

# CHB FIB Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: James Graham

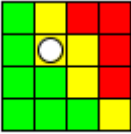
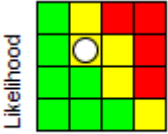

Generated on: 11 November 2019






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	Current Risk score change indicator
<b>CHB FIB 01</b> <b>Insufficient assets - Pension Fund, City's Cash and Bridge House Estates</b>  08-Mar-2018 Peter Kane	<p><b>Cause:</b> The asset allocation of each investment portfolio (Pension Fund, City's Cash and Bridge House Estates) are unable to fund long term liabilities and expenditure requirements due to market movements.</p> <p><b>Event:</b> There are insufficient assets to meet liabilities or expenditure requirements.</p> <p><b>Effect:</b> Reduced income or lower than anticipated growth which could impact on the Corporation's medium-term financial plans. Employers of the Pension Fund are required to provide further funding through contributions to finance liabilities. City's Cash and Bridge House Estates would be required to sell financial assets to fund expenditure requirements.</p>	<p>Likelihood</p> <p>Impact</p>	8	The Pension Fund's Investment Strategy review carried out in October 2017 required no changes to the Fund's existing asset allocation. It was agreed to amend the Pension Fund's absolute return target to 5.7% from 1st April 2018. City's Cash and Bridge House Estates' Investment Strategy review was carried out in March 2018 and it was agreed to amend both Fund's return target to CPI+4% from 1st April 2018. As at 30 September 2019, all Funds are outperforming their absolute return targets over one, three and five years.  <b>11 November 2019</b>	<p>Likelihood</p> <p>Impact</p>	8	29-November-2019	<p>Constant</p>

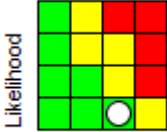


Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 01a	The Investment strategy of the Pension Fund, Bridge House Estates and City's Cash is reviewed at least every three years by the Financial Investment Board.	The Pension Fund's triennial liability valuation is carried out by the Fund's actuary as required by statute every three years and this serves as foundation for the Pension Fund's Investment Strategy, which in turn provides the basic themes and framework for the City's Cash and Bridge House Estates' Investment Strategy reviews. The Pension Fund's Investment Strategy review was completed in October 2017. The Investment Strategy review for City's Cash was completed in May 2018. For the Bridge House Estates, whilst initial work as part of the governance review has been completed further work is to be undertaken to review the investment strategy of the Charity as a whole with the support of an external consultant. <b>This work has now commenced and is expected to be completed in the new year.</b>	Caroline Al-Beyerty; Kate Limna	11-November-2019	29-November-2019
CHB FIB 01b	The investment performance of the Pension Fund, City's Cash and the Bridge House Estates is measured against absolute return targets required to meet long term objectives. This is reported to the Financial Investment Board throughout the year and is supplemented by market insight from the Corporation's investment consultants which will assist any strategic decisions required in between the three-year formal strategy reviews.	Individual Fund investment performance is brought to each Financial Investment Board for consideration.	Kate Limna, James Graham;	20-June-2019	29-November-2019

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<b>CHB FIB 02 Targeted returns –</b> Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Peter Kane	<b>Cause:</b> Fund managers fail to achieve the targeted investment returns because <ul style="list-style-type: none"> <li>the Board appoints unsuitable fund managers,</li> <li>individual fund managers underperform against the benchmarks agreed by the Board,</li> <li>aggregate fund manager performance fails to achieve the Board's long-term targets</li> </ul> <b>Event:</b> Failure to be seen to manage the funds responsibly. <b>Effect:</b> Supervisory intervention over management of the Funds.	 Likelihood	6	The performance of fund managers and their aggregate performance is reported against target to each Financial Investment Board. Two underperforming managers were replaced in 2018.  <b>11 November 2019</b>	 Likelihood	6	29-November-2019	  Constant

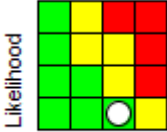


Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB02a	Investment manager performance and their aggregate is measured against appropriate benchmarks and monitored by the Financial Investment Board throughout the year. It is supplemented by market insight from the Corporation's investment consultants which provides peer group comparisons, checks on movement of key officers and reviews on the incorporation of ESG considerations in implementing their investment strategies. Fund Managers are invited to meet with Officers and Members to account for their performance as and when the Board deem this necessary/as required.	Alongside officers, investment consultant Mercer provide quarterly performance reviews of the Funds	Kate Limna, James Graham	20-June-2019	29-November-2019

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<b>CHB FIB 03 Service provider failure</b>  Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Peter Kane	<b>Cause:</b> Corporate, financial, economic or cybersecurity threats result in service provision withdrawal or liquidation of partner organisations. <b>Event:</b> Failure of fund manager, investment consultant or other service provider without notice. <b>Effect:</b> Pension Fund, City's Cash or Bridge House Estates' asset valuations at risk or a period of time without service provision.	 Likelihood	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.  <b>20 June 2019</b>	 Likelihood	4	29-November-2019	  Constant

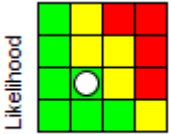
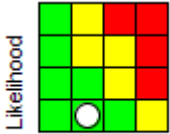

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CHB FIB03a	Detailed due diligence is carried out when new fund managers, investment consultant or other service provider are appointed.	New manager due diligence undertaken in consultation with investment consultant. Investment consultant appointed via the National LGPS procurement framework in 2015.	Kate Limna, James Graham	20 June-2019	29-November-2019
CHB FIB03b	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.	Kate Limna, James Graham	20-June-2019	29-November-2019
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. In October, officers spoke with two appointed UK equity managers following reports in the media that UK equity funds had been experiencing significant outflows in 2019. Both managers provided assurance that they continue to maintain an adequate liquidity profile.	Kate Limna, James Graham	11-November-2019	29-November-2019

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<b>CHB FIB 04 Counterparty failure –</b> Treasury Management 08-Mar-2018 Peter Kane	<b>Cause:</b> External events, including cybersecurity incidents, threaten the solvency of counterparties the Corporation has lent to. <b>Event:</b> Failure of counterparty to fulfil obligation to the Corporation, i.e. default on repayments. <b>Effect:</b> Asset valuations at risk.	 Likelihood  Impact	4	Treasury Management Strategy Statement was agreed at Court of Common Council on 7th March 2019.  <b>20-June-2019</b>	 Likelihood  Impact	4	29-November-2019	  Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB04a	Detailed due diligence is carried out when new counterparties are onboarded.	Independent analysis and consultation with treasury investment advisor when adding additional counterparties; most recent additions are L&G and Royal London.	Kate Limna, James Graham	20-June-2019	29-November-2019
CHB FIB04b	When lending directly to counterparties, ensure they meet the minimum credit criteria as set out in the most recent Treasury Management Strategy Statement.	Treasury Management Strategy Statement agreed by Court of Common Council on 7 <sup>th</sup> March 2019.	Kate Limna, James Graham	20-June-2019	29-November-2019
CHB FIB04c	Monitor markets regularly through credit rating updates and financial publications, plus seeking the advice of treasury investment advisors when appropriate	Officers continually monitor for credit rating updates, also financial press and industry publications in search of any news regarding the Corporation's counterparties. Treasury investment advisors provide rating agency credit watches and other market data including Credit Default Swap prices on money market participants.	Kate Limna, James Graham	20-June-2019	29-November-2019

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<b>CHB FIB 05 Insufficient Cash –</b>  Treasury Management 08-Mar-2018 Peter Kane	<b>Cause:</b> Inaccurate cash flow modelling for Corporation as a whole. <b>Event:</b> There is insufficient cash available to meet day to day obligations. <b>Effect:</b> Overdrawn position incurs unnecessary expenditure and missed payments damages the Corporations reputation.	 Likelihood Impact	4	Officers continue to maintain a cash flow model projecting the Corporation's combined known and unknown cash flow requirements for the forthcoming year on an on-going basis.  <b>20 June 2019</b>	 Likelihood Impact	4	29-November-2019	  Constant

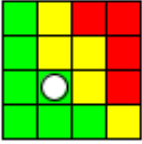
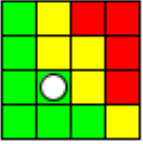
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CHB FIB 05a	Combined cashflow daily forecast maintained to project inflows and outflows over the year forward to ensure a sufficient level of on-going liquidity. Cashflow requirement is the fundamental consideration when agreeing duration of fixed term deposits or placing capital in money market funds.	Cash flow model maintained daily, incorporating known flows and estimating payments and income of uncertain timing based on historic cash flow profiles and estimations for the timing and value of future payments and receipts.	Kate Limna, James Graham	11-November-2019	29-November-2019

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

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 06a	Training provided to Board Members on a range of investment topics and asset classes on a needs basis. Continued Professional Development (CPD) records maintained and updated annually.	Training record created in support of MiFID II application to professional client status and will be updated annually.	Kate Limna, James Graham	20-June-2019	29-November-2019
CHB FIB 06b	Job descriptions used at recruitment to attract candidates with skills and experience related to investment finance. The Corporation maintains membership of CIPFA's Pension Network, CIPFA's Treasury Management Network plus the LAPFF, LPFA and PLSA – all providing access to training opportunities via courses, seminars and conferences.	Officers continue to attend training courses, seminars and conferences where deemed appropriate to enhance understanding of markets, financial instruments, regulatory and statutory reporting issues.	Caroline Al-Beyerty; Kate Limna	20-June-2019	29-November-2019
CHB FIB 06c	Training plans in place for all staff as part of the performance appraisal arrangements, which are reviewed every six months.	Appraisals for all relevant staff are up to date. Appraisals include a review of individual training requirements.	Caroline Al-Beyerty; Kate Limna	11-November-2019	29-November-2019

CHB FIB 06d	External professional advice sought where required.	Investment consultants provide focused training session as and when required.	Kate Limna, James Graham	20-June-2019	29-November-2019
CHB FIB 06e	The Board maintains regular oversight of the London CIV	Senior management of the London CIV met the Financial Investment Board in September 2019. Officers monitor developments at the London CIV and report meaningful developments at each Board meeting via a dedicated section of the Pension Fund Investment Monitoring Report (or in between Board meetings if necessary). Officers participated in an ESG and governance strategy forum hosted by the London CIV in October 2019. The London CIV routinely consults officers on potential new sub-funds and the City responded to two such consultations (regarding a potential sustainable equity fund product and a global value equity fund product) in October 2019. The London CIV is currently reviewing its Responsible Investment approach and a meeting has been arranged with the Chairman and Deputy Chairman of the Financial Investment Board for 21 November 2019 to ensure the City can participate in the process.	Kate Limna, James Graham	11-November-2019	29-November-2019



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<p><b>CHB FIB 07</b> <b>Failure to deliver responsible investment</b></p> <p>20-Jun-2019 Peter Kane</p>	<p><b>Cause:</b> Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments.  <b>Event:</b> The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood.  <b>Effect:</b> 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 is a signatory to the Principles for Responsible Investment through which the Board seeks to generate appropriate disclosure on ESG issues amongst its investments. <b>The City of London has agreed a statement of commitment to the UK Stewardship Code and has been assessed as a tier 1 signatory.</b></p> <p>The Board incorporates ESG considerations into investment manager selection and appointment criteria (most recently with the appointment of Baillie Gifford) and monitors ESG developments in its existing mandates on a quarterly basis. ESG risks are also discussed at Member and officer level meetings with managers. Furthermore the Board conducts an annual stewardship review of its investment mandates which it uses to encourage progress amongst its managers.</p> <p><b>11 November 2019</b></p>	<p>Likelihood</p>  <p>Impact</p>	4		<p>■</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.	The Board received its first Transparency Report from the PRI in September 2019. The reporting tool for the current year will be available from 7 January 2020 and officers are currently planning the submission, which is required by 1 April 2020. The PRI has advised that it is consulting on an overhaul of the reporting system with a view to implementing a new reporting framework in 2021. The Board will be required to publish its Transparency Report from 2021 (under the revised framework).	Kate Limna, James Graham	11-November-2019	29-November-2019
CHB FIB 07b	The Board formally reviews asset stewardship across its investment mandates on an annual basis and uses the exercise encourage better ESG outcomes amongst its existing managers.	The Board received a report on its annual asset stewardship review on 20 May 2019 and agreed various follow-up actions to be undertaken amongst its investment managers. Officers have completed these actions with the relevant managers and are due to report back to the Board on 29 November 2019.	Kate Limna, James Graham	11-November-2019	29-November-2019
CHB FIB 07c	As part of the regular management and monitoring of investment mandates, the Board and responsible officers challenge investment managers on ESG issues arising in the portfolio. The Investment Consultant reports to the Board on its monitoring of ESG risks on a quarterly basis.	The Board continues to receive updates from the Investment Consultant on ESG monitoring. Members most recently met with investment managers Harris, Veritas and C Worldwide, where the ESG factors were discussed.	Kate Limna, James Graham	11-November-2019	29-November-2019
CHB FIB 07d	The Financial Reporting Council (FRC) has substantially revised the UK Stewardship Code. The City will review the new Code's requirements and consider how to demonstrate its commitment to the new Code	Organisations wanting to become signatories to the Code will be required to produce an annual Stewardship Report explaining how they have applied the Code in the previous 12 months. The FRC will evaluate these Reports against its assessment framework, and those that meet the reporting expectations will be listed as signatories to the Code. To be included in the first list of signatories, the Board must submit a <i>final</i> report for the prior year to the FRC by 31 March 2021.	Kate Limna, James Graham	11-November-2019	03-June-2020