

## SUSTAINABLE INVESTMENT POLICY

### INTRODUCTION

The funds held by the Royal Academy of Music comprise:

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

Funds are held in cash and in investments, managed by appointed fund managers. Managed permanent and expendable endowments are held in separate portfolios.

The Academy's intention for the endowments is that long-term economic ambitions are aligned with a thoughtful and conscientious approach to Environmental, Social and Governance (ESG) matters.

The Governors of the Royal Academy of Music are the trustees of the Academy's investments and legally responsible for the investment and management of funds.

The Academy's Investment Committee, which is a sub-committee of the Finance & General Purposes Committee, looks after the endowment. The Investment Committee has a long history of balancing the mandate to maximise the value of the endowment for future generations, whilst adhering to the highest standards of ethics and accountability. It comprises Governors and external members (all of whom contribute on a pro bono basis), together with the Director of Finance. Because the Academy neither regards investing as a profit-centre nor manages capital for any third parties, the decision making of the Investment Committee is free from conflicts of interest.

The Investment Committee honours its collective responsibility to long-term environmental sustainability, creating positive societal impact and adhering to the highest standards of corporate governance. Where possible, it will seek to effect change through constructive engagement with stakeholders and third-party fund managers.

### INVESTMENT MANDATE

The Academy's endowment is managed to maximise economic value for future generations, after the possible effects of inflation. However, the success of this mandate cannot be measured solely in financial terms. It includes an obligation to act responsibly and in accordance with the highest ethical standards.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In setting out its sustainable investment policy, the Academy is committed to ensuring that it creates a responsible framework for investment while working towards its duty to achieve best value to further the purposes of the Academy.

The Academy holds its investments in pooled assets, so does not have a direct relationship with the companies in which it invests, and partners with third-party managers, who are entrusted to actively manage a portfolio of the endowment against specific objectives. Because the approach is always long-term, the Academy selects managers whose portfolios are naturally biased towards high-quality, value creating investments in enterprises that incorporate ESG into their own activities.

Third-party fund managers are expected to consider ESG aspects in selecting their investment portfolio, and to engage and vote on the Academy's behalf. They are required to report regularly to the Investment Committee on their ESG integration and their engagement activity. The Academy's selection and monitoring process will include:

- Screening: excluding active managers whose primary activities are in a sector of concern.
- Assessment: evaluation of a manager includes an assessment of their ESG philosophy and process.
- Monitoring: each manager is asked to report on ESG issues at least annually. If they do not comply, the Academy will redeem its investment with them.

Approved by the Governing Body  
20 March 2023