

**Royal College of Music Pension and Assurance
Scheme**

Statement of Investment Principles

October 2023

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1. Definitions

ESG Environmental, Social and Governance

Investment Adviser The Trustee is advised on investment matters by First Actuarial LLP.

First Actuarial LLP is regulated by the Institute and Faculty of Actuaries and is qualified to provide the required advice through knowledge and practical experience of financial matters relating to pension schemes.

Legislation This statement has been drafted to comply with relevant legislation.

In particular, consideration has been given to:

- the Pensions Act 1995;
- the Occupational Pensions (Inheritance Tax) Regulations 2004 (SI 2004/1041);
- the Occupational Pensions (Investment) Regulations 2005 (SI 2005/1041);
- the Occupational Pensions (Investment) Regulations 2005 (SI 2005/1041);

3. Investment Beliefs

The investment beliefs stated below have been developed by the Trustee and are reflected in the Scheme.

Basic investment principles

The Trustee believes that the following three basic investment principles should be taken into

3. Investment Beliefs (continued)

Stewardship

The Trustee believes that good

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Types of investments to be held

The Trustee is permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- Equities
- Bonds
- Property
- Commodities
- Multi-asset funds
- Liability driven investment
- Derivatives
- Cash

6. Selection of a Pooled Fund

In assessing the suitability of a pooled fund, the Trustee considers, in conjunction with the Investment Adviser, how the fund would fit within the Scheme's investment strategy and how the fund is expected to help the Trustee meet its investment objectives. As part of this consideration, all matters which are deemed to be financially material are taken into account including:

Whether the investment manager has appropriate knowledge and experience.

The pooled fund's investment objective is consistent with the performance that the Trustee expects from that fund.

The risks associated with the pooled fund.

Whether the pooled fund's return is expected to exceed inflation over the long-term.

Past performance, with the emphasis being on assessing long-term performance.

The assets that will be held within the pooled fund, including whether the asset allocation is expected to change over time, and the extent of any exposure to overseas currencies.

The pooled fund's investment strategy - to ensure that this is reasonable and that it does not provide an incentive for the investment manager to manage the pooled fund in a way that differs from the expectations of the Trustee.

Where appropriate, whether the higher fees associated with active management are justified.

How frequently underlying investments within the pooled fund are expected to be traded by the investment manager.

Portfolio turnover costs.

Whether the pooled fund considers ESG matters.

6. Selection of a Pooled Fund (continued)

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8. Stewardship

The Visc policy in relation to the exercise of rights attaching to investments and undertaking engagement activities in respect of investments is that the best practice in terms of stewardship.

However, because the Scheme's assets are invested in pooled funds, the Trustee accepts that ongoing engagement with the underl.

The Trustee expects that the investment managers selected to manage the Scheme's assets should invest for the medium to long term and should engage with issuers of debt or equity with a view to improving performance over this time frame.

The Trustee will review the stewardship policies of the investment managers on an annual basis.

9. Risks

The principal investment risks identified by the Trustee are listed below together with an explanation of how they are mitigated.

Indirect credit risk

The risk that an investment held within a pooled fund will suffer a financial loss because of a third party failing to pay monies that it owes.

Currency risk

The risk that the value of an investment will fall because of adverse movements in currency markets.

Real return risk

The risk that the Scheme's Assets do not deliver a long-term return in excess of inflation.

ESG risk

The risk that ESG actors will adversely impact the value of the Scheme's Investments.

Investment manager risk

The risk that an investment manager does not deliver returns in line with expectations.

Mitigation of the above risks

The risks listed above are mitigated by the Trustee monitoring the suitability of the pooled funds used by the Scheme. This monitoring is carried out in conjunction with the Investment Adviser.

9. Risks (continued)

Solvency and employer covenant risk

The risk that the Scheme's assets fall short of the amount required to pay all benefits and expenses as they fall due and that insufficient assets could be recoverable from the sponsoring employer to meet the shortfall.

Mitigation

The Scheme's funding approach is designed to be prudent and, in determining the funding and investment strategy, the Trustee considers the strength of the covenant of the sponsoring employer.

Self-Investment risk

The risk that the Scheme's assets are linked to the sponsoring employer which could mean a reduction in the covenant of the sponsoring employer would simultaneously decrease the value of the Scheme's assets.

Mitigation

Ensure the Scheme does not hold any direct employer-related assets and that any indirect exposure is expected to be less than 5% of total assets.

Ensure that the majority of the Scheme's investments can be realised for cash at relatively short notice without incurring high costs.

10. Future A

The allocation of the Matching Assets is not automatically rebalanced but will be monitored and rebalanced at the discretion of the Trustee.

Insured Pensioners

The Trustee is responsible for funding pensioner liabilities with Legal and 5.32 842.0450057 > 6.00