



Financial Investment Board

Date: TUESDAY, 31 MAY 2022
Time: 1.45 pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Deputy Randall Anderson
Shahnan Bakth
Nicholas Bensted-Smith
Deputy Simon Duckworth (Chief Commoner)
Deputy Christopher Hayward
Deputy Andrien Meyers
Plus
Up to two Members to be co-opted from the Court of Common Council by the Board

Enquiries: Joseph Anstee
joseph.anstee@cityoflondon.gov.uk

Accessing the virtual public meeting

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

<https://youtu.be/03ZFuGs7qEM>

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.

Lunch for Members will be served in the Guildhall Club at 1pm

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **TERMS OF REFERENCE**
To receive the Board's terms of reference as agreed by the Policy & Resources Committee on 5 May 2022.
For Information
(Pages 5 - 6)
4. **ELECTION OF CHAIRMAN**
To elect a Chairman in accordance with Standing Order 29.
For Decision
5. **ELECTION OF DEPUTY CHAIRMAN**
To elect a Deputy Chairman in accordance with Standing Order 30.
For Decision
6. **APPOINTMENT OF CO-OPTED MEMBERS**
To appoint up to two co-opted Members from the Court of Common Council for the 2022/23 municipal year, as per the Board's terms of reference.
For Decision
7. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 9 February 2022.
For Decision
(Pages 7 - 12)
8. **TREASURY MANAGEMENT UPDATE AS AT 31 MARCH 2022**
Report of the Chamberlain
For Information
(Pages 13 - 32)
9. **RISK REGISTER FOR FINANCIAL INVESTMENT BOARD**
Report of the Chamberlain
For Decision
(Pages 33 - 50)

10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

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

12. **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

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

To agree the non-public minutes of the meeting held on 9 February 2022.

For Decision

(Pages 51 - 56)

14. **NON-PUBLIC OUTSTANDING ACTIONS**

Report of the Town Clerk

For Information

(Pages 57 - 58)

15. **INVESTMENT PERFORMANCE MONITORING REPORTS**

- a) **Performance Monitoring to 31 March 2022: City's Cash** (Pages 59 - 74)
Report of the Chamberlain

For Information

- b) **Quarterly Monitoring report to 31 March 2021** (Pages 75 - 94)
Report of Mercer

For Information

16. **CHARITIES POOL AND HAMPSTEAD HEATH TRUST FUND: FUND MANAGER STRATEGY CHANGE**

Report of the Chamberlain

For Decision

(Pages 95 - 104)

17. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

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

APPENDIX G

Financial Investment Board

Composition

- the Chairman or a Deputy or Vice Chairman of the Policy and Resources Committee, or their nominee (from the Membership of that Committee)
- the Chairman or Deputy Chairman of the Finance Committee or their nominee (from the Membership of that Committee)
- Two Members appointed by the Policy and Resources Committee
- Two Members appointed by the Finance Committee
- Up to four co-opted External Members with relevant experience – appointed by the Board
- Up to Two Members to be co-opted from the Court by the Board with relevant experience

The Chairman and Deputy Chairman to be elected from amongst its Membership

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. Charities Pool
 - iii. Hampstead Heath Trust
 - iv. The William Coxen Trust*

Together 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 City's Cash, Hampstead Heath Trust Fund, William Coxen Trust* 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 Charities Pool;
- e) to invest such other sums as are from time to time allocated for this purpose;
- f) to monitor the activities of the Chamberlain in connection with his role as banker to the City of London Corporation; and
- g) to inform the decision taken by the Resource Allocation Sub-Committee on the appropriate investment proportions between property and non-property assets.

* to oversee the investments of the Sir William Coxen Trust, reporting back and providing advice to the Committee of Aldermen to Administer the Sir William Coxen Trust Fund, which would then take any necessary decisions.

Provision to enable the Chairman of the Property Investment Board to report on and speak to the Board's activities and responsibilities in the Court of Common Council and to ensure that any decisions, especially those relating to property, are taken without undue delay.

FINANCIAL INVESTMENT BOARD

Wednesday, 9 February 2022

Minutes of the meeting of the Financial Investment Board held at Guildhall, EC2 on
Wednesday, 9 February 2022 at 1.45 pm

Present

Members:

Nicholas Bensted-Smith (Chairman)
Henry Colthurst (Deputy Chairman)
Anne Fairweather
Alderman Robert Hughes-Penney
Deputy Clare James
Tim Levene
Deputy Andrien Meyers
Ian Seaton
Deputy Philip Woodhouse

Officers:

| | |
|---------------------|----------------------------|
| Joseph Anstee | - Town Clerk's Department |
| Caroline Al-Beyerty | - Chamberlain's Department |
| Kate Limna | - Chamberlain's Department |
| James Graham | - Chamberlain's Department |
| Julia Pridham | - City Bridge Trust |
| Simi Shah | - Town Clerk's Department |

Also in attendance:

| | |
|--------------|----------|
| Steve Turner | - Mercer |
|--------------|----------|

1. APOLOGIES

Apologies for absence were received from Alderman Prem Goyal, Alderman Robert Howard, Deputy Robert Merrett, Deputy Henry Pollard and James de Sausmarez.

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 30 November 2021 be agreed as a correct record.

4. OUTSTANDING ACTIONS

There were no public outstanding actions.

5. **TREASURY MANAGEMENT UPDATE AS AT 31 DECEMBER 2021**

The Board received a report of the Chamberlain providing a summary of the City of London Corporation's treasury management portfolio (investments) as at 31 December 2021. The Chamberlain introduced the report and drew Members' attention to the key points. The Board noted the improvement in rates available arising from the successive increases to base interest rates by the Bank of England. Consequently, new deposits had been placed at higher yields with further improvements expected as existing deposits mature and are recycled. The competitiveness of the notice account deposits was continually monitored, with rates being re-negotiated where appropriate. In response to a question from the Deputy Chairman regarding interest rates on renewal of matured investments, the Chamberlain advised that one-year deposits with high quality banks currently yielded 1.2-1.3%, a significant increase on the previous 2 years.

RESOLVED – That the report be noted.

6. **ANNUAL TREASURY MANAGEMENT STRATEGY 2022/23**

The Board considered a report of the Chamberlain setting out the City of London Corporation's Treasury Management Strategy Statement and Annual Investment Strategy (TMSS) for 2022/23. The Chairman introduced the item before the Chamberlain introduced the report, which was a requirement in line with CIPFA guidance. The Chamberlain highlighted the key areas of the strategy, including a proposal to introduce multi-asset funds to the list of permitted non-specified investments, with an overall limit of up to £50million, which would be implemented following due diligence if agreed. The Chamberlain also advised that revised versions of the Treasury Management Code of Practice and the Prudential Code for Capital Finance in Local Authorities would be applied from the 2023/24 financial year and therefore were not applicable to this version of the TMSS, although the key changes were highlighted in the report.

In response to a request from the Chairman, the Chamberlain outlined the due diligence process for implementing the proposed multi-asset fund allocation, which involved a shortlisting of suitable products by LINK Asset Services before these were scrutinised by officers in conjunction with the Chairman and Deputy Chairman, accounting for factors such as cashflow requirements and volatility. The Chamberlain advised that the limit of up to £50million represented an initial testing of the market, which could be raised to up to £100million if appropriate and subject to further Member approval.

The Board noted that the TMSS would also be submitted to the BHE Board and Finance Committee for endorsement before submission to the Court of Common Council for approval. The Chamberlain advised that, if approved, new investments in multi-asset funds could be placed within 6 months. A Member queried the extent to which an ESG overlay should be required for short- and medium-term investments, and whether this should form part of the due diligence process. The Chamberlain responded that a requirement to address ESG considerations would be included within the revised CIPFA Codes;

wording on managing ESG risks was now included in the TMSS and this would develop over time.

RESOLVED – That the Financial Investment Board reviews and approves the Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23, for submission to the Finance Committee and the Court of Common Council as part of the City Fund 2022/3 Budget Report for formal adoption.

7. **AMENDMENT TO RISK REGISTER FOR FINANCIAL INVESTMENT BOARD**

The Board considered a report of the Chamberlain introducing a proposed amendment from officers to the Risk Register for the Financial Investment Board to adequately capture risks surrounding asset allocation decision making following feedback from Members at the last meeting on 30 November 2021. The Chamberlain introduced the report and highlighted the changes made for the Board.

Members endorsed the proposed amendments, which would be useful for informing future direction, noting the significant changes in governance to be implemented from next year. The Chamberlain acknowledged that this would necessitate changes, with the wording based on the existing governance arrangements. Members then asked that consultation be undertaken on the proposals for the implementation of the new governance arrangements ahead of their consideration at Committee, as the insight of the current Financial and Property Investment Boards would be beneficial.

RESOLVED – That the Financial Investment Board agree the proposed amendments to risk CHB FIB 02 (Targeted returns) as presented in the appendix to the report.

8. **REPORT OF ACTION TAKEN**

The Board received a report of the Town Clerk advising Members of an action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Order Nos. 41(b).

RESOLVED – That the report be noted.

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

There were no questions.

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

There was no other business.

11. **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 |
|----------|------------------------------|
| 12-17 | 3 |
| 18-19 | - |

12. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
RESOLVED - That the non-public minutes of the meeting held on 30 November 2021 be agreed as a correct record.
13. **NON-PUBLIC OUTSTANDING ACTIONS**
The Board received a list of non-public outstanding actions.
14. **INVESTMENT PERFORMANCE MONITORING REPORTS**
 - a) **Quarterly Monitoring Report to 31 December 2021**
The Board received a report of Mercer.
 - b) **Performance Monitoring to 31 December 2021: Pension Fund**
The Board received a report of the Chamberlain.
 - c) **Performance Monitoring to 31 December 2021: City's Cash**
The Board received a report of the Chamberlain.
 - d) **Performance Monitoring to 31 December 2021: Bridge House Estates**
The Board received a report of the Chamberlain.
15. **MANAGER MEETING – FOLLOW UP**
The Board received a report of the Chamberlain.
16. **QUARTERLY UPDATE ON FINANCIAL INVESTMENTS WORKSTREAM UNDER THE CLIMATE ACTION STRATEGY**
The Board received a report of the Chamberlain.
17. **CHARITIES REVIEW RECOMMENDATION - THE CITY OF LONDON CHARITIES POOL**
The Board received a report of the Managing Director of BHE.
18. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There was one non-public question.
19. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There was one item of other business.

The meeting ended at 2.45 pm

Chairman

Contact Officer: Joseph Anstee
joseph.anstee@cityoflondon.gov.uk

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| | |
|---|------------------------------|
| Committee: Financial Investment Board | Dated: 31 May 2022 |
| Subject: Treasury Management Update as at 31 March 2022 | Public |
| Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly? | All |
| Does this proposal require extra revenue and/or capital spending? | No |
| If so, how much? | £N/A |
| What is the source of Funding? | N/A |
| Has this Funding Source been agreed with the Chamberlain's Department? | N/A |
| Report of: The Chamberlain | For Information |
| Report author: James Graham – Chamberlain's Department | |

Summary

This report provides a summary of the City of London Corporation's treasury management portfolio (investments) as at 31 March 2022. The report includes an update on the current asset allocation of the short term investment portfolio and its performance. A monthly investment review report produced by the Corporation's treasury management consultants, Link Asset Services, is included at Appendix 2.

Interest rates have increased significantly over the quarter as the Bank of England's Monetary Policy Committee raised its policy rate from 0.10% to 0.75% between December and March through successive moves. Markets currently expect Bank Rate to increase to 2.5% by Q1 2023. The increase in rates has allowed the Corporation to obtain higher yields through its allocation to fixed term deposits. Officers expect interest income to increase further over the course of 2022/23 if the expected tightening in monetary policy materialises. The value of the Corporation's short-dated bond fund investments has declined in the reporting period as market rates have increased. These investments remain appropriate for surplus cash balances that can be invested sustainably over the medium term given the expectation for higher returns over this time horizon. They also continue to generate strong income returns.

Recommendation

Members are asked to note the report.

Main Report

Background

1. The Financial Investment Board receives an update on the treasury management portfolio at each meeting. Officers have compiled this report to provide additional context to the short-term investment portfolio as at 31 March 2022.

Current Position

2. The treasury management investment portfolio had a market value of £1,226.0m as at 31 March 2022, which represents a decrease of £76.2m versus balance reported previously as at 31 December 2021 (£1,302.2m). This decrease relates to the seasonal profile of the organisation's annual cash cycle, whereby the final quarter of the year usually experiences a net outflow of cash. Most of the cash balances held at the end of the year relate City Fund (85%), followed by City's Cash (12%) and BHE (2%). The residual 1% belongs to smaller participants in the treasury management strategy.

Asset Allocation

3. In accordance with the Treasury Management Strategy Statement, surplus cash is invested first and foremost with the aim of securing the Corporation's financial assets and secondly in line with the organisation's liquidity requirements (i.e. ensuring the cash is available when needed to meet the Corporation's spending obligations). Once these two objectives have been satisfied, the Corporation targets the best returns available in the sterling money markets.
4. A summary of the asset allocation by instrument type as at 31 March 2022 compared to the position previously reported to the Board is displayed in table 1.

Table 1: Asset allocation as at 31 March 2022

| | 31-Dec-2021 | | 31-Mar-2022 | |
|------------------------------|----------------|----------------|----------------|-------------|
| | £m | £m | £m | % |
| Fixed Term Deposit | 435.0 | 33% | 535.0 | 44% |
| Notice accounts | 290.0 | 22% | 270.0 | 22% |
| Short Dated Bond Funds | 160.8 | 12% | 156.4 | 13% |
| Ultra Short Dated Bond Funds | 137.6 | 11% | 137.1 | 11% |
| Liquidity Fund | 278.8 | 21% | 127.5 | 10% |
| Total | 1,302.2 | 1,302.2 | 1,226.0 | 100% |

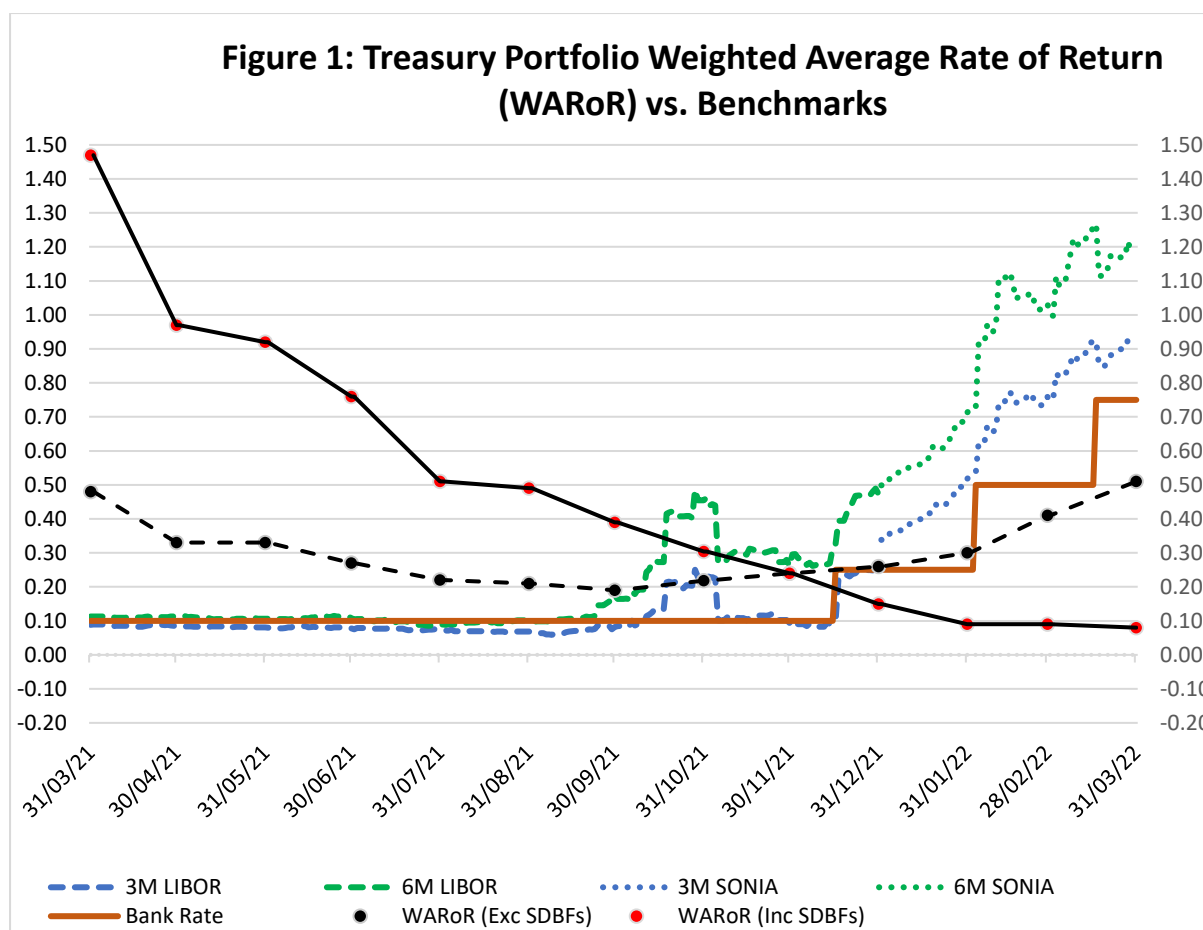
5. As at 31 March 2022, most of the Corporation's cash balances are invested on a short term (under one year) basis with eligible banks and building societies via fixed term deposits (44%) and notice accounts (22%). The allocation to fixed term deposits has increased over the three months since December as the Corporation has taken advantage of higher rates available in the sterling money markets (see figure 1 below and paragraph 9). Liquidity funds now make up

around 10% of the portfolio. These balances are very liquid and can be accessed on the day.

6. 11% is invested in ultra-short dated bond funds. These instruments are also very liquid (funds can be redeemed with two to three days' notice) but their market value is more volatile than liquidity funds. Ultra-short dated bond funds are suitable for surplus cash balances with an investment horizon of six months or more. The remaining portion of the portfolio (13%) continues to be invested in short dated bond funds. These funds are invested in investment grade credit instruments and currently have a duration (weighted average time to maturity) of around 3 years. The value of the short dated bond funds can be volatile in the short term and should only be used for surplus cash balances with an investment horizon of at least three years (the average duration).
7. Further analysis on the composition of the portfolio as at 31 March 2022 is provided in the Monthly Investment Report at Appendix 2. A summary of counterparty exposure is also included at Appendix 1.

Performance

8. The first quarter of 2022 has experienced a significant change in short term interest rates. The Bank of England increased its policy rate, Bank Rate, from 0.10% to 0.75% in successive moves between December and March and has since increased Bank Rate again to 1.00% after the reporting period in May. The tightening in monetary policy is deemed necessary by the Bank to bring inflation – which has increased rapidly due to post-pandemic supply shocks exacerbated by the Russian invasion of Ukraine – back down towards its 2% target over the medium term. As at the time of writing (19 May), market expectations imply that Bank Rate will reach 2.5% by Q1 2023. As Bank Rate is the primary determinant of short-term interest rates in the UK, these changes have impacted the treasury investment portfolio, broadly in two ways:
 - a. As yields have increased, the capital value of the Corporation's bond fund investments has declined, which has reduced their total returns as at the reporting date. These investments are exposed to interest rate risk which the Corporation manages by ensuring the allocations are consistent with a longer term investment horizon for this minority portion of the portfolio.
 - b. For the majority of the portfolio – which is invested in short term money market instruments – the increase in interest rates means that the Corporation can benefit from materially enhanced returns on new deposits and via the shorter term liquidity funds.
9. These effects can be seen in the weighted average rate of return for the portfolio over the past 12 months, as shown in figure 1 below.



10. Returns on the Corporation's short term investment portfolio excluding the short dated bond funds (represented by the dashed black line in figure 1) have started to trend upwards as existing, lower yielding deposits have been replaced with new investments at higher yields. This portion of the portfolio also includes the very short term liquidity fund investments whose yields respond quickly to changes in Bank Rate and have thus increased from near zero to around 0.50% over the course of the quarter. If monetary policy is tightened further over the course of 2022, then officers expect this rate of return to continue to steadily increase from current levels.

11. As month-to-month returns from the ultra-short and short dated bond fund investments can be volatile, for these instruments, officers have used the trailing 12 month total return to 31 March 2022 in calculating the portfolio returns displayed in figure 1. Total returns on these investments have reduced over the quarter, which largely reflects the rotation to a rising interest rate environment.

12. To aid an effective assessment of performance, table 2 shows the historical return of the ultra-short and short dated bond fund investments on a total return basis over various time horizons under one year.

¹ The LIBOR reference rate is in the process of being phased out and is no longer published as of 1 January 2022. From 1 January 2022, the portfolio is benchmarked against the Sterling Overnight Index Average (SONIA) reference rates.

Table 2: Bond Fund Total Returns as at 31 March 2022

| Fund | 1 Month Return (28/02/2022 to 31/03/2022) | 3 Month Return (31/12/2021 to 31/03/2022) | 12 Month Return (31/03/2021 to 31/03/2022) |
|--|--|--|---|
| Federated Hermes Sterling Cash Plus Fund | 0.01% | -0.02% | -0.01% |
| Aberdeen Standard Liquidity Fund Ultra Short Duration Sterling | -0.02% | -0.04% | 0.07% |
| Payden Sterling Reserve Fund | -0.28% | -0.72% | -0.84% |
| L&G Short Dated Sterling Corporate Bond Index Fund | -0.79% | -2.84% | -3.24% |
| Royal London Investment Grade Short Dated Credit Fund | 0.05% | -2.59% | -2.46% |

13. The most conservative fund (Federated) is listed first in table 2 and the longer term investments (L&G and Royal London) are listed at the bottom to the table. The increase in interest rates has had a negative effect on these funds' total returns recently, although this has occurred after a sustained period of price appreciation prior to 2021/22.

14. As noted above, the capital values of the bond funds – particularly the short-dated bond funds – can be volatile over the short term but they are expected to produce higher returns over the longer term: over the past three years the L&G and Royal London bond funds have generated annualised returns of +0.89% and +1.00%, respectively. The Corporation deliberately allocates a small portion of the overall portfolio to these investments – an amount that can sustainably be invested over the medium term.

15. Notwithstanding the decline in capital values, the income yield on the bond funds has increased over the quarter. The yields on the L&G and Royal London are currently 2.9% and 3.0% (gross of fees), respectively as at the end of March 2022.

16. It should also be noted that fluctuations in the market value of investments do not impact the City Fund's revenue position owing to the existence of the IFRS 9 statutory override which English local authorities are required to implement, and which requires unrealised capital gains and losses to be charged to an unusable reserve on the balance sheet rather than reported via income and expenditure.

Cash Flow Forecast

17. The City Fund's medium-term cash flow forecast is currently being reviewed to take account of the latest balance sheet position as part of the final accounts production process. An updated cash flow forecast is expected to be available at the Board's next meeting on 5 July 2022.

Conclusion

18. This report has provided a summary of the City of London Corporation's treasury management portfolio (investments) as at 31 March 2022. Cash is invested across a range of counterparties and instruments in accordance with the Corporation's Treasury Management Strategy Statement.
19. Interest rates have increased significantly over the quarter as the Bank of England's Monetary Policy Committee raised its policy rate from 0.10% to 0.75% between December and March through successive moves. Markets currently expect Bank Rate to increase to 2.5% by Q1 2023. The increase in rates has allowed the Corporation to obtain higher yields through its allocation to fixed term deposits. Officers expect interest income to increase further over the course of 2022/23 if the expected tightening in monetary policy materialises. The value of the Corporation's short-dated bond fund investments has declined in the reporting period as market rates have increased. These investments remain appropriate for surplus cash balances that can be invested sustainably over the medium term given the expectation for higher returns over this time horizon. They also continue to generate strong income returns.

Appendices

Appendix 1: Counterparty Exposure as at 31 March 2022

Appendix 2: Monthly Investment Analysis Review March 2022

Background Papers

James Graham

Group Accountant – Treasury & Investments

T: 020 7332 1137

E: James.Graham@cityoflondon.gov.uk

APPENDIX 1: COUNTERPARTY EXPOSURE AS AT 31 MARCH 2022

| | Counterparty Limit £M | Total Invested as at 31-Mar-22 £M | Average Rate of Return % |
|--|---------------------------------|--|-----------------------------------|
| <u>TOTAL INVESTED</u> | | <u>1,226.0</u> | <u>0.08%</u> |
| <u>FIXED TERM DEPOSITS</u> | | | |
| <u>UK BANKS</u> | | | |
| Barclays | 100.0 | 70.0 | 0.71% |
| Goldman Sachs | 100.0 | 20.0 | 0.76% |
| NatWest | 100.0 | 80.0 | 0.24% |
| | | <u>170.0</u> | |
| <u>BUILDING SOCIETIES</u> | | | |
| Leeds | 20.0 | 20.0 | 0.14% |
| Yorkshire | 20.0 | 20.0 | 0.55% |
| | | <u>40.0</u> | |
| <u>FOREIGN BANKS</u> | | | |
| DBS | 100.0 | 80.0 | 1.11% |
| Helaba | 100.0 | 100.0 | 0.30% |
| National Australia Bank | 100.0 | 65.0 | 0.74% |
| Toronto Dominion | 100.0 | 80.0 | 1.06% |
| | | <u>325.0</u> | |
| <u>LIQUIDITY FUNDS</u> | | | |
| Aberdeen SLI Liquidity Fund | 100.0 | 25.9 | 0.50% |
| CCLA - Public Sector Deposit Fund | 100.0 | 34.5 | 0.58% |
| Deutsche Global Liquidity Fund | 100.0 | 20.6 | 0.49% |
| Federated Prime Liquidity Fund | 100.0 | 26.5 | 0.50% |
| Invesco Sterling Liquidity Fund | 100.0 | 20.0 | 0.49% |
| | | <u>127.5</u> | |
| <u>ULTRA SHORT DATED BOND FUNDS</u> | | | |
| Payden Sterling Reserve Fund | 100.0 | 61.3 | -0.83% |
| Aberdeen SLI Short Duration Fund | 100.0 | 50.4 | 0.07% |
| Federated Sterling Cash Plus Fund | 100.0 | 25.3 | -0.01% |
| | | <u>137.1</u> | |
| <u>SHORT DATED BOND FUNDS</u> | | | |
| L&G | 100.0 | 78.0 | -3.24% |
| Royal London | 100.0 | 78.4 | -2.46% |
| | | <u>156.4</u> | |

| | Counterparty Limit £M | Total Invested as at 31-Mar-22 £M | Average Rate of Return % |
|--|-----------------------------|--|-----------------------------------|
| <u>NOTICE ACCOUNTS</u> | | | |
| Australia and New Zealand 185 Days Account | 100.0 | 90.0 | 0.93% |
| Goldman Sachs 185 Days Account | 100.0 | 20.0 | 0.24% |
| Goldman Sachs 185 Days Account | 100.0 | 20.0 | 0.23% |
| Goldman Sachs 185 Days Account | 100.0 | 20.0 | 0.23% |
| Goldman Sachs 270 Days Account | 100.0 | 20.0 | 0.33% |
| Santander 95 Days Account | 100.0 | 20.0 | 0.57% |
| Santander 180 Days Account | 100.0 | 30.0 | 0.75% |
| Santander 365 Days Account | 100.0 | 50.0 | 0.85% |
| | | <u>270.0</u> | |
| <u>TOTAL</u> | | <u><u>1,226.0</u></u> | |



City Of London Corporation

Monthly Investment Analysis Review

March 2022

Monthly Economic Summary

General Economy

The Flash (i.e. provisional) Manufacturing PMI edged down to 55.2 in March, from 58.0 the previous month. However, the Flash Services PMI increased to 61.0 in March of 2022 from 60.5 in February and above forecasts of a decline to 58. The Services PMI rate of expansion was fastest expansion in the services sector in nine months, amid the further reopening of the economy from COVID-19 containment measures. The Flash Composite PMI eased to 59.7 in March from 59.9 in February, above market forecasts of 57.8. The Construction PMI, meanwhile, registered 59.1 in February, up from 56.3 in January to signal the strongest rise in output since mid-2021. UK GDP expanded 1.1% in the three months to January, better than forecasts of 0.8%. Figures came slightly better than market forecasts of a 1% rise. Services was the main contributor (0.8 percentage points), while production and construction both also contributed positively (0.1 and 0.2 percentage points respectively). The UK trade deficit widened to a record £16.159bn in January from £2.337bn in December. Exports tumbled 8.3% as good sales fell 15.8%, dragged down by a 22.2% fall in exports to EU countries and a 9.6% decrease in those to non-EU countries. Meanwhile, imports rose 16% as good purchases surged 21.8% amid increases from both EU countries and non-EU countries.

The UK's unemployment rate declined to 3.9% in the 3-months to January, the lowest in two years and below market expectations of 4%. The labour market report also showed the number of employees on payroll was up 275,324 to an all-time high of 29.67 million in February, while job vacancies hit a new record of 1.318 million. Average weekly earnings including bonuses in the UK increased 4.8% y/y in the three months to January, above 4.6% in the previous period and market forecasts of an unchanged rate. Similarly, average weekly earnings excluding bonuses rose 3.8%, also above 3.7% in the three months to December, and expectations also of 3.7%.

UK inflation, as measured by the Consumer Price Index, increased to 6.2% y/y in February from 5.5% in January and above market forecasts of 5.9%. This represents the highest inflation rate since 1992, as the rising cost of energy and food continues to squeeze household incomes. Against this backdrop, the Monetary Policy Committee voted by a majority of 8-1 to raise Bank Rate by 25bps to 0.75% at its March 2022 meeting, in line with expectations. The Committee judged that some further modest tightening in monetary policy may be appropriate in the coming months, in particular as the invasion of Ukraine by Russia is likely to accentuate both the peak and longevity of above target inflation and the expected adverse impact on activity.

Meanwhile, retail sales unexpectedly fell 0.3% m/m in February, partly reversing a 1.9% rise in January and compared to market forecasts of a 0.6% increase. Compared to pre-pandemic levels of February 2020, retail sales have increased 3.7%. Meanwhile, the GfK Consumer Confidence index dropped to its lowest level in 16 months at -31 in March, amid mounting concerns about surging inflation, higher interest rates and the Ukraine conflict. This followed a reading of -26 in February and was slightly lower than expectations of -30.

The UK government recorded a £13.1 billion deficit in its public finances in February, much higher than market expectations of £8.1 billion. This represented the second-highest February borrowing since monthly records began in 1993. As a result, borrowing reached £138.4 billion in the financial year-to-February. This was the third-highest financial year-to-February borrowing since monthly records began in 1993 but less than half of the £290.9 billion borrowed in the same period last year.

The US economy added 678,000 payrolls in February, the most in seven months and well above market forecasts of 400,000. As a result, the US unemployment rate edged down to 3.8% from 4% previously, representing a new pandemic low and below market expectations of 3.9%. The US economy expanded an annualised 6.9% on quarter in the last three months of 2021, 0.1% lower than in the second estimate. Against this backdrop, price growth (as measured by the Federal Reserve’s preferred Personal Consumption Expenditure deflator) accelerated to 7.9% in February, the highest since January 1982, matching market expectations. Following its February decision to make no policy change, the Fed raised the target for its Fed Funds rate by a quarter-point to 0.25%-0.5% at its March meeting. This was the first hike for three years with the following press conference and associated “dot plot” of Fed member expectations signalling that this was likely the first of a series of policy tightening measures. While the Fed stated that conditions at the time of meetings would determine any action, the forecasts now sees rate hikes at each of the six remaining meetings this year. The Eurozone economy advanced 0.3% on quarter in the last three months of 2021, matching flash estimates, as the Omicron variant’s spread across the continent later in the year brought about restrictions which hurt the services sector, as well as labour shortages. The annual inflation rate in the Euro Area rose to a fresh record high of 5.9% y/y in February from 5.1% in January. Energy continued to record the biggest source of price increases. Core inflation, which excludes prices of energy, food, alcohol and tobacco, accelerated to 2.7% in February from 2.3% in January. The ECB voted to maintain interest rates at its March meeting. However, the ECB surprisingly sped up the asset purchase schedule for the coming months and said that the asset purchase program could end in the third quarter if the medium-term inflation outlook did not weaken. The Bank also confirmed that monthly net asset purchases would amount to €40 billion in Q2, €30 billion in Q3 and €20 billion from October onwards and for as long as necessary to reinforce the accommodative impact of its policy rates.

Housing

The Nationwide House Price Index jumped 14.3% y/y in March, the strongest increase since November 2004, and above forecasts of 13.5%. On a monthly basis, prices increased 1.1%, also above forecasts of 0.8%, the eighth consecutive monthly increase. The price of a typical UK home climbed to a new record high. According to Nationwide, prices are now 21% higher than before the pandemic struck in early 2020.

Currency

Sterling depreciated against both the US dollar and Euro this month amid the ongoing war in Ukraine and surging commodity prices, which raised the prospect of slowing growth and high inflation in the UK.

| March | Start | End | High | Low |
|---------|----------|----------|----------|----------|
| GBP/USD | \$1.3938 | \$1.3797 | \$1.3991 | \$1.3712 |
| GBP/EUR | €1.1565 | €1.1739 | €1.1739 | €1.1565 |

Forecast

The Bank of England 's Monetary Policy Committee increased the Bank Rate by 0.25% to 0.75% at its March meeting, which was in line with Link Group's forecast.

| Bank Rate | | | | | | | | | | | | |
|-------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Now | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 |
| Link Group | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| Capital Economics | 0.75% | 1.00% | 1.25% | 1.25% | 1.50% | 1.75% | 2.00% | 2.00% | - | - | - | - |

City Of London Corporation

Current Investment List

| | Borrower | Principal (£) | Interest Rate | Start Date | Maturity Date | Lowest LT / Fund Rating | Historic Risk of Default | Expected Credit Loss (£) |
|--|---|---------------|---------------|------------|---------------|-------------------------|--------------------------|--------------------------|
| | MMF Aberdeen Standard Investments | 25,900,000 | 0.50% | | MMF | AAAm | | |
| | MMF CCLA | 34,500,000 | 0.58% | | MMF | AAAm | | |
| | MMF Deutsche | 20,600,000 | 0.49% | | MMF | AAAm | | |
| | MMF Federated Investors (UK) | 26,500,000 | 0.50% | | MMF | AAAm | | |
| | MMF Invesco | 20,000,000 | 0.49% | | MMF | AAAm | | |
| | USDBF Aberdeen Standard Investments | 50,395,568 | 0.07% | | USDBF | AAAf | | |
| | USDBF Federated Sterling Cash Plus Fund | 25,346,349 | -0.01% | | USDBF | AAAf | | |
| | USDBF Payden Sterling Reserve Fund | 61,347,703 | -0.83% | | USDBF | AAAf | | |
| | Landesbank Hessen-Thuringen Girozentrale (Helaba) | 25,000,000 | 0.18% | 13/08/2021 | 13/05/2022 | A | 0.005% | 1358 |
| | DBS Bank Ltd | 20,000,000 | 0.40% | 05/01/2022 | 06/06/2022 | AA- | 0.004% | 841 |
| | Barclays Bank Plc (NRFB) | 25,000,000 | 0.28% | 27/09/2021 | 27/06/2022 | A | 0.011% | 2780 |
| | Leeds Building Society | 20,000,000 | 0.14% | 02/07/2021 | 01/07/2022 | A- | 0.012% | 2325 |
| | Santander UK PLC | 20,000,000 | 0.57% | | Call95 | A | 0.012% | 2401 |
| | National Westminster Bank Plc (RFB) | 20,000,000 | 0.17% | 05/07/2021 | 05/07/2022 | A | 0.012% | 2426 |
| | Landesbank Hessen-Thuringen Girozentrale (Helaba) | 25,000,000 | 0.16% | 16/07/2021 | 18/07/2022 | A | 0.014% | 3443 |
| | Landesbank Hessen-Thuringen Girozentrale (Helaba) | 25,000,000 | 0.16% | 16/07/2021 | 18/07/2022 | A | 0.014% | 3443 |
| | National Westminster Bank Plc (RFB) | 25,000,000 | 0.18% | 09/08/2021 | 09/08/2022 | A | 0.017% | 4138 |
| | National Westminster Bank Plc (RFB) | 25,000,000 | 0.19% | 13/08/2021 | 12/08/2022 | A | 0.017% | 4232 |
| | DBS Bank Ltd | 20,000,000 | 1.57% | 21/03/2022 | 21/09/2022 | AA- | 0.011% | 2184 |
| | Toronto Dominion Bank | 20,000,000 | 0.56% | 22/12/2021 | 22/09/2022 | AA- | 0.011% | 2196 |
| | Santander UK PLC | 30,000,000 | 0.75% | | Call180 | A | 0.023% | 6823 |
| | Australia and New Zealand Banking Group Ltd | 90,000,000 | 0.93% | | Call185 | A+ | 0.023% | 21036 |
| | Goldman Sachs International Bank | 20,000,000 | 0.24% | | Call185 | A+ | 0.023% | 4675 |
| | Goldman Sachs International Bank | 20,000,000 | 0.23% | | Call185 | A+ | 0.023% | 4675 |
| | Goldman Sachs International Bank | 20,000,000 | 0.23% | | Call185 | A+ | 0.023% | 4675 |
| | Barclays Bank Plc (NRFB) | 25,000,000 | 0.37% | 01/10/2021 | 03/10/2022 | A | 0.023% | 5875 |
| | National Australia Bank Ltd | 25,000,000 | 0.49% | 13/10/2021 | 13/10/2022 | A+ | 0.025% | 6191 |
| | National Australia Bank Ltd | 20,000,000 | 0.50% | 15/10/2021 | 17/10/2022 | A+ | 0.025% | 5054 |
| | Landesbank Hessen-Thuringen Girozentrale (Helaba) | 25,000,000 | 0.69% | 26/10/2021 | 26/10/2022 | A | 0.026% | 6601 |
| | National Westminster Bank Plc (RFB) | 10,000,000 | 0.67% | 26/10/2021 | 26/10/2022 | A | 0.026% | 2641 |
| | Yorkshire Building Society | 20,000,000 | 0.55% | 17/11/2021 | 17/11/2022 | A- | 0.029% | 5837 |
| | DBS Bank Ltd | 20,000,000 | 0.70% | 05/01/2022 | 05/12/2022 | AA- | 0.016% | 3125 |
| | Goldman Sachs International Bank | 20,000,000 | 0.76% | 08/12/2021 | 08/12/2022 | A+ | 0.032% | 6368 |
| | DBS Bank Ltd | 20,000,000 | 1.75% | 21/03/2022 | 21/12/2022 | AA- | 0.017% | 3326 |
| | Toronto Dominion Bank | 20,000,000 | 0.69% | 22/12/2021 | 22/12/2022 | AA- | 0.017% | 3338 |
| | Goldman Sachs International Bank | 20,000,000 | 0.33% | | Call270 | A+ | 0.034% | 6823 |
| | Toronto Dominion Bank | 20,000,000 | 0.91% | 12/01/2022 | 12/01/2023 | AA- | 0.018% | 3602 |
| | National Australia Bank Ltd | 20,000,000 | 1.30% | 07/02/2022 | 07/02/2023 | A+ | 0.040% | 7909 |

City Of London Corporation

Current Investment List

| Borrower | Principal (£) | Interest Rate | Start Date | Maturity Date | Lowest LT / Fund Rating | Historic Risk of Default | Expected Credit Loss (£) |
|--|-----------------------|---------------|------------|---------------|-------------------------|--------------------------|--------------------------|
| Barclays Bank Plc (NRFB) | 20,000,000 | 1.66% | 16/02/2022 | 16/02/2023 | A | 0.041% | 8136 |
| Toronto Dominion Bank | 20,000,000 | 2.07% | 17/03/2022 | 17/03/2023 | AA- | 0.022% | 4405 |
| Santander UK PLC | 50,000,000 | 0.85% | | Call365 | A | 0.046% | 23058 |
| Borrower - Funds | Principal (£) | Interest Rate | Start Date | Maturity Date | | | |
| L&G | 77,998,427 | -3.24% | | | | | |
| ROYAL LONDON | 78,392,334 | -2.46% | | | | | |
| Total Investments | £1,225,980,381 | 0.08% | | | | | |
| Total Investments - excluding Funds | £1,069,589,620 | 0.51% | | | | 0.022% | £175,935 |
| Total Investments - Funds Only | £156,390,761 | -2.85% | | | | | |

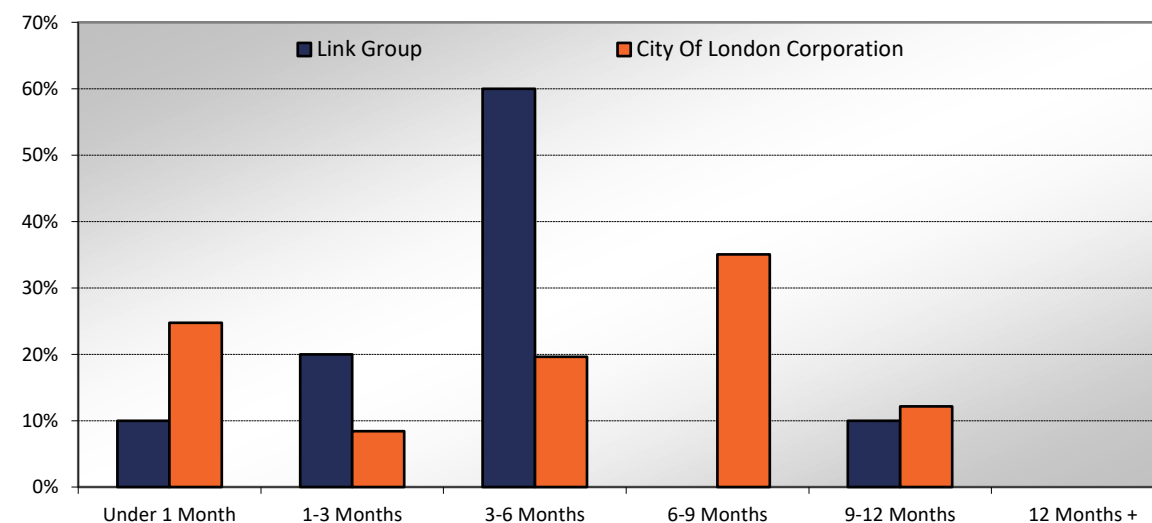
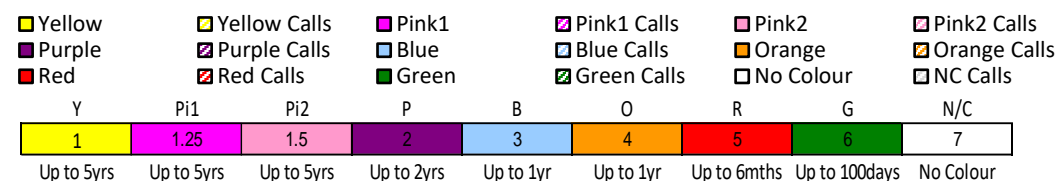
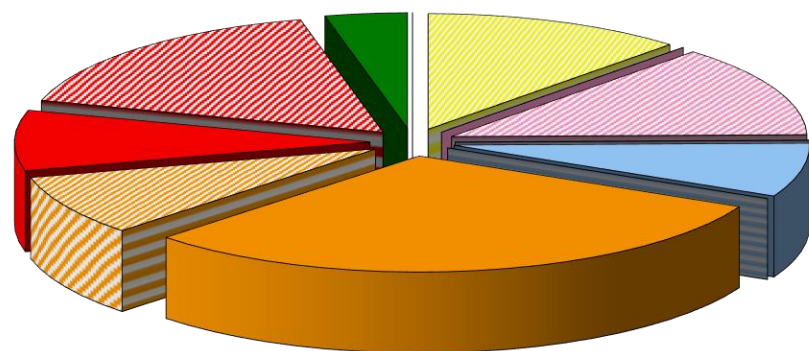
Note: An historic risk of default and expected credit loss are only provided if a counterparty has a counterparty credit rating and are not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default and expected credit loss therefore measure the historic risk of default and expected credit loss attached only to those investments for which a counterparty has a counterparty credit rating and also do not include investments which are not rated.

The Historic Risk of Default column is based on the lowest long term rating. If clients are using this % for their Expected Credit Loss calculation under IFRS 9, please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil. Please note that we are currently using Historic Default Rates from 1990-2021 for Fitch, 1983-2021 for Moody's and 1981-2021 for S&P.

Where Link Group have provided a return for a property fund, that return covers the 12 months to December 2021, which are the latest returns currently available.

City Of London Corporation

Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = **3.57**

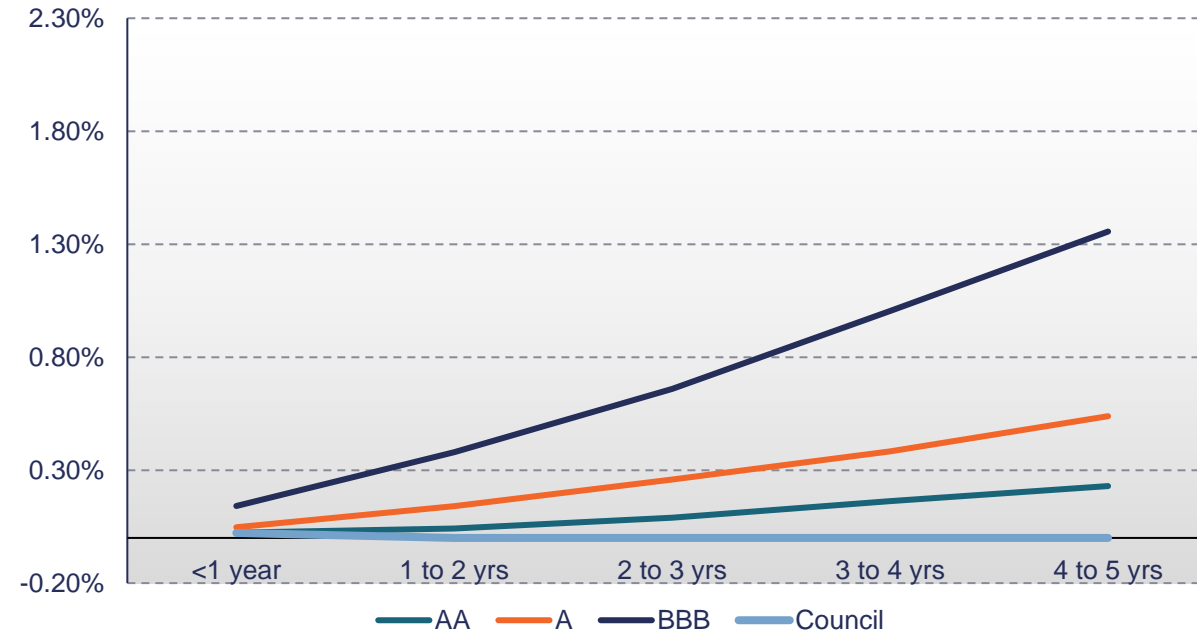
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

| | % of Portfolio | Amount | % of Colour in Calls | Amount of Colour in Calls | % of Call in Portfolio | WARoR | WAM | WAM at Execution | Excluding Calls/MMFs/USDBFs | |
|--------------|----------------|---------------------|----------------------|---------------------------|------------------------|--------------|------------|------------------|-----------------------------|------------------|
| | | | | | | | | | WAM | WAM at Execution |
| Yellow | 11.92% | £127,500,000 | 100.00% | £127,500,000 | 11.92% | 0.52% | 0 | 0 | 0 | 0 |
| Pink1 | 0.00% | £0 | 0.00% | £0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 |
| Pink2 | 12.82% | £137,089,620 | 100.00% | £137,089,620 | 12.82% | -0.35% | 0 | 0 | 0 | 0 |
| Purple | 0.00% | £0 | 0.00% | £0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 |
| Blue | 7.48% | £80,000,000 | 0.00% | £0 | 0.00% | 0.24% | 133 | 365 | 133 | 365 |
| Orange | 38.80% | £415,000,000 | 21.69% | £90,000,000 | 8.41% | 0.81% | 193 | 292 | 196 | 321 |
| Red | 25.24% | £270,000,000 | 66.67% | £180,000,000 | 16.83% | 0.60% | 224 | 269 | 204 | 340 |
| Green | 3.74% | £40,000,000 | 0.00% | £0 | 0.00% | 0.35% | 162 | 365 | 162 | 365 |
| No Colour | 0.00% | £0 | 0.00% | £0 | 0.00% | 0.00% | 0 | 0 | 0 | 0 |
| Total | 100.00% | £534,589,620 | 49.98% | £534,589,620 | 49.98% | 0.51% | 147 | 222 | 185 | 334 |

City Of London Corporation

Investment Risk and Rating Exposure

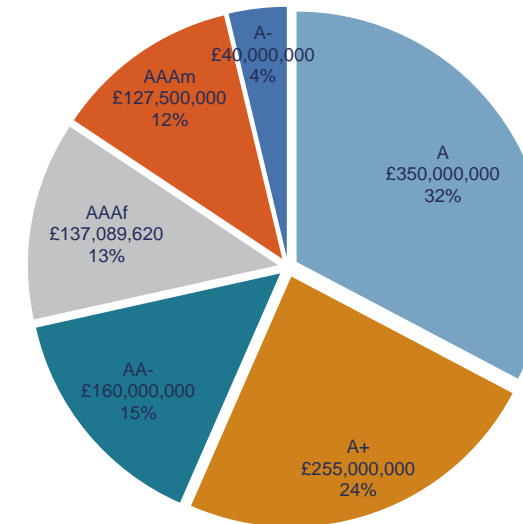
Investment Risk Vs. Rating Categories



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% | 0.09% | 0.16% | 0.23% |
| A | 0.05% | 0.14% | 0.26% | 0.38% | 0.54% |
| BBB | 0.14% | 0.38% | 0.66% | 1.01% | 1.36% |
| Council | 0.022% | 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.

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

City Of London Corporation

Monthly Credit Rating Changes FITCH

| Date | Update Number | Institution | Country | Rating Action |
|------------|---------------|--|----------------|-----------------------------------|
| 17/03/2022 | 1884 | Bayerische Landesbank | Germany | The Support Rating was withdrawn. |
| 18/03/2022 | 1885 | Landesbank Baden-Wuerttemberg | Germany | The Support Rating was withdrawn. |
| 25/03/2022 | 1887 | Co-operative Bank PLC (The) | United Kingdom | The Support Rating was withdrawn. |
| 28/03/2022 | 1888 | Australia and New Zealand Banking Group Ltd. | Australia | The Support Rating was withdrawn. |
| 28/03/2022 | 1888 | Commonwealth Bank of Australia | Australia | The Support Rating was withdrawn. |
| 28/03/2022 | 1888 | National Australia Bank Ltd | Australia | The Support Rating was withdrawn. |
| 28/03/2022 | 1888 | Westpac Banking Corp. | Australia | The Support Rating was withdrawn. |

City Of London Corporation

Monthly Credit Rating Changes
MOODY'S

| Date | Update Number | Institution | Country | Rating Action |
|------------|---------------|-------------|---------|--|
| 01/03/2022 | 1883 | Swedbank AB | Sweden | The Long Term Rating was placed on Negative Outlook and removed from Negative Watch. |

City Of London Corporation

Monthly Credit Rating Changes S&P

| Date | Update Number | Institution | Country | Rating Action |
|------------|---------------|---|---------|--|
| 22/03/2022 | 1886 | Landesbank Hessen-Thuringen Girozentrale | Germany | The Long Term Rating was upgraded to 'A' from 'A-' and the Short Term Rating was upgraded to 'A-1' from 'A-2'. |

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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| | |
|---|------------------------------|
| Committee: Financial Investment Board | Dated: 31 May 2022 |
| Subject: Risk Register for Financial Investment Board | Public |
| Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly? | All |
| Does this proposal require extra revenue and/or capital spending? | No |
| If so, how much? | £N/A |
| What is the source of Funding? | N/A |
| Has this Funding Source been agreed with the Chamberlain's Department? | N/A |
| Report of: The Chamberlain | For Decision |
| Report author: James Graham – Chamberlain's Department | |

Summary

This report reviews the key Risk Register for the Financial Investment Board. The Risk Register details the key risks that the Board has identified alongside a risk score which indicates the likelihood of a risk being realised together with the potential impact to the organisation and the appropriate mitigations. Officers have conducted a preliminary review of the Risk Register and recommend that the current scores for all risks are maintained at their existing levels with the exception of risk 1 (insufficient assets) which has been revised upwards in recognition of the challenging investment environment facing institutional investors such as City's Cash, given the current macroeconomic backdrop.

The narrative "risk update" and "latest note" on associated actions has been updated where necessary. Officers do not recommend that any new risks are added to the register and neither do they advise that any existing risks should be removed.

The Board's current terms of reference no longer refer to the investments of the Pension Fund (which will be oversee by the new Pensions Committee) nor the Bridge House Estates (which has held responsibility for managing the financial investments of the Bridge House Estate since 15 April 2021). Officers have amended the register to remove reference to both of these funds.

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

Recommendations

Members are asked to:

- review the existing risks and actions present on the Financial Investment Board's Risk Register, and confirm that appropriate control measures are in place; and
- confirm that there are no further risks relating to the services overseen by the Financial Investment Board.

Main Report

Background






















1. The Financial Investment Board instituted a Risk Register on 22 March 2018 to help identify and manage the strategic risks facing the Board in discharging its responsibilities to oversee the City's non-property investments. The current Risk Register, as agreed by the Board on 20 May 2021, is included as Appendix 2.
2. From the current municipal year, the Board's terms of reference no longer refer to the investments of the Pension Fund nor the Bridge House Estates.
3. The Financial Investment Board should review the register semi-annually. Officers review the register more frequently and report any material changes between reviews on an exceptions basis to the Board. This is in line with standard risk review procedures across the rest of the City of London Corporation.

Review of Risks

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

Update on risks

Table 1: Risk Summary

| Risk code | Risk title | Current Risk Score | Current Risk Score Indicator | Trend Icon | Flight path |
|------------|--|--------------------|---|---|---|
| CHB FIB 01 | Insufficient assets - City's Cash | 12 |  |  |  |
| CHB FIB 04 | Counterparty failure - Treasury Management | 8 |  |  |  |
| CHB FIB 02 | Targeted returns - City's Cash | 6 |  |  |  |
| CHB FIB 03 | Service provider failure | 4 |  |  |  |
| CHB FIB 05 | Insufficient Cash - Treasury Management | 4 |  |  |  |
| CHB FIB 06 | Governance | 4 |  |  |  |
| CHB FIB 07 | Failure to discharge responsible investment duties | 4 |  |  |  |

6. The Risk Register contains seven risks which are summarised above. In the table, “Current Risk Score indicator” displays the current “RAG” rating for each risk, “Trend Icon” refers to the direction of travel since the last review for a given risk whilst “Flight Path” illustrates a risk’s score over time, with the current risk score shown on the right hand side of the graphic. The risks are ranked by current risk score.
7. Officers have reviewed the Risk Register to establish whether the risk environment has changed. Most scores have been maintained at their previous levels but the score for risk 1 (insufficient assets) has been increased from 8 to 12 on the basis that the likelihood of this risk materialising is judged to have changed from “unlikely” to “possible”. This change reflects the more challenging investment horizon facing institutional investors such as City’s Cash given the current macroeconomic backdrop. The scores for all other risks have been maintained at their previous levels, although these risks have each been reviewed and updated where necessary in the Register itself. Updates to the Risk Register are underlined throughout.
8. As a result of the review, officers consider that the three risks listed at the top of Table 1 are currently the most serious risks on the Register and require active risk management by Members and officers. All other risks continue to have a “green” risk score.
9. Officers have also considered whether any new risks have emerged since the last review. Although the Board’s operating environment continually changes officers have determined that the existing Register captures the material risks facing the Board and enables the Board to concentrate on the most prescient risks.
10. The Board’s current terms of reference no longer refer to the investments of the Pension Fund (which will be overseen by the new Pensions Committee) nor the Bridge House Estates (which has held responsibility for managing the financial investments of the Bridge House Estate since 15 April 2021). Officers have amended the register to remove reference to both of these funds.
11. Each risk presented in the Risk Register is accompanied by one or more “action(s)” which reflect how the risk is managed and mitigated. A “due date” for required completion is set against each action. Due to the nature of the risks overseen by the Board, in many cases it is impossible to entirely eliminate a risk, and therefore corresponding actions will always remain live. These ongoing actions are necessary in order to maintain the current risk score. Where this is the case the Risk Register includes an annual due date, which will be renewed each year.

Conclusion

12. The risks overseen by the Financial Investment Board are primarily of low likelihoods but represent substantial impact, particularly with regards to financial loss and reputational damage. The Board is requested to confirm that appropriate control measures are in place for these risks and that there are no other risks that should be added to the Risk Register.

Appendices

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

James Graham

Group Accountant – Treasury & Investments
Chamberlains Department

T: 020 7332 1137

E: james.graham@cityoflondon.gov.uk

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

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

(A) Likelihood criteria

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

(B) Impact criteria

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

(C) Risk scoring grid

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

(D) Risk score definitions

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

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

Contact the Corporate Risk Advisor for further information. Ext 1297

October 2015

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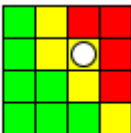
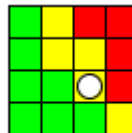
CHB FIB Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: James Graham

Generated on: 20 May 2022

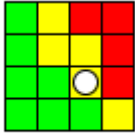
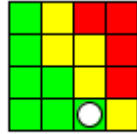



Rows are sorted by Risk Score

| Risk no, title, creation date, owner | Risk Description (Cause, Event, Impact) | Current Risk Rating & Score | | Risk Update and date of update | Target Risk Rating & Score | | Target Date/Risk Approach | Current Risk score change indicator |
|---|--|--|----|---|---|---|---------------------------|-------------------------------------|
| CHB FIB 01 Insufficient assets - City's Cash | <p>Cause: The asset allocation of the City's Cash investment portfolio is unable to fund long term expenditure requirements due to market movements.</p> <p>Event: There are insufficient assets to meet expenditure requirements.</p> <p>Effect: Reduced income or lower than anticipated growth which could impact on the Corporation's medium term financial plans. City's Cash would be required to sell financial assets to fund expenditure requirements.</p> | <p>Likelihood</p>  <p>Impact</p> | 12 | <p>The absolute return target for City's Cash has been set at CPI + 4%. As at 31 March 2022, the fund has outperformed this target over the long term (i.e. over 3 and 5 years) but has trailed the target over the last year. This has primarily arisen due the high level of inflation as at 31 March 2022 (7%). Inflation has increased materially since the Board last reviewed the risk register in November 2021 as a result of supply shocks which have only been exacerbated by the Russian invasion of Ukraine. Although institutions such as the Bank of England expect inflation to decline rapidly over the medium to longer term, there is considerable uncertainty around the outlook. The likelihood of this risk has thus</p> | <p>Likelihood</p>  <p>Impact</p> | 8 | 31-Mar-2023 | ↑ |

| | | | | | | | | |
|------------------------------------|--|--|--|--|--|--|--|------------|
| 08-Mar-2018 Caroline Al-Beyerty | | | | been increased from "unlikely" to "possible" for the current risk score. <u>20 May 2022</u> | | | | Increasing |
|------------------------------------|--|--|--|--|--|--|--|------------|

| Action no | Action description | Latest Note | Action owner | Latest Note Date | Due Date |
|------------------------|--|--|------------------------------------|--------------------|--------------------|
| CHB FIB 01a | The City's Cash investment strategy is reviewed at least every three years by the Financial Investment Board. | <u>The City's Cash investment strategy is expected to be reviewed in 2022/23.</u> | Caroline Al-Beyerty; Kate Limna | <u>20-May-2022</u> | <u>31-Mar-2023</u> |
| CHB FIB 01b Page 40 | The investment performance is measured against absolute return targets required to meet long term objectives. This is reported to the Financial Investment Board throughout the year and is supplemented by market insight from the Corporation's investment consultants which will assist any strategic decisions required in between the three-year formal strategy reviews. | City's Cash investment performance is brought to each meeting of the Financial Investment Board for consideration. | James Graham; Kate Limna | <u>20-May-2022</u> | <u>31-Mar-2023</u> |

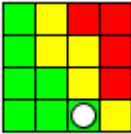
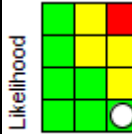

| Risk no, title, creation date, owner | Risk Description (Cause, Event, Impact) | Current Risk Rating & Score | | Risk Update and date of update | Target Risk Rating & Score | | Target Date/Risk Approach | Current Risk score change indicator |
|--|--|--|---|--|---|---|---------------------------|---|
| CHB FIB 04 Counterparty failure - Treasury Management 08-Mar-2018 Caroline Al-Bayerty | Cause: External events, including cybersecurity incidents, threaten the solvency of counterparties the Corporation has lent to. Event: Failure of counterparty to fulfil obligation to the Corporation, i.e. default on repayments. Effect: Asset valuations at risk. | Likelihood  Impact | 8 | The current Treasury Management Strategy restricts lending to high-quality counterparties and remains fit for purpose. External credit ratings for existing counterparties are currently at acceptable levels <u>although credit default swap prices for the existing counterparties (where available) have been gradually rising over the last quarter.</u> <u>20 May 2022</u> | Likelihood  Impact | 4 | 31-Mar-2023 |  Constant |
| | | | | | | | | |

| Action no | Action description | Latest Note | | Action owner | Latest Note Date | Due Date |
|-------------|--|--|--|-----------------------------|------------------|-------------|
| CHB FIB 04a | Detailed due diligence is carried out when new counterparties are onboarded. | Independent analysis and consultation with treasury investment advisor when adding additional counterparties. Where the Corporation invests in money market funds, officers monitor the funds' weekly liquidity profiles to ensure the vehicles retain adequate liquidity. At present, there are no liquidity concerns with any of the Corporation's existing fund counterparties. These funds invest in very short term and very high-quality instruments, so default risk is low. The Corporation's short dated bond fund investments are more sensitive to changes in economic conditions and performance is more volatile. <u>Short term interest rates have increased during 2022 and this has had a negative impact on the total returns available from the short dated bond funds. However the Corporation invests in these instruments on a longer term basis (at least three years) where there is a greater tolerance for volatility in returns.</u> | | James Graham; Kate Limna | 20-May-2022 | 31-Mar-2023 |

| | | | | | |
|-------------|--|---|-----------------------------|--------------------|--------------------|
| | | Officers also continue to monitor changes in the credit standing of direct counterparties via rating changes from the three main credit rating agencies and other news. | | | |
| CHB FIB 04b | When lending directly to counterparties, ensure they meet the minimum credit criteria as set out in the most recent Treasury Management Strategy Statement. | <u>All lending is conducted within the parameters of the 2022/23 Treasury Management Strategy Statement as agreed by Court of Common Council on 10th March 2022.</u> Additionally, officers have implemented financial metric-based criteria for determining the eligibility of local authority borrowers. When onboarding new financial institutions, officers review banks' financial standing including standard financial reporting ratios for assessing capitalisation and liquidity. | James Graham; Kate Limna | <u>20-May-2022</u> | <u>31-Mar-2023</u> |
| CHB FIB 04c | Monitor markets regularly through credit rating updates and financial publications, plus seeking the advice of treasury investment advisors when appropriate | Officers continually monitor for credit rating updates as well as the financial press and industry publications in search of any news regarding the Corporation's counterparties. Treasury investment advisors provide rating agency credit watches and other market data including Credit Default Swap prices on money market participants | James Graham; Kate Limna | <u>20-May-2022</u> | <u>31-Mar-2023</u> |

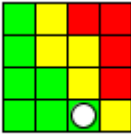
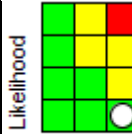

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| Action no | Action description | Latest Note | Action owner | Latest Note Date | Due Date |
|-------------|---|---|-----------------------------|-----------------------------|-----------------------------|
| CHB FIB 02a | Investment managers' performance and their aggregate performance is measured against appropriate benchmarks and monitored by the Financial Investment Board throughout the year. It is supplemented by market insight from the Corporation's investment consultants which provides peer group comparisons; checks on movement of key officers; and reviews on the incorporation of ESG considerations in implementing their investment strategies. Fund managers are invited to meet with Officers and Members to account for their performance as and when the Board deem this necessary/as required. | The latest performance reports to the Board from officers and the investment consultant Mercer detail appointed manager and fund level performance up to 31 March 2022. | James Graham; Kate Limna | 20-May-2022 | 31-Mar-2023 |

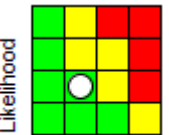


| Risk no, title, creation date, owner | Risk Description (Cause, Event, Impact) | Current Risk Rating & Score | | Risk Update and date of update | Target Risk Rating & Score | | Target Date/Risk Approach | Current Risk score change indicator |
|--|---|--|---|---|---|---|---------------------------|---|
| CHB FIB 03 Service provider failure 08-Mar-2018 Caroline Al-Beyerty | Cause: Corporate, financial, economic or cybersecurity threats result in service provision withdrawal or liquidation of partner organisations. Event: Failure of fund manager, investment consultant or other service provider without notice. Effect: Asset valuations at risk or a period of time without service provision. |  Likelihood Impact | 4 | Officers meet regularly with fund managers, investment consultants and other service providers. Officers write to all counterparties requesting latest internal control report from fund managers and custodian ahead of the closure of accounts. <u>20 May 2022</u> |  Likelihood Impact | 4 | 31-Mar-2023 |  Constant |
| | | | | | | | | |

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| Action no | Action description | Latest Note | Action owner | Latest Note Date | Due Date |
|-------------|--|---|-----------------------------|--------------------|--------------------|
| CHB FIB 03a | Detailed due diligence is carried out when new fund managers, investment consultant or other service provider are appointed. | New manager due diligence undertaken in consultation with investment consultant. There are currently no plans to appoint any additional managers. The investment consultant contract was recently re-tendered via the National LGPS procurement framework. Following a rigorous and competitive exercise Mercer were appointed to the role in October 2021. | James Graham; Kate Limna | <u>20-May-2022</u> | <u>31-Mar-2023</u> |
| CHB FIB 03b | Review of internal control reports on annual basis. | Corporate Treasury compile an archive of the most up to date relevant annual internal control reports issued by all issuing fund managers and custodian as part of statement of account compilation across Funds. <u>Officers are currently in the process of obtaining control reports from the fund managers and evaluating their findings as part of the final accounts process.</u> | James Graham; Kate Limna | <u>20-May-2022</u> | <u>31-Mar-2023</u> |
| CHB FIB03c | Monitor markets regularly through financial publications and seek advice of managers and investment consultant when appropriate. | Officers regularly monitor financial press and industry publications particularly in search of any news regarding entities that have an existing relationship across the Corporation's Funds. | James Graham; Kate Limna | <u>20-May-2022</u> | <u>31-Mar-2023</u> |

| Risk no, title, creation date, owner | Risk Description (Cause, Event, Impact) | Current Risk Rating & Score | | Risk Update and date of update | Target Risk Rating & Score | | Target Date/Risk Approach | Current Risk score change indicator |
|---|---|--|---|---|---|---|----------------------------|---|
| CHB FIB 05 Insufficient Cash - Treasury Management 08-Mar-2018 Caroline Al-Beyerty | Cause: Inaccurate cash flow modelling for Corporation as a whole. Event: There is insufficient cash available to meet day to day obligations. The organisation is forced to liquidate long term investment assets without adequate planning or fails to identify external borrowing requirements. Effect: Overdrawn position incurs unnecessary expenditure and missed payments damage the Corporation's reputation. Inefficient treasury management decisions increase costs. |  Likelihood Impact | 4 | Officers continue to maintain a cash flow model projecting the Corporation's cash flow requirements for the forthcoming year on an on-going basis. Cash flow is regularly monitored and short-term cash balances are invested over appropriate time horizons. <u>20 May 2022</u> |  Likelihood Impact | 4 | <u>31-Mar-2023</u> |  Constant |

| Action no | Action description | Latest Note | | | Action owner | Latest Note Date | Due Date |
|-------------|---|--|--|--|-----------------------------|--------------------|--------------------|
| CHB FIB 05a | Combined cashflow daily forecast maintained to project inflows and outflows over the year forward to ensure a sufficient level of on-going liquidity. Cashflow requirement is the fundamental consideration when agreeing duration of fixed term deposits or placing capital in money market funds. | Cash flow model maintained and updated on a daily basis, incorporating known flows and estimating payments and income of uncertain timing based on historic cash flow profiles and estimations for the timing and value of future payments and receipts. | | | James Graham; Kate Limna | <u>20-May-2022</u> | <u>31-Mar-2023</u> |
| CHB FIB 05d | A balance sheet review exercise enables the Corporation to further understand the likely timing of any future need to liquidate long term investment assets or external borrowing requirement. | Officers have developed a medium-term cash flow forecast based on City Fund's projected balance sheet. This forecast will be updated in line with the evolution of the medium term financial plan <u>and is currently being reviewed in tandem with the production of the draft statement of accounts for 2021/22.</u> | | | | <u>20-May-2022</u> | <u>30-Jun-2022</u> |

| Risk no, title, creation date, owner | Risk Description (Cause, Event, Impact) | Current Risk Rating & Score | | Risk Update and date of update | Target Risk Rating & Score | | Target Date/Risk Approach | Current Risk score change indicator |
|---|--|--|---|---|---|---|---------------------------|---|
| CHB FIB 06 Governance <div>Page 47</div> 08-Mar-2018 Caroline Al-Beyerty | Cause: Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc. Event: Board Members and officers do not have appropriate skills or knowledge to discharge their responsibilities. Regulatory breach. Effect: Inappropriate decisions are made leading to a financial impact or a breach of legislation or service not provided in line with best practice and legal requirements. Potential regulatory fines. |  Likelihood Impact | 4 | Member and officer experience and knowledge was assembled as part of the MiFID II opt up process and deemed sufficient by all fund managers, advisors and counterparties to substantiate opt up to 'professional' client status. Members most recently undertook treasury management training in February 2019; investment strategy training in June 2020; and further responsible investment/climate risk training in 2021. Members also routinely receive advice from the Investment Consultant at all Board meetings. Officers monitor changes in applicable regulations and advise Members accordingly. <u>20 May 2022</u> |  Likelihood Impact | 2 | 31-Mar-2023 |  Constant |
| | | | | | | | | |

| Action no | Action description | Latest Note | Action owner | Latest Note Date | Due Date |
|-------------|--|--|-----------------------------|--------------------|--------------------|
| CHB FIB 06a | Training provided to Board Members on a range of investment topics and asset classes on a needs basis. Continued Professional Development (CPD) records maintained and updated annually. | Recent training delivered to Members of the Board has included treasury management in February 2019 via the treasury consultant; investment strategy training in June 2020 from the Investment Consultant in relation to the Pension Fund Investment Strategy review; sustainable investment implementation from FTSE Russell in September 2020; and climate risk training from various sessions led by Aon and Carbon Tracker in Q2 2021. <u>Treasury and investment training will be provided to the Board during 2022/23.</u> | James Graham; Kate Limna | <u>20-May-2022</u> | <u>30-Sep-2022</u> |
| CHB FIB 06b | Job descriptions used at recruitment to attract | Officers continue to attend training courses, seminars and conferences where | Caroline | <u>20-May-</u> | <u>31-Mar-</u> |

| | | | | | |
|-------------|---|---|------------------------------------|--------------------|--------------------|
| | candidates with skills and experience related to investment finance. The Corporation maintains membership of CIPFA's Pension Network, CIPFA's Treasury Management Network plus the LAPFF, LPFA and PLSA – all providing access to training opportunities via courses, seminars and conferences. | deemed appropriate to enhance understanding of markets, financial instruments, regulatory and statutory reporting issues. <u>The team is currently recruiting to a number of posts following a redesign of the team structure which has resulted in additional resource allocated to the treasury and investments function.</u> | Al-Beyerty; Kate Limna | <u>2022</u> | <u>2023</u> |
| CHB FIB 06c | Training plans in place for all staff as part of the performance appraisal arrangements, which are reviewed every six months. | Performance and development appraisals continue to be carried out in line with corporate policy. | Caroline Al-Beyerty; Kate Limna | <u>20-May-2022</u> | <u>31-Mar-2023</u> |
| CHB FIB 06d | External professional advice sought where required. | <u>The investment consultant attends each meeting of the Financial Investment Board providing advice on investment matters.</u> | James Graham; Kate Limna | <u>20-May-2022</u> | <u>31-Mar-2023</u> |

| Risk no, title, creation date, owner | Risk Description (Cause, Event, Impact) | Current Risk Rating & Score | | Risk Update and date of update | Target Risk Rating & Score | | Target Date/Risk Approach | Current Risk score change indicator |
|---|--|---------------------------------|---|---|---------------------------------|---|---------------------------------|--|
| CHB FIB 07 Failure to discharge responsible investment duties Page 49 20-Jun-2019 | <p>Cause: Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments.</p> <p>Event: The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood.</p> <p>Effect: The Corporation suffers reputational or financial damage.</p> | <p>Likelihood</p> <p>Impact</p> | 4 | <p>The Board has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment Policy which also outlines the Board's approach in this area. The City of London Corporation (<u>as a whole</u>) is a signatory to the Principles for Responsible Investment.</p> <p>The Financial Investment Board has undertaken an in depth review of its climate risk exposure in 2021 resulting in a commitment to achieve net zero carbon emissions by 2040 together with the development of interim goals via a transition pathway</p> <p><u>20 May 2022</u></p> | <p>Likelihood</p> <p>Impact</p> | 4 | <p><u>31-Mar-2023</u></p> | <p>Constant</p> |

| Action no | Action description | Latest Note | Action owner | Latest Note Date | Due Date |
|-------------|--|--|-----------------------------|--------------------|--------------------|
| CHB FIB 07a | Reporting on responsible investment activities to the Principles for Responsible Investment is completed on an annual basis. The Board receives an annual Transparency Report from the PRI from which it can evaluate progress against responsible investment goals. | Officers submitted the latest annual submission to the PRI, which covered the Board's responsible investment activities in the calendar year 2020, ahead of the PRI's deadline on 10 May 2021. Owing to operational issues at the PRI, the Corporation's assessment report is now expected to be received in the first half of 2022 and will be reported to this Board <u>and other committees which now have investment oversight responsibilities</u> at the earliest opportunity. | James Graham; Kate Limna | <u>20-May-2022</u> | <u>30-Jun-2022</u> |
| CHB FIB 07c | As part of the regular management and monitoring of investment mandates, the Board and responsible | The Board receives regular updates on ESG standings amongst its appointed investment managers from the Investment Consultant on a quarterly basis. <u>The</u> | James Graham; | <u>20-May-2022</u> | <u>31-Mar-2023</u> |

| | | | | | |
|-------------|---|--|------------|--------------------|--------------------|
| | officers challenge investment managers on ESG issues arising in the portfolio. The Investment Consultant reports to the Board on its monitoring of ESG risks on a quarterly basis. | <u>Board has established new climate risk expectations for existing and potential investment managers and these form part of the regular ongoing monitoring of managers' performance.</u> | Kate Limna | | |
| CHB FIB 07e | The Board has committed to meeting the standards of the new 2020 UK Stewardship Code and needs to ensure compliance is developed. The Board reviews asset stewardship across its investment mandates on an annual basis and uses the exercise encourage better ESG outcomes amongst its existing managers <u>(this will need to be done in conjunction with other committees which now have investment oversight responsibilities).</u> | Officers anticipate that the Corporation as an organisation will prepare its first Annual Stewardship Report for assessment by the Financial Reporting Council in 2022/23. <u>All of the City's Cash UK-based pooled fund managers (i.e. excluding the alternative assets portfolio) are signatories to the Stewardship Code.</u> | | <u>20-May-2022</u> | <u>31-Dec-2022</u> |
| CHB FIB 07f | The Board has been assigned several key actions which will enable the Corporation to deliver its Climate Action Strategy. Key to this is achieving a clear plan on how to achieve Paris-alignment by 2040. | The Board completed an in depth review of its climate risk exposure in 2021/22 involving the use of scenario analysis, the development of a transition pathway consistent with a net zero by 2040 commitment, and the establishment of expectations for existing and potential mandates. The transition pathway itself involves a series of specific actions with various deadlines which the Board will target over the coming years. The Board received relevant training through different external consultants during this exercise. | | <u>20-May-2022</u> | <u>31-Mar-2023</u> |

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