



NEWTON

Investment
Management

BNY MELLON | INVESTMENT MANAGEMENT

April 2024

SUSTAINABILITY AND STEWARDSHIP

2023 Annual Report

For institutional investors only.

Any investment policies, processes or activities described in this document relate to investment strategies managed by Newton Investment Management Limited ('NIM') and Newton Investment Management North America LLC ('NIMNA'), hereafter called 'Newton' or 'Newton Investment Management'.

The Newton Investment Management Group also consists of a third entity, Newton Investment Management Japan Limited (NIMJ), which joined the Newton Investment Management Group from a BNY Mellon affiliate in March 2023. The policies and practices described in this report are not intended to cover NIMJ.

This report relates to the activities of Newton (excluding NIMJ) during 2023. 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:

Jennifer Law

Head of stewardship

E: jennifer.law@newtonim.com



FOREWORD

Euan Munro
Chief executive officer

In the investment world, we have always had to try to make subtle distinctions between things that appear similar but which are in practice very different; for example, the difference between saving and investing, or between investing and speculating. I will not give my own definitions of those things here but, suffice to say, books have been written on such subjects and still there are no universally accepted dividing lines.

However, when it comes to commenting on matters of stewardship and engagement, the stakes have been raised and investors are having to take extreme care when selecting their words on these topics.

The key distinction I wish to draw out is the difference between active ownership and activism.

I will define two forms of activism: big-issue activism and company-specific activism. Newton does not participate in either of these.

Big-issue activism is the situation where an individual or group wishes to catalyze some change in the world; perhaps they want to reduce oil consumption or prevent investment in nuclear weaponry. They have found that owning shares and using their voting rights and their right to attend and speak at the annual general meetings (AGMs) of publicly listed companies gives their issue publicity.

Very often, the company selected may not be the one with the biggest linkage to the matter they care about; instead, they will often go for a firm with a big retail franchise, where there is media interest and a reputation to lose. Generally, the more negative the impact on the share price, the better big-issue activists feel about their engagement.

Company-specific activism is where the activist has a particular point to land with a company; perhaps they dislike the impact that a mining company is having on their locality, or perhaps they dislike the extent of reward differentiation between workers and management. In these cases, as in big-issue activism, the point is almost never about improving the investment outcome for shareholders.

There is a form of company-specific activism which arises when the activists think that they could run the business

better than the incumbent management team and push for some position of power, such as a board seat. In this case the long-term objective may be to maximize the share price, but at Newton we do not do this either. We consider ourselves thoughtful investors but do not aspire to take operating control of our investments.

We only purchase a security after a thorough assessment of its investment case. If we do not trust a management team and dislike a company's strategy, we simply do not invest, rather than investing and then pushing to exercise our control over the running of the business.

So, what is active ownership?

It is where, after having already gone through the process of investing in a company that we expect could deliver good investment outcomes for our clients, we take on the role of candid friend to the company.

Our fiduciary duty is to meet our clients' investment objectives. As it is in our clients' interest for their investment in a company to do well, our interests are aligned with the investee company's: we want to see it do well and avoid public relations fiascos; we are not actively trying to engineer one.



If we do not trust a management team and dislike a company's strategy, we simply do not invest, rather than investing and then pushing to exercise our control over the running of the business.



So, if we think that the structure of a chief executive officer's (CEO) remuneration package is going to harm the company's reputation or encourage the wrong type of risk taking, we will say so, and we will vote in this way in order to protect our clients' investment.

If a company risks being fined or creating reputational risks for itself by engaging in processes that are harming the environment or biodiversity, we will again make the point.

As in any strong candid friend relationship, the friend is not always happy to hear advice at the point of delivery, but over time, as they will hopefully realize, it is always intended with the best motive.

Of course, in doing the right thing to protect our investment, we may judge that a CEO needs to go, or that the board needs to be refreshed, but that is very different from us wanting to run the firms we invest in ourselves.

As the famous sketch by John Cleese, Ronnie Barker and Ronnie Corbett almost said, we know our place, and it is firmly to be a good steward of the assets our clients have entrusted to us.

We are not activists.



Jennifer Law
Head of stewardship

2023 was a year of introspection for responsible investors, but very much business as usual in managing our clients' assets to the best of our ability and continuing to evolve our offering to clients. Very few will deny that the spotlight shone on the responsible investment area, particularly by the anti-ESG (environmental, social and governance) drive in some markets, created a lot of noise.

Positively, it made us, as an industry, be far more specific and intentional with vocabulary that had too long been used interchangeably despite there being marked and important differences.

It also sharpened the way in which we articulate our approach to being an active, multidimensional and engaged investor: we believe it is simply good active investment management to take into account ESG factors that can have a potential financial implication as part of the broader mosaic of information;¹ in fact, it is necessary to do this to ensure we make informed investment decisions by evaluating the full risk and opportunity profile of an issuer.

Taking a range of factors into consideration while investing is core to Newton's approach. As an active manager we invest in strong leadership teams pursuing strategies we believe in, but we may call out areas for improvement that can lead to positive outcomes, which can help us deliver on the mandates our clients have given us: to protect and enhance the value of their assets over time. It is this duty – being a responsible steward of our clients' assets – which drives the philosophy behind our approach to stewardship.

Despite the recent growth in commitments towards stewardship in the investment industry (20 jurisdictions now have in place some form of stewardship code), there remains substantive variance in the way stewardship is delivered and its effectiveness measured across the industry. For example, there is no single definition of what constitutes an engagement.

Some classify any outbound request to issuers for dialogue or a simple letter-writing campaign as engagement, while others link it to interactions with issuers which are intentional in objective.

“
We believe it is important that voting decisions and investment rationale go hand in hand, rather than votes pursuing outcomes that may be decoupled from investment considerations.”

Equally, many service providers, market observers and asset owners still equate the quality of stewardship with quantitative measures of output where 'bigger is better', for example the number of interactions with an issuer or the number of votes lodged against management, without examining the additional context. This lack of uniformity across the industry means that asset managers such as Newton can define the parameters of their own approach to stewardship.

Newton has meaningful experience in active ownership activities and has embraced an approach which pursues quality over quantity. Engagement, voting and advocacy are the three pillars of our stewardship approach.

We define engagement, which is at the heart of our stewardship efforts, as the purposeful dialogue we have with our investee entities which helps us reduce risk and potentially add value for our clients. We focus on outcomes because we are guided by our responsibility to meet our clients' financial objectives.

Our voting activity, which underpins our stewardship efforts, supports our engagements and, where relevant, will reflect our view on how a company is managing its particular risks.

Our voting is grounded in financial materiality and, in being so, is very much a core part of how our investment process seeks to add value over the long term. We believe it is important that voting decisions and investment rationale go hand in hand, rather than votes pursuing outcomes that may be decoupled from investment considerations.

We believe in advocacy and being an active participant in industry debates as these are tools to protect client value, as opposed to being a passive receiver of market movements. It is vital for active managers to speak out when there are concerns regarding material risks associated with an issuer.

Today, more than ever, we believe it is imperative to have an active and thoughtful approach to stewardship. This report sets out Newton's approach to stewardship and how we strive to meet the UK Stewardship Code's 12 principles.

¹ ESG is one of many inputs into the fundamental analysis. The way that material ESG analysis is assessed may vary depending on the asset class and strategy involved.

THE 2020 UK STEWARDSHIP CODE'S PRINCIPLES FOR ASSET OWNERS AND ASSET MANAGERS

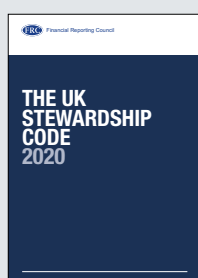
Throughout this report, we link, where appropriate, particular topics to an applicable Principle from the Code's set of 12 'apply and explain' Principles, as set out below.

Purpose and governance		See section
1	Purpose, strategy and culture	1, 3
2	Governance, resources and incentives	2
3	Conflicts of interest	5
4	Promoting well-functioning markets	5
5	Review and assurance	2, 6

Investment approach		
6	Client and beneficiary needs	5, 6
7	Stewardship, investment and ESG integration	4, 5
8	Monitoring managers and service providers	7

Engagement		
9	Engagement	5
10	Collaboration	5
11	Escalation	5

Exercising rights and responsibilities		
12	Exercising rights and responsibilities	5



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

2023 HIGHLIGHTS

STEWARDSHIP

- Launch of an outcomes-focused engagement strategy.
- Publication of Newton's governance principles and voting guidelines.
- Publication of Newton's inaugural voting season report.

GOVERNANCE

- Training session on climate change for all NIM and NIMNA board members and Newton Executive Management Committee members covering the current climate risk landscape, including the UK regulatory requirements.
- Enhanced oversight measures around our climate strategy by establishing the Board Climate Oversight Group and giving Newton's board the right tools to identify and adapt to climate risk within Newton's business.
- Expanded the membership of the Sustainability Committee to include non-investment business areas – seeking to understand the impact of Newton's own operations and its own carbon/climate footprint.

ESG INTEGRATION

- Training sessions for members of the investment team with the aim of enhancing how and when to consider ESG factors within the investment analysis for an issuer.
Topics covered included:
 - ESG integration as part of the multidimensional research process
 - How to integrate ESG risk metrics into fundamental assessments
 - ESG terminology
 - How ESG research helps to protect and create portfolio value
 - Sector-specific materiality exercises
 - Governance principles and best practices on minority shareholder rights.

INNOVATION

- Development of the sustainable theme alignment tool, which is a data tool that quantitatively estimates revenue alignment of issuers to sustainable themes defined by Newton – we expect this tool to enhance idea generation and the investment decision-making process for Newton's sustainable investment portfolios.
- Further development of the Newton net zero score, which enables assessment of corporate transition plans and alignment to scenario pathways for net-zero-aligned mandates.
- Rollout of the Newton net zero score in a net-zero-aligned mandate.

POLICY

- Publication of stewardship principles and sustainability policy.

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.

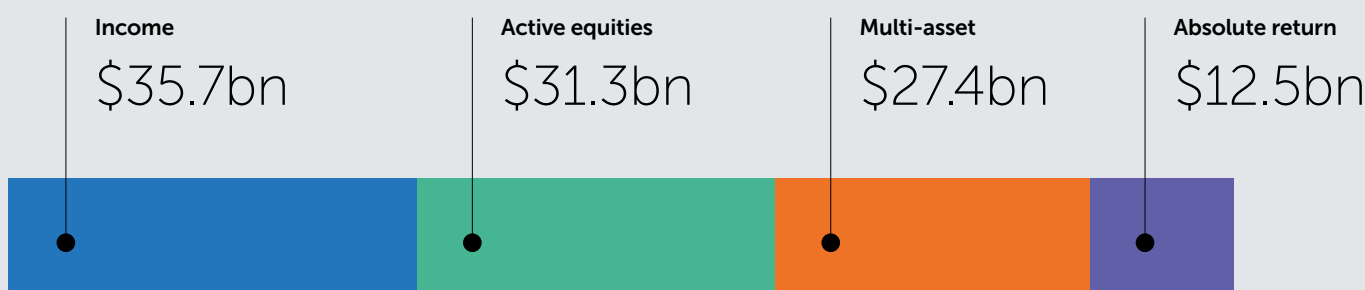
We have a global footprint, with 53% of our total AUM being managed for US clients, 34% being managed for UK clients, and the remainder being managed for clients across Canada, Japan, EMEA (ex UK) and the Asia-Pacific (ex Japan) region.

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 c.130-member investment team, which consists of active equity and multi-asset portfolio managers, and a multi-dimensional global research capability that includes fundamental equity, quantitative equity, quantitative multi-asset, credit, private markets, thematic, investigative and responsible investment research.



Newton's AUM by Client Key Area of Focus



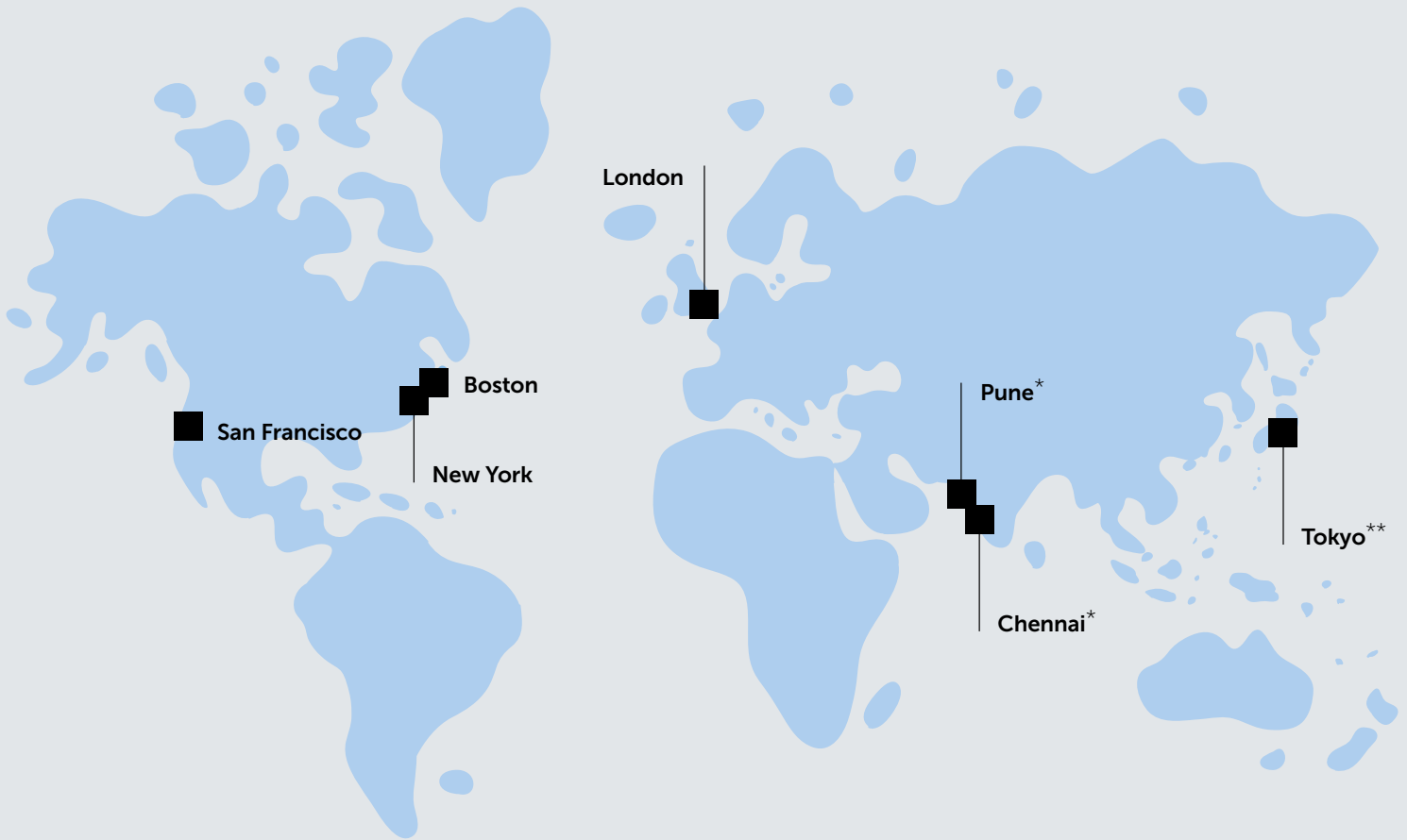
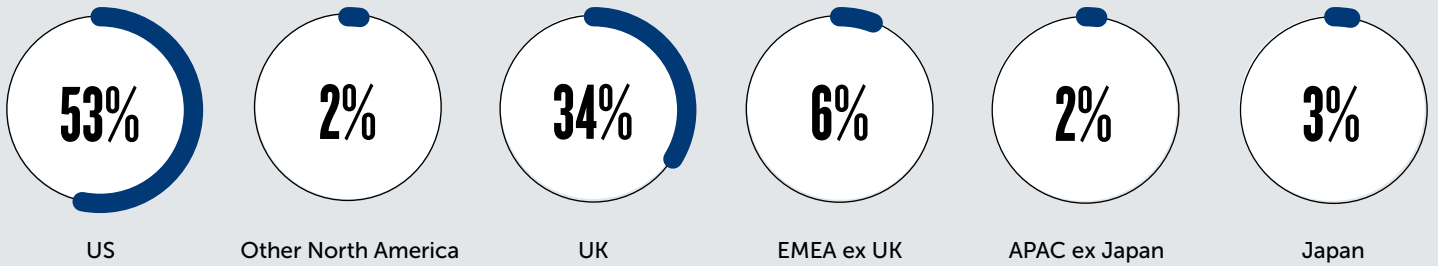
Source: Newton group of companies, December 31, 2023. Newton global AUM is the combined total assets under management of Newton Investment Management Limited ('NIM'), Newton Investment Management North America LLC ('NIMNA') and Newton Investment Management Japan Limited ('NIMJ') as calculated as at December 31, 2023. 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.

The NIMJ entity, which managed \$1.2bn in active equities assets as at December 31, 2023, is outside of the scope of this report.

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 2023, total assets invested by Newton multi-asset strategies on this basis was \$3.4bn. To avoid double counting we extract these assets from Newton's global AUM, which results in a total global AUM of \$106.9bn for Newton. Mixed Assets and Charities team assets of \$14.7bn includes \$2.0bn of this form of double-counted assets. Multi-Asset Solutions team assets of \$17.8bn includes \$1.4bn of this form of double-counted assets. The AUM includes assets under advisement (AUA) for a model of securities that the Firm does not arrange or effect the purchase or sale of securities.

² Strategies categorized as sustainable investing under the BNY Mellon Investment Management responsible investment framework.

Newton's Office Locations and AUM by Geography



INVESTMENT TEAM

Dedicated portfolio management

66 PORTFOLIO MANAGERS

Equity, multi-asset and fixed income

Multidimensional research

63 RESEARCH ANALYSTS

Fundamental, quantitative, credit, specialist, and responsible investment

* BNY Mellon Operations India offices provide support into the Newton group of companies. Additionally, as at December 31, 2023, Newton had some staff members based in BNY Mellon offices in Pittsburgh and Singapore.

**BNY Mellon Investment Management Japan transition took place on March 1, 2023. The NIMJ entity is not in the scope of this report.

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 decarbonize 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 minimize 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 recognize 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, regulators and governments 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 UK and US entities² represent over 98% of the group's assets under management, and in this report, we refer to those entities collectively as 'Newton'. The Newton 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, Therese Niklasson, is a member of this committee and submits a formal update each month to the committee. Therese is approved by the UK Financial Conduct Authority (FCA) to perform the SMF (Senior Management Function) 18 (Other Overall Responsibility) for the Newton business regulated by the FCA.

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.

In 2023, we released an updated version of our stewardship and sustainability policy, which 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 utilization/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

Underlining 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 diversity, equity and inclusion (DE&I). The committee meets quarterly and monitors Newton's progress against its net-zero targets, among other matters.

This committee is chaired by our Global Head of Sustainable Investment, and also includes 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 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.
- Our **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 risk.

² Newton Investment Management Japan Limited is excluded for the purposes of this report.

We have an oversight group, the **Newton Sustainable Investment Forum (SIF)**, to provide support and challenge in relation to investments held in our sustainable strategies. 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.

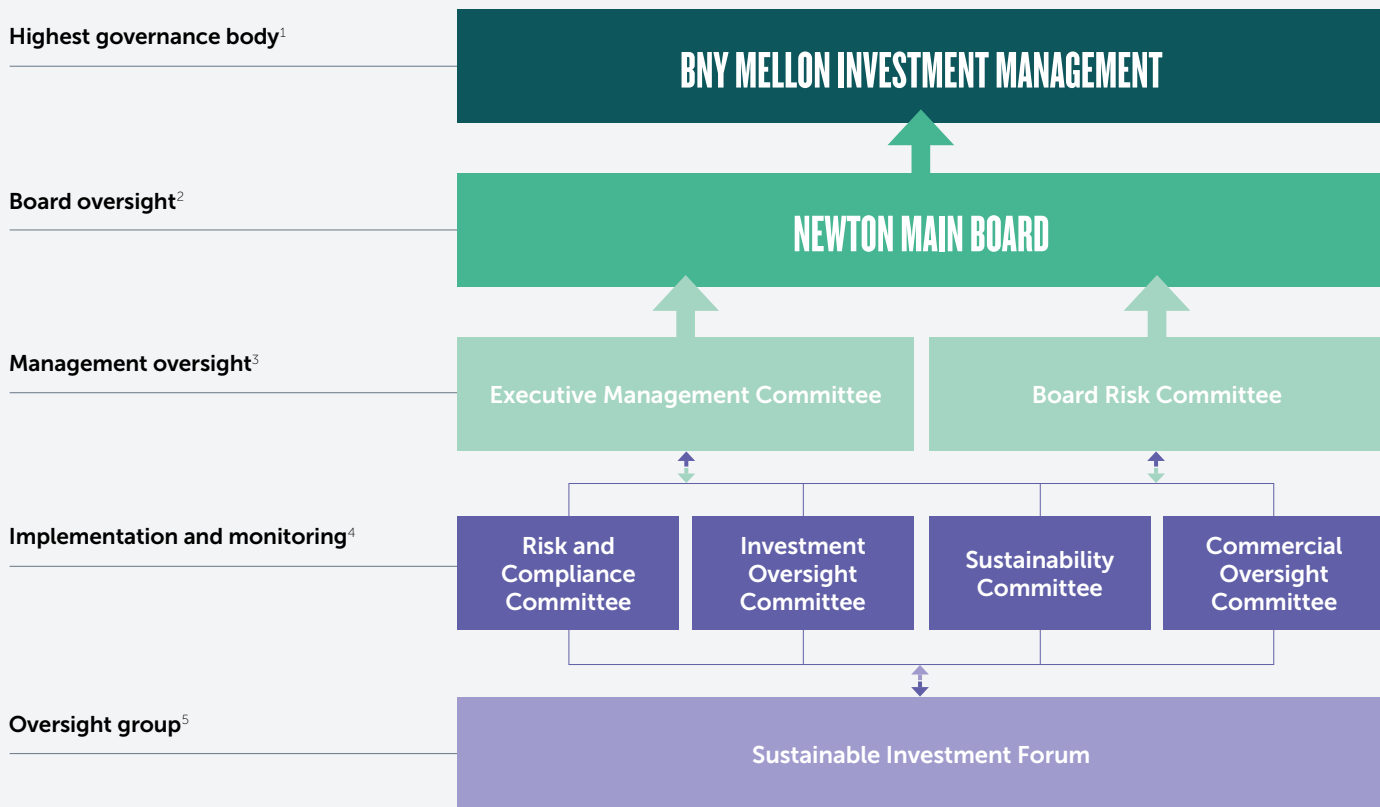
The Investment Oversight Committee looks at process-oriented issues and the Sustainability Committee looks at framework and policy-related aspects stemming from the SIF. The SIF meets regularly and alternates between generic meetings and strategy-specific meetings that reflect different areas of sustainability focus (from sustainable to more impact-aligned products).

The formal role of the SIF is to:

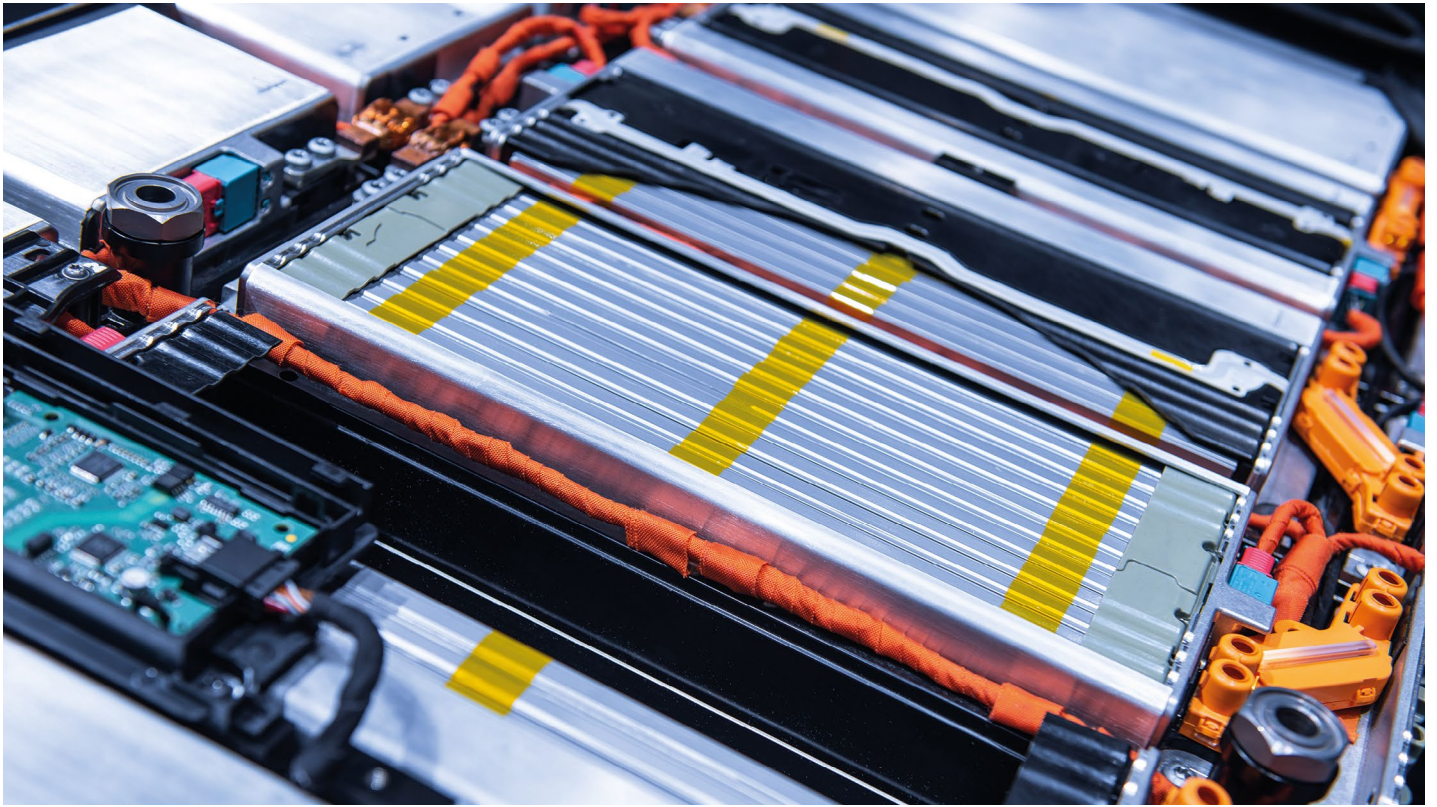
- Conduct a review of existing and new holdings against portfolio objectives (where those objectives include specifically reference sustainability), our sustainable investment framework and any regulatory standards.
- Foster debate by bringing together a wider set of sustainability experts within the business.
- Provide support by educating, training and sharing knowledge and insights among the group.

While it is vital to monitor our existing sustainable strategies, it is equally important that we are thoughtful about launching any new products in this space. Therefore, we have the **Newton Sustainable Products and Commercial Advisory Forum (SPCAF)**, which meets on an ad-hoc basis when new strategies are being planned with a sustainability proposition. This forum brings together members from the SIF and is intended as a peer review of the proposals in order to make sure we launch robust and thoughtful sustainability propositions that help our clients achieve their goals. The group provides advice back into the Newton Product and Commercial Committee.

Governing Newton's Responsible Investment Approach



The simplified structure illustrated above removes some intermediate affiliates and groups:
 1 BNY Mellon Investment Management sets standards relating to ESG across BNY Mellon Investment Management firms through overarching ESG framework policy.
 2 Relates to the boards of Newton Investment Management Limited and Newton Investment Management North America LLC.
 3 Board committees;
 4 Primary committees;
 5 The ESG Data and Reporting working group, which does not form part of Newton's formal governance structure. The Sustainable Investment Forum provides oversight of sustainability strategies.



Effectiveness of the Governance Initiatives in 2023

In our 2022 report, we had highlighted the launch of the Sustainability Committee, the SIF and the SPCAF, all of which were still in their early days at the time of publication.

We are proud to report that these initiatives 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, updates of proposed changes to our internal frameworks, and discussions around various securities.

We believe in continuous improvement and therefore have made some enhancements to how these forums operate.

We have expanded the membership of the Sustainability Committee to include representatives from the non-investment parts of the business, with the aim of making it a truly holistic committee that also seeks to identify Newton's own footprint and the wider impact from our business operations.

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 sustainable investment.

During 2023 a Board Climate Oversight Group (BCOG) was established, chaired by our Global Head of Sustainable Investment with membership including the three NIM independent non-executive directors.

The group's purpose is:

- i. to provide a forum for our climate strategy to be discussed and the alignment with the NIM and NIMNA boards ahead of any formal decision making;
- ii. to give the NIM and NIMNA boards comfort that the business has appropriately integrated climate-related issues, risks and opportunities into the NIM and NIMNA governance framework; and
- iii. to provide oversight and challenge to the business concerning the timely completion of tasks and projects connected with the NIM and NIMNA climate strategy.

The BCOG additionally provides 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 and to oversee progress against goals and targets related to addressing climate-related issues as and when required.

During 2023, all NIM and NIMNA board members and NEMC members attended an externally facilitated climate change training session to ensure members of the board and key senior managers understood the current climate landscape, risks the current global business faces, and regulatory requirements, including potential regulatory divergence in the jurisdictions Newton operates.

Resources

Newton has a centralized responsible investment team headed by Therese Niklasson, Global Head of Sustainable Investment, who has 20 years of experience in the industry. This team is the center 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 below, is global in its footprint and diverse in its employee base. Importantly, the team brings together vital insights from its places of operation. With members in the UK, the US and India, the team is enriched by different perspectives: the ESG landscape in the UK (and Europe) is arguably very different to that in the US (and indeed there are divergent approaches even within the US), and India brings important insights from an emerging-markets angle.

The team is organized into three pillars of expertise – stewardship, research, and analytics: these specializations under the responsible investment umbrella allow us to bring further depth and expertise to each of these activities. The team’s compact size enables it to work cohesively and operate as one team.

NEWTON’S THREE 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

Subject-matter experts consulting the investment and research teams, driving deep insights on sustainability-related subjects. The team manages Newton’s sustainability standards, definitions and frameworks.

Responsible investment analytics

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

The role of the responsible investment team is to be a support function to the investment teams, to set standards around sustainable investment, and to coordinate and ensure effectiveness around our stewardship efforts. It guides the business around policies and direction of travel for sustainability and stewardship more broadly.

The responsible investment team also owns and manages the overall governance systems to ensure we deliver against key codes and commitments including stewardship

codes, industry principles such as the UN Principles for Responsible Investment, and industry pledges such as the Net Zero Asset Managers Initiative (NZAMI). Please see page 54 for a full list of industry bodies and initiatives which Newton supports and/or of which NIM/NIMNA is a member.

Supporting the team, and the wider business, are various external organizations and vendors including ESG service providers, memberships, and internal systems for monitoring and reporting.

NEWTON’S RESPONSIBLE INVESTMENT TEAM 12 years’ average investment experience. 4 years’ average tenure at firm.



Therese Niklasson
Global head of sustainable investment



Sakshi Bahl
Head of sustainability research



Rebecca White
Global ESG integration lead



Jennifer Law
Head of stewardship



Niall Brennan
Co-head of RI analytics



Alex Parkinson
Co-head of RI analytics



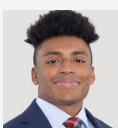
Nico Aspinall
Sustainable investment product advocate



Nicholas Harris



Onkar Jagtap*



Barry Burrell



Diya Choudhury*



Harish Venkatachalam*



Shalin Vora*



Amit Khandelwal*



Antoine Najm



Ancht Sharma*

Source: Newton group of companies, December 31, 2023.

*An employee of BNY Mellon Operations India, not included in the calculation of team average numbers. Provides support to the Newton responsible investment team from Pune, India.

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 and sustainability within the firm's ecosystem.

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 recognizes 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. The analytics team 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, 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 sustainable product range, etc.) to topics of broader industry relevance (emerging regulations, evolving topics of discussion on climate change, the circular economy, planetary boundaries, etc.). For example, we have had focused sessions on specific topics around net zero and climate change, biodiversity, modern slavery, and emerging sustainable finance regulation across geographies.

Specifically, over the course of 2023, the responsible investment team delivered training to members of the investment team to assist in the continuing development of the research analysts and portfolio managers in our approach to ESG integration and how to integrate ESG risk metrics into fundamental assessments.

The responsible investment team also delivered sessions covering our revised sustainable investment framework to help the investment team understand and apply the sustainability criteria considered in our sustainable strategies.

Training Topics in 2023

Our approach to sustainability and ESG integration
Our sustainable investment process
Corporate governance analysis
ESG data tools
Climate change – our commitments and progress

This training has enhanced the general quality of insight and analysis conducted by the investment team and we see a greater sense of ownership of the research analysis by the investment team. We see training and self-improvement as ongoing processes and plan to continue to upskill our teams on topics of relevance.

2. Learning by Doing

In our 2022 report, we spoke about the importance of having individual(s) on different teams working directly and dedicatedly on responsible investment-related matters. We put this into practice in 2023, as we believe that hands-on learning is the most sustainable form of learning. For example, the investment risk team has worked on building a capability to better identify and monitor responsible investment-related risks within our invested universe.

The partnership between our responsible investment resources and the rest of the business is critical to drive our firm-wide ecosystem for effective stewardship.



3. Close Collaboration

The responsible investment team acts as a center 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.

The responsible investment team attends the daily investment research meeting and has a designated fortnightly investment team meeting to share updates, priorities and ongoing projects.

Examples of Internal Research Shared by the Responsible Investment Team to Add to the Investment Team's Knowledge on Key or Topical Issues

Hydrogen in the Energy Sector

Examined the implications of the high cost of hydrogen, the practical challenges to application which need to be overcome (energy losses and leaks), critical considerations (location of assets, policy uncertainty) and likely near-term investment opportunities (supply chain/enablers).

Published blog:
A New Spark for Clean Hydrogen?

Water Risk in Technology

Explored why water scarcity is a key risk (especially in the semiconductor manufacturing and data center industry), from tail risk from growth of digitalization and AI adoption, physical risk (location of data centers), and possible downstream impacts (increased demand for liquid cooling vs. traditional air cooling).

Published blog:
The Environmental Effects of Digitalization

Big Tech Regulation

Analyzed the potential impact of the European Union's (EU) laws (passed or proposed) affecting digital service providers, which, in turn, will foster fair competition and protect consumers and their data. We also analyzed the likelihood for other regions to adopt similar laws.

Published blog:
Big Tech, Bigger Regulations?

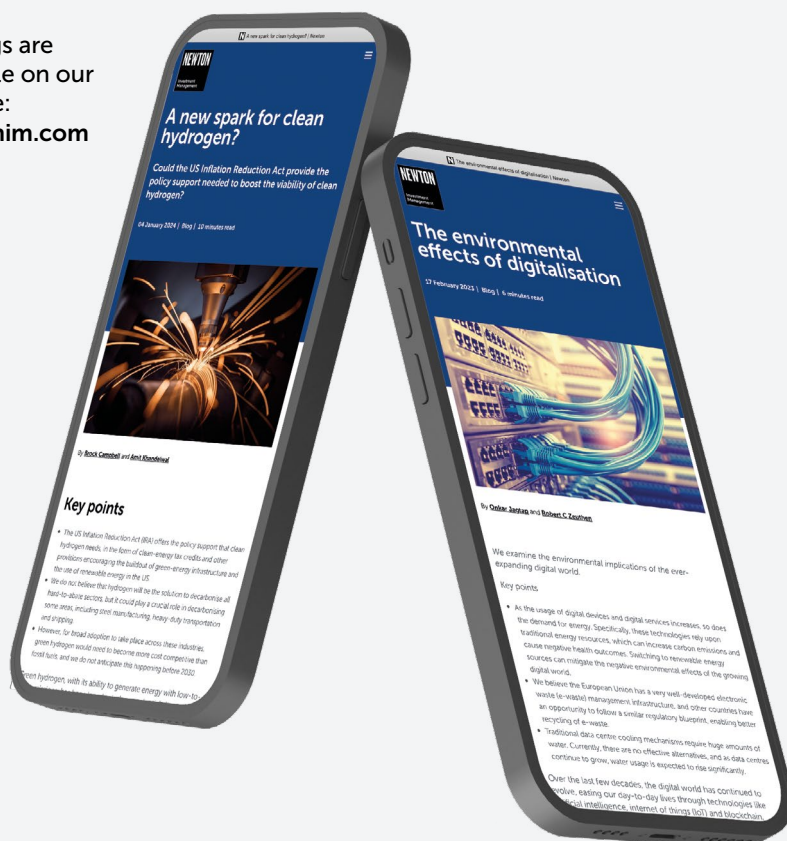
Social Risks in AI

Examined the key areas of social risk that we believe should be considered while evaluating AI adoption and that we believe should be addressed by companies while advancing AI, including unemployment and income equality, exacerbating biases, misinformation, safety concerns and accountability, data privacy and cybersecurity, intellectual property theft, artificial general intelligence and singularity, erosion of social values, and impact on education systems.

We also outlined our ideas on how companies can minimize these risks, including governance structures and implementing comprehensive responsible AI programs consistent with organizational values and norms.

Published blog:
Ethical Dilemmas of Artificial Intelligence

All blogs are available on our website:
newtonim.com



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.



The team's analysis seeks to offer innovative tools to support better investment decisions and develop sustainable solutions. ”

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 model 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.

Refinements in 2023

- **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 will be working on a project to begin to move this functionality onto a cloud-based analytics platform for increased efficiency in 2024.

- **Principle Adverse Impacts (PAI) Indicators**

In 2023, 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 EU's Sustainable Finance Disclosures Regulation (SFDR).

The quantitative model has enabled a much more efficient process in applying the DNSH test. Work will continue through 2024 in response to the expected changes to SFDR from the European regulators.

- **RI App**

This was originally used as a dashboard enabling portfolio managers to access external providers' data on a company alongside internal ESG analysis on the company. In 2023, it has been repurposed to function as the platform for documenting and publishing sustainability reviews as well as surfacing key data points for sustainable strategies.

The Newton Net-Zero (NNZ) Score

The NNZ score is a capability that enables quantitative assessment of 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 & governance. We have provided further detail on this innovation in *Section 6: Taking into account client expectations.*

Sustainable Sovereign Matrix

This is a quantitative model that incorporates a flexible and clear scoring process to assist in the sustainability assessment of sovereign debt. The analytics team revamped this model in conjunction with our fixed-income team to clarify the framework and the underlying assumptions. This model will be made available within the RI analytics lab in 2024.

Incentives

Newton's overarching remuneration philosophy is to attract and retain the highest caliber 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:

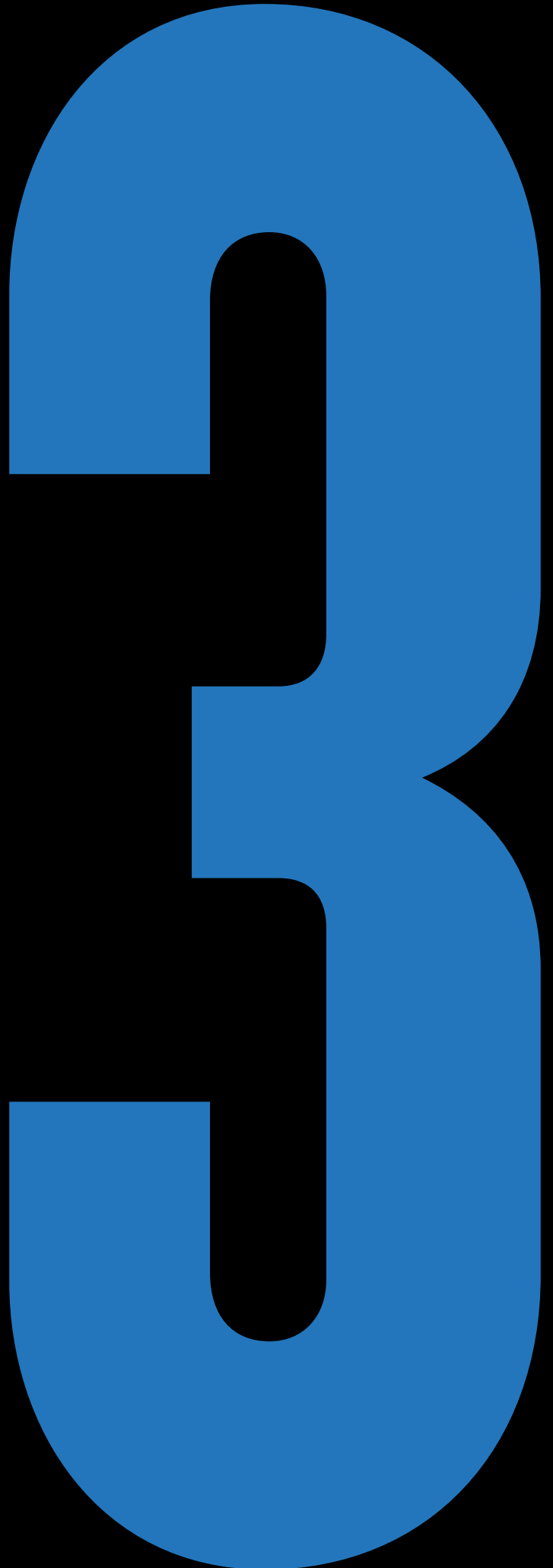
- be consistent with, and promote, sound and effective risk management
- be in line with the firm's business strategy, objectives and long-term interests including the maintenance and positive evolution of our culture and values
- actively role model and lead our clients, intermediaries and prospects 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, all of which contributes to long-term investment performance and to how our employees are rewarded.

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 environmental and social factors, such as climate change, biodiversity, human rights in supply chains, and diversity 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 financial assets.

- We value diverse perspectives and are able to engage with different voices and adjust our views when hearing from experts.
- We can make decisions quickly, not having to wade through bureaucracy, but 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 behaviors that set out how Newton employees need to operate in order to deliver our purpose and strategy.

These apply to all our employees in the same way, regardless of their department or position in the business.

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



We believe that embracing a broad range of perspectives can improve decision-making, cultivate innovation and encourage better understanding of our clients. ”

Diversity, Equity and Inclusion

As investors, we hold our investee companies to high standards when it comes to diversity, equity and inclusion (DEI) policies and practices, and we have seen first-hand how companies can reap the benefits of strong performance in this area through bringing together a wider set of ideas and perspectives.

We have increasingly turned this lens on ourselves, and we recognize that it is crucial that we play our part in making efforts to tackle the diversity challenge facing the asset management industry, and within our workplace.

We believe that embracing a broad range of perspectives can improve decision-making, cultivate innovation and encourage better understanding of our clients, as well as make Newton a company that employees are proud to work for.

We have a **DEI Council**, which promotes diversity of thought, background and experience within Newton. The Council is sponsored by two executive committee members, Mitesh Sheth, MBE (Multi-Asset Chief Investment Officer), who has been nationally recognized for his services towards promoting diversity and inclusion within the financial services sector, and Michael Germano (Chief Operating Officer and Head of North America). The Council members are volunteers from all parts of the business supporting the achievement of our DEI strategy through initiatives that include data collection and measurement, recruitment, retention and mentorship, policy and partnerships, and diversity education.

Since the Covid-19 pandemic, we have prioritized mental health support to employees. A dedicated mental health and wellbeing website launched in 2022, containing numerous resources available to all staff.

We have also hosted guest-speaker events and launched a 'Human@Newton' podcast interview series, in which colleagues share their personal experiences to shine a light on some aspect of mental health, overcoming hardship or trauma, and building resilience. A program of resilience training has been rolled out and has resulted in the development of mental health and wellbeing ambassadors across the company.

We continue to work to build a more diverse workforce.

We seek to achieve this through:

- Diverse interview panels, and diversity and inclusion questions in interview guides
- Final candidate slates for all open positions including female and/or ethnically/racially diverse individuals
- Unconscious bias training for managers
- A selective leadership development program, sponsored by our executive management committee, for high-performing diverse future leaders, and mentoring from the senior leaders at Newton for diverse high-potential employees
- Investment in a platform which champions women and broader diversity in the workplace to support and enhance our sourcing of diverse talent
- Holding ourselves accountable through tracking our progress against our diversity objectives.

We support working parents through family-friendly policies, and other resources that may include, depending on location, emergency childcare provisions, an online parental leave toolkit, a parental buddy program, and a program that supports parents currently on, or recently returned from, parental leave. We also offer carer resources to employees who may need support in caring for a family member.

We enable employees to work flexibly in most roles. We harness technology to improve connectivity and digital collaboration with clients and colleagues and believe this is key to attracting talent to our company. In addition, we are an accredited 'living wage' employer.

We support a network of employee resource groups coordinated by our parent company, BNY Mellon, which are open to all employees.

The network includes:

- GENEDGE** Shares the knowledge capital, energy and range of talents within our diverse, multigenerational workforce to solve business challenges.
- HEART** Promotes awareness of the requirements of those with disabilities.
- IMPACT** Brings together people from multi-cultural backgrounds.
- PRISM** Promotes an open and supportive environment for all gay, lesbian, bisexual and transgender (LGBT+) employees.
- VETNET** Serves as a resource for the recruitment, retention, professional development and advancement of those in the military as they move to new careers and civilian life.
- WIN** Promotes a culture of leadership and sponsorship to recognize and support the professional development and advancement of women.

Our employees are fundamental to the achievement of our purpose, and we are committed to treating them with respect, dignity and fairness.

Diversity-Related Industry Initiatives

We are involved actively in industry initiatives to promote diversity within asset management.

Among schemes in which we participate to increase the diversity of our workforce are a **summer intern program** for Latin American and black students in the US, and a **vocational trainee program** in the UK, where we work with a charity called The Brokerage. Through this program, we select talented leavers from London state schools and offer them the chance to study for a degree, alongside working full time at Newton. This program has been running for many years, and we have seen many successful school leavers succeed, earn their degree, and contribute meaningfully to Newton.

We also sponsor a **return-to-work program** for those who have been out of work for some time, and we have run a successful returning-military program, from both of which several individuals have gone on to full-time employment with us.

We are an active member of the **Diversity Project**, and through this, we work with more than 100 other investment firms to share and develop best practices.

We are a founding member of the **Diversity Project Pathway** program, which has a target to train 150 female portfolio managers in London over the next five years.

This industry-wide program was launched in January 2023, and is providing a training and career opportunity for women, particularly those in non-investment roles, who want to become portfolio managers, to learn from the best across the industry, with a new cohort starting each new year.

Three Newton participants in the program's inaugural year have already taken on portfolio management responsibilities at Newton.



The Wider Community

We engage actively within our communities to help deliver long-term positive outcomes. At a corporate level, we have a focus on DEI, financial education and environmental initiatives, in addition to supporting our staff-nominated charities. We respect that many employees also want to support local organizations and charities that they have a particular affiliation with, and we support these initiatives as much as possible.

Newton is a founding supporter of the charity **The Centre for Financial Capability**, which has as its mission to ensure that every child in the UK develops the skills and behaviors necessary to navigate critical financial decisions in their life – starting from primary school.

Newton is also a founding member of this charity's ground-breaking collaborative project, **KickStart Money**, which aims to take financial education to 20,000 UK primary school children, catalyzing a movement to build a savings culture for the future.

In a similar vein, in the US we work with organizations such as the **Bay Area Financial Education Foundation** and **Roxbury Tenants of Harvard**, bringing financial literacy education to young people. Members of our investment team have led these engagements.

We also participate in 'career boot camps' in partnership with The Brokerage, the charity through which we also run the vocational trainee program. These sessions are designed to help young adults from underprivileged backgrounds with career advice, interview preparation and other practical help to find their footing in a job.

Under **BNY Mellon's Community Impact Program**, our employees are entitled to three paid days of volunteering every year. In 2023, our employees have utilized these days providing meal services at veterans' and women's shelters, volunteering in food banks and various local community organizations, and organizing and participating in fundraising activities. We have a matching policy for individual donations and fundraising.



Newton has set an interim target of 50% of our financed emissions having credible transition plans by 2030 and 100% by 2040. ”

The Environment and Climate Change

Newton is a signatory to the **Net Zero Asset Managers initiative** (NZAMi), an international group of asset managers committed to supporting the goal of net-zero greenhouse-gas emissions by 2050 or sooner. Newton has set an interim target of 50% of our financed emissions having credible transition plans by 2030 and 100% by 2040.³

In terms of our financed emissions (our exposure to emissions through our investments), we can choose either a linear, reactive approach to considering the risks and opportunities, or we can see ourselves as contributing to a larger system where we can influence the direction of travel, investing behind a changing world. We choose the latter, and therefore we support transition. This means allocating not only to solution providers but also to those companies with transition plans at varying stages. We believe companies' transition plans should benefit from patient and engaged capital from investors such as Newton.

We have also taken various steps to reduce our own carbon footprint. With our parent company, BNY Mellon, we use a three-part approach to achieving carbon neutrality: reducing energy use and related greenhouse-gas emissions; procuring renewable electricity; and using carbon offsets to compensate for the remaining emissions in our operational footprint. BNY Mellon has committed to maintain carbon neutrality in its operations through to 2025,⁴ and has also set a greenhouse-gas emissions reduction target in line with a well-below 2 degrees Celsius science-based target methodology.

Our 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 change management. Our approach continues to evolve and we are committed to improving our disclosures through the Task Force on Climate-related Financial Disclosures (TCFD) framework in the UK and other relevant initiatives over the coming years.



Climate Strategy Project

Newton launched a climate strategy project in 2023, with a review of the governance and oversight the board has over climate risk in the business.

This clarified the interactions between the non-executive directors and executive directors around reporting through the TCFD (where applicable), the Newton risk register and the development of our climate strategy. As part of this review, the board set up a new oversight group – the Board Climate Oversight Group (BCOG), reporting into the Board Risk Committee (BRC).

The BCOG will act as a liaison between the non-executives on the board and the executives involved in the climate strategy project, enabling us to test and gain feedback on some of the decisions coming to the BRC and board in an open forum.

In parallel we have been working to:

- Define our evolving approach to TCFD reporting in 2024
- Develop a series of short-term climate scenarios which can give insights into the different risks our portfolios may be exposed to depending on the course of the decarbonization transition over the next few years
- Develop the climate content of our risk register both relating to our business strategy and to our client portfolios
- Develop our strategy for climate products and investing in climate solutions in line with our NZAMi commitments
- Train the board and the executive management committee on aspects of climate change, Newton's commitments and the progress being made.

³ This applies to NIM and NIMNA. NIMJ is not in NZAMi scope for Newton.

⁴ For Scope 1 and Scope 2 greenhouse-gas emissions, including data centres, as well as Scope 3 business travel emissions through the use of renewable energy and carbon offsets.

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 (to the extent relevant to the mandate⁵) 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,⁶ as relevant, and are guided by a materiality framework. We have aligned ourselves with the BNY Mellon definition of responsible investment, including ESG integration, as the “incorporation and analysis of financial implications of ESG factors as an input into investment decisions”.⁷

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.



5 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.

6 Ibid.

7 BNY Mellon ESG Report 2022 (<https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/2022-esg-report.pdf>)



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. ”

Our ESG Integration Philosophy

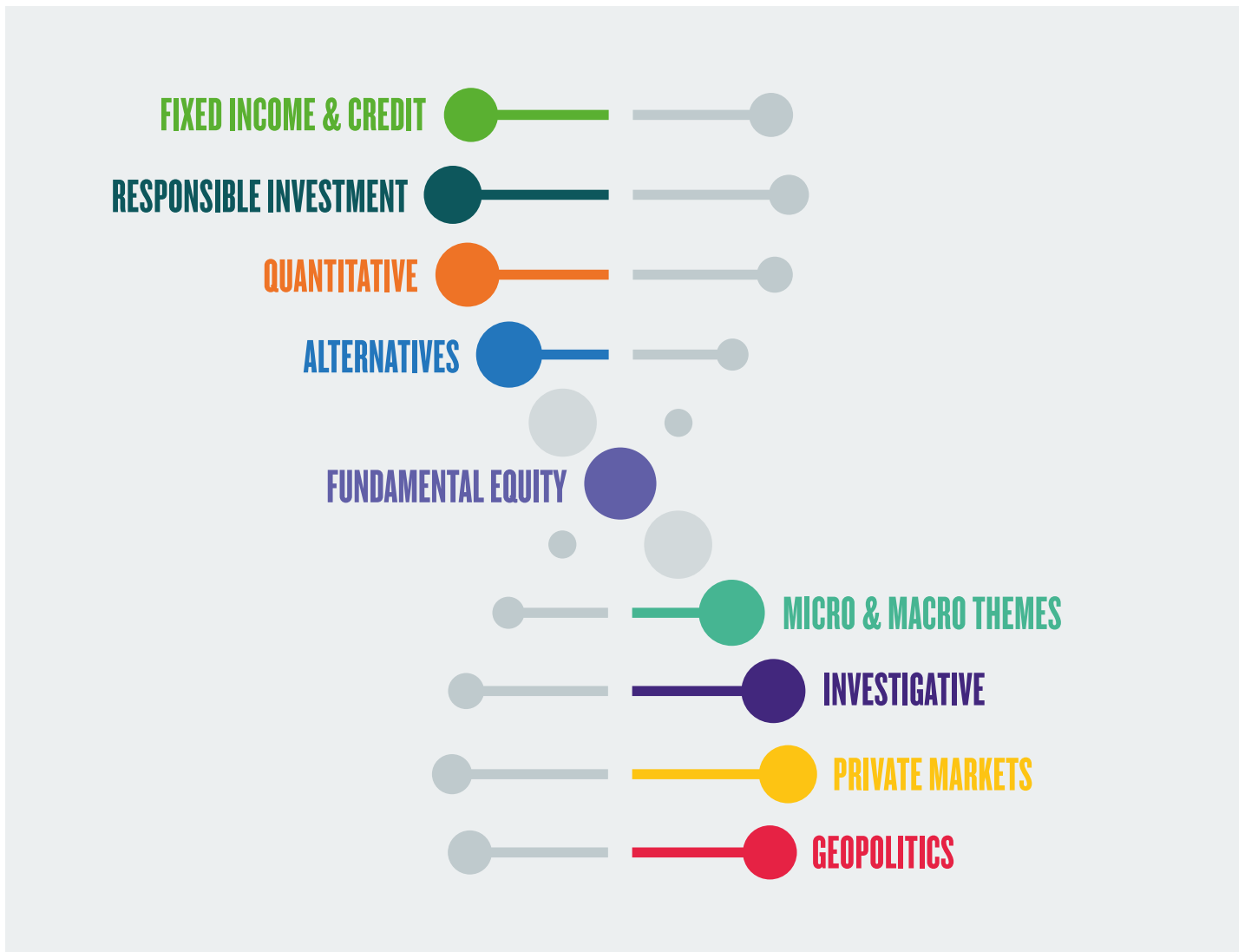
We assess ESG considerations as a part of a mosaic of issues that we consider in order to fully understand the material risks and opportunities influencing the value of the securities and instruments in which we invest on behalf of our clients.

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.

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 analyzing material ESG risks and opportunities associated with the securities that they recommend in the context of their role of recommending securities.



ESG Analysis in Equities

ESG analysis 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 engagement activity and the company's approach to relevant codes, market practices and regulations.



What Our Analysts Say About ESG Integration at Newton

Brock Campbell Head of equity research	Rob Zeuthen Fundamental equity research analyst, head of secular pod	Vivek Gautam Fundamental equity research analyst, interest-rate sensitive/stable pod
How does Newton's responsible investment expertise enhance equity research?		
<p>Newton's multidimensional research platform was created with the intention of equipping our investment teams with a wide range of perspectives, so that they can make informed investment decisions.</p> <p>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 investment teams can take a holistic view and can take into account any material views while constructing an investment case.</p>	<p>AI is a powerful investment theme and key research focus at Newton. Given the potential breadth and impact that AI may have on society in the future, it's essential to apply a multidimensional approach to understanding the technology so the team can weigh its potential impacts and risks for all constituents.</p> <p>At Newton, we consider all these factors by regularly meeting and sharing viewpoints from a diverse set of investors and responsible investment professionals.</p> <p>The net result is that members develop a broader understanding around the theme and the technology to help the investment team make well-researched, high conviction investment decisions for our clients.</p> <p>This process also seeks to keep governance in mind since AI has the potential of promoting bad outcomes including bias and a lack of trust. Stewardship analysts play a role here by raising awareness on the team about key governance issues. They also join analyst conversations with public companies to review key topics.</p> <p>By applying a collaborative approach, the team works to ensure that executives and boards are building/applying AI with solid principles, people, processes and platforms in mind.</p>	<p>Working with the responsible investment team has been additive to my work as a research analyst. I have been able to draw upon the specialist expertise of the responsible investment team to look into areas beyond my core skillset.</p> <p>In the past year, we have increased the number of ESG-focused meetings with existing and potential investee companies, and working with the responsible investment team helps me better prepare for those meetings.</p> <p>Having the in-house responsible investment resource gives me the confidence that, if I would like an ESG issue to be looked into in depth, the responsible investment team will conduct a deep-dive analysis, including dialogue with the company where needed, and provide a well-considered conclusion to aid my analysis of the company. This allows me to conduct a well-rounded analysis taking into account a range of factors that can have a material impact on the company's financial performance.</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, as reported in our quarterly reports. 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 cognizant 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 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

US INDUSTRIALS COMPANY

Strategy

- **Newton Mobility Innovation**

ESG factors

- **Governance:**
 - Board and leadership quality, skills and experience
 - Remuneration

G



Research objective

To assess whether the company's governance structure enforces regulatory compliance and presents adequate checks and balances.

Context

The company's governance structure involves a dual-chair system, which is inconsistent with regulations. Concerns extend to executive pay and independence. After speaking with the company's lead independent director and chair twice, we remained concerned about the potential for future risks.

Investment implications

The stock was sold due to governance concerns, coupled with the identification of more compelling opportunities in the sector.

NORWEGIAN MATERIALS COMPANY

Strategy

- Newton Global Natural Resources

ESG factors

- Social:
 - Operations in sensitive regions and human rights



Research objective

To assess whether the company's response to our concerns surrounding its operations in Brazil was adequate and how the company perceives the risk.

Context

The company was in a class action lawsuit due to environmental issues at its refinery in Brazil. Investigations have escalated the risks, and despite the company's stance that its water discharge is within legal limits, community health concerns remained unaddressed.

Investment implications

Our multidimensional research highlighted inadequate mitigation efforts from the company, concerns which were reinforced by our dialogue with the company. If they were to materialize, legal risks associated with potential litigation would have a negative impact on long-term growth for investors. This risk led to us reducing the stock holding in this strategy.

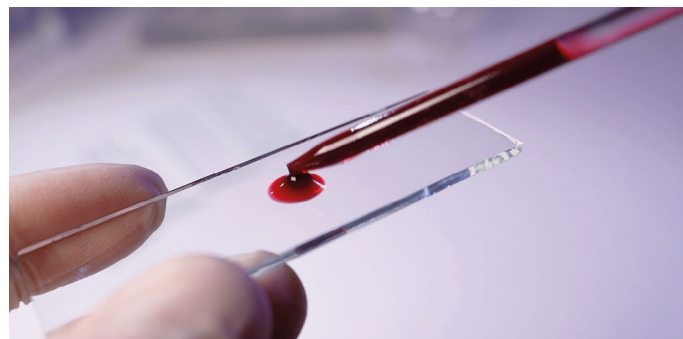
FRENCH HEALTH-CARE COMPANY

Strategy

- Newton Large Cap Value

ESG factors

- Social:
 - Opportunities in/access to socially sustainable products or services



Research objective

To understand the potential impact of a possible regulation on the pricing of drugs.

Context

Given the strategy's exposure to health-care stocks, the portfolio managers are concerned about the potential likelihood and impact of a US regulation on limiting or regulating prices of drugs to make them more accessible to lower-income groups.

Investment implications

If regulation were to be introduced to address this social impact, it would be likely to have an immediate impact on US health-care stocks – it is a systemic risk. This could affect margins, the ability to develop future pipelines, and overall valuation multiples. The company, having higher exposure to Europe than the other health-care stocks, seemed to be somewhat shielded from this risk. Therefore, the team added to the holding in the company while continuing to monitor the situation closely.

US INDUSTRIALS COMPANY

Strategy

- Newton Global Dynamic Bond
- Newton Sustainable Global Dynamic Bond

ESG factors

- Environmental:
 - Opportunities in environmentally friendly products and services



Research objective

N/A

Context

The company offers energy-efficient HVAC (heating, ventilation and air conditioning) solutions. As building owners and operators strive to meet their ESG and sustainability targets, they are investing in more efficient heating and cooling systems, which lead to less electricity usage, saving these building owners and operators energy costs as well as reducing their emissions. Increasingly stringent environmental regulations and standards applicable to buildings have also created demand for energy-efficient HVAC systems.

Investment implications

We believe that the company is well-positioned to benefit from environmental trends and regulations. Its strategic positioning in environmentally friendly products and services presents an investment opportunity, and therefore we bought holdings in the company for these strategies.

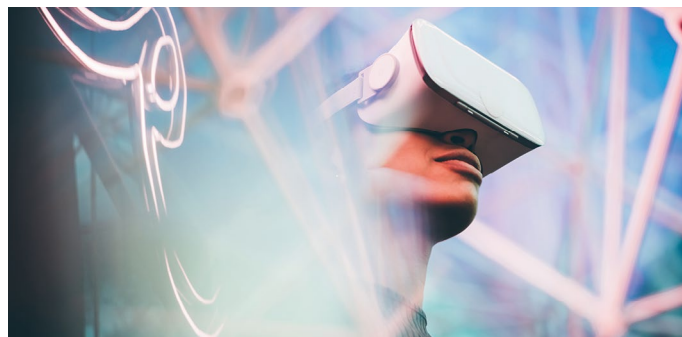
FRENCH INDUSTRIALS COMPANY

Strategy

- N/A – analyst recommendation

ESG factors

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



Research objective

To understand the company's labor practices and union relations in light of allegations of union busting and poor work conditions.

Context

Our multidimensional research revealed that this digital business services company faced allegations of poor labor relations. Further research was undertaken to understand the timing and extent of any wrongdoing by the company, and the extent to which this had been addressed or if there remained exposure to reputational issues that could financially affect the company.

Investment implications

Our research provided comfort regarding the quality of the company's commitments and its engagement with trade unions. We saw this is an opportunity for the company to set industry standards for content moderation employment practices. The fundamental equity research analyst recommended the stock as a result. We continue to monitor the stock as any regression in commitments would undermine this comfort and could have implications on the share price as well as increasing longer-term financial risks.

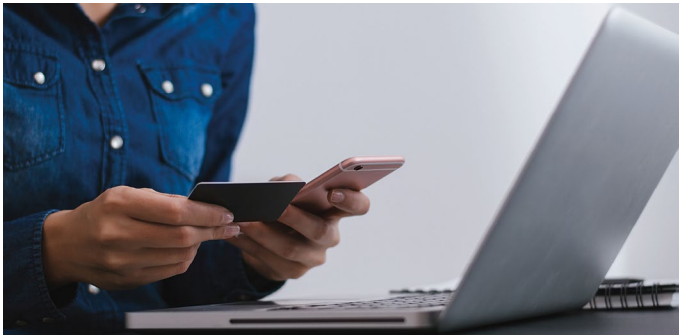
SINGAPOREAN BANK

Strategy

- Newton Asian Income

ESG factors

- **Social:**
 - Cyber security/data privacy
 - Product safety and quality
- **Governance:**
 - Internal controls, risk management, audit and tax



Research objective

To assess the seriousness of technology/digital disruptions and whether we need to account for higher spend on technology when considering the investment case.

Context

This bank has experienced frequent technology and digital disruptions, prompting regulatory concerns and directives to resolve these issues. A review of the bank's IT systems revealed the need for more robust change management and recovery systems. The bank's governance has been challenged by the directive and there is an ongoing review of third-party vendors.

Investment implications

Frequent outages and the bank's response are critical for investor confidence, as they affect the bank's operational stability and competitive edge. We held a conference call with the bank to understand the severity of the issue and the bank's planned corrective action. In our assessment, the planned changes would be cost and time-intensive, and therefore would have an impact on our overall valuation of the company. Therefore, we trimmed our position following the call.

CANADIAN MINING COMPANY

Strategy

- Newton Multi-Asset Global Balanced

ESG factors

- **Social:**
 - Operations in sensitive regions and human rights



Research objective

To assess the investment risk emerging from the environmental and social implications of the company's operations in a Central American country.

Context

Initial research suggested:

- the sensitivity of location; and
- significant operational risk in the face of increasing social protests surrounding the award of the mining contract by the government.

Extensive exploration activities were potentially already disrupting livelihoods of residents. Furthermore, copper mining poses a challenge for access to clean water, and the mining waste could pose a threat to the quality and safety of water resources.

Investment implications

Some portfolio managers, after consideration, decided not to invest in the company. The government cancelled the mining contract after significant protests. Harnessing our multidimensional research, we adopted an integrated assessment of all risks before making an investment decision.



We are conscious that every investment choice brings its unique set of tensions between the environmental, social and governance indicators, which is why we prioritize seeking real-world change, where it is needed the most, over portfolio purification. ”

Newton Sustainable Investment Process

We consider sustainable investment to be about allocating capital with a dual intent to deliver risk-adjusted returns as well as delivering against environmental and/or social objectives. The products that follow our sustainable investment process are purposefully built around an investment thesis that seeks to balance financial, social and environmental outcomes to support long-term shareholder returns.

However, we recognize that sustainability does not operate in isolation and requires concentrated effort from all stakeholders.

We are conscious that every investment choice brings its unique set of tensions between the environmental, social and governance indicators, which is why we prioritize seeking real-world change, where it is needed the most, over portfolio purification.

Mandates that follow our sustainable investment process are subject to our sustainable investment framework, which is owned by our responsible investment team.

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 red lines and, in some markets, the principal adverse impact (PAI) indicators; and definitions around what constitutes a sustainable investment (sustainable classifications).

For our sovereign fixed-income holdings in sustainable portfolios, the portfolio managers refer to the sustainable sovereign matrix for issuer ratings.

These ratings are reviewed, and an overall qualitative determination is made 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. Sovereign debt positions are evaluated prior to purchase for eligibility against this framework.

Each sustainable strategy 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.

Sustainable investment process

Each security which is deemed suitable for sustainable strategies is classified into one of three sustainable classifications:

BALANCE STAKEHOLDERS

Companies that balance social and environmental issues well to generate sustainable returns and perform to high standards on shared value in their direct operations and supply chains or integrate sustainability priorities into their business strategy.

SOLUTION PROVIDERS

Companies that offer structural growth opportunities from providing solutions to environmental or social challenges that are captured by many of the long-term investment themes, as well as (in some cases) being aligned with the UN Sustainable Development Goals.

Examples include food security, renewables, education, pharmaceuticals, green infrastructure, and the circular economy.

TRANSITIONS

companies that have committed explicitly to improving their environmental and social impacts by reducing a negative externality that will lead to a transformation of their business models.

**NEWTON
SUSTAINABLE
INVESTMENT
PROCESS**

RED LINES



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



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

Where there is disagreement on the classification, 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 the 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 RI app.

In 2023, 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.

The SIF is not a decision-making body; it reports and escalates into the Investment Oversight Committee as well as the Sustainability Committee, depending on the issue.

The Investment Oversight Committee considers process-oriented issues, and the Sustainability Committee looks at framework and policy-related issues stemming from the SIF. So far, we believe the consensus approach is working, while the oversight and escalation mechanisms provide sufficient challenge to avoid groupthink through having several different voices in the room, especially via the SIF.

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

As at December 31, 2023, Newton managed \$5.5bn in strategies that are categorized as sustainable investing under the BNY Mellon Investment Management responsible investment framework.

What Our Sustainable Strategy Portfolio Managers Say About Our Sustainability Approach

Julianne McHugh – Head of sustainable equities

How do you incorporate sustainability considerations into the investment process for the sustainable portfolios that you manage?

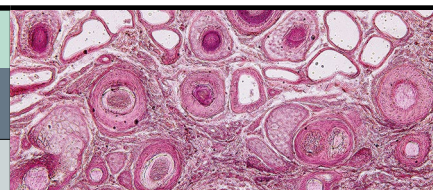
Sustainability considerations are incorporated throughout our investment process for the sustainable portfolios that I manage. The process starts with first identifying investment candidates that exhibit strong sustainability characteristics, whether through the products and services offered, or through the actions taken within their internal organization.

Our objective is to generate long-term capital appreciation and attractive financial returns by investing in companies that promote positive environmental and/or social activities.

We then actively monitor potential changes to our sustainable thesis throughout the investment horizon, speaking with management teams, as needed, to better understand business dynamics and to support or encourage change when appropriate.

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

US HEALTH-CARE COMPANY



Context

The company operates a diverse set of businesses across biotechnology, diagnostics and life sciences, united by a shared commitment to innovate for tangible impact.

At the time of purchase, the company also included an environmental and applied solutions business that helped protect important resources and keep global food and water supplies safe.

Investment case

The company’s product offerings accelerate the discovery, development and delivery of solutions that safeguard and improve human health and develop inventive therapeutic solutions.

We believe this product suite supports long-term organic growth rates as it positions the company to benefit from a strong pipeline of opportunities for biopharma following the Covid pandemic. Additionally, at the time of investment, we expected substantial value to be unlocked by the planned spin-off of the environmental and applied solutions business.

This spin-off has since taken place, and value realized. The core business remains a strong solution provider, as described above.

Philip Shucksmith – Portfolio manager, Sustainable Real Return strategy

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

US INDUSTRIALS COMPANY



Context

The company is a leading manufacturer of precision agricultural machinery. Its leadership in this space is a key driver of the company’s competitive advantage. Precision agriculture is key to producing more food with fewer chemical inputs and to lowering the heavy environmental/carbon footprint of agriculture.

Investment case

Our investment case in Deere rests primarily on the company’s position as a solution provider in the space of precision agriculture.

Agriculture is a big contributor to global emissions and precision agriculture is capable of reducing the need for energy-intensive and potentially environmentally harmful agricultural practices whilst also enhancing crop yields.

In addition to its product suite, the company also benefits from a strong distribution and customer service network and brand loyalty.

Liliana Castillo Dearth – Portfolio manager, Sustainable Global Emerging Markets strategy

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

CHINESE INDUSTRIALS COMPANY



Context

The company develops, produces, sells and provides services for solar photovoltaic inverters, with a market share of around 21% in 2021.

The solar inverters produced by the company are a critical component to solar generation and the supply of high-quality power inverters is paramount to achieving climate transition.

Investment case

Net-zero ambitions result in average annual additions of solar capacity having to pick up from 22 gigawatts (GW) per year in 2022 to around 120GW per year by 2030.

This company has two distinct advantages:

- i. quality of its products – it is the only solar inverter company globally with 100% bankability; and
- ii. pricing power – it has a large cost advantage driven by its scale and research and development capability.

These factors put the company in good stead to benefit most from growing solar demand over the coming decade.

Scott Freedman – Portfolio manager, Sustainable Global Dynamic Bond strategy

How do you work with the responsible investment team as part of your investment process?

We have a close working relationship with the responsible investment team. As portfolio managers and analysts, we have responsibility for owning the sustainable investment recommendations, but we call on the responsible investment team for its deep subject-matter expertise when required.

The responsible investment analytics team continues to try and provide new tools and insights for us to use, appreciating that reliable data for fixed-income issuers is harder to source than for equities.

The stewardship team often attends specific engagement meetings with us, enabling the fixed income team to harness its broader stakeholder, sector knowledge and peer analysis perspectives.

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

UK CREDIT



Context

This social bond offers recipients of qualifying mobility allowances in the UK to lease mobility solutions such as a car, wheelchair-accessible vehicle, scooter or powered wheelchair.

Investment case

The scheme is considered a solution provider as it has a strong capital position and credit rating (A1/A), with a well-staggered debt-maturity schedule.

It is targeting a 58% reduction in carbon from 2021 to 2032. It has made investments to support transition to electric vehicles over the next few years and to provide wider affordability support against rising car prices.

The scheme has directly linked executive remuneration to customer satisfaction, to the proportion of available cars at 'nil advance payment', and to the customer renewal rate at end of lease.

It is owned by four banks that have permanently waived their right to equity dividends, meaning profit is reinvested into this scheme and the provision of disabled mobility.

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. We do so with the aim of protecting (reducing risks) and potentially enhancing long-term shareholder value.

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.

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 at Newton 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 categorize our engagement activities in three ways:

1 STRATEGIC ENGAGEMENTS

Are focused on issues which present a risk to 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 negative, strategically, over time.

2 THEMATIC ENGAGEMENTS

Seek to address management of issues that are financially material through a more systemic lens, which may crystallize into idiosyncratic risks or opportunities over the medium or longer term.

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 continuously pushing for the costs to be internalized by companies.

3 ROUTINE ENGAGEMENTS

Pursue smaller improvements by companies which are likely to be achievable over the near term and which in many cases seek to align them with peers.

These could be improvements around disclosures.

The stewardship team provides guidance on setting objectives for each engagement, including milestones where appropriate.

We focus on achieving outcomes for our clients, and therefore we tailor each of our objectives 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.

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 materialize, and it is our responsibility to our clients to ensure the issuer remains on track.

We recognize 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.

While some other of our engagements have shorter time frames, including those which occur during the AGM season, most of our engagements run over the medium to long term, particularly those linked to our thematic engagements.

If we consider the issuer to be insufficiently responsive to a voiced concern during an engagement cycle, we may choose to escalate our engagement in order to encourage management to continue the dialogue and be more receptive.

OUTCOMES-FOCUSED APPROACH

The driving force behind our approach to stewardship is prioritizing outcomes.

Central to our proposition is engagement with issuers through which we seek to reduce risk or unlock value in an investment for our clients.

This is important to highlight as we do not see stewardship as being driven by numbers of engagements given that some will have low impact in changing how companies operate.

It is about quality, not quantity.

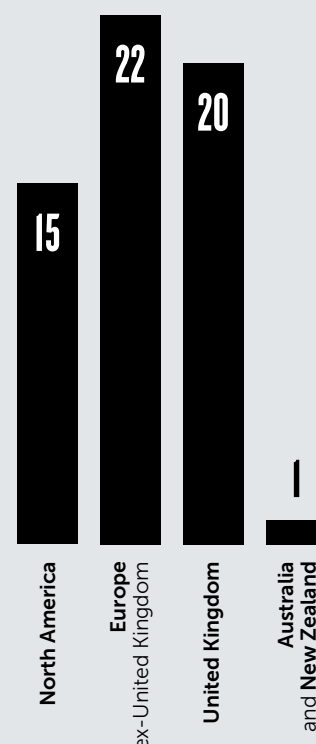
In 2023, we launched an outcomes-based approach to engagement, focusing on constructively challenging management and boards on financially material aspects where we believe it can result in improved outcomes for our clients.

We set clear, outcome-focused objectives which can be evaluated over a suitable time horizon and can be linked back to a relevant investment thesis. This enhancement has meant that our engagement tracking criteria for 2023 are different from those in prior years, specifically as we no longer include investment research calls, or dialogue seeking to better understand an issuer’s approach to managing a given issue, in our statistics.

2023 ENGAGEMENT SUMMARY

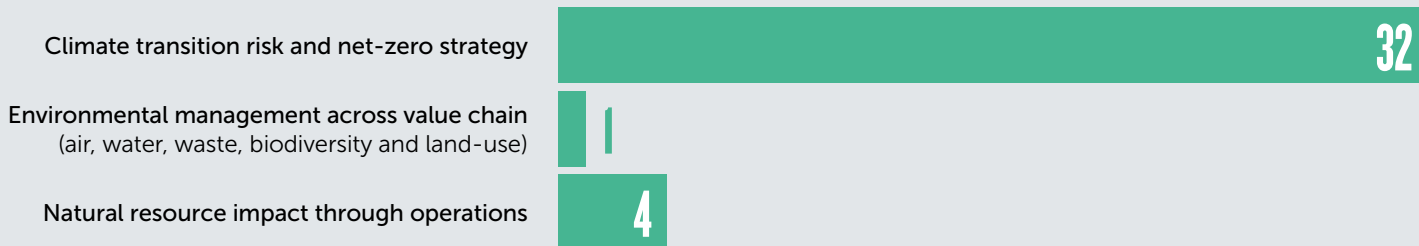
Number of engagements by Newton’s stewardship team	58
Of which were collaborative	20
Number of entities engaged	41
Of which were collaborative	17

2023 engagement summary by location



Breakdown of Engagements by E, S and G and Their Sub-Themes

37 ENVIRONMENTAL ENGAGEMENTS



9 SOCIAL ENGAGEMENTS



28 GOVERNANCE ENGAGEMENTS



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 page 46.

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 59–61, 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, which includes a short rationale, can be reviewed on page 58.

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 has not been used during 2023.

Attending or asking a question at the shareholder meeting

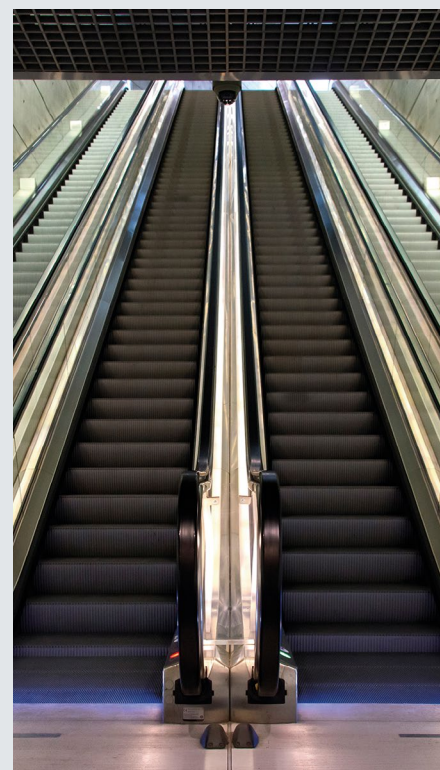
Attending a shareholder meeting or posing a question at the shareholder meeting either individually or as part of a collective group of shareholders is a possible escalation technique, notably in those situations where access to a company's board/management is difficult. This was used once during 2023.

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.

This was used once during 2023.



Public letters/media communications

Sending letters publicly or communicating to the media are more elevated escalation techniques. This was used once during 2023.

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.

A few examples can be found on pages 30–33.

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 prioritized when the objectives we set are considered to be financially material over relevant time horizons.

The topics that we identified for engagement in 2023

Biodiversity



We seek to ensure that companies understand and manage impacts on biodiversity (including deforestation and pollution), as well as any dependencies they have.

Workforce Engagement



We seek to ensure that companies treat their employees with respect and dignity and that they promote diversity, equity and inclusion through their policies and practices.

Climate and Net Zero



We seek to ensure that companies have a plan for their products, services and operations to manage physical climate risk and/or support a transition towards net-zero carbon emissions.

Supply-Chain Oversight and Human Rights



We seek to ensure that employees across the full value chain are treated with respect and dignity.

Board Accountability



We seek to ensure that the board structures are optimal, do not have conflicts of interest, and that CEO succession plans and board appointments are in the interest of shareholders.

Boards should be staffed with the right and complementary profiles, and nomination committees should look at board tenure and maintain an equilibrium.

EXAMPLES OF ENGAGEMENT

SWISS CONSUMER STAPLES COMPANY

Engagement focus area

- **Social:**
 - Opportunities in/access to socially sustainable products or services

S

Engagement objective(s):

For the company to set health-based sales targets across its product portfolio and for it to commit to increasing the sales of healthy product ranges, as part of our support of ShareAction’s Healthy Markets initiative.

Investment relevance

The impact of unhealthy foods and drinks is increasingly resulting in shifts in consumer behavior and new regulation.

We believe that it is important for companies to manage these risks and opportunities and to ensure that their business models and strategies are resilient as well as well-positioned to benefit from the expected changes in this area.

Engagement outcome

The company has publicly committed to report on product portfolio level healthiness and agreed to set a target for healthy sales.

Our engagement objectives have been achieved. We will continue to monitor the company’s progress towards its stated targets.

US CONSUMER DISCRETIONARY COMPANY

Engagement focus area

- **Social:**
 - Board accountability
- **Governance:**
 - Workforce engagement

SG

Engagement objective(s):

For the company to bolster human capital experience on its board and for it to report on how the board oversees human capital-related issues.

For the company to undertake an independent assessment/audit of human rights/health and safety issues and report the key findings, as well as the plan to address the findings.

We engaged with the company on human capital management issues due to concerns about employee relations and the company’s ability to attract sufficient workers.

These concerns pose significant risks to the investment case, including reputational risks and operational disruptions.

Investment relevance

The effective management of employee relations is crucial for the operational continuity and financial stability of a business and directly affects investor interests.

Acknowledgement and action on human capital-management risks is essential to mitigate potential reputational and operational risks.

Having a director with human capital management experience on the board can provide effective oversight and accountability for employee-related strategies, benefiting long-term investment outcomes.

Progress to date

We have been in dialogue with the company for several years on these matters to bolster our understanding of how it is tackling the issue.

As the company has not provided satisfactory responses, we launched a formal outcomes-based engagement in September 2023.

FRENCH INSURANCE COMPANY

Engagement focus area

- Governance:
 - Board accountability



Engagement objective(s):

For the insurer to give a public commitment on refreshing the board to have optimal levels of leadership, skills and experience.

Investment relevance

The sudden departure of the CEO raised concerns that the board chair may be overly involved in day-to-day operations and that this was manifesting negatively on management's vision.

This engagement objective was crucial for enhancing the board's corporate governance profile and reassuring the markets amid the unexpected leadership change.

Continued governance uncertainty would be detrimental to the company and would result in us including a governance risk premium in our valuation.

Engagement outcome

The board chair publicly recommitted to not extending his term beyond 2024, which is seen as beneficial for corporate governance and for reassuring investors.

The engagement objective was achieved.

US BANK

Engagement focus area

- Environmental:
 - Climate and net zero



Engagement objective(s):

For the introduction of targets for high-emitting sectors.
For improved disclosures on client transition framework including engagement and escalation strategy.

Investment relevance

As the bank has considerable exposure to the fossil-fuel industry, encouraging it to strengthen its climate transition plan (including its client transition framework and setting targets for additional sectors) and monitoring its progress is important to ensure that the bank remains on track to achieve its overall net-zero targets.

We believe that it is important for companies to manage their climate and transition risk and to ensure that their business models and strategies are both resilient to and positioned to benefit from the impacts of climate risk.

Progress to date

Following our engagement with the bank, we were pleased with its response, notably enhanced reporting and the introduction of intensity-based targets for key sectors in 2022. We believe that our multi-year engagement efforts with it to solidify its net-zero approach and to set interim targets contributed to this progress.

While we recognize these positive developments, we conveyed to the bank the need for more transparency and for concrete commitments on its client transition framework, notably around its engagement and escalation approach.

UK INVESTMENT TRUST

Engagement focus area

- Governance:
 - Board accountability
 - Strategy



Engagement objective(s):

For improved alignment of management and board interests with those of existing long-term shareholders by:

- Adjusting net asset value (NAV) used for share issuances to be more reflective of prevailing market conditions
- Maintaining a one-year rolling management contract, rather than adopting a long-term fixed contract.

For the share price discount to NAV to be addressed, potentially through a share repurchase plan.

Investment relevance

The company is an investment trust that invests in onshore wind farms. It is the board's responsibility to represent the views of all shareholders, particularly in cases where management's incentives may create a misalignment of interests. We believed that the board's actions had caused a misalignment between the trust and its shareholders.

Related to this, the trust's shares were trading at a discount to its net asset value for some time and we believed that the discount did not reflect the true value of the assets. Share buybacks are an efficient way to address this issue and reduce the discount.

Engagement outcome

The trust announced a share buyback program and investors were pleased with this outcome as it reaffirmed the trust's operational strength. We think our engagement contributed to this decision.

We continue to monitor the NAV calculations and share issuances and we may reinitiate our engagement on alignment of management and board interests with shareholders in the case of renewed concerns.

UK INVESTMENT COMPANY

Engagement focus area

- Governance:
 - Board accountability



Engagement objective(s):

For a continuation vote to be provided to investors after two years instead of five.

For improved transparency around the asset sale in addition to a market check process that would allow the company to extract the highest price for the assets being sold.

Investment relevance

The company, which is a holder of music rights, had proposed the sale of around 19% of its catalogue to a related party.

This deal raised concerns about governance and a conflict of interest. In the absence of a transparent market check process, there may be potential destruction of shareholder value.

Engagement outcome

We had several engagements with management to advocate for a reduced continuation vote. Based on management's response we escalated our engagement to board level, including a letter to the board chair.

Shortly after our meeting with the board, the trust announced that it will put a continuation vote for shareholder approval in January 2026 instead of the original five-year term it had sought approval for.

In the end the asset sale did not proceed. This second objective remains at risk as we await the announcement of a new strategic proposal from the board.

UK UTILITY COMPANY CREDIT

Engagement focus area

- **Environmental:**
 - Natural resource impact through operations



Engagement objective(s):

For improved classification in the regulator's peer tables.

Investment relevance

UK water companies that do not meet the regulator's targets can face fines.

To improve their asset base, they may also be forced to take on capital-expenditure projects which do not result in a corresponding uplift in revenue.

If the capital expenditure undertaken by a company exceeds the positive outcomes or if the progress is outweighed by adverse conditions, it could weaken the financial profile of the company and have an impact on its bond and share valuations.

Engagement outcome

The management of the company was aware of the company's weakening peer ranking and was focused on improving it. A key reason for the company's poor performance relative to peers was the age and quality of its water pipes.

The management announced a significant investment in capital expenditure between 2020-2025 to upgrade the infrastructure. However, it was flagged that the upgrade process would take time and any positive progress could be outweighed by adverse weather conditions.

For now, we do not see financial penalties affecting the credit risk of the company. Additionally, we believe that the management team is committed to improving the company's performance against its targets.

US INFORMATION TECHNOLOGY COMPANY

Engagement focus area

- **Governance:**
 - Board accountability
 - Remuneration



Engagement objective(s):

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

For the removal of the supermajority vote on the ballot at the 2024 AGM.

For the board to be declassified within the next two years.

Investment relevance

Aligning pay with long-term value creation incentivizes sustainable growth for a company, removing the supermajority vote requirement strengthens shareholders' influence, and board declassification increases the board and management's accountability to investors.

We believe that all these objectives will be crucial to this customer communications business's future success. Failure to achieve these objectives increases the downside risk for long-term shareholders.

Progress to date

The board has acknowledged our requests, particularly seeking further input on our expectations on the supermajority vote, which we view as implying openness to change.

We will continue to monitor any changes that are made and provide adequate feedback to the company.

GERMAN PHARMACEUTICAL COMPANY

Engagement focus area

- **Environmental:**
 - Natural resource impact through operations
- **Governance:**
 - Board accountability

E G

Engagement objective

For limiting the proportion of long-term incentive awards that vest below peer median performance for the total shareholder return metric.

For making a commitment to set phase-out targets for highly hazardous pesticides or to set a target to expand sustainable alternatives.

Investment relevance

A significant part of the long-term grants to the company's executives vest for a below-median performance for the total shareholder return metric. Decreasing this percentage would act as a motivating element to the current executive team to work on bridging the valuation gap with some of the company's peers and serve our investment case.

While the company has suggested that its exposure to highly hazardous pesticides is not significant and that these types of pesticides are products only in areas where no other solutions are available, we think these are still material to the business case given increasing attention from investors and non-governmental organizations as a result of their environmental impact.

Progress to date

We launched this engagement in December 2023.

UK MATERIALS COMPANY

Engagement focus area

- **Environmental:**
 - Climate and net zero

E

Engagement objective

For disclosure on the company's approach and strategic commitment to net zero.

Investment relevance

Setting targets and disclosing a clear pathway to decarbonization is important to demonstrate to investors the robustness and resilience of the business model and business strategy in the context of increasing climate risk.

Progress to date

We believe that the specialty chemicals company is on a path to an ambitious climate target in a hard-to-abate sector.

This path will include challenges that the company is tackling, and there is some evidence of progress, mainly on understanding its scope 3 emissions, the recognition that biomass is only an intermediate step, and the use of renewable-energy sources.

The hardest part of the decarbonization journey is to come in the next few years.

What Our Portfolio Managers Say About Our Stewardship Approach

Louise Kernohan – Head of global opportunities

The strategies I manage

I manage portfolios in global, global ex US (international) and core and sustainable UK equity strategies. All the portfolios that I manage have a long-term horizon and are built from the bottom up, investing in stock ideas generated by Newton's research platform. They are relatively concentrated high-conviction portfolios, 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 (not just sustainable portfolios). Considering the material risks to our holdings is important for avoiding downside.

When things go wrong for a company, quite often it is something that could potentially have been identified by analyzing the overall risks, such as those involving governance, supply chain, health and safety or labor.

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.

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 analyze many companies across sectors and countries, and this gives us the perspective that the investee company may not get from elsewhere.

Patrick Kent – Head of small cap equities

The strategies I manage

I manage our opportunistic strategies in the US small and mid-cap equity universe. The opportunistic strategies focus on investing in securities that we believe are trading at a significant discount to intrinsic value.

Stewardship in the context of the portfolios I manage

In the small and mid-cap equity area, we have the opportunity to be a significant shareholder in the companies in which we invest on behalf of our clients.

As result, we are able to communicate directly with management about the initiatives we support and, importantly, those that we think should be changed.

Benefits from engagement

The benefit of engagement is the opportunity to be very clear with a management team as to why we are invested in the company, and, importantly, to relay what changes we believe would be better for stakeholders.

Given the nature of the strategies I manage, setting the expectation for companies on the changes we need is vital as we seek to see the discount close.

Paul Flood – Head of mixed assets investment

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

I see stewardship as a key aspect of the investment process. Having an open dialogue with company management teams, as well as the board, helps in protecting, or enhancing, stakeholder value, through enabling us to effect change, where required.

This is particularly relevant within alternatives and investment companies, where it is not unusual for management incentives not to be aligned with shareholder interests, and where effective stewardship can help to achieve this alignment and really make a difference.

Benefits from engagement

Our aim as stewards of our clients' capital is to achieve the best possible financial outcomes for their investments.

Engagement helps our efforts to achieve the best outcomes for all stakeholders and enables us to bring about change, where we see room for improvement. This can often lead to better shareholder returns.

To take the example of alternative investment companies, we continue to see opportunities for improvement on governance arrangements as well as alignment of management interests with those of shareholders.

We have found that engaging on these aspects, in particular outlining, at the outset, specific goals that we seek to achieve from the engagement, can lead to a rerating of these companies, and ultimately, 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 recognize 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 Mellon, and the other investment firms within BNY Mellon Investment Management, 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 Mellon Investment Management.

We regularly provide feedback to regulatory initiatives and consultations, both through trade associations and on a bilateral basis. Two examples from 2023 of Newton's bilateral engagement through BNY Mellon Investment Management are our responses to the FCA's consultation on Sustainability Disclosure Requirements and investment labels, and the European Commission's targeted consultation on the Sustainable Finance Disclosure Regulation.

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, climate and diversity.

Collective or collaborative action with other stakeholders can be an efficient and effective method

to raise concerns or to influence outcomes. We work collectively with other like-minded investors as well as trade associations, government bodies and non-governmental organizations.

Collective action 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.

When considering action and also when acting collectively 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 recognize 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.

The Financial Reporting Council's (FRC) UK Corporate Governance Code Consultation

Background

The consultation proposes revisions to the UK Corporate Governance Code that are intended to enhance the transparency and accountability of UK companies and help support the growth and competitiveness of the UK and its attractiveness as a place to invest.

The revisions seek to:

- i. improve a company's ability to report on, and evidence effectiveness of, its risk management and internal controls;
- ii. reflect on wider responsibilities of the board and audit committee for expanded environmental, social and governance reporting, including appropriate assurance;
- iii. strengthen the Board's approach to its composition, including diversity and inclusion; and
- iv. improve transparency on malus and clawback (remuneration).

Relevance	Outcome	Implementation
<p>The proposed revisions aim to meet enhanced investor and stakeholder expectations for better governance reporting around risk management and internal controls, while minimizing reporting burdens on businesses.</p> <p>The UK-based Newton entity provided its feedback via the UK Investment Association.</p>	<p>The main substantive change introduced asks boards to explain, through a declaration in companies' annual reports, how they have carried out their monitoring of the company's risk management and internal control framework, as well as an annual review of board effectiveness. Any conclusions from these reviews should be presented.</p> <p>A small number of minor changes have also been made, with the aim of better streamlining the expectations or clarifying the language. These relate to the Code's provisions on malus and clawback and audit committee minimum standards. Importantly, the well-established principle of boards having the flexibility to "comply or explain" will remain.</p> <p>The FRC encourages boards, investors and their advisors to actively support the flexibility within the "comply or explain" approach to ensure that governance expectations are better tailored to the specific circumstances of each company.</p>	<p>The new Code expectation for the board declaration will come into effect from January 1, 2026, one year after the rest of the updated Code comes into effect.</p>

Climate and Stewardship

At Newton, we recognize that climate change will present two main types of critical risk aspect to financial markets: physical risk and transition risk.

As active stewards of our clients' capital we are committed to allocating capital in a way that takes these risks into consideration, as well as engaging with our investments to ensure companies have long-term strategic plans for dealing with these risks.

Global Investor Commission on Mining 2030 (GMC)

Background

The GMC is a collaborative investor-led initiative seeking to define a vision for a socially and environmentally responsible mining sector. Newton was part of the first group of investors extending their support to the GMC. The GMC has more than 80 investor supporters representing US\$11 trillion in assets.

Relevance	Implementation
<p>The mining sector is a critical enabler of the transition to a low-carbon world, and it is a sector that produces significant externalities on both the social and environmental fronts. These elements contribute to the materiality of this initiative.</p> <p>The management of tailings, and operations in conflict zones, are two examples of how these material externalities crystalize.</p>	<p>The GMC aims to work with the mining sector in defining socially and environmentally responsible practice by 2030. It also aims to develop the role of finance in realizing this vision.</p>

Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) Project

Background

The ASCOR Project is a project led by asset owners, asset managers and investor networks to develop a free, publicly available, independent tool that assesses countries on climate change.

We responded to a public consultation launched by the ASCOR Project to contribute to developing the framework further and to ensure that it is fit for purpose.

Relevance	Outcome
<p>A one-size-fits-all approach can be challenging when assessing countries. We are supportive of the intent to develop a standard framework in this space.</p>	<p>In November 2023, the ASCOR Project released a methodology note on its framework incorporating feedback from the consultation to which Newton was a contributor.</p> <p>In December 2023, the Project published a report presenting the results of the first assessment of countries' climate risks for sovereign bond holders.</p>

Gender and Stewardship

As stewards of the investments we make on behalf of our clients, we believe companies that embrace diversity, as manifested through appropriate gender and racial representation and a broad spectrum of skills and experience, are more likely to achieve better outcomes for our clients because they are likely to reduce groupthink and bring a wider set of ideas and perspectives.

We also view diversity as integral to sound decision-making, and we believe that companies with an inclusive culture and diversity of skills, experiences and perspectives at all levels of the organization should be better managed and better able to adapt to change, and thus create long-term value.

Asian Corporate Governance Association (ACGA) Gender Diversity Letter to Tokyo Stock Exchange

Background

In 2022, Newton added its support to a letter sent by the ACGA to the Tokyo Stock Exchange addressing gender diversity on Japanese boards and management teams.

The subject of the letter was a push to require Japan's top 100 issuers to have 30% female representation by 2030, and for the country's Corporate Governance Code to be updated to encourage companies to voluntarily achieve this threshold before 2030.

Relevance	Outcome	Implementation
We considered this as an opportunity to take our concerns on the systemic nature of low gender diversity on Japanese boards further than simple voting action at individual companies, to urge an incremental approach to setting gender diversity targets at market level.	In June 2023, Japan's government announced a target for women to occupy 30% of executive positions in the country's prime market-listed companies by 2030. In July 2023, the Tokyo Stock Exchange issued revised listing rules which mirrored this.	By 2030.

A full list of collaborative initiatives in which we participated in 2023 is provided below.

Organizations and initiatives related to ESG matters in which Newton plays a formal role:

Organization/Initiative	Region	Joined	Role	Summary Description
30% Club – Investor Group	UK	2010	Member of Race Equity Working Group	Investor group seeking to improve gender and racial diversity on boards.
Farm Animal Investment Risk and Return (FAIRR)	Global	2019	Member of technical advisory panel	Collective investor resource for research and engagement with animal agriculture.
Financial Conduct Authority (UK) Vote Reporting Group	UK	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 standardized vote disclosure regime
Institutional Investors Group on Climate Change	Europe	2018	Member of Proxy Advisory Working Group (from 2022)	Mobilizing 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.
Investment Association	UK	2021	Member of Fixed Income Working Group	Provides expert guidance to the Investment Association on fixed-income stewardship-related activities and policies
	UK	2021	Member of Green Gilts Working Group	Forum for Investment Association to discuss the UK government's green gilt initiatives.
World Benchmarking Alliance	Global	2022	Member of Just Transition Coalition Impact Committee	Seeks to encourage world's largest companies to better disclose diversity policies, procedures and practices.

Newton also supports or contributes actively to the following initiatives:

Organization/Initiative	Region	Joined	Status	Summary Description
Asian Corporate Governance Association	Asia	2007	Member	Education, research and policy influencer across Asian markets on governance matters.
CDP (previously Carbon Disclosure Project)	Global	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+	Global	2018	Signatory	Investor-led initiative to ensure the world's largest corporate greenhouse-gas emitters take necessary action on climate change.
Council of Institutional Investors	US	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.
Global Investor Commission on Mining 2030	Global	2023	Member	Collaborative investor-led initiative seeking to define a vision for a socially and environmentally responsible mining sector overall by 2030.

Newton also supports or contributes actively to the following initiatives (continued):

Organization/Initiative	Region	Joined	Status	Summary Description
ShareAction Good Work Coalition	Global	2021	Member	ShareAction coalition focused on quality work, including a specific living wage campaign.
ShareAction Investor Decarbonization Initiative	UK	2022	Member	Engaging the chemicals sector to push for rapid decarbonization.
Investor Alliance for Human Rights	Global	2021	Member	A collective action platform for responsible investment that is grounded in respect for people's fundamental rights, providing frameworks and collaboration opportunities.
Investor Coalition on Food Policy	UK	2021	Member	Coalition established to provide input from investors into UK food policy. It followed the National Food Strategy recommendations and included a focus on mandatory nutrition reporting.
Taskforce for Nature-related Financial Disclosure Forum	Global	2023	Member	Global multi-disciplinary consultative group of institutions that supports reporting and action on evolving nature-related risks.
Investor Stewardship Group	US	2018	Endorser	Framework of basic investment stewardship and corporate governance standards for US institutional investor and boardroom conduct.
Transition Pathway Initiative	Global	2019	Supporter	Global, asset owner-led initiative which assesses companies' preparedness for the transition to a low-carbon economy.

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

Organization/Initiative	Commitment	Joined	Status	Summary Description
Net Zero Asset Managers initiative	NIM and NIMNA	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	NIM and NIMNA	2007	Signatory	Asset owner-led organization that promotes responsible investment principles and helps administer members' specific responsible investment activities.
Task Force on Climate-related Financial Disclosures	NIM and NIMNA	2018	Supporter	Leading global framework for reporting of climate-related information.
UK Stewardship Code	NIM and NIMNA	2012	Signatory	UK Financial Reporting Council's principles for stewardship expectations of UK investors.

VOTING

Our stewardship team is responsible for executing the equity voting rights of our clients, where our clients have authorized 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 2023, 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 recognize a potential material conflict of interest, we follow the voting recommendations of our third-party proxy voting administrator.

We endeavor 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 Mellon), and where Newton is appointed as investment manager or sub-advisor, the fund boards have entered into securities-lending programs.

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

During 2023, we exercised our clients' voting rights at 2,624 separate meetings. Across all regions, votes were instructed against management recommendations on 4,291 separate resolutions, which equated to 56% of the 2,624 meetings.

Global Voting Summary for 2023

AGMs	2,340
Voted in favor of management [†]	910
Voted against management [#]	1,413
Took no action [*]	17
EGMs	284
Voted in favor of management [†]	211
Voted against management [#]	68
Took no action [*]	5
Voted in favor of management[†]	1,121
Voted against management[#]	1,481
Took no action[*]	22
Total	2,624

[†] In favor 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 2023

Global Voting Summary
for meetings held in 2023

GLOBAL

56% 43% 1%



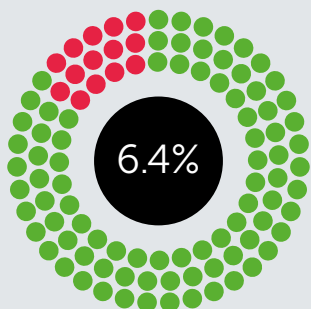
- In favor of management on all resolutions.
- Against management on one or more resolutions. Including abstentions and withhold votes where there was no option to vote against.
- Took no action owing to share blocking or sanctions considerations.

Voting Summary – by Region

● Region's % of our global vote.

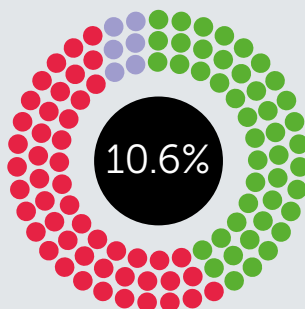
UK

86%
14%



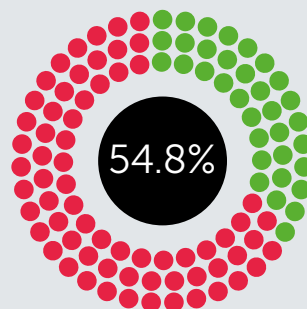
EUROPE

43%
51%
6%



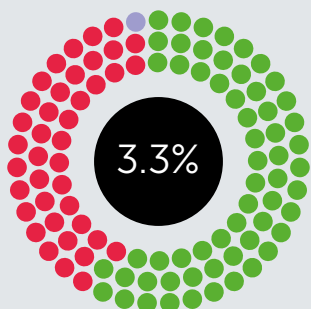
NORTH AMERICA

34%
66%



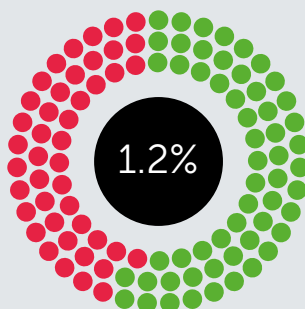
LATIN AMERICA

59%
40%
1%



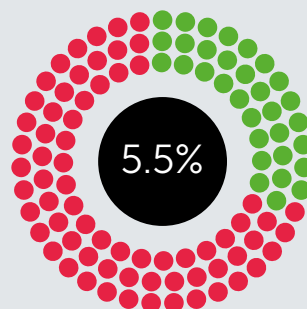
AUSTRALIA / NEW ZEALAND

56%
44%



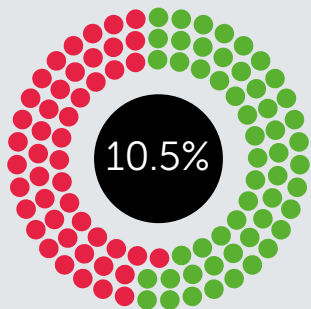
JAPAN

32%
68%



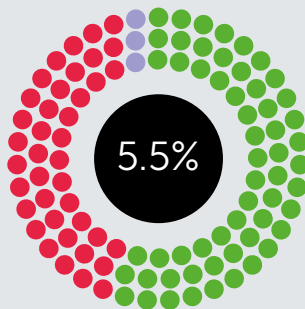
ASIA

53%
47%



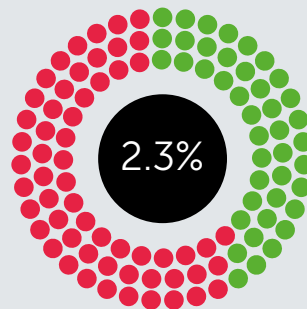
EMERGING MARKETS

57%
40%
3%



REST OF THE WORLD

42%
58%



Source: Newton, as at December 31, 2023.

Votes Against Management

In 2023, we instructed votes against management recommendations in relation to a total of 4,291 separate resolutions. Individual rationale for each of these voting decisions is shared in our vote disclosures on our website.

In 2023, we most frequently voted against management recommendations in relation to a director’s re-election and for issues involving board independence, diversity, executive pay, and excessive time commitments. This is reflective of the fundamental accountability to shareholders we place on directors.

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.

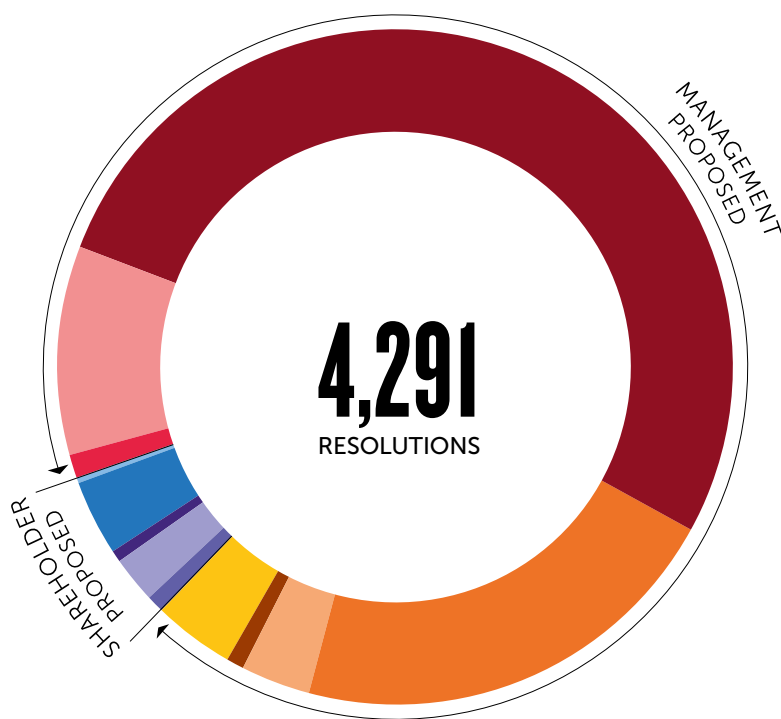
Other notable areas where we voted against the recommendations of management included resolutions related to audit, transactions, and shareholder dilution (when companies sought to issue shares without first offering them to the existing shareholders).

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 analyze 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 2023, we supported 40.9% of the 834 shareholder proposals. These included resolutions relating to improvements to shareholders’ rights and director elections, and environmental and social matters.



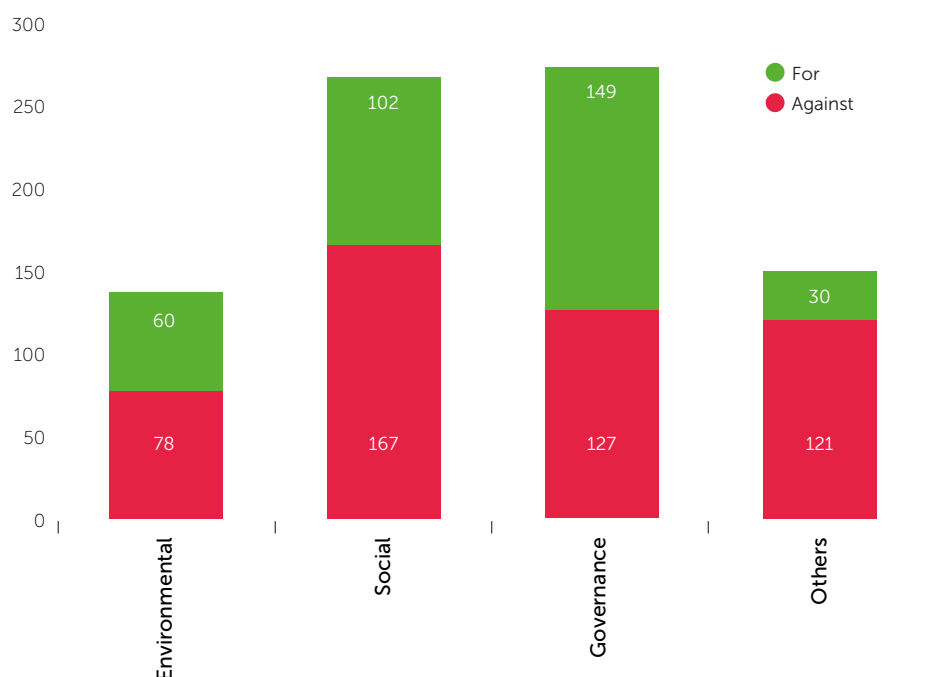
Votes against management-proposed resolutions

Articles/bylaws	1.2%
Audit related	10.1%
Board structure	52.3%
Remuneration policy/proposal	21.0%
Share capital	3.2%
Transaction related	0.9%
Other, including AOB	3.9%

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

Shareholder rights	1.0%
Board structure	2.0%
Remuneration structure	0.7%
Environmental/social proposal	3.5%
Other	0.2%

Voting Activity on Shareholder Proposals – 2023



EXAMPLES OF VOTING

US FINANCIALS COMPANY

Successive say-on-pay votes

Overview

The company's executive pay structure continues to raise concerns, owing to problematic discretionary cash bonuses, and considerable salary hikes for the CEO, which affected the variable pay.

We had voted against pay and the re-election of compensation committee members at the previous two AGMs.

The majority of shareholders voted against the say-on-pay proposal at the 2022 AGM, and yet sufficient steps were not taken to improve the proposal put forth to shareholders for the 2023 AGM.

Voting action

We voted against the say-on-pay proposal and the re-election of compensation committee members.

Vote result

The company's say-on-pay proposal failed for a second consecutive year.

Company dialogue (following the vote)

We engaged with the board asking it to better align executive pay with performance, suggesting thoughtful salary increases; a strengthened median target for the relative total shareholder return (TSR) metric; a cap on the vesting of TSR-based performance shares if absolute TSR is negative; a more strict annual bonus target; and no discretionary cash bonuses.

Board members were receptive to the feedback and we are hopeful that some positive changes will be introduced before the 2024 AGM.

US CONSUMER DISCRETIONARY COMPANY

Shareholder support highlights employee relations as a material ESG issue

Overview

The company received a shareholder proposal requesting it to assess its policies on freedom of association and collective bargaining practices. Unionization and employee relations are key ESG considerations for the company.

We met the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) and a representative of the company's labor union to gain better insight into the specific issues for workers and the company's response to unionization efforts.

The issue seemed to stem from the company moving from providing above-average benefits, to benefits that were more in line with market practice. There also appeared to be a disconnect between management and retail employees. We also noted there have been allegations of dismissals and 'captive audience meetings' in relation to unionization, both of which are serious allegations.

We believe that the company could do a better job of communicating on the market-wide controversies; however, there did not appear to be systematic poor treatment of workers as we have seen in some other companies at which there have been similar accusations.

Voting action

We supported the resolution asking the company to better communicate how it has been dealing with the unionization efforts.

Vote result

The proposal received majority support.

UK CONSUMER STAPLES COMPANY

New CEO's pay increase not backed by a strong rationale

Overview

The incoming CEO's base salary had been set 18.5% higher than that of his predecessor and was significantly higher than his salary at his previous employer.

The company's rationale was based on benchmarking against UK and European peer companies comparable with its global scale, complexity, and market capitalization.

Company dialogue

We met the company's board and informed it that we considered the proposed pay to be aggressive when compared to companies within its peer group, and that the CEO had not been in the role long enough to demonstrate sustained value creation for the company's shareholders.

Additionally, we noted that he was joining from a smaller and less complex organization.

Voting action

We voted against the say-on-pay proposal and the incumbent compensation committee members.

Vote result

The remuneration report did not receive majority support and the compensation committee members also faced considerable opposition.

US HEALTH-CARE COMPANY

Acquisition leading to proxy contest with an activist investor

Overview

In 2023, there was a proxy contest between this US biotechnology firm and an activist investor, at the company's AGM. The contest was notable as it originated from the company's decision to proceed with its acquisition of a cancer test developer in August 2021 while antitrust and competition reviews by the US Federal Trade Commission (FTC) and the European Commission (EC) were still underway.

The value of the company's stock dropped following the closing of the acquisition. The opposing shareholders attributed this drop to the decision of the company's board to complete the transaction without determining whether it would get clearance from the regulators.

At the date of voting in May 2023, the company's market capitalization had declined by more than half from its level in August 2021, when it had acquired the cancer test developer.

In December 2022, the EC ordered the company to divest the cancer test developer and planned to issue a fine for 'gun jumping'. The US FTC has also ordered the company to divest the cancer test developer.

Voting action

While we shared the view of the opposing shareholders on the poor handling of the acquisition and the consequent value destruction, we chose to escalate our concerns on insufficient management accountability by voting against the re-election of the board chair, rather than supporting any of the dissident nominees.

Vote result

The company's shareholders voted to remove the incumbent board chair and chose to replace him with a portfolio manager at the activist investor, who was one of three director nominees.

The remaining eight incumbent directors were successfully reappointed by shareholders, resulting in the board of nine now being composed of eight incumbent directors and one dissident nominee.

CHINESE CONSUMER DISCRETIONARY COMPANY

Supported non-standard executive remuneration decision

Overview	Company dialogue
<p>Mid-flight adjustments were made to the annual incentive as well as to the closing-cycle performance share unit (PSU) awards, resulting in annual bonuses paid out above rather than below target and PSUs vesting nearly at target rather than being forfeited.</p>	<p>We met the management ahead of its 2023 AGM to discuss executive remuneration outcomes for 2022. The company's rationale for the in-flight changes was the extraordinary impact of Covid over the last three years. In contrast to the US market which had largely returned to normal in 2022, 2022 was instead the most volatile of the last three years for the Chinese restaurant sector given the sporadic Covid outbreaks, entire city lockdowns, and in December 2022, nationwide infections.</p> <p>Despite these issues, the company believed that it had demonstrated robust performance and shareholder value through the previous three years. Additionally, the company believed that the earlier variable pay outcomes would not be a fair assessment of the management team and would lead to retention concerns for the entire leadership team.</p> <p>We acknowledged the uniqueness of the Covid situation in China. We also recognized the execution and continuity at the business helmed by the CEO and that the pay changes were adequately designed to reflect shareholder value and the external circumstances. Additionally, we recognized that the overall CEO pay remained slightly less than the previous year.</p>
	<p>Voting action</p> <p>We decided to support the pay report in 2023. We will strictly monitor any further reliance on total shareholder returns ahead of the next AGMs and vote accordingly.</p>
	<p>Vote result</p> <p>The majority of shareholders voted in support of pay.</p>

AUSTRALIAN MATERIALS COMPANY

Withheld support on pay

Overview	Company dialogue
<p>Following our vote against executive pay and the re-election of compensation committee members at the 2022 AGM, we met the company to provide more detailed feedback.</p>	<p>We communicated our views and suggested a simplification of the qualitative/ESG metrics portion of executive compensation, noting that the metrics chosen were not material for the business.</p> <p>Although the company appeared to consider these suggestions and made suggestions of its own, no significant change was presented at the subsequent AGM in 2023.</p>
	<p>Voting action</p> <p>Given the lack of progress made after engaging with the company, we voted against pay.</p>
	<p>Vote result</p> <p>The majority of shareholders did not support the remuneration report at the 2023 AGM.</p>



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 organizational 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

recognized, 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 Mellon, 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 Mellon, 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 2023, there were 12 instances where we recognized a potential material conflict of interest in voting:

Company	Meeting	Date	Action Following Vote Recommendations of Independent Third-Party Proxy Service Provider
The Bank of New York Mellon	AGM	Apr 12, 2023	Voted in line with management on shareholder proposals (6)
Merck KGaA	AGM	Apr 28, 2023	Voted in line with management
Prudential Financial	AGM	May 9, 2023	Voted against management on shareholder proposals (5)
Juniper Networks	AGM	May 10, 2023	Voted in line with management
Verizon Communications	AGM	May 11, 2023	Voted against management on shareholder proposals (7)
Principal Financial Group	AGM	May 16, 2023	Voted in line with management
Merck & Co.	AGM	May 23, 2023	Voted against management on shareholder proposals (6,8)
Fidelity National Financial	AGM	Jun 14, 2023	Voted in line with management
WisdomTree	Proxy contest	Jun 16, 2023	On the dissident card – voted against management (1.2,1.3) and voted against shareholder proposals (1.3)
Sumitomo Corp.	AGM	Jun 23, 2023	Voted in line with management
Sumitomo Mitsui Financial Group	AGM	Jun 29, 2023	Voted against management (2.1,2.2,2.8,2.9) and in line with management on shareholder proposals (3)
ICICI Prudential Life Insurance Company	AGM	Jul 28, 2023	Voted against management (8,13,14)

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

The securities shown are accurate as of December 31, 2023 and were selected based on the following criteria: all holdings where we recognized a potential material conflict of interest for voting. The specific securities identified are not representative of all of the securities purchased, sold or recommended for advisory clients, and actual holdings may vary by client. It should not be assumed that an investment in the securities identified was or will be profitable.

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.

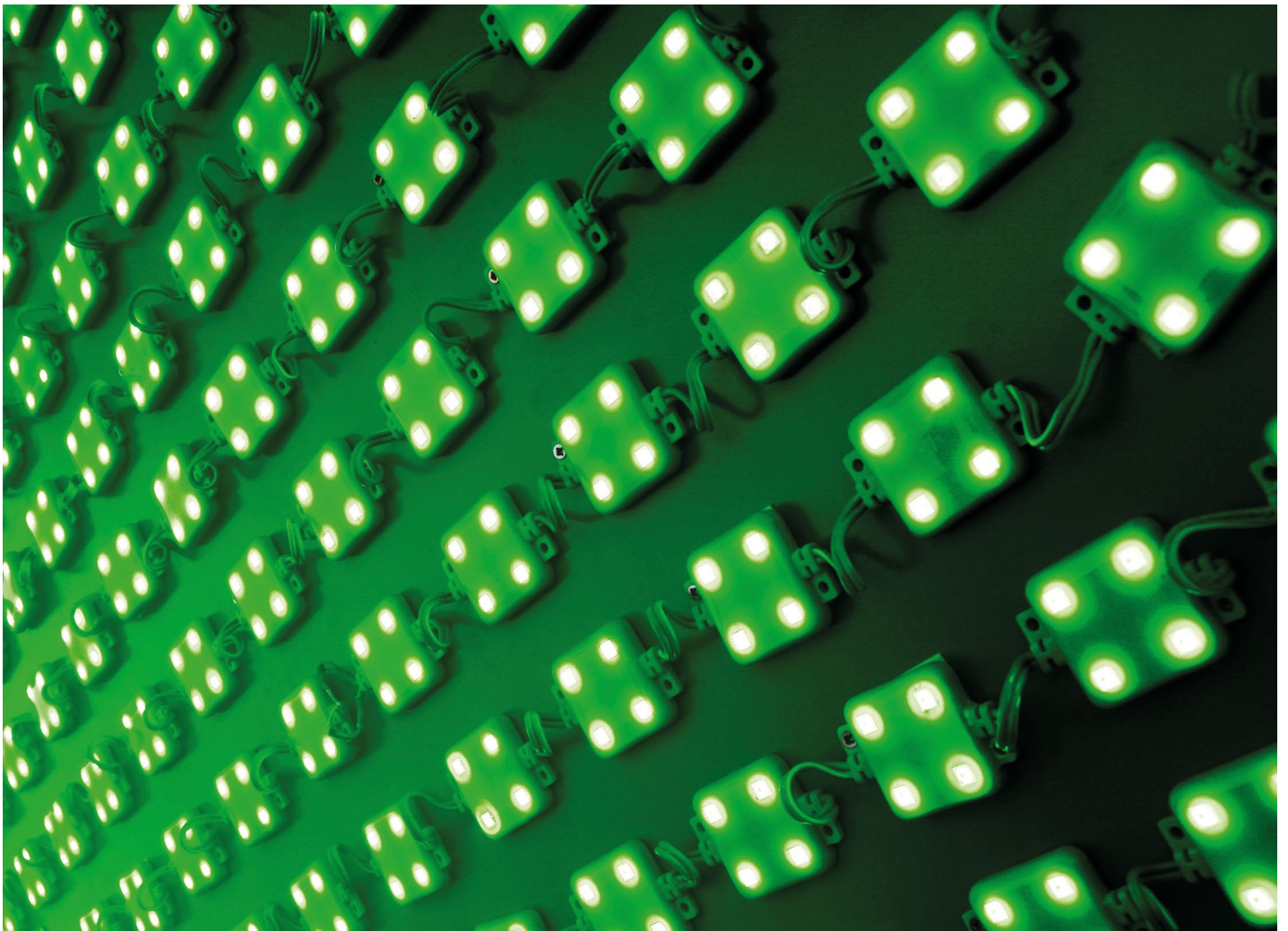
Our diligence in the administration and reconciliation of proxy voting has led to zero voting opportunities being missed during 2023.

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 Mellon's internal audit teams.

A part of BNY Mellon, BNY Mellon Investment Management sets standards for its affiliates relating to responsible investment across BNY 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.

In the last few years, we have participated in 'learn-share-connect' sessions organized by an investment consultant firm where Newton participants are given an opportunity to present to the consultant and its clients our thoughts on a subject that has relevance in today's investment landscape.

In 2023, we participated in two of these sessions, one on geopolitics and another on investigative research. 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.

The 2023 Newton Charity Investment Survey

NEWTON
Investment Management

The 2023 Newton Charity Investment Survey
October 2023

REFLECTION POINT

5.3 billion record date

86 CHARITIES
with a combined
£3.3BN
IN ASSETS

Introduction ABOUT THIS RESEARCH

This year's sample includes

After a year of significant change for the sector in 2022, following pandemic-era challenges and long-running pressures from an inflationary and cost-of-living crisis, 2023 instead represents a period of smaller shifts. The cost-of-living crisis is still affecting the sector, but we are seeing some reversion back towards the pre-2022 norms in addition to further divergence in how charities are approaching the world. The cost-of-living crisis remains a key concern for charities in the UK, but while its impacts are broad, they are increasingly diverse, with no universal experience across the sector. Meanwhile, the impact of the crisis has been reflected in the sector's investments which have seen significantly lower returns.

However, the sector appears to be adapting, and holding out some muted hope for better returns in years to come. Adaptation to another year of poor economic outcomes may also be driving the changes we're seeing this year around net zero, environmental, social and governance (ESG) concerns, and sustainable investing. The trend towards a greater focus on ethical decisions and sustainable investment continues, but now with more targeted and nuanced approaches. With economic pressures continuing, charities are assessing their priorities with care.

More broadly, historical trends around diversity in the sector continue. There are notable improvements in female and under-40 representation among trustees and a greater emphasis on representation with the sector, though minority ethnic representation remains unchanged. Our new series of questions about the role of faith in the charity sector provides insights into a well-established sub-set of faith charities for which faith-related values play a key role in their approach to investing.

The sections in this survey report focus on:

Economic pressures and concerns about the future

- The major issues concerning charities
- The cost-of-living crisis - two years in

Responding to a crisis: charity investments in 2023

- Investment strategy and returns
- Asset allocation

Investing for a better future?

- Ethical considerations
- ESG, responsible investment and net zero

Diversity and faith in the charity sector

- Diversity
- Faith

“ The sector appears to be adapting, and holding out some muted hope for better returns in years to come. ”

The 2023 Newton Charity Investment Survey 5

We also 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, in 2023 we conducted our 10th annual **Charity Investment Survey**, which typically covers diverse topics 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.

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.

We expect to see the NNZ score help us design bespoke solutions for our clients to meet their specific requirements. The tool can be used across multi-asset and equity portfolios.



One of the key questions the 2023 survey explored was the changing nature of the UK charity sector's relationship with ethical exclusion policies, environmental and social responsibility, and sustainable investment.

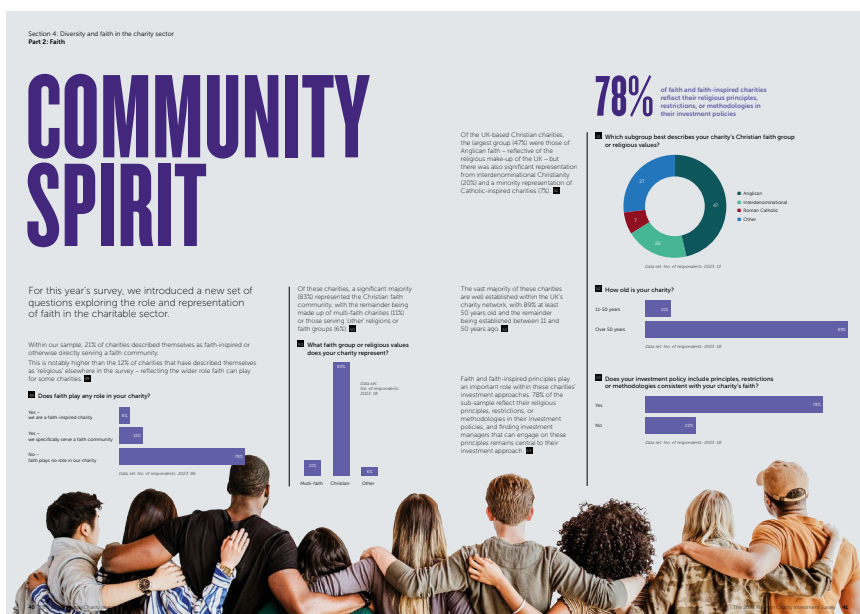
We found that ethical exclusion policies are becoming more commonly used by charities, but their approaches are increasingly targeted.

The proportion of charities with an ethical exclusion policy reached 64% in 2023 – the highest we have seen over the last 10 years of conducting the survey. However, the breadth of these policies has diminished, as charities are now focusing on more specific areas, rather than taking a blanket approach.

With the overall increase in the use of exclusion policies in mind, this may reflect a reaction to external economic pressures, with charities now targeting specific areas for exclusion that clash with their values and expectations, rather than taking a broad approach that could reduce investment returns.

For this year's survey, we introduced a new set of questions exploring the role and representation of faith in the charitable sector. The results revealed that the ability of investment managers to employ ethical exclusions that abide by a charity's faith was the strongest requirement for faith-based charities.

The 2023 Newton Charity Investment Survey



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, and we saw record high representation for women and trustees under the age of 40. Keeping in trend with the growing awareness of diversity in the sector, this year there has been a major increase in the percentage of charities that deem it important that their trustee board accurately reflects their beneficiaries.

Further engagement with our UK charity clients came in the form of a session that we hosted for charity trustees at the **Charity Finance Winter Investment Forum** to explain how an outcome-focused engagement approach in the form of purposeful dialogue can be key to adding value to an investment portfolio or to reducing risk.

We also described how clients can ensure that their investment managers are engaging effectively, and what the key questions are that they should be asking in meetings with their asset



In 2023, we have enhanced the stewardship reporting that we do for our clients. ”

managers to ensure their stewardship preferences are taken into consideration. This workshop showcased Newton's expertise in understanding client expectations and sharing knowledge and best practices to empower charity trustees in asset-manager due diligence.

Among other events that we hosted in 2023 was an **event on the sustainable transition** for UK institutional clients and their consultants. Our keynote speaker at this event was a consultant specializing in responsible investment. The event explored the definition of a sustainable transition to a low-carbon world, the change in mindset that asset owners are going through to address the process of achieving a sustainable transition, and how a focus on outcomes, thematics and looking outward can be helpful as we navigate the challenges associated with the transition.

In the US, we presented at the **Florida Public Pension Trustees Association (FPPTA)**, discussing the myths and realities of ESG integration. Such events are helpful in allowing us to share with our clients our philosophy on ESG integration and in addressing our clients' questions. We have been invited by the FPPTA again in 2024, to run a Newton-led educational session and present a case study on ESG integration.

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. In 2023, we have enhanced the stewardship reporting that we do for our clients.

We now 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.

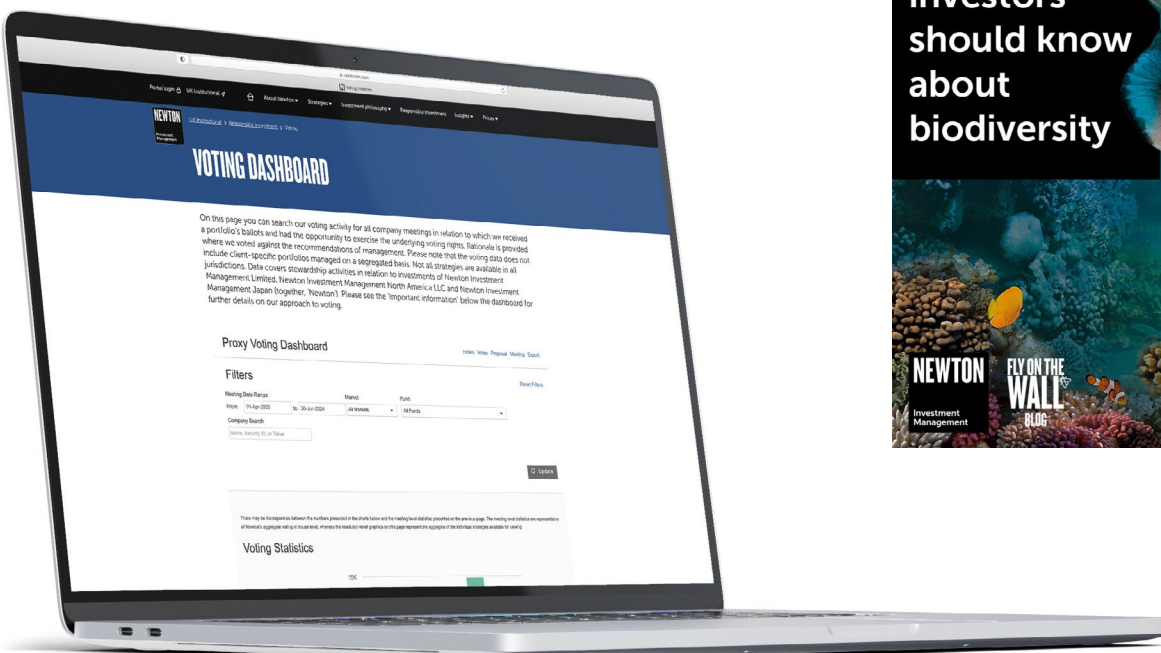
Our voting record can be accessed via an online dashboard, which includes voting rationale for decisions not aligned with the recommendations of the underlying company's management and for decisions on all shareholder-proposed resolutions. Additionally, on a quarterly basis we publish a list of all issuers with which we discussed ESG-focused matters.

We continue to refine our reporting suite to provide more meaningful disclosures to clients on our stewardship outcomes.

We see the value for our clients and the wider market in shifting measurement away from numbers and statistics decoupled from context, towards a qualitative understanding of 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 2023 have covered topics such as coal-financing policies in banks, voluntary carbon markets and carbon offsetting, biodiversity, health and nutrition, and sustainable fashion.



SECTION 7

MONITORING OUR SERVICE PROVIDERS

Principle applied and explained in section 7

Investment approach

8 Monitoring managers and service providers



In 2023, the responsible investment analytics team conducted a comprehensive review of ESG data vendors that are used across Newton, with the objective of increasing efficiencies and reducing any overlap within the current vendor mix. ”

The responsible investment analytics team has primary responsibility for analyzing 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 organization. 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 Mellon 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 (including Carbon Delta)
Bloomberg
ISS Ethix & Proxy
Vigeo Eiris
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
Climate Action 100+
FAIRR

In 2023, the responsible investment analytics team conducted a comprehensive review of ESG data vendors that are used across Newton, with the objective of increasing efficiencies and reducing any overlap within the current vendor mix. As part of this review, the analytics team worked with different departments to understand their ESG data requirements and their current sources of information.

This review has allowed us to identify data gaps and duplication of information, thereby enabling a reallocation of time and resources to close the high-priority data gaps and develop more efficient workflows. Where alternative or new data vendors have been identified, work is ongoing in 2024 to facilitate onboarding and training.

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

- **Governance quality data**
We have started to use ISS Governance, a specialist module on governance data and research.
- **UN Global Compact and impact data**
We are looking for stronger datasets in this category to augment our sustainable process. We are looking to onboard a provider that we expect will give us a much broader coverage universe than our current provider.
- **Controversy data**
We are currently conducting a review of specialist controversy data providers. The objective here is to identify a technology-focused (AI-driven) vendor that can complement the analyst-assessment-driven controversy data that we obtain from our current provider.
- **Climate data**
We are looking to consolidate our data sources for climate-related data and are reviewing providers specifically for climate scenario analysis and sovereign emissions.

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 2023 include:

- Continued focus on the quality of benchmark research analysis, on which we advocated for a strengthening of the analysis and more harmonization 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
- Understanding the impact of new ownership on employee morale and/or turnover, and any changing expectation on longer-term investment into the business
- Understanding the impact to the business from increasingly polarized views on ESG and proxy voting, and whether and how the research teams are being protected from undue pressure from this debate.

No issues of significant concern were recognized in the service review meetings or with the services delivered by ISS during 2023. Any minor concerns were mitigated promptly during the year through regularly scheduled due diligence meetings over the course of the year.



We spent a significant amount of time throughout the year with ISS covering the application of our policy, fine tuning and improving the quality of Newton's recommendations. ”

2023 was the first year of Newton's bespoke voting policy being implemented by ISS. Therefore, we applied additional rigor to our due diligence on ISS's research service provision and the application of our voting policy in 2023. We spent a significant amount of time throughout the year with ISS covering the application of our policy, fine tuning and improving the quality of Newton's recommendations.

In addition, and along with ISS's other clients, Newton participates in consultations that seek specific feedback on proxy-voting matters. This helps to ensure alignment of interest between Newton's expectations and the voting recommendations provided by the external provider.

We participated in IIGCC's proxy voting group work this year, where there was activity around ISS and its application of its voting policy on climate-related issues, and through UK-centered consultation around the quality of ISS research.

WANT TO FIND OUT MORE?

Institutional investors

E: info@newtonim.com

Important Information

For Institutional Clients Only. Issued by Newton Investment Management North America LLC ('NIMNA' or the 'Firm'). NIMNA is a registered investment adviser with the US Securities and Exchange Commission ('SEC') and subsidiary of The Bank of New York Mellon Corporation ('BNY Mellon'). The Firm was established in 2021 and is part of the group of affiliated companies that individually or collectively provide investment advisory services under the brand 'Newton' or 'Newton Investment Management'. Newton currently includes NIMNA and Newton Investment Management Ltd. ('NIM') and Newton Investment Management Japan Limited ('NIMJ').

In Canada, NIMNA is availing itself of the International Adviser Exemption (IAE) in the following Provinces: Alberta, British Columbia, Manitoba, and Ontario, including the foreign commodity trading advisor exemption in Ontario. The IAE is in compliance with National Instrument 31-103, Registration Requirements, Exemptions and Ongoing Registrant Obligations.

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. Newton does not currently view certain types of investments as presenting ESG risks and opportunities and believes it is not practicable to evaluate such risks and opportunities for certain other investments. Where ESG is considered, other attributes of an investment may outweigh ESG considerations 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.

'Newton' and/or 'Newton Investment Management' is a corporate brand which refers to the following group of affiliated companies: Newton Investment Management Limited (NIM), Newton Investment Management North America LLC (NIMNA) and Newton Investment Management Japan Limited (NIMJ).

This material is provided for general information only and should not be construed as investment advice or a recommendation. You should consult with your advisor to determine whether any particular investment strategy is appropriate. Statements are current as of the date of the material only. Any forward-looking statements speak only as of the date they are made, and are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements.

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