

Responsible Investment Policy

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Related guidelines and procedures: Treasury Management and Financial Investment Policy, Environmental Policy, Gift Acceptance Policy, and research ethics as applied to the [sources of research and knowledge exchange funding](#).

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1. Introduction

This Responsible Investment Policy defines the commitment of the Royal College of Art (RCA) to responsible investment. Its purpose is to detail the approach that the College aims to follow in considering environmental, social and governance ('ESG') issues with regards to its investments.

The Policy has been developed with the intention of actively promoting investment in companies and investment funds which demonstrate policies and practices that are in line with the College's values as a socially responsible institution. The College aims to invest in a better global future, tackle the climate crisis, and support Net Zero by delivering strong returns through involvement in companies that reflect the RCA's own values and principles on ethical, corporate governance and social issues, and which improve the wellbeing of society and provide environmental benefits.

The Policy applies to the full scope of the investments held by the College and is intended to be entirely consistent with the College's duty to yield the best financial return within the level of risk considered to be acceptable by the College.

The Policy aims to provide a framework of principles to be applied to other areas of activity, such as the [acceptance of gifts](#), investment in companies and funds operated by InnovationRCA, the College's business incubator, and research ethics as applied to the [sources of research and knowledge exchange funding](#).

2. Background

Sustainability is a key priority for the RCA and the College embraces its unique role in contributing to achieving the [United Nations Sustainable Development Goals](#) (SDGs). The goals provide "a shared blueprint for peace and prosperity for people and the planet, now and into the future". They recognise that "ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests."

Socially responsible institutions are those that adopt policies that promote the wellbeing of society and the environment and endeavour to reduce the impact on both society and the environment from irresponsible behaviours. The RCA understands that a commitment to society and the environment go hand-in-hand, and that commitment has been evidenced through its approach to sustainability across its research, teaching, collaboration with industry and campus development.

In its Strategic Plan for 2022-27, the RCA has made clear its commitment to sustainability, and tackling issues such as the climate crisis. Specifically, the RCA recognises that there is a global climate emergency, and that biodiversity is at risk of collapse. The RCA commits to providing new insights and leadership around the climate crisis and the circular economy. Initiatives such as the Terra Carta Design Lab, committed to in the Plan, also place the Royal College of Art at the forefront of sustainability thinking.

3. Investment of Funds

The RCA's authority to invest funds derives from its governing documents. The Council is the governing body of the College, and comprises lay members, staff and students appointed under the College's statutes. The Council has delegated decision making on investment matters to the Investment Subcommittee, a subcommittee of the Planning & Resources Committee.

The College holds a number of different types of investments:

- **General funds**, which are surplus cash arising from the normal operations of the College, usually short to medium term in nature, managed to ensure working capital requirements are met, and funding is available to fund the College's capital investment plan.
- **Endowments Funds**, which are funds managed in trust in accordance with any specified restrictions in use and/or in the preservation of capital or otherwise, determined by donors. The College has the following types of endowments:
 - **Unrestricted permanent endowments**: the donor has specified that the fund is to be permanently invested and generate an income stream for the general benefit of the College;
 - **Restricted permanent endowments**: the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.
 - **Restricted expendable endowments**: the donor has specified a particular objective and the College has the power to use capital only for that objective over the medium term;

A separate document, Treasury Management Policy, sets out the objectives for the investments held by the College.

4. Investment Principles

The College has identified three principles which accord with its values as a socially responsible institution: firstly, the stewardship of the operations of its external fund managers; second, environmental, social and governance (ESG) integration into its investment operations and governance practices; and third, setting appropriate standards for all its investments through criteria that the College's external investment managers are required to apply when investing the College's funds.

4.1 Stewardship

The investment managers that oversee the investment funds of the College work to agreed investment mandates. In developing these mandates the College sets a fundamental principle that managers must apply investment criteria based on environmental, social and governance

(ESG) standards. As part of our investment manager selection process, the College requires fund managers to confirm they have robust ESG policies in place. During the College's regular performance reviews of the fund managers, we assess their application of ESG policies in making investment decisions.

As the College delegates the day-to-day investment management to external investment managers it expects them to evidence their active ownership policies and actions on a regular basis.

The College requires its investment managers to have adopted the UN principles for Responsible Investment and encourages them to hold companies to account by active engagement on corporate governance and use of shareholder voting rights to influence company behaviour.

The College believes that its appointed managers should consider the following areas as measured by environmental, social and governance scores and using screening mechanisms and the positive framework of the United Nations' Sustainable Development Goals;

- Promotion of human rights, including but not limited to the equality of gender, race and sexuality;
- Promotion of good business ethics and good employment practices;
- Promotion of the protection of the global environment, its climate and its biodiversity; and
- Promotion of international cooperation and an end to international conflict including a prohibition of companies which produce armaments.

The appointed investment managers are required to provide access to valuation data that can be viewed anytime via an online portal. The investment managers engage directly with the Investment Subcommittee through attendance at Investment Committee meetings.

4.2 Environmental, Social and Corporate Governance (ESG) Integration

The College considers environmental, social and corporate governance (ESG) factors to be factors that give an indication of the long-term success of a company and can therefore affect investment returns and risks. The College believes that purposeful integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices can have a positive impact on financial performance.

The College has adopted the definitions of the underlying components of ESG, as detailed in the [United Nations Principles of Responsible \(UNPRI\) Investment Reporting Framework](#). [These principles are periodically updated and the College's investment managers will follow the current definitions, as found here, in their investments for the College.](#)

4.3 Fossil Fuel Policy and Status

The RCA actively supports investment in renewable energy businesses to facilitate the renewable energy transition. The RCA does not support continued investment in fossil fuels and has no direct investments in fossil fuel companies.

The appointed investment manager has a socially responsible mandate which means that, in addition to employing negative screens, there is a strong tilt towards technologies for the future and forward looking companies, many of which are low carbon by nature. The RCA and the Investment Sub-Committee monitor the investment exposure on a regular basis with particular regard to carbon emissions.

The divestment from fossil fuels, including income from the extraction, drilling or production of fossil fuels (coal, oil and other fuels), is part of the RCA's commitment to a sustainable future and the transition to a fair and just low carbon economy.

4.4 Exclusions

The RCA wishes to invest in companies where the activities of the company are, on ethical grounds, consistent with the educational and/or research objectives of the College.

The College's appointed investment managers are required to apply the following investment exclusion criteria to their investments:

- **Tobacco:**
 - Companies that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. This also includes companies that grow or process raw tobacco leaves.

- **Armaments:**
 - Companies that manufacture key biological and chemical weapons components.
 - Companies that manufacture cluster munition whole weapons systems. Companies with any industry tie to cluster munitions.
 - Companies involved in the production of nuclear weapons, depleted uranium (DU) weapons, ammunition, and armour, including companies that manufacture armour piercing, fin stabilised, discarding sabot tracing rounds (APFSDS-T); Kinetic Energy Missiles made with DU penetrators; and DU-enhanced armour, including composite tank armour.
 - Companies that have any industry tie to the manufacture of landmines except for Safety, which is a positive indicator.

- **Fossil fuels**
 - Companies that provide evidence of owning shale gas reserves including those that own less than 50% of a reserves field.
 - Companies that provide evidence of owning oil sands reserves including those that own less than 50% of a reserves field.

- Companies with revenue derived from shale oil or shale gas production.
- Companies with revenue derived from oil sands, oil shale, shale gas, shale oil, coal seam gas and coal bed methane.
- Companies that provide evidence of producing gas using hydraulic fracking.
- Companies that provide evidence of producing oil using hydraulic fracking.

While the preceding exclusions can be monitored using MSCI screening, the final category, **Human Rights & Labour standards**, are flagged using a wide variety of governmental and quasi-governmental sources. Companies whose policies, practices and record on human rights and labour standards are identified as failing to respect the established norms are excluded. For example, any company that scores a 10 from ISS Ethix which indicates a severe breach, is excluded from the investment universe.

The appointed investment managers currently use MSCI ESG ratings and ISS Norms Methodology to assess these factors in line with the UN Global Compact. The UN Global Compact is the world's largest corporate sustainability initiative which calls on companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption and to take action that advance societal goals.

5. Governance

The College's Planning & Resources Committee (PRC) has delegated authority from Council to monitor and approve this Policy. The Investment Subcommittee keeps the Policy under regular review and makes recommendations to the PRC. It is also responsible for considering representations concerning this Policy, in collaboration with the College's Sustainability Working Group, and making recommendations to the PRC as appropriate.

6. Monitoring

In order to monitor the implementation and ongoing adherence to this Policy the College will:

- Publish this Responsible Investment Policy on its website;
- Issue copies of the Responsible Investment Policy to its investment managers responsible for managing the College's investments and hold regular meetings to monitor adherence with the Policy;
- Provide an annual update to the RCA Council.

In the event that the Investment Subcommittee deems that the investment managers are not managing the assets in a way that is consistent with this Policy, the Investment Subcommittee will review the position with its investment managers and take the appropriate decisions.

7. Representation Process

The Responsible Investment policy will be published on the College's external website, with appropriate contact details, enabling members of the College community to have an opportunity to engage with the Policy.

Staff and students are also given an opportunity to engage with this Policy via their staff and student representatives at appropriate College committees.

8. Review Process

The Responsible Investment Policy is subject to an annual review, evaluation and monitoring process undertaken by the Investment Subcommittee, with any changes approved by the Planning & Resources Committee.