

CHB ~~FIB~~ Investment Committee (Financial Investments) 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 08-Mar-2018 Kate Limna; Priya Nair	<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>Lifelood</p> <p>Impact</p>	12	The absolute return target for City's Cash has been set at CPI + 4%. As at December 2022 <u>31 July 2023</u> , the <u>Fund is outperforming over the quarter but</u> underperforming its absolute return target across all <u>other</u> time horizons. The Fund has produced a positive return over all time frames. This is largely as a result of global equity markets which performed well in the first seven months of the year following a difficult 2022. Financial Markets have been very volatile over the last year due to the war in Ukraine, increasing inflation and interest rates and the effect of the September mini budget which was shortly u turned on. This has affected stock markets, with the MSCI AC World and MSCI World all returning negatively for the year ended 31 December but despite turmoil the FTSE All share ended on a	<p>Lifelood</p> <p>Impact</p>	8	31-Mar-2024	 Constant

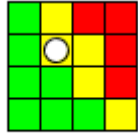
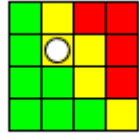

				modest annual gain. 19 Jul 2023				
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 01a	The City's Cash investment strategy is reviewed at least every three years by the Financial Investment Board <u>Investment Committee</u> .	<p><u>The City has appointed Stanhope Capital as the outsourced Chief Investment Officer function (OCIO) reporting to the Chamberlain and covering City Fund (property) and City's Cash (property and financial investments). Draft Investment Strategies have been commented on for City Fund and City's Cash by the Committee ; these working drafts will be further developed over the next 3-6 months.</u></p> <p>The OCIO function will be advising on:</p> <ul style="list-style-type: none"> <u>City's Cash: asset allocation between property and financial investments</u> <u>City Fund and City's Cash: diversification of asset classes within appetite and appropriate pace for transition.</u> <u>City Fund & City's Cash: Suitable income targets.</u> <p>The City's Cash investment strategy is expected to be reviewed in 2023/2024</p>	Caroline Al-Beyerty; Kate Limna	31-Aug-2023	31-Mar-2024
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 <u>Investment Committee</u> 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 will be brought to each meeting of the Financial Investment Board <u>Investment Committee</u> for consideration.	Kate Limna	31-Aug-2023	31-Mar-2024

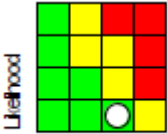
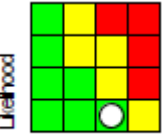
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CHB FIB 04 Counterparty failure - Treasury Management 08-Mar-2018 Kate Limna; Priya Nair	Cause: External events, including cybersecurity incidents, threaten the solvency of counterparties the Corporation has lent to. Event: Failure of counterparty to fulfil obligation to the Corporation, i.e. default on repayments. Effect: Asset valuations at risk.		8	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 although credit default swap prices for the existing counterparties (where available) have been gradually rising over the last quarter. 31 Aug 2023		4	31-Mar-2024	 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. 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.</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>	Kate Limna	31-Aug-2023	31-Mar-2024

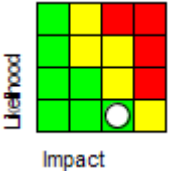
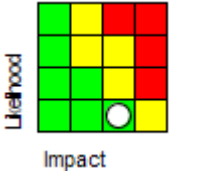
CHB FIB 04b	When lending directly to counterparties, ensure they meet the minimum credit criteria as set out in the most recent Treasury Management Strategy Statement.	All lending is conducted within the parameters of the current 2022/23 <u>2023/24</u> Treasury Management Strategy Statement as agreed by Court of Common Council (CoCo) on 10th March 2022 <u>9 March 2023</u> , and amended and ratified by CoCo on 8 December 2022. 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.	Kate Limna	31-Aug-2023	31-Mar-2024
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.	Kate Limna	31-Aug-2023	31-Mar-2024

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<p>CHB FIB 02 Targeted returns - City's Cash</p> <p>08-Mar-2018 Kate Limna; Priya Nair</p>	<p>Cause: Fund managers fail to achieve the targeted investment returns because</p> <ul style="list-style-type: none"> the Board Committee appoints unsuitable fund managers, individual fund managers underperform against the benchmarks agreed by the Board Committee, aggregate fund manager performance fails to achieve the Board's long-term targets <p>Event: Failure to be seen to manage the fund responsibly. Effect: Supervisory intervention over management of the funds.</p>	 <p>Lifehood Impact</p>	<p>6</p>	<p>The performance of fund managers and their aggregate performance is reported against target to each Financial Investment Board Investment Committee. The Board Committee sets a diversified investment strategy to mitigate volatility and as such it expects different parts of the strategy to outperform at different times.</p> <p>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>The fund has underperformed its absolute return target of CPI +4% over all time horizons except the quarter to 31 July 2023, but this is due to the strength of inflation, which rose by 10.7 6.8% in the 12 months to December 2022 July 2023 being exceptionally high. However, it should be noted that CPI +4% is the long-term target.</p> <p>31 Aug 2023</p>	 <p>Lifehood Impact</p>	<p>6</p>	<p>31-Mar-2024</p>	<p></p> <p>Constant</p>

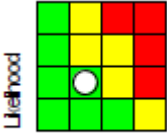
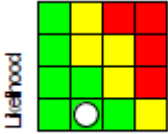
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CHB FIB 02a	Investment managers' performance and their aggregate performance is measured against appropriate benchmarks and monitored by the Financial Investment Board <u>Investment Committee</u> throughout the year. It is supplemented by market insight 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 <u>Committee</u> deem this necessary/as required.	The latest performance for City's Cash Fund to 31 December 2022 <u>31 July 2023</u> along with the Investment Consultant's quarterly report (to December <u>June 2023</u>) is reported to the Financial Investment Board on 17 February 2023 <u>Investment Committee on 22 September 2023</u> .	Kate Limna	31 Aug 2023	31-Mar-2024

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CHB FIB 03 Service provider failure 08-Mar-2018 Kate Limna; Priya Nair	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. 31 Aug 2023	 Likelihood Impact	4	31-Mar-2024	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. The <u>current</u> investment consultant contract was re-tendered via the National LGPS procurement framework. Following a rigorous and competitive exercise Mercer were appointed to the role in October 2021.	Kate Limna	31-Aug-2023	31-Mar-2024
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. Officers are in the process of reviewing the findings of the reports to ensure they remain satisfied with the control environments operated by the Corporation's appointed asset managers.	Kate Limna	31-Aug-2023	31-Mar-2024
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	Kate Limna	31-Aug-2023	31-Mar-2024

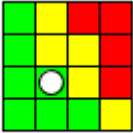
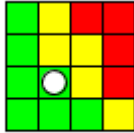

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CHB FIB 05 Cashflow Management 08-Mar-2018 Kate Limna; Priya Nair	Cause: Inaccurate cash flow modelling for Corporation as a whole. Event: There is insufficient cash available to meet day to day obligations. The organisation is forced to liquidate 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.		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. 31 Aug 2023		4	31-Mar-2024	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.	Kate Limna	31-Aug-2023	31-Mar-2024
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 and City's Cash projected balance sheet. This forecast will be updated in line with the evolution of the medium-term financial plan and will be being reviewed in tandem with the production of the draft statement of accounts for 2022/23.		31-Aug-2023	31-Mar-2024

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CHB FIB 06 Governance 08-Mar-2018 Kate Limna; Priya Nair	<p>Cause: Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc.</p> <p>Event: Board Committee Members and officers do not have appropriate skills or knowledge to discharge their responsibilities. Regulatory breach.</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.</p>	 <p>Liability Impact</p>	4	<p>Member and officer experience and knowledge was assembled as part of the MiFID II opt up process and deemed sufficient by all fund managers, advisors and counterparties to substantiate opt up to 'professional' client status. Members also routinely receive advice from the Investment Consultant at all Board Committee meetings. Officers monitor changes in applicable regulations and advise Members accordingly.</p> <p>31 Aug 2023</p>	 <p>Liability Impact</p>	2	31-Mar-2024	Constant

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CHB FIB 06a	Training provided to Board Committee Members on a range of investment topics and asset classes on a needs basis. Continued Professional Development (CPD) records maintained and updated annually.	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. Treasury and investment training will be provided to the Board Investment Committee during 2023/24.	Kate Limna	31-Aug-2023	31-Mar-2024
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. During 2022/23 the team has recently recruited 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.	Caroline Al-Beyerty; Kate Limna	31-Aug-2023	31-Mar-2024
CHB FIB 06c	Training plans in place for all staff as part of the	Performance and development appraisals continue to be carried out in line with corporate	Caroline	31-Aug-	31-Mar-

	performance appraisal arrangements, which are reviewed every six months.	policy.	Al-Beyerty; Kate Limna	2023	2024
CHB FIB 06d	External professional advice sought where required.	The investment consultant attends each meeting of the Financial Investment Board <u>Investment Committee</u> providing advice on investment matters.	Kate Limna	31-Aug-2023	31-Mar-2024

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<p>CHB FIB 07 Failure to discharge responsible investment duties</p> <p>20-Jun-2019 Priya Nair</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>Lifehood</p>  <p>Impact</p>	4	<p>The Board has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment Policy which also outlines the Board's approach in this area.</p> <p><u>The Investment Committee inherits an advanced approach to responsible investment and asset stewardship. The Corporation (via the Financial Investment Board) has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment Policy which also outlines the Corporation's approach in this area.</u></p> <p>The City of London Corporation (as a whole) is a signatory to the Principles for Responsible Investment (PRI).</p> <p>The Financial Investment Board 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>31 Aug 2023</p>	<p>Lifehood</p>  <p>Impact</p>	4	31-Mar-2024	<p></p> <p>Constant</p>

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 07a	Reporting on responsible investment activities to the Principles for Responsible Investment is completed on an annual basis. The <u>Board Committee (along with other relevant Committees/Boards)</u> receives an annual Transparency Report from the PRI from which it can evaluate progress against responsible investment goals.	The Corporation's assessment report will be reported to this Board in February 2023. The new PRI draft framework was released on 26 January 2023 for information. The reporting period for Signatories to make their submissions will not open until mid May at the earliest and close mid August. The results of the 2023 submissions are expected to be available in November 2023. <u>The PRI reporting period opened on 14 June 2023 and was expected to close on 6 September 2023. However the PRI have experienced some IT issues and as a consequence have extended the submission deadline by a couple of weeks. The City's submission is being currently being finalised. The PRI are expecting to release the results of the submission in November 2023</u>	Kate Limna	31-Aug-2023	31-Mar-2024
CHB FIB 07c	As part of the regular management and monitoring of investment mandates, the <u>Board Committee</u> and responsible officers challenge investment managers on ESG issues arising in the portfolio. The Investment Consultant reports to the <u>Board Committee</u> 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. The 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	31-Aug-2023	31-Mar-2024
CHB FIB 07e	There is a general commitment by the City Corporation to meeting the standards of the new 2020 UK Stewardship Code and needs to ensure compliance is developed-The Committee 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).	All of the City's Cash UK-based pooled fund managers (i.e. excluding the alternative assets portfolio) are signatories to the Stewardship Code.		31-Aug-2023	31-Mar-2024
CHB FIB 07f	The <u>Board Committee (along with other relevant Committees/Boards)</u> 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 Financial Investment Board completed an in-depth review of its climate risk exposure in 2021/22 <u>With the support of a specialist external consultancy firm, an in depth review of the climate risk exposure involving</u> 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 <u>Committee (along with other relevant Boards and Committees)</u> Board will target over the coming years.		31-Aug-2023	31-Mar-2024