

**NEWTON**

Investment  
Management

# CONFLICTS OF INTEREST POLICY

November 2021



## OVERVIEW

The terms 'Newton' and/or "the firm" refers to Newton Investment Management Limited which 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. The Firm is part of the group of affiliated companies that individually or collectively provide investment advisory services. This group currently includes the Firm and Newton Investment Management North America LLC ("NIMNA LLC").

Whilst Newton is a subsidiary of The Bank of New York Mellon Corporation ('BNY Mellon'), 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 appropriate 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 to:

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

# 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 including 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, Newton would rebate or otherwise transfer such monetary benefit received from a third party to those affected clients.

## PERSONAL TRADING

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

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.

### Systems and controls for managing conflicts of interest

To manage this conflict, Newton has adopted BNY Mellon's strict personal trading policy, including a minimum 30-day holding period, pre-clearance requirements for most security types (including proprietary Newton funds), approved brokerage arrangements and comprehensive reporting requirements in order to manage the conflict and related risks. Employees also receive regular training to ensure staff awareness.

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 Mellon's personal trading policy.

## GIFTS, ENTERTAINMENT AND INDUCEMENTS

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

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.

### Systems and controls for managing conflicts of interest

To manage the risks associated with gifts and entertainment, Newton has adopted various policies including anti-bribery and corruption, gifts and entertainment policies. Newton employees are also required to undertake anti-bribery and corruption training periodically.

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 must be declared and recorded, 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.

## OUTSIDE OFFICES

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

Newton's employees, directors or non-executive directors may hold outside offices such as directorships, advisory board memberships, trusteeships or otherwise serve in alternative roles either within the BNY Mellon 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.

### Systems and controls for managing conflicts of interest

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.

## RESEARCH PAYMENTS

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

Newton purchases external research from third-party providers. 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.

### **Systems and controls for managing conflicts of interest**

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

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

The Head of Research and the Counterparty Relationship Manager are able to adjust the aggregate payments to ensure that provisional payments are a reasonable reflection of the value of research consumed.

## SHARING OF INTERNALLY GENERATED RESEARCH

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

The Firm and its affiliate NIMNA LLC share internally generated investment research with a view to enhancing the research and investment opportunities for all portfolios managed by both Firms. The use of shared research to inform portfolio management decisions may result in trade implementation by one Firm ahead of another or by both Firms at the same time. This may result in one or more clients receiving less favourable trading results than other clients.

### Systems and controls for managing conflicts of interest

Newton and its affiliate have adopted and implemented policies and procedures with respect to research sharing to ensure that all clients have equal access to investment opportunities. Additionally, a trade coordination approach has been adopted in order to seek to manage impact on client portfolios from portfolio management decisions, to optimise market participation of trades and ensure fair allocation between both sets of client executions. Both Firms operate a global restricted list for the purposes of restricting trading in securities across both Firms in order to manage material non-public information and/or confidential information that may result from the sharing of internally generated research.

## TRADE ALLOCATION

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

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.

### Systems and controls for managing conflicts of interest

At Newton the centralised dealing team is responsible for the allocation of orders, in the dealing room for clients, as per Newton's Order Aggregation and Allocation procedure. At Newton portfolio managers are not involved in the allocation of client orders post trade.

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.

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.

## 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 Mellon and its affiliates. Such conflicts could include:

- Dealing on behalf of a client in the securities issued by any entity within the BNY Mellon Group.
- Where BNY Mellon or an affiliate executes a trade or acts as a custodian on behalf of Newton's client.
- Effecting transactions in units or shares in funds where Newton provides discretionary management services, or in any company which Newton (or BNY Mellon or any affiliate) is providing a service to, e.g. as the manager, operator, advisor, custodian or trustee.
- Effecting transactions in new issuance of securities underwritten by an affiliate, i.e. BNY Mellon.
- Dealing on behalf of Newton's client with BNY Mellon 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.

Utilising the personnel or services of its affiliate NIMNA LLC in order to make available its global investment capabilities.

Dealing with an affiliate could take place either on the basis of a recurring instruction or on an ad-hoc basis, and could take place as a result of:

- The client instructing Newton to do so.
- The client requesting Newton to instruct the Custodian to do so.
- Newton instructing the Custodian to do so, as a result of exercising its investment discretion on behalf of a client.

### 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, Newton has a number of policies and procedures in place to 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 Newton utilises the personnel and services of its affiliate, NIMNA LLC, it 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
<p>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 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 with performance-based fees (by the adoption of unsuitable levels of risk) or better execution or brokerage commissions.</p>	<p>Newton has in place a number of controls to manage this risk, including 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.</p>
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>The commonality of portfolios with similar investment strategies is monitored and measured on a post-trade basis by the Investment Risk Oversight Group. Newton's Order Allocation and Aggregation procedure 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 which include pre-approval to invest in and divest from proprietary funds being funds managed by Newton, BNY Mellon or any of its affiliates.</p>

## PROXY VOTING

Actual or potential conflicts identified by Newton with a risk of damage to clients	Systems and controls for managing conflicts of interest
<p>Where Newton acts as a proxy for its clients, a conflict could arise between Newton and BNY Mellon and its affiliates (including BNY Mellon funds or affiliate funds), the investee company and/or a client when exercising voting rights.</p>	<p>When instructing proxy votes, a 'house view' is created by the Responsible Investment team, together with the stock sponsor (if deemed necessary), and this view is executed across all proxy voting opportunities. However, in circumstances where a potential conflict is recognised, including in relation to BNY Mellon 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 Mellon group and any proxy voting decisions related to holdings in client portfolios managed by Newton on a separate-account basis.</p>

## OPERATIONAL ERRORS

Actual or potential conflicts identified by Newton with a risk of damage to clients	Systems and controls for managing conflicts of interest
<p>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.</p>	<p>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.</p>

