

ROYAL COLLEGE OF MUSIC

Policy for Responsible Investment

Introduction

The Council of the Royal College of Music has appointed a Finance and General Purposes Committee (F&GP) whose responsibilities include oversight of RCM's investment arrangements. F&GPC has established an Investment Committee with responsibility to recommend RCM's Investment Strategy and Policy in the light of capital and income requirements and establish criteria guidelines and ranges within which an asset allocation policy appropriate to RCM's funds is pursued. The Investment Committee monitors the performance of RCM's investment portfolios, which are split into three funds:

- Scholarship and Awards fund: an in-perpetuity fund for generating income for scholarships; it is not anticipated that there will be significant draw down of capital from the fund;
- General Fund: a short/mid-term fund established to work in coordination with RCM's working capital requirements and capital requirements; and
- Junior Department Fund: a long-term fund with the purpose of generating income for bursaries; it is not expected that there will be significant draw down of capital from the fund.

The investment strategy for each fund is:

- Scholarship and Awards Fund: withdrawal rate of 3.5% (net of feed); a portfolio with a good probability of maintaining the real-term value of the fund, without assuming too high a risk profile;
- General Fund: low risk total return which is higher than bank/building society short-term deposit interest rates; and
- Junior Department Fund: a portfolio with a good probability of maintaining the real-term value of the fund, and providing an income stream for bursaries without assuming too high a risk profile.

RCM has appointed three investment managers:

- the Scholarship and Awards fund is split into two separate portfolios, with Cazenove Capital and Newton Investment Management Ltd each managing one of these portfolios;
- Ruffer LLP manage the General Fund; and
- Newton Investment Management Ltd manage the Junior Department Fund

Therefore, the College requires our investment fund manager to pay appropriate regards to relevant corporate governance, social, ethical and environmental considerations in the selection, retentions and realisation of all fund investments.

Environmental, social, and governance

The Investment Committee has a fiduciary obligation to invest funds for the benefit of RCM and to maintain a robust source of growth and income to support student scholarships and awards. At the same time the Investment Committee recognises that environmental, social and governance (ESG) factors may have an impact on corporate performance over the long term, although the impact can vary by industry. As such we expect our investment managers to consider ESG as part of the investment process. RCM leave investment decisions to its external investment managers, as they possess the necessary expertise and information to make decisions that are in the best interest of each fund.

Given the size of RCM's funds and the fact most of our investments are held in pooled vehicles, it is not practical for RCM to engage directly with individual companies on ESG related issues. Instead, RCM's investment managers are expected to engage and vote on RCM's behalf. Each of RCM's investment managers will provide regular reports to RCM and we will maintain a register, to be updated on an annual basis, with ESG related information. The information may include, but not to be limited to:

- incorporation of ESG factors into the investment manager's investment process;
- engagement activity and results;
- voting activity;
- the investment manager's approach to mitigating climate change;
- the portfolio's exposure to areas of concern such as fossil fuels, as well as sustainable and impact investments

Reporting

RCM endeavours to remain up to date on sustainability issues and the impact of ESG factors on its funds and requires each of its investment managers to provide regular reports on ESG factors and how these relate to RCM funds. The Investment Committee will also receive presentations from its investment managers on ESG matter at least once per annum.

Disclosure

RCM will incorporate a section on ESG factors relating to its investments in its annual report and will also make available to RCM's community, upon request, the most recent list of investments of its funds (subject to confidentiality agreements with the underlying managers) as well as the ESG related information it gather from its investment managers.