ROYAL ACADEMY OF MUSIC

SUSTAINABLE INVESTMENT POLICY

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Owner	Director of Finance
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Introduction

The Academy's investment management approach aims to achieve long-term returns above inflation to support the Academy's charitable objects as set out in its Royal Charter.

Academy funds comprise:

- Endowment funds held in accordance with the wishes of donors, primarily to support financial awards of scholarships and bursaries to deserving students; and
- General funds held to provide working capital and medium-term investment of funds for future operations.

This document sets out how the Academy's Investment Committee applies ESG principles in practice.

- The Academy's principles are enshrined in our investment decision and monitoring processes;

- ESG considerations form a core part of our due diligence undertaken before any new investment, and we believe that ESG factors have the potential to strengthen companies, drive growth in value and enhance long-term returns;

- We do not believe it constructive or pragmatic to be prescriptive in this policy. The degree to which ESG factors are relevant varies significantly across asset class, investment and industry. Investment managers will also have a policy which reflects their strategy, values and culture.

Principles

The Academy relies on the income earned from its investments to fund a significant part of its operations and student scholarships. The Academy's endowment is managed to responsibly deliver real-term growth over time for the benefit of future generations, as well as funds for current use.

The Governors of the Academy are the trustees of the Academy's investments and legally responsible for the investment and management of funds. The Academy's Investment Committee (IC), which is a sub-committee of the Finance and General Purposes Committee, manages the investment portfolio. It is made up of Governors and external members (all of whom contribute on a pro bono basis). Because the Academy neither regards investing as a profit-centre nor manages capital for any third parties, the decision making of this group is free from conflicts of interest.

The Investment Committee incorporates ESG into the selection processes for funds managers and into investment evaluation and monitoring processes. Before investing with an external manager, the Committee seeks to understand how they incorporate ESG into their decision-making processes and ongoing investment management.

Examples of the factors that are taken into consideration are:

Environmental:

- Reduction of resource usage and mitigation of pollution
- Greenhouse gas emissions (net zero ambition)

- Impact on wildlife, biodiversity and social fabric

Social:

- Human rights
- Modern slavery and labour practices
- Community engagement
- Diversity: workplace and community
- Data privacy

Governance:

- Ethics
- Alignment of interests between boards and stakeholders
- Voting, conflicts, remuneration
- Fraud, anti-bribery, anti-corruption controls
- Reputational risk

Investments

The Academy currently holds its investments in financial assets managed by external fund managers.

Public Market Assets

- Passive Funds (Listed)

These funds are chosen to gain diversified exposure to global equity markets, and because they align well with our long-term investment horizon. Passive funds also offer us the ability to track the performance of indices in certain geographies or regions.

- Active Managers (Listed)

We partner with selected active managers, whom we expect to deliver substantial long-term performance against global stock markets.

Because our approach is long-term, our active managed portfolio has a natural bias towards shares of high-quality, growth companies. We will not invest with fund managers unless we are satisfied that they have a coherent ESG policy that is aligned with our own principles.

Private Venture and Equity Funds

Our venture capital and private equity managers are expected to demonstrate a commitment to ESG issues by having a coherent and structured framework that clearly articulates their values and gives meaning to their ESG policies and processes. Although we do not prescribe the ways in which our external managers incorporate ESG, we will not invest with them unless satisfied their values and approach is aligned with our own ESG principles

Restricted Sectors

The Academy investments will not feature any direct investment exposure to the following sectors, nor will we allocate to an active manager who derives a material portion of their returns from these areas:

- Tobacco
- Gambling
- Pornography
- Fossil fuels *
- Arms and weapons *

* where activities are, inter alia, not aligned with national policy objectives as set out by UK Government.

Review process

Appointed managers are subject to an annual review with the Investment Committee during which their compliance with our ESG policy is assessed and recommendations made to buy, hold or sell individual funds and/or add to the fund range.

The President of the SU and up to two additional members of the student body, to be selected through mechanisms chosen and run buy the Student Union. will be invited to attend this part of the Committee meeting annually to meet and discuss experience over the prior year and future options.