

CHB FIB Detailed risk register EXCLUDING COMPLETED ACTIONS

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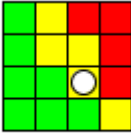
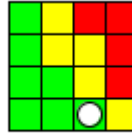


Rows are sorted by Risk Score

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 - City's Cash	<p>Cause: The asset allocation of the City's Cash investment portfolio is unable to fund long term expenditure requirements due to market movements.</p> <p>Event: There are insufficient assets to meet expenditure requirements.</p> <p>Effect: Reduced income or lower than anticipated growth which could impact on the Corporation's medium term financial plans. City's Cash would be required to sell financial assets to fund expenditure requirements.</p>	<p>Likelihood</p> <p>Impact</p>	12	<p><u>The absolute return target for City's Cash has been set at CPI + 4%. As at 31 March 2022, the fund has outperformed this target over the long term (i.e. over 3 and 5 years) but has trailed the target over the last year. This has primarily arisen due the high level of inflation as at 31 March 2022 (7%). Inflation has increased materially since the Board last reviewed the risk register in November 2021 as a result of supply shocks which have only been exacerbated by the Russian invasion of Ukraine. Although institutions such as the Bank of England expect inflation to decline rapidly over the medium to longer term, there is considerable uncertainty around the outlook. The likelihood of this risk has thus</u></p>	<p>Likelihood</p> <p>Impact</p>	8	<u>31-Mar-2023</u>	↑

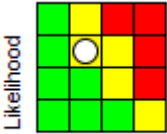
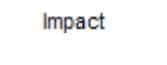
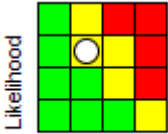
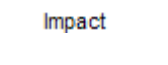

08-Mar-2018 Caroline Al-Beyerty				been increased from "unlikely" to "possible" for the current risk score. <u>20 May 2022</u>				Increasing
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 01a	The City's Cash investment strategy is reviewed at least every three years by the Financial Investment Board.	<u>The City's Cash investment strategy is expected to be reviewed in 2022/23.</u>	Caroline Al-Beyerty; Kate Limna	<u>20-May-2022</u>	<u>31-Mar-2023</u>
CHB FIB 01b	The investment performance is measured against absolute return targets required to meet long term objectives. This is reported to the Financial Investment Board throughout the year and is supplemented by market insight from the Corporation's investment consultants which will assist any strategic decisions required in between the three-year formal strategy reviews.	City's Cash investment performance is brought to each meeting of the Financial Investment Board for consideration.	James Graham; Kate Limna	<u>20-May-2022</u>	<u>31-Mar-2023</u>

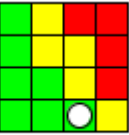
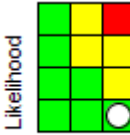

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB FIB 04 Counterparty failure - Treasury Management 08-Mar-2018 Caroline Al-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.	Likelihood  Impact	8	The current Treasury Management Strategy restricts lending to high-quality counterparties and remains fit for purpose. External credit ratings for existing counterparties are currently at acceptable levels <u>although credit default swap prices for the existing counterparties (where available) have been gradually rising over the last quarter.</u> <u>20 May 2022</u>	Likelihood  Impact	4	31-Mar-2023	Constant

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

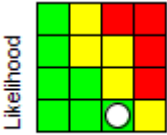
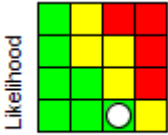

		Officers also continue to monitor changes in the credit standing of direct counterparties via rating changes from the three main credit rating agencies and other news.			
CHB FIB 04b	When lending directly to counterparties, ensure they meet the minimum credit criteria as set out in the most recent Treasury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

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 02 Targeted returns - City's Cash 08-Mar-2018 Caroline Al-Beyerty	<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 fund responsibly.</p> <p>Effect: Supervisory intervention over management of the funds.</p>	 <p>Likelihood</p>  <p>Impact</p>	6	<p>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.</p> <p><u>At the level of the overall portfolio, the strategy has outperformed its absolute return target over the long term (3- and 5-year time horizons) but has trailed over 1-year, where the strength of inflation has pushed the nominal return target was 11%. In the near term, it will be difficult for the fund meet its inflation plus target.</u></p> <p><u>20 May 2022</u></p>	 <p>Likelihood</p>  <p>Impact</p>	6	<u>31-Mar-2023</u>	 Constant

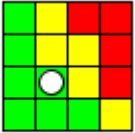
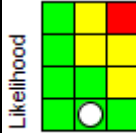

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 02a	<p>Investment managers' performance and their aggregate performance is measured against appropriate benchmarks and monitored by the Financial Investment Board throughout the year. It is supplemented by market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

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CHB FIB 03 Service provider failure 08-Mar-2018 Caroline Al-Beyerty	Cause: Corporate, financial, economic or cybersecurity threats result in service provision withdrawal or liquidation of partner organisations. Event: Failure of fund manager, investment consultant or other service provider without notice. Effect: Asset valuations at risk or a period of time without service provision.	 Likelihood Impact	4	Officers meet regularly with fund managers, investment consultants and other service providers. Officers write to all counterparties requesting latest internal control report from fund managers and custodian ahead of the closure of accounts. <u>20 May 2022</u>	 Likelihood Impact	4	<u>31-Mar-2023</u>	 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 contract was recently re-tendered via the National LGPS procurement framework. Following a rigorous and competitive exercise Mercer were appointed to the role in October 2021.	James Graham; Kate Limna	<u>20-May-2022</u>	<u>31-Mar-2023</u>
CHB FIB 03b	Review of internal control reports on annual basis.	Corporate Treasury compile an archive of the most up to date relevant annual internal control reports issued by all issuing fund managers and custodian as part of statement of account compilation across Funds. <u>Officers are currently in the process of obtaining control reports from the fund managers and evaluating their findings as part of the final accounts process.</u>	James Graham; Kate Limna	<u>20-May-2022</u>	<u>31-Mar-2023</u>
CHB FIB03c	Monitor markets regularly through financial publications and seek advice of managers and investment consultant when appropriate.	Officers regularly monitor financial press and industry publications particularly in search of any news regarding entities that have an existing relationship across the Corporation's Funds.	James Graham; Kate Limna	<u>20-May-2022</u>	<u>31-Mar-2023</u>

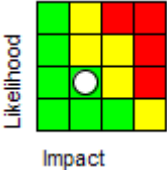
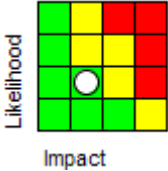

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CHB FIB 05 Insufficient Cash - Treasury Management 08-Mar-2018 Caroline Al-Beyerty	Cause: Inaccurate cash flow modelling for Corporation as a whole. Event: There is insufficient cash available to meet day to day obligations. The organisation is forced 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 cash flow requirements for the forthcoming year on an on-going basis. Cash flow is regularly monitored and short-term cash balances are invested over appropriate time horizons. <u>20 May 2022</u>	 Likelihood Impact	4	<u>31-Mar-2023</u>	
								Constant

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

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		Likelihood	Impact		Likelihood	Impact				
CHB FIB 06 Governance 08-Mar-2018 Caroline Al-Beyerty	Cause: Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc. Event: Board Members and officers do not have appropriate skills or knowledge to discharge their responsibilities. Regulatory breach. Effect: Inappropriate decisions are made leading to a financial impact or a breach of legislation or service not provided in line with best practice and legal requirements. Potential regulatory fines.	 Likelihood	Impact	4	Member and officer experience and knowledge was assembled as part of the MiFID II opt up process and deemed sufficient by all fund managers, advisors and counterparties to substantiate opt up to 'professional' client status. Members most recently undertook treasury management training in February 2019; investment strategy training in June 2020; and further responsible investment/climate risk training in 2021. Members also routinely receive advice from the Investment Consultant at all Board meetings. Officers monitor changes in applicable regulations and advise Members accordingly. <u>20 May 2022</u>	 Likelihood	Impact	2	<u>31-Mar-2023</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.	Recent training delivered to Members of the Board has included treasury management in February 2019 via the treasury consultant; investment strategy training in June 2020 from the Investment Consultant in relation to the Pension Fund Investment Strategy review; sustainable investment implementation from FTSE Russell in September 2020; and climate risk training from various sessions led by Aon and Carbon Tracker in Q2 2021. <u>Treasury and investment training will be provided to the Board during 2022/23.</u>	James Graham; Kate Limna	<u>20-May-2022</u>	<u>30-Sep-2022</u>
CHB FIB 06b	Job descriptions used at recruitment to attract	Officers continue to attend training courses, seminars and conferences where	Caroline	<u>20-May-</u>	<u>31-Mar-</u>

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

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CHB FIB 07 Failure to discharge responsible investment duties 20-Jun-2019	<p>Cause: Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments.</p> <p>Event: The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood.</p> <p>Effect: The Corporation suffers reputational or financial damage.</p>		4	<p>The Board has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment Policy which also outlines the Board's approach in this area. The City of London Corporation <u>(as a whole)</u> is a signatory to the Principles for Responsible Investment.</p> <p>The Financial Investment Board has undertook an in depth review of its climate risk exposure in 2021 resulting in a commitment to achieve net zero carbon emissions by 2040 together with the development of interim goals via a transition pathway</p> <p>20 May 2022</p>		4	<u>31-Mar-2023</u>	 Constant

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

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