

NEWTON

Investment
Management

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➤ **BNY** | INVESTMENTS



Conflicts of Interest Policy

Please read the important disclosure at the back of this material.

Unlock opportunity

OVERVIEW

Newton Investment Management Limited ("NIM") is authorised and regulated by the Financial Conduct Authority ('FCA') and is also registered in the United States with the Securities and Exchange Commission ('SEC') as an investment adviser. Newton Investment Management North America LLC ("NIMNA") is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, is a member of the National Futures Association and is registered as both a Commodity Pool Operator and Commodity Trading Adviser under the Commodity Futures Trading Commission. NIM and NIMNA form the group of affiliated companies that individually or collectively provide investment advisory services as "Newton" or the "Firm".

Whilst Newton is a subsidiary of The Bank of New York Mellon Corporation ('BNY'), Newton operates autonomously in terms of the investment management services it provides to clients.

The following activities and services are not undertaken by Newton and, accordingly, there are no identified conflicts of interest that arise or may arise from such services and activities:

- Investment research for external distribution;
- Investment advice for retail clients;
- Proprietary trading; or
- Corporate finance.

REGULATION

As required by its regulators, Newton must establish, implement and maintain effective systems and controls to identify, record, manage and, where applicable, disclose conflicts of interest, which are appropriate to the size and organisation of the firm and the nature, scale and complexity of its business.

This Conflicts of Interest Policy ('Policy') sets out those circumstances that have been identified by Newton as constituting (or potentially giving rise to) a conflict of interest which may damage the interests of its clients, together with a high-level overview of the systems and controls adopted to prevent a potential conflict from crystallising and/or to manage such conflicts. While complete assurance cannot be made that Newton's systems and controls will be fully effective in every circumstance, Newton believes that all appropriate steps have been taken to manage conflicts of interest and either prevent them from crystallising or from adversely affecting the interests of its clients.

Other potential conflicts may exist in relation to certain aspects of Newton's business which do not entail a risk of damage to the interests of Newton's clients. Newton believes that such conflicts are appropriately managed through applicable committees, processes and procedures, and accordingly they are not reflected in this Policy.

In accordance with the relevant regulatory rules, Newton must take all appropriate steps to identify conflicts of interest which arise or may arise in the course of Newton carrying out regulated activities or ancillary services. Such conflicts of interest may be between:

1. The firm (including its managers, employees, affiliates, or any person directly or indirectly linked to them by control) and a client of the firm; or
2. One client of the firm and another client.

A conflict may arise where Newton:

- Is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- Has an interest in the outcome of a service provided to a client, which is distinct from the client's interest in that outcome;
- Has a financial or other incentive to favour the interests of one client or group of clients over the interests of another client; or

- Receives or will receive from a person other than the client an inducement (i.e. a fee or a gift or entertainment) in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

IDENTIFICATION, RECORDING AND MANAGEMENT OF POTENTIAL CONFLICTS OF INTEREST

The relevant regulators require firms to maintain and operate effective organisational and administrative arrangements, with a view to taking all appropriate steps to manage conflicts of interest and prevent them constituting or giving rise to a risk of damage to the interests of its clients. Where the arrangements made by Newton to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that the risk of damage to the interests of a client will be prevented, Newton must clearly disclose the following to the client before carrying out business for the client:

- The general nature or sources of conflicts of interest, or both; and
- The steps taken to mitigate those risks.

Where it is not possible to avoid or manage a conflict of interest, Newton may have no choice but to decline to provide the service requested.

As such, Newton maintains and regularly updates a record of the examples of services or activities it carries out in which a conflict of interest entailing a risk of damage to the interests of one or more clients has arisen or may arise.

As part of Newton's governance framework, a number of organisational arrangements and systems and internal controls have been implemented which are designed to identify and manage potential conflicts of interest to prevent damage to the interests of its clients. The controls include, but are not limited to¹:

- Governance structure, e.g. Newton Board Risk Committee, Newton's Risk & Compliance Committees and Conflicts of Interest Committee;
- Senior management oversight, management information and reporting;
- Risk-based training plan, including conflicts of interest training;
- Employee Code of Conduct and terms and conditions of employment;
- Order Execution Policy*;
- Order Aggregation and Allocation Procedure*;
- Business continuity planning.

In addition to the above 'first line of defence' controls, conflicts of interest may be assessed by the Compliance, Risk and Internal Audit functions.

All employees are required to report to the Newton Conflicts of Interest Committee any actual or potential conflict of interest. Further, Newton maintains a list of all conflicts which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of its clients. Alongside this, the controls to manage such conflicts are also documented.

Currently, Newton does not believe it has any conflicts of interest that must be disclosed owing to ineffective organisational and administrative arrangements. The conflicts of interest described on the following pages are types of actual and potential conflicts of interest identified by Newton, together with the systems and controls in place to manage these. Further information regarding these potential conflicts, and the procedures adopted by Newton to manage conflicts, are available upon request.

¹ Policies are tailored to reflect the relevant trading practices of NIM and NIMNA

INDUCEMENTS – MINOR NON-MONETARY BENEFITS

In the provision of investment services to clients, Newton may from time to time provide, accept or retain certain minor non-monetary benefits ('Benefits') to or from third parties. Should this occur, it may give rise to potential conflicts of interest where such Benefits could impair Newton's obligation to act in the best interests of its clients. For example, Newton could receive Benefits which might lead it to favour certain counterparties or service providers and which could prevent it from focusing on the costs charged to clients or the quality of the associated service it receives. This could be detrimental to clients' interests.

As part of Newton's regulatory responsibilities and with regard to fiduciary obligations it owes to clients, it is Newton's policy to avoid providing, accepting or retaining any fee, commission or monetary benefit to or from third parties. To further minimise the risk of conflicts, Newton has adopted various policies such as an Inducements policy and Gifts and Entertainment policy which are designed to ensure any Benefits are proportionate and reasonable. However, where Benefits are provided, accepted or retained, Newton's policies are designed to ensure that such Benefits meet regulatory obligations, that they would enhance the service provided to clients and not impair Newton's ability to act in the best interests of its clients. In the unlikely event that Newton receives any monetary benefit from a third party, It is NIM's policy to rebate or otherwise transfer such monetary benefit received from a third party to those affected clients. It is NIMNA's policy to adhere to any limitations set forth in the respective policies and report or seek approval for such Benefits where deemed necessary.

PERSONAL TRADING

Actual or potential conflicts identified by Newton with a risk of damage to clients	Systems and controls for managing conflicts of interest
<p>Newton's employees may undertake personal account dealing, including personal investments in securities or funds which they manage as part of their portfolio management duties. This may cause a conflict between Newton's employees and its clients, as this may encourage 'front running' or the use of inside or confidential information for personal gain to the detriment of Newton's clients. Additionally, risk of front running and/or the use of inside or confidential information for personal gain also arises pursuant to the sharing of internally generated research and trading intentions between NIM and NIMNA.</p>	<p>To manage this conflict, Newton has adopted BNY's personal trading policy, including a minimum 30-day holding period for non-BK securities (60 days for BK stock), pre-clearance requirements for most security types (including proprietary BNY funds managed by Newton) and comprehensive reporting requirements in order to manage the conflict and related risks. Employees also receive regular training to ensure staff awareness.</p> <p>Policies and procedures exist which seek to prevent all employees from insider trading, trading upon material non-public information, and disclosing confidential information. Further, employees are required to periodically attest compliance with, and understanding of, BNY's personal trading policy.</p>

GIFTS, ENTERTAINMENT AND INDUCEMENTS

Actual or potential conflicts identified by Newton with a risk of damage to clients	Systems and controls for managing conflicts of interest
<p>Newton's employees may give or receive gifts and/or entertainment to and/or from third parties which may influence their behaviours or induce them to act in an inappropriate or unethical manner to the detriment of clients. This could prevent Newton from focusing on the appropriateness of costs charged to clients and the quality of services offered, potentially leading Newton to favour a third party over its clients.</p>	<p>To manage the risks associated with gifts and entertainment, Newton has adopted various policies such as anti-bribery and corruption, gifts and entertainment policies. Newton employees are also required to undertake anti-bribery and corruption training periodically.</p> <p>Under these policies, Newton seeks to ensure that its employees do not offer or give, solicit or accept gifts or entertainment which are likely to conflict with the duties owed to its clients. All gifts and entertainment to third parties must be an acceptable minor non-monetary benefit and enhance the quality of service to clients. Gifts and entertainment will be declared and recorded in accordance with Newton's policies and procedures, and, in some cases, must be pre-approved. In certain circumstances, gifts and entertainment will not be permitted. The compliance and internal audit functions conduct periodic assurance reviews to assess the control framework in place at Newton to manage the risks associated with the giving and receipt of gifts and entertainment.</p>

OUTSIDE OFFICES

Actual or potential conflicts identified by Newton with a risk of damage to clients	Systems and controls for managing conflicts of interest
<p>Newton's employees may hold outside offices such as directorships, advisory board memberships, trusteeships or otherwise serve in alternative roles either within the BNY Group or in an oversight capacity for other public or private companies or charities. These outside offices may create conflicts with the best interests of clients.</p>	<p>Newton has controls in place so that where outside offices are held by individuals, or an individual intends to hold such a position, reporting and, in many cases, pre-approval is required. In certain circumstances, such positions will not be approved. Where approval is granted, Newton's Conflicts of Interest Committee may recommend the implementation of additional controls to effectively manage potential conflicts. In addition, directors (including non-executive directors) of Newton are required to declare any conflicts of interest in accordance with their directors' duties.</p>

RESEARCH PAYMENTS

Actual or potential conflicts identified by Newton with a risk of damage to clients

Newton purchases external research from third-party providers however in purchasing this external research, the research could be underpriced in order to induce Newton to consume other financial services from the service provider, for example execution services.

NIMNA may obtain services and products, such as external research, through the use of client commission credits (i.e. soft dollars). As a result, NIMNA has an incentive to trade through broker-dealers who provide soft dollars rather than broker-dealers who do not (and who may offer more favorable execution). Further, accounts whose trading does not generate soft dollar credits may benefit from services and products paid for by soft dollar credits generated by other accounts.

Systems and controls for managing conflicts of interest

Payments can only be made to approved research providers. The Head of Research and the Head of Counterparty Relationships determine which external research providers are approved for each calendar year.

Any external research consumption is tracked by Newton. The external research is reviewed periodically by the Head of Research, the Head of Counterparty Relationships and other members of the investment team to ensure that the external research is valuable and Newton is paying an appropriate market price.

Section 28(e) of the Exchange Act provides a safe harbor (the "Safe Harbor") that allows an adviser to cause client accounts to pay a commission higher than the commission another broker or dealer would have charged if the Firm determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services and products provided by such broker-dealer.

The Head of Counterparty Relationships and the wider investment team review the counterparties along with the services and products provided to determine if the products and services should be continued and if the payment for such products and services are reasonable.

In line with the FCA Rules on Inducements, NIM pays hard for all third-party research and does not engage in soft dollar arrangements.

SHARING OF INTERNALLY GENERATED RESEARCH

Actual or potential conflicts identified by Newton with a risk of damage to clients	Systems and controls for managing conflicts of interest
<p>NIM shares internally generated research with its affiliate NIMNA and consumes the same from NIMNA. NIMNA is a SEC registered Investment Advisor and uses client commissions through soft dollar arrangements to pay for external research. There is a risk that NIM consumes external research from its affiliate NIMNA that has been paid for using client commissions/soft dollars either to reduce its own research costs, to benefit its clients at the expense of NIMNA clients, or to circumvent its MiFID II obligations.</p>	<p>Newton has adopted a Global Internal Research Sharing Policy that permits the sharing of research between NIM and NIMNA that has been paid for from each Firm's own resources provided that there is no inducement and/or potential conflict;</p> <p>Where NIMNA has received external research that has been paid for through the use of soft dollar arrangements, such research may not be shared with NIM; and</p> <p>Where NIMNA has received external research that has been paid for pursuant to a soft dollar arrangement, any internally generated research to be shared with Newton that has been informed by the use of such external research must be substantially new and draw original conclusions and must be a re-badging of external research that could be perceived to be circumventing MiFID II inducements rules.</p>

TRADE ALLOCATION

Actual or potential conflicts identified by Newton with a risk of damage to clients	Systems and controls for managing conflicts of interest
<p>In some circumstances Newton may place an order which is not fully filled. This may encourage a portfolio manager to allocate the executed portion of the order to certain clients to the detriment of others.</p>	<p>At Newton the centralized dealing team is responsible for the allocation of orders post trade in the dealing area for clients, as per Newton's Dealing Procedures Manual: and Order Aggregation and Allocation policy. At Newton portfolio managers are not involved in the allocation of client orders post trade.</p>
<p>From time to time, securities sold on behalf of one client may be suitable for purchase by another client. If Newton determines that the transaction is in the best interest of each client, Newton may execute the transaction via a trading counterparty (a 'cross trade'). Cross trades may cause conflicts as there may be an incentive for Newton to favour one client over another.</p>	<p>Cross trades are subject to internal policies and procedures and require approval from various senior business members. Further, cross trades will only be undertaken by Newton as permitted under applicable law or client restrictions and when in the best interests of both the purchaser and seller. To further manage conflicts, Newton does not receive fees or commissions when making these trades. The trades are also executed in the market to ensure fair and equitable treatment.</p>

PROVISION OF INVESTMENT MANAGEMENT SERVICES

Actual or potential conflicts identified by Newton with a risk of damage to clients

A risk inherent in Newton's business is the conflict arising from the structure of Newton's Group, i.e. BNY and its affiliates. Such conflicts could include dealing on behalf of Newton's client with BNY or an affiliate, including but not limited to:

- Investing part or all of a client's portfolio with or through an affiliate, which may lead to increasing revenues for Newton or an affiliate.
- Arranging foreign exchange transactions on a client's behalf through an affiliate who acts as custodian for Newton's client, e.g., to convert dividend payments to the base currency of the client's portfolio.

Systems and controls for managing conflicts of interest

Where Newton deals with an affiliate, it must ensure that the client is not materially disadvantaged. To manage this conflict, the Compliance and Operational Risk function, as well as other areas of the business, perform actions, controls and checks to manage and reduce the risk of the conflict occurring. These include policies relating to dealing with affiliates and monitoring of trade execution. Where NIM utilises the personnel and services of its affiliate, NIMNA LLC, and vice versa, each determines that such arrangements are in a client's best interest.

Where Newton selects the broker to effect purchases or sales of securities for client accounts, Newton may use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation).

Newton has counterparty selection processes in place that require the selection of counterparties to be consistent with its duties of best execution, subject to any client and regulatory prescriptions or limitations.

SIDE-BY-SIDE MANAGEMENT

Actual or potential conflicts identified by Newton with a risk of damage to clients	Systems and controls for managing conflicts of interest
Newton may act as an investment manager or advisor to other clients who may have similar investment objectives or investment strategies ('side-by-side management'). Side-by-side management may mean that Newton encounters conflicts of interest with clients, or that a conflict exists between two or more clients. Conflicts could potentially arise if a Newton and/or a specific portfolio manager has an incentive to favour one client or fund over another, e.g. if there is an opportunity to earn greater fees on accounts, for instance those with performance-based fees (by the adoption of unsuitable levels of risk) or better execution or brokerage commissions.	Newton has in place a number of controls to manage this risk, including each firm having a centralised dealing team, and independent monitoring of portfolio risk, performance and exposure and governance oversight of the commonality of portfolios with similar investment strategies. Compliance monitoring conducts periodic assurance reviews to assess the control framework in place at Newton to manage the risks associated with side-by-side management.
Newton may concurrently provide discretionary investment management services alongside advisory services, using the same investment strategy. The provision of such advisory services means that Newton is not responsible for trade execution and therefore the clients invested via these non-discretionary relationships would not follow Newton's own internal trade-allocation process. There may be potential for market impact which could have an effect on both sets of clients.	Trades are executed by Newton for discretionary accounts and by third parties for advisory services, and, where there is potential for market impact, i.e. large trades, a trading strategy between Newton and the executing third party may be implemented. Newton's remuneration policies do not create any incentive for preferential treatment between advisory and discretionary managed clients.
Employees are permitted to invest, either directly or indirectly through an intermediary vehicle, in Newton-managed funds. Where Newton manages such funds, there may be a possibility that these are managed more favourably than other funds, e.g. according to whether Newton employees invest in such respective funds.	The commonality of portfolios with similar investment strategies is monitored and measured on a post-trade basis by the Investment Risk & Performance Oversight Group. Newton's Order Aggregation and Allocation policy sets out how orders are allocated across client portfolios. Portfolio managers are not remunerated solely based on investment performance or revenues generated from portfolios they manage. All employees are required to follow Newton's strict personal trading policies, requiring disclosure of investments in proprietary funds.

PROXY VOTING

Actual or potential conflicts identified by Newton with a risk of damage to clients	Systems and controls for managing conflicts of interest
Where Newton acts as a proxy for its clients, a conflict could arise between Newton and BNY and its affiliates (including BNY funds or affiliate funds), the investee company and/or a client when exercising voting rights.	All voting decisions taken by Newton are based on our voting guidelines. We have used the services of an independent voting service provider to translate these guidelines into explicit voting actions forming a bespoke voting policy for Newton. This policy will be applied to all our votable holdings. However, in circumstances where a potential conflict is recognised, including in relation to BNY and/or its funds, the voting recommendation of a third- party voting service provider will be instructed. This includes primary conflicts, any decisions on funds managed by any part of the BNY group and any proxy voting decisions related to holdings in client portfolios managed by Newton on a separate- account basis.

OPERATIONAL ERRORS

Actual or potential conflicts identified by Newton with a risk of damage to clients	Systems and controls for managing conflicts of interest
Where an error occurs, e.g. too much stock is purchased for a client account, there is the potential for Newton's interests to conflict with those of the relevant client, i.e. Newton may stand to avoid a loss or make a gain from the error at the client's expense.	It is Newton's policy that, when correcting any error, the client is at least put in the position it would have been had the error not occurred with no benefit to Newton.

This document is issued by Newton Investment Management Limited ('NIM') in the UK and Newton Investment Management North America LLC ('NIMNA') in the US, and together "Newton", each a subsidiary of The Bank of New York Mellon Corporation. In the United Kingdom, NIM is authorised and regulated by the Financial Conduct Authority ('FCA'), 12 Endeavour Square, London, E20 1JN, in the conduct of investment business. Registered in England no. 01371973. NIM and NIMNA are both registered as investment advisors with the Securities & Exchange Commission ('SEC') to offer investment advisory services in the United States. NIMNA is a member of the National Futures Association and is registered as both a Commodity Pool Operator and Commodity Trading Adviser under the Commodity Futures Trading Commission. NIM's investment business in the United States is described in Form ADV, Part 1 and 2, which can be obtained from the SEC.gov website or obtained upon request.