



# GOVERNANCE PRINCIPLES AND VOTING GUIDELINES

## BNY Investments Newton

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# INTRODUCTION

As a steward of capital, BNY Investments Newton (Newton)<sup>1</sup> is committed to the responsible allocation, management and oversight of that capital to create long-term economic value for its clients. An important part of this stewardship role is the exercise of ownership rights, including proxy voting. In this process we embrace a set of basic principles, including:

- Promoting the accountability of a company's management to its board of directors, as well as the accountability of the board of directors to the company's shareholders
- Upholding the rights of a company's shareholders by voting on those matters submitted to shareholders for approval
- Promoting adequate disclosure about a company's business operations and financial activity

We do not believe that corporate governance analysis can be carried out only through strict rules, but must be considered, as much as practically possible, in the context of each company and its region of incorporation. We therefore apply our voting guidelines in line with local market practices. Our voting decisions are guided by this policy but, importantly, are informed by a combination of governance analysts and the investment team in order to reach a voting decision in the best interest of our clients. As an active manager, our investment case is ultimately built on our multidimensional research capabilities through which we assess the quality of companies, their people, and their management teams.

Through the integration of corporate governance issues into our investment process,<sup>2</sup> for information-seeking purposes we speak to companies about issues that we consider can affect the long-term economic value of an investment. We aim to have worked through as many of those issues as possible during the year so that at the annual general meeting (AGM), or extraordinary general meeting (EGM), we are confident in our vote. We do not routinely engage with issuers in connection with all voting matters; however, we may engage on certain material issues in a manner consistent with our stewardship responsibilities and applicable regulatory requirements.<sup>3</sup>

We have dedicated corporate governance expertise within our responsible investment (RI) team, and are supported in the execution of votes by the BNY Investments & Wealth Proxy Voting & Governance team. There are a number of governance forums at Newton where proxy voting topics may be discussed, and management information presented. These include:

- the Sustainable Investment Forum, a center of excellence for sustainability topics attended primarily by sustainable portfolio managers and the RI team
- the RI Advisory Group, which provides strategic advice, expertise, and support to management on RI matters
- the Investment Oversight Committee, a formal committee within the governance framework, established as a mechanism to support firm-wide governance and oversight in relation to investment and risk matters.

## About Our Voting Guidelines

Newton's voting guidelines outline our approach to key issues that arise in proxy voting. They are not intended to be prescriptive, and we retain the flexibility to apply a different decision where we consider it to be in the best long-term economic interests of our clients. Newton strives to vote all shares. Exceptions to this may include clients retaining their rights to vote, local challenges like share blocking, as well as other relevant legal nuances in markets. The guidelines have been developed by our responsible investment team in collaboration with our investment team and draw from guidance established by internationally recognized governance principles including the Organisation for Economic Co-operation and Development (OECD) Corporate Governance Principles, the International Corporate Governance Network (ICGN) Global Governance Principles, the UK Investment Association's Principles of Remuneration, and the UK Corporate Governance Code, in addition to other local governance codes. Our guidelines are reviewed regularly to ensure consideration of evolving best practice, regulatory developments and investor expectations, as well as dialogue with our clients.

1 BNY Investments Newton is the name for a group of affiliated companies that provide investment management services under the trading name of 'Newton' or 'Newton Investment Management': Newton Investment Management Limited (NIM), registered in the UK, and Newton Investment Management North America LLC (NIMNA), registered in the US. Unless otherwise stated, this policy applies to both entities, hereafter referred to as 'Newton Investment Management' or 'Newton'.

2 Newton manages a variety of investment strategies. How ESG (environmental, social and governance) analysis is integrated into Newton's strategies depends on the asset classes and/or the particular strategy involved. ESG can be one of many inputs into the fundamental analysis. Newton will make investment decisions that are not based solely on ESG analysis. Other attributes of an investment may outweigh ESG analysis when making investment decisions. Where incorporated, our ESG integration philosophy treats ESG considerations as part of a broader mosaic of investment factors that influence security valuation, risk, and return, embedded within Newton's multidimensional research.

3 We do not acquire or hold securities to influence control of management under Rules 13d-1(b) and 13d-1(c) of the Securities Exchange Act of 1934. Any expression of our views or voting policy during meetings is not intended, and should not be construed, as an indication of voting intentions, support for any action, or an attempt to influence management control.

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# VOTING GUIDELINE

## Leadership and the Board

A company's board has oversight of the company's strategic direction and of management's operational execution. Directors are tasked individually and collectively to act in the best interest of the company and its shareholders and to give consideration to its other stakeholders (employees, customers, communities, etc.), although this scope may vary depending on the company's jurisdiction. The board has ultimate accountability for a company's governance arrangements, succession planning, corporate culture and risk-management systems, including the oversight and stewardship of the company's material risks and opportunities.

It is therefore important that the board proactively manages these risks, in line with investor and stakeholder expectations, and that the board satisfies itself that its members have sufficient experience and an appropriate skillset to tackle those issues. We consider that boards are best able to provide this oversight when comprised of a majority of directors who are independent from management and other controlling shareholders.

Our definition of independence is based on generally accepted principles. A director is deemed to be independent, or free from conflicting interests, if the following conditions are met:

- They are not a current employee of the company
- They have not occupied previous executive functions at the company without an acceptable cooling-off period
- They have not previously worked directly or indirectly for one of the company's significant suppliers (material business relationship), major lenders or the current auditor
- They have not previously worked for firms under cross-shareholding relationship with the company
- They do not receive significant performance-related share-based payments from the company
- They are not a significant shareholder representative and does not have family ties to the current executives or significant shareholders
- They have not served on the board for more than 12 years (or any lower limit determined by market practice)
- They have not made a significant donation to the company.

In determining a company's governance arrangements, the board can establish sub-committees, typically audit, nomination and remuneration, to help with preparatory and advisory work. We expect at least the audit committee, given its importance to internal governance structures, to be comprised of a majority of independent directors. Other committees' independence will be scrutinized if a subsequent area of oversight (e.g. compensation or board composition) has been deficient during the year in review.

## Board accountability

We consider it is a fundamental shareholder right to be able to vote on director appointments and reappointments. Furthermore, we view annual reappointment of directors as best practice.

Once appointed, directors are expected to act in the interests of all shareholders and should expect to receive the necessary induction and training to allow them to fulfil their mandates in an optimal way. Board duties require a high degree of professionalism, and we expect directors to dedicate the time needed to dispense their fiduciary duties. We do not consider the time commitment to be limited to attendance at board meetings, but should allow for additional obligations such as committee meetings and preparatory work. In this context, we expect directors to limit the number of public company board mandates they accept to a maximum of five for a non-executive director, and a maximum of two (outside non-executive roles) for an executive director.

We expect the board to have a designated director for regular dialogue with the company's significant shareholders to enable a continuous exchange of views.

## Board refreshment

Effective and independent boards are regularly refreshed, ensuring the adequate injection of new independent profiles, while retaining those experienced profiles the board deems valuable. Through regular refreshment, a board should ensure that the most qualified individuals are selected to be board members to achieve a composition with the optimal balance of skills, independence and individual/personal characteristics to effectively discharge its duties.

## Board leadership

In general, we prefer the oversight and executive functions within a company to remain distinct. To facilitate this, it is usually preferable for the roles of chair and chief executive officer (CEO) to be held by separate individuals, with the board presided over by a non-executive chair. The non-executive chair can play a valuable role in leading the board's activities, encouraging the contributions of all directors and challenging management, including by helping to set the board agenda.

We recognize, however, that some companies choose to combine these positions. When this is the case, we expect companies to communicate clearly why combining these roles is considered appropriate, and to ensure sufficient counterpowers are in place to balance the combination of the oversight and management roles. This might include the appointment of an independent lead director, who can call for executive sessions and board meetings, help set board meeting agendas, and maintain direct access to the company's management. In these cases, we also expect the board to demonstrate a strong commitment to effective succession planning.

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## Capital Management

Ensuring that capital management is aligned with the overall strategic focus of the business is important for investors. Companies sometimes present resolutions which relate to how income may be allocated through dividends and share repurchases or which may relate to the issuance of shares in order to raise capital.

In Japan, we are generally supportive of dividend payouts, unless they fall under a certain level that we consider is not in shareholders' interests.

### Capital structure

We consider that a shareholder's voting rights should be proportionate to its economic interest in the company including the 'one-share, one-vote' principle. For new listings, or companies where we are making our voting decision known for the first time, we will typically oppose multiple share class structures, unless a sunset requirement is introduced (between seven and ten years as a ceiling).

### Issuance of shares

While acknowledging the need for a company to have flexibility and financial leeway, we look for general share issuances to offer protection for existing shareholders, notably by not being excessively dilutive and with any discount to market price substantiated by a robust rationale. We may oppose requests to issue shares at a price below the share's intrinsic value if no justification is presented by the company. On a case-by-case basis we assess share issuance requests linked to a specific purpose, and we expect the issuance terms to be disclosed and the operation to be supported by a compelling rationale.

We also generally support stock splits that have a purpose of increasing liquidity and/or adjusting for a significant increase in stock price, and reverse stock splits which are supported by sound rationale.

### Share repurchasing

We support share buybacks in cases where they are designed according to applicable regulatory and market best practice, including protecting against significant dilution to existing shareholders. We expect transparency on the price, the volume and the possibility of using the share repurchase authority as an anti-takeover mechanism.

### Anti-Takeover Mechanisms

We do not generally support the use of anti-takeover mechanisms, including uneven share structures, as such devices can lead to the entrenchment of a poorly performing management team and inhibit the creation of shareholder value, and we are likely to oppose any arguments for approving the introduction or continuation of any anti-takeover mechanism.

However, on a case-by-case basis, we may support proposals where the primary purpose appears to be to provide management with temporary or short-term insulation from outside influences so as to enable management to bargain effectively with potential suitors and otherwise achieve identified long-term goals to the extent such proposals are properly justified by the company's context and discussed with shareholders.

## Related-Party Transactions

We expect the disclosure of information around related-party transactions as well as the board or AGM process used for their approval, as these represent crucial information on insider movements and conflict-of-interest situations that we use in our analysis of the company's governance arrangements.

These transactions should be clearly defined, disclosed and approved by the board well before their execution date, evaluated for fairness to all shareholders by an independent audit firm, and submitted separately to a shareholder vote where permitted.

## Reporting and Audit

A company's financial reporting is a key element of its communication with its shareholders and the market. It should provide accurate, balanced and understandable financial and non-financial information relating to the fiscal year under review, as well as clarity on the assumptions made by management in order for stakeholders to be able to robustly assess the company's potential future performance and long-term prospects.

The audit committee plays a key role in determining and overseeing internal control mechanisms, including providing challenge to management and maintaining the quality of the external auditors. We encourage all companies to provide a report to shareholders from the audit committee in their financial reporting disclosing any risks identified and the steps being taken, if any, to enhance practices. The audit committee also plays a key role in selecting the external audit firm and verifying its independence from management. While not yet a prevalent practice in all markets, we encourage those committees to disclose in their reports to shareholders the rationale behind the appointment of the chosen firm, details around the selection process and transparency around fees paid. We typically do not support non-audit fees being in excess of audit fees without robust justification as it can result in a real or perceived jeopardization of the auditor's objectivity. We expect the audit committee to evaluate, at least annually, the external auditor's continuing independence. We consider tenure to be a contributor over time to the external auditor's continued ability to be perceived as independent, and we may vote against the reappointment of a long-serving external audit firm in the absence of robust justification.

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## Remuneration

Pay is critical for attracting, retaining and motivating executive leadership and senior management. We consider that the design of executive pay should support the execution of strategy and align executives' interests to those of shareholders over the long term.

### Role of the board and remuneration committee

Ensuring that executives deliver on the company's strategic goals is a key board responsibility, with executive pay being an important tool. We consider that the board, or designated remuneration committee, should have flexibility to design the executive pay plan, coupled with accountability to shareholders and other stakeholders on oversight of the resulting payouts. We expect robust disclosures on how the plan supports both the execution of strategy and long-term alignment between management and shareholders and, therefore, how it ultimately supports the generation of long-term economic value by the company. The remuneration committee should also account for the individual characteristics of the company and its situation and determine pay that is in line with actual performance and in accordance with the remuneration policy.

In our experience, overreliance on external consultants demonstrates a lack of experience of the remuneration committee and poses risks of colliding interests, as those consultants usually have multiple business relationships with the company. We do not expect this to be standard practice as it can push remuneration levels up across the market.

We give particular attention to the composition of the remuneration committee, and we prefer committees with at least half of the members identified as independent directors. Executive participation in this committee is discouraged owing to the inherent conflicts of interest involved. We expect the committee to communicate regularly and clearly with shareholders, and to provide shareholders' perspectives and feedback to the board when necessary. The committee should adopt the highest standard of behaviours and shareholder dialogue, including a proactive and serious response to shareholder dissent.

### Structure

Pay structure must be appropriate and relevant to the business and should avoid unnecessary complexity.

We expect executive pay structures to be designed to reward long-term value creation, through performance-based or time-based shares with vesting periods of at least three years as an overarching principle. In any case, alignment of pay and long-term performance is the ultimate test of long-term pay structure.

Phased vesting or other short-term vesting considerations raise concern. We encourage companies to include malus (the downward adjustment of incentive awards before they

become payable or vest) and clawback provisions within the terms as these can incentivize positive management behaviours.

We encourage long post-vesting holding periods and significant shareholding requirements for executives in order to encourage alignment of executive pay with long-term objectives.

We expect executive pay plans to contain a general dilution limit to all shareholders of 10% (over ten years) for all equity-based plans to ensure that control is not unintentionally shifted to executives or employees.

Finally, change-in-control arrangements which guarantee substantial payouts to executives are viewed negatively unless strictly linked to forced departure and capped at reasonable amounts.

### Recruitment

We generally do not support sign-on bonuses ('golden hellos') and other mechanisms designed to secure executive appointments. We will assess on a case-by-case basis where the payment is made to compensate benefits forgone at the previous role, and in these cases would prefer that the payment is made in shares vesting over a period of more than one year, linked to the new company's performance metrics, ideally securing the executive for the medium term.

### Other remuneration principles

We do not consider there to be a 'one-size-fits-all' structure for executive pay and encourage remuneration committees to design the plan that best supports the execution of the company's strategy. As a result, our strong preference is to see tangible performance criteria, linked to strategy in a concrete way, with an outcome that is easy to understand. We do not consider that pay for below-target/median performance is good practice in incentivizing executives. Overall, transparency and variability (upwards and downwards) are two main features of a sound variable pay structure.

On-target and maximum levels of expected pay should be clearly disclosed.

In general, we view negatively any arrangements that reward failure and any pay component that produces significant pay for below-peer/median performance.

Similarly, we view negatively one-off awards and look at those on a case-by-case basis, considering any mitigating circumstance.

- **Base pay**

The level of pay, particularly base pay as it determines the general pay structure, needs to be thoroughly explained. We expect the remuneration committee to consider the role in the context of the company and what it needs to achieve, the responsibilities attached, and the company's general operational philosophy and purpose. We negatively view the use of benchmarking alone to increase pay. Benefits are considered as an integral part of base pay.

- **Short-term incentives**

The possibility for payments outside the bonus structure is viewed negatively. Variable pay should not reward for negative shareholder returns or for targets set below previous-year levels, unless the remuneration committee justifies why targets are being set to differ from shareholders' experience.

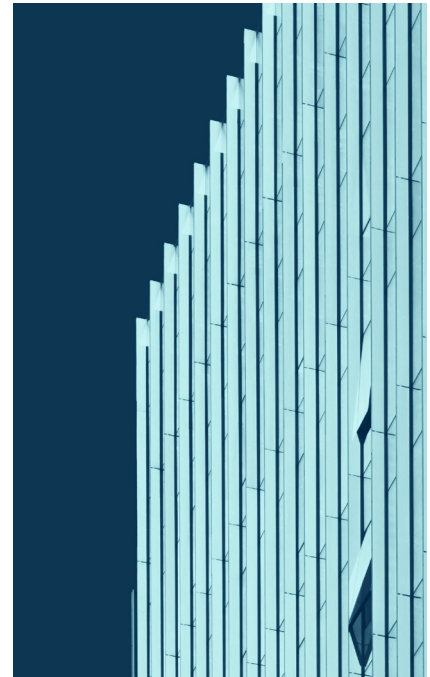
- **Long-term incentive plans**

Awarding long-term incentives is considered by both investors and remuneration committees as an important tool to align executive behavior to long-term shareholder value creation. Consequently, we view three-year performance period conditions as a minimum expectation. Post-vesting holding periods enhance alignment with shareholder value creation.

Companies should be clear and transparent around vesting scales and any discretion in determining long-term incentive outcomes. All long-term incentive awards should be linked to tangible strategic performance conditions.

When granting performance-based options (options with performance conditions going beyond share-price appreciation), we view negatively any grant not made at market conditions (for example, with a significant discount that is not justified by a rationale).

We may oppose remuneration-related proposals in cases where we perceive a lack of alignment between pay and performance.



## Transparency, Accountability and Shareholder Rights

We expect companies to provide accurate and timely information to enable investors to make informed investment decisions. Companies should also provide transparency on their governance structures and the rights available to shareholders to hold boards and management to account. Crucial to these rights is the ability to vote on and approve the company's most important corporate decisions. These decisions can relate to bylaw/article amendments, and material corporate transactions including mergers, acquisitions, disposals and related-party transactions. To support this, we expect documentation related to the AGM or EGM to be disclosed well before the vote deadline.

We consider that shareholders should have the ability to nominate directors onto the company's proxy card ('proxy access'). We will typically support proposals to provide shareholders with proxy access provided that we do not consider the dominant shareholder unduly to benefit as an unintended consequence. We consider that shareholders should have the opportunity to call meetings or raise what they deem to be material issues for discussion outside of the normal schedule of shareholder meetings, subject to sufficient support from the wider shareholder base. In this context, we will typically support proposals to provide shareholders with the right to solicit votes by written consent or the right to call special meetings.

We support management proposals that aim to adopt a majority vote standard and strongly encourage management to adopt post-election policies, or a

director resignation policy, that would increase board accountability to shareholders.

We will generally support proposals to limit directors' liability or expand indemnification on behalf of their service to the company. However, we would oppose any proposal which would support indemnification for director actions conducted in bad faith, with gross negligence, or in reckless disregard for duties.

We encourage companies to facilitate voting for all shareholders and will typically support proposals for a hybrid (virtual and physical participation) format for the shareholder meeting, subject to robust platforms which allow for questions to be posed without censorship by those attending in person as well as virtually. We are unlikely to support virtual-only meeting proposals in the absence of a robust rationale and clear assurances that shareholder protections are maintained, including compliance with regulatory and jurisdictional requirements where relevant.

We view negatively the practice of share pledging, where executives, founders or non-executive directors pledge their holdings as collateral for personal or personal business loans. We consider it the board's responsibility to actively manage the resultant risk of a sudden change in the shareholder base. We encourage companies that allow share pledging to disclose a robust pledging policy that includes hard limits and for any pledging activity to be examined by the board regularly and as often as needed.

## Environmental and Social Matters

As previously stated, we hold the board ultimately accountable for the management and oversight of the company's risks. Increasingly, environmental and social issues are being brought to companies' meeting agendas. We do not make investment decisions based solely on those factors, but we do consider that these topics can be financially material, and in these cases we endeavour to integrate them into our investment decisions.

### Climate

We recognize that climate change will present two main types of critical risks to companies – physical risks and transition risks – and we consider it is in the best economic interests of our clients for companies to have long-term strategic plans to deal with these risks.

We consider it the board's responsibility to approve and monitor the company's climate strategy and transition planning, where material. Where relevant to the company's activities, the board should ensure that climate expertise is present or available for board members and management to access, and that board members are trained and made aware of the most pressing and material climate issues facing the company.

- **Transition plan votes ('say-on-climate')**

We do not consider 'say-on-climate' votes to be a blanket necessity for all companies. Where a company chooses to submit such votes to its shareholders, we evaluate transition plans against our expectations for the company's long-term economic value and how the company describes its target setting, discloses emissions, and governs the question of climate risk. We adopt a holistic view in assessing company disclosures and aim, via our vote, to express our thoughts on the company's current state of progress.

We consider it is good practice for companies to provide regular and robust disclosures to their stakeholders on targets, timelines/milestones, investment plans including capital expenditure and/or operating expenditure, and progress against these stated goals to allow for robust and informed decision-making.

- **Climate-related shareholder resolutions**

We adopt a case-by-case approach on voting shareholder resolutions. For more details on our approach to shareholder resolutions, please see the 'Shareholder resolutions' section of this document.

## Shareholder Resolutions

The ability for shareholders to file resolutions at general meetings is an important tool which should be exercised in exceptional circumstances. We consider all shareholder resolutions on a case-by-case basis and on their own merit and we do not consider it is possible to generalize how we would vote.

A shareholder resolution may tackle a topic that we agree to be a material issue for the company, or it may promote a governance principle that we universally endorse, such as majority voting. Regardless of the general endorsement of the resolution and support of the proponents, we still expect there to be a clear and substantiated case as to why the resolution warrants support and a detailed description of the impact of the proposal. In some instances, we support the general focus of the resolution but not the details of the ask from a practical perspective. In other instances, we may support management while we endorse the shareholder resolution simply because we have been assured by management that it has accepted the request and is committed to making the relevant changes.

Key considerations for shareholder resolutions:

1. Will the outcome be additive to our investment case or benefit our clients in other ways?
2. Are we already engaging with the company on the issue?
3. Is the proponent's request overly prescriptive, or proportionate, practical and reasonable to the issue in question and to the company?



# VOTING PROCEDURES

## Vote Execution

We vote on behalf of our clients where we have been authorized and are practically able to do so. We seek to make proxy voting decisions that are in the best long-term financial interests of our clients, and which seek to assist investor value creation by supporting proposals that are consistent with our corporate governance views and investment case.

All voting decisions are based on our voting guidelines. We have used the services of an external voting service provider to administer these guidelines and identify the vote that aligns with the application of these guidelines, forming a bespoke voting policy for Newton. This policy is applied to all our votable holdings, enabling a universal approach to our voting while allowing us to deploy in-depth case-by-case analysis for those issuers and/or proposals which merit greater focus owing to the materiality of our investment or the sensitivity of the issue at hand (e.g. shareholder resolutions, corporate action or related-party transactions). In these instances, communication with or input from the wider investment team may be sought, as well as, if relevant, dialogue with the company. The RI team retains the ultimate discretion to deviate the vote instruction from Newton's bespoke policy's recommendation.

Our active approach to voting means that our voting decisions reflect our investment rationale and the company's approach to relevant codes, market practices and regulations. These are applied to the company's unique situation, where our holdings are material, while also taking into account any explanations offered for why the company has adopted a certain position or policy.

In general, voting decisions are taken consistently across all our clients that are invested in the same underlying company. Furthermore, it is our intention to exercise voting rights in all circumstances where we retain voting authority. This may be hindered by various practical considerations; for instance, in certain markets, shares are 'blocked' before the exercise of voting rights. During the share-blocked period, the shares cannot be traded freely. In markets where share blocking is practiced, we will vote only when the resolution is not in shareholders' best interests and where restricting the ability to trade is not expected to adversely affect the value of clients' holdings. Another common barrier to voting is the requirement at market or company level for a power of attorney to be in place. In cases where our clients have not put these powers of attorney in place, we will not submit a vote.

## Conflicts of Interest

All instances where a potential material conflict of interest has been recognized, including instances where Newton engages an independent fiduciary, are disclosed in our annual stewardship report.

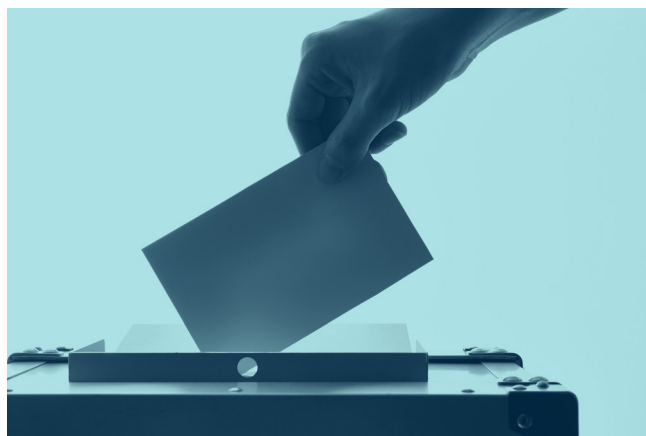
Newton employees are required to identify any potential or actual conflicts of interest and take appropriate action to avoid or manage these and report them to Newton's Conflicts of Interest Committee for review. Further information can be found in Newton's Conflicts of Interest Policy.<sup>4</sup>

## Securities Lending

We do not engage in securities lending on behalf of our clients; this activity is at the discretion of individual clients. For certain funds that are managed by BNY, and where Newton is appointed as investment manager or sub-advisor, the fund boards have entered into securities-lending programs. The nature of our relationship has allowed us to agree a recommended list of restricted securities for the purposes of lending.

## Controls, Record Keeping and Auditing

Records are kept of all voting decisions, including evidence of the submission and approval process, which are subject to external audit. In addition, the corporate actions team reports monthly on critical risk indicators in relation to voting matters. Furthermore, our compliance monitoring team carries out reviews of our proxy voting policies and procedures on a risk-based approach to confirm our compliance with this policy.



<sup>4</sup> <https://www.newtonim.com/global/special-document/conflict-of-interest-policy>

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# GLOSSARY

**Active management**

A process whereby an investment professional actively makes buy, hold and sell decisions and aims to outperform the overall market.

**AGM (annual general meeting)**

A yearly meeting where a company's shareholders gather to discuss company performance and vote on important issues.

**Asset(s)**

In this context, investments held in a portfolio, for example stocks, bonds, property and cash.

**Asset allocation**

An investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance, and investment horizon.

**Asset class**

A grouping of investments that exhibit similar characteristics and are subject to the same laws and regulations.

**Capital**

Resources or money used or available for use in the production of more wealth.

**Capital management**

The strategic process of managing a company's balance sheet, ensuring sufficient liquidity and capital to cover risks, support operations, and fuel growth.

**Clawback**

A contractual provision allowing a company or entity to recover previously paid incentive-based compensation, bonuses, or funds from employees or partners, typically due to financial restatements, misconduct, or poor performance.

**Collateral**

A valuable asset pledged by a borrower to a lender to secure a loan.

**Corporate action**

Any activity that brings material change to an organization and affects its stakeholders, including shareholders and bondholders.

**Derivatives**

Financial contracts, set between two or more parties, that derive their value from an underlying asset, group of assets, or benchmark.

**Dividend(s)**

A sum paid regularly by a company to its investors as a reward for holding its shares.

**EGM (extraordinary general meeting)**

A special meeting called to address urgent matters that cannot wait until the next AGM.

**Engagement**

The purposeful dialogue that investors can have with companies, through which they seek to reduce risk or unlock value in an investment.

**Environmental, social and governance (ESG) analysis**

The analysis of a business's impact on the environment and society as well as the quality of its governance.

**Equity/Equities**

Shares issued by a company, representing an ownership interest.

**ESG integration**

The incorporation and analysis of the financial implications of environmental, social and governance (ESG) issues into the investment decision-making process.

**Exchange-traded funds (ETFs)**

A type of investment fund that is traded on a stock exchange, typically tracks a stock index, a commodity, bonds, or a basket of assets.

**Fixed income**

Broadly refers to those types of investment security that pay investors fixed interest or dividend payments until their maturity date.

**Fundamentals**

A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals are factors such as its business model, earnings, balance sheet and debt. Economic fundamentals are factors such as inflation, employment, economic growth.

**Independent director**

A member of a company's board of directors with no material or financial relationship with the company.

**Issuer**

A legal entity that develops, registers and sells securities.

**Liquid/Liquidity**

The degree to which an asset or security can be quickly bought or sold in the market without affecting its price. Market liquidity refers to the extent to which a market, such as a country's stock market, allows assets to be bought and sold at stable prices.

**Long-term incentive plans**

Deferred compensation strategies designed to reward key employees and executives for achieving company goals over an extended period.

**Malus**

The downward adjustment of incentive awards before they become payable.

**Mergers and acquisitions (M&A)**

The buying, selling, dividing and combining of different companies.

**Portfolio**

A collection of investments.

**Proxy voting**

The process of casting votes on company matters on behalf of a shareholder. In an investment context, this usually means an investment manager (or its appointed proxy voting service provider) votes the shares held in a portfolio according to the manager's voting policy and assessment of each resolution.

**Responsible investment (RI)**

The overall strategy and practice of stewardship and the incorporation and analysis of the financial implications of ESG issues into the investment decision-making process.

**Return(s)/Returned**

The gain or loss from an investment over a stated period of time – expressed in either percentage or cash terms.

**Risk-adjusted returns**

A calculation of the profit or potential profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it.

**Security/Securities**

A tradable financial asset such as a share in a company or a fixed income security also known as a bond.

**Securities lending**

The temporary transfer of securities to another investor or firm, with collateral provided by the borrower. This process can provide additional income for the lender and contribute to market liquidity.

**Share(s)**

Also known as equity, is a security representing the ownership of a fraction of a company listed on the stock market.

**Share blocking**

A restriction that prevents shareholders from voting their shares for a certain period.

**Share buyback(s)/repurchasing**

A company purchasing its own shares on the market, which can often lift its stock price.

**Share class**

A designation for different types of security in a company or fund, representing varying voting rights, dividend priorities, and fees

**Shareholder proposal/resolution**

A recommendation or request submitted by shareholders for a vote at a company meeting.

**Stewardship**

The responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries. Good stewardship via active ownership seeks to protect and increase the value of investments over time.

**Sustainability**

Meeting the needs of the present without compromising the ability of future generations to meet their own needs. For businesses, including Newton, this means seeking to do business without negatively affecting the environment, communities or society as a whole.

**Sustainable investment**

Investing with a clear intent to deliver environmental and/or social outcomes alongside generating a financial return.

**Vesting**

The process by which an employee earns the right to receive full benefits from stock options or other awards, usually after meeting certain conditions.

**Important Information**

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Newton manages a variety of investment strategies. How ESG analysis is integrated into Newton's strategies depends on the asset classes and/or the particular strategy involved. ESG can be one of many inputs into the fundamental analysis. Newton will make investment decisions that are not based solely on ESG analysis. Other attributes of an investment may outweigh ESG analysis when making investment decisions.

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