

CHB FIB Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: James Graham
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Rows are sorted by Risk Score

Code CHB FIB 01

Department Description: Chamberlain's 1

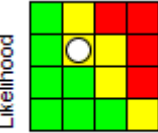
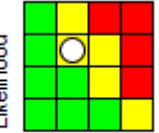

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 01 Insufficient assets - Pension Fund, City's Cash and Bridge House Estates	<p>Cause: The asset allocation of each investment portfolio (Pension Fund, City's Cash and Bridge House Estates) are unable to fund long term liabilities and expenditure requirements due to market movements.</p> <p>Event: There are insufficient assets to meet liabilities or expenditure requirements.</p> <p>Effect: Reduced income or lower than anticipated growth which could impact on the Corporation's medium term financial plans. Employers of the Pension Fund are required to provide further funding through contributions to finance liabilities. City's Cash and Bridge House Estates would be required to sell financial assets to fund expenditure requirements.</p>	<p>Likelihood</p> <p>Impact</p>	12	<p>The Pension Fund's absolute return target was set at 5.7% annually from 1st April 2018 whilst the absolute return target for City's Cash and Bridge House Estate was set at CPI +4% from the same date. All three funds were impacted in the first quarter of 2020 by the downturn in financial markets related to COVID-19 and accordingly, as at 31 March 2020, the three portfolios now trail their absolute return targets in all time periods. It is worth noting that asset values have recorded somewhat since the end of March but heightened volatility remains and there is notable uncertainty about the long term</p>	<p>Likelihood</p> <p>Impact</p>	8	31-Mar-2021	

08-Mar-2018 Peter Kane				<p>impact of the virus on the global economic and, by extension, asset values. Given these conditions the score for this risk has been changed to reflect the judgement that the likelihood of this risk materialising is now "possible" rather than "unlikely".</p> <p>19 May 2020</p>				Increasing
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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 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 actuary completed the latest triennial valuation in March 2020 and the Board is now in a position to review the Pension Fund's investment strategy. This will be given initial consideration at the Board's meeting on 3 June 2020 and the strategy review will be completed in the coming months. Following this, the Board will review the City's Cash and Bridge House Estates investment strategies.	Caroline Al-Beyerty; Kate Limna	19-May-2020	23-Sep-2020
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.	James Graham; Kate Limna	19-May-2020	31-Mar-2021

Code CHB FIB 02

Department Description: Chamberlain's 1

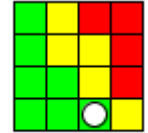
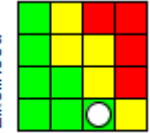

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<p>CHB FIB 02 Targeted returns - Pension Fund, City's Cash and Bridge House Estates</p> <p>08-Mar-2018 Peter Kane</p>	<p>Cause: Fund managers fail to achieve the targeted investment returns because</p> <ul style="list-style-type: none"> • the Board appoints unsuitable fund managers, • individual fund managers underperform against the benchmarks agreed by the Board, • aggregate fund manager performance fails to achieve the Board's long-term targets <p>Event: Failure to be seen to manage the funds responsibly. Effect: Supervisory intervention over management of the Funds.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>6</p>	<p>The performance of fund managers and their aggregate performance is reported against target to each Financial Investment Board. Most managers are currently outperforming their assigned targets over longer term time horizons, although several are not. Where relative returns are negative, Members and officers seek to understand why in order to determine whether there is continued conviction in the manager's strategy to recover performance.</p> <p>19 May 2020</p>	 <p>Likelihood</p> <p>Impact</p>	<p>6</p>	<p>31-Mar-2021</p>	<p></p> <p>Constant</p>

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	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 2020. Recent, Member-level meetings have taken place with CQS and Pырford (February 2020) whilst a further ESG-specific meeting was held with Pырford in April 2020.			James Graham; Kate Limna	19-May-2020	31-Mar-2021

	<p>movement of key officers; and reviews on the incorporation of ESG considerations in implementing their investment strategies.</p> <p>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.</p>				
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Code CHB FIB 03

Department Description: Chamberlain's 1

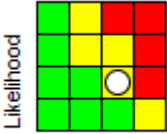
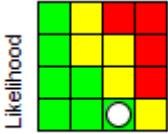

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 03 Service provider failure - Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Peter Kane	<p>Cause: Corporate, financial, economic or cybersecurity threats result in service provision withdrawal or liquidation of partner organisations.</p> <p>Event: Failure of fund manager, investment consultant or other service provider without notice.</p> <p>Effect: Pension Fund, City's Cash or Bridge House Estates' asset valuations at risk or a period of time without service provision.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>4</p>	<p>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.</p> <p>In March 2020, officers contacted appointed fund managers to confirm that arrangements were in place to protect business continuity in the event of restrictions on physical movement in response to COVID-19. Appropriate assurances were received.</p> <p>19 May 2020</p>	 <p>Likelihood</p> <p>Impact</p>	<p>4</p>	<p>31-Mar-2021</p>	 Constant

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 was appointed via the National LGPS procurement framework in 2015.	James Graham; Kate Limna	19-May-2020	31-Mar-2021
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	James Graham;	19-May-2020	31-Mar-2021

		account compilation across Funds. All internal control reports from the pooled fund managers have been received where available.	Kate Limna		
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	19-May-2020	31-Mar-2021

Code CHB FIB 04

Department Description: Chamberlain's 1

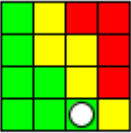
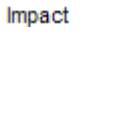
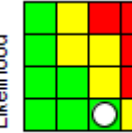
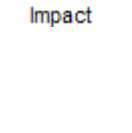

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 04 Counterparty failure - Treasury Management 08-Mar-2018 Peter Kane	Cause: External events, including cybersecurity incidents, threaten the solvency of counterparties the Corporation has lent to. Event: Failure of counterparty to fulfil obligation to the Corporation, i.e. default on repayments. Effect: Asset valuations at risk.	 Likelihood Impact	8	Treasury Management Strategy Statement was agreed at Court of Common Council on 5th March 2020. It is likely that COVID-19 will weaken the domestic and global economy and therefore it is more important than ever to focus on the financial standing of the Corporation's treasury counterparties. The current Treasury Management Strategy restricts lending to only high-quality counterparties and remains fit for purpose. However, within these parameters, officers have implemented additional operational level restrictions and enhanced monitoring which are highlighted below. 19 May 2020	 Likelihood Impact	4	31-Mar-2021	 Increasing

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.	James Graham; Kate Limna	19-May-2020	31-Mar-2021

		<p>Where the Corporation invests in money market funds, officers have increased monitoring of the funds' daily and 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.</p> <p>The Corporation's short dated bond fund investments are more sensitive to changes in economic conditions and this inevitably had an impact on valuations during March. However, these investments are much longer term in nature and therefore the Corporation has a greater tolerance for volatility in returns. Notwithstanding this however, in light of the current credit conditions, officers have increased monitoring of the funds' daily price movements.</p> <p>Officers also continue to monitor changes in the credit standing of direct counterparties via ratings changes from the three main credit rating agencies and other news.</p>			
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.	All lending continues to be conducted within the parameters of the 2020/21 Treasury Management Strategy Statement as agreed by Court of Common Council on 5th March 2020. Additionally, officers have implemented financial metric-based criteria for determining the eligibility of local authority borrowers.	James Graham; Kate Limna	19-May-2020	31-Mar-2021
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, 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.	James Graham; Kate Limna	19-May-2020	31-Mar-2021

Code CHB FIB 05

Department Description: Chamberlain's 1

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
<p>CHB FIB 05 Insufficient Cash - Treasury Management</p> <p>08-Mar-2018 Peter Kane</p>	<p>Cause: Inaccurate cash flow modelling for Corporation as a whole. Event: There is insufficient cash available to meet day to day obligations. <u>The organisation is forced to liquidate long term investment assets without adequate planning or fails to identify external borrowing requirements.</u> Effect: Overdrawn position incurs unnecessary expenditure and missed payments damage the Corporation's reputation. <u>Inefficient treasury management decisions increase costs.</u></p>	<p>Likelihood </p> <p>Impact </p>	<p>4</p>	<p>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. The Corporation's cash flow is affected by the COVID-19 pandemic and the Government's response: there has been an appreciable reduction in business rates, rental and operational income although this is partially mitigated by financial support provided by the Government via new grant monies and the deferral of business rates retention payments. At present the Corporation's liquid cash balances remain very healthy and therefore the existing risk rating has been maintained. However, in order to protect this position officers have increased liquidity within the portfolio (i.e. investing a greater proportion on a short term basis) and continually review the cash flow on a daily basis.</p> <p>19 May 2020</p>	<p>Likelihood </p> <p>Impact </p>	<p>4</p>	<p>31-Mar-2021</p>	<p></p> <p>Constant</p>

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.	<p>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.</p> <p>There is clearly uncertainty around the ongoing impact of COVID-19 and the timing of any potential relaxation of measures designed to manage the pandemic. Under these conditions cash flow forecasting will be subject to increased uncertainty. Officers have therefore reduced the overall duration of the portfolio (i.e. increased the amount of funds available at short-term notice).</p>	James Graham; Kate Limna	19-May-2020	31-Mar-2021
<u>CHB FIB05b</u>	<u>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.</u>	<u>Officers plan to conduct a balance sheet review using the 2019/20 accounts and based on the outcome of the medium-term financial planning process that is currently underway.</u>	James Graham; Kate Limna	<u>01-Jul-2020</u>	<u>25-Nov-2020</u>

Code CHB FIB 06

Department Description: Chamberlain's 1

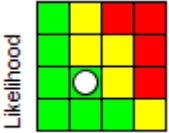


Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 06 Governance 08-Mar-2018 Peter Kane	<p>Cause: Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc. Inadequate oversight of the operations and developments at the regional pool operator, the London CIV.</p> <p>Event: Board Members and officers do not have appropriate skills or knowledge to discharge their responsibilities. Regulatory breach. The Pension Fund's pooled assets are managed inappropriately.</p> <p>Effect: Inappropriate decisions are made leading to a financial impact or a breach of legislation or service not provided in line with best practice and legal requirements. Potential regulatory fines. The financial value of the Pension Fund's assets is impaired.</p>	<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.</p> <p>Members undertook treasury management training in February 2019. Officers monitor changes in applicable regulations and advise Members accordingly.</p> <p>19 May 2020</p>	<p>Likelihood</p> <p>Impact</p>	2	31-Mar-2020	<p>Constant</p>

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.	James Graham; Kate Limna	19-May-2020	30-Jun-2020
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	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	19-May-2020	31-Mar-2021

	training opportunities via courses, seminars and conferences.				
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	19-May-2020	31-Mar-2021
CHB FIB 06d	External professional advice sought where required.	Investment consultants provide focused training sessions as and when required. The next training event will occur on 3 June 2020 when the Investment consultant will lead an review of the Pension Fund investment strategy.	James Graham; Kate Limna	19-May-2020	31-Mar-2021
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).	James Graham; Kate Limna	19-May-2020	31-Mar-2021

Code CHB FIB 07

Department Description: Chamberlain's 1

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
<p>CHB FIB 07 <u>Failure to discharge responsible investment duties</u></p>	<p>Cause: Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments. Event: The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood. Effect: The Corporation suffers reputational or financial damage.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>4</p>	<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. The City of London has agreed a statement of commitment to the UK Stewardship Code and has been assessed as a tier 1 signatory.</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 managers which it uses to encourage progress amongst its managers</p>	 <p>Likelihood</p> <p>Impact</p>			

20-Jun-2019				<p><u>LGPS ONLY: In April 2020 the Supreme Court ruled that the Government had exceeded its powers when issuing LGPS investment guidance in 2016 which purported to prohibit the adoption of investment policies that are contrary to UK foreign or defence policy. The ruling clarifies that LGPS funds are not public monies and confirms that LGPS administering authorities are responsible for investment decisions. As such, the City of London Corporation must remain aware of its lawful responsibilities and ensure it is able to articulate its approach to civil society and other stakeholders. The Corporation addresses this through the adoption and publication of its Responsible Investment Policy.</u></p> <p><u>1 July 2020</u></p>				Constant
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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.	A complete response for 2020 was submitted to the PRI before the 1 April 2020 deadline and the Corporation will receive its second (private) transparency report in the coming months before being required to prepare its first public submission in 2021. The PRI is currently overhauling its assessment framework in time for the 2021 reporting cycle and will provide updates to signatories later in the year.	James Graham; Kate Limna	19-May-2020	31-Mar-2021
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 agreed to conduct an interim stewardship assessment of its equity and multi-asset managers in 2020, mindful of the fact that most asset managers are preparing compliance towards the new UK Stewardship Code 2020 ahead of the initial reporting deadline of March 2021. Appointed asset managers have been given until the end of May to respond to the interim assessment and the results of the exercise will be reported to the Board at its meeting on 13 July 2020.	James Graham; Kate Limna	19-May-2020	13-Jul-2020

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 receives regular updates on ESG standings amongst its appointed investment managers from the Investment Consultant on a quarterly basis. In April, Members held a dedicated ESG meeting with Pyrford (multi asset manager). Members also met with CQS earlier in the year and discussed the credit multi asset manager's approach to ESG.	James Graham; Kate Limna	19-May-2020	31-Mar-2021
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.		19-May-2020	03-Jun-2020