate change. G) People benefit from a cleaner, greener and safer environment, and job creation			
High level actions Action 3.1 Embed resilience measures into 5-year plan upgrade plans for IPG and CPG properties Action 3.2 Diversify energy sources and partner with regional organisations and utility providers to increase back-up power for critical services Action 3.3 Flood defence assets maintenance and management regimes incorporated into upgrade plans Action 3.4 Protect key assets, critical infrastructure and sensitive equipment in flood zones Action 3.5 Undertake funding sources review	Net cost (pa) £2.5m	Job creation (estimate pa) 33	What it pays for <ul style="list-style-type: none"> • A more climate resilient and future proofed property portfolio • A more resilient energy network for the Square Mile • An assessment of flood risk vulnerability for all the critical infrastructure, services, or features of heritage and archaeological value for the Square Mile • A plan for managing and upgrading critical flood defences, using nature led approaches where possible • An ability to maximise external funding sources and strategies to complete this work
Resilience Risks <ul style="list-style-type: none"> • Flooding • Overheating • Water stress Impact on resilience risks <ul style="list-style-type: none"> • Retrofits can be used to adapt buildings to reduce their influence on and risk from climate change • Introduction of shading and ventilation strategies can mitigate overheating • Flood protection measures such as water proofing, attenuation and flood barriers reduce flood risk • Interventions to reduce water consumption in buildings reduce water stress 	Measurement Total no. climate risks managed		Key Benefits <ul style="list-style-type: none"> • Indirect effect on green jobs and economic multipliers for green tech ecosystem • Positive reputation amongst businesses • Catalyse change across UK real estate market • Increased visibility and standards across projects • Increased performance from capital spend • Future proof key asset base for the Corporation
	Strategic Links Corporate Plan Outcomes – 5,7 Local Plan 2015, The draft City Plan 2036 Transport Strategy 2018-43 Responsible Business Strategy 2018-23 Local Flood Risk Management Strategy 2014-2020		

Action area 4: Resilience Co-ordination and training

Committee: Primarily Porth Health, and Planning and Transport

STRATEGY GOALS: B) The City of London Corporation and its assets are resilient to climate change E) The Square Mile’s buildings, public spaces and infrastructure are resilient to climate change. F) Businesses capitalise on commercial opportunities through transitioning to net zero G) People benefit from a cleaner, greener and safer environment, and job creation.			
High level actions Action 4.1 Develop financial package and programme to manage resilience Action 4.2 Expand use and availability of non-sensitive data to monitor effectiveness of interventions Action 4.3 Embed principles of inclusion and equity throughout all resilience strategies Action 4.4 Design cross-Corporation training programme to strengthen skills and capabilities on resilience Action 4.5 Mainstream climate resilience into City Corporation governance and decision-making Action 4.6 Review of above and below ground space utilisation in the Square Mile Action 4.7 Strengthen resilience requirements for planning Action 4.8 Undertake funding sources review	Net cost (pa) £0.3m	Job creation (estimate pa) 1	What it pays for <ul style="list-style-type: none">• A considered plan on funding options for climate resilience work, blending internal and external funding sources• A stronger, data-led approach to understanding climate related risks and mitigations across the Square Mile• A method to ensure that the needs of the most vulnerable to climate change are prioritised in decision making• A workforce with the knowledge and skills required to manage climate resilience across the Square Mile, backed up by a climate resilience lens across all decision making• A review of the supplementary planning guidance and approach for new developments to strengthen climate resilience measures
Resilience Risks <ul style="list-style-type: none">• Flooding• Overheating• Water stress• Cross-cutting Impact on resilience risks <ul style="list-style-type: none">• Embedding inclusion and equity in strategies and projects will ensure that the needs of the most vulnerable are prioritised• Skills gap analysis, skills sharing, and training will future proof the organisation• Deeper understanding of climate related data, as well as a review of ground space utilisation, will allow better strategic planning	Measurement Total no. climate risks managed		Key Benefits <ul style="list-style-type: none">• External investment in Corporation assets• Increased visibility and standards across projects• Increased performance from capital spend• Future proof key asset base for the Corporation• Decreased costs due to integration of resilience actions
Strategic Links Corporate Plan Outcomes – 5,7 Local Plan 2015, The draft City Plan 2036 Transport Strategy 2018-43 Local Flood Risk Management Strategy 2014-2020			

Action area 5: Public health engagement and education

Committee: Primarily Port Health and CCS

STRATEGY GOALS: B) The City of London Corporation and its assets are resilient to climate change. E) The Square Mile's buildings, public spaces and infrastructure are resilient to climate change. G) People benefit from a cleaner, greener and safer environment, and job creation.			
High level actions Action 5.1 Climate-ready, fortified public health programme Action 5.2 Develop urban heat vulnerability index and mitigation strategy Action 5.3 Strengthen community and business networks to build adaptive capacity Action 5.4 Strengthen climate resilience education track at Open Spaces Action 5.5 Public communications and awareness raising campaign(s)	Net costs (pa) £0.1m	Job creation (estimate pa) 0	What it pays for <ul style="list-style-type: none"> • A plan to protect public health and social services critical services and infrastructure during shock events • An Urban Heat Vulnerability Index to help prioritise temperature reducing measures for vulnerable groups • A more cohesive community through supporting grassroots resilience projects, community groups and business networks • A clear communications plan to integrate climate resilience into existing education strategies across our services
Resilience Risks Food • Overheating Cross-cutting • Pest and Disease	Measurement Total no. climate risks managed		Key Benefits <ul style="list-style-type: none"> • Enhanced reputation and public support
	Strategic Links Corporate Plan Outcomes 5,7,9,10,12 Responsible Business 2018-23 Local Plan 2015, the draft City Plan 2036		
Impact on resilience risks <ul style="list-style-type: none"> • Identification of food insecurities and robust plans for mitigation • Working with mutual aid, community aid and business networks to ensure vulnerable populations are supported • Planning to protect critical health and social care structures during shock events and emergencies 			

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Committee(s):	Date:
Financial Investment Board	23 September 2020
Subject: City of London Pension Fund - Investment Strategy Statement	Public
Report of: The Chamberlain	For Decision
Report author: James Graham – Chamberlain's Department	

Summary

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and publish a statement of their investment strategy taking into account guidance issued from time to time by the Secretary of State.

As the administering authority of the City of London Pension Fund (the 'Fund'), the City of London Corporation has a duty to invest any fund monies that are not needed immediately to pay benefits from the Fund. The purpose of the Investment Strategy Statement (the 'ISS') is to document the principles, policies and beliefs by which the Corporation manages the Fund's investment assets.

The Investment Strategy Statement was first published on 1 April 2017 and is subject to periodic review at least every three years. The revised ISS has been amended to reflect the recent asset allocation exercise undertaken by the Investment Consultant (Mercer) following the triennial actuarial valuation.

As part of the consultation process, the ISS will go to the next meeting of the Local Government Pensions Board on 5 October.

Recommendations

Members are asked to:

- Agree the revised Investment Strategy Statement as presented at Annex1.

Main Report

Background

1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (2016 Regulations) require administering authorities to formulate and publish a statement of their investment strategy taking into account guidance issued from time to time by the Secretary of State.
2. Under the 2016 Regulations, each Administering Authority was required to publish an ISS by 1 April 2017 and in February 2016, the Board reviewed a draft ISS and agreed to delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman to approve the ISS.
3. The ISS is a “living” document and is subject to periodic review at least every three years.

Current Position

4. As the administering authority of the City of London Pension Fund (the ‘Fund’), the City of London Corporation has a duty to invest any fund monies that are not needed immediately to pay benefits from the Fund. The purpose of this Investment Strategy Statement (the ‘ISS’) is to document the principles, policies and beliefs by which the Corporation manages the Fund’s investment assets. The ISS also has links with two other key strategic documents, namely:
 - The Funding Strategy Statement (the ‘FSS’), which sets out the main aims of the Fund and explains how employers’ contribution rates are set to achieve those aims.
 - The Governance Compliance Statement which sets out the structure of delegations of responsibilities for the Fund.

Both statements are incorporated into the Pension Fund Annual Report

5. The 2016 Regulations are quite specific about what is to be included within the ISS. The ISS must include the following:
 - (a) a requirement to invest fund money in a wide variety of investments;
 - (b) the authority’s assessment of the suitability of particular investments and types of investments;
 - (c) the authority’s approach to risk, including the ways in which risks are to be measured and managed;
 - (d) the authority’s approach to pooling investments, including the use of collective investment vehicles and shared services;
 - (e) the authority’s policy on how social, environmental or corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - (f) the authority’s policy on the exercise of the rights (including voting rights) attaching to investments.
6. The ISS must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investments.

7. The Administering Authority should also consult such persons as it considers appropriate as to the content of the ISS. The Investment Consultant (Mercer) has been consulted and it is proposed that the ISS goes to the next Local Government Pensions Board meeting on 5 October.
8. The Department for Communities and Local Government (now MHCLG) have issued guidance on preparing and maintaining an Investment Strategy Statement and this is attached at Annex 2 for information.
9. Officers have reviewed and updated the ISS. The key changes are as follows:
 - a. As noted in paragraph 6 above, the Regulations require the Board to set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. Consequently, control ranges have been added for each asset class within the strategic asset allocation that was agreed by the Board at its meeting in June 2020 (see paragraph 6 of the ISS). Where actual allocation strays outside of the proposed control ranges, the Board will ordinarily discuss options for rebalancing the portfolio back towards its strategic target. It is not proposed that a deviation outside of the control range will *automatically* trigger a rebalancing exercise as this could force the Fund to transition assets at an inopportune time. The suggested control ranges have been reviewed by the Investment Consultant and are deemed appropriate.
 - b. A section outlining the Fund's treasury management policy is now included in the ISS under section 6.
 - c. The presentation and format of the ISS has been updated to make it easier for users to identify how the Board seeks to comply with each specific regulatory requirement as detailed in paragraph 5 above.
10. The wording concerning the Board's approach to ESG matters (section 10 of the ISS) has been retained and is consistent with the current Responsible Investment Policy. It is anticipated that the Board's approach may evolve over time, and in particular, the ongoing work around the Climate Action Strategy could impact on the Board's approach to ESG considerations for the Fund in the future. Any significant changes to the Board's approach can be captured and agreed by the Board in a revised ISS as they arise.

Conclusion

11. As the administering authority for the City of London Pension Fund, the City of London is required, under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, to publish an Investment Strategy Statement and to review it periodically at least every three years.

Appendices

- Annex 1 – Revised Investment Strategy Statement
- Annex 2 – DCLG Guidance on Preparing and Mainlining an Investment Strategy Statement

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CITY OF LONDON CORPORATION PENSION FUND INVESTMENT STRATEGY STATEMENT

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and publish a statement of their investment strategy, taking into account guidance issued from time to time by the Secretary of State.

The City of London Corporation is the administering authority of the City of London Pension Fund (the 'Fund') and it has a duty to invest any fund monies that are not needed immediately to pay benefits from the Fund. The purpose of this Investment Strategy Statement (the 'ISS') is to document the principles, policies and beliefs by which the Corporation manages the Fund's investment assets.

The ISS as has links with two other key strategic documents, namely:

- The Funding Strategy Statement (the 'FSS'), which sets out the main aims of the Fund and explains how employers' contribution rates are set to achieve those aims.
- The Governance Compliance Statement which sets out the structure of delegations of responsibilities for the Fund.

Both statements are incorporated into the Pension Fund Annual Report.

In formulating this statement the Corporation has consulted with, and received advice from, the Fund's investment consultant, Mercer (the 'Investment Consultant'). The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy.

This statement was approved by the Financial Investment Board on **XXXX 2020**

2. Scope

Regulation 7(2) states that the following matters must be addressed within the ISS:

- (a) a requirement to invest fund money in a wide variety of investments;
- (b) the authority's assessment of the suitability of particular investments and types of investments;
- (c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;
- (d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- (e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

- (f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

These requirements are dealt with in turn below, following an overview of the Fund's governance arrangements and the links between the ISS and the Funding Strategy Statement.

3. Governance

The City of London Corporation's Court of Common Council and Finance Committee have delegated the investment management responsibility of the Fund to the Investment Committee which in turn has charged the detailed investment arrangements to the Financial Investment Board (hereafter, the "Board"). The main areas of investment responsibility include:

- determination of strategic asset allocation;
- determination of portfolio structure; and
- on-going monitoring and evaluation of the investment arrangements.

The Board is made up of between 12-14 Members of the Investment Committee, comprising elected Members.

The Board is empowered to co-opt people with relevant expertise or experience, including non-Members of the Court of Common Council, to assist in its deliberations.

There is provision within Standing Orders to enable the Chairman of the Financial Investment Board to report on and speak on their activities and responsibilities in the Court of Common Council and to ensure that any decisions are taken without undue delay.

Members of the Board recognise that they have a duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Beneficiaries, in this context, are considered to be the Fund's members and employers together with local taxpayers.

The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to employers, investment managers, the Local Pensions Board, advisers to the Fund and other parties that it deems appropriate to consult with.

4. Link to the Funding Strategy Statement

The FSS aims to establish a clear and transparent strategy that will identify how participating employers' pension liabilities are best met going forward. To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Thus the main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the in this document.

5. Investment Objectives

The Fund's primary long term investment objective is to achieve and maintain a funding level at or close to 100% of the Fund's estimated liabilities; and in conjunction with the funding strategy, to minimise the cost and variability of cost to employers.

6. Regulation 7(2)(a) - Investment of fund money in a wide variety of investments

The administering authority is exposed to significant risks in discharging its duties. In particular, the Board is conscious of the risk of failing to provide sufficient investment returns to achieve the targeted funding level and the risk of failing to maintain stable employer contributions by producing excessive volatility in investment returns.

The Board recognises that diversification is essential to managing portfolio risks and makes use of a full range of investment opportunities. Assets are invested across different asset classes and distinct investment management styles are combined with the aim of securing sufficient and stable returns and reducing volatility. The Board will also make use of illiquid investments (such as property, private equity and infrastructure), recognising that investors are rewarded over the long term (i.e. there is a liquidity premium).

The Board regards its choice of strategic asset allocation as the decision that has most influence on the likelihood of achieving the investment objective. The Board reviews its strategic asset allocation via periodic investment strategy reviews. In order to ensure that its asset allocation policy remains appropriate, reviews will normally take place every three years. However, if there is a significant change in capital markets, in the circumstances of the Fund or in governing legislation, then an earlier review may be conducted.

The Fund's appointed Investment Consultant supports the Board in deciding on its asset allocation policy through the provision of professional advice. The Board further considers the legality of all investments for compliance with the LGPS.

The Board reviewed the Fund's investment strategy in 2020 following its 2019 actuarial valuation and agreed the target asset allocation strategy set out in the table below.

Asset Class	Position as at 31/03/2020	Strategic target %	Control range** %
	%		
Equities	56	50	35 – 65 (+/- 15)
UK Equities	15	17	
Global Equities	41	33	
Multi Asset	27	30	20 – 40 (+/- 10)
Property	7*	10	5 – 15 (+/- 5)
Infrastructure	6*	5	0 – 10 (+/- 5)
Private Equity	4*	5	0 – 10 (+/- 5)
Total	100	100	

*This does not include outstanding commitments that represent approximately 2% of the total Fund value as at 31 March 2020.

**The Regulations also require the Board to set out in this document the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. The control range indicates the maximum level to be held in each asset class. The actual asset allocation will be monitored on a regular basis and any movement outside of these ranges will trigger a discussion on whether rebalancing should be carried out.

Treasury Management Policy

In accordance with Regulation 6, the administering authority holds a separate bank account for the exclusive use of the Pension Fund. The Pension Fund does not have a strategic asset allocation to cash, and the bank account is used to hold sufficient fund monies to manage the operational requirements of the Pension Fund. In accordance with Regulation 6(2), the account is kept by Lloyds Bank, an authorised deposit taker under the Financial Services and Markets Act 2000.

The Board monitors liquidity to ensure that sufficient cash is available at all times to meet the obligation to pay pension benefits as they fall due and to manage other operational requirements.

The Board monitors the financial standing and creditworthiness of Lloyds Bank to ensure it continues to qualify as an authorised deposit taker.

Under Regulation 5(1) the administering authority must not borrow money excepted as provided in the Regulations. Regulation 5(2) provides for very specific and limited circumstances where the Fund is permitted borrow monies.

7. Regulation 7(2)(b) - Assessment of suitability of particular investments and types of investments

The Board considers the suitability of particular investments in the context of its investment objectives and in relation to the funding strategy for the Fund's liabilities as calculated by the Fund Actuary.

When assessing suitability, the Board will assess the likely return prospects for particular investments alongside their risk characteristics and liquidity properties. Furthermore, the Board considers the contribution of particular investments towards overall portfolio performance.

In forming its views on the suitability of particular investments the Board is supported by advice from the Fund's appointed Investment Consultant. The most recent investment strategy review utilised the following expectations for annualised returns and volatility which are based on the Investment Consultant's long-term capital market assumptions at the time of the most recent actuarial valuation (31 March 2019):

Asset class	Arithmetic mean (% p.a.)	Multi-year standard deviation (% p.a.)
Fixed interest gilts (>15 years)	1.5	6.7
Index-linked gilts (>5 years)	1.6	9.7
Sterling non-gilts (all stocks)	2.8	4.2
Absolute return fixed income	4.0	7.4
Developed global equity	6.7	20.2
Conventional property	5.2	15.8
High lease value property	3.9	9.5
Multi asset funds (diversified growth funds)	5.7	11.2
Multi asset funds (multi asset credit)	5.7	10.0
Infrastructure unlisted equity	6.4	16.5
Private equity	9.1	26.5

The current strategic asset allocation target is expected to deliver an annualised return of 5.2% over the long term on a best estimates basis. The Board judges that the current asset allocation strategy is compatible with the Fund's solvency target.

The Board also considers liquidity, and the suitability of particular investments in the context of the Fund's requirement to meet pension obligations as they fall due. The Fund remains open to new members and new accruals. Contributions are received from both active members and employing authorities. Active members contribute on a tiered system. Employing authorities' contributions are determined by advice from the Fund Actuary; based on the triennial valuation. The maturity profile is such that pension payments from the Fund now exceed contribution income paid into the Fund and investment income is required to meet the annual net cash shortfall from the Fund. At some stage there may be a requirement to realise assets in order to meet pension payments and the Fund Actuary keeps this position under review. The Fund's current strategic asset allocation provides sufficient liquidity to meet pension obligations as they fall due.

The asset allocation strategy is implemented via external fund managers with clear performance targets aligned to the Fund's requirements. The Board believe the use of active management within the Fund will increase the likelihood that its objectives will be met. The Board has appointed multiple investment managers in order to access appropriate specialisms and achieve diversification by both asset class and style. The Board's current investment managers are set out in Appendix A.

The activities of each manager are governed through written contracts such as policy documents or Investment Management Agreements. This includes details on the portfolio performance objectives, past performance and risk limits, as well as information on permissible investments.

The Board meets five to six times per year to review and monitor the ongoing suitability of the Fund's investments in the context of performance and developments in its investment environment. Each investment mandate has a performance benchmark against which performance is measured. The Board also maintains both an asset allocation and an absolute return performance benchmark at Fund level to monitor the aggregate impact of investment performance and progress against the investment objectives. The Board also receives annual funding updates from the Fund Actuary.

8. Regulation 7(2)(c) - Approach to risk, including the ways in which risks are to be assessed and managed

The Board recognises that risk is an inherent feature of investment activity and it has identified several risks that may impact on the investment strategy and the Fund's overall funding level. Key risks are listed below alongside the measures taken to counter and mitigate those risks.

Risk	Mitigation
Asset-liability mismatch risk	A critically important risk is that assets fail to grow in line with the Fund's evolving liabilities. This risk is managed by periodic valuations of the Fund's liabilities and investment strategy reviews which include assessments of the outlook for its funding level and investment strategy. These exercises are mutually constitutive and are supported by appropriate professional advice from the Fund Actuary and the Investment Consultant.
Cash flow risk	The risk that the Fund fails to meet its pension obligations as they fall due is mitigated through the maintenance of adequate liquidity in the portfolio and the monitoring of cash flow requirements.
Active management risk	The risk that investment manager performance is inadequate is managed through establishing clear performance expectations (including allowances for tolerable deviations) against which actual performance is continually measured and monitored. Where performance deviates from expectations, the Board acts quickly to seek to understand the causes and is decisive where it lacks conviction in a manager's ability to recover adequate performance. The decision as to whether to pursue active management is evaluated separately for each asset class, with regard to the potential reward within that class for taking on active risk. Active risk is then diversified through the use of different investment managers and pooled funds.

Investment and concentration risk	The Fund is exposed to risk of being excessively concentrated within particular asset classes, sectors, regions, currency and investment styles. The Board manages this risk through a diversified asset allocation strategy. Actual allocation against the strategic target is monitored on a continual basis and rebalancing within the portfolio is undertaken where excessive concentration becomes evident.
ESG risks	The Board acknowledges that environmental, social and governance (ESG) factors pose material financial and non-financial risks to the Fund. The Board's approach to ESG factors is set out in Section 10 below.
Currency risk	The Board considers currency risk (the risk of fluctuations in foreign currency rates) as a risk which is difficult to predict. In light of this, and given that investment via pooled funds makes implementing a currency hedging programme operationally complex, the Board does not hedge its currency exposure. As a long-term investor, the Board can tolerate short term fluctuations in currency prices. Certain fund managers have been granted authority to hedge the currency risks attached to their investment portfolios when they consider this to be desirable.
Counterparty risk	The risk of a counterparty being unable to meeting contractual obligations is managed through appropriate due diligence at the selection stage and the ongoing monitoring of counterparty standing.
Custody risk	The Board carries out appropriate due diligence when selecting a global custodian and monitors the incumbent's creditworthiness. As the Fund's assets are increasingly invested through pooled vehicles this function largely resides with individual investment managers.
Inflation risk	The Fund's liabilities are impacted by changes in inflation. A significant proportion of the strategic asset allocation is therefore targeted towards asset classes which provide indirect protection against inflation (such as equities, property and infrastructure).
Transition risks	When transitioning assets, the Fund is subject to various risks including out-of-market exposure, as well as operational and trade execution risks. The Board will assess transition risks whenever it undertakes material portfolio changes and will enlist professional transition management expertise whenever necessary.

The Board is aware that these, investment-related, risks are not the only risks that may impact on the funding level and stability of employer contributions. There are significant demographic and regulatory risks that could impact on the size and profile of the Fund's liabilities, which are set out in more detail in the Funding Strategy Statement.

The Board maintains a key risk register to maintain oversight of the most significant risk it faces and to identify emerging key risks. The risk register is reviewed at least twice per year and more frequently if there is a material change in the risk environment between reviews.

The identification and management of risks is supported by the provision of professional advice from the Investment Consultant.

9. Regulation 7(2)(d) - Approach to Pooling Investments, including the use of collective investment vehicles and shared service

Under the Government's pooling agenda, administering authorities must pool their assets in order to deliver benefits of scale and collaboration including reduced investment costs and other superior investment outcomes.

The City of London Corporation, along with 31 other London local authorities, is part of the London Collective Investment Vehicle (CIV). The London CIV is operational and has created a platform of sub-funds which span several asset classes. The London CIV is still in the process of developing its sub-fund offering to meet the needs of member Funds.

The London CIV is an FCA Regulated fund manager that represents the pooled investments of 32 London Local Authority Pension Funds (including the City of London Corporation Pension Fund) who are the sole shareholders. Executive operations are carried out by the LCIV Company Board which has a duty to act in the best interests of the shareholders. The Chairman of the City of London Corporation's Financial Investment Board is a member of the Shareholder Committee which is responsible for scrutinising the actions of the Board amongst other matters. The London CIV also holds a twice-yearly AGM (open to all 32 members) where shareholders can exercise their shareholder powers, review the annual budget and hold the LCIV Company Board to account.

As at 31 March 2020, circa 17% of the Fund's assets were invested via the London CIV. The Board will look to transition more assets as and when appropriate to do so and once the relevant investment strategies are available to meet the Fund's asset allocation and investment strategy needs.

The Fund has investments in infrastructure, private equity and property valued as at 31/03/2020 at £62m, £38m and £80m, respectively (excluding outstanding commitments). The cost of exiting these strategies early is prohibitive and would have a negative financial impact on the Fund. These investments will be held as legacy assets until such time as they mature and proceeds are re-invested through pooling, (assuming that the London CIV has appropriate strategies available at that time), or until the Board changes its asset allocation and makes a decision to disinvest. The Board will continue to review the appropriateness of holding these assets outside of the pool at regular investment strategy reviews.

10. Regulation 7(2)(e) - Policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Board has an overriding fiduciary duty to maximise investment returns for the benefit of the Fund's beneficiaries. The Board seeks to deliver long-term sustainable returns and recognises that it is consistent with its fiduciary duty to manage environmental, social and corporate governance ('ESG') issues that may be financial material.

Consequently the Board has developed a Responsible Investment Policy, which can be found at Appendix B.

The Board is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term.

The Board requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all Fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its investment managers (and specifically the London CIV through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund, including ESG factors.

Effective monitoring and identification of these issues can enable engagement with investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Board recognises that taking a collaborative approach with other investors can help to achieve wider and more effective outcomes. The Corporation is a signatory to the Principles for Responsible Investment and is a member of the Local Authority Pension Fund Forum. In this way it joins with other investors in the LGPS and beyond to magnify its voice and maximise the influence of investors as asset owners. The Board through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Board seeks to identify sustainable investment opportunities where aligned with its broader investment objectives.

In making investment decisions, the Board seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

11. Regulation 7(2)(f) - Policy on the exercise of the rights (including voting rights) attaching to investments

The Board recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies in which its investments reside. The Board recognises that ultimately this approach protects the financial interests of the Fund and its beneficiaries. The Board has a commitment to actively exercise the ownership rights attached to its investments. This reflects the Board's conviction that responsible asset owners should maintain oversight of the companies in which they ultimately invest, recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The Board seeks to exercise its voice through engagement with its investment managers (and consequently portfolio companies) as part of its active ownership, or stewardship, duties to its beneficiaries.

The Board aims to exercise its voting rights in all markets and its investment managers are required to vote at all company meetings where practicable.

The Board expects its investment managers (including the London CIV) to comply with the UK Stewardship Code (2020) and it monitors this compliance on an annual basis. Non-UK managers will be expected to sign up to an equivalent code in their country of origin.

The Board delegates voting and engagement to its investment managers and monitors how its investment managers undertake voting and engagement activities in comparison to relevant codes of practice.

Any investments made by the Fund through the London CIV are covered by the voting policy of the London CIV. Voting is delegated to the external managers and monitored on a quarterly basis. The London CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

Appendix A

Investment Managers

As at 31 March 2020, the Fund assets were invested in portfolios managed by the external investment managers shown in the table below. They are benchmarked against the indicated indices.

Investment Manager	Asset Class	Comparator Index
Artemis Investment Management Ltd	UK equities	FTSE All Share
Lindsell Train Ltd	UK equities	FTSE All Share
Majedie Asset Management Ltd	UK equities	FTSE All Share
C Worldwide Asset Managers	Global equities	MSCI AC World
Natixis International Funds (Harris Associates)	Global equities	MSCI World
Veritas Asset Management	Global equities	MSCI World
London CIV (Baillie Gifford)*	Global equities	MSCI AC World
Pyrford International	Multi-asset	CPI +4%
Ruffer LLP	Multi-asset	CPI +4%
London CIV (CQS)*	Multi-asset credit	3 Month LIBOR+4%
IFM Global Infrastructure (UK) LP	Infrastructure	CPI +4%
DIF Infrastructure IV Cooperatief UA	Infrastructure	CPI + 4%
Aviva Investors Global Services Limited (Lime Property Fund)	Property	Gilts + 1.5%
M&G Investment Management Limited (Secured Property Income Fund)	Property	RPI + 3%
M&G Investment Management Limited (UK Residential Fund)	Property	+6%
Ares Special Situations Fund IV	Private equity	Broad public equities index
Coller International Partners VII	Private equity	Broad public equities index
Crestview Partners III LP	Private equity	Broad public equities index
Exponent Private Equity Partners III, LP	Private equity	Broad public equities index
Frontier Fund IV	Private equity	Broad public equities index
Environmental Technologies Fund Managers LLP	Private equity	Broad public equities index
New Mountain Capital LLC	Private equity	Broad public equities index
NCM Management (UK) Ltd	Private equity	Broad public equities index
SL Investments Private Equity Ltd	Private equity	Broad public equities index
YFM Equity Partners	Private equity	Broad public equities index
Warburg Pincus PE XII	Private equity	Broad public equities index

*The Pension Fund is invested in two funds available on the London CIV pooling platform: the LCIV Global Alpha Growth Fund, currently invested with Baillie Gifford, and the LCIV MAC Fund, currently invested with CQS.

The table below shows the actual asset allocation versus the strategic target as at 31 March 2020.

Asset class	Current position		Strategic target
	%	%	
UK equities		15	17
Artemis	8		
Lindsell Train	4		
Majedie	3		
Global equities		41	33
C WorldWide	12		
Harris	7		
London CIV (Baillie Gifford)	11		
Veritas	11		
Multi asset		27	30
London CIV (CQS)	6		
Pyrford	12		
Ruffer	9		
Property*		7	10
Aviva	3		
M&G SPIF	3		
M&G UK Residential	1		
Infrastructure		6	5
IFM	4		
DIF	2*		
Private equity	4*	4	5
Total		100	100

*This does not include outstanding commitments that represent approximately 2% of the total Fund value as at 31 March 2020.

CITY OF LONDON CORPORATION RESPONSIBLE INVESTMENT POLICY

The City of London Corporation (the Corporation) is committed to being a Responsible Investor and the long term steward of the assets in which it invests. It expects this approach to protect and enhance the value of the assets over the long term.

The Corporation recognises it is consistent with its fiduciary duty to manage Environmental, Social and Corporate Governance ('ESG') issues that may be financially material. This policy sets out the Corporation's approach to Responsible Investment (RI) and details the actions the Corporation, and its external providers, take on its and other stakeholders behalf, to protect the Corporation and its assets from ESG and reputational risks.

As a long-term investor, the Corporation recognises that it should manage ESG risks that can be both long-term and short-term in nature. In addition, the Corporation seeks to identify investment opportunities aligned with its long-term objectives. The Corporation is supportive of the Principles for Responsible Investment (PRI) and is taking steps to become a signatory. The foundations of the Corporation's approach are its **RI Beliefs**, which are set out below:

The City of London Corporation's Responsible Investment Beliefs

- The Corporation is a long-term investor and seeks to deliver **long-term sustainable returns**. Taking a sustainable investment view is more likely to create and preserve long-term investment capital.
- The identification and management of ESG risks that may be financially material is **consistent with our fiduciary duty**.
- The Corporation seeks to **integrate ESG issues at all stages of its investment decision-making process**, from setting investment strategy to monitoring its investment managers.
- **Active ownership** helps the realisation of long-term shareholder value. The Corporation has a **duty to exercise its stewardship and active ownership responsibilities** (voting and engagement) effectively by using its influence as a long-term investor to encourage responsible investment behaviour.
- The Corporation recognises that taking a **collaborative approach** with other investors can help to achieve wider and more effective outcomes.
- The Corporation seeks to identify **sustainable investment opportunities** where aligned with its broader investment objectives.
- It is important that the Corporation be **transparent and accountable** to members and stakeholders with respect to its RI activities.

Implementation

The Corporation seeks to **integrate RI across its investment decision-making process**. The Corporation adopts a flexible approach to managing the investment strategies and asset allocation of its Funds in order to ensure they are robust from a risk and return perspective.

In setting and implementing its investment strategy, the Corporation takes advice from professional investment advisors. The Corporation **encourages its investment advisors to proactively consider and integrate ESG issues** when providing investment advice.

The Corporation's assets are managed by third-party investment managers responsible for the day-to-day investment decisions, including undertaking voting and engagement activities

on behalf of the Corporation. The Corporation **considers ESG integration and active ownership when selecting and monitoring investment managers.**

The Corporation expects its external investment advisors and investment managers, including the London Collective Investment Vehicle (CIV), to be signatories, and demonstrate commitment, to the PRI.

Active Ownership (Voting and Engagement)

The Corporation recognises that it has **responsibilities as a shareholder**, as well as rights, and is an **active owner**. The Corporation seeks to exercise its voice through engagement with its investment managers (and consequently portfolio companies) as part of its active ownership, or stewardship, duties to its beneficiaries.

- The Corporation **aims to exercise its voting rights in all markets** and its investment managers are required to vote at all company meetings where practicable.
- The Corporation supports **the UK Stewardship Code** (Code) and expects its investment managers to comply with the Code. Non-UK managers will be expected to sign up to an equivalent Code in their country of origin. The Corporation has outlined its approach to stewardship, including voting and engagement, in its [UK Stewardship Code - Statement of Commitment](#).
- The Corporation delegates voting and engagement to its investment managers and **monitors how its investment managers undertake voting and engagement activities** in comparison to relevant codes of practice.

Collaboration

The Corporation recognises that **collaboration with other investors is a powerful tool to influence** the behaviour of companies, policy makers and other industry stakeholders. The Corporation seeks to work with and support the initiatives of other bodies with similar goals, including via its investment managers and investment advisor. For example, the City of London Corporation Pension Fund is an active member of the Local Authority Pension Fund Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA).

Reporting and Stakeholder Engagement

The Corporation recognises that **transparency and disclosure** is an important aspect of being a responsible investor. The Corporation encourages transparency and disclosure from its investment managers, including reporting on engagement progress and success.

Our Commitment

We acknowledge that the Corporation's approach to RI will need to continually evolve, both due to the changing landscape with respect to ESG issues as well as broader industry developments. We are committed to making ongoing improvements to the Corporation's approach and the processes that underpin the delivery of this policy to ensure it remains relevant.

Approved by the Financial Investment Board on 22 March 2018.

Glossary

ESG - Environmental, social and corporate governance issues

RI - Responsible Investment – This refers to the incorporation of environmental, social and corporate governance considerations into investment processes, as these are absent in much traditional financial analysis. RI was very focused on company level analysis, but climate change and sustainability challenges increasingly require a more strategic, forward looking, portfolio view. There are 4 levers that an investor can use in its responsible investment approach: integration, stewardship, thematic investment and exclusions.

PRI - Principles for Responsible Investment – The PRI was formed by the UK in 2006 and has two main goals; to understand the investment implications of environmental, social and corporate governance (ESG) issues; and to support signatories in integrating these issues into investment and ownership decisions. The PRI believes that an economically efficient, sustainable global financial system is a necessity for long-term value creation. The PRI will work to achieve this sustainable global financial system by: encouraging adoption of the Principles, collaborating on their implementation, fostering good governance, integrity and accountability and addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

Stewardship and Active Ownership – The principle that shareholders should not be passive in their role as providers of capital and should take an active approach to using the voting rights attached to their shares and engaging with the companies they invest in (where appropriate) to encourage best practise and maximise shareholder value. For pooled fund clients, good stewardship and active ownership can be demonstrated through the review and ongoing monitoring of the pooled fund managers' activities in the areas of voting and engagement and the managers demonstrating the potential value of their actions.

UK Stewardship Code – Introduced for institutional investors in 2010, the UK Stewardship Code aims to incentivise investors to seek increased accountability from company boards and encourage them to seek on-going dialogue with their investors. The Stewardship Code has seven Principles and it is a mandatory requirement of the Financial Conduct Authority (FCA) that UK authorised asset managers disclose their compliance with the Code or explain otherwise through a public 'Statement of Commitment'.

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Department for
Communities and
Local Government

Local Government Pension Scheme

Guidance on Preparing and Maintaining an Investment
Strategy Statement



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Foreword

This guidance has been prepared to assist administering authorities in the local government pension scheme in England and Wales with the formulation, publication and maintenance of their Investment Strategy Statement.

New investment regulations to be introduced later this year will include a requirement for administering authorities to publish new Investment Strategy Statements by 1st April 2017 in accordance with the guidance set out below.

Administering authorities will be required to act in accordance with the provisions in this guidance when Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 comes into force.

Part 1

Introduction and background

This guidance has been prepared to assist administering authorities in the formulation, publication and maintenance of their Investment Strategy Statement required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Unless otherwise stated, references to regulations are to the 2016 Regulations.

An administering authority's duty to prepare, maintain and review their Funding Strategy Statement under Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") is unaffected.

Statutory background

Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

The Investment Strategy Statement required by Regulation 7 must include:-

- a) A requirement to invest money in a wide variety of investments;
- b) The authority's assessment of the suitability of particular investments and types of investments;
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

- f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. This, in effect, replaces Schedule 1 to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the 2009 Regulations").

Under Regulation 7(6) and (7), the statements must be published by 1st April 2017 and then kept under review and revised from time to time and at least every three years. Under transitional arrangements, key elements of the 2009 Regulations relating to investment policies will continue in force until such time that the Investment Strategy Statement under Regulation 7 is published.

Directions by the Secretary of State

Regulation 8 enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with this guidance.

One of the main aims of the new investment regulations is to transfer investment decisions and their consideration more fully to administering authorities within a new prudential framework. Administering authorities will therefore be responsible for setting their policy on asset allocation, risk and diversity, amongst other things. In relaxing the regulatory framework for scheme investments, administering authorities will be expected to make their investment decisions within a prudential framework with less central prescription. It is important therefore that the regulations include a safeguard to ensure that this less prescriptive approach is used appropriately and in the best long term interests of scheme beneficiaries and taxpayers.

Where there is evidence to suggest that an authority is acting unreasonably, it may be appropriate for the Secretary of State to consider intervention, but only where this is justified and where the relevant parties have been consulted. Regulation 8 includes a number of safeguards, including full consultation with the relevant authority, to ensure that the proposed power is used appropriately, proportionately and only where justified by the evidence.

The Secretary of State's power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

The power of Direction can be used in all or any of the following ways:-

- a) To require an administering authority to make changes to its investment strategy in a given timescale;
- b) To require an administering authority to invest assets as specified in the Direction;
- c) To transfer the investment functions of an administering authority to the Secretary of State or a person nominated by the Secretary of State; and

- d) To require an administering authority to comply with any instructions from either the Secretary of State or the appointed person in circumstances when the investment function has been transferred.

Before issuing any Direction, the Secretary of State must consult the administering authority concerned and before reaching a decision, must have regard to all relevant evidence including reports under section 13(4) of the Public Service Pensions Act 2013; reports from the scheme advisory board or from the relevant local pension board and any representations made in response to the consultation with the relevant administering authority. The Secretary of State also has the power to commission any other evidence or additional information that is considered necessary.

General

Part 2 below sets out the guidance for authorities under each of the component parts of Regulation 7. The specific requirements under each heading are shown at the end of each sub section in a text box and in bold type. It is important to note, however, that these lists are not exclusive and that administering authorities are also required to comply with general public law principles and act within a prudential framework.

Part 2

Regulation 7(2) (a) - Investment of money in a wide variety of investments

A properly diversified portfolio of assets should include a range of asset classes to help reduce overall portfolio risk. If a single investment class is not performing well, performance should be balanced by other investments which are doing better at that time. A diversified portfolio also helps to reduce volatility.

For example, the range of asset classes could include UK and overseas equities of different sectors; bonds with varying maturity; alternative investment assets such as private equity, infrastructure and cash instruments.

However, this guidance does not purport to prescribe the specific asset classes over which fund monies must be diversified. This remains a decision for individual administering authorities to make. Administering authorities are expected to be able to demonstrate that those responsible for making investment decisions have taken and acted on proper advice and that diversification decisions have been taken in the best long term interest of scheme beneficiaries.

An administering authority must also be able to demonstrate that they review their diversification policy from time to time to ensure that their overall target return is not put at risk.

Summary of requirements

In formulating and maintaining their policy on diversification, administering authorities:-

- **Must take proper advice**
- **Must set out clearly the balance between different types of investments**

- **Must identify the risks associated with their overall investment strategy**
- **Must periodically review their policy to mitigate against any such risks**

Regulation 7(2)(b) - The suitability of particular investments and types of investments

The concept of suitability is a critical test for whether or not a particular investment should be made. Although individual investment classes will have varying degrees of suitability in the context of an authority's funding and investment strategies, the overall aim of the fund must be to consider suitability against the need to meet pension obligations as they fall due.

Assessing the suitability of different investment classes involves a number of factors including, for example, performance benchmarks, appetite for risk, policy on non-financial factors and perhaps most importantly, funding strategy.

What constitutes suitability is clearly a matter for individual administering authorities to consider and decide in the light of their own funding and investment strategies, but there is a clear expectation that the assessment should be broadly consistent across all administering authorities. Administering authorities must therefore take and act on proper advice in assessing the suitability of their investment portfolio and give full details of that assessment in their Investment Strategy Statement.

Summary of requirements

In formulating their policy on the suitability of particular investments and types of investments, administering authorities:-

- **Must take proper advice**
- **Should ensure that their policy on asset allocation is compatible with achieving their locally determined solvency target**
- **Must periodically review the suitability of their investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with their overall investment strategy**

Regulation 7(2)(c) - The approach to risk, including the ways in which risks are to be measured and managed

The appetite of individual administering authorities for taking risk when making investment decisions can only be a matter for local consideration and determination, subject to the aim and purpose of a pension fund to maximise the returns from investment returns within reasonable risk parameters.

Some of the key risks that an administering authority needs to be aware include financial, demographic or regulatory risks. A detailed summary of the identification of all risks and counter-measures to mitigate against them is beyond the scope of this guidance, but administering authorities will continue to have regard to the requirement under Regulation 58 of the 2013 Regulations to have regard to the "Guidance on Preparing and Maintaining

a Funding Strategy Statement” published by CIPFA, which includes a section on risk and the ways in which it can be measured and managed.

Summary of requirements

In formulating their policy on their approach to risk, administering authorities:-

- **Must take proper advice**
- **Should clearly state their appetite for risk**
- **Should be aware of the risks that may impact on their overall funding and investment strategies**
- **Should take measures to counter those risks**
- **Should periodically review the assumptions on which their investment strategy is based**
- **Should formulate contingency plans to limit the impact of risks that might materialise**

Regulation 7(2)(d) - The approach to pooling investments, including the use of collective investment vehicles and shared services

All authorities must commit to a suitable pool to achieve benefits of scale. Administering authorities must confirm their chosen investment pool meets the investment reform and criteria published in November 2015, or to the extent that it does not, that Government is content for it to continue.

Any change which results in failure to meet the criteria must be reported by the administering authority, and/or pool, to the Secretary of State and the Scheme Advisory Board.

Administering authorities should set out their approach to pooling and the proportion of assets that will be invested through the pool. This must include the structure and governance arrangements and the mechanisms by which the authority can hold the pool to account.

Where services are shared or jointly procured, the administering authority must set out the rationale underpinning this and the cost benefit of this, as opposed to pooling.

Administering authorities must provide a summary of assets to be held outside of the pool, and how this demonstrates value for money. The progress of asset transfers to the pool must be reported annually against implementation plans and submitted to the Scheme Advisory Board. Where it is possible that an asset could be pooled in the future, authorities must set a date for review and criteria that need to be met before the asset will be pooled.

Summary of requirements

In formulating and maintaining their approach to pooling investment, including the use of collective investment vehicles and shared services, an administering authority must:-

- **Confirm the pooling arrangements meet the criteria set out in the November 2015 investment reform and criteria guidance at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479925/criteria_and_guidance_for_investment_reform.pdf, or have been otherwise agreed by the Government**
- **Notify the Scheme Advisory Board and the Secretary of State of any changes which result in failure to meet the criteria**
- **Set out the proportion of assets that will be invested through pooling**
- **Set out the structure and governance arrangements of the pool and the mechanisms by which the authority can hold the pool to account**
- **Set out the services that will be shared or jointly procured**
- **Provide a summary of assets that the authority has determined are not suitable for investing through the pool along with its rationale for doing so, and how this demonstrates value for money;**
- **Regularly review any assets, and no less than every 3 years, that the authority has previously determined should be held outside of the pool, ensuring this continues to demonstrate value for money**
- **Submit an annual report on the progress of asset transfers to the Scheme Advisory Board**

Regulation 7(2)(e) - How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

When making investment decisions, administering authorities must take proper advice and act prudently. In the context of the local government pension scheme, a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence. This approach is the standard that those responsible for making investment decisions must operate.

Although administering authorities are not subject to trust law, those responsible for making investment decisions must comply with general legal principles governing the administration of scheme investments. They must also act in accordance with ordinary public law principles, in particular, the ordinary public law of reasonableness. They risk challenge if a decision they make is so unreasonable that no person acting reasonably could have made it.

The law is generally clear that schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and

corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.

Although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.

Investments that deliver social impact as well as a financial return are often described as “social investments”. In some cases, the social impact is simply in addition to the financial return; for these investments the positive social impact will always be compatible with the prudent approach. In other cases, some part of the financial return may be forgone in order to generate the social impact. These investments will also be compatible with the prudent approach providing administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

Summary of requirements

In formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority:-

- **Must take proper advice**
- **Should explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors**
- **Must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments**
- **Should explain their approach to social investments**

Regulation 7(2)(f) - The exercise of rights (including voting rights) attaching to investments

The long-term investment interests of administering authorities are enhanced by the highest standards of corporate governance and corporate responsibility amongst the companies in which they invest. Poor governance can negatively impact shareholder value.

Stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance, including culture and remuneration. Engagement by administering authorities is purposeful and can identify problems through continuing dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings.

Engagement enables administering authorities as long term shareholders to exert a positive influence on companies to promote strong governance, manage risk, increase

accountability and drive improvements in the management of environmental, social and corporate governance issues.

Administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their policy on stewardship with reference to the Stewardship Code. Administering authorities should become Signatories to the Code and state how they implement the seven principles and guidance of the Code, which apply on a “comply or explain” basis.

Concern has been expressed in the past about the scope of Regulation 12(2)(g) of the 2009 Regulations which, in effect, allowed each administering authority to decide whether or not to adopt a policy on the exercise of the rights attaching to investments, including voting rights. To increase awareness and promote engagement, Regulation 7(2)(f) now requires every administering authority to formulate a policy that reflects their stewardship responsibilities.

Summary of requirements

In formulating their policy on the exercise of rights, administering authorities:-

- **Must give reasons in their Investment Strategy Statement for not adopting a policy of exercising rights, including voting rights, attaching to investments**
- **Should, where appropriate, explain their policy on stewardship with reference to the Stewardship Code**
- **Should strongly encourage their fund managers, if any, to vote their company shares in line with their policy under Regulation 7(2)(f)**
- **May wish to appoint an independent proxy voting agent to exercise their proxy voting and monitor the voting activity of the managers, if any, and for reports on voting activity to be submitted annually to the administering authority**
- **Should publish a report of voting activity as part of their pension fund annual report under Regulation 57 of the 2013 Regulations**

Committee: Financial Investment Board (For Decision) Local Government Pensions Board (For Information)	Date: 23 September 2020 5 October 2020
Subject: LGP Board –Pension Fund Investment Activities 1 April 2019 to 31 March 2020	Public
Report of: The Chamberlain	For Decision
Report author: Kate Limna – Chamberlain's Department	

Summary

At their meeting on 4 February 2020, the Local Government Pensions Board (the LGP Board) passed a resolution asking the Financial Investment Board to provide an annual summary of investment activity in relation to the Pension Fund. Whilst the June meeting of the LGP Board was cancelled due to COVID 19, the meeting scheduled for 5 October will take place.

Attached is a summary on the investment activity of the Pension Fund from 1 April 2019 to 31 March 2020

Recommendations

Members are asked to

- (i) Note the report; and
- (ii) Provide any additional comments for the Local Government Pensions Board.

Appendices

Appendix – Summary of Pension Fund Investment Activity 1 April 2019 to 31 March 2020

Kate Limna

Corporate Treasurer, Chamberlain's Department

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Appendix: Summary of Pension Fund Investment Activity 1 April 2019 to 31 March 2020

Introduction

1. This Summary Note sets out the investment activity of the Pension Fund over the financial year 2019/20. As at 31 March 2020 the total value of the Pension Fund (excluding cash held by the Fund for administering the Pension Scheme) was £1,027M. the table below sets out the valuation as at 31 March 2019 and 31 March 2020.

	Position @ 31/03/2019 £M	Position @ 31/03/2020 £M %	Strategic Target @ 2018/19 £M %
Equities	677	577 56%	512 50%
Artemis	95	80 8%	85 8%
LCIV Alpha Growth Fund (Baillie Gifford)	119	118 12%	85 8%
C WorldWide (Carnegie)	135	116 11%	85 8%
Lindsell Train	48	46 4%	43 4%
Harris	101	70 7%	85 8%
Majedie	42	33 3%	43 4%
Veritas	137	114 11%	85 8%
Multi-Asset	281	272 27%	307 30%
LCIV MAC Fund (CQS)	68	59 6%	102 10%
Pyrford	128	125 12%	102 10%
Ruffer	85	88 9%	102 10%
Property	0	78 8%	102 10%
Aviva Lime Fund	0	29 3%	34
M&G SPIF	0	30 3%	34
M&G UK Residential ¹	0	19 2%	34
Infrastructure	60	62 6%	51 5%
IFM	38	41 4%	
DIF ²	22	21 2%	
Private Equity²	35	35 3%	51 5%
TOTAL	1,053	1,024 100%	1,024 100%

Performance

2. The investment performance of the Pension Fund is subject to regular monitoring by the City of London's custodian BNY Mellon, City Officers, the Investment Consultant

¹ £11,936,000 transferred to the fund on 31 March 2020 for investment value date 1 April 2020. Assets held as cash with the fund manager as at the reporting date.

² Valuations for DIF and the private equity portfolio are calculated using the latest available market values (31/12/2019) and adjusted for cash flow movements occurring during the period.

and the Financial Investment Board (FIB). The table below sets out the performance of the Pension Fund as at 31 March 2020.

	2019/20 %	Last 3 Years % p.a.	Last 5 Years % p.a.
Pension Fund Returns			
Fund Return	-4.1	+1.8	+4.5
Return Benchmark (5.7% pa)	+5.7	+6.1	+6.5
Relative Return	-9.8	-4.3	-2.0

*The above table only reflects the returns on financial assets monitored by the Pension Fund's custodian and therefore does not include holdings in Private Equity, DIF Infrastructure IV or the Pension Fund's shareholding in the London CIV Ltd, which combined represents approximately 5% of the Pension Fund's overall value.

3. The year to 31 March 2020 began with steadily increasing gains in financial markets. However, by the start of 2020 awareness of Covid-19 began to emerge and within a matter of weeks it became apparent that this new virus marked not just a local or regional threat, but rather a global pandemic on a scale without precedent in living memory. Financial markets experienced sudden and significant losses as fears over the economic impact of Covid-19, and the extraordinary levels of societal intervention warranted by it, came to the fore.
4. Under these conditions, the Pension Fund's investments generated an annual return of -4.1% in the year to 31 March 2020. Although this is lower than the Fund's actuarially assessed absolute return target of +5.7%, it should be noted that the Pension Fund maintained its value far more successfully than leading financial market indices (by comparison the FTSE All Share recorded losses of -18.5% in 2019/20).
5. Events such as the market downturn in early 2020 are a reminder of the risks inherent in investing, and as an informed investor, the administering authority is aware that such risks do materialise from time to time. This is one of the reasons why FIB sets a diversified asset allocation strategy, to alleviate the volatile episodes in financial markets. In doing so, the investment approach significantly protected the Fund's funding level over the course of 2019/20.

Movement in Funds during 2019/20

6. At their meeting in May 2017, FIB agreed that the Pension Fund commitment to property of £90M should be split evenly between three property funds - Aviva's Lime Fund, M&G's Secured Property Income Fund and their UK Residential Fund. Starting with a capital call from Aviva in September 2019, these commitments have been gradually drawn down over recent months and as at the end of March 2020 a total of £79.7m had been drawn down. The remaining £11.3M related to the M&G UK Residential Fund and since year end a further £7.8m has been drawn down with the residual commitment of £2.6m expected to be called in Q3.

7. Throughout the year calls are made to the existing commitments on the alternative assets portfolio (infrastructure and private equity) and during the year £4.1m amount was called down and £8.3m amount received in distributions

Movement in Funds after 31 March 2020

8. At their meeting in July, the FIB agreed to rebalance the equities and multi asset allocations to bring them more into line with the Board's strategic asset allocation targets. The FIB agreed to move a total of £40m from the Fund's equity managers (excluding the LCIV Alpha Growth Fund) to the LCIV Mac Fund, in two tranches in August and September.

Investment Strategy/Asset Allocation

9. The 2019 Actuarial Valuation has been completed. The overall funding level of the Pension Fund has increased from 84% as at 31 March 2016 to 90% as at 31 March 2019 and the deficit has decreased from £149m to £113m. Six years ago, a 20 year deficit recovery plan was established and the City Corporation is on track to recover the deficit over the remaining period (14 years). The employers' contribution for the City of London remains at 21%.
10. Following the Actuarial Valuation, the asset allocation has been reviewed to ensure the investment strategy remains appropriate for the Pension Fund. The strategic asset allocation target is unchanged but FIB agreed a rebalancing of the equities and multi asset allocations to bring the actual asset allocation more into line with the target (see para 8 above).
11. The Pension Fund is measured against an absolute return target and following the Actuarial Valuation, this has been set at 5.2% (previously 5.7%), which took effect from 1 April 2020. This revised target represents the average annualised, long-term return level expected by the Investment Consultant from the Fund's investment strategy and brings the formal target closer to the actuary's current discount rate (i.e. assumed investment return) of 5.1% per annum.

The London LGPS CIV

12. Since 2014 the City Corporation has been a shareholder in the London Local Government Pension Scheme Collective Investment Vehicle (the London CIV). The London CIV is an FCA Regulated fund manager that represents the pooled investments of the 32 London Local Authority Pension Funds (including the City of London). It was originally set up as a collaborative venture between the London Local authorities under London Councils to enable the Capital's Pension Funds to work closely together to deliver benefits of scale and efficiency savings to the participating Authorities via a voluntary pooling arrangement. Pooling for the Local Government Pension Schemes (LGPS) is now mandatory.
13. The London CIV currently has 14 sub funds (7 global equity, 2 Fixed Income, 4 multi asset and 1 infrastructure).
14. Towards the end of 2017, the London CIV undertook a governance review. This review resulted in changes to the governance arrangements including a revised shareholder meeting structure of two general meeting per year and a smaller Shareholder Committee that meets quarterly. The Chairman of the Financial Investment Board is the City's representative at the Annual General Meetings and the smaller Shareholder Committee (on which the City has one of the 8 places for

Pension Committee or equivalent Chairmen). The Deputy Chairman of the Financial Investment Board is the substitute representative.

15. As at 31 March 2020, the City had transferred assets valued at £177M to the London CIV (£118M in the LCIV Alpha Growth Fund and £59M in the LCIV MAC Fund).

Pension Fund Investment Strategy Statement (ISS)

16. As the administering authority for the City of London Pension Fund, the City of London is required, under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, to publish an Investment Strategy Statement and to review it periodically at least every three years. The purpose of this Investment Strategy Statement (the 'ISS') is to document the principles, policies and beliefs by which the Corporation manages the Fund's investment assets. The ISS has recently been reviewed by the FIB and will be a separate item on your agenda.

Financial Investment Board
23 September 2020

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