

NEWTON INVESTMENT MANAGEMENT LIMITED

Notes to the financial statements

For the year ended 31 December 2024

Under section 414 of the UK 2006 Companies Act (the “Act”), the Company is required to include a section 172 statement, describing how it has had regard to those matters set out in section 172 of the Act during the period in question. In addressing these matters, we would like to expand on the following:

Business Relationships with Suppliers, Customers and Others

- Since transitioning colleagues, clients and assets from Mellon Investments Corporation’s multi-asset and equities business into the Company during 2021 (involving the creation of a new legal entity in the US, Newton Investment Management North America LLC, and the Japanese equity management division of BNY Investment Management Japan Limited (“IMJ”) during 2023 (involving the creation of a new legal entity in Japan, Newton Investment Management Japan Ltd), further progress has been made during 2024 in integrating the teams and businesses together.
- The Board annually approves the financial plan and strategic plan and receives updates on key milestones and progress. The Company has a strategic ‘blueprint’ with four strategic drivers that support it.
- The Board oversees the functioning of the Company’s operations including any operational services provided by third parties or affiliates. The Board’s oversight includes any strategic considerations regarding potential outsourcing opportunities, and specifically whether they may bring efficiencies, cost or otherwise, to the business and benefit to its shareholders. Material outsourcing during 2024 included (i) the preparation for outsourcing of some of the Company’s operations functions (which was effective from 1 January 2025) to BNY, and (ii) the continued delivery of the change project to upgrade the Company’s technology systems with Newton now operating globally on a single order management platform (BlackRock Aladdin).
- As part of the Company’s governance framework, an Outsourcing Oversight Group generally meets monthly but at least quarterly to ensure that all the Company’s outsourcing relationships are appropriately managed, that all regulatory requirements in relation to outsourcing are adhered to, and that the wider Company vendor management process is robust and effective.
- During 2024, the Company has increasingly partnered with BNY in the delivery of products for clients. This partnership enables the Company to deliver meaningful progress to its clients through innovative investment solutions.
- The Company’s strategic blueprint identifies three behaviours expected of employees which are ‘listen and adapt’, ‘make the call’ and ‘make it better’. The Company considers these important in order to emphasise to colleagues the value of providing good outcomes to its clients and improving internal efficiency and effectiveness. For example, by listening to its customers, the Company can support them, or ‘adapt’, to enable them to pursue their objectives.
- The Company undertakes a Greenwich Associates survey with clients and consultants (alternating years) to obtain feedback from clients and/or key intermediaries.
- The Company conducts a regular client conference (including during 2024), in person and virtually, with a number of employees speaking directly with clients, customers and intermediaries on topical industry subjects.
- The BNY Accounts Payable Team ensures payments are made on behalf of the Company to suppliers in a controlled manner and on a timely basis. The Company publishes data in line with the Reporting on Payment Practices and Performance UK Regulations.
- The FCA Consumer Duty regulation was effective from 31 July 2023 and work has continued across the Company during 2024 to ensure that practices have been updated to reflect the requirements. The Company is impacted since it is an investment manager to a range of products that are ultimately sold to UK retail investors. Periodic updates continue to be presented to the Company’s Board Risk Committee, with the first annual Consumer Duty board report presented in July 2024.

- The Company is committed to a culture of “doing the right thing”. Examples of initiatives in this space include policies to cover conflicts of interest and also stringent conditions around personal account trading. The Company's Modern Slavery Statement is available on its website, outlining expectations of standards that all suppliers should adhere to.

Employees

- The Board acknowledges the importance of ensuring an equitable and inclusive culture and the positive impact diversity has on the long-term success of the business, leading to better outcomes for clients and staff. An inclusive culture also encourages the open sharing of different opinions and perspectives.
- The Company has a Belonging and Inclusion (“B&I”) Council sponsored by two of the Company's Executive Management Committee members, to support the attainment of the belonging and inclusion objectives for 2024. The Company and the B&I Council set the objective to continue to support diverse talent, particularly those from lower socio-economic backgrounds, to progress within the Company into more senior roles (including leadership), while further increasing the Company's B&I data capture and reporting (internally and externally); and working with employees and their managers to foster a more diverse, resilient, and inclusive integrated culture across the Company. The B&I Council also facilitates the organisation of sports, social, and charitable events for all Company employees.
- The Company participates in non-traditional employee talent sourcing and development routes, including a Returning Military Programme, Vocational Trainee Programme, and an Emerging Leaders Programme. The Company also attracts and supports diverse talent through engagement with programmes such as Investment 2020, 10000 Black Interns, The Diversity Project, Women Returners, The Return Hub, HM Treasury's Women in Finance Charter and the Armed Forces Covenant.
- In 2024, the Company released its 2023 Gender Pay Gap Report, covering the year to 5 April 2023. The Company aims to reduce its gender pay gap going forward and is aware that more work needs to be done. The Company has put in place a number of specific actions and initiatives that aim to improve its gender balance and act as a positive influence on its gender pay gap over time.
- The Company undertakes regular employee engagement activities. This includes regular Chief Executive Officer (“CEO”) all employee town halls focusing on the financial and economic factors affecting the performance of the Company. The Company also undertakes regular CEO and executive sessions, explaining to employees' decisions likely to affect their interests, in addition to weekly Friday all employee emails to provide updates on relevant topics.
- Regular employee surveys continued during 2024 to review the Company's culture from its employees' perspective. Feedback was consolidated and assessed, and ultimately a set of recommendations was prepared to support the continued enhancement of the Company's culture in line with its stated values. In addition, some skip level employee meetings were conducted to provide employees with a further opportunity to share their thoughts about working at the Company.
- The Company is committed to its employees' career development and provides training and development opportunities to employees, including manager workshops, where: (i) results from the staff surveys may be highlighted; (ii) manager priorities/focus areas are agreed; and (iii) managers share best practices. There are also periodic brown bag lunch forums where individuals can share their personal experiences and professional stories with colleagues, for example sharing their journey of how they came to work in the financial-services industry and demonstrating that there is no ‘one way’ or ‘right way’ to build a professional career.
- The Company provides tools, policies, and guides that support employee wellbeing, mental health, and resilience, including manager training guides, training courses, tips, and an Employee Assistance Programme.
- The Company continued its Leadership Development Programme during 2024. This is a two-year programme designed to provide opportunities for those employees who have demonstrated both the potential and ambition to develop their skills and capabilities with the potential to take on expanded leadership roles at the Company in the future.
- A Senior Leadership Team (“SLT”) forum for the senior leaders in the Company to discuss important business matters, including strategic objectives and how the firm will achieve its business plan continued during 2024. The SLT also acts as an important communication channel, receiving information from the Executive Team, cascading it to employees and escalating matters as appropriate. During 2024, the SLT focused on the Company's strategic priority plans, brand campaign and technology innovations such as artificial intelligence.

- The Company held the second 'Blueprint Awards' ceremony during 2024 to recognise the efforts and achievements of employees who upheld and demonstrated the three blueprint behaviours (as previously set out). Awards were employee nominated. Additionally, the Company participates in the BNY VIP (values in practice) awards which is an employee recognition programme.
- The Company adopts a total reward and pay for performance remuneration philosophy. Any variable remuneration incentives are discretionary (past performance and future contribution focused), based on individual and Company performance together with other factors as determined from time to time in the context of the Company's operating plans and results and may be subject to deferral.
- The Company undertakes an employee share scheme - the 'LTIP for all award', (subject to annual approval by the Newton Remuneration Committee) where each employee is awarded a cash sum which tracks the value of the Newton business over a three-year vesting period. For the 2023 compensation awards paid in 2024, all permanent employees received an LTIP for all award.
- To further align employee outcomes with those of the Company's clients, where an employee's incentive is subject to deferral it is linked to the performance of a basket of Newton managed portfolios. By giving employees an economic stake in the products provided to clients the Company is aligning their interests with those of other stakeholders.
- The Board receives regular data from the People Team addressing the outcomes of the Company's people agenda including recruitment and inclusion.

Impact on the Community and Environment

- The Company's London office has been awarded the Leadership in Energy and Environmental Design ("LEED") Gold rating, reflecting the materials and equipment used and the operation of the building.
- The Company has been a signatory to the UK Financial Reporting Council's ("FRC") Stewardship Code since its inception in 2010. The Code represents a set of stewardship principles that embed a high standard of engaged and responsible ownership. It places an expectation on being best-in-class across the full value chain – from ESG integration in the assessment of certain investment opportunities to active ownership and to reporting. The FRC started undertaking annual assessments in 2021 and the Company has maintained its signatory status. The assessment was based on the Company's annual Sustainability and Stewardship report covering our 2023 activities. The Company has been a signatory of the UN Principles for Responsible Investment ("PRI") since 2007.
- The Company currently runs a range of equity, fixed-income, and multi-asset strategies, some with a particular focus on Sustainable Investment.
- In 2024, BNY Investments established a Sustainability Council which the Company is represented on. The purpose is to oversee the coordination of sustainability matters across BNY Investments and drive strategic alignment on sustainability (where feasible) in collaboration with the BNY Enterprise.
- The Company recognises climate change can be a material issue and discloses its efforts on this through the TCFD reporting process (which it began in 2018) and became a signatory to the Net Zero Asset Management initiative in 2021.
- The Company organises its corporate philanthropic activity around financial education to embrace, educate and engage to achieve positive outcomes. The Company embraces and educates young people from all socio-economic backgrounds via its partnership with The Brokerage (a UK charity) donating £30,000 per year. The Brokerage's mission is to help disadvantaged young people fulfil their potential through improved awareness and access to professional career opportunities. The Company participates in The Brokerage's 'career bootcamps' to help young adults from underprivileged backgrounds with career advice, interview preparation and other practical help to find a job. During 2024, the Company continued to engage as a founding supporter of the charity The Centre for Financial Capability via a £20,000 annual donation. The Company also became a sponsor of the Catalyst Education Programme, a workstream of the Diversity Project, aiming to provide professional industry-recognised qualifications to college students.
- Company employees support a peer-nominated charity each year (2024 is Living On) through fundraising initiatives and can leverage the 'Giving at BNY' community impact programme matching scheme, which invites all employees to take up to three days of paid volunteer time per year and receive company-matching donations for their time. BNY also incentivises charitable donations to non-profit organisations by matching employees' donations.

Standards of Business Conduct

- The Company is regulated by the FCA and is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940. It operates within the rules of the FCA, and the restrictions as defined within its regulatory licence.
- An externally facilitated effectiveness review was conducted during 2023 to assess how the Company's governance arrangements compare to industry best practice and regulatory expectations, with no material findings identified. All recommendations were successfully implemented during 2024.
- The Board received updates and sought assurance from the Company in relation to the implementation and embedding of regulatory change initiatives and compliance with ongoing regulatory requirements.
- During 2024 and into 2025, the Company has implemented the FCA's Sustainability Disclosure Requirements, including the anti-greenwashing rules and naming and marketing rules. This has been a wide ranging project covering all UK domiciled collective investment schemes where the Company is appointed as investment manager.
- As part of BNY, the Company adheres to the BNY Code of Conduct, which provides a practical set of principles that guide all business decisions and employees' actions and decisions as individuals. The BNY Code of Conduct questionnaire was sent to all employees in May 2024, which requires an attestation that an employee has read and understood all Code of Conduct provisions.
- Under the FCA's Senior Managers & Certification Regime ("SMCR"), the Company is classified as an Enhanced Firm. All Senior Managers, Certified Persons, and Conduct Rules ("SMCR") employees undertake ongoing SMCR training. The objective of SMCR is to reduce harm to consumers and strengthen market integrity, by making individuals more accountable for their conduct and competence. SMCR aims to encourage a culture that sees employees at all levels taking personal responsibility for their actions as well as ensuring that a firm and its employees clearly understand and can demonstrate where responsibility lies. During 2024, all Senior Managers and Certified Persons attended refresher training sessions on the regulatory expectations placed on them by SMCR. The mandatory new joiner induction programme includes content on SMCR and all employees, on an annual basis, must complete mandatory training on the Conduct Rules and the BNY Code of Conduct.
- Company employees' activities are carried out in accordance with applicable process and procedures and where issues arise from interactions with clients, market practice, regulators or vendors that require senior level consideration, they are addressed through the escalation mechanisms that are built into the robust, Board approved governance framework.
- The Board promotes a high-performance culture by managing talent, strengthening employee engagement, and ensuring effective employee communications. The Board Remuneration Committee supports the Board to achieve this goal.
- The Board recognises the importance of risk management in the execution of its strategy and the Board has defined the levels of risk acceptable to the Company. This is formalised and monitored through a risk appetite statement.
- The Board retains overall responsibility for approval of the Company's risk appetite and strategy, including capital adequacy and liquidity of financial resources. The Board Risk Committee is responsible for ensuring that frameworks exist to identify, assess, manage, and monitor risk; and for considering the material outputs from these frameworks.
- The Board is responsible for and committed to good corporate governance. In fulfilment of its responsibilities the Board delegates certain functions of oversight, risk mitigation, regulatory compliance, remuneration and other obligatory functions to its committees and, in certain instances, empowers them to make decisions on its behalf.

Acting fairly between members of the Company

- Newton is a wholly owned subsidiary within the BNY Group governed by its Board. It maintains an open relationship with BNY where ideas and strategic objectives are exchanged and shared, ensuring the Board members remain aligned with the strategic objectives and corporate values of its shareholder whenever appropriate. Across all decisions, the Newton Board is fully committed at the same time to ensuring due regard to the interest of other stakeholders as described above.