



2024 ANNUAL REPORT **SUSTAINABILITY AND STEWARDSHIP**

April 2025

STRICTLY FOR UK PROFESSIONAL AND AUSTRALIAN WHOLESALE INVESTORS ONLY.

'Newton' and/or 'Newton Investment Management' is a corporate brand which refers to the following group of affiliated companies: Newton Investment Management Limited (NIM), registered in the UK; Newton Investment Management North America LLC (NIMNA), registered in the US; and Newton Investment Management Japan Limited (NIMJ), registered in Japan. This report relates to the activities of Newton during 2024. The processes described in this document may be subject to change over time. Please read the important disclosure at the end of the document.

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We encourage and appreciate feedback on this report.

Please provide any comments to:

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“ Our focus on ESG issues remains pecuniary in nature as we look for risk and opportunities to make good decisions in pursuit of risk-adjusted returns. ”

Preface

BNY Investments Newton, Responsible Investment Team

We are excited to share this report with our stakeholders each year. It is a reflection and translation of our activities across both stewardship and responsible investment more broadly over the last year. The report is intended partly to satisfy any reporting requirements, but also seeks to explain how we aim to behave as good stewards of our clients' capital and how we have progressed on various fronts.

Newton has been keeping a steady course over the past few years. Our focus is to make sure we deliver strong investment outcomes for our clients. We offer choice when it comes to mandates, solutions and products, and some of our clients expect us to be their voice when it comes to systemic stewardship areas that will affect them over the long term. We have maintained this focus as we try to navigate changing waters around us.

In some areas there has been a war over words, and in other areas debate over deeper topics such as the role and purpose of asset managers. When it comes to words, Newton has kept it clear both internally and with our clients. Environmental, social and governance (ESG) analysis is part of a multidimensional research process that allows for different areas and angles to be considered,¹ and our focus on ESG issues remains pecuniary in nature as we look for risk and opportunities to make good decisions in pursuit of risk-adjusted returns.

When it comes to stewardship, we have continued to carry out our voting activities and engagement efforts as normal, in line with our clients' guidance or with an investment-led lens. Our decision to push the responsible investment team even closer to the broader investment team three years ago has deepened the collaborations in a positive way, enriching the overall quality of research which ultimately enhances our ability to manage money for clients.

Over the coming year we will continue to research and engage on issues that matter to our clients and on topics that we think present material risks and opportunities to their investments. We strive to play a sensible role in the financial ecosystem by providing input to policymakers when they consult, sharing our learnings with others through expert organisations, and supporting management of the companies we believe in and have invested in.

With our stewardship and ESG research activity integrated into the broader business and not simply outsourced to the responsible investment team, it maintains a strong investment lens, guided by our clients' investment objectives.

We hope you enjoy the report.

¹ 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.

The 2020 UK Stewardship Code's Principles for Asset Owners and Asset Managers

Throughout this report, we link, where appropriate, particular topics to an applicable Principle from the Code's set of 12 'apply and explain' Principles, as set out below.

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Newton Investment Management Limited (NIM) is a signatory of:



The UK Stewardship Code 2020 can be downloaded at:

<https://www.frc.org.uk/investors/uk-stewardship-code>

Sustainability and stewardship

2024

2024 highlights

Stewardship

- Publication of a detailed voting season report outlining our views and approach on the key trends observed, an overview of how we voted on shareholder proposals, and case studies on significant holdings and high-profile names.
- Publication of an abridged version of our stewardship report, containing engagement, advocacy and voting highlights, including several case studies.

Governance

- Conducted a comprehensive committee effectiveness review and expanded the membership of the Sustainability Committee to include regional representatives, enhancing engagement on key topics.
- Enhanced the focus of discussions within the Sustainable Investment Forum (SIF) to deepen the investment team's understanding of global regulations and evolving sustainability definitions, thereby informing and improving the sustainable investment framework.
- Established the Climate Investment Forum (CIF) to act as a specialist resource on climate change for the Sustainability Committee, including reviewing frameworks, supporting TCFD disclosures, and researching additional climate risks.

Innovation

- Introduced the Newton Net-Zero (NNZ) score to improve quantitative assessments of corporate transition plans.
- Revamped the sustainable sovereign matrix to assist in the sustainability assessment of sovereign debt.
- Completed significant work on principle adverse impact (PAI) indicators to streamline the 'do no significant harm' (DNSH) test under the European Union's Sustainable Finance Disclosure Regulation (SFDR), with efforts continuing into 2025 in line with regulatory changes.
- Transitioning the RI analytics lab to a cloud-based platform to enhance efficiency, with key datasets integrated in 2024 and ongoing improvements through 2025.



Training and field trips

- In 2024, we offered a comprehensive range of training sessions, covering both internal practices and broader industry-relevant topics. These sessions delved into our stewardship approaches, ESG research processes, and strategies with sustainability characteristics. Participants also gained insights into emerging regulations, evolving climate change discussions, the circular economy and planetary boundaries, ensuring they were well-versed in contemporary and future challenges.
- Key training topics included assessing company climate transition commitments using the NNZ score, understanding nature and biodiversity within an investment context, and evaluating the materiality of environmental and social issues in shareholder resolutions. Additionally, there were updates on emerging sustainable finance regulations across various geographies, enhancements to sustainable investment tools, including the sustainable sovereign framework, newly developed labelled bonds framework, and impact investment framework. The sessions also showcased our climate solutions capabilities, providing a comprehensive understanding of the sustainable investment landscape.
- Research trip in Japan – we conducted on-the-ground research and dialogue with practitioners focused on recent corporate governance reforms and sovereign transition bonds, alongside meeting with companies.
- Research trip in India – we conducted on-the-ground research and dialogue with Indian energy and utilities companies to understand technologies and challenges in their decarbonisation journey.
- Human capital management knowledge series – we hosted five expert speakers to enhance understanding on this wide-ranging topic and how to link these considerations to investment relevance.
- Indigenous awareness training – we attended external session on recent regulations, with a focus on Canada.

Policy

- Publication of a refreshed standalone set of our governance principles and voting guidelines on our website: newtonim.com/responsibleinvestment



Newton at a glance

Our client base consists of institutional pension clients (defined benefit and defined contribution schemes), government entities, charities and foundations, insurance companies, financial intermediaries, and sovereign wealth funds. We classify all our assets under management (AUM) as institutional.

Newton has a global footprint, with 55% of our total AUM being managed for US clients, 33% being managed for UK clients, and the remainder being managed for clients across Canada, Japan, EMEA (ex UK) and the Asia-Pacific (ex Japan) region.

We believe that in a rapidly changing world, investors require strategies that will evolve to meet the challenges that they face. Therefore, we work in partnership with our clients, understanding their requirements and building investment strategies that aim to deliver our clients' desired investment outcomes.

Enabling us to deliver these investment solutions to our clients is our 127-member investment team, which consists of active equity and multi-asset portfolio managers, and a multidimensional global research capability that includes fundamental equity, quantitative equity, quantitative multi-asset, credit, private markets, thematic, investigative, macroeconomic, geopolitical, legal/regulatory, and responsible investment research.

Total AUM

£81.3 BILLION¹

Includes:

£3.8 BILLION²

in strategies with sustainability characteristics

Newton's AUM by client key area of focus

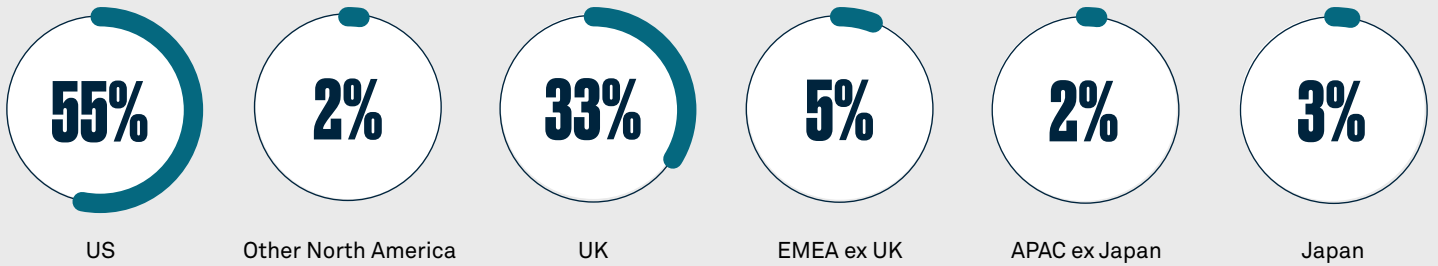


Source: Newton group of companies, 31 December 2024. Newton global AUM is the combined total assets under management of Newton Investment Management Limited ('NIM'), Newton Investment Management North America LLC ('NIMNA') and Newton Investment Management Japan Limited ('NIMJ') as calculated as at 31 December 2024. In addition, Newton's global AUM includes assets of bank-maintained collective investment funds for which Newton has been appointed sub-advisor or in limited instances, where Newton personnel act as dual officers of affiliated companies.

¹ Newton's global AUM is adjusted lower to factor in any double counting of affiliate fund or fund-of-fund assets which can occur when a Newton multi-asset strategy invests in a BNY Mellon fund, that is sub-advised by Newton. At end December 2024, total assets invested by Newton multi-asset strategies on this basis was £2.6bn. To avoid double counting we extract these assets from Newton's global AUM, which results in a total global AUM of £81.3bn for Newton. Mixed assets and charities team assets of £11.8bn includes £1.4bn of this form of double-counted assets. Multi-asset solutions team assets of £10.8bn includes £1.1bn of this form of double-counted assets.

² Strategies with sustainability characteristics are defined as those that follow Newton's proprietary sustainable investment framework. UK-domiciled funds that follow these strategies do not currently have sustainability labels under the UK Sustainability Disclosure Requirements (SDR).

Newton's office locations and AUM by geography



Investment team

Dedicated portfolio management

61 portfolio managers

Equity, multi-asset and fixed income

Multidimensional research

66 research analysts

Fundamental, quantitative, credit, specialist, and responsible investment

* BNY Operations India offices provide support into the Newton group of companies. Additionally, as at 31 December 2024, Newton had some staff members based in BNY offices in Pittsburgh.

Section 1

Our purpose



Principle applied and explained in section 1

Purpose and governance

1 Purpose, strategy and culture

Our purpose

Our clients face a fast-changing investment backdrop. Tectonic shifts in the geopolitical landscape, the drive to decarbonise and technological disruption are among the transformational changes that are reshaping investment opportunities and risks.

At Newton, we understand the challenges that today's world presents for our clients.

As a steward of clients' capital, Newton is committed to understand its clients' investment objectives and to develop products and solutions that are aligned with these requirements.

Our purpose is to unlock investment opportunity in an increasingly complex world, so that our clients are able to achieve their investment goals in the vibrant world we all want to see. Our culture, which is described in [Section 3: Newton's culture and values](#), is built upon the bedrock of our purpose. We strive to hold ourselves to the same standards that we have for the issuers in which we invest for our clients.

Our investment philosophy

Our investment philosophy is rooted in our purpose. We focus on understanding our clients' investment objectives and pursuing attractive investment outcomes to meet those objectives over the time horizon specified by our clients.

In seeking to fulfil our purpose, we have formulated our investment philosophy to have the following broad tenets. It is important to note that not all these tenets would apply to all investment strategies managed by Newton.

- **Global** – having a broad perspective for all investment ideas. It is helpful to also frame ideas for regional strategies in a global context to fully assess the risks and opportunities associated with these ideas.
- **Long-term view** – taking a three-to-five-year, or longer-term, view wherever possible to identify the macro and micro forces shaping the investment universe and seeking to minimise distractions from short-term noise.
- **Analysis** – conducting rigorous security-level analysis, leveraging the multiple perspectives that our multidimensional research capability offers.
- **Stewardship** – through our stewardship efforts, seeking to drive change and protect value in the investments we make for our clients.

Our business strategy

As with our purpose and our investment philosophy, our clients are at the heart of our business strategy. We seek to understand our clients' requirements and how they are changing and aim to evolve our product range in line with these requirements. [Section 6: Taking into account client expectations](#) provides details on how we interact with our clients.

We manage assets in equities, fixed-income and multi-asset portfolios. Most of these portfolios are managed using an active fundamentals-driven investment process leveraging our multidimensional research capability. A smaller proportion is managed using quantitative strategies.

Within these two broad product sets, there are client-driven nuances. Some client mandates require sector or regional exclusions, some clients require their portfolios to meet their own climate-related objectives, and others specify sustainability objectives alongside financial objectives. Further details are covered in [Section 4: Investment philosophy](#).

We recognise that the functioning of the wider industry and of the financial markets has a direct bearing on our clients' ability to meet their objectives.

As such we take an active part in contributing where we can to promoting well-functioning financial markets and to fostering a culture where companies are managed responsibly and where they are held accountable to their stakeholders.

Our stewardship activity, detailed in [Section 5: Our approach to stewardship](#), demonstrates how we engage with companies, industry bodies and regulators to help build this culture.

Section 2

Holding ourselves to account



Principles applied and explained in section 2

Purpose and governance

2	Governance, resources and incentives
5	Review and assurance

Governance

As investors, we understand the value of effective leadership and accountability. This is closely linked to the culture of our business, and leadership and accountability have equal importance in Newton's governance.

Newton's boards are chaired by an independent non-executive director, Judy Marlinski.

The Newton boards are supported by:

Newton Executive Management Committee (NEMC) –

The purpose of the NEMC is to ensure the effective operational and strategic management of Newton. The NEMC has overall responsibility for defining Newton's approach, values and actions. Newton's Global Head of Sustainable Investment is a member of this committee and submits a formal update each quarter to the committee.

At Newton, effective management of stewardship and responsible investment issues is an important part of our overall business strategy. We continue to develop our philosophy as we consider it is fundamental to the long-term success of the firm and our ability to deliver long-term value to our clients.

Our stewardship and sustainability policy describes our approach to stewardship and how we manage sustainability in our investments and in our wider business operations. More specifically, it provides insights into our key commitments, responsible investment approach, governance and reporting, sustainable investment process, and corporate responsibility efforts.

The policy sets out an overview of the different elements of our responsible investment framework – the actual utilisation/relevance of the various framework elements described will differ on an investment strategy-by-strategy basis. As the industry and our clients' requirements evolve, so will this policy and, as such, it will be reviewed annually.

The policy is published on our website: newtonim.com/responsibleinvestment

Underpinning all our policies and procedures is a robust framework of oversight, controls and governance. The sustainability and stewardship policy is reviewed and approved by a primary operating committee, the Newton Sustainability Committee.

The following operating committees play varying roles in Newton's stewardship efforts. These committees report to the boards and the NEMC.

- **Newton Sustainability Committee** – oversees all aspects relating to sustainability at Newton, including Newton's investments, direct impacts and engagement with communities, and engagement with financial markets (advocacy) regarding sustainability and stewardship matters.

The committee seeks to oversee and ensure that the wider sustainability strategy, which includes stewardship of our clients' assets, is delivered by Newton. It also reviews our strategy and progress around belonging, and monitors our progress against our net-zero targets, among other matters.

This committee meets quarterly and is chaired by our Global Head of Sustainable Investment. It comprises members of the NEMC as well as representatives from the investment, risk and compliance teams.

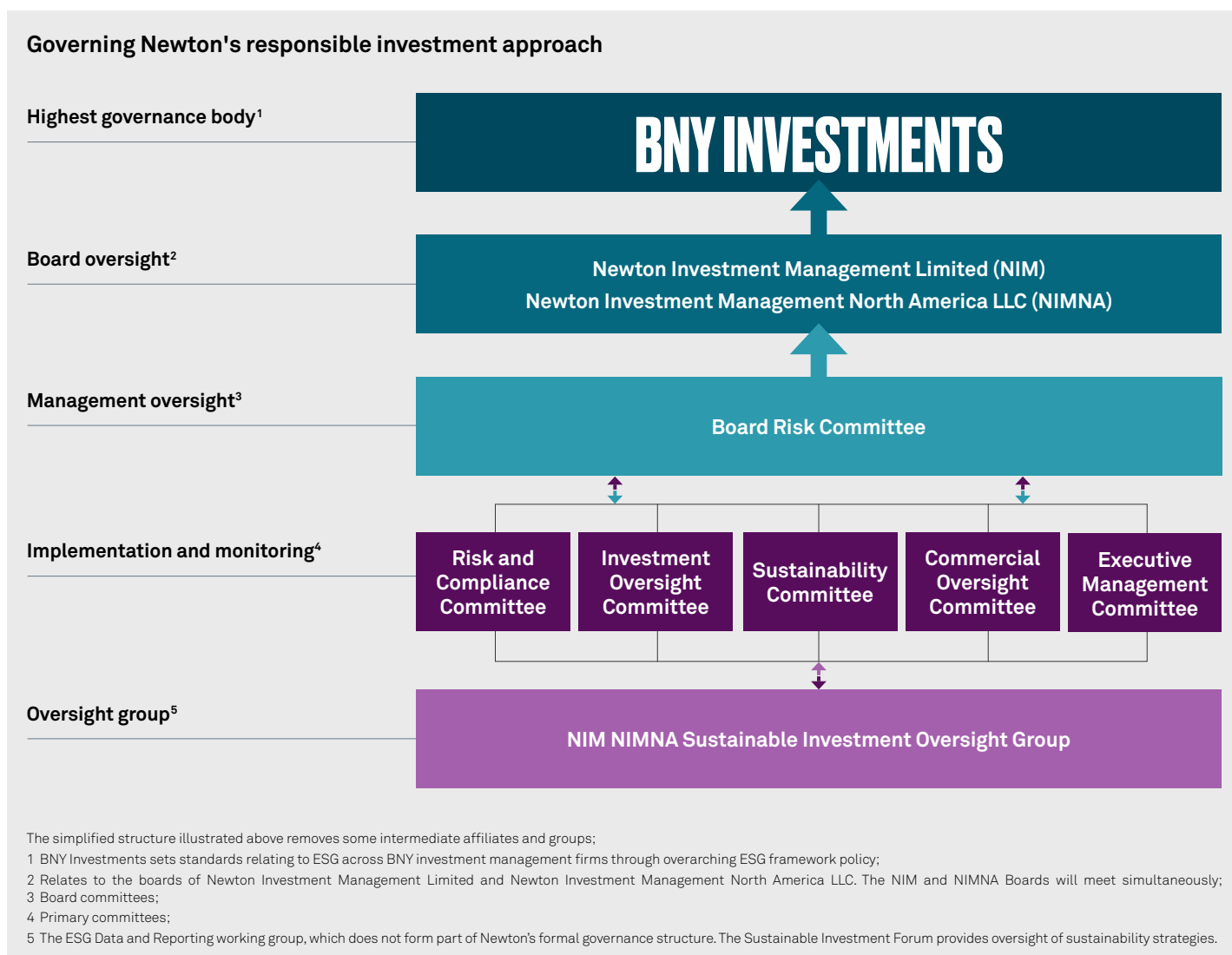
- **Newton Risk and Compliance Committee** – which is supported by the **Newton Conflicts of Interest Committee**. These committees deal with various stewardship and responsible investment aspects on an ad-hoc basis, including any relevant internal audit findings and actions, as well as climate-related risk updates. Newton's Conflicts of Interest Committee is in place to support the monitoring of matters in relation to the identification, reporting and controls relating to the management of conflicts of interest, including around proxy voting.
- **Newton Investment Oversight Committee** – oversees the management and strategic planning of all aspects of our investment philosophy, process, people, performance and risk. Our Global Head of Sustainable Investment is a member of this committee, and it is an escalation point for any process-related issues stemming from our sustainable investment process and its application..
- **Newton Board Risk Committee** – also plays a role in the governance of our sustainability and stewardship efforts; it acts as an escalation point for any material issues identified through our governance systems and controls. For example, it has previously considered materials related to climate-related risk.
- **Newton Board Climate Oversight Group (BCOG)** – provides a dedicated forum for our climate strategy to be discussed, and provides a forum ahead of any formal decision making, as well as to provide a forum for Judy Marlinski (NIM and NIMNA board chair) to conduct her specific responsibility for ensuring that climate-related issues, risks and opportunities are integrated into the NIM and NIMNA boards' oversight role. The group is chaired by our Global Head of Sustainable Investment.

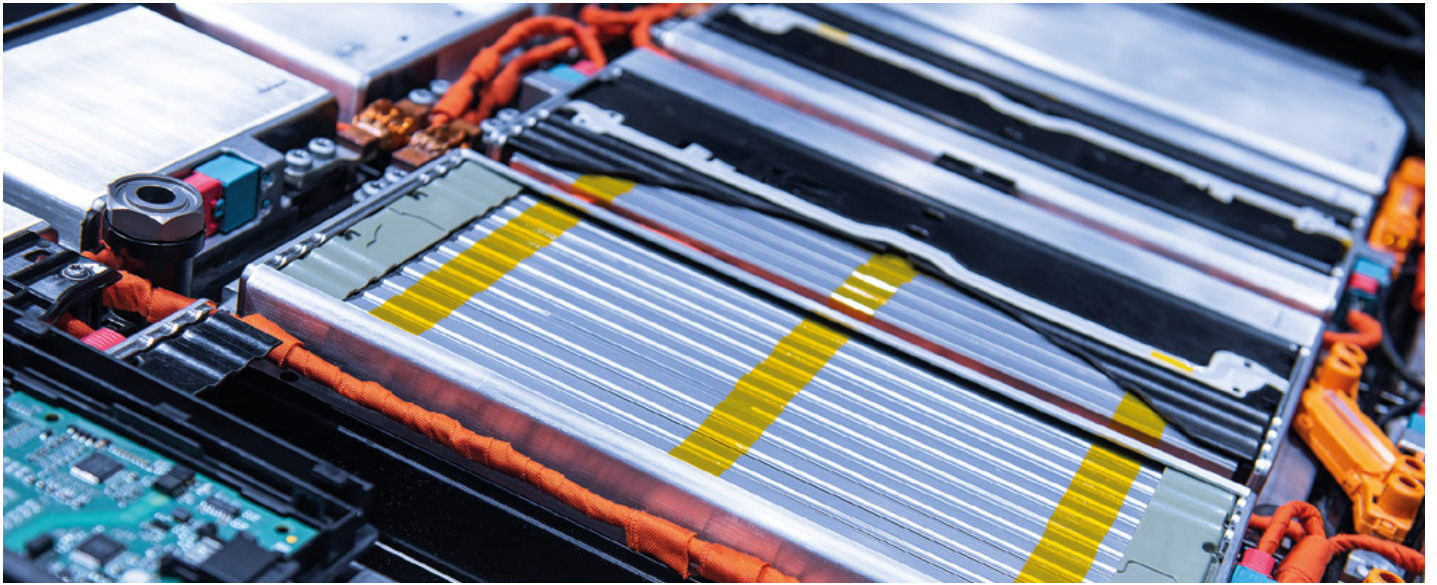
Newton's Sustainable Investment Forum (SIF) acts as a centre of sustainable excellence providing oversight and support to strategies that make sustainability claims. This group is not a decision-making body but reports and escalates material issues to the Investment Oversight Committee, as well as to the Sustainability Committee, depending on the issue.

The Investment Oversight Committee looks at process-oriented issues and the Sustainability Committee looks at framework and policy-related aspects stemming from the SIF. The SIF meets regularly to discuss and debate sustainability characteristics of our investments and progress Newton's sustainable investment framework on emerging areas or topics.

The formal role of the SIF is to:

- Foster debate by bringing together a wider set of sustainability experts within the business.
- Provide support by educating, training and sharing knowledge and insights among the group.





Effectiveness of the governance initiatives in 2024

The Sustainability Committee and the SIF continue to add value to our governance structure. They have proven to be effective in helping to ensure clear communication around continuing responsible investment and stewardship efforts, deeper participation and ownership through the business, and the surfacing of risks and inconsistencies.

Examples of this include presentations on sustainable finance developments and regulations, updates of proposed changes to our internal frameworks, and discussions around various securities and sustainability topics.

We believe in continuous improvement and therefore have made some enhancements to how these forums operate. In 2024, with the help of the Newton risk team, we carried out a committee effectiveness review of the Sustainability Committee. Following that review we evolved the membership of the Sustainability Committee to include representatives that we felt would bring a good level of engagement with the topics from regions where it is more of a focus area – such as the UK.

In the SIF, we have made an effort to sharpen the focus of the discussions and to make sure we see an increase in the investment team's understanding of the wider ecosystem, including global regulation and evolving definitions around sustainability. The SIF provides an effective forum to ensure investors understand the wider ecosystem, including global regulations and evolving definitions, which informs our discussions and enhancements to our sustainable investment framework. Based on discussions conducted through the SIF, we believe we enhance the integrity of our sustainable investment franchise by assessing news and acting accordingly when the sustainability attributes of securities change.

During 2024 we created the Climate Investment Forum (CIIF) which acts as a subject-matter expert for the Sustainability Committee on climate change. Its key activities include the annual review of our climate investment framework, support for the TCFD disclosures, and the research into additional areas of climate-related risk. For 2024 this included reviewing Scope 4 methodologies, reviewing the exposures of our top 50 strategies to different climate metrics, and considering a more narrative-based approach to scenario analysis.

Resources

Newton has a centralised responsible investment team headed by Therese Niklasson, Global Head of Sustainable Investment, who has 21 years of experience in the industry. This team is the centre of excellence for all matters related to responsible investment, and with its deep functional knowledge of the responsible investment space and how it is evolving, it provides guidance, support and subject-matter expertise to our wider investment team.

The responsible investment team, as you can see on the next page, is global in its footprint and geographically diverse in its employee base. Importantly, with members in the UK, the US and India, the team brings together vital insights from its places of operation.

The team is organised into three pillars of expertise – stewardship, research, and analytics: these specialisations under the responsible investment umbrella allow us to bring further depth and expertise to each of these activities. Additionally, the team has a product advocate who is focused on the articulation of our sustainable investment approach and the commercialisation of our expertise. The team's compact size enables it to work cohesively and operate as one team.

The responsible investment team provides specialist input into Newton's multidimensional research. It also guides the business around policies and direction of travel for sustainability and stewardship more broadly.

Supporting the team, and the wider business, are various external organisations and vendors including ESG service providers, memberships, and internal systems for monitoring and reporting. Please see [page 60](#) for a full list of industry bodies and initiatives which Newton supports and/or of which NIM/NIMNA/NIMJ is a member.

Newton's pillars of responsible investment expertise

Stewardship team

Oversees the firm's engagement framework and advocacy initiatives, focusing its efforts on meaningful outcomes for clients, and also undertakes the firm's proxy voting activities. Provides subject-matter expertise to the investment team on governance risks and evolving expectations.

Sustainability research

Manages Newton's sustainability standards, definitions and frameworks, and acts as dedicated responsible investment team advisor to our individual strategies with sustainability characteristics. Provides subject-matter experts to the wider investment team on sustainability-related subjects.

Responsible investment analytics

Owns the data ecosystem, creating and managing responsible investment data models, frameworks and tools that support ESG integration and sustainable investing. The team has strong quantitative and RI data expertise and has built an innovative suite of sustainable building blocks that can be leveraged to develop scalable solutions to meet specific client requirements.

Product advocate

Engages with existing and prospective clients by helping to translate the organisation's philosophy and approach to sustainable investments. Meets clients and consultants regularly to explain our approach and to understand their requirements, and works closely with product development and the wider investment team to help Newton develop products and solutions to meet those requirements.

The team continually enhances its own understanding of existing and emerging areas of responsible investment interest. This enables the team to provide continuing expertise internally as well as to contribute to the ongoing development of thinking within the industry.

Highlights from 2024

Research trip in Japan –

We conducted on-the-ground research and dialogue with practitioners focused on recent corporate governance reforms and sovereign transition bonds, alongside meeting with companies.

Research trip in India –

We conducted on-the-ground research and dialogue with Indian energy and utilities companies to learn more about technologies being adopted and challenges being faced in their decarbonisation journey.

Human capital management knowledge series –

We hosted five expert speakers to continue to develop our subject-matter understanding on the wide-ranging topic and how to link these considerations to investment relevance.

Indigenous awareness training – We participated in an external training session on this emerging topic and implications of recent regulation, with a particular focus on Canada.

Good stewardship extends beyond one team

To Newton, responsible investment means being good stewards of our clients' assets. We believe that effective stewardship is about ingraining responsible investment within the firm's ecosystem.

To this end, we are several years into our journey to embed a stewardship mindset into the investment team, so that those who allocate capital also own the risk and the mission of being a good steward of our clients' assets.

The research analysts and the investment decision-makers must be able to understand and, where relevant, act upon the implications of ESG factors on their clients' investments in order to meet the clients' investment objectives and financial return requirements. To achieve this, the investment teams must have access to the tools necessary to achieve the best outcomes for clients. We strive to embed this responsible investment ecosystem across our firm and, to this end, we have taken measures to continually enhance the skillset of our investment staff in ESG matters.

We have done this in the following ways:

1. Responsible investment training opportunities

A culture of continuous improvement recognises that training is an ongoing process. Our responsible investment team facilitates sessions to help the wider staff gain a better understanding of key ESG matters and their investment materiality, as well as to provide transparency over the responsible investment research and stewardship processes. The responsible investment analytics team develops technological tools and solutions to facilitate the provision of ESG data and insights from that data, and also provides training to the investment team in using these tools and solutions.

Training can be either through formal group sessions or smaller informal updates. Training can be aimed at the investment team, to enhance the general quality of insight and analysis, or can cover a wider group, such as some of the support functions including the sales, client services and risk teams.

These training sessions cover a wide range of topics, from internal practices and product ranges (our overall approach to stewardship, our ESG research process, our strategies with sustainable characteristics, etc.) to topics of broader industry relevance (emerging regulations, evolving topics of discussion on climate change, the circular economy, planetary boundaries, etc.).

In addition to training delivered by the responsible investment team, external speakers were also invited to share expertise and insights with the investment team. This included dedicated sessions by a prominent finance academic on ESG integration and the role it can and cannot play in investment decision making, and on effective communication with companies. We also organised an in-person workshop led by the Impact Investing Institute to hear its latest thinking on impact investing and its relevance in the sustainable investing space.

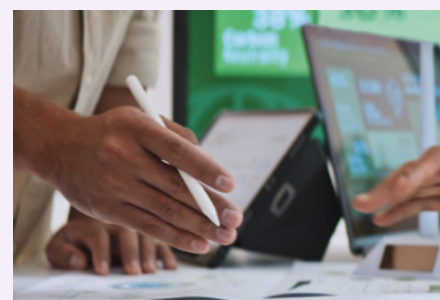
2. Learning by doing

We continue to deepen the partnership between our responsible investment resources and the rest of the business, as we believe this is critical to drive our firm-wide ecosystem for effective stewardship. In 2024 we launched three systemic risk working groups to develop our work on priority topics that we believe will be significant for investors over the long term. We have begun with a focus on nature, climate transition risk and climate physical risk. Each group had representation from each of the responsible investment pillars and the investment team.

Training topics in 2024

Assessing company climate transition commitments, and how to use our Newton Net Zero score
Understanding nature and biodiversity within an investment context
Assessing materiality of environmental and social matters in the context of shareholder resolutions
Emerging sustainable finance regulation across geographies
Updates to our sustainable investment framework
Enhancements to sustainable investment tools including the sustainable sovereign framework updates, newly developed labelled bonds framework and impact investment framework
Assessing materiality of environmental and social matters in the context of shareholder resolutions
Presenting our climate solutions capabilities

We see training and self-improvement as ongoing processes and plan to continue to upskill our teams on topics of relevance.



The role of these groups is to:

1. Further our understanding of the topic and its drivers, whether that be technology, science, or policy. We endeavour to have a clear understanding of how it may be financially material and affect different business models, and what solutions exist or may emerge in response.
2. Form a view on the likely and possible ways in which risks can crystallise and how we can monitor these. In addition, we strive to build a means of assessing corporate exposure and responses to these topics, which can in turn help our understanding of risk and be considered as appropriate within our investment processes.
3. Develop consistent means of applying these principles to our investments, for example by prioritising further research, identifying thematic engagements, and informing our views on reasonable and specific objectives which could be set.

We also continue to develop resources to support our investors across a range of topics. In 2024, we established a responsible investment library of resources, to share guidance and insights transparently. For example, we updated our ESG materiality matrix and integration guidance, as well as a range of sectoral guides. These intend to share the knowledge built up by our responsible investment analysts on how best to assess and put into context company management of risks and opportunities. We continue to share relevant industry updates and investment research conclusions here, and through various investment meetings.

3. Close collaboration

The responsible investment team acts as a centre of excellence on ESG integration, sustainable investments and stewardship. It engages with the portfolio management and research teams on a daily basis, both organically and through formal interactions.

The responsible investment team is part of Newton's multidimensional research approach and works alongside fundamental equity and credit analysts, as well as specialist analysts such as investigative, thematic and private markets experts.

Throughout the investment process, analysts and portfolio managers are encouraged to use the expertise of the responsible investment team, for example to better understand complex ESG issues and the implications for companies, and in conducting ESG research meetings and engagements with companies, and to ensure there is a general awareness of key topics that could have an impact on how an analyst or portfolio manager views its investment research or decisions.¹ Idea generation flows in both directions, and analysts and portfolio managers are increasingly originating research and engagement opportunities. Examples in 2024 include our mixed assets investment team proposing a focused engagement campaign with a number of investment trusts which are material holdings for Newton, and the head of our secular research pod ensuring that pod analysts identify a minimum number of research or engagement candidates during the year.

Spotlight on the partnership between mixed assets and stewardship teams:

Letter campaign to investment trust board chairs on cost disclosures

Engagement theme

Governance:
transparency and reporting

Context

Investment trusts in the UK have historically needed to report the cost of running the investment trust separately in their marketing documents. However, these costs can be considered to be already factored into the share price, as the share price is the market's assessment of the value of the company including its costs. In our view, this leads to a double counting of costs which shareholders need to bear.

Recent guidance from the UK Financial Conduct Authority (FCA) and the subsequent forbearance suggested that trusts can now mark down their costs to zero in their marketing materials based on the aforementioned arguments.

Action

Following the issuance of this guidance, we wrote letters to board chairs of six investment trusts in the UK which represent significant positions in our portfolios asking that the trust mark the overall charges figure (OCF) to zero in the Key Information Document (KID) and the European MiFID Template (EMT).

Outcome

One of these trusts has now marked its OCF to zero in its UK KID and UK EMT and most of the other trusts have marked their KID to zero. We believe our letter, explicitly outlining our expectations, contributed to this decision. Given different interpretations of guidance for the EMT, which is the European document outlining terms and key information, most of the trusts have not marked the EMT to zero yet. We will continue our dialogue on the issue with the investment trusts we hold and will monitor further guidance from industry bodies and regulators.

¹ 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.

The responsible investment team attends the daily investment research meeting and provides investment-focused updates to the team on a weekly basis. We also share regular insights and participate in dialogue through our internal investment communications platform and join investment research pods.

As a part of Newton’s multidimensional research, we are active participants in investment focused research discussions, which have a strong focus on investment implications. Sustainability and governance considerations are relevant to many of these discussions, such as on electrification opportunities, a continuation of our artificial intelligence (AI) offsite series, and what the end of the ‘Chevron deference’ (a 2024 US court ruling that has weakened the power of federal agencies) may mean for companies. All dimensions of our multidimensional research are expected to join and contribute to these open discussions.

Examples of internal research shared by the responsible investment team to add to the investment team’s knowledge on key or topical issues

Japan corporate governance reform

Assessed the impact and effectiveness of recent corporate governance reforms in Japan, specifically any change expected from the stricter listing requirements and disclosure rules announced by the Tokyo Stock Exchange in 2023. In addition to greater disclosure, we leveraged our experience from earlier reforms in the market to gauge whether there was the potential to improve investor dialogue and uncover investment opportunities.

Published blogs, available on our website newtonim.com:

Japan: Investment implications of corporate governance reforms

Corporate governance reforms in Japan: Investor dialogue

4. Developing tools and systems

Our responsible investment analytics team’s primary role is to guide the development of responsible investment data infrastructure at Newton and to produce quantitative frameworks, tools and insights from ESG data. The team’s analysis seeks to offer innovative tools to support better investment decisions and develop sustainable solutions. It works in conjunction with the technology team to develop these tools and systems to support our responsible investment ecosystem. The team also takes the lead in ensuring that we have the most appropriate mix of data vendors to meet our data requirements.

In-house tools and solutions developed by the responsible investment analytics team:

Proprietary tool	Description	Scope of analysis	Outputs	Primary use cases
Stewardship app	An application for tracking and monitoring progress of stewardship activities, including engagement objectives and outcomes.	Issuer data, portfolio data	Ability to measure progress against engagement objectives and investment impact of stewardship activities (voting and engagement). Ad-hoc client stewardship reports.	Storing and viewing voting and engagement activities, and tracking progress against objectives providing ad-hoc stewardship reporting.
RI reviews app	An application for displaying key external and internal responsible investment data points and publishing and viewing sustainability reviews.	Issuer data	Fixed-income ESG and sustainable reviews for issuers; equity sustainable reviews for issuers; responsible investment data grid.	Storing and viewing sustainability analysis; downloading responsible investment data points across investible universe.
Sovereign matrix	A quantitative sovereign framework drawing on inputs from multiple sources.	Issuer data	Momentum scores, overall scores and investment suitability categories for countries.	Integrated into sustainable sovereign process; can also be used in core strategies.
Net-zero assessment	A data tool and dataset that assesses the credibility of company transition plans and aligns this to climate scenarios.	Issuer data, portfolio data	Overall assessment of corporate transition plans and alignment to scenario pathways.	Expected to support ESG and sustainable assessments; investment universe screening, strategic engagement identification; portfolio monitoring.
Sustainable theme alignment	A data tool and dataset that quantitatively estimates revenue alignment to sustainable themes defined by Newton.	Issuer data, portfolio data	Aggregated revenue alignment to each theme at the portfolio level and revenue alignment for individual issuers.	Portfolio assessments; idea generation.
ESG quantitative score	A quantitative ESG score driven by Newton’s materiality matrix and predominantly raw data from a range of sources.	Issuer data, portfolio data	ESG score, pillar scores and individual factor scores.	Available to the investment team as an input to the ESG research process; portfolio monitoring for sustainable strategies.
Sustainable fund monitor	A data tool for monitoring key responsible investment data points.	Portfolio data	Principal adverse impact threshold analysis; sustainability and ESG monitoring.	Portfolio monitoring. Responsible investment team access with wider rollout under way.
ESG research pod dashboards	A data tool for monitoring key ESG metrics.	Issuer data	Ability to track month-over-month/quarter-over-quarter changes for ESG metrics such as controversy, ESG risk score, ISS governance score, human capital factors, net-zero score, and science-based target, against our active equity holdings.	Facilitates security-level conversations between responsible investment and wider investment teams at the research pod meetings.

Refinements in 2024

RI analytics lab

This includes database and dashboard functionality that enables analysts and portfolio managers to look at portfolio-level exposure to potential ESG risks. The team worked on a project to begin to move this functionality onto a cloud-based analytics platform for increased efficiency in 2024. This project progressed with key datasets being added in 2024 and will run through 2025.

Principle adverse impact (PAI) indicators

In 2024, the responsible investment analytics team, in conjunction with the research analysts, has done significant work on PAI indicators, which seek to address the regulatory requirement for the 'do no significant harm' (DNSH) test under the European Union's (EU) Sustainable Finance Disclosure Regulation (SFDR).

The quantitative framework has enabled a much more efficient process in applying the DNSH test. Work continued through 2024 with a review of PAI thresholds and will continue in 2025 in response to the expected changes to SFDR from the European regulators.

The Newton Net-Zero (NNZ) score

The NNZ score is a capability that enables quantitative assessment of the credibility of corporate transition plans in aligned client net-zero mandates.

There are three primary components to the score – target strength, past performance, and climate products and governance. We have provided further detail on this innovation in [Section 6: Taking into account client expectations](#).

Sustainable sovereign matrix

This is a quantitative framework that incorporates a flexible and clear scoring process to assist in the sustainability assessment of sovereign debt. The analytics team revamped this framework in conjunction with our fixed-income team to clarify the framework and the underlying assumptions.

This framework was made available within the RI analytics lab in 2024.

Incentives

Newton's overarching remuneration philosophy is to attract and retain the highest calibre of staff throughout Newton with a compensation and benefits package that is market competitive and rewards:

- performance (of the firm, team and individual against established goals).
- the creation and maintenance of an inclusive and positive culture focused on doing what is right and supporting sustainable long-term value.
- growth and development for our clients, our shareholders, our people, our business and the communities within which we operate.

Newton's remuneration policy has been designed to:

- be consistent with, and promote, sound and effective risk management.
- be in line with the firm's business strategy, objectives and long-term interests including the maintenance and positive evolution of our culture and values.
- actively role model and lead our clients, intermediaries and prospects in ESG, both investing and operational practices.
- reward long-term sustainable investing outcomes for our clients.

Performing an active stewardship role is integral to our investment process and, ultimately, our long-term investment

performance and we believe effective stewardship underpins and improves investment performance in the long run.

A material part of the investment team's remuneration is directly linked to investment performance, and in many cases, it is tied directly to the portfolios they manage. Newton's responsible investment team is naturally motivated by and evaluated on the contribution it makes to our ability to be an effective steward of our clients' capital, and our fundamental equity research analysts' annual performance goals, for example, include demonstrating how ESG considerations are integrated into the fundamental equity analysis.

Section 3

Newton's culture and values



Principle applied and explained in section 3

Purpose and governance

- 1 Purpose, strategy and culture

At Newton, we are conscious of the expectations we have of the entities we invest in on behalf of our clients, and we seek to hold ourselves to the same standards.

The way our business is governed is designed to ensure that we achieve our commercial objectives in a responsible and sustainable manner which is consistent with our corporate purpose, and that in doing so we act as we expect others to act.

We are committed to being trusted stewards, seeking above all to enhance our clients' financial wellbeing.

The way in which we manage assets can have far-reaching influence – not just directly on the financial prospects of our clients, but also indirectly, through voting and engagement with companies and industry bodies, to have an impact on material environmental and social factors, such as climate change, biodiversity, human rights in supply chains, thriving cultures and fairness across workforces.

These will, in turn, shape the prospects of those investments.

In this way, we consider the interests of our clients and of society more widely to be mutually supportive, and therefore we fulfil our fiduciary responsibility towards our clients by being active and engaged owners of their assets.

- We value different perspectives, engage with a breadth of voices and adjust our views when hearing from experts.
- We can make decisions quickly, through taking calculated risks, within a robust governance framework, with just the right amount of information.
- We are always looking to improve and evolve the way we do things, striving for better outcomes for our clients.

“ We are committed to being trusted stewards, seeking above all to enhance our clients' financial wellbeing. ”

Our strategic blueprint

As part of our company culture, or what we refer to internally as our 'strategic blueprint', we have defined three key behaviours that set out how Newton employees need to operate in order to deliver our purpose and strategy.

Listen and adapt

Actively engaging with clients and their changing needs, being open and acting on new information.

1

Make the call

Acting quickly and decisively when you have enough information, owning the decision when you have the expertise to make it, and trusting others in your team when they have the expertise to make it.

2

Make it better

Finding more effective ways to do things, everyday small improvements not just the big changes.

3

“ Having an environment where all people can fully contribute, can be themselves, and can share their different perspectives, makes good business sense. ”

Belonging

As investors, we consider that companies with a culture of belonging and breadth of skills, experiences and perspectives at all levels of the organisation should be better managed and able to adapt to change, and thus create long-term economic value.

We have increasingly turned this lens on ourselves. We want the best people to work at Newton, and to contribute to our success. That is why one of our principles is that we thrive together. Having an environment where all people can fully contribute, can be themselves, and can share their different perspectives, makes good business sense. We believe it is the best way to think through issues, bring together different points of view, and quickly solve problems. In all that we do, we will continue to focus on creating an environment where everyone can thrive together and achieve our strategic goals.

We strive for a culture that embodies the promotion of belonging. We have a Belonging Council, which aims to create an environment where everyone belongs, regardless of their background. The Council's initiatives include data collection, mentorship, partnerships, and leadership development. The Council works closely with the BNY Office of Belonging to implement the parent company's strategy, policies and initiatives.

Recruitment and leadership development

Talent is everywhere and when recruiting, we want to access the broadest group of appropriately skilled, qualified talent.

Our employees are offered development opportunities, including sponsorship, mentoring and reverse mentoring programmes. We also have a full suite of leadership learning content on our Learning Experience Platform to build capability and skill.

Our market-leading wellbeing and health-care provision and global, family-friendly policies help support our employees in moments that matter. We offer targeted access to confidential, mental health services through our provider, Spring Health. Our employees and their family household members, aged 8+, can access up to 12 sessions of individualised care annually at no cost. A care navigator monitors their progress and guides their support journey.

We support a network of employee resource groups coordinated by our parent company, BNY. These groups support our diverse workforce, provide opportunities for personal and professional development, and help ensure that a wide range of perspectives and rich experience contribute to our performance and ultimately our clients' success.



The wider community

We actively engage within our communities and have a focus on belonging, financial education and environmental initiatives.

Newton is a sponsor of the **Catalyst Education Programme**, aiming to provide professional industry-recognised qualifications to college students.

Two financial education charities our employees have supported through volunteer opportunities include **Young Enterprise** in the UK and **Bay Area Financial Education Foundation** in the US.

We respect that many employees also want to support local organisations and charities that they have a particular affiliation with and invite employees at all levels of the company to engage in the **'Giving at BNY'** programme and make a difference by being community champions. Newton employees also support a peer-nominated charity each year through various initiatives. Eligible employees may 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 nonprofits by matching employees' donations.



“ Our net-zero commitment relates to the financed emissions (Scope 1 and 2) of our actively managed equity and corporate bond portfolios, around 67% of our overall assets. The commitment is that 50% of these financed emissions should come from companies with emissions-reduction plans which are science-based by 2030 and 100% by 2040.¹ ”

The environment and climate change

Newton is committed to supporting the goal of net-zero greenhouse-gas emissions by 2050 or sooner. Our net-zero commitment relates to the financed emissions (Scope 1 and 2) of our actively managed equity and corporate bond portfolios, around 67% of our overall assets. The commitment is that 50% of these financed emissions should come from companies with emissions-reduction plans which are science-based by 2030 and 100% by 2040.¹

Supporting the net-zero transition means allocating not only to companies providing low-carbon solutions but also to those companies in higher-emitting sectors with transition plans at varying stages. We believe companies' transition plans should benefit from patient and engaged capital from investors such as Newton.

Regarding our business and operations, Newton is part of the BNY group which is committed to maintaining carbon neutrality as an operating business, including business travel. As with all members of the BNY group, Newton contributes to these climate mitigation efforts.

Newton's overall climate-related initiatives encompass the whole firm, but as our approach becomes more granular in line with our net-zero commitments, our focus will more specifically turn to the needs of our clients and other stakeholders.

Like our broader industry, Newton is on a journey when it comes to climate-related risk management. Our approach continues to evolve. We made significant changes to our disclosures against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in 2024, and our focus in 2025 will be on improving the suite of investment approaches we can offer clients to help them address climate-related risk and act on climate in their portfolios.



Further information is available in our TCFD report at:
<https://www.newtonim.com/info/tcfid-report>

Climate strategy

Some examples of the progress we made in 2024 include:

- Changing our TCFD reporting significantly to clarify the differences in governance, strategy, risks and metrics between Newton as an operating business and Newton as a steward of client money.
- Carrying out a review of the exposures our largest investment strategies have to different climate metrics.
- Developing the climate content of our risk register both relating to our business strategy and to our client portfolios.
- Designing a narrative scenario approach which is hoped to be more decision-useful for both the business as a whole and individual portfolio managers.
- Enhancing our proprietary transition plan assessment tool, the Newton Net-Zero score (NNZ), which provides a quantitative insight into the progress companies are making to internalise commitments to transition in their business plans.
- Continuing to offer training to the board, the executives and individual portfolio managers on aspects of climate change, Newton's commitments and the progress being made.

¹This target applies to Newton's financed emissions only. This applies to NIM and NIMNA. NIMJ is not currently in scope.

Section 4

Investment philosophy



Principle applied and explained in section 4

Investment approach

7 Stewardship, investment and ESG integration

Newton manages different investment strategies in a variety of mandates, the majority of which fall outside Newton’s sustainable investment framework.

Mandates outside the framework consider financial implications of environmental, social or governance factors (where material and to the extent relevant to the mandate)¹ as an input into the investment process. These are mandates where financially material considerations are integrated into the investment process, but where there are typically no restrictions around business activities or sectors, and where the investment objective is purely linked to financial returns rather than also seeking an ESG-related outcome.

Material ESG factors are considered in our investment approach across different asset classes,² as relevant. We have aligned ourselves with the BNY definition of responsible investment, including ESG integration, as the “incorporation and analysis of financial implications of ESG factors as an input into investment decisions”.³

We also manage assets using our sustainable investment process. For these mandates and products, in addition to having a general holistic awareness of the risks and opportunities associated with an array of factors, including ESG factors, there is an exclusionary element with restrictions on exposure to specific sectors and a positive selection of companies which operate within a defined ‘sustainability framework’. Some of these mandates seek to achieve an environmental or social outcome, in addition to financial return.

Some of our assets are managed in quantitatively driven strategies that invest in asset classes where ESG considerations are not applied. These sit outside our core or sustainable approach. Our approach to stewardship is applied, as appropriate, across all direct equity and corporate fixed-income holdings.



¹ For the avoidance of doubt, we do not currently view certain types of investments, including cash, cash equivalents, currency positions, particular types of foreign direct investment and other non-issuer specific instruments, as presenting ESG risks or opportunities, and believe it is not practicable to take account of ESG considerations for certain other investments such as index-based exchange-traded funds (ETFs), and certain quantitative-driven strategies. In addition, not all equity holdings across all Newton portfolios have had ESG assessments; for example, certain equity holdings in portfolios that are managed by NIMNA, and which were originated prior to the integration with NIM to create Newton, have not had ESG assessments as this was not part of the security assessment process in place at the time of initial investment.

² Ibid.

³ BNY Sustainability Report 2023 (<https://www.bny.com/content/dam/bnymellon/documents/pdf/2023-sustainability-report.pdf>)

Our ESG integration philosophy

We assess ESG considerations as a part of a mosaic of issues that we consider in order to fully understand the material risks and opportunities influencing the value of the securities and instruments in which we invest on behalf of our clients.

The consideration of ESG issues is part of our broader multidimensional approach to research, which entails our belief that a wide range of perspectives enables us to assess a security from multiple angles, leading to better informed investment decisions for our clients.

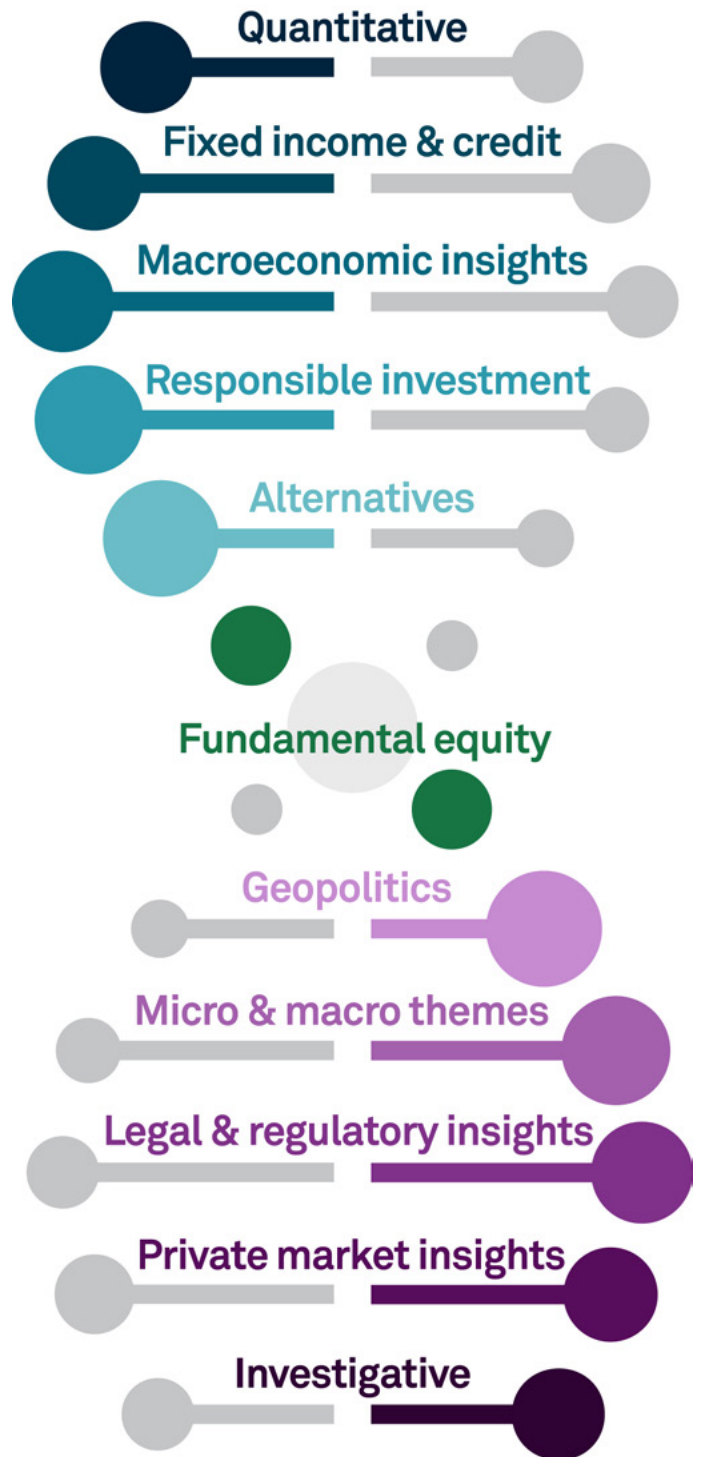
We wish to emphasise that for the purpose of this particular report we go into more detail with respect to the analysis of these particular issues but it is only one of many elements of the broader investment research process and considerations influencing the ultimate investment recommendation.

Responsible investment, as part of our multidimensional research framework, is designed to provide insights into material ESG risks or opportunities that may influence the financial performance of a security.

Our multidimensional research framework seeks to assimilate a full spectrum of potentially material factors, including less traditional areas such as ESG, investigative and geopolitical research, alongside fundamental analysis. The aim is to deliver attractive risk-adjusted returns to our clients, consistent with their mandates.

Investment teams are responsible for identifying and analysing material ESG risks and opportunities associated with the securities that they recommend in the context of their role of recommending securities.

“ Our multidimensional research framework seeks to assimilate a full spectrum of potentially material factors, including less traditional areas such as ESG, investigative and geopolitical research, alongside fundamental analysis. ”



ESG analysis in equities

ESG analysis, notably material ESG factors, forms part of the investment due diligence, prior to the recommendation of most investment cases. Exceptions may arise in certain cases such as where there is limited ESG information publicly available or for time-sensitive trades.

The responsible investment team continues to work closely with the investment team to ensure that this process becomes more robust over time and to ensure that the analysts and portfolio managers are able to 'connect the dots' between the different data points.

Additionally, the investment team is also consulted, as appropriate, as part of the voting decision-making process. Our active approach to voting means that our voting decisions reflect our investment rationale and take into consideration relevant engagement activity and the company's approach to pertinent codes, market practices and regulations.



What our analysts say about ESG integration at Newton

Brock Campbell Head of equity research	Maria Toneva Deputy head of equity research	Mike Holton Fundamental equity research analyst, head of interest-rate sensitive/stable pod
How does responsible investment fit within Newton's multidimensional research?	How do you think about ESG topics being material to companies in your universe, and how does the responsible investment team help you with having a differentiated view on these topics relative to the market?	How have you worked with the responsible investment team to consider governance risks for key holdings and how do these factor into your investment decisions?
<p>Newton's multidimensional research capabilities provide our investment teams with a wide range of perspectives to help them make informed investment decisions. These perspectives include those from our responsible investment team, our private markets team, and our investigative research team, to name a few, so that our portfolio managers can take a holistic view while constructing an investment case. Responsible investment topics are a regular component of our investment client round tables and internal investment discussions, such as those on the Chevron deference, implications of the US election, and increasing consumer interest in health. Integrating ESG analysis is not only about identifying and trying to quantify risks that could potentially lead to earnings volatility; often ESG research helps our analysts identify companies with strong sustainability practices, or efficient resource management, among other characteristics, that can outperform over the long term.</p>	<p>ESG factors can be highly material to consumer companies since they can directly affect brand perception, consumer preferences, regulatory risk and, consequently, financial performance. For example, we have seen that a company's approach to issues such as plastic packaging, ethical sourcing and healthy ingredients can significantly affect brand loyalty and market share, as consumers increasingly favour brands that align with their personal values. Furthermore, we have seen increasing regulations around labour relations and environmental practices over the years. As a consumer analyst, I work with the responsible investment team to ascertain potential regulatory and compliance risks that could affect our investments. The responsible investment team helps me visualise the potential implications. Together we engage with management teams to assess credible ESG commitments which very often go beyond public disclosures. In summary, the responsible investment team plays a critical role in helping analysts develop deeper and more forward-looking ESG insights that may not yet be fully priced by the market.</p>	<p>Over my 25+ year career, I have always focused on and valued corporate governance analysis. The responsible investment team gives me the ability not only to identify corporate governance issues, but also to effectively engage with company management teams and boards. We have been able to talk to some companies on a one-off basis to discuss an issue, and we engage with others on a consistent basis (once or twice every year). Understanding what management teams and boards are thinking and trying to achieve with governance policies is a critical element of assessing overall company culture and quality. The better we get to know a company through consistent and ongoing engagements, the better we are in evaluating the stock.</p>

ESG analysis in fixed income

ESG factors are an important consideration when investing in fixed income, particularly as these securities have an asymmetric return profile. Investors in this asset class do not share the same upside potential as equity investors but face the same downside risk should a company default or a security be rerated. ESG factors can affect the ability of companies and governments to fulfil the obligation to pay the coupon and principal to which investors are entitled.

Our fixed-income team is responsible for assessing how bond issuers identify and manage their ESG risks and disclosures.

Credit investments are monitored in regular and ad-hoc meetings between our fixed-income and responsible investment teams. Ongoing credit analysis incorporates ESG considerations when assessing the quarterly reports and daily news flow on our portfolio companies and sectors, and the teams assess these companies' ESG disclosures, as well as how they identify and manage their ESG risks.

We may undertake dialogue with the boards or management of these companies. In line with our voting policy, we exercise votes at formal bondholder meetings.

For sovereign bonds, Newton takes a long-term view of sovereign sustainability, which focuses on the effectiveness of government bodies and subsequent outcomes of regulations and policies and the enactment of these, rather than short-term political noise. We believe the sustainability of a sovereign bond relates to a number of factors, when viewed through the pillars of capital (natural, human, economic, institutional).

We therefore seek to gain a holistic view of a country, taking into account a country's performance on a range of factors, such as those that pertain to: a country's emissions, natural resources and ecosystems; education, skills, health, and overall well-being of its population; political stability; voice and accountability; regulatory quality; and rule of law and control of corruption.

Data sources used include external providers, where we are cognisant of several limitations, not least quality issues and time lag in the information, and sources such as the World Bank, Transparency International's Corruption Perception Index, and Yale University's Environmental Performance Index.

We use the information we obtain from these sources as inputs into our in-house research, where a range of ESG factors is assessed and an aggregate view of the issuer is determined.

We have developed internally a sovereign sustainability framework, which we use to aggregate our analysis into two sustainability indicators: a quality score and a momentum score. Using the quality and momentum scores, issuers are assigned a rating according to the issuer's current positioning and the issuer, along with the rating, is placed on our sustainable sovereign matrix.

This analysis can be used to inform the investment case for or against our sovereign fixed-income holdings across our core and sustainable product ranges. The matrix is updated quarterly by our responsible investment and fixed-income teams.

We make intra-quarter changes on an ad-hoc basis if new information comes to light.

Examples of ESG integration

Stock-specific research

The responsible investment team has been engaged through its role in providing consultative support to investors. This could be either before the recommendation or once the stock is already held.

Governance risk insufficiently compensated

Calavo

ESG factor

Governance: Internal controls, risk management, audit and tax

- **Context:** An analyst reached out as there were enough initial risk indicators to suggest this needed deeper work. The company has exposure to a complicated supply chain in Mexico and was facing regulatory action around accusations of foreign bribery.
- **Action:** Detailed analysis was conducted on the risk profile, focusing on the governance of the company, and its social implications through the supply chain and local operations.
- **Investment implications:** Liquidity was judged not to be sufficient to compensate for higher levels of conduct and operational risks than initially anticipated.
- **Outcomes:** The stock was not recommended.



Environmental and social risks need strong governance

3M

ESG factors

Environmental: Natural resource impact through operations and products/services

Social: Product safety and quality

Governance: Board leadership, quality, skills and experiences

- **Context:** The company had a high level of financial risk related to environmental concerns stemming from the production of perfluoroalkyl and polyfluoroalkyl substances (PFAS). It has settled two large lawsuits and is party to several remaining significant lawsuits. Based on analysis of the remaining lawsuits, the analyst felt the risks were more than fully priced into the stock.
- **Action:** The responsible investment team further researched the legal cases, ability to provision for settlements, and strategic changes planned to remediate and avoid further issues.
- **Investment implications:** Since significant PFAS concerns began to surface in 2018, there have been nine departures and seven new additions to the board. Viewed another way, only five of the current 12 board members have continued serving through this period. We view this level of turnover favourably and as a sign that the company has been serious about addressing potential governance concerns or potential lack of oversight that may have enabled past issues.
- **Outcomes:** The fundamental analyst went on to recommend the stock following the supportive ESG analysis.

Investment insights

The responsible investment team has provided insights that are material to investments, based on our knowledge of and engagement with the industry, often linked to news flow, regulations or shifting market practices.

Support for carbon credits in emissions reduction

Drax

ESG factor

Environmental: Climate transition risk and net-zero strategy

- **Context:** The Science Based Targets Initiative (SBTi) had a material change of stance allowing the usage of carbon credits to offset companies' scope 3 emissions.
- **Action:** We have produced several research pieces on the carbon offset market and its implications and continue to monitor this and highlight developments to investors where we consider there to be material ramifications.
- **Investment implications:** The latest update was identified as positive for Drax, initially by the responsible investment team. The conclusion, through working with the fundamental analyst, was that this was not a material change for the investment case but incrementally positive. This is because it would be likely to see high demand for bioenergy with carbon capture and storage credits as companies can purchase these to meet internal emissions targets credibly.
- **Outcomes:** Drax saw some share-price appreciation shortly thereafter. It continues to be held in several portfolios.



Sustainable/thematic research

The responsible investment team has identified a sustainability theme into which we have conducted further research, and partnered with our investors to identify securities which are exposed to investment opportunities connected to this theme. In both cases here, these resulted in names being purchased for some of our core and sustainable strategies.

Grid opportunities

Power Grid, Prysmian

ESG factor

Environmental: Climate transition risk and net-zero strategy

- **Context:** The grid was identified as a key constraint to electrification and decarbonisation across numerous regional markets. Demand for electricity has increased, necessitating grid expansion, and investments have not kept pace. Our research highlighted that by 2030, global investments in the grid each year need to double to \$600bn to meet renewable-energy generation targets.
- **Action:** We identified electric grids as a thematic research opportunity with the intent to understand where opportunities exist to provide energy solutions which could represent attractive investment areas. Our research indicates that cable and transformer producers are likely to represent areas of opportunity from an investment perspective.
- **Investment implications:** Based on our research, we identified some names that we considered to be attractive investment opportunities. An example is Power Grid, which is India's largest transmission company. The investment thesis is that Power Grid is well positioned to benefit from additional infrastructure buildout following significant additional spending commitments by the government. Another example is Prysmian, which is an Italian company with exposure to this theme through high-voltage cables and a strong moat, and which we believed was trading at a reasonable valuation.
- **Outcomes:** Both securities have been purchased for some of our portfolios. Prysmian is held in both core and sustainable strategies.

Liquid cooling

nVent

ESG factor

Environmental: Natural resource impact through operation

- **Context:** Water scarcity presents a risk to the tech industry, especially semiconductor manufacturing and data centres, which are dependent on water within operations. With the growth of digitalisation and AI adoption, we expect that the risk from water scarcity will amplify further. Moreover, for technical and financial reasons, data centres tend to be highly concentrated in water-stressed areas.
- **Action:** We conducted further research to understand the financial risks presented to companies, which we consider to be less material over the short term. We also looked into possible alternatives with which data centres can minimise this risk. This research led us to identify liquid cooling as a potential alternative to traditional air cooling.
- **Investment implications:** As data centres for AI applications are increasingly dense, our research indicates that liquid cooling is more efficient, requires less water and has additional sustainability benefits compared to traditional air cooling. Therefore, companies offering this solution are attractive to us in this space.
- **Outcomes:** nVent is held in some core and sustainable portfolios. It is a global provider of electrical connection and protection solutions. It provides energy-efficiency solutions for its customers through liquid cooling, optimised design software, efficient electrical connections and smart controls. Liquid cooling is a smaller but rapidly growing area for the business.



Sustainable investment framework

We consider sustainable investment to be about investing with a clear intent to deliver environmental and/or social outcomes alongside generating a financial return. The products that follow our sustainable investment framework seek to balance financial, social and environmental outcomes to support long-term shareholder returns.

We are conscious that every investment choice brings its unique set of tensions between risk, return and sustainability considerations, which is why we prioritise seeking a balance across all these areas while ensuring any harm resulting from an investment is reviewed and monitored. Strategies with sustainability characteristics are subject to our sustainable investment framework, which is owned by our responsible investment team.

We have evolved the sustainability criteria applied to our strategies with sustainable characteristics as our thinking has developed, and as client and regulator expectations and requirements have evolved. Our sustainable investment framework is focused on two main components:

- definitions around what is incompatible with a sustainable universe – the exclusions, or what we call the 'sustainable investment restrictions' that ensure we do not invest in stocks that violate these restrictions; and
- definitions around what constitutes a sustainable investment by identifying high-quality companies that either contribute to or align with our proprietary sustainable investment themes. Each security which is eligible under the Newton sustainable investment framework undergoes a sustainability review. The review determines whether the investment contributes towards one or more of the Newton sustainable investment themes (sustainable contributors) or demonstrates strong environmental and/or social practices that align with one or more of the Newton sustainable investment themes (sustainable aligners).

Newton corporate sustainable investment classification



The determination of whether a security meets Newton's sustainability criteria is carried out by the portfolio managers of the relevant strategies. Equity portion of strategies only. Please note that Newton's sustainable framework does not currently include the review or analysis of derivatives.

For our sovereign fixed-income holdings in sustainable portfolios, the portfolio managers refer to the sustainable sovereign matrix for issuer ratings. These ratings are based on reliable quantitative metrics sourced from credible international organisations used as inputs into making an assessment that is further overlaid with a qualitative determination as to the eligibility of the issuer, taking into account potential issues or gaps with external data. We see this qualitative determination as a critical step, as data inputs often do not keep pace with market developments, and it is vital to 'sense check' when determining a security's eligibility. All sovereign debt positions are evaluated prior to purchase for eligibility against this framework.

Each strategy with sustainability characteristics has a dedicated responsible investment team advisor who will collaborate with the portfolio manager in different ways, including bringing in specialist input, providing proactive research support on sustainability topics and providing guidance on interpreting the sustainable investment framework.

The portfolio manager will make the final decision on whether to invest and will be accountable for the sustainability considerations achieved, in consensus with the responsible investment team advisor.

Where there is disagreement on the classification or an investment's connection to the sustainability characteristics, and to mitigate the risk of the sustainable investment framework being misunderstood or applied inconsistently, there is a clearly defined escalation process that is followed. The ultimate decision resides with Newton's Chief Investment Officers and the Global Head of Sustainable Investment and is reported into the Investment Oversight Committee. Analyses and rationales are documented in our internally developed system, called the RI app.

In 2024, there were no issues escalated from a lack of consensus between the portfolio manager and the responsible investment advisors. Several cases did result in debates at the SIF covering a variety of topics including, but not limited to:

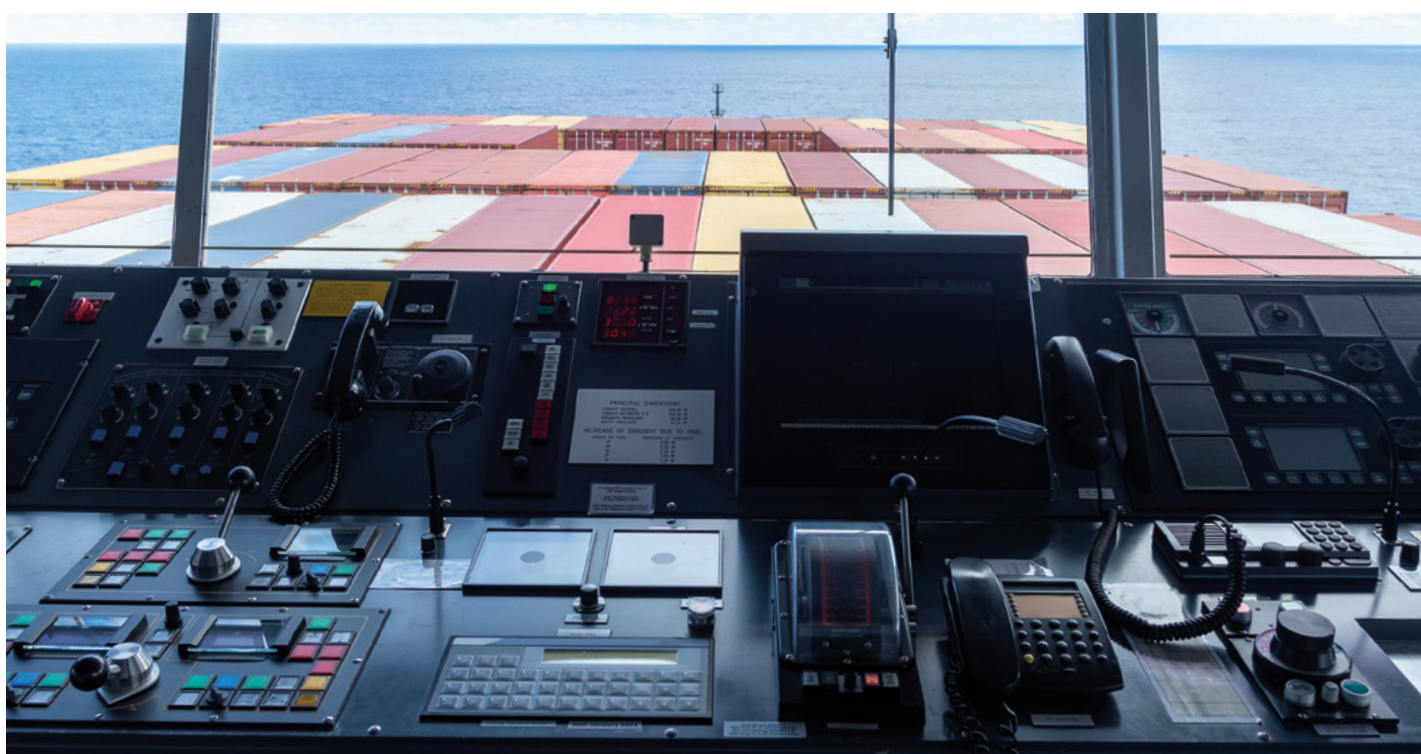
- alignment of holdings with the sustainable investment framework and mandate objectives;
- the ability of companies to sufficiently meet sustainability expectations under their proposed classification; and
- governance aspects of our investments that affect sustainable holdings.

We monitor the efficacy of this governance framework on an ongoing basis and expect it to evolve along with our product proposition.

As at 31 December 2024, Newton managed £3.8 billion in strategies with sustainability characteristics.¹

¹ Strategies with sustainability characteristics are defined as those that follow Newton's proprietary sustainable investment framework. UK-domiciled funds that follow these strategies do not currently have sustainability labels under the UK Sustainability Disclosure Requirements (SDR).

“ We are conscious that every investment choice brings its unique set of tensions between risk, return and sustainability considerations, which is why we prioritise seeking a balance across all these areas while ensuring any harm resulting from an investment is reviewed and monitored. ”



What our sustainability portfolio managers say about our sustainability approach

Julianne McHugh – Head of sustainable equities

How do you incorporate sustainability considerations into the investment process?

I seek investment candidates that promote sustainability objectives either in their product offerings or through how well they run their operations, and believe that in doing so these companies can generate more resilient growth. We view companies through a broad lens, whether looking at the health of the business or assessing their sustainability characteristics and aspirations. I believe companies that generate revenues that contribute to solving environmental or social issues can benefit from secular growth opportunities. I also do not think that sustainability is unidimensional, and well-run businesses are worthy of being considered sustainable. For example, those that lead their peers through their human capital development practices, their resource responsibility, or their work to reduce their impact on climate change, often build businesses that are less volatile to regulatory and labour fluctuations.

An example of a security held in a portfolio that I manage

Ingersoll Rand



Context

Ingersoll Rand is the leading player in the market for industrial pumps and compressors. This is a key piece of machinery used across a wide range of industries. Driving efficiencies in this area is an enabler for other industrial companies to achieve their own net-zero commitments, meaning it will have a direct long-term positive impact on the environment at scale. The company anticipates that these environmentally friendly products will contribute over 25% of its total revenue by 2030. It also demonstrates strong commitments to support employees' rights and safety, and progress on its inclusion goals. With its strong relationships and open communication, it drives positive change throughout the value chain, by prioritising ethical business practices and responsible sourcing practices along with minimising environmental impact.

Investment case

In my view, the company's mission-critical compressor products that improve energy efficiency should generate better-than-expected earnings that can be sustained for the medium term. I believe energy efficiency is a secular requirement that will drive steady growth as its attractive return profile means it is less likely to be cut in inflationary times, and its growth can accelerate to power rising needs from data centres. In addition, the compression market remains highly fragmented globally and there are clear opportunities to scale regional brands using the company's global footprint to significantly improve operations. The company offers high sustainable returns on capital invested (ROICs) and has been exiting lower-growth businesses. Management has demonstrated the ability to deploy capital at scale in attractive deals.

Nick Pope – Portfolio manager, Real Return (Responsible) strategy

How do you incorporate sustainability considerations into the investment process?

The holy grail for a sustainable portfolio manager is to find a stock delivering high levels of financial returns through the growth in delivery of highly impactful products and services. The reality is that the vast proportion of economic activity going on in the world relates to the adoption of sustainability solutions rather than innovation in this area. This includes some of the very best businesses that exist; for example, a data centre business choosing to use renewable energy and the most energy-efficient hardware is adopting the solutions of others to be the most sustainable version of the business it can be. Nevertheless, this choice will still result in huge real-world impacts. The sustainable investment opportunities I look for are therefore not just in sustainable solutions but also in businesses taking action within their internal organisation.

An example of a security held in a portfolio that I manage

Halma



Context

Halma focuses on acquiring and growing companies in safety, environmental and health-care markets that are addressing real-world problems by enabling their customers to provide safer environments, protect life-critical resources, and deliver better health care.

Investment case

The company pursues opportunities through investment in its products, services and people to drive organic growth, and by expanding into adjacent markets through acquisitions. We believe the company is capable of achieving its stated aim to exceed an average of 10% growth per annum over the long term.

Portfolio manager, Global Emerging Markets (Responsible) strategy

How do you incorporate sustainability considerations into the investment process?

We look to incorporate sustainability considerations into our investment process by looking to address three key questions: 1) materiality – what is the context of the investment and the unmet need being solved for by the company's products and services; 2) additionality – are the company's products/services operating at a higher quality and/or a lower cost which allows for progress to be made; and 3) what are the key measures that we can track for the company in order to continually assess the impact that it is having.

Alongside this, we look at how investment in the company's products/services will create impact alongside financial returns by demonstrating aspects such as scale/reach/technological advantages that create a hard-to-replicate business model, and ensure that they continue delivering impact over a longer period of time.

An example of a security held in a portfolio that I manage

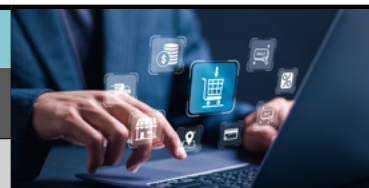
MercadoLibre

Context

In Latin America, small-to-medium-sized enterprises (SMEs) are a primary source of job creation, accounting for 60% of employment, yet these firms only represent 20% of GDP, due to constraints such as access to finance. MercadoLibre enables more than 574,000 SMEs to trade through its marketplace and over one million families have their main source of income via the platform. The company's scale and reach allows for network effects to play out in full and massively expands the addressable market that SMES would otherwise have been unable to reach. On top of this, MercadoPago, its financial technology arm, provides loans to SMEs based on their income from the platform, driving financial inclusion.

Investment case

Our investment thesis is based on rising e-commerce penetration (currently at 10% in Latin America vs 20%+ in developed markets) and increasing penetration of the 'unbanked' Latin American market, where financial technology continues to disrupt and take market share. Given that MercadoLibre is the top e-commerce player in Brazil, Mexico and Argentina with the widest product assortment and logistics network, it is well placed to benefit from the secular trends. We also look to track loans granted to entrepreneurs and SMEs, credit to SMEs, and unique investment product users, to ensure that MercadoLibre continues to deliver impact.



Scott Freedman – Portfolio manager, Global Dynamic Bond (Responsible) strategy

How do you incorporate sustainability considerations into the investment process?

We have a large opportunity set across both sovereign and corporate bonds, developed and emerging markets and private and public companies. Our credit analysts and sovereign specialists have a number of years of experience selecting investment ideas appropriate for our sustainable portfolios, with a focus on environmental and social outcomes. We use dedicated and separate sustainability frameworks for sovereign and corporate bonds, recognising the differences between asset classes. The process can include a combination of assessing issuer sustainability strategies, product and service impact, disclosures, as well as focused engagement. We work closely with our responsible investment colleagues, including the stewardship team. We have a dedicated advisor, and have frequent formal and informal meetings both to cover day-to-day tasks and assessments and to discuss the continued evolution of our sustainable investment framework.

An example of a security held in a portfolio that I manage

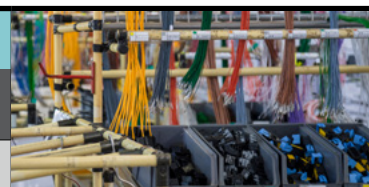
Prysmian

Context

Prysmian is a world-leading provider of cable solutions that support the energy transition process and upgrade of transmission grids. With the expected industry growth, the demand for high-voltage transmission cables is anticipated to exceed supply. As the market leader, Prysmian is well positioned to take advantage due to its technological competence and strong execution track record.

Investment case

Prysmian's strategic positioning in the energy transition market, combined with its technical capabilities, competitive moat and market leadership, make it an attractive investment opportunity for sustainable strategies. Its margin profile, cash-generation potential and focus on its balance-sheet leverage support the credit story.



Jon Bell – Portfolio manager, Global Equity Income (Responsible) strategy

How do you incorporate sustainability considerations into the investment process?

The Global Equity Income (Responsible) strategy invests in companies which offer both a premium level of income and strong sustainable characteristics. The strategy follows a strict buy and sell yield-based discipline, and accordingly the starting point in seeking to identify candidates for inclusion in the portfolio is a yield-based screen. We next assess the durability of the dividend stream, to avoid the situation where we become forced sellers of a stock on a dividend cut. The analysis of the dividend durability incorporates thematic considerations, such as whether the business is on the right or the wrong side of the key structural changes affecting markets and economies, and fundamental analysis of both the financial and ESG characteristics of the business. At this point we also assess the sustainability credentials of the business, a collaborative process between the portfolio manager and the strategy’s responsible investment advisor which examines the company’s contribution to, or alignment with, our sustainable themes through its products and services, as well its environmental and social initiatives. Once invested, we continue to monitor the sustainability aspect of our investment case through active dialogue with the company. Where appropriate, we engage to encourage change, particularly for those businesses that we have identified as being in transition (companies with problematic environmental or social impacts, but which are demonstrating positive change) within our sustainable framework.

An example of a security held in a portfolio that I manage

Veolia Environnement



Context

Veolia is a diversified utility with three main business lines: waste, water and energy management solutions. Its waste business provides recycling and disposal solutions, helping both to reduce waste and to ensure that non-recyclable waste is disposed of responsibly. In addition, it is increasingly capturing the methane emitted at its waste facilities and using it to generate power. Its water business also provides important solutions, cleaning sewage wastewater and providing clean drinking water to municipalities around the world. However, within its energy management business, a significant proportion of its revenue comes from electricity generated by coal-fired power stations in Europe and China, and as a result it is the heaviest carbon emitter in the portfolio, responsible for 31% of overall emissions.

Investment case

The company’s commitment to transition its European power stations to biomass by 2030 is a key part of our sustainable investment case. We have therefore had regular dialogue with the company to ensure that the transition remains on course and to push for a solution to its Chinese exposure. What we would like to avoid is for the company to take the easy route to improving its emissions profile by simply selling its European and Chinese coal-fired power stations. Over the year, we reclassified the stock from ‘balance stakeholder’ to ‘solution provider’ given that 73% of its revenues contribute to our sustainable theme of ‘resource protection’ through its waste and water businesses, and owing to our increased confidence that the transition within its energy business is on track.

Nick Pope – Portfolio manager, Global Equity (Responsible) strategy

How do you incorporate sustainability considerations into the investment process?

In the Global Equity (Responsible) strategy we look for three elements to the ideal stock: it benefits from or aligns to a sustainable theme which represents an investment opportunity; it has strong elements of financial resilience and quality; and it is a name where our multidimensional research has a differentiated view on the investment case. We have defined sustainable investment themes within our sustainable investment framework and we look to invest in companies that benefit from and contribute to these. Specifically, we look for alignment of the company’s revenue or internal practices to these themes. In this way, we can invest in companies that contribute to sustainability and benefit from the secular trends within sustainability that provide long-term structural support to our investment cases.

An example of a security held in a portfolio that I manage

Hubbell



Context

Hubbell manufactures electrical components for electricity grids and substations in the US. Its largest end market is US utilities, where we expect an upward inflection in capital expenditure to reflect the significant need for investment to upgrade grid infrastructure, which would then facilitate the interconnection of renewable energy into the grid. Hubbell provides critical components for this investment theme and generates revenues aligned to our ‘efficient distribution’ theme.

Investment case

The need for better electricity infrastructure through increased investment is a long-term tailwind to companies that provide components into the electricity ecosystem. The emergence of AI brings with it significant energy requirements for data centres. This has added urgency to this power and grid investment theme. During 2024 we bought shares in Hubbell which provides products into this upcoming demand, as we felt that the market was underestimating the level of future demand. Through its revenues and earnings Hubbell is directly benefitting and contributing to this theme of more efficient distribution.

Section 5

Our approach to stewardship

Principles applied and explained in section 5

Purpose and governance

- 3 Conflicts of interest
- 4 Promoting well-functioning markets
- 5 Review and assurance

Investment approach

- 6 Client and beneficiary needs
- 7 Stewardship, investment and ESG integration

Engagement

- 9 Engagement
- 10 Collaboration
- 11 Escalation

Exercising rights and responsibilities

- 12 Exercising rights and responsibilities

As an active investor, Newton takes on a stewardship role for the capital entrusted to us by our clients. Drawing from the FRC’s guidance, we define stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries.

Through our stewardship activities we seek to deliver on the mandate our clients have given us to protect and enhance the value of their assets over a given period. Newton’s stewardship approach is focused on prioritising outcomes. We use three main stewardship tools to help us: engagement with issuers, voting at shareholder meetings, and advocacy within the wider marketplace.

Our stewardship activities are applied to equities and fixed income (both corporate and sovereign bonds). Derivatives and cash instruments are not included in our stewardship approach.

Central to our proposition is engagement with issuers, which we define as the purposeful dialogue we can have with issuers through which we seek to reduce risk or unlock value in an investment for our clients. We see this as a key stewardship tool for investment managers to influence issuers for two reasons: (i) as issuers do not speak to each and every one of their investors, our voice becomes one of few in setting our engagement objectives; and (ii) genuine strategic change is often best achieved by partnering with issuers to focus on future plans rather than by voting on past actions. Our engagement efforts are supported by our voting and advocacy activities.

“ Newton’s stewardship approach is focused on prioritising outcomes. ”

Engagement

As part of the investment life cycle, our investment teams have regular dialogue with issuers, allowing them to better understand how material risks and opportunities to the business are being managed. Should there be a concern over certain aspects, the stewardship and investment teams partner for engagement. In this way, our engagements are led or sponsored by the investment team, as those making the capital-allocation decisions are best placed to drive successful engagement outcomes. Engagements may be conducted by the investment team alone, while at other times the stewardship team leads our efforts, depending on the issue.

We categorise our engagement objectives in three ways:

<p>STRATEGIC</p>	<ul style="list-style-type: none"> • Focus on the issues which may affect the investment case. • These could be more acute, like fraud allegations or other failures that have eroded value. Or these could be more subtle, like business decisions that we as investors believe will be positive, strategically, over time.
<p>THEMATIC</p>	<ul style="list-style-type: none"> • Seek to address management of issues that are financially material over a longer time horizon. • These may include plans to address negative factors which we believe will affect the businesses over the long term. Often these are environmental in nature, where policy and regulations are continually pushing for the costs to be internalised by companies.
<p>ROUTINE</p>	<ul style="list-style-type: none"> • Pursue smaller or more near-term achievable progress by issuers to move them in line with peers. • These could be improvements around executive pay practices or improvements around disclosures.

The stewardship team provides guidance on setting objectives for each engagement, including milestones where appropriate. Given our active investment style, through which we seek to identify well-run companies with management teams we believe can deliver on strategies we support, we expect a small number of our engagement objectives to be strategic.

For engagements which we expect to span several years, we may set out a roadmap to outline the incremental steps an issuer can take to demonstrate continued progress towards our end objective. Having clear timelines and being able to monitor for progress over time is critical as the change we seek may take years to materialise, and it is our responsibility to our clients to ensure the issuer remains on track.

We recognise that not all engagements will produce tangible results within the time frames that reflect the urgency of the issues we wish to see companies improving on. As different stages of engagement need different stewardship responses, the stewardship team routinely evaluates the probability of our engagement producing the desired result and whether we are advancing towards the objectives set.

Engagement is about quality, not quantity

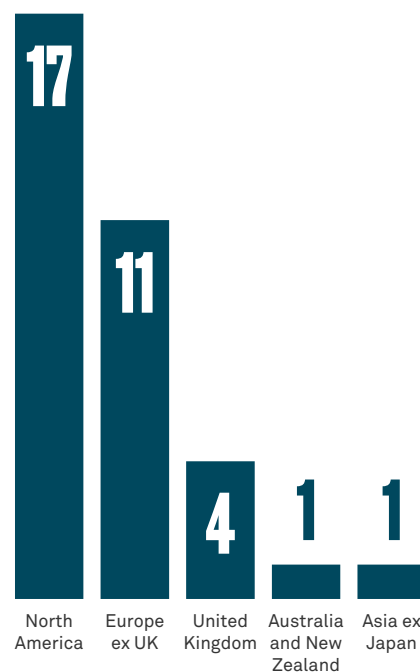
Our approach to engagement is outcomes-based. We seek to constructively challenge management and boards on financially material aspects where we believe it can result in improved outcomes for our clients.

We set clear objectives tailored to the specific action we think the issuer can take to address the matter of concern. The objective status is updated after each engagement or relevant company reporting event. Our objectives can be evaluated over a suitable time horizon and can be linked back to a relevant investment thesis.

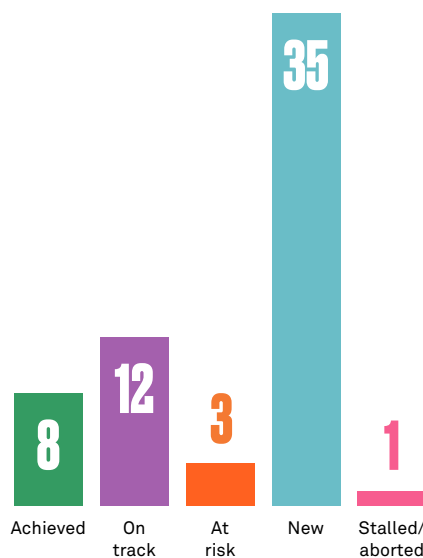
2024 engagement summary



2024 engagement summary by location



Progress on objectives in 2024



2024 engagement objectives by category



Breakdown of engagements by E, S and G and their sub-themes

24 environmental engagements

Natural resource impact through operations

1

Climate transition risk and net-zero strategy

23

4 social engagements

Supply chain risk management

1

Opportunities in/access to socially sustainable products or services

1

Human capital (safety, working conditions, employee engagement, diversity and inclusion)

2

31 governance engagements

Transparency and reporting

6

Strategy

3

Remuneration (compensation)

11

Minority shareholder treatment

5

Board independence, chair/CEO role separation

4

Board and leadership quality, skills and experience

2

Our use of escalation tools

These are common escalation routes available to investors.

Our use of these tools is carefully considered on a case-by-case basis and, should the issues be of a more serious nature, support would be needed from our executive management team and other relevant senior stakeholders, including our legal teams.

Elevating the dialogue to board level and/or to a collaborative effort

There are situations where engagement stalls due to the inability of the company representative to address our concerns decisively. In such cases, we may suggest taking the discussion to the board/executive level. In other cases, we may contact other like-minded shareholders or look for collaborative engagement initiatives as we find that these can be effective ways to raise concerns or to influence outcomes.

An illustration of this escalation technique can be found on [pages 49 and 55](#).

Escalating or communicating concerns via voting

Our voting, especially on director elections, is a powerful signal sent to investee companies and their boards. A few examples of escalation through voting, where we withheld support from directors' re-elections in order to hold them accountable for their oversight on a particular risk, can be found on [pages 66 and 67](#). We have published a 2024 voting season report with additional in-depth illustrations of our voting activities. This and our full voting record is available at:

newtonim.com/responsibleinvestment

Supporting a shareholder resolution

We consider all shareholder resolutions on a case-by-case basis and on their own merit. Perspectives from any relevant engagements will also be considered.

Typically, support for a shareholder resolution can be viewed as an intermediate escalation on our part. Although most shareholder resolutions are non-binding in nature, they can

materially change a company's practices towards disclosure and shareholder engagement.

Supporting resolutions that are aligned with our view on the topic raised, and where we believe outcomes will be additive to our investment case or benefit our clients in other ways, can be a good way of communicating our concerns on a specific topic to a company's management.

Our voting record on shareholder resolutions can be reviewed on [page 64](#).

Submitting a shareholder resolution

Submitting or co-filing a resolution alongside other shareholders is a more explicit escalation, and is reserved for severe cases of an engagement stalling or failing. It is typically the last escalation before divestment. This was not used in 2024.

Attending or asking a question at the shareholder meeting

Attending a shareholder meeting or posing a question at the shareholder meeting either individually or as part of a collective group of shareholders is a possible escalation technique, notably in those situations where access to a company's board/management is difficult. This was not used in 2024.

Private letters

Sending a private letter is an efficient escalation technique to signal formally to a company our interest in discussing an issue and what our objectives would be from the discussion.

In other cases, we may choose to send a letter to the company to reinforce our message where we do not consider the company's response sufficient.

An illustration of this escalation technique can be found on [page 18](#).



Public letters/ media communications

Sending letters publicly or communicating to the media are more elevated escalation techniques. This was not used in 2024.

Divestment/reduction of holdings/choosing another security

As an active manager, we typically do not make our investment decisions based on one factor alone. In some cases, where our engagements fail, and we believe the issue to be critical to the underlying investment case, we may take the decision to divest – the ultimate sanction for an active manager.

Some examples of divestment in 2024 included selling out of Mexican and Indonesian sovereign bonds after our sovereign sustainability framework brought to light a deterioration in material sustainability considerations. Given the low likelihood of being able to meaningfully engage to set objectives to be achieved within reasonable time frames, and the urgency of the issues, we did not opt to engage before divestment.

Engagement topics

Working in partnership with our investment teams and taking into consideration clients' evolving priorities, each year we jointly identify some topics that can potentially be relevant to investment analysis and our clients' investments over varying timescales. While some engagements on these topics may not come to pass, we have found we are able to be more effective by having a focused plan.

Ultimately, engagements are prioritised when the objectives we set are considered to be financially material over relevant time horizons.

Our engagement focus areas in 2024

Board and management accountability



Climate change



Natural resource impact



Human capital management



Engagement theme

GOVERNANCE:

Board composition and leadership quality

Board and leadership quality continued to be a focus area for us in 2024. We believe that a board is pivotal in steering a company’s strategic direction and overseeing operational execution; therefore, the mix of skills and experiences on the board and how the board is organised is of critical importance to us.

We launched new objectives with issuers where we considered there to be a potential to reduce risk or unlock value through improving board structure and/or composition, and continued our engagement with issuers where similar objectives were already underway.



Examples of engagement

Amazon

Objective status

ON TRACK

Engagement objective(s)

Appoint a director with experience in human capital to the board and as workforce representative (should be non-executive) and report on how the board oversees human capital-related issues and related strategy.

Investment relevance

Appointing a director with human capital management (HCM) experience may be more effective in the long run and ensure these issues are given the attention and consideration that they deserve at the highest levels of the company. Furthermore, by requiring the board to report on how it approaches and oversees HCM issues, shareholders can hold the board accountable in a more effective manner.

Progress to date

This objective was launched in 2023. We meet the company annually to discuss this and other objectives. In our last meeting, the company was able to bolster our confidence that there is some relevant HCM experience on the board. However, we failed to gain clarity on what the company’s strategic human capital priorities are, what the board’s position is on the company’s HCM strategy, what the risks/weaknesses are, how efforts on transparency relate to these, and what are the key metrics to be tracked.

While we see that there is a general positive direction of travel, we would expect more momentum and articulation of a clear strategy.

Flywire Corp

Objective status

NEW

Engagement objective(s)

Declassify the board within the next two to three years.

Investment relevance

Declassifying the board enhances accountability, ensuring it is regularly evaluated and remains aligned with shareholder interests. This practice encourages better governance and adaptability to shareholders' expectations.

Progress to date

We launched this objective in September 2024. We will continue monitoring discussions and disclosures around board declassification to be aware of any change in tone around the topic.

Las Vegas Sands

Objective status

NEW

Engagement objective(s)

Appoint lead independent director.

Investment relevance

A robust lead independent director provides effective counterbalance to concentration when there is a combined chair/CEO and safeguards the board's ability to provide independent oversight.

Progress to date

We launched this objective in August 2024. This is our first engagement with the company on this objective. We believe there would be considerable deliberations required to bring about this change to the board structure and hence believe this will be a multi-year engagement. We will follow up periodically with the company and monitor its updates.

Paychex

Objective status

NEW

Engagement objective(s)

Refresh the lead independent director position.

Investment relevance

A robust non-tenured lead independent director provides effective counterbalance to concentration of power when there is a combined chair/CEO or a non-independent chair and safeguards the board's ability to provide independent oversight.

Progress to date

We launched this objective in July 2024. Given the deliberations required to refresh these positions and maintain proper balance, we believe this will be a multi-year engagement. We will follow up periodically with the company and monitor its updates.

Scor

Objective status

ON TRACK

Engagement objective(s)

Appoint director with underwriting experience.

Investment relevance

Having the right set of skills and experiences on the board is crucial to ensure robust debate and oversight leading to better decision making for the business.

Progress to date

This objective was launched in 2023 (the timeline on [page 54](#) details our engagement with the company on this and other objectives). We meet the company annually to discuss these objectives, and in our last meeting, the company shared that it is actively searching for someone with this experience, especially in light of recent and upcoming board changes.

We are comfortable with the company's approach, as it is taking a deliberate yet patient approach to getting the optimal mix of skills on the board.

Engagement theme

GOVERNANCE:

Remuneration (compensation)

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 the business's strategy and align executives' interests to those of the shareholders and the broader stakeholders over the long term.



Examples of engagement

Cisco

Objective status

ACHIEVED

Engagement objective(s)

Eliminate annual performance periods and implement three-year performance periods into long-term incentive plan (LTIP).

Investment relevance

Well-designed executive incentive plans support long-term value creation for shareholders. The transition to three-year performance periods for performance shares in Cisco's LTIP aligns pay with long-term performance, reducing risks of short-termism in executive compensation. Cisco has faced high dissent on pay at prior AGMs, so this shift in pay structure may bolster sentiment among shareholders. This shift also reflects executives' confidence in the business' long-term outlook, given the ability to stretch performance periods while retaining talent and motivation. This aligns pay with shareholder value creation over the long term.

Progress to date

Cisco indicated that it intends to extend performance periods to three years in its LTIP. This adjustment aligns with our recommendations and reflects a strategic shift from annual performance periods to longer-term performance metrics.

Our engagement objective is achieved. We will monitor pay programme disclosures and changes in subsequent AGMs and vote accordingly.

Flywire

Objective status

NEW

Engagement objective(s)

Align pay structure with long-term value creation for shareholders via the implementation of performance-based compensation in executives' long-term incentive package over the next two to three years.

Investment relevance

Implementing performance-based criteria such as total shareholder return in executive compensation aligns the interests of management with long-term shareholder value creation.

Progress to date

This is our first engagement with the company, so there are no definitive outcomes to report yet. We will continue monitoring discussions and disclosures around board declassification to be aware of any change in tone around the topic.

Paychex

Objective status

ACHIEVED

Engagement objective(s)

Introduce a three-year performance period in its LTIP.

Investment relevance

Well-designed incentives with robust performance metrics and adequate performance periods mitigate the risk of short-termism and misalignment between management and shareholders.

Progress to date

Our engagement objective is achieved. Paychex has increased the performance period for the performance shares in its LTIP from two years to three years. Furthermore, it has increased the proportion of performance shares in the LTIP from 50% to 60%. These changes will be effective from the 2025 financial year.

Twilio

Objective status

ACHIEVED

Engagement objective(s)

Align pay structure with long-term value creation for shareholders via a vesting period and performance period that is set to at least three years.

Investment relevance

Extending the vesting and performance periods aligns executive pay with the company's long-term goals, mitigating risks associated with short-term decision making and fostering sustainable growth.

Progress to date

This engagement is now achieved, as the company has successfully aligned pay structure with long-term value creation for shareholders via a performance period that is set to at least three years. We believe our engagement with the board and management, and the clear objective we set, contributed to this outcome.

We will monitor the implementation and impact of the new executive compensation structure.



Individual engagement examples

Kraft Heinz

Engagement focus area

S – Opportunities in/access to socially sustainable products or services

Objective status

NEW

Engagement objective(s)

Quantify the climate and financial opportunity presented by protein diversification and utilise this to inform target setting, supported by the board, to grow the share of nutritious plant-based and alternative proteins in its portfolio.

Investment relevance

As one of the world’s largest food manufacturers, Kraft Heinz has a key role to play with regards to opportunities related to increased exposure to plant-based food products within its portfolio, and how it considers the risks associated with conventional animal agriculture/ proteins which contribute significantly to climate change, biodiversity loss and public health challenges.

Progress to date

The engagement with Kraft Heinz has been productive. The company has demonstrated a clear understanding of the importance of protein diversification as a strategic opportunity for portfolio growth and its contribution to the company’s Science Based Targets initiative targets. Kraft has shown progress in its approach and has expressed receptiveness to continuing the dialogue. We will discuss next steps with the group and reassess our approach for continued monitoring and engagement.

Zomato

Engagement focus area

S – Human capital (safety, working conditions, employee engagement, diversity and inclusion)

Objective status

NEW

Engagement objective(s)

Disclose a cap on daily hours worked and more information on driver engagement and safety.

Investment relevance

Employee social welfare and labour practices are a key management metric to monitor given the company's business model. A disclosure of a cap on hours driven and metrics evaluated can provide investors with the ability to see how these are being managed over time, giving greater comfort on the company’s human capital management practices.

Progress to date

The company has implemented several initiatives to monitor drivers’ road behaviour and safety, and is working with the government and the International Labour Organization to shape the labour rights of Indian gig economy workers in the future. A hard cap on driver hours and consequent enforcement would send a clear signal that this risk is being managed by the company to the best of its ability. The message was received by the company. We will follow up on any new sustainability reporting and thinking around hard caps on driver hours.

Deutsche Post

Engagement focus area

S – Supply-chain risk management

E – Climate transition risk and net-zero strategy

Objective statuses

NEW & NEW

Engagement objective(s)

Disclose the number/percentage of major suppliers covered by external audit.

Publish roadmap for increase in sustainable aviation fuel (SAF) usage through to 2028.

Investment relevance

Regular audits are essential to ensure suppliers comply with labour, environmental and safety standards. Disclosure of the percentage of suppliers covered by external audit provides investors with added comfort on the strength of a company's supply-chain due-diligence process.

SAF is currently the only technology to decarbonise the aviation sector and thus a key component for the company's 2030 emission-reduction targets.

Progress to date

These were our first engagements with the company in relation to these objectives. In terms of disclosing the number of suppliers covered by external audit, the company acknowledged our feedback and highlighted that it would consider disclosing this figure.

In our view, confidence in the company's plan to increase usage of SAF is critical as SAF is currently the only technology that can decarbonise the aviation sector. The company acknowledged our request to improve disclosures on its SAF ramp-up, which will help investors assess emission-reduction progress. We will monitor the company's disclosures and updates and engage periodically.

Cemex

Engagement focus area

E – Climate transition risk and net-zero strategy

Objective statuses

ON TRACK & ON TRACK

Engagement objective(s)

Understand the firm's approach to 2025 emission-reduction targets.

Set an intermediate target for scaling down the use of petroleum coke (pet coke) and coal.

Investment relevance

The company's industry has a high emissions profile, including significant emissions from coal and pet coke. Setting clear targets and ambitions, along with providing details on how the company will transition away from higher-emitting fuel sources, can offer investors greater confidence in the resilience of the company's business model. There can be additional value in demonstrating leadership in managing transition risk and advancing green products.

Progress to date

The current price dynamics shed doubt on the likelihood that the company will set targets to scale down usage of pet coke and coal, while progress on renewable buildout, which is required to entirely replace pet coke and coal output, has been slower than hoped. While discouraging, we acknowledge the importance for a pragmatic transition, and we have asked the company to consider some alternative approaches. The company is hesitant to set more ambitious 2025 targets as it sees a risk that target setting becomes a race towards the most aggressive intermediate targets.

Many of our engagements are expected to span multiple years, and can also cover a range of objectives. In these cases, we may frame our objectives around the incremental steps an issuer can take to demonstrate continued progress towards our end objective.

Having clear timelines and being able to monitor progress over time is critical as the change we seek may take years to materialise, and it is our responsibility to our clients to ensure the issuer remains on track.

Greencoat UK Wind

Investment relevance for engagement objectives (current and/or recently concluded):

Align management's fees to share price

Linking the manager's fees to the share price (in addition to net asset value (NAV)) aligns them closely with shareholder interests and incentivises the manager to address the current share price discount to NAV.

Put management contract to tender

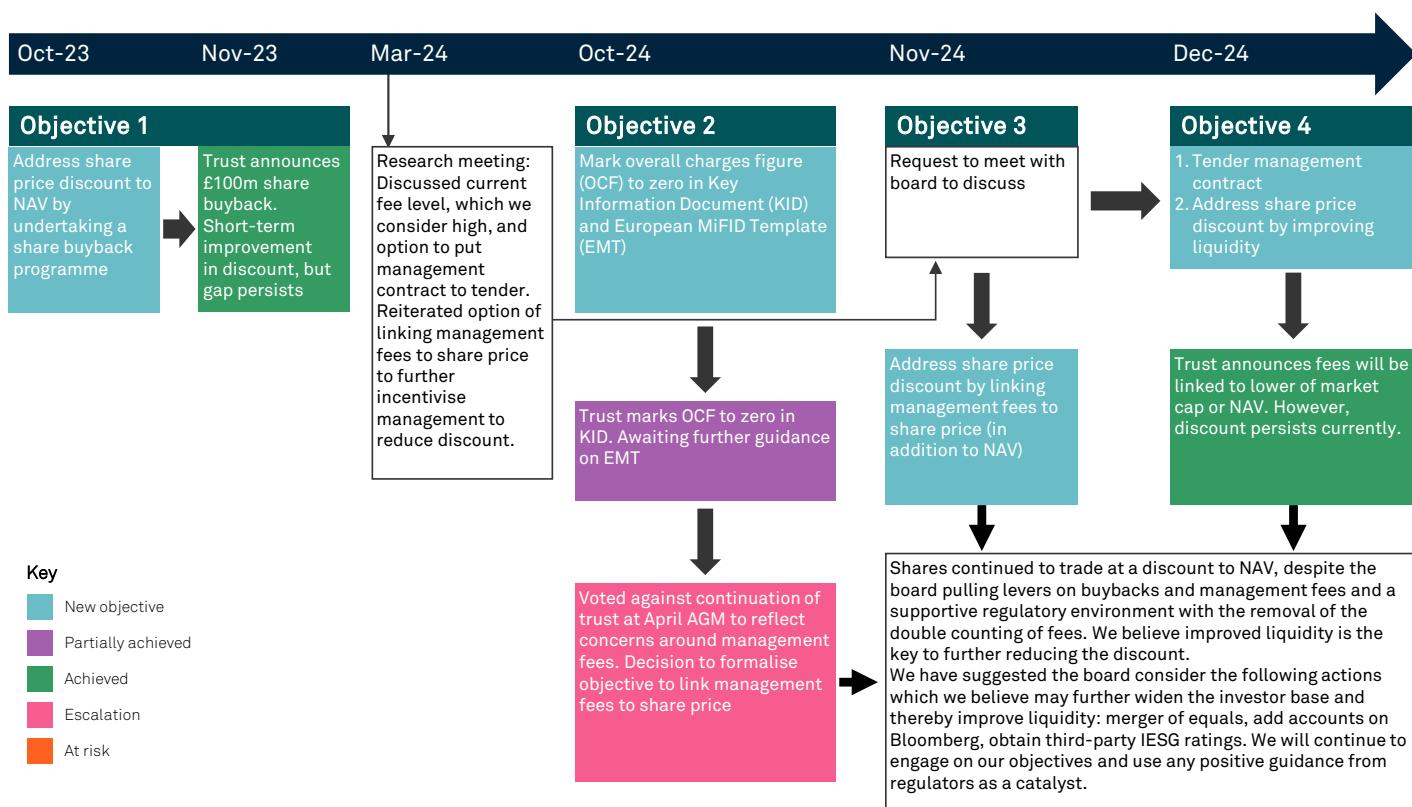
Putting the management contract to tender enhances transparency for shareholders as they can review whether the fees being paid to the manager remain competitive and ensure balance between management's deliverables and the fees being paid.

Address the share price discount to NAV by improving liquidity

Improving liquidity and broadening the investor base of a trust would incentivise more shareholders to acquire the shares of a trust and thereby reduce the discount between share price and NAV.

Mark the overall charges figure (OCF) to zero in the Key Information Document (KID) and the European MiFID Template (EMT)

'Zero' cost disclosures in key marketing documents will provide a more accurate representation of the true cost structure by preventing double counting of costs.



Goldman Sachs

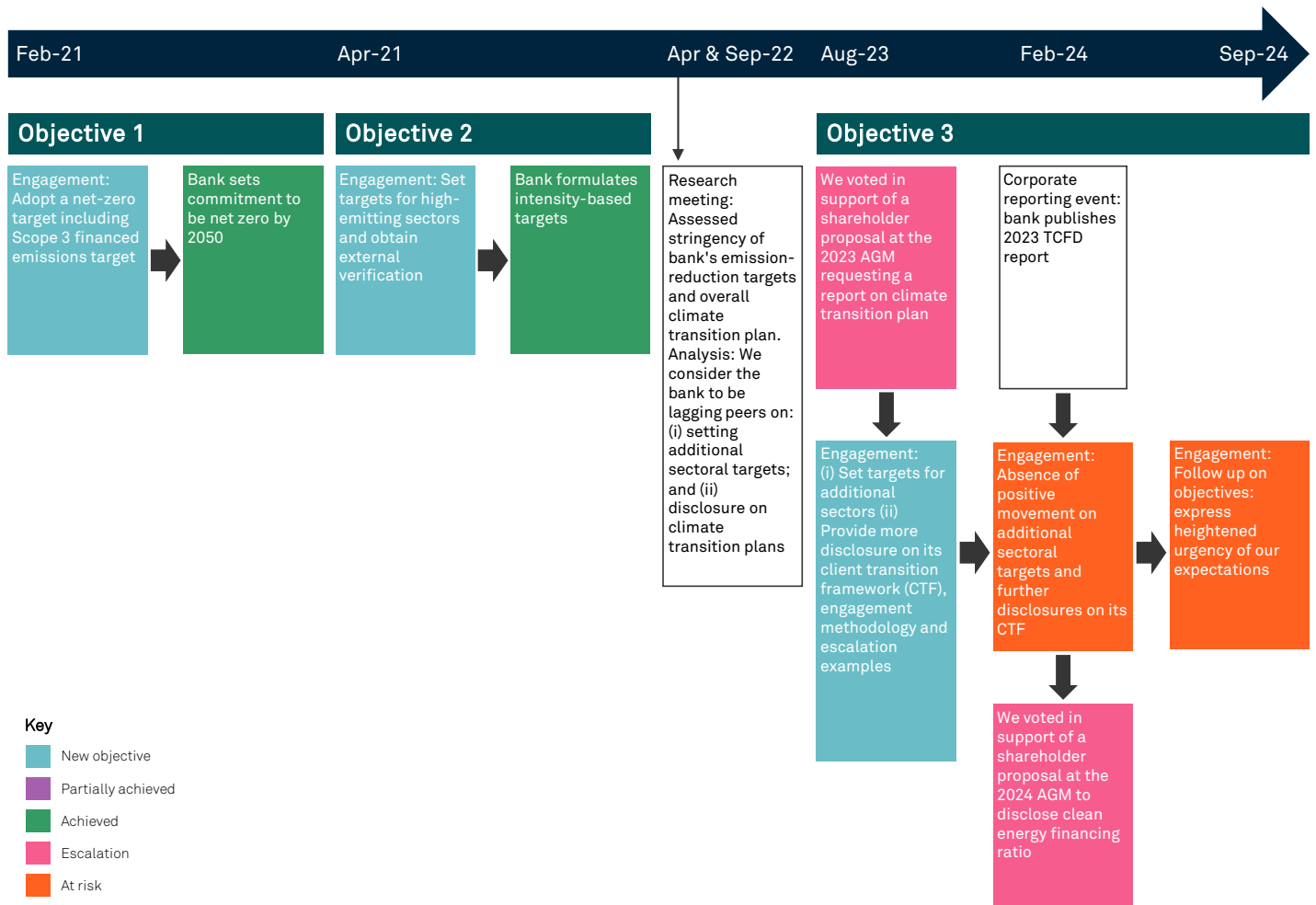
Investment relevance for engagement objectives (current and/or recently concluded):

Strengthen the bank's client transition framework

Greater transparency around how the bank works with its clients in high-emitting sectors can provide investors with more confidence in the bank's ability to safeguard its loan book and help its operating model remain resilient.

Set additional sectoral emission targets

By setting sector-specific targets for reducing emissions, banks can have a phased-approach to transition, support the move towards a low-carbon economy, and ensure long-term financial stability.



Scor

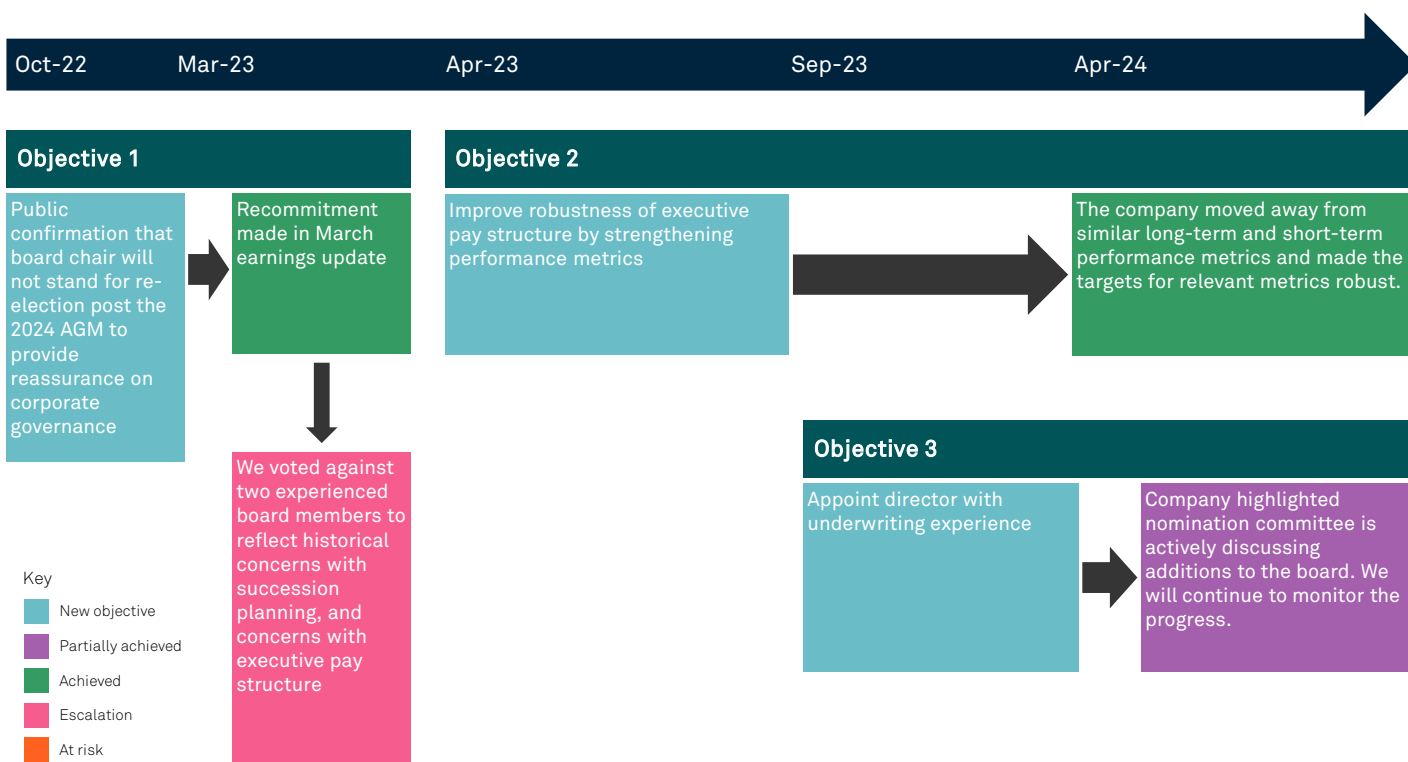
Investment relevance for engagement objectives (current and/or recently concluded):

Appoint director with underwriting experience

Having the right set of skills and experiences on the board is crucial to ensure robust debate and oversight leading to better decision-making for the business.

Improve robustness of executive pay structure

Scor has had a problematic remuneration structure. We have been engaging with the company to improve this by removing duplicative metrics and making targets more robust, thereby ensuring proper alignment with shareholders' interests.



Shell

Investment relevance for engagement objectives (current and/or recently concluded):

Objective 1:

Scope 3 is the largest source of emissions for the company (similar to other oil and gas producers). The absence of an absolute Scope 3 reduction target raises questions on the credibility of its transition plan.

Objective 2:

While we recognise the continuing need for conventional fuel, it is imperative for large oil majors to demonstrate how and where they can invest in clean energy alternatives in order to establish credibility for their transition plans.

Objective 3:

Planning and actively managing the just transition to a low carbon economy for Shell can unlock opportunities and help in preparing its workforce in the earlier stages of a non-linear transition.



What our portfolio managers say about our stewardship approach

Louise Kernohan – Head of global opportunities

The strategies I manage

I manage the Global Equity strategy, which has a long-term horizon and is built from the bottom up, investing in stock ideas generated by Newton's multidimensional research. It is a relatively concentrated high-conviction portfolio, investing in our best ideas and seeking to generate outperformance through stock selection.

Stewardship in the context of the portfolios I manage

Stewardship is a key element of our investment approach for all portfolios. Considering the material risks to our holdings is important for avoiding downside, and equally we are able to identify opportunities to seek improved returns.

One important tool is for us to hold boards accountable for their oversight of these risks, including speaking out where we think risks are not being sufficiently managed, or through voting action at shareholder meetings. A company's responsiveness to investors' concerns is something I look closely at as it can be an indicator of a company's willingness to adapt and evolve.

Benefits from engagement

Engagement helps us raise the bar in terms of standards of governance and management across our investee companies. It is in the interest of shareholders in the long run for companies to be run as well as possible and, through engagement, we can help by sharing our views with our investee/potential investee companies on how they can improve. As investors, we analyse many companies across sectors and countries, and this gives us the perspective that the investee company may not get from elsewhere.

Rob Zeuthen – Portfolio manager and head of secular pod

The strategies I manage

I manage thematic portfolios including the Technology Growth strategy, Internet of Things strategy and Mobility Innovation strategy.

All the portfolios leverage the strength of our multidimensional research with a focus on identifying secular growth opportunities in companies that produce or apply innovation in differentiated ways.

Stewardship in the context of the portfolios I manage

The regular and focused dialogue I undertake in partnership with the responsible investment team provides opportunities for us to expand our relationships with management teams and their boards.

Given the structural governance features of many of my portfolio companies, being an active owner helps me to assess key risks and any plans to mitigate them. Additionally, these discussions may reinforce our thesis on the investment in question.

Benefits from engagement

These conversations, including how responsive a company is to its investors or how willing it is to provide board access, inform our proxy voting process. The opportunity to vote at general meetings is a fundamental shareholder right upon which I place substantial value, as it allows us to hold boards to account.

Our engagements, which set tailored objectives, allow us to be clear with the boards and management teams of companies on our expectations for their long-term performance. They provide an opportunity for partnership.

It is because of the value I place on stewardship that I have encouraged analysts in my research pod to identify a minimum number of issuers for dialogue each year.

Paul Flood – Head of mixed assets investments

The strategies I manage

I manage our mixed assets portfolios, which include several multi-asset strategies, and provide leadership across strategies on asset allocation, derivatives, convertible bonds and alternatives.

Stewardship in the context of the portfolios I manage

Stewardship is a valuable component of my investment process. By engaging in open and transparent dialogue with both company management and boards, as well as industry bodies, I am better able to protect, or improve, value for my clients.

This is especially critical for certain alternative investments, where share prices have recently been trading at a discount to net asset value (NAV) after many years of trading at a premium to NAV. Being an active steward enables us to ensure boards take swift action based on regulatory guidance, adjust manager incentives according to evolving conditions, and uphold responsible capital-allocation decisions.

Benefits from engagement

Our aim as stewards of our clients' capital is to achieve the best possible financial outcomes for their investments. Engagement supports our efforts as it helps us to bring about change, where we see room for improvement.

We continue to engage with companies in the alternative investment space to drive positive outcomes. This year, we engaged with several boards through a letter campaign on cost disclosures. Furthermore, we participated in an industry round table and sought a broader solution for improved and consistent cost disclosures. Our objective was to increase the investment attractiveness of investment trusts by removing duplication of costs. We have seen early action from some trusts following our discussions with them.

We are committed to continuing to engage with boards and, if needed, with market participants (by participating in round tables, providing feedback on consultations) on incremental changes that can be made to reduce the share price discount to NAV, which we believe will lead to better shareholder returns.



Advocacy and helping shape best practice

Newton takes an active role in promoting well-functioning financial markets, with the ultimate aim of providing our clients with greater confidence in financial markets, and to help foster financial institutions that are accountable and responsible to investors.

We recognise that as an intermediary in the financial system, we play an important role in providing investors with access to investment solutions. With this comes an inherent responsibility to do what is right on behalf of our clients, as well as wider asset owners and stakeholders in the financial system.

We work closely with our parent company, BNY, and the other investment firms within BNY Investments and Wealth, to be active participants in the debate around enhancements to financial systems and to influence that debate. This can be through helping to steer responses to industry consultations or helping to advance efforts to coordinate thought leadership and perspectives across BNY Investments and Wealth.

Additionally, through our advocacy efforts we participate in market and/or industry-level initiatives to influence the landscape and help shape the framework in which companies operate in a way which we believe to be in the best interests of our clients. These will often link to the themes on which we are engaging with companies and on which we believe progress will help address market-wide or systemic risks, such as the examples below in relation to governance standards and antimicrobial resistance. We provide feedback to regulatory initiatives and consultations, both through trade associations and on a bilateral basis.

Collective or collaborative action with other stakeholders can be an efficient and effective method to raise concerns or to influence outcomes. We work with other like-minded investors as well as trade associations, government bodies and non-governmental organisations.

These initiatives may deal with specific company matters or broad industry concerns in an effort to develop best practice, raise awareness of an issue or enhance the effectiveness of engagement activities.

The benefits to our clients from our participation in such initiatives goes beyond collaborative engagement opportunities. We also see participation as important for delivering outcomes for our clients and enriching the investment process. Some initiatives connect us with companies and frameworks that we would be unable to reach alone, amplifying our voice beyond that of a single investor. Other initiatives enable us to contribute to managing system-level risks which have the potential to crystallise into issuer-specific risks or opportunities over the medium to longer term.

When considering action and when acting with other stakeholders on a specific issue of concern with a company, we exercise caution in order to avoid unintentionally being in receipt of material non-public information or breaching concert party or competition rules.

We will refrain from collaborating with others where there is a misalignment of interests in relation to the underlying investment or principles that are driving an initiative.



Examples of advocacy efforts

Governance standards and stewardship

We recognise the importance of robust corporate governance laws, guidelines and best practice to the optimal functioning of companies. We are committed to promoting and upholding the importance of sound governance structures in companies' ability to protect and enhance long-term shareholder value.

International Corporate Governance Network (ICGN) open letter on changes to the UK listing regime

Background

The UK's Financial Conduct Authority (FCA) proposed changes to the UK's listing regime. The revisions were intended to boost the attractiveness of the UK market for new listings, as part of a broader initiative to help support the growth and competitiveness of the UK. Key changes included:

- i. replacing the standard and premium segments with a single listing category;
- ii. introducing a more permissive approach to dual class share structures; and
- iii. removing the requirement for shareholder votes prior to significant transactions and related-party transactions.

Relevance	Outcome	Implementation
The proposed revisions were viewed as having a negative effect on governance standards, removing shareholder protections and safeguards and moving away from the UK's historical support for the one-share, one-vote principle. This raised concerns that the move would in fact undermine investor confidence in the UK market and could ultimately harm UK investors in the long run.	While the changes to the listing rules were implemented as planned, it was important that the UK-based Newton entity exercised its voice in the market to seek to protect and uphold shareholder rights and high-quality stewardship. We co-signed the ICGN letter.	The new rules have been in effect since July 2024.

Financial Reporting Council (FRC) consultation on updates to the UK Stewardship Code

Background

The consultation proposes updates to the UK Stewardship Code that are intended to ensure the code evolves alongside changing stewardship practice and continues to drive effective stewardship. The revisions seek to:

- i. amend the definition of stewardship to be sufficiently broad to be applicable to signatories across the investment chain and different asset classes;
- ii. streamline the principles to reduce reporting burden and volume;
- iii. tailor the service-provider principles to include some that are dedicated to proxy advisors and investment consultants respectively; and
- iv. issue guidance to support signatories in demonstrating how they have implemented stewardship throughout the year.

Relevance	Outcome	Implementation
The proposed revisions are intended to improve the useability of the code, taking into consideration evolutions in stewardship practices and expectations since the code was last updated in 2020. The UK Stewardship Code is widely regarded as setting standards for high-quality stewardship. The UK-based Newton entity participated in several round-table and bilateral sessions with the FRC to provide its perspective on how the landscape has evolved and how the code could be adapted, and will be providing its official feedback via BNY Investments and Wealth, as well as via the UK Investment Association.	The consultation period will close in February 2025 and findings will be published thereafter.	The new code is expected to be effective from January 2026.

Antimicrobial resistance and stewardship

We recognise the importance of addressing systemic risks, where we consider them to be material and far-reaching, at early stages. Antimicrobial resistance (AMR), which is the resistance of bacteria and viruses to antibiotics, largely through use in agriculture and animal farming and through residual waste into the environment, is considered to be one such risk with implications not only for public health but also, crucially, for global economies. Regulation does not yet exist, which makes it challenging for companies and investors to navigate how best to manage this risk.

As active stewards of our clients' capital, we are committed to working with policymakers and other stakeholders to encourage policies which can result in better operating environments for companies, which can in turn protect and enhance long-term shareholder value.

Investor statement on antimicrobial resistance

Background

FAIRR (Farm Animal Investment Risk and Return), Investor Action on Antimicrobial Resistance and the Access to Medicine Foundation co-ordinated a statement from investors to outline concerns regarding AMR as a systemic risk to investment portfolios, economic stability and to broader society, and to encourage policymakers to take coordinated action to combat AMR.

Relevance	Implementation
The letter lays out key items which co-signing investors believe are essential to tackling AMR. Clearer policy action will enable investors more readily to translate this risk into idiosyncratic risk.	The letter was published ahead of the UN General Assembly's high-level meeting on AMR in September 2024, with the idea being that it would inform the agenda and output of the meeting, while ensuring the investor voice is heard.

A full list of collaborative initiatives in which we participated in 2024 is provided below.

Organisations and initiatives related to responsible investment matters in which Newton plays a formal role:

Organisation/Initiative	Joined	Role	Summary description
30% Club – Investor Group	2010	Member of Race Equity Working Group	Investor group seeking to strengthen balance at the board and C-Suite level in the world's biggest companies.
Financial Conduct Authority (UK) Vote Reporting Group	2022	Member of sub-working group	Collective stakeholder group with knowledge and interest in good practice vote disclosure working to develop a more comprehensive and standardised vote disclosure regime.
Investment Association	2021	Member of Fixed Income Working Group	Provides expert guidance to the Investment Association on fixed-income stewardship-related activities and policies.
	2021	Member of Green Gilts Working Group	Forum for Investment Association to discuss the UK government's green gilt initiatives.
	2024	Member of Stewardship Reporting Working Group	Supports the Investment Association's high-level Stewardship Committee in keeping abreast of evolving asset owner and investment consultant expectations and ensuring industry voice is reflected.
World Benchmarking Alliance	2022	Member of Just Transition Coalition Impact Committee	Seeks to encourage world's largest companies to better disclose belonging policies, procedures and practices.

Newton also supports or contributes actively to the following initiatives:

Organisation/Initiative	Joined	Status	Summary description
CDP (previously Carbon Disclosure Project)	2007	Supporter	Focuses investors, companies and cities on taking action to build a sustainable economy by measuring and understanding their environmental impact.
Climate Action 100+	2018	Signatory	Engagements focusing on greenhouse-gas emissions. Newton is not a lead on any names, but is solely a supporting firm.
Council of Institutional Investors	2023	Member	Association of asset owners and asset managers which provides a leading voice for effective corporate governance, strong shareholder rights and sensible financial regulations that foster fair, vibrant capital markets.
Farm Animal Investment Risk and Return (FAIRR)	2019	Member of technical advisory panel	Collective investor resource for research and engagement with animal agriculture.
Global Investor Commission on Mining 2030	2023	Member	Collaborative investor-led initiative seeking to define a vision for a socially and environmentally responsible mining sector overall by 2030.
Institutional Investors Group on Climate Change	2018	Member	Mobilising capital for the low-carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policymakers and fellow investors.
Investor Alliance for Human Rights	2021	Member	A collective action platform for responsible investment that is grounded in respect for people's fundamental rights, providing frameworks and collaboration opportunities.
ShareAction Good Work Coalition	2021	Member	ShareAction coalition focused on quality work, including a specific living wage campaign.
ShareAction Investor Decarbonisation Initiative	2022	Member	Engaging the chemicals sector to push for rapid decarbonisation.
Taskforce for Nature-related Financial Disclosure Forum	2023	Member	Global multi-disciplinary consultative group of institutions that supports reporting and action on evolving nature-related risks.
Transition Pathway Initiative	2019	Supporter	Global, asset owner-led initiative which assesses companies' preparedness for the transition to a low-carbon economy.
UK Sustainable Investment and Finance Association	2024	Member	Organisation for those in the finance industry committed to growing sustainable and responsible finance in the UK, providing members' support to expand, enhance and promote this key sector

Newton is a signatory to or a supporter of the following industry principles and pledges:

Organisation/Initiative	Joined	Status	Summary description
Japan Stewardship Code	2023 ¹	Signatory	Principles for responsible institutional investors to promote sustainable growth of companies through investment and dialogue.
Net Zero Asset Managers initiative	2021	Member	International group of asset managers committed to supporting the goal of net-zero greenhouse-gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius, and to support investing aligned with net-zero emissions by 2050 or sooner.
Principles for Responsible Investment	2007	Signatory	Asset owner-led organisation that promotes responsible investment principles and helps administer members' specific responsible investment activities.
UK Stewardship Code	2012	Signatory	UK Financial Reporting Council's principles for stewardship expectations of UK investors.

¹Newton Japan was established as a legal entity in March 2023. Its prior commitment to the Japan Stewardship Code was under its previous structure.

Voting

Our stewardship team is responsible for executing the equity voting rights of our clients, where our clients have authorised us to do so on their behalf. We have been exercising our clients' voting rights globally for more than two decades and have been publicly reporting our rationale for decisions taken against management since 2005.

As an active manager, our investment case is built on our multidimensional research capabilities, through which we seek to fully understand the material risks and opportunities influencing the long-term value of a security. This analysis ultimately leads our investment teams to make recommendations to buy or sell a security. However, delivering long-term value for our clients involves more than just buying and selling securities; we are committed to being an active steward, which includes exercising the ownership rights afforded to investors.

Voting is a core part of how our investment process seeks to add value for our clients over the long term.

In general, we take an active approach to voting that helps us to:

- Align the interests of a company's management and board of directors with those of the company's shareholders
- Promote 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
- Uphold the rights of a company's shareholders to effect change by voting on those matters submitted to shareholders for approval
- Promote adequate disclosure about a company's business operations and financial activity.

In 2024, we published a refreshed standalone set of our governance principles and voting guidelines on our website at: newtonim.com/responsibleinvestment

We also publish our full voting record, including rationale for votes against management and on all shareholder proposals, on our website at: newtonim.com/responsibleinvestment

Newton does not believe corporate governance or proxy-voting analysis can be reduced to strict rules but rather that it 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 and in the way we believe will be in the best long-term economic interests of our clients.

We seek to support investor value creation by supporting proposals that are consistent with our corporate governance views and investment case. In cases where we recognise a potential material conflict of interest, we follow the voting recommendations of our third-party proxy voting administrator.

We endeavour to exercise voting rights in all markets. However, this may be hindered for reasons such as share blocking, where the underlying custodian company puts in place certain trading restrictions when voting rights have been exercised. We may also opt out of exercising voting rights if the entity or persons related to the entity are subject to economic sanctions.

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.

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 our parent company (BNY), and where Newton is appointed as investment manager or sub-advisor, the fund boards have entered into securities-lending programmes.

The nature of our relationship has allowed us to agree a recommended list of restricted securities for the purposes of lending. This list is updated on a quarterly basis.

During 2024, we exercised our clients' voting rights at 2,305 separate meetings. Across all regions, votes were instructed against management recommendations on 3,699 separate resolutions, and at 57% of the 2,305 meetings.

Global voting summary for 2024

AGMs	2,034
Voted in favour of management†	785
Voted against management#	1,241
Took no action*	8
EGMs	271
Voted in favour of management†	201
Voted against management#	67
Took no action*	3
Voted in favour of management†	986
Voted against management#	1,308
Took no action*	11
Total	2,305

† In favour of management on all resolutions.

Against management on one or more resolutions. Including abstentions and withhold votes where there was no option to vote against.

* Took no action owing to share blocking or sanctions considerations.

The charts below illustrate our aggregate global and regional voting summary for 2024

Global voting summary
for meetings held in 2024

GLOBAL

43% 57% 0%



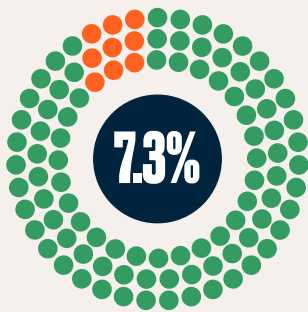
- In favour of management on all resolutions.
- Against management on one or more resolutions. Including abstentions and withhold votes where there was no option to vote against.
- Took no action owing to share blocking or sanctions considerations.

Voting summary – by region

● Region's % of our global vote.

UK

91%
9%



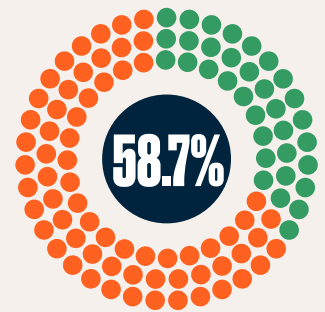
EUROPE

48%
49%
3%



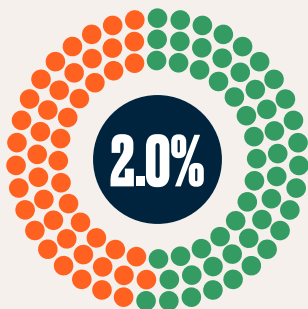
NORTH AMERICA

34%
66%



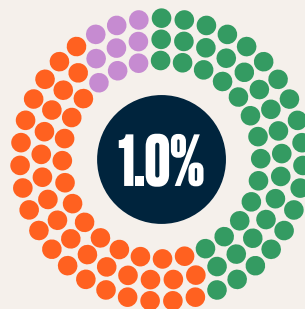
LATIN AMERICA

53%
47%



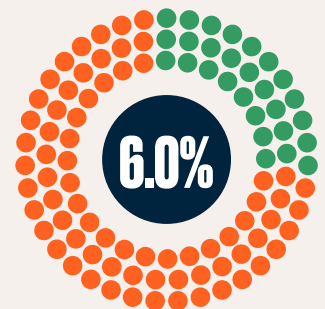
AUSTRALIA / NEW ZEALAND

46%
45%
9%



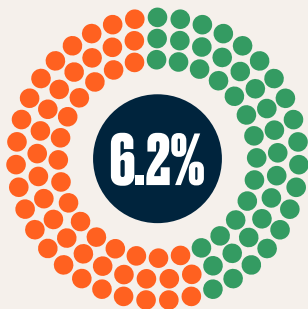
JAPAN

28%
72%



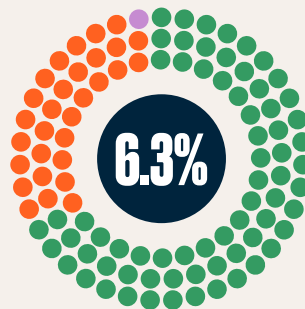
ASIA

46%
54%



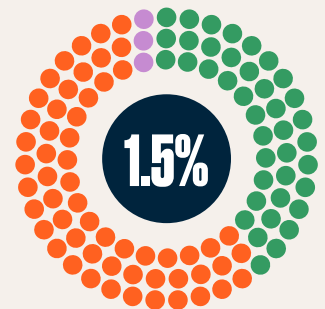
EMERGING MARKETS

69%
30%
1%



REST OF THE WORLD

40%
57%
3%



Source: Newton, as at 31 December 2024.

Votes against management

In 2024, we instructed votes against management recommendations in relation to a total of 3,699 separate resolutions. Individual rationale for each of these voting decisions is shared in our vote disclosures on our website.

In 2024, we most frequently voted against management recommendations in relation to a director's re-election and for issues involving board independence, executive pay, and excessive time commitments.

Our next greatest concern was on pay-related proposals. Where we had concerns about a company's remuneration arrangements, along with voting against the remuneration arrangements, we continued our approach of voting against the re-election of remuneration committee members.

Other notable areas where we voted against the recommendations of management included resolutions related to audit, transactions, and shareholder dilution (when companies sought to issue shares without first offering them to the existing shareholders).

Shareholder proposals

Like all our voting decisions, we take each decision on shareholder-proposed resolutions on a case-by-case basis.

Shareholder proposals must be credible and applicable, and we expect proponents to provide robust rationale for why the proposed action of these resolutions is in the best interests of all shareholders.

We analyse each issue using our voting guidelines, weighing the positives of the proposal against the negatives, and examining whether the outcome would be beneficial for our investment case and material for the company.

During 2024, we supported 35% of the 730 shareholder proposals.



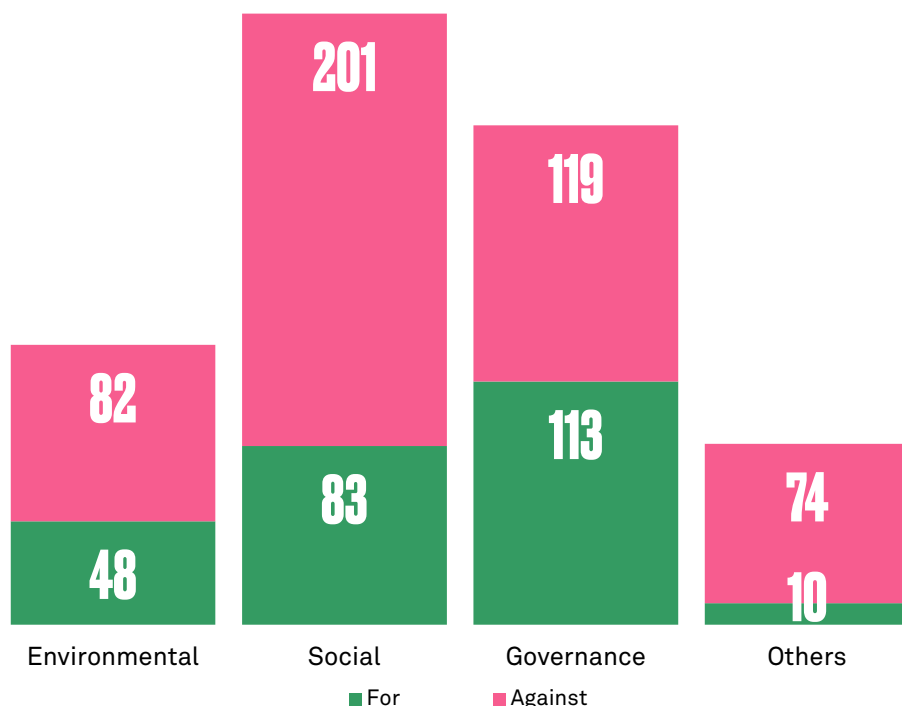
Votes against management-proposed resolutions

Articles/bylaws	1.2%
Audit related	11.2%
Board structure	55.0%
Remuneration policy/proposal	19.4%
Share capital	2.3%
Transaction related	1.1%
Other, including AOB	2.8%

Votes in favour of shareholder-proposed resolutions against the recommendations of management

Shareholder rights	1.5%
Board structure	1.2%
Remuneration structure	0.4%
Environmental/social proposal	3.5%
Other	0.3%

Voting activity on shareholder proposals – 2024



Examples of voting

Microsoft

Advocating for increased AI transparency and accountability

Overview

A shareholder proposal requested that Microsoft publish a report assessing the risks associated with its use of external data for AI training, including how it mitigates legal and regulatory concerns such as copyright infringement.

Voting action

We supported this proposal, as we believe enhanced disclosure on AI data sourcing risks is critical, particularly as AI adoption accelerates and regulatory expectations evolve.

Vote result

The proposal received 36% support, which is higher than for previous AI proposals received in 2023 (33%), reflecting growing shareholder interest in stronger AI-related governance and accountability at the company.

Cisco

Improvements in executive compensation practices

Overview

Cisco has faced consecutive years of high dissent on pay, particularly due to certain components of its long-term incentive plan. Concerns have centred on the alignment between pay and performance, as well as the structure of performance-based awards. In response, Cisco has committed to revising its long-term incentive plan by extending performance measurement from annual to three-year periods, which better aligns with long-term shareholder value creation.

Voting action

We supported the say-on-pay proposal this year, given adequate shareholder responsiveness on the part of the company, along with adjustments it has made to the long-term incentive plan into 2025. This demonstrates the company's commitment to further align executive pay with long-term shareholder value creation.

We have also engaged with Cisco on this topic, and believe this has contributed, in part, to the company's decision.

Vote result

The proposal received 77% support, up from 75% in 2023, indicating that while high dissent remains, shareholder sentiment is slightly improving as Cisco implements these changes to its long-term incentive plan.

Meituan

Concerns about directors' ability to meet their fiduciary responsibilities

Overview

In 2021, China's State Administration for Market Regulation found that the e-commerce platform had violated the anti-monopoly law of China. The company was ordered to cease unlawful acts and was fined CNY 3.4bn, or 3% of the company's revenue generated in China in 2020, after factoring in various actions taken by the company to facilitate the investigation.

Voting action

Although the company facilitated the investigation and implemented a self-rectification programme, we believe these circumstances raise concerns over the fulfilment of fiduciary duties by the company's most senior executives. Consequently, we voted against the re-election of the executive chair/CEO and an executive director to highlight our concerns.

Vote result

These directors received 8.5% and 10.7% dissent, respectively. This dissent becomes even more notable given approximately 50% of the company's voting shares are controlled by related parties.

Tesla

Governance remains under scrutiny

Overview

The CEO's controversial pay package, valued at around US\$50bn at the time of vesting, was cancelled by the Delaware Court of Chancery. The court's decision highlighted what it viewed as a flawed determination process by the board and a compensation committee that presented insufficient independent challenge.

The company's board contested this and resubmitted the package to shareholders for approval, alongside a resolution to reincorporate the company in Texas, in response to the legal challenge.

Unrelated to these developments, a series of governance-focused shareholder resolutions were also proposed, including declassification of the board (annual re-election of all board directors) and adoption of simple majority voting (50% of shares voted plus one to pass). In our view, the passing of these two resolutions would go a long way in reducing governance concerns for investors.

Voting action

Management proposal(s)

- Given the lack of a final legal ruling on the pay package, and the allegations raised by the court on the lack of independent oversight and robust challenge exercised by the compensation committee and the board more broadly, we opposed the retroactive approval of the options grant.
- We ultimately supported the resolution to reincorporate to Texas having considered, on balance, the company's rationale, the presence of an ad-hoc committee in the decision-making process, the neutral effect on shareholder rights, and the company's operational presence in Texas.

Shareholder proposal(s)

- We supported both shareholder resolutions on governance, as adoption of these structures would bring the company in line with best practice and serve to reduce downside risk for the company.

Vote result

The options grant was retroactively approved by 76% of shareholders, while the resolution to reincorporate the company in Texas was approved by 62% of shareholders. The shareholder resolutions to declassify the board and adopt simple majority voting passed with the support of 54% of shareholders. This highlights that institutional shareholders may have allowed the options grant to pass considering the key-person risk at the company, and instead focused on seeking governance improvements, recognising the significant enhancements these would make to board accountability.

Cummins

Concerns about directors' ability to meet their fiduciary responsibilities

Overview

The engine manufacturer was initially contacted by government agencies in 2019 based on concerns that some of its products had software which featured reduced or deactivated emission controls, therefore enabling the emission of increased levels of nitrogen oxides. In December 2023, the company entered into a settlement agreement to resolve vehicle emission control violations under the US Clean Air Act. It was determined that the company equipped diesel vehicles with illegal software defeat devices that reduce the effectiveness of the emission control system during normal driving conditions.

Voting action

Management proposal(s)

- The company recorded a charge of approximately US\$2.04bn in the fourth quarter of 2023 to resolve these claims and related matters, which led to a 66% year-on-year drop in net income. We believe that these events resulted in reputational and financial damage to the company and, consequently, we held the lead independent director accountable.

Shareholder proposal(s)

- Furthermore, we also supported a shareholder resolution calling for an independent board chair to increase the independent oversight on the board, which would help avoid such situations in the future.

Vote result

The lead independent director's re-election received 5.6% dissent while the shareholder resolution to require an independent board chair received 43.7% support, suggesting shareholders want more independent oversight on the board.



“ We have a regulatory obligation to act honestly, fairly and professionally in accordance with the best interests of our clients and to take appropriate steps to identify and prevent or manage conflicts of interest. ”

Managing conflicts of interest

We have a regulatory obligation to act honestly, fairly and professionally in accordance with the best interests of our clients and to take appropriate steps to identify and prevent or manage conflicts of interest.

As part of our governance framework, a number of organisational arrangements, systems and internal controls have been implemented that are designed to identify and manage potential material conflicts of interest in order to prevent damage to the interests of our clients.

From a stewardship perspective, we seek to ensure conflicts of interests are recognised, recorded and mitigated.

We maintain a list, which is updated twice yearly or when a new potential conflict of interest arises, of all investments where we identify a potential material conflict of interest.

The list includes all funds sub-advised by Newton or managed by affiliates of its parent company, BNY, and also includes companies that are directly linked to our underlying clients, such as corporate pension funds.

Where a potential material conflict of interest is identified between Newton, BNY, the investee company and/ or a client, the voting recommendations of an independent third-party proxy service provider will be applied.

When engaging with a company which is subject to an identified conflict, we declare and explain the conflict to the company at the outset of discussions.

Engagement activity is then expected to continue as normal and includes the production of meeting notes that are shared with all investment staff and retained in accordance with our corporate policy.

During 2024, there were 13 instances where we recognised a potential material conflict of interest in voting:

Company	Meeting	Date	Action following vote recommendations of independent third-party proxy service provider
BNY	AGM	9 Apr 2024	Voted against management (4) and in line with management on shareholder proposals (5)
UBS Group	AGM	24 Apr 2024	Voted in line with management
Pfizer	AGM	25 Apr 2024	Voted in line with management
International Business Machines	AGM	30 Apr 2024	Voted against management (4,6,7,8) and in line with management on shareholder proposals (5)
CMS Energy	AGM	3 May 2024	Voted in line with management
Popular	AGM	9 May 2024	Voted in line with management
The Travelers Companies	AGM	15 May 2024	Voted against management (3)
Terex	AGM	23 May 2024	Voted in line with management
Unum Group	AGM	23 May 2024	Voted in line with management
Merck & Co	AGM	28 May 2024	Voted against management (4)
Fidelity National Information Services	AGM	5 Jun 2024	Voted in line with management
Nasdaq	AGM	11 Jun 2024	Voted against management on shareholder proposals (4)
WisdomTree	Proxy contest	12 Jun 2024	Voted against management (5)

Note: Agenda items voted against management and votes on shareholder resolutions are shown in parentheses.

Further information is provided in our Conflicts of Interest policy, which is available on our website at: <https://www.newtonim.com/global/special-document/conflict-of-interest-policy/>

“ We regularly engage with internal compliance and legal teams to ensure our approach to stewardship and responsible investment is aligned with regulatory expectations. ”

Review and assurance

As part of our management of risks, we have established individual key risk indicators (KRIs). One of these KRIs captures explicitly any missed proxy-voting opportunities.

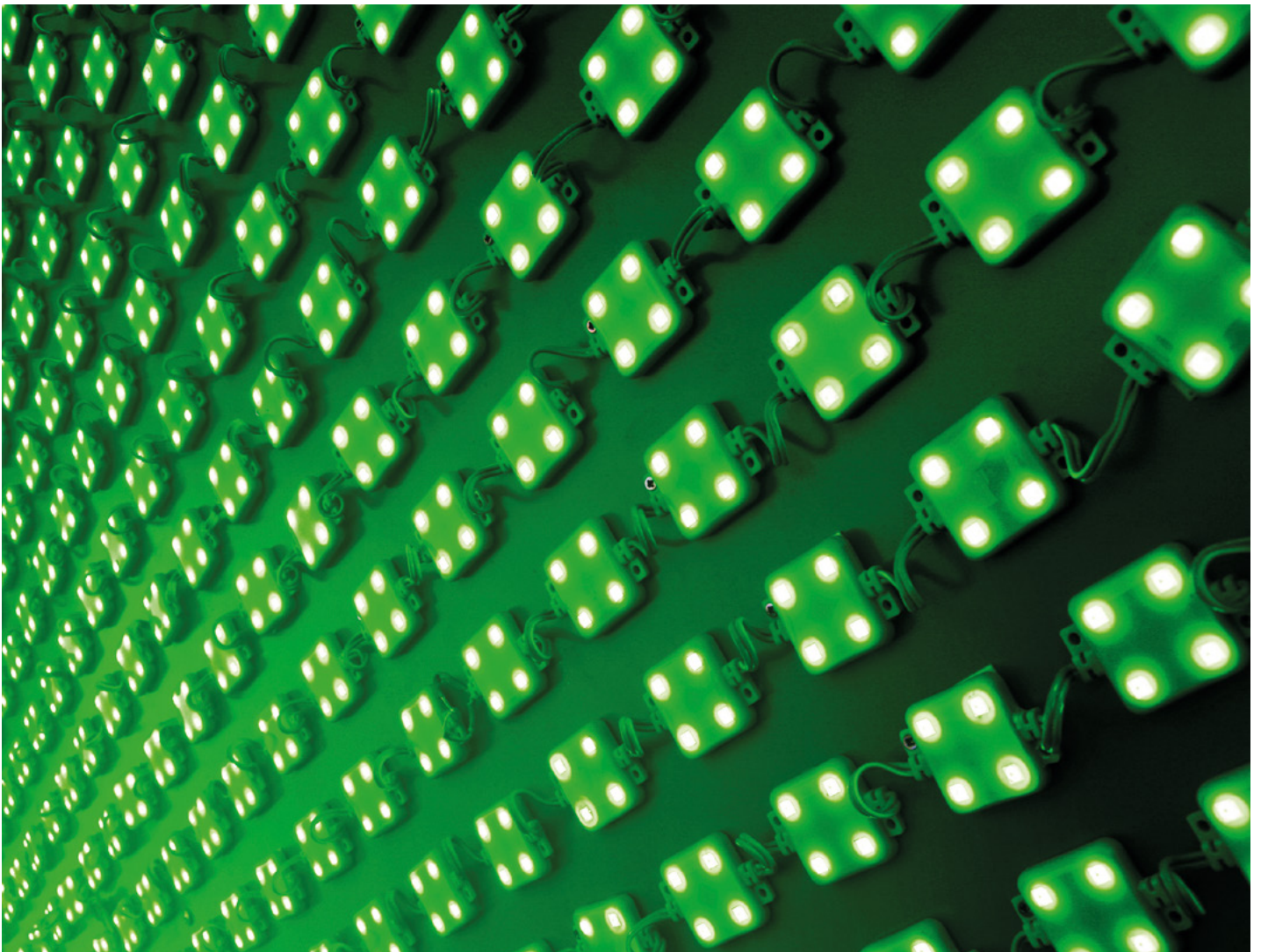
Our diligence in the administration and reconciliation of proxy voting has led to zero voting opportunities being missed during 2024.

Specific areas of our responsible investment approach are also subject to internal controls and periodic compliance testing through the annual compliance testing plan, as well as focused reviews by BNY's internal audit teams.

As part of BNY, BNY Investments and Wealth sets standards for its affiliates relating to responsible investment across BNY Investments and Wealth investment management firms through an overarching ESG framework policy, adherence to which is reviewed periodically.

We regularly engage with internal compliance and legal teams to ensure our approach to stewardship and responsible investment is aligned with regulatory expectations. In addition, an external auditor reviews specific processes within our stewardship approach.

We have refrained from seeking further external assurance of our approach to stewardship owing to the robustness of our internal processes and scrutiny by our compliance, risk and internal audit teams.



Section 6

Taking into account client expectations

Principle applied and explained in section 6

Investment approach

6 Client and beneficiary needs

“ We gain additional insights into our clients’ objectives, preferences and investment beliefs through regular, scheduled meetings with them and their advisors, and also through ad-hoc requests. ”

We believe that in a rapidly changing world, investors require strategies that will evolve to meet the challenges that they face. Therefore, we work in partnership with our clients, understanding their requirements and building investment strategies that aim to deliver our clients’ desired investment outcomes.

Communicating with clients

Identifying our clients’ requirements and expectations is achieved at the outset of our relationship by way of initial discussions and formal provisions within investment management agreements.

We gain additional insights into our clients’ objectives, preferences and investment beliefs through regular, scheduled meetings with them and their advisors, and also through ad-hoc requests. In addition, we gain an insight into what drives our clients and what their investment objectives are through other interactions, such as round-table discussions, our investment conferences (or other similar events), and other events with market participants.

In a typical year, beyond industry events and conferences, our interactions with clients may include training sessions on topical responsible investment and stewardship subjects. We believe this helps support our clients’ expectations of their investment managers and helps them to develop their own position in relation to stewardship matters.

During 2024 we hosted a series of live investment round tables for clients in which our portfolio managers and research analysts discussed and debated key topics with relevance to today’s investment landscape, including the second-order effects of artificial intelligence, and the impact of Generation Z on investing. These forums give us an opportunity to showcase our investment thinking and get feedback on our ideas, which ultimately helps us understand our clients’ requirements and assists in the evolution of our investment strategies.

In the UK, in 2024 we conducted our 11th annual Charity Investment Survey, which typically covers diverse topics

The 2024 Newton Charity Investment Survey



within the management of charitable portfolios and provides an industry benchmark to see how aligned our charity clients’ investment experience and intentions are with those of their peers. It serves as a vital feedback tool for us, in addition to giving us a deep insight into the concerns, thoughts and areas of interest of our charity clients

and the sector in general. One of the key questions the 2024 survey explored was the changing nature of the UK charity sector’s relationship with environmental and social responsibility, ethical exclusion policies, and sustainable investment. We found that 91% of charities feel that ESG factors are very or quite

important to their investments, while larger charities with assets under management above £101m are most likely to consider ESG factors to be very important, likely a reflection of the increased scrutiny larger charities often find themselves under. Meanwhile, 49% of charities choose to invest and engage with companies which score badly on ESG metrics.

The year also continued the upward trend in divestment and exclusions from fossil-fuel investing. The proportion of charities excluding some fossil-fuel investments has reached a record high of 36% – matched by a decline in charities that have not debated the issue or have debated it but have not divested.

Wider investment exclusions remain a key topic for charities, and while there was a decline in the proportion of charities with an exclusion policy in 2024, down to 57% from a peak of 64% in 2023, the figure remains in line with the historical average. 17% of respondents with an exclusion policy report that it has negatively affected performance, and a further 3% report a positive impact on performance.

We also explored our charity clients' expectations around and experiences of diversity within the sector. The survey findings showed that there seems to be growing engagement with the issue of diversity. While levels of diversity within charities' trustee boards have remained stagnant, charities are focusing on a wide range of recruitment efforts in order to improve diversity. Furthermore, a record percentage (63%) of charities believe it is important that their providers or investment managers demonstrate diversity.

Further engagement with our UK charity clients came in the form of our annual charity seminar in May. The event showcased Newton's expertise in understanding client expectations and sharing knowledge and best practices to help charities consider how investment can offer solutions to real-world challenges. In one session, our head of stewardship joined two of our research analysts to explore examples of our engagement and voting, demonstrating

The 2024 Newton Charity Investment Survey



how we seek to influence social and environmental outcomes, with the aim of enhancing shareholder value.

We also hosted and attended industry events globally, aimed at educating our clients and their advisors in some of our capabilities and to gain a sense of how these can help in meeting our clients' objectives.

In the UK, we participated in a panel session at Portfolio Institutional's ESG Club Conference 2024, an event attended by institutional clients and consultants. Our head of stewardship explored how investors can engage with their portfolio companies to drive change.

We also hosted and sponsored a Mallowstreet breakfast event for defined contribution pension schemes and their advisers. We considered how investors can assess the robustness of transition plans of listed equities and evaluate the climate resilience of portfolios by looking at the impact of different transition scenarios.

In the US, we participated in an event organised by the Florida Public Pension Trustees Association (FPPTA), delivering a presentation on the myths and realities of ESG integration, incorporating a case study. We also participated in a panel discussion at

the CFA Society Boston's 'Exploring Transition Finance' conference, where we considered the importance of assessing the credibility of companies' transition plans.

In addition, we hosted a panel at a Council of Institutional Investors (CII) spring conference in which we explored how investors can integrate material nature-related risks and opportunities into investment decisions. Furthermore, we participated at a panel at the CII's autumn conference on shareholder resolutions, where we shared our concern that this important shareholder tool is at risk of losing its effectiveness as a result of the substantially increased volumes over recent years, coupled with decreasing quality.

In Australia, we sponsored the Global Investment Institute's Net Zero Investment Forum, at which our sustainability advocate spoke on a panel discussing approaches to tracking companies' progress towards net zero.

Such events are helpful in allowing us to share with our clients our philosophy on ESG integration and in addressing our clients' questions.

Client reporting

The production of client reporting is formally reviewed by our marketing content team, which not only helps to ensure consistency and accuracy, but also that the reports meet local regulatory marketing requirements, including being fair, clear and not misleading.

Our voting record can be accessed via an online dashboard, which includes voting rationale for decisions not aligned with the recommendations of the underlying company's management and for decisions on all shareholder-proposed resolutions. We produce a detailed post-voting season report outlining our views and approach on the key trends observed, an overview of how we voted on shareholder proposals, and case studies on significant holdings and high-profile names. For the first time in 2024, we published an abridged version of our stewardship report, containing engagement, advocacy and voting highlights, including several case studies.

Additionally, on a quarterly basis we produce responsible investment reports for a wide range of our investment strategies which provide key sustainability metrics and summarise our stewardship activities. In 2024 we have enhanced this reporting by separating out engagements from ESG-related investment research. This allows us to isolate our engagements which are focused on delivering outcomes to clients, while still demonstrating our multidimensional research in action and the probing of ESG-related topics where material to the issuer in question. We also now publish quarterly engagement statistics on our public website, including the total number of issuers that we have engaged with ESG-related topics, the number of objectives set and progressed, and a breakdown of these objectives into environmental, social or governance areas.

In 2025 we are exploring how we can enhance our reporting capabilities to incorporate nature-related data, as well as expanding our reporting capabilities in relation to sovereign carbon emissions.

We are also seeking to augment our quarterly responsible investment reports by providing more transparency on the progress made towards our engagement objectives. We see the value for our clients and the wider market in shifting measurement away from numbers and statistics decoupled from context, towards a clearer link between our stewardship activities and the outcomes we are able to deliver to our clients.

As an active manager, we are keen to ensure that the decisions surrounding the exercise of ownership rights are aligned with our investment process as well as with our clients' expectations. Therefore, we believe that it is essential that we give our clients a snapshot into how we think about the issues that can potentially affect their investments. With this in mind, we regularly publish our responsible investment and investment teams' insights on a range of topics. Insights published in 2024 have covered topics such as nature and biodiversity, Japanese corporate governance, and shareholder resolutions.

Meeting client requirements –

Newton's net-zero portfolio solution

The Newton Net-Zero (NNZ) score, created internally at Newton, helps us to assess the quality of a company's transition plan. This quantitative score allows us to score companies on the robustness of their net-zero plans based on our assessment criteria. It breaks the assessment down into three main parts:

- target strength;
- past performance; and
- climate products and governance.

Where our clients wish for their portfolios to be managed against a net-zero target or a specific emission-reduction target set by them, the NNZ score helps to narrow down the investment universe and to target companies with the most credible/robust emission-reduction plans.

If a client has specific requirements regarding the emissions pathway of their portfolio, we can use the score to target different levels of portfolio emissions or to narrow the portfolio's focus to a specific pathway to net zero, as defined by the client. The tool can be used across multi-asset and equity portfolios.

In 2025 we are seeking to further enhance our climate-related solutions to meet clients' evolving requirements.



Section 7

Monitoring our service providers

Principle applied and explained in section 7

Investment approach

8 Monitoring managers and service providers

“ In 2024, the responsible investment analytics team continued to review of ESG data vendors that are used across Newton, with the objective of identifying new data sets. ”

The responsible investment analytics team has primary responsibility for analysing data vendors, including deep dives into methodologies and datasets. The objective is to ensure that we have access to the best quality data to meet our current and future requirements. As part of the responsible investment team’s continuing work, regular meetings are held with data vendors to provide feedback on the quality of services being offered and to comment on data providers’ roadmaps.

A governance framework around responsible investment data vendors has been established at multiple levels within the organisation. Any new vendor that Newton wishes to onboard would need to be reviewed by the ESG Data and Reporting sub-group before being submitted to the wider Newton Data Governance Framework and the BNY Third Party Governance Framework.

Once onboarded, the data providers are subject to review at Newton’s Investment Data Oversight Group. The list of existing data providers is reviewed quarterly by the ESG Data and Reporting sub-group with updates sent to Newton’s Sustainability Committee.

Newton currently leverages a range of external ESG data sources:

MSCI C VaR
Bloomberg
ISS Ethix & Proxy
Moody's ESG
Sustainalytics
RepRisk
CDP
Equileap
Factset Revere
Sell-side research

We also pull data from publicly available sources and sources available through membership:

Transition Pathway Initiative
Science Based Targets initiative
FAIRR
Encore
Science Based Targets Network

In 2024, the responsible investment analytics team continued to review ESG data vendors that are used across Newton, with the objective of identifying new data sets.

Among the areas where we have onboarded, or are looking to onboard, new data vendors are:

- **Controversy data**
We identified a technology-focused (AI-driven) vendor that can complement the analyst-assessment-driven controversy data that we obtain from our primary ESG provider. This is being rolled out in 2025.
- **Climate data**
We have acquired a dataset for sovereign emissions.
- **Nature data**
We conducted a review of nature-related data sets and plan to onboard a specialist vendor in 2025.

Voting

We use an independent voting service provider, ISS, for the purposes of managing upcoming meetings and instructing voting decisions via its electronic platform, and for providing research. ISS is subject to the requirements set by our Vendor Management Oversight Group.

As such, bi-annual service reviews and tri-annual due diligence meetings are held with this provider which includes reviewing its operational performance, service quality, robustness of research and its internal controls, including management of its potential material conflicts of interest.

Examples of the issues discussed with ISS in 2024 include:

- Continued focus on the quality of benchmark research analysis, on which we advocated for a strengthening of the analysis and more harmonisation of research

approaches between geographies. We noticed a difference in how ISS applies its analytical approach in certain markets, and we sought clarity on this approach while conveying the uneven playing field this creates for issuers

- ISS's approach to conflicts of interest and how it takes into account and applies different client views
- Continuously testing areas of operational reliance on the service provider, including vote execution and disclosure services
- Understanding the impact to the business from increasingly polarised views on ESG and proxy voting, and whether and how the research teams are being protected from undue pressure from this debate.

Issues of concern identified were discussed and remediated in the service review meetings during 2024.

2024 was the second year of Newton's bespoke voting policy being implemented by ISS. Additional rigour was applied this year in discussing and minimising any grey areas of our voting policy and fine-tuning some policy applications in line with developing best practices. These discussions may lead to future amendments of our voting guidelines.




Want to find out more?

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 BNY Investments Newton

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.

The use of engagement themes may vary depending on the asset class. Engagement themes have been identified to reflect the issues we believe to be most material to companies' risks and opportunity sets in the long term. However, other topics may be considered and have greater weighting when engaging with companies. Newton will make investment decisions that are not based on engagement themes and may conclude that other attributes of an investment outweigh Newton's engagement strategy.

Strategies with sustainability characteristics are defined as those that follow Newton's proprietary sustainable investment framework. UK-domiciled funds that follow these strategies do not currently have sustainability labels under the UK Sustainability Disclosure Requirements (SDR)

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