

Royal Northern College of Music
Ethical Investment Policy
Policy
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RNCM
ROYAL NORTHERN
COLLEGE of MUSIC

Introduction

The College, consistent with its values and as set out in its strategy 'The Future of Music', is fully committed to acting in a socially responsible manner and training musicians who are socially aware. This policy sets out the principles for Responsible Investing (RI) that includes consideration of Environmental, Social and Governance (ESG) issues relating to all investment decisions.

The Awards and Endowment Funds' (the Funds) investment portfolios are made up of endowment funds, i.e., gifts from donors intended to be held on trust to generate a return, usually for specific purposes within the College. The Funds invest these funds across a range of asset classes, including public equities, private equity, property, and cash, as well as loans to the RNCM specifically permitted under Charity Commission guidance.

The College's Finance and Investment Committee, chaired by a lay member of the Board of Governors, reports to the Board. Responsibilities include appointing Investment Managers and monitoring performance, considering changes in investment strategy and target asset allocations.

Monitoring on ESG issues within the investment portfolio is mandated to be provided by the College's investment managers.

This Policy enhances provisions in the Investment and Treasury Management Policy.

1. Fossil fuels and carbon sensitive assets

The College will continue to not hold investments in fossil fuel extracting companies.

The College will review opportunities across all asset classes to reduce the College's reliance on carbon sensitive assets as well as investing into climate solution opportunities arising from the low carbon transition in the local and the global economy.

2. Ethical and Environmental, Social and Governance (ESG) Issues

The College is particularly concerned about a number of key Ethical and ESG issues. Investment in businesses materially interested in those activities listed as Ethical Restrictions below will be prevented through an ethical screen. For the factors in the ESG list, we will continue to adopt investment strategies that seek to minimise or, ideally, eliminate investments in companies with corporate behaviour leading to those factors.

Ethical Restrictions	Environmental, Social and Governance Considerations
Manufacture of controversial weapons, including cluster munitions, landmines, biological and chemical weapons, nuclear and depleted uranium weapons	Environmental degradation and climate change (more detail in Section 3 of this Policy)
Tobacco production, cultivation and manufacture	Human rights violations
	The institutionalisation of poverty through discriminatory market practices
	Racial or sexual discrimination
	The exploitation of workers
	Giving or receiving of bribes

The primary metric to be used in ESG reporting will be the MSCI ESG Rating of the portfolio. This should be **at least at AA rating**, putting the portfolio within the market Leader category. **The baseline ESG Quality target score is 7.75 for the portfolio.**

For Ethical Restrictions, or where specific criteria are defined (e.g., decarbonisation) in the investment process, exclusionary screening criteria will be used to address the above issues.

Where it is not possible to define screening criteria for a particular issue which can be used by investment managers, a monitoring and stewardship approach will be adopted, whereby investment managers will be expected to report to Investment Sub Committee on ESG issues, engagement and voting activity.

3. Decarbonisation: Action on climate emergency – zero carbon transition by 2038 or earlier

Climate change is probably the most important issue facing the world today, and the College recognises the climate emergency declared by the UK Parliament and the City of Manchester. In fact, Manchester as a city has targeted being a zero-carbon city by 2038 or earlier, at least 12 years ahead of the current national target of 2050.

Consistent with this, and as part of our commitment to being an active part of the City, **the College explicitly commits in this Policy to actively decarbonise its investments so that its investment portfolio reaches zero carbon by 2038 (the ‘long term’ target) or earlier if we can.** The chosen target is ambitious in comparison to national level targets and actions of other organisations which have focused largely on one aspect of carbon emissions and ensures that the College investment portfolio will undergo a significant transformation over the coming years as a result. This transition will be a key focus of the Finance Committee, reporting to the Board of Governors.

4. Investment Managers and Reporting on ESG and Decarbonisation

The College employs Investment Managers to manage its investment portfolio. In line with commitments in this policy, the **College will only employ Investment Managers who are signatories of the United Nations Principles of Responsible Investment (PRI).**

The College requires reporting to its Investment Sub-Committee by its Investment Managers to include reporting explicitly on the ESG and Decarbonisation targets and requirements in this policy. On ESG issues, this will be primarily the MSCI ESG Ratings system and for Carbon analysis, the MSCI Carbon Portfolio Analytics method (although other systems or reporting may also be requested and used).