

CHB FIB Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: James Graham

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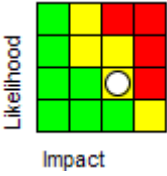
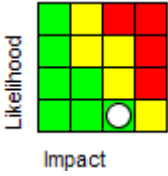


Rows are sorted by Risk Score

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 - 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>	8	<p>The Pension Fund's absolute return target has been set at 5.2% annually from 1st April 2020 whilst the absolute return targets for City's Cash and Bridge House Estate are both currently set at CPI +4%. <u>All three funds performed strongly in the year to 31 March 2021, following the Covid-19 driven downturn in markets in the first quarter of 2020. All three Funds are now meeting their absolute return targets over all time horizons and have also either outperformed or matched their asset allocation targets. The score for this risk has been maintained to reflect the judgement that the likelihood of this risk materialising is "unlikely". Although this risk continues to refer to Bridge House Estates, with effect from 15 April 2021 responsibility for the charity's investment assets now</u></p>	<p>Likelihood</p> <p>Impact</p>	8	<u>31-Mar-2022</u>	




08-Mar-2018				<u>resides with the Bridge House Estates Board.</u> <u>11 May 2021</u>				<u>Constant</u>
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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 Pension Fund investment strategy was reviewed following the 2019 triennial valuation and approved by the Financial Investment Board on 13 July 2020. <u>The Bridge House Estates investment strategy is currently being reviewed by the Bridge House Estates Board. The City's Cash investment strategy is due to be reviewed.</u>	Caroline Al-Beyerty; Kate Limna	<u>11-May-2021</u>	<u>31-Mar-2022</u>
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. <u>It is unclear if the Board will continue to receive investment performance information relating to Bridge House Estates for periods after 31 March 2021 as responsibility for this activity now lies with the BHE Board.</u>	James Graham; Kate Limna	<u>11-May-2021</u>	<u>31-Mar-2022</u>

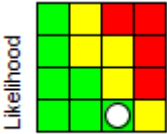
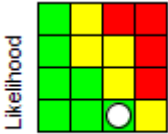
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB FIB 04 Counterparty failure - Treasury Management 08-Mar-2018 Caroline Al-Beverty	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.		8	Treasury Management Strategy Statement was agreed at Court of Common Council on 4th March 2021. The current Treasury Management Strategy restricts lending to high-quality counterparties and remains fit for purpose. 11 May 2021		4	31-Mar-2021	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 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. The Corporation's short dated bond fund investments are more sensitive to changes in economic conditions and performance is more volatile. These funds suffered temporary reductions in value during March 2020 but recovered fully over the summer and have since performed strongly. The short-dated bond fund investments are much longer term in nature and therefore the Corporation has a greater tolerance for volatility in returns. 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.	James Graham; Kate Limna	11-May-2021	31-Mar-2022
CHB FIB 04b	When lending directly to counterparties, ensure they meet the minimum credit criteria as set out in the most recent	All lending continues to be conducted within the parameters of the 2021/22 Treasury Management Strategy Statement as agreed by Court of Common Council on 4th March 2021.	James Graham;	11-May-2021	31-Mar-2022

	<p>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.</p>	<p><u> Mercer detail appointed manager and fund level performance up to 31 March 2021. Over the past six months, in the context of an improving economic outlook, several areas of the portfolio that have previously underperformed have performed relatively strongly. Since the Risk Register was last reviewed by the Board in November, Member-level meetings have taken place with Baillie Gifford, Aviva and both M&G property fund managers.</u></p>	<p>Graham; Kate Limna</p>	<p><u>2021</u></p>	<p><u>2022</u></p>
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<p>CHB FIB 07 Failure to discharge responsible investment duties</p> <p>20-Jun-2019 <u>Caroline Al-Beverly</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>6</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 and the UK Stewardship Code.</p> <p>The Financial Investment Board has a pivotal role in enabling the Corporation to meet the climate commitments enshrined in the Climate Action Strategy. <u>Given the public nature of the organisation's climate ambitions, the current risk score was increased in November 2020 and has been maintained since.</u></p> <p><u>11 May 2021</u></p>	 <p>Likelihood</p>	<p>4</p>	<p><u>31-Mar-2022</u></p>	<p></p> <p><u>Constant</u></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.	<u>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. An assessment report is expected to be received in the summer which will be reported to Board at the earliest opportunity.</u>	James Graham; Kate Limna	<u>11-May-2021</u>	<u>14-Sep-2021</u>
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. <u>Members met with Baillie Gifford in February 2021 to review the manager's Paris-Aligned variant of the Global Alpha Growth strategy in which the City is currently invested. Members also attended meetings with the Pension Fund's three property funds which covered the managers' responsible investment practices.</u>	James Graham; Kate Limna	<u>11-May-2021</u>	<u>31-Mar-2022</u>
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.	The Board has established an asset stewardship plan to help develop compliance towards the new UK Stewardship Code with an aim to publish its first Annual Stewardship Report in Q1 2022. The plan includes various other actions that will help the Board develop its responsible investment role and manage climate risks.		<u>11-May-2021</u>	28-Feb-2022
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.	<u>A programme of officer-level meetings with the Board's appointed managers was undertaken in Q4 2020 / Q1 2021 to discuss implementing the climate commitments and further understanding current exposure and available disclosures. This enabled the Board to reset expectations with its appointed external managers via a revised Responsible Investment Policy which the Board approved in February 2021, and which was subsequently circulated to managers. The Board has commissioned the development of a climate transition pathway and scenario analysis which will examine how the Corporation's financial investments are likely to perform under various climate transition scenarios. Following a competitive exercise an external consultant has been selected and appointed to develop the transition pathway and perform scenario analysis. Relevant training opportunities for the Board have also been arranged for Q2 2021.</u>		<u>11-May-2021</u>	<u>31-Mar-2022</u>

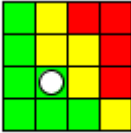
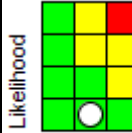
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CHB FIB 03 Service provider failure - Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Caroline Al-Beyerty	Cause: Corporate, financial, economic or cybersecurity threats result in service provision withdrawal or liquidation of partner organisations. Event: Failure of fund manager, investment consultant or other service provider without notice. Effect: Pension Fund, City's Cash or Bridge House Estates' 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. Social and commercial restrictions have been imposed in many countries as authorities have attempted to control the impact of Covid-19. Appointed fund managers and ancillary service providers have all delivered business continuity successfully during this period. <u>11 May 2021</u>	 Likelihood Impact	4	31-Mar-2022	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 and this contract will expire in October 2021. Officers are currently progressing a competitive tender exercise via the National LGPS framework to arrange a new investment consultancy contract.	James Graham; Kate Limna	11-May-2021	30-Sep-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 account compilation across Funds. All internal control reports from the pooled fund managers have been received where available.	James Graham; Kate Limna	11-May-2021	31-Mar-2022
CHB FIB03c	Monitor markets regularly through financial publications	Officers regularly monitor financial press and industry publications particularly in search of	James	11-May-	31-Mar-

	and seek advice of managers and investment consultant when appropriate.	any news regarding entities that have an existing relationship across the Corporation's Funds.	Graham; Kate Limna	2021	2022
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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 combined known and unknown cash flow requirements for the forthcoming year on an on-going basis. Cash flow monitoring is regularly monitored and short-term cash balances are invested over appropriate time horizons. <u>11 May 2021</u>	 Likelihood Impact	4	31-Mar-2022	 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 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.	James Graham; Kate Limna	11-May-2021	31-Mar-2022
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.	<u>Officers have developed a medium-term cash flow forecast based on City Fund's projected balance sheet which is to be shared with the Board at its meeting on 20 May 2021. This forecast will be updated once the 2020/21 statement of accounts is finalised and once the medium term financial plan has been updated.</u>		11-May-2021	14-Sep-2021

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CHB FIB 06 Governance 08-Mar-2018 <u>Caroline Al-Beyerty</u>	<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. <u>Members most recently undertook treasury management training in February 2019; investment strategy training in June 2020; sustainable index training in June and September 2020; and are due to receive further responsible investment/climate risk training in Q2 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></p> <p>11 May 2021</p>	<p>Likelihood</p>  <p>Impact</p>	2	<u>31-Mar-2022</u>	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. Members received training at the June 2020 Financial Investment Board meeting from the Investment Consultant in relation to the Pension Fund Investment Strategy review. Further training was provided by FTSE Russell on the subject of constructing a sustainable index fund in September 2020. <u>Training on responsible investment and climate risk is due to take place in Q2 2021.</u>	James Graham; Kate Limna	<u>11-May-2021</u>	<u>28-Jun-2021</u>

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	<u>11-May-2021</u>	<u>31-Mar-2022</u>
CHB FIB 06c	Training plans in place for all staff as part of the performance appraisal arrangements, which are reviewed every six months.	<u>Investment consultants provide focused training sessions as and when required. Training was provided on 3 June 2020 when the Investment consultant led a review of the Pension Fund investment strategy. Training was also provided by FTSE Russell on 17 June and 16 September 2020 on the subject of sustainable index funds.</u>	Caroline Al-Beyerty; Kate Limna	<u>11-May-2021</u>	<u>31-Mar-2022</u>
CHB FIB 06d	External professional advice sought where required.	Investment consultants provide focused training sessions as and when required. Training was provided on 3 June 2020 when the Investment consultant led a review of the Pension Fund investment strategy. Training was also provided by FTSE Russell on 17 June and 16 September 2020 on the subject of sustainable index funds.	James Graham; Kate Limna	<u>11-May-2021</u>	<u>31-Mar-2022</u>
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	<u>11-May-2021</u>	<u>31-Mar-2022</u>