

Report Author: James Graham
Generated on: 19 November 2021



| 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 |
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| 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%. All three have performed well since the last register update. All three Funds are currently meeting their absolute return targets over all time horizons and have also either outperformed or matched their asset allocation targets over the long term. The score for this risk has been maintained to reflect the judgement that the likelihood of this risk materialising is "unlikely".</p> <p><u>19 Nov 2021</u></p> | <p>Likelihood</p> <p>Impact</p> | 8 | 31-Mar-2022 | Constant |
| 08-Mar-2018 Caroline Al-Beyerty | | | | | | | | |

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| 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 investment strategy was reviewed following the 2019 triennial valuation and approved by the Financial Investment Board on 13 July 2020. <u>The next strategy review is scheduled to take place after the 2022 triennial valuation. The Bridge House Estates investment strategy is due to be reviewed by the Bridge House Estates Board during the course of an overall review of the charity's investment arrangements. The City's Cash investment strategy is expected to be reviewed following the completion of the medium term financial planning process.</u> | Caroline Al-Beyerty; Kate Limna | <u>19-Nov-2021</u> | 31-Mar-2022 |
| 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 | <u>19-Nov-2021</u> | 31-Mar-2022 |

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| CHB FIB 04 Counterparty failure - Treasury Management 08-Mar-2018 Caroline Al-Beyerty | 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. | <div>Likelihood</div> <div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div>Impact</div></div> | 8 | The current Treasury Management Strategy restricts lending to high-quality counterparties and remains fit for purpose. <u>External credit ratings for existing counterparties are currently at acceptable levels and credit default swap prices for the existing counterparties (where available) remain within a tolerable range.</u> <u>19 Nov 2021</u> | <div>Likelihood</div> <div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div>Impact</div></div> | 4 | 31-Mar-2022 | <div></div> |
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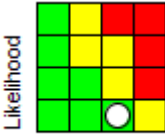
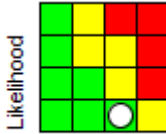

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| CHB FIB 04a | Detailed due diligence is carried out when new counterparties are onboarded. | <p>Independent analysis and consultation with treasury investment advisor when adding additional counterparties.</p> <p>Where the Corporation invests in money market funds, officers have increased monitoring of 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.</p> <p><u>The Corporation's short dated bond fund investments are more sensitive to changes in economic conditions and performance is more volatile.</u> The short-dated bond fund investments are much longer term in nature and therefore the Corporation has a greater tolerance for volatility in returns.</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> | | James Graham; Kate Limna | <u>19-Nov-2021</u> | 31-Mar-2022 |

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| 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 2021/22 Treasury Management Strategy Statement as agreed by Court of Common Council on 4th March 2021. Additionally, officers have implemented financial metric-based criteria for determining the eligibility of local authority borrowers. <u>When onboarding new financial institutions, officers review banks' financial standing including standard financial reporting ratios for assessing capitalisation and liquidity.</u> | James Graham; Kate Limna | <u>19-Nov-2021</u> | 31-Mar-2022 |
| 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 | <u>19-Nov-2021</u> | 31-Mar-2022 |

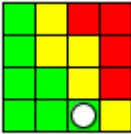
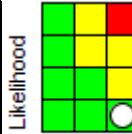

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| CHB FIB 02 Targeted returns - Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Caroline Al-Beyerty | Cause: Fund managers fail to achieve the targeted investment returns because <ul style="list-style-type: none"> the Board appoints 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 Event: Failure to be seen to manage the funds responsibly. Effect: Supervisory intervention over management of the Funds. | Likelihood Impact | 6 | The performance of fund managers and their aggregate performance is reported against target to each Financial Investment Board. The Board sets a diversified investment strategy to mitigate volatility and as such it expects different parts of the strategy to outperform at different times. Most appointed 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. <u>19 Nov 2021</u> | Likelihood Impact | 6 | 31-Mar-2022 | Constant |

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| 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 | <u>The latest performance reports to the Board from officers and the investment consultant Mercer detail appointed manager and fund level performance up to 30 September 2021. Since the Risk Register was last review in May 2021, investment performance has been positive overall across the three main funds. Member-level meetings have been arranged with the London CIV and Pyrford for December 2021.</u> | James Graham; Kate Limna | <u>19-Nov-2021</u> | 31-Mar-2022 |

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| | <p>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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| 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. <u>19 Nov 2021</u> |  Likelihood Impact | 4 | 31-Mar-2022 |  Constant |
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| 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. <u>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.</u> | James Graham; Kate Limna | <u>19-Nov-2021</u> | 31-Mar-2022 |
| 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. <u>Officers have reviewed the findings of the reports and remain satisfied with the control environments operated by the Corporation's appointed asset managers.</u> | James Graham; Kate Limna | <u>19-Nov-2021</u> | 31-Mar-2022 |
| 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>19-Nov-2021</u> | 31-Mar-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>19 Nov 2021</u> |  Likelihood Impact | 4 | <u>31-Mar-2022</u> |  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. | James Graham; Kate Limna | <u>19-Nov-2021</u> | 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. | Officers have developed a medium-term cash flow forecast based on City Fund's projected balance sheet. <u>This forecast will be updated in line with the evolution of the medium term financial plan.</u> | | <u>19-Nov-2021</u> | 31-Jan-2022 |

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| CHB FIB 06 Governance | <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> | Likelihood | 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; sustainable index training in June and September 2020; <u>and further responsible investment/climate risk training in Q2 2021.</u> Members also routinely receive advice from the Investment Consultant at all Board meetings. Officers monitor changes in applicable regulations and advise Members accordingly. <u>19 Nov 2021</u> | Likelihood | 2 | 31-Mar-2022 | Constant |
| 08-Mar-2018 Caroline Al-Beyerty | | | | | | | | |

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| 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. 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; <u>and climate risk training from various sessions led by Aon and Carbon Tracker in Q2 2021.</u> | James Graham; Kate Limna | <u>19-Nov-2021</u> | 31-Mar-2022 |

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| 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 | 19-Nov-2021 | 31-Mar-2022 |
| 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 | 19-Nov-2021 | 31-Mar-2022 |
| 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. More recently, training around climate risk was provided by Aon and Carbon Tracker via a programme of sessions through Q2 2021. | James Graham; Kate Limna | 19-Nov-2021 | 31-Mar-2022 |
| 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). A Member-level meeting with representatives of the London CIV has been arranged for 13 December. | James Graham; Kate Limna | 19-Nov-2021 | 31-Mar-2022 |

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| 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. <u>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 Board at the earliest opportunity.</u> | James Graham; Kate Limna | <u>19-Nov-2021</u> | 30-Jun-2022 |
| 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>Appointed investment managers submitted climate risk information as part of the transition pathway project in 2021. The Board has established new climate risk expectations for existing and potential investment managers and these will form part of the regular ongoing monitoring of managers' performance.</u> <u>Beyond climate officers have recently written to appointed asset managers requesting further information on their practices with respect to diversity and inclusion. The results of this exercise will initially be used to evaluate managers' maturity both on promoting diversity and inclusion at a firm level and in terms of incorporating these themes into the investment process in order to better manager investment risks.</u> | James Graham; Kate Limna | <u>19-Nov-2021</u> | 31-Mar-2022 |
| 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>Officers anticipate that the Board will prepare its first Annual Stewardship Report for assessment by the Financial Reporting Council in 2022. The FRC published the first list of successful signatories to the new Code (which raises expectations meaningfully compared to the previous edition) in September 2021. Two third of all applications were successful.</u> | | <u>19-Nov-2021</u> | 31-Dec-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>Since the last review of the register in May, and with the support of a specialist external consultancy firm, the Board has completed an in depth review of its climate risk exposure 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> | | <u>19-Nov-2021</u> | 31-Mar-2022 |