

**RBS Collective Investment  
Funds Limited**

**Overall Risk Management Policy  
and Governance**

# Contents

Overall Context	3
Governance Structure	6
Risk Principles	11
Risk Policies	11
Reports Management	12

## 1 Overall Context

RBS Collective Investment Funds Ltd (“RBSCIFL” or “the management company”) currently acts as Authorised Fund Manager (“AFM”) for two UK Retail Collective Investment Funds:

- RBS Investment Funds Investment Company with Variable Capital (“ICVC”);
- RBS Stakeholder Investment Fund ICVC.

There is an additional ICVC, which is the process of terminating with no shareholders, so the majority of this Policy is not relevant although liquid assets require to be maintained to meet any residual liabilities until termination.

As well as being an AFM, RBSCIFL is a product manufacturer in terms of the Markets in Financial Instruments Directive II (“MiFID II”). There are certain obligations on RBSCIFL as a product manufacturer under MiFID II but there are also obligations on NatWest Bank and Royal Bank of Scotland as Distributors of the RBSCIFL products. RBSCIFL is required to determine the Target Market for the Funds and this is set out in the Prospectus and the Key Investor Information Documents. RBSCIFL has assessed each of the Funds as non-complex in accordance with MiFID II.

RBSCIFL’s immediate parent company is RBSG Collective Investments Holdings Limited, which is a wholly owned subsidiary of The Royal Bank of Scotland Group plc (“RBS”), and is managed within the Commercial and Private Banking Division (“C&PB”) of RBS. Control functions such as Internal Audit, Business Controls and Compliance provide support to all companies within RBS.

RBS employs a “three lines of defence” governance approach, which is detailed in Section 1.2 below.

The overall governance structure of RBSCIFL, which includes risk management, is detailed in Section 2 below.

This Policy will make reference to the Financial Conduct Authority’s Collective Investment Schemes Sourcebook (“COLL”). You can find this Sourcebook on the Financial Conduct Authority’s website.

RBSCIFL, as AFM, is responsible for appointing its investment managers (“IMs”) from time to time, as required. During this process, the parameters within which they operate are agreed. Some of these are mandatory, as required by COLL.

The parameters set within the Investment Management Agreements (“IMAs”) are designed so that the IMs have clear objectives. Each Fund has a benchmark referenced in the Investment Objective.

However, the IMs are allocated a risk budget (referred to as a “tracking error”) so they may meet the Investment Objective. Accordingly, the amount of tracking error allowed can be defined as our risk appetite. Any trading outside legislative limits is prohibited.

There is a tracking error limit set with a range for each fund. Tracking error is reported to Investment Management Committee (“IMC”) every month, for discussion and scrutiny. Any departures from the range are discussed and challenged, with escalation to the Oversight and Audit Committee as appropriate.

### 1.1 Responsibilities of the AFM

The AFM is responsible for all aspects of fund management including:

- Administration
- Investment Management
- Fund Accounting & Pricing
- Risk Management.

These are undertaken by third party suppliers on behalf of the AFM. First Line Compliance oversight is carried out by the C&PB Fund Governance & Oversight team and Financial Control.

The Board of Directors of RBSCIFL is ultimately responsible for the appropriateness and effectiveness of the Risk Management process. This is delegated to its Oversight and Audit Committee, with day to day management being carried out collectively by the Risk Management service provider and flagged to the Investment Management Committee.

Risk issues can be escalated by the chairman of IMC, and ad hoc meetings can be convened as long as the meeting has a quorum. Further details are given in Section 2 below.

Additionally, the Board of Directors is responsible for the establishment and implementation of a robust and persuasive Risk culture. This includes responsibility for the procedures and controls in place for the measurement, management and reporting of Risk.

Whilst this document outlines the Risk Management arrangements that the AFM has in place, it also requires the delegated Investment Manager to retain in place Risk Management policies and procedures. See Section 2 for an overview of the oversight arrangements in place in respect of the delegated investment management.

RBSCIFL will fulfil its AFM responsibilities by way of the following:

- (a) Identification and design of appropriate risk policies
- (b) Set appropriate risk appetites
- (c) Put in place appropriate controls to manage these appetites

- (d) Identify and set key risk indicators to monitor the risks contained within the risk policies
- (e) Monitor risks through appropriate management information, challenge and escalation, and measuring consistency of information against expectations
- (f) Verification of the management information received to ensure that the controls and monitoring are based on complete and accurate information
- (g) Oversight of delegates carrying out outsourced services
- (h) Review the risk policies on a regular basis and re-evaluate the controls and monitoring.

## 1.2 RBS Three Lines of Defence Model

RBS operates a “three lines of defence” model to ensure that appropriate responsibility is allocated for the management, reporting and escalation of risk. Allocation of clear responsibilities for risk management ensures risks are identified, monitored, managed and mitigated so that impacts remain within the defined appetite.

RBS’s risk management framework is embedded in the business through the three lines of defence model, supported by an appropriate level of investment in information technology and people.

This model defines responsibilities and accountabilities as shown below.

### 1.2.1 First Line of Defence

This is the C&PB Fund Governance & Oversight Team with support from the business and its functions. Broadly, it is responsible for setting Risk Appetite, owning and managing its risks within the overall RBS Risk Appetite, complying with all RBS policies, and testing and certifying the adequacy and effectiveness of its controls to meet these responsibilities.

Additionally, the Compliance departments of the third party suppliers also form part of the first line of defence. In detail, the business and its functions are responsible for:

- Setting, maintaining and implementing the risk appetite within which employees can operate, as well as ensuring this is articulated and communicated within the business and to Risk Management
- Implementing, investing in and maintaining processes within the business to manage the risks and ensure compliance with all RBS policies. This includes IT systems, tools, MI and general infrastructure
- Ensuring that all employees are aware of their risk management responsibilities through regular communication and training
- Regular testing and certification of the adequacy and effectiveness of controls and compliance with RBS Policies, reporting the results and conclusions
- Ownership, identification, management and mitigation of the risks to which the business is exposed, as well as the issues identified.

Supply Chain Services conduct visits to the third party suppliers to conduct reviews of their systems and controls in respect of the contracted services.

The Client Asset Team undertake oversight and regular reviews of all client money and associated processes and controls held within RBSCIFL.

Financial Control have overall responsibility for monitoring of all fund pricing together with the production of the accounts for the ICVCs within RBSCIFL. Financial Control provide oversight and conduct reviews on the controls in place with RBSCIFL’s Fund Accountant, and perform due diligence.

Additionally, the C&PB Fund Governance & Oversight Team provide oversight and conduct reviews on the controls in place within RBSCIFL’s Third Party Administrators (“TPAs”).

However, ultimate oversight rests with C&PB Compliance & Conduct as part of their Second Line of Defence functions.

### 1.2.2 Second Line of Defence

This is C&PB Compliance & Conduct.

Broadly, it is responsible for owning and developing the risk management framework and tools which the business uses to discharge its responsibilities. It also provides oversight and challenge to the first line on management of its risks.

In detail, it is responsible for:

- Ownership, development and maintenance of the Risk Management framework, tools and methodologies as well as its deployment to the business
- Design of the Risk Management policy standards, which provide the principles and minimum standards for delivering effective risk management
- Delivery of regular communications, training and awareness to the employees on Risk Management
- Oversight and challenge to the businesses and functions on:
  - The adequacy and effectiveness of its use and the application of the risk management framework
  - The appropriateness of its risk appetite levels to deliver a commercially sound, balanced and rewarded portfolio of risks
  - The capability of its people and infrastructure
- Expert support and advice to the business on risk management, including interpretation and compliance with the risk policy standards and risk management framework
- Escalation of concerns to appropriate first line of defence management, as well as escalation of unresolved concerns to Senior Executive level.

### **1.2.3 Third Line of Defence**

This is RBS Internal Audit (“IA”).

RBS IA are responsible for:

- Providing independent assurance on the design, adequacy and effectiveness of RBSCIFL’s system of internal controls
- Linking findings to RBS policies where appropriate.

### **1.3 Additional Risk Controls**

The Investment Manager also operates their own risk procedures which help mitigate risk.

The Investment Manager operates a pre trading compliance system. It is triggered if a trading action looks like it will cause a breach of the Fund restrictions at the next valuation point. The rules on restrictions, based on either legislation or the terms of the IMA, are either hard or soft coded. This means that the Fund Manager will be asked to contact the Trade Compliance Team if they wish to proceed (or override if soft coded) as long as they are confident that it will not result in a breach.

This explanation needs to be given to Trade Compliance. If a transaction breaches post trade, then it is investigated for correctness and the pre-trade override explanation is looked at.

Any breaches to legislation or the IMA are reported to IMC for discussion and any remedial action required. A breach form is passed to the Fund Governance & Oversight Team for recording and notifying the Depository..

Inadvertent breaches of risk limits can also occur, such as if stock prices move up against market trends, so breaching the maximum holding allowed. Such breaches are managed by the Investment Managers, in consultation with IMC, to minimise the costs of rectification to the ICVC shareholders. A breach form is passed to the Fund Governance & Oversight Team for recording.

### **1.4 Counterparty Risk**

The Investment Manager is the primary line of defence to manage counterparty risk.

This is achieved through rigorous procedures for the selection and approval of counterparties, including brokers. Additionally, credit limits are set and agreed with their Compliance departments. Counterparty risk is monitored on a daily basis. These procedures are reviewed as part of the Oversight visit..

This is covered more fully in the Credit Risk policy.

### **1.5 Risk Management**

The AFM uses an outsourced model, whereby third party companies provide most of the services for which the AFM is responsible. The AFM retains aspects of portfolio and risk management and is also responsible for the oversight and control of any delegated relationship.

When a third party company is appointed RBSCIFL completes full due diligence checks to ensure they have sufficient experience to undertake the activity, a good reputation and are duly authorised, with the scope of being able to exit the contract at reasonable notice.

Accordingly, the AFM has in place a rigorous programme for ongoing monitoring and challenging their third party service suppliers.

Reports are supplied to the AFM, covering all aspects of the service provided. Performance is RAG coded to allow the AFM to take a proactive approach to the performance of each supplier. See section 5 for details of the supplied reports.

Monthly meetings are held with the suppliers where these reports are tabled, and are subjected to discussion and challenge.

Compliance for RBSCIFL is provided by Fund Governance & Oversight.

This scopes Fund Management, Pricing & Fund Accounting and Transfer Agencies. Identified and emerging risks are shared at IMC and escalated in line with the High Level Controls document.

Commercial and Private Banking Compliance & Conduct as second line of defence maintain oversight of Fund Governance & Oversight and conduct a high level review of their performance against the agreed Compliance Monitoring Plan.

### **1.6 Risk Management Service Provider**

The Risk Management Service Provider independently monitors adherence to the investment restrictions as a result of the guidelines in the Fund Prospectus or in COLL. They also monitor the underlying risk for each Fund and the exposure to derivatives. This monitoring is carried out daily with any issues being highlighted immediately and monthly reporting to the AFM

## 1.7 Details of RBSCIFL

The various administration, investment management and fund accounting activities required to operate the RBSCIFL Schemes are delegated to various third parties. In addition, each of the RBSCIFL Schemes has an independent Depositary, who act as custodian for the underlying assets of each of the Schemes, and oversee the activities of RBSCIFL. The diagram below shows the various delegated activities, and the Depositary relationships for each of the RBSCIFL Schemes:

<b>RBS Collective Investment Funds Limited (RBSCIFL)</b>		
<b>Authorised Fund Manager</b>		
<b>Scheme Name</b>	<b>RBS Investment Funds ICVC</b>	<b>RBS Stakeholder Investment Fund ICVC</b>
Funds	Global Bond Fund Managed Defensive Fund Managed Equity Growth Fund Managed Growth Fund Managed Income Fund UK Equity Fund	RBS Stakeholder Investment Fund
Administration	DST Financial Services Ltd	DST Financial Services Ltd Target (CTF) Capita (JISA)
Investment Manager	Coutts and Company	Coutts and Company
Fund Accountant	The Bank of New York Mellon	The Bank of New York Mellon
Risk Management Service	RiskSystem	RiskSystem
Depositary	The Bank of New York Mellon	The Bank of New York Mellon

### Role and Responsibilities of the Depositary:

An ICVC is legally obliged to have a separate institution to act as Depositary. The Depositary must be authorised under Financial Services & Markets Act 2000 and independent from the AFM. Its key role is to act solely in the interests of the investors within the fund. The Depositary is responsible for safeguarding the underlying assets of the fund and also ensuring that the scheme is managed according to the terms of the Prospectus.

The Depositary will typically focus upon key areas that it deems to be of greatest risk. These typically include:

- Valuation of the underlying assets of the fund
- Pricing of Shares, including use of Dilution Levy
- Calculation of Income available for allocation, to include payment of distributions. Additional focus is placed upon those distributions that are 'unclaimed'
- Investment and Borrowing Limits
- Issue and Cancellation / Sale and Repurchase of shares/units in fund.

The Depositary is responsible for the safekeeping of the underlying assets of the fund. It therefore has to ensure that they take all practicable steps to ensure the following:

- All documents are completed accurately and promptly to ensure that any transactions entered into by the fund are settled.
- Ensure that the underlying assets in Registered Form are registered in the name of the Depositary or its nominated custodian. Included within this is a requirement to take into its own custody, all associated documents of title.
- Ensure that any transaction entered into in derivatives is done so to ensure that any resulting benefit is received by the Depositary
- The relationship between the AFM and the Depositary is critical to the efficient working of the fund as a whole.

## 1.8 Remuneration Policy

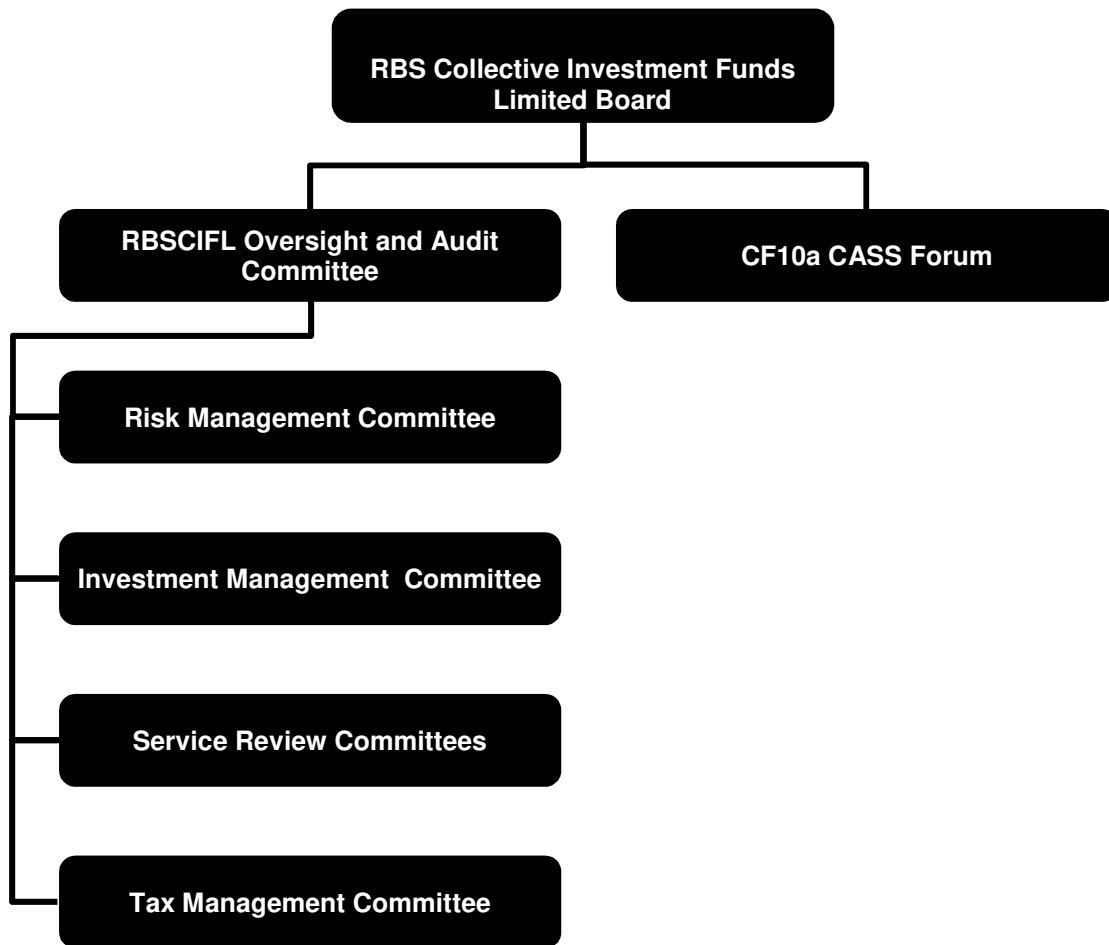
RBSCIFL does not directly remunerate staff, other than Non-Executive Directors, however it has a remuneration policy which complies with the UCITS V remuneration codes.

## 1.9 Liquidity

RBSCIFL maintains a liquidity policy where purchases and redemptions are reviewed on a regular basis. Any illiquid assets held within the funds are disclosed through the annual report and accounts. On a monthly basis RBSCIFL will undertake an assessment of the liquidity of the funds by undertaking stress testing and this will be reviewed at IMC.

## 2 Governance Structure

The governance structure of the company is defined in its High Level Controls Document. Currently, this is the version approved in February 2019. Excerpts from this are shown below for ease. Further detail can be found in the document itself.



## **2.1 RBSCIFL Board**

The board meets at least 4 times per annum,. Additional ad hoc meetings may be called as required.

### **Principal Function**

To direct the affairs of the Company in a manner that meets both RBS Group and regulatory requirements, and enables RBSCIFL as AFM to discharge its responsibilities in managing the collective investment schemes. This includes receiving reports and recommendations from the relevant Committees and making decisions upon them.

### **Risk Responsibilities**

Additionally, it is responsible for the consideration of the identification, prioritisation and management of key risks to the business, including operational, client money & assets, business continuity, financial, investment, compliance, legal, regulatory, market and reputational risks.

## **2.2 Oversight and Audit Committee**

This committee meets prior to each Board meeting.. Additional ad hoc meetings may be called as required.

### **Principal Function**

To enable the Board to carry out its responsibilities relating to the review of investment performance, the setting of fund parameters, the control of investments, compliance with regulatory requirements, risk management, financial and regulatory reporting, the review of Internal Audit work, the appointment of Auditors and review of Audit, and the administration of the ICVCs and customer records.

### **Other Responsibilities**

The Committee will also oversee the remit and workings of the RBSCIFL Investment Management Committee (“InvCo”), the Risk Management Committee, the Tax Management Committee and the Service Review Committee. The Committee can request reports, information and reviews from these Committees and where appropriate, recommendations from these Committees on any relevant matters.

Monitor performance against risk limits and risk profile for each fund and escalate any emerging risk as appropriate to the RBSCIFL Board.

The compliance of RBSCIFL and the ICVCs with regulatory requirements as AFM, Individual Savings Account Manager, Junior Individual Savings Account Manager and Child Trust Fund Manager.

Management of the key risks to the business, including operational, client money and assets, business continuity, financial, investment, compliance, legal, regulatory, market and reputational risks.

Maintenance of policies for key risks.

The contractual arrangements with third party service providers and the plan for carrying out assurance oversight on them.

The administration of the ICVCs and customer records.

The review of Financial statements for RBSCIFL and the ICVCs. Review the activity of Internal Audit.

Review the activity of External Audit.

### **2.2.1 Investment Management Committee**

This committee meets monthly with Coutts and Company (the Investment Manager for the ICVCs) with a minimum of 11 times per annum. Additional ad hoc meetings may be called as required.

### **Principal Function**

To monitor and to make recommendations to the Oversight and Audit Committee and the Board on matters relating to the review of investment performance, the setting of fund parameters, the management and control of investments in line with applicable regulations, and any other matters as may be required from time to time.

### **Other Responsibilities**

Review investment parameters and revise to ensure achievement of objectives as regards performance, risk profile and Treating Customers Fairly (“TCF”).

Review performance against investment parameters and peer groups and identify actions to address issues. Ensure appropriate communication of performance to management, customers, advisers and staff.

Ensure adherence to the prospectus and fund documentation. Ensure compliance with FCA Handbook.

Review investment transactions at least quarterly, to ensure they remain well controlled. Review fund activity and ensure that it is within agreed parameters.

Review the management and control of investments and pricing in line with applicable regulations.

Review investment management agreements periodically and revise to ensure achievement of objectives as regards performance, risk profile (including COLL compliance), TCF or customer expectations.

Review performance against the investment agreements and identify actions to address issues.

Review suppliers of investment services/benchmark service.



Set guidelines and monitor the use of derivatives and carry out a full review of the derivative management policy at least once a year. Ensure compliance with RBS investment risk requirements.

Review the matching of assets and liabilities.

Initiate actions where control issues are identified.

Consider all risk management issues for UCITS funds, including derivative risk and Eligible Markets requirements.

Where necessary, escalate to the Board or Oversight and Audit Committee for action issues identified above and to draw to their attention as appropriate any other matters relevant to the Company's investment performance, fund parameters and control of investments.

On an annual basis, a review of the content and compliance with the Committee's Terms of Reference will be carried out together with an evaluation of the Committee's effectiveness and membership.

The Investment Management Committee will, as a minimum, escalate to the Board or Oversight and Audit Committee any actions or recommendations which relate to:

- Changes to the strategy or operation of the funds which have a material impact on the valuation or investment strategy of any individual fund;
- Issues or events which are assessed (using an appropriate risk measure) to have a potential material impact on the net asset value of the fund, the AFM's ability to accurately value the fund, or the ability to manage the fund in line with the requirements of the applicable rules;
- Any actions or recommendations which relate to changes to investment managers; and
- Any changes to the investment agreements which have a material impact on the valuation or investment strategy of any individual fund, the AFM's ability to accurately value the fund, or the ability to manage the fund in line with the requirements of the applicable rules.

### **2.2.2 Service Review Committee (SRC)**

This committee meets quarterly, with a minimum of 4 times per annum. Additional ad hoc meetings may be called as required. SRC meets through separate meetings with each service supplier.

The Service Review Committee will, as a minimum, escalate to the Oversight and Audit Committee any actions or recommendations which relate to:

- Breaches of Service Agreements including Service Standards;
- Changes in trends of Administration Complaints;
- Any regulatory or applicable rule breaches resulting from administration processes and
- Any customer TCF issues as may be identified.

### **2.2.3 Risk Management Committee**

This committee meets monthly, with a minimum of 10 times per annum. Additional ad hoc meetings may be called as required.

#### **Principal Function**

The principal function is to act as a first line of defence in identifying, assessing, managing and escalating all RBSCIFL business risks and to ensure that effective controls are in place throughout the business in order to manage its risks in line with business and Group requirements.

A secondary function is to oversee Investment Risk across all the RBSCIFL Funds, including Box Management, stock-lending, and Global Risk exposures.

The Committee will operate as a risk management function, reporting to the Oversight and Audit Committee. The remit will be Operational, Regulatory, and Non-operational (including Credit, Market, Liquidity and Capital risk) which have the propensity to affect the Collectives Business.

#### **Other Responsibilities**

Monitor and ensure the effective operation of the risk and compliance frameworks and controls in the Collectives Business and to ensure the existence of robust governance of the businesses.

Monitor and control the operation of a consistent Risk Management Framework across the Collectives Business in line with regulatory requirements and leading industry practices.

Set and communicate risk management objectives for the Collectives Business.

Set guidelines for counterparty exposure and monitor.

Make recommendations on risk tolerance and best practice to the Board and to the Oversight and Audit Committee and the Risk Management Committee for incorporation into Company and business policy and standards. This will encompass reviewing changes in financial engineering of products to ensure that risks are identified and addressed.

Review, challenge and agree the strategies for managing material risks.

Review risk implications of the operational plans, level of new business, product development and other projects as appropriate. Review operational risk through the consolidated risk profile and reports of the Collectives Business.

Review Credit / Market Risk exposure against agreed limits and any breaches by exception. Review Liquidity Risk exposure against targets.

Review Capital Risk positions of regulated companies.

Review compliance levels with relevant standards and any breaches by exception. Reduce the potential for financial, reputational and regulatory risk through non-compliance with financial regulations, including adherence to the principles of TCF.

Receive Client Assets (CASS) monthly Dashboard presented by the CASS Operational Oversight Function and review risks, breaches and monitoring output.

Oversight of all Risk Policies in place for RBSCIFL and ensure that RBSCIFL and Investment Managers adhere to these. Monitor whether unit pricing policy is carried out correctly and address any issues arising.

Review box policies and procedures at least annually.

Approval of any revisions to regulatory documents such as Key Investor Information Documents (KIIDs), Fund Prospectuses and Risk Policies.

Review and recommend new risk limits to the Board and to the Oversight and Audit Committee and the Risk Management Committee.

Review Internal Audit, Group Risk and Regulatory Risk Compliance activity for the next quarter. Specific updates will be provided by each function where appropriate.

Consider the potential impact of future organisational, regulatory or economic change on the Collectives Business risk profiles on the risk landscape over the next quarter / half year.

Review, on an annual basis, the content and compliance with the Committee's Terms of Reference together with an evaluation of the Committee's effectiveness and membership.

Report to the Board and the Oversight and Audit Committee to draw their attention to any other matters relevant to risk within the business.

The Risk Committee will, as a minimum, escalate to the Oversight and Audit Committee any actions or recommendations which relate to:

- Any first line of defence identification of business risks.
- Any control issues that are in place throughout the business in order to manage its risks in line with business and Group requirements.
- Any oversight issues of Investment Risk across all the RBSCIFL Funds, including Box Management and Global Risk exposures.

#### **2.2.4 Tax Management Committee**

This committee meets quarterly, with a minimum of 4 times per annum. Additional ad hoc meetings may be called as required.

##### **Principal Function**

The principal function is to oversee the tax affairs of the company and the ICVCs, be aware of emerging tax issues and approve the tax returns to HMRC.

##### **Other Responsibilities**

Review the allowances for tax in the pricing of the ICVC Funds.

Review the provisions for tax in the statutory accounts of the Company and the ICVCs.

Ensure awareness of emerging tax issues and agree approach to these. Updates will be provided by Tax Advisers on tax news, technical updates and training on topical issues for the investment management sector.

Ensure that the Prospectus of the ICVCs accurately reflects the tax implications for investors in the Funds.

On an annual basis a review of the content and compliance with the Committee's Terms of Reference will be carried out together with an evaluation of the Committee's effectiveness and membership.

Report to the Board and to the Oversight and Audit Committee and the Risk Management Committee on the above. Draw their attention to any other matters relevant to risk within the business.

#### **2.2.5 CF10a CASS Forum**

This committee meets monthly, with a minimum of 10 times per annum. Additional ad hoc meetings may be called as required.

## **Principal Function**

The principal function is to oversee the CASS Operational Oversight function.

Provide the CF10a with a summary of CASS activity, demonstrating compliance with CASS rules.

Apply a CASS lens to activities undertaken by or impacting RBSCIFL, using MI and other commentary as appropriate. Consider the effectiveness of outsourced administration.

Acknowledge conformance with regulatory requirements including, but not limited to, CMAR and Resolution Pack.

Issue directions, drive process changes or update controls with the intention of achieving or maintaining CASS

Compliance. Consider and update the CASS Forum of the CASS impact of upcoming business and regulatory changes. Assess CASS risks and where appropriate, provide plans of action to mitigate them.

## **3 Risk Principles**

These principles are designed to ensure that RBSCIFL complies with all Regulatory requirements and the environment relating to policies as well as meeting best practice and RBS Governance requirements.

Independent oversight is provided by the Depository of each ICVC, which is shown in Section 1.6 above.

Changes to the policies will be identified through:

- Matters identified through business as usual (“BAU”) activities
- Governance structure (i.e. IMC, the Risk Management Committee, the Oversight and Audit Committee and the RBSCIFL Board of Directors)
- Proactive review of regular management information, including risk limits reporting, through the above committee structure
- Regular review of the policies
- New or improved product offerings, as identified by Retail products; or new / amended regulations, as identified by

Regulatory Risk All the policies will be formally reviewed at least annually.

Changes to the policies will also need to be reflected in other documentation, such as:

- Prospectuses
- Key Investor Information Documents
- Other customer facing literature
- Instruments of Incorporation
- Investment Management Agreements

As mentioned above, the governance rests initially with IMC.

## **4 Risk Policies**

The individual risk policies are written and updated periodically to comply with applicable legislation as well as RBS Group policy.

The policies available are:

- Best Execution
- Box Management & Dilution Levy
- Conflicts of Interest
- Credit Risk
- Data Retention
- Derivatives Risk Management
- Gone-Away
- Liquidity Risk
- Market Risk
- Market Timing
- Market Volatility
- Operational Risk
- Outsourcing
- Prospectus Update
- Remuneration
- Ring Fenced Bank Compliance
- Unit Pricing (including Fair Value Pricing)
- Voting Rights
- Windfalls

Additionally, the scheme prospectuses may be updated from time to time, as necessary.

## 5 Reports Management

Under the terms of the IMAs, the investment manager is required to furnish monthly reports to IMC. These reports are required to cover all aspects of investment management, as well as aspects of fund risk management.

Any breach of the IMA, the prospectuses or the risk appetite are required to be corrected as quickly as possible, at no cost to the AFM or the customers, and reported to IMC.

Full details of this are included in the various IMAs.

The reports provided by the investment manager, as well as how they are used, are shown below.

Additionally, a weekly report is sent to the Chair of IMC by the Investment Manager, detailing the global exposure to derivatives.

### 5.1 Coutts and Company

Coutts and Company manage the following ICVCs, as shown in Section 1.6 above:

- RBS Investment Funds ICVC and
- RBS Stakeholder Investment Fund ICVC.

There are 2 main reports which are provided to IMC, where they are subject to scrutiny and challenge with the Investment Manager. These cover investment performance and compliance with the terms of the legislation, the IMA and the relevant prospectuses.

Each one is discussed below.

#### 5.1.1 Monthly Performance Report

This report reviews the investment performance. It covers the current month, as well as the last 3 months, year to date, rolling 12 months, 3 years annualised, 5 years annualised and since inception annualised, for the Stakeholder Investment Fund ICVC. The funds within RBS Investment Funds ICVC will be added once the period since their launch in May 2019 allows this.

It also contains investment commentary as well as attribution (asset allocation) details for the funds.

#### 5.1.2 Risk Report

This report details any breaches or errors that have occurred during the month. It also includes the tracking errors for each fund compared with its target and range, as well as the fund turnover for the month in question. The report covers the following topics:

- Legal restrictions
- IMA & Prospectus restrictions
- Tracking errors (relative risk)
- Fund concentrations
- Derivatives exposure
- Volatility (absolute risk)
- Fund turnover
- Fund liquidity (to cover encashments)

The report looks at trends as well as the absolute figures for the month to enable focussed discussion and challenge.

These reports are used to manage the Investment Manager against their performance objectives and the parameters within which they are required to operate. This is carried out at IMC, where the Investment Manager is in attendance. Certain issues may be flagged up to the Oversight and Audit Committee at the discretion of the Chairman of IMC. Additionally, the Chairman of IMC produces a summary of the main points from all the IMC meetings for the Oversight and Audit Committee, which includes all items which ought to be brought to their attention for discussion or agreement.

## **Braille, large print or audio format?**

If you'd like this information in another format,  
call us on **03457 888 444** (Minicom 0800 404 6161)

RBS Collective Investment Funds Limited.

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