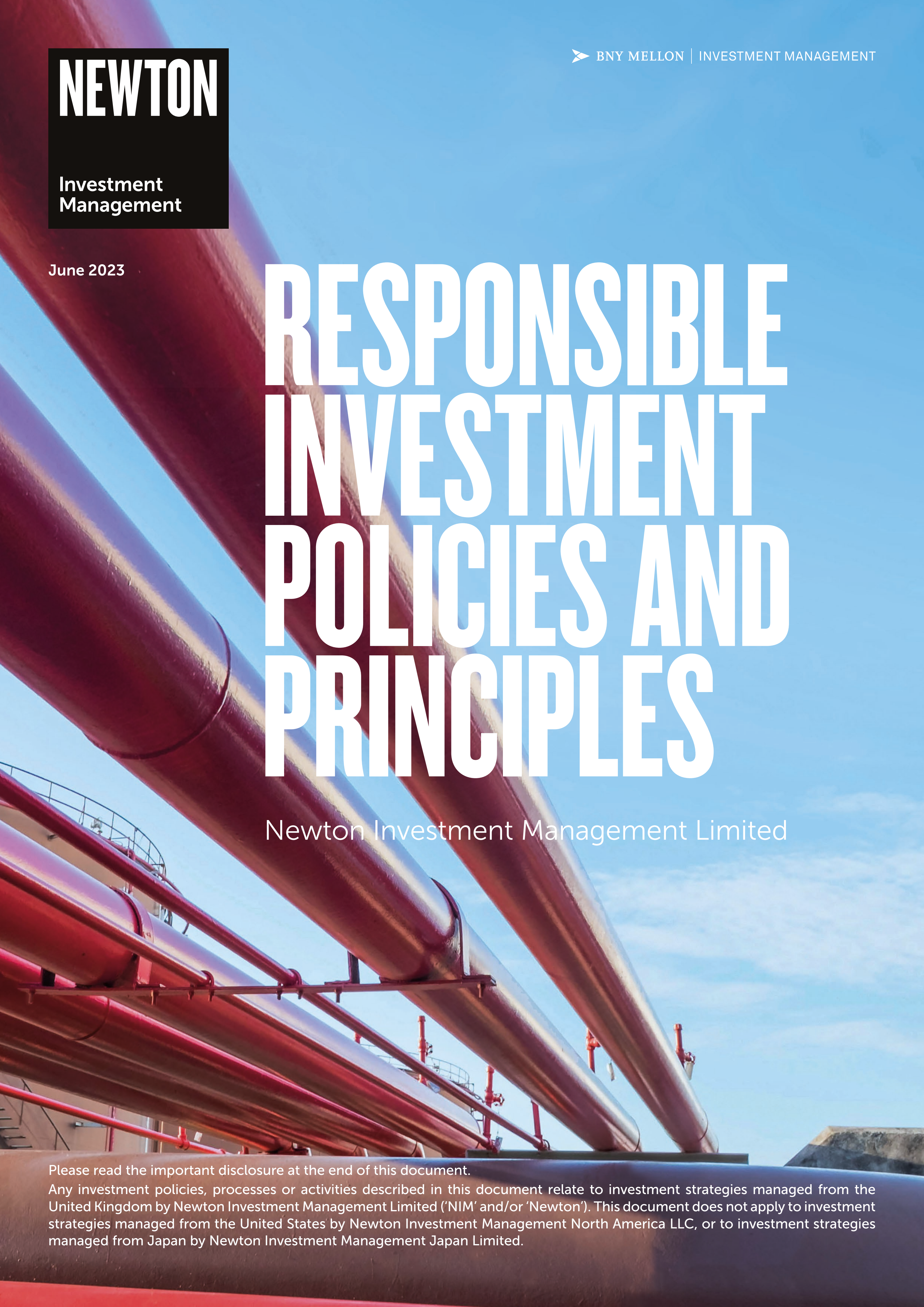

NEWTON

Investment Management

BNY MELLON | INVESTMENT MANAGEMENT

June 2023

RESPONSIBLE INVESTMENT POLICIES AND PRINCIPLES

Newton Investment Management Limited

Please read the important disclosure at the end of this document.

Any investment policies, processes or activities described in this document relate to investment strategies managed from the United Kingdom by Newton Investment Management Limited ('NIM' and/or 'Newton'). This document does not apply to investment strategies managed from the United States by Newton Investment Management North America LLC, or to investment strategies managed from Japan by Newton Investment Management Japan Limited.

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INTRODUCTION

Responsible investment is integral to Newton's investment process. We believe that responsibly managed companies are likely to be better placed to achieve sustainable competitive advantage and provide strong long-term growth.

Responsible investment at Newton begins before we commit to an investment. It is an investment-led approach that relies on understanding the material issues that are likely to affect companies, conducting proprietary research, engaging with companies and participating in the development of standards in collaboration with other investors and industry groups

This document describes our approach to stewardship and our voting and engagement activities.

When we talk about 'responsible investment' in this document, we are primarily focused on corporate investments (i.e. our activities when we buy company shares on behalf of our clients). This is because there are more opportunities for Newton to have a voice and support change for these types of investment than for other securities and asset classes.

This document provides an overview of Newton's policies and procedures as they relate to these activities, and our approach to responsible investment. There may be circumstances where we will engage or take action in relation to other bodies (e.g. debt securities or public bodies), but those situations are not described in detail in this document.

AN INTEGRATED APPROACH

Newton is an investment manager managing assets globally on behalf of a range of clients, including institutional pension funds, endowments and charities and other mission-based investors. We work in partnership with our clients to build investment strategies designed to deliver their intended investment outcomes.

We have an integrated approach to responsible investment. As purposeful and active owners, guided by our clients' objectives, we see it as our responsibility to fully understand each asset we invest in. Therefore, in addition to financial measures, we evaluate factors such as environmental impacts, social standards, and the effectiveness of people in charge. We believe this approach allows us to better manage risk and make more informed investment decisions.

At Newton, we believe there are certain key factors that will be instrumental in shaping the investment landscape over the coming years.

As investors, it is our job to cut through the noise and make sure that we spend our time focusing on these factors, as we believe this puts us in the best position to identify opportunities and manage risks.

We capture these ideas in a number of investment themes, which are used by our investment team to inform stock selection. The consideration of environmental, social and governance (ESG) issues is aligned with many of our investment themes.

Our investment process seeks to identify companies capable of delivering strong long-term performance. Unlike some asset managers who keep their responsible investment analysts separate from the wider investment team, our dedicated responsible investment team is fully integrated in our investment process, working alongside our conventional financial analysts to support our investment decisions.

The members of our responsible investment team act as subject-matter experts on ESG matters, and provide support and specialised research to the rest of the investment team.[1] The team also undertakes engagement. We publish reports providing examples of engagement and our global proxy voting activities.

ADDING VALUE

We aim to optimise performance returns for our clients. We strive to do this through our investment expertise in security selection and portfolio construction. Intrinsic to the understanding of the potential of an investment is an appreciation of the quality of the company's management, its structure, the appropriateness of its internal controls and the assurance that ESG issues are managed to the benefit of long-term investor value. We believe that responsibly managed companies are more likely to be better placed to achieve sustainable competitive advantage and provide strong long-term growth.

We aim to identify ESG-related risks and opportunities to ensure that challenges are identified and managed. This applies not only to equities, but also in a fixed-income context. We consider ESG issues when looking at sovereign risk, as well as across the credit spectrum from investment grade to high yield.

1 Newton manages a variety of investment strategies. Whether and how ESG considerations are assessed or integrated into Newton's strategies depends on the asset classes and/or the particular strategy involved, as well as the research and investment approach of each Newton firm. ESG may not be considered for each individual investment and, where ESG is considered, other attributes of an investment may outweigh ESG considerations when making investment decisions.

ESG POLICIES AND PRINCIPLES

In formulating and implementing a responsible investment policy, Newton must take into account its responsibilities towards its clients with regard to investment and performance as well as its position as an agent acting on behalf of those clients. Our role demands that we are not only conscious of the highest standards in corporate responsibility, but also of the requirements of our clients.

We aim to optimise performance returns for our clients by investing in well-managed companies. Well-managed companies should ensure that internal practices and procedures observe all legal requirements and conform to best practice. Where companies do not conform to best practice, a valid explanation should be provided. We believe that transparency helps to minimise the impacts of any negative publicity for a company and for its shareholders.

Our research into companies includes the consideration of material and relevant ESG risks and opportunities. ESG may have a bearing in a number of ways.[2]

For example:

- **Changes to regulation**
  (e.g. laws on environmental pollution, company law, governance codes)
- **Physical threats**
  (e.g. extreme weather events)
- **Cost implications**
  (e.g. reduced cost of capital, environmental improvements, labour strikes)
- **Shareholder rights**
  (e.g. election of directors, capital amendments)
- **Brand and reputation issues**
  (e.g. excessive remuneration, poor labour practices, poor health and safety management)
- **The threat of litigation**
  (e.g. unsafe products, services or working conditions)
- **Fines**
  (e.g. pollution incidents or bribery and corruption)
- **Access to raw materials**
  (e.g. security of oil supply)
- **Product evolution**
  (e.g. low energy products, medicines)

2 The information on the following pages provides information on the types of environmental, social and governance factors that may be considered, although they will not be relevant for all investments and the way they are taken into account may vary depending on the company.

E (ENVIRONMENTAL)

Water

In many parts of the world, demand for water is increasing while its quality and availability is declining. Growth in demand reflects a growing global population and the rising consumption of water by agriculture and industry. As water demand increases, the costs associated with water use are likely to rise.

Demand for water might create tensions or conflict, which has consequences for any industry reliant on access to water. We expect companies with significant water risks or impacts to manage these responsibly.

Energy use

All companies require energy to operate. Some are more energy intensive than others. As economies grow, so does the demand for energy. This increase in demand has resulted in concerns over climate change and overdependence on fossil fuels, both of which may create significant challenges for businesses. Through the effective management of energy use and development of energy-efficient strategies, companies are able to reduce energy costs as well as build security of supply. We expect a well-managed company to undertake such efficiency improvements, not only in order to minimise its impact on the planet, but also to reduce costs.

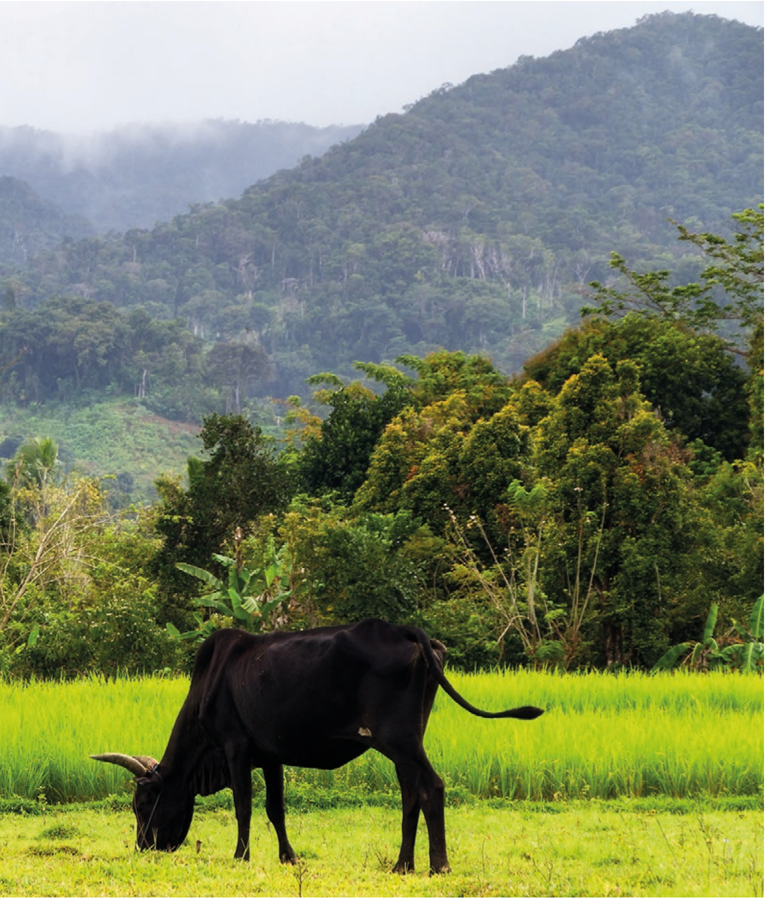
Industrial waste

Industry generates waste which requires disposal. Historically, all waste was sent to landfill sites. However, landfills are becoming increasingly limited and expensive. In addition, some waste is hazardous. Increased regulation around the use of landfills creates challenges and potential costs for business.

We expect companies with significant waste streams to manage these responsibly in order to control costs, avoid reputational damage and minimise the risk of increased future legislation.

Product life cycle

Increasingly, companies are being expected by governments to take responsibility for the entire life cycle of products from the responsible sourcing of raw materials to the end-of-life disposal. We expect a well-managed company to demonstrate an understanding of all stages of the product life cycle.



Biodiversity

Biodiversity covers the diversity of species. This includes both diversity within a species and the diversity of ecosystems. Biodiversity trends capture the density and distribution of species, size of forest cover and the protection of natural areas.

Biodiversity has consequences for many businesses that depend on the availability of natural raw materials and services. The reliance on bees for pollination in the agricultural industry is an example of this dependency.

To ensure a continued and sustainable supply of raw materials, companies should consider the importance of biodiversity throughout their supply chains, as well as the impacts of their direct operations and products on surrounding ecosystems.

Climate change

Scientific evidence indicates that a rise in carbon dioxide in the atmosphere, mainly as a result of anthropogenic (human) activities, is causing an increase in global temperatures and subsequent extreme weather conditions. As a result, more pressure is being placed on companies to measure, report and reduce the carbon emissions generated from their business operations.

We encourage companies to measure, monitor and disclose greenhouse gas emissions and to have carbon mitigation strategies in place, particularly where a company has a material emissions footprint. We are involved with a number of industry bodies which promote company transparency on carbon emissions, climate management and climate adaptation. As an example, we support and encourage alignment with the final recommendations from the Taskforce on Climate-related Financial Disclosures,[3] which provides guidance for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change. We also monitor global climate-change policy and regulatory changes and, where relevant, engage with policymakers.

Natural resources

As the world's demand for raw materials increases, driven by a growing global population and emerging economies, natural resources are being depleted at increasing rates. As rainforests, for example, are felled to satisfy the rising demand for agricultural products, the world is losing these natural carbon sinks, which has negative implications for climate change.

The depletion of natural resources has implications for many businesses. We have witnessed an increase in regulation linked to the sourcing and use of natural resources, such as timber. This may have cost implications for companies and may ultimately affect a company's ability to operate. We encourage companies to have robust policies with regard to the sustainable sourcing of raw materials. This should protect a company from association with the destruction of natural resources such as rainforests. We believe that such policies can help protect a company's reputation and provide greater stability to the supply chain.

Event risk

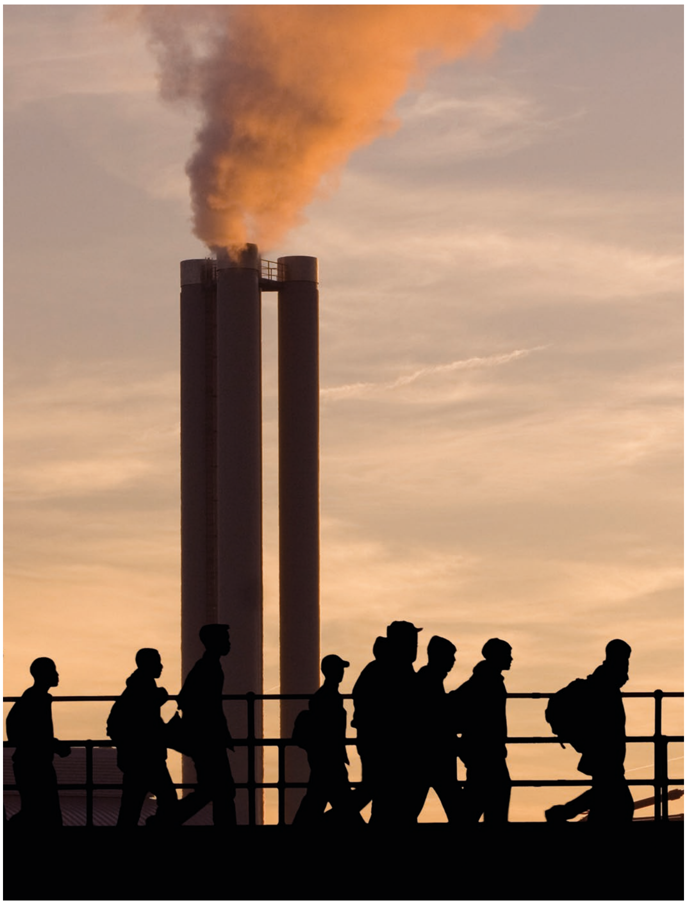
Droughts, hurricanes, floods and extreme weather events are becoming more frequent, and in 2021 the cost of natural catastrophe damage was the highest it had been in the prior five years.[4] We therefore seek to understand how companies' physical assets are exposed to such events and what mitigation plans exist.

Additionally, wider systemic risks and disasters resulting from human activities can also lead to regulatory responses and other stakeholder pressures which impose new cost burdens on businesses. We seek to understand how companies can position themselves to mitigate the effects of disruptive events and benefit from a changing regulatory and stakeholder environment.

3 Source: Recommendations of the Task Force on Climate-related Financial Disclosures, Final Report, June 2017 (as amended).

4 Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters, April 2022

S (SOCIAL)



Human rights

Amid globalisation, businesses have sourced more goods from, or operated in, emerging markets which may have poor human rights records. Human rights are basic rights or freedoms to which all human beings are inherently entitled. International companies operating in countries with no human rights laws or which have poor human rights records may face significant challenges, such as legal hurdles, security incidents, labour-force disruption and reputational damage, putting into jeopardy their licence to operate.

We expect companies to consider adopting internationally recognised codes and standards that govern human rights, such as the Universal Declaration of Human Rights.[5] This Declaration commits members to promote a number of human, civil, economic and social rights. We consider human rights issues, including human security, labour rights, freedom of association, civil liberties, community rights and oppressive regimes. While human rights are relevant for all sectors, companies operating in the extractive industries and retail sectors are likely to have the greatest exposure.

Conflict areas

Increasingly, international companies have to address the challenge of operating in countries exposed to conflict where other concerns arise in addition to human rights violations. These include illegitimate or unrepresentative governments, the lack of equal social and economic opportunities, discrimination against particular groups, poor or corrupt revenue management, and poverty. While the primary responsibility for peace, security and the development of a country lies with its government, we believe that companies should adopt a responsible approach to conducting business in conflict areas.

Companies can provide positive economic impacts through job creation, payment of taxes, infrastructure development, and the promotion of best practice on human rights, labour standards, environmental awareness and anti-corruption. Managed effectively, these promote a stable operating environment and help to maximise long-term value for investors.

Newton expects companies operating in conflict areas to address these risks through reference to the UN Global Compact[6] and the UN Guiding Principles on Business and Human Rights.[7] We also seek greater transparency on the sourcing of conflict minerals whose purchase may contribute to continuing challenges in conflict areas.

Health and safety

A safe and healthy workplace contributes to a company's operational efficiency. We may engage with companies about their management of health and safety issues within their businesses. In particular, we encourage the disclosure of leading and lagging indicators, such as 'near-misses', incidents and fatalities, as well as information on employee training. Health and safety is often measured by lost-time injury statistics, which provide an indication of a company's safety trends.

5 Source: Universal Declaration of Human Rights, United Nations, December 1948.
6 Source: United Nations Global Compact website (unglobalcompact.org), accessed July 2022.
7 Source: Guiding Principles on Business and Human Rights, United Nations, 2011.

Companies with poor health and safety practices may face prosecution, fines and, in extreme cases, withdrawal of the licence to operate. Contractor safety is an area of increasing focus, as accidents have highlighted the need for contractors to be trained and monitored in the same way as a company's direct employees. Road safety also poses a continuing risk to many sectors and is one of the largest contributors to employee accidents globally. While the extractives sector has received attention for poor health and safety performance historically, sectors including construction, manufacturing, support services and food processing can also demonstrate poor health and safety performance.

Human capital management

Constructive and positive labour relations are critical to a company's long-term success. Well-managed employee relations improve workforce satisfaction, productivity and effectiveness, creating value for investors. We may engage with companies regarding their management of employment issues and encourage international companies to consider and adopt the International Labour Organisation guidelines on labour issues.[8] We believe that low employee turnover, freedom of association, continuous training and promoting diversity and inclusion contribute to long-term value creation.

Supply chain

Many companies source and manufacture goods globally. A company's understanding of its supply chain should include consideration of supplier policies. Relevant policies and procedures help minimise the risk of disrupting operations and protect reputations by facilitating efficient management of supply chains. Companies need to have an understanding of their supplier base and regional and local risks in relation to labour standards and product quality. Transparency throughout the supply chain, including the use of sub-contractors, can secure the supply chain over the long term and mitigate quality and ethics risks. Recent examples of poor factory safety, employee strikes and wage inflation demonstrate the operational and reputational damage faced by a company when supply-chain monitoring is weak. We may engage with companies to understand the risks and, where required, seek to improve the quality of their supply-chain oversight policies and mechanisms.

Business ethics

Business ethics cover a range of potential risks including conflicts of interest, protecting company intellectual property, insider trading and bribery and corruption. Multinational companies often operate in countries where corruption is a problem. Corruption can stunt economic development, making outside investment into a country unattractive. Bribery is the most prevalent form of corruption. In countries where corruption is endemic, a sustainable business model can be harmed by any activity that involves bribery. Involvement in bribery may lead to the imposition of sanctions and result in reputational damage. It also makes it harder for companies to refuse to pay bribes in the future. Companies found guilty of bribery or corruption face extensive fines, and company directors may face prison sentences, particularly where the US Foreign Corrupt Practices Act (FCPA) or the UK Bribery Act apply.

We may engage with companies to ensure that high ethical standards are adopted in business operations to avoid instances of bribery and minimise reputational damage and potential fines. Examples of poor sales practices in the banking and pharmaceutical sectors have highlighted the materiality of business ethics and the cost when poorly managed. We may encourage companies to implement whistleblowing policies and practices that enable stakeholders to raise potential breaches, and to monitor compliance with business ethics policies.

Tax

The international tax system is undergoing major reform, driven by political and economic aspirations as well as attempts to address social inequalities. The exploitation of loopholes in tax legislation, the increasingly intangible nature of company assets and the digitalisation of the global economy have made it easier for multinational companies to reduce their tax liabilities. Governments are responding and tax-avoidance strategies are increasingly in the spotlight, with the Organisation for Economic Co-operation and Development's (OECD) base erosion and profit shifting (BEPS) project leading a globally coordinated effort.

We believe that companies with aggressive and complex tax arrangements will be at risk, with the potential for their earnings and cash flows to be directly affected. However, even before this earnings risk materialises, such companies are likely to be subject to reputational issues should their practices be exposed. We expect companies' tax arrangements to comply with relevant tax laws and reflect the economic substance of their businesses rather than being a means of solely reducing tax liabilities. We may engage with companies where we have concerns about the sustainability of their tax arrangements. This helps us to better understand a company's approach to tax management and the sustainability of its structures, and to assess the financial impacts of tax reform.

Cyber security

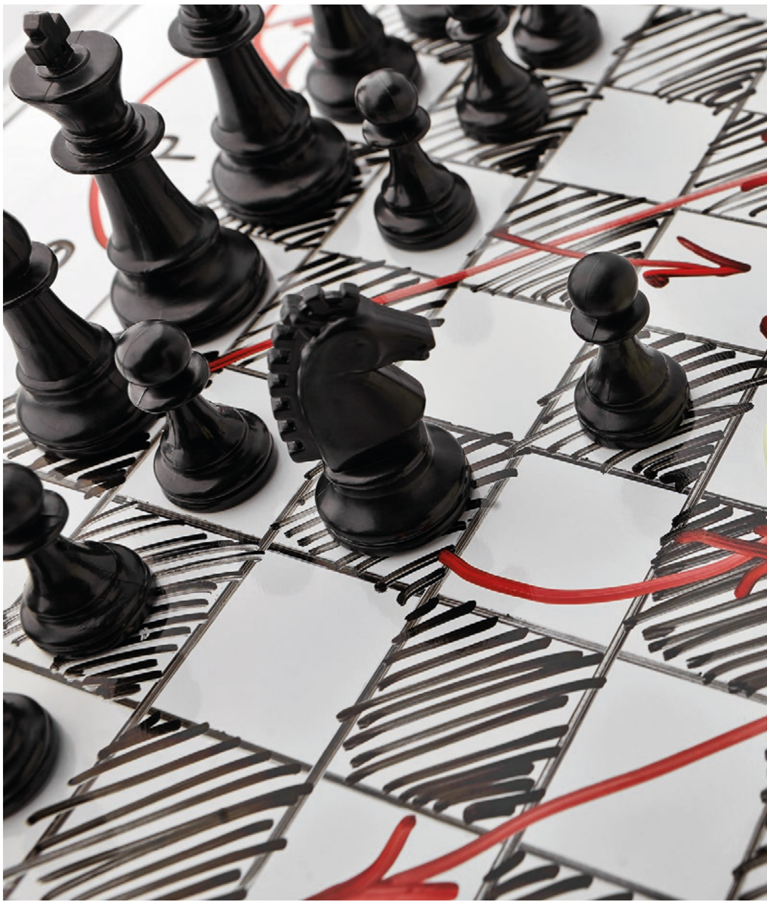
As digitalisation and automation dominate the transformation of the global economy, cyber risk poses ever greater challenges for business. However, it is clear from a number of incidents that many companies are unprepared in terms of cyber crime. While it might be tempting to assume cyber risks are material to only a few sectors, our research into the targets and resulting impact of cyber attacks confirms that cyber security is an issue that all companies should assess. Even if a company's own systems are sufficiently protected, supply-chain companies and external service providers can create vulnerabilities.

We expect the boards of companies to understand the risks faced by cyber attacks in the context of the company's overall strategy rather than purely as an IT issue. Companies are expected to allocate sufficient resources to deal with this topic, and we will engage with boards to gain insights into the strategy for managing this key risk. Companies are also encouraged to take a proactive approach to protecting key data, assets and operations.

8 Source: International Labour Organisation website (ilo.org), accessed July 2022.

G (GOVERNANCE)

When assessing a company's corporate governance, we take into account the individual circumstances together with relevant governing laws, guidelines and established best practice. However, some overarching corporate governance principles exist that apply globally. We expect companies to comply with these principles, or to explain why they should not apply. These principles are described below; some may not be formally recognised in certain markets.

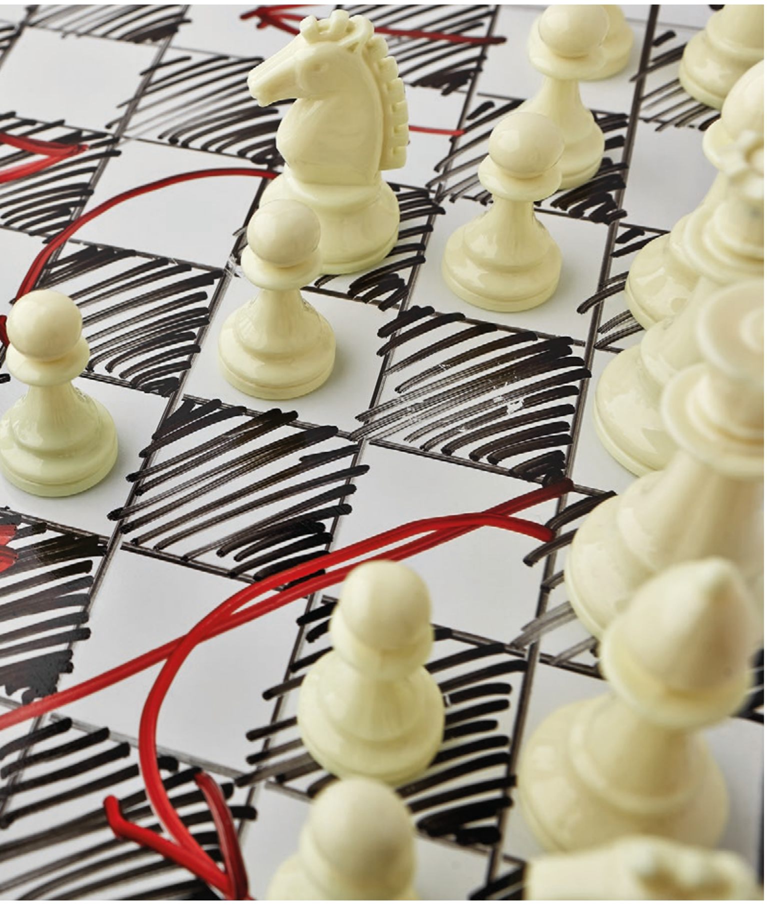


Disclosure

It is imperative that investors are fully aware of the risks associated with an investment. We believe communication of risks is best achieved through regular public reporting. In the context of general meetings, companies should make information on resolution items available to the public and in sufficient time to allow owners to make informed voting decisions. We expect companies to disclose publicly the level of votes for, against or withheld for each resolution.

Boards

A board is charged with the responsibility and authority to sanction and decide all significant matters relating to a company's activities. We believe it is essential to have an appropriate balance between executive and independent non-executive directors (NEDS – also known as outside directors in the US) to ensure that the interests of shareholders are represented. A company's board should have an effective structure, have access to adequate training, undertake suitable recruitment to ensure the maintenance of appropriate skills and breadth of experience, and have planned succession. It should undertake its own annual evaluation and assess the suitability of an external evaluation. At least annually, the board should review the effectiveness of the company's internal controls and appropriateness of its risk profile. Directors and NEDs should also be available to investors when required.



Independence

We believe that NEDs play a vital role of counsel and oversight of executive management, while also representing and safeguarding the interests of investors. It is therefore important that a board maintains an appropriate level of independence. When reviewing the independence of NEDs, we look unfavourably on directors having a recent relationship with the company, involved in related-party transactions, or receiving performance-based remuneration, as well as where a NED's length of service suggests that the board lacks fresh experience, insight and judgement.

Chair and chief executive officer (CEO)

We believe that it is in the best interests of stakeholders for the roles of CEO and chair to be separate and defined. The division of chair and CEO should "ensure a balance of power and authority, such that no one individual has unfettered powers of decision".[9] In general, Newton is opposed to a CEO becoming chair of the same company, and has a preference for the chair to be considered independent at the time of appointment.

9 Source: The Cadbury Report 1992.

Senior independent director

A senior independent director (SID) or lead director should act as a conduit between the NEDs and the stakeholders, and ensure that the views of the independent NEDs play a prominent role in board deliberations. Where a chair is not considered independent, we expect the responsibilities, authorities and powers of the SID, such as the SID's role in approving the board agenda and calling board meetings, to be explained clearly.

Board committees

We favour the establishment of key board committees with oversight of a board's audit, remuneration and nomination functions. For many companies, it is good practice for a separate board committee to be established and charged with oversight of the company's environmental and social policies. Ideally, each committee should consist of a majority of independent directors, with the audit committee and remuneration committee consisting solely of independent directors.

Succession planning

A fundamental role of the board, and of its nomination committee in particular, is the establishment of an effective succession-planning policy. An ineffective policy can have far-reaching negative implications for a company's performance. It may lead to investor uncertainty over a company's sustainability and continuity should senior executives or board members depart without suitable replacements being identified.

An effective succession-planning policy can minimise the opportunities for senior executives to place excessive demands on a company. An engaged nomination committee should ensure that it has identified at least one suitable candidate to succeed individuals employed in key roles within the company. It should also be able to react swiftly in the event of an individual suddenly departing from the company.

Board diversity

A board should contain a wide variety of experience and skills. Consideration of board diversity should include, but not be limited to, gender, age, nationality, race, religion, skill, experience and knowledge.

Investors, companies and boards are not best served by a board that is overly homogeneous. In an effort to establish a breadth of expertise, knowledge and skill, and to stimulate constructive challenging debate, boards should be constituted of members that are sufficiently well diversified and experienced to meet the individual needs of the company.

A board's nominations committee should be charged with the responsibility of ensuring that a good balance of board diversity is achieved. An effective succession-planning policy will aid a nomination committee in its efforts to address this matter.

We may engage with companies and vote against board directors where there is an absence of a robust policy and a low level of gender diversity on the board.

Risk management and internal controls

A company should have a clear policy in relation to assessing the appropriateness of its risk profile, and communicate how it is responding to material business risks via a clear risk register. The board should have formal responsibility for risk management and the internal control functions. It should also consider the appropriateness of establishing a board committee to oversee such areas. We expect companies to report publicly on their policy and position in relation to these areas.

Auditors

The quality and independence of auditors plays a crucial role in protecting shareholders' interests. Remuneration of auditors for non-audit services should be kept under review by the audit committee and should not be excessive. Newton expects non-audit fees to be disclosed and justified in the auditor's remuneration section of a company's annual report and accounts. Companies should assess the appropriateness of changing periodically both their auditor and the lead audit partner managing the company's audit. We are likely to vote against the reappointment of an audit firm if it has been the lead auditor for an excessive period of time. We would be concerned if a company accepts a monetary cap on its auditor's liability. Also, we expect to see a detailed explanation should any other type of liability limitation be adopted.

Remuneration

Levels of remuneration should be appropriate to attract, motivate and retain suitable staff. A significant proportion of remuneration should be subject to the creation of sustainable long-term value and aligned with the company's strategy.

Variable remuneration should be structured so that it does not reward individuals for poor performance. Should performance measures governing the vesting of variable remuneration awards not be representative of the underlying performance of the business, we would expect an independent remuneration committee to exercise discretion. Generally, we subscribe to the remuneration principles and guidelines as published by the Investment Association and the International Corporate Governance Network.

Dividend policies

Dividend payments are an important source of income for investors. A consistent policy is appreciated given that it promotes financial discipline. We are cautious of companies with a consistently low dividend payout ratio that have not identified suitable investment opportunities or developed a strategic investment plan.

Share buy-backs

The practice of companies buying back and cancelling their shares can be a valid method of increasing shareholder value. However, a decision to buy back shares should be considered in the context of alternative uses of capital, such as acquisitions or a special dividend. Investors should be mindful that share buy-backs can be used to fulfil the vesting of remuneration arrangements and may artificially improve performance measures that govern the vesting of remuneration awards.

Related-party transactions

Related-party transactions encompass a wide variety of dealings. These can include a company trading assets with one of its directors, the issuance of capital to a 'friendly' investor, and agreements between a parent company and a subsidiary. We recognise that, while a company can benefit from related-party transactions, investors' best interests are not always the primary reason for such transactions. We expect companies to explain the necessity for a related-party transaction together with justification that the decision to enter into such an arrangement was taken independently of the related party.

Voting rights

We support the principle that a company's shares carry equal rights. An investor's control of a company should correlate with the level of its economic interest and be in line with the company's other investors. We are unfavourably disposed towards companies that give disproportionate influence to selected investors.

Schemes of arrangement and amendments to articles of association

Resolutions that seek approval of schemes of arrangement and changes to articles of association cover a wide remit of corporate events, including mergers, acquisitions and change of domicile. Given the individual nature of such events, it is important that each incident is considered on its own merits. As with other voting resolutions, we will exercise voting rights in line with our investment rationale and in the best interests of our clients.

Anti-takeover mechanisms/poison pills (anti-takeover defence)

We are unlikely to support arguments for approving the introduction or continuation of an anti-takeover mechanism. Such devices can lead to the entrenchment of a poorly performing management team and inhibit the creation of shareholder value.

Shareholder rights

Shareholder rights differ greatly across jurisdictions. In the US, for example, shareholders have little control over the appointment of directors or allocation of capital. In the UK, shareholders elect company directors and have control of significant capital allocation proposals. We acknowledge that shareholders should not necessarily be involved in the detail of company management, but will not support companies seeking to reduce shareholder rights and will support shareholder proposals that seek to strengthen shareholder rights.

Capital structure alterations

A key strategic objective for a company is the efficient use of its capital structure. Companies should ensure that the value and rights of shareholders and bondholders are not diluted unnecessarily. We expect companies to communicate their intentions clearly and provide rationale for any changes to their capital structure.

Controlling and influential shareholders

Care must be taken when investing in a company with a controlling or influential shareholder. Companies should disclose the detail behind any special relationships or agreements that are in place with such shareholders. We will seek to understand the investment expectations of these investors and place greater emphasis on the company conforming to corporate governance best practice in an effort to limit the possibility of our clients being disadvantaged by the situation.

Political donations

Generally, we will not support a company that seeks to make direct donations to any political party or political organisation.

FIXED-INCOME POLICY: CORPORATE AND SOVEREIGN DEBT

Newton's responsible investment approach is applied to both global equities and fixed-income assets. ESG factors are an important consideration when investing in fixed income given investors in this asset class do not share the same upside potential as equity investors but face the same downside risk in the event of default or rerating. ESG factors can affect the ability of companies and sovereigns to fulfil the obligation to pay the coupon and principal to which they are entitled. When investing in fixed-income assets, it may be the case that ESG risks can typically be avoided more easily than in equities owing to the opportunities to invest in other fixed-income assets that present similar return profiles.

Corporate bonds

A wide range of economic factors can influence a company's creditworthiness and viability. These factors can be influenced by ESG issues such as reputational, event, supply-chain and legal risks. Examples of poor ESG management and credit-rating downgrades have been seen in the banking sector and extractive industries. In the former, poor marketing and incentive practices resulted in large litigation and compensation costs for mis-selling and subsequent downgrades to corporate-bond credit ratings for the companies concerned. In the extractive industries, environmental damage and poor governance have led similarly to downgrades and mark-to-market losses.

We publish a quarterly report that discloses our global voting activity and examples of engagement. Under each example of engagement, we identify the asset class to which the engagement relates. Investments are monitored in regular meetings between our fixed-income and responsible investment teams. The teams assess how these companies identify and manage their ESG risks as well as their ESG disclosure. In line with our voting policy, we exercise votes at formal bondholder meetings.

Sovereign debt

Market participants and credit rating agencies have been placing increasing importance on ESG factors in understanding default risk on the debt issued by sovereigns and also on the credit ratings awarded.

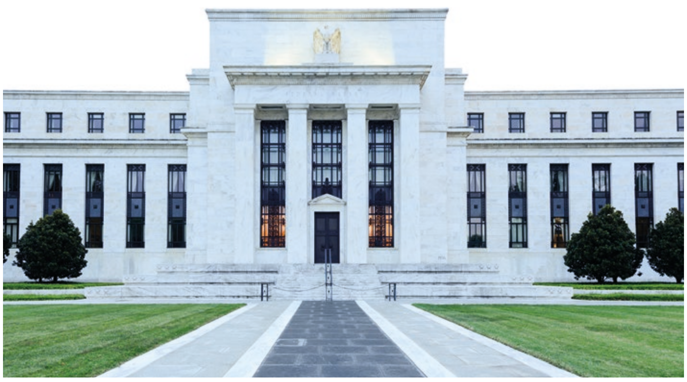
Sustainable economic competitiveness is dependent on the availability and quality of natural, human, social and political capital. Countries that govern these capital resources effectively are likely to experience stable long-term growth and show more economic resilience. We evaluate factors such as natural resource depletion, social cohesion, conflict and political change in order to understand if the returns on offer from sovereign debt are justified given the risks attached.

Governments with limited political rights and civil liberties, and those with high unemployment rates, are more likely to experience greater civilian unrest. We believe that strengthening the social contract between governments and their citizens reduces the risk of corruption, which in turn improves the fiscal accountability of the economy, increasing tax revenues and thus improving the affordability of debt. A government's ability to plan economic policy owing to the greater level of certainty over the data that it feeds into its forecasting should in turn reduce policy error and enable a virtuous circle of self-improvement.

Since we believe that the sustainability of a sovereign bond relates to a number of factors – including social progress, corruption, a country's legal system, democracy and pollution – we seek to gain a holistic view of a country, taking into account the various positive and negative factors. We consider data from a range of sources including the World Bank Worldwide Governance Indicators, Transparency International's Corruption Perceptions Index and Yale University's Environmental Performance Index.

We do not apply thresholds when assessing each individual data source, but instead use relative thresholds at the aggregated data level. All countries are scored to determine their current sustainable sovereign governance (strong, above average, below average, weak) as well as their momentum (positive, stable, negative). The momentum is assessed over the last five years to see if the governance indicators have been on an improving or deteriorating trajectory.

Countries are then allocated to a sustainable sovereign investment matrix based on these categories. Those countries rated 'weak' and which do not have positive momentum cannot be included in our sustainable investment strategies. Those countries rated 'weak' with positive momentum and 'below average' can only be included in sustainable strategies subject to further work being completed by the sovereign specialist and subsequently agreed by the responsible investment team. Each quarter the model is reviewed by the fixed-income and responsible investment specialists to assess whether current affairs have changed our sustainable sovereign investment outlook described within the matrix.



CODES AND GUIDELINES

Codes and guidelines relating to responsible investment change and develop to reflect changing market views. Newton supports key codes and principles which provide a framework for best practice when considering ESG issues, but avoids a prescriptive or 'box ticking' approach.

Country-specific codes and regulations

Corporate governance: We are mindful of local corporate governance codes and regulations when engaging with companies and exercising our clients' voting rights. Individual country codes on corporate governance vary, but all aim to protect long-term value. Our approach to corporate governance is best reflected in the UK Corporate Governance Code, the International Corporate Governance Network's Global Corporate Governance Principles and our response to the UK Stewardship Code, which can be found in the 'Stewardship and engagement policy' section.

Environmental and social matters: We are also mindful that environmental and social laws and best practices vary by country. We encourage companies, wherever possible, to adopt internationally recognised codes and standards, particularly when operating in countries with weak or no legal supporting framework, in order to minimise risk to a company's reputation.

Institute of Chartered Secretaries and Administrators (ICSA)

ICSA is the trade body for governance professionals, including company secretaries. It provides qualifications, training, and guidance notes, and influences public policies on matters relating to corporate governance.
(icsa.org.uk)

International Integrated Reporting Council (IIRC)

The International Integrated Reporting Council's vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking. We support the use of the integrated reporting framework to drive sustainable value creation through better corporate disclosure and more informed decision-making.
(integratedreporting.org)

Investment Association

The Investment Association (IA) is the trade body representing UK investment managers. It has an established long-term commitment to responsible investment, which extends to active stewardship. We support broadly the guidance notes and position papers from the IA.
(theinvestmentassociation.org)

Investor Stewardship Group

We endorse the US stewardship and corporate governance principles under the Investor Stewardship Group, which represents over US$32 trillion of assets under management (as at July 2022). These principles help to codify the minimum corporate governance expectations that investors have of companies in the US as well as the responsibilities of those investors in their stewardship activities.
(isgframework.org)

Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises

We encourage companies to support the OECD Guidelines for Multinational Enterprises. These guidelines provide a comprehensive code of conduct endorsed by the 35 OECD countries. These countries recommend that multinational enterprises adhere to these guidelines, which provide voluntary principles and standards promoting responsible business conduct in areas including employment, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition and taxation.

The guidelines are implemented through National Contact Points. Mediation and conciliation help also exists to resolve investment disputes. The aim is to improve the foreign investment climate of a country and enhance the contribution companies can make to sustainable development.

The OECD Guidelines complement the UN Global Compact's ten principles, which are described overleaf.
(oecd.org)

Principles for Responsible Investment (PRI)

Newton has been a signatory to the PRI since February 2007. The Principles were developed under the auspices of the UN Secretary-General and provide a voluntary and aspirational framework for incorporating ESG issues into investment decision-making and ownership practices.

Our approach to responsible investment is consistent with the Principles, which support our belief that incorporating ESG factors into investment decision-making can enhance returns for investors. We participate in the PRI's annual assessment survey and remain a supportive signatory.

Our response to the six Principles can be found in the 'Principles for Responsible Investment' section.

(unpri.org)

Task Force on Climate-related Financial Disclosures (TCFD)

We support the recommendations of the TCFD, a framework to help public companies and other organisations more effectively disclose climate-related risks and opportunities through their existing reporting processes.

Our corporate TCFD report is available at newtonim.com. By publicly disclosing our report, we are holding ourselves accountable to the same standards that we expect from the companies in which we invest on behalf of our clients.

(fsb-tcfd.org)

UK Stewardship Code

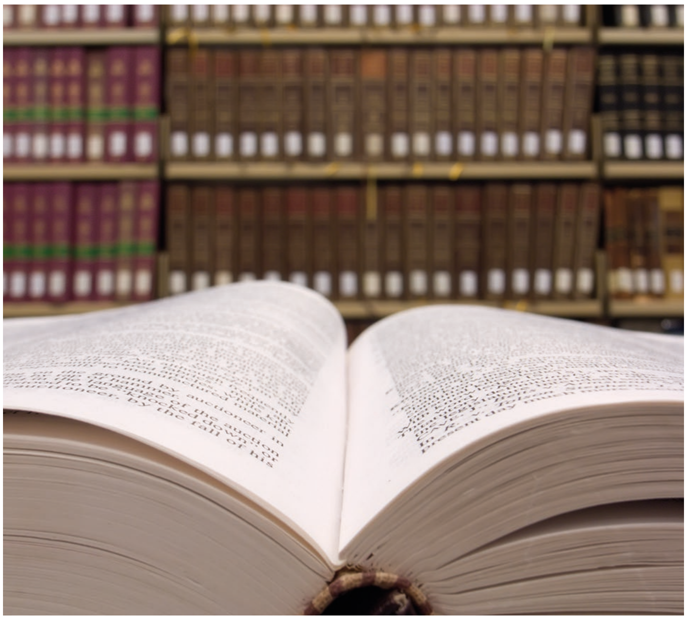
We comply with the 2020 UK Stewardship Code, which is overseen by the Financial Reporting Council, and which sets high stewardship standards for asset owners and asset managers, and for service providers that support them.

Our response to the Code is set out in our responsible investment and stewardship annual report, which is available at newtonim.com.

(frc.org.uk/investors/uk-stewardship-code)

UN Global Compact

Newton supports the UN Global Compact, which is a voluntary initiative that relies on public accountability, transparency and disclosure to complement regulation. Companies with global operations are encouraged to consider joining the UN Global Compact.[10] This initiative sets out a framework of ten principles in the areas of human rights, labour, the environment and anti-corruption to which businesses align their operations and strategy. The UN Global Compact and the OECD have begun to enhance their collaborative efforts, particularly in those countries that have Global Compact local networks as well as National Contact Points for the OECD Guidelines.



UN Guiding Principles for Business and Human Rights

Newton supports the UN Guiding Principles for Business and Human Rights, which seek to provide a global standard for preventing and addressing the risk of human rights breaches occurring as a result of, or linked to, business activity.

In 2005, the UN's Special Representative of the Secretary-General for Business and Human Rights, John Ruggie, was tasked with a mandate to develop consensus among stakeholders. This focused on the roles and responsibilities of companies and governments when considering the impact of business on human rights. In 2008, as a result of this work, the UN's Protect, Respect and Remedy framework was developed.[11] This framework maintains that it is a state's duty to protect human rights and a company's responsibility to respect human rights. It also calls for greater access to remedy for victims of business-related abuse.

The UN Guiding Principles for Business and Human Rights were released in 2011. These provide a common global platform for the promotion of responsible business practices with a particular focus on countries with a poor record of human rights. Where appropriate, we refer to these principles in our investment process, and we use them as a basis for discussion on human rights when meeting companies. In order to satisfy these principles, companies need to ensure that they have the correct policies and processes in place that demonstrate their understanding of the human rights implications of their business activities, as well as addressing the company's commitment to improving human rights.

(un.org/en/documents/udhr)

10 Source: United Nations Global Compact website (unglobalcompact.org), accessed February 2021.
11 Source: Guiding Principles on Business and Human Rights, United Nations, 2011.

PROCESS

Newton's rationale for investing in a company is supported through its proprietary ESG research, global voting and engagement activities. Our responsible investment, fundamental and sustainable portfolio management teams aim to achieve a better understanding of relevant ESG risks and opportunities, while also seeking to improve the behaviour of the companies in which we invest. Our dedicated responsible investment team is part of the wider investment team that is responsible for managing clients' assets.

Research and security selection[12]

We aim to look at investment prospects from all relevant angles, in search of the widest perspective possible on the investment landscape. Our multidimensional research platform harnesses both fundamental and quantitative analysis, which includes ESG-focused research.

ESG issues, where deemed to be material and appropriate, are integrated within the broader fundamental research carried out by our equity-focused research analysts and portfolio managers.

We seek to integrate ESG considerations into investment processes on the basis that we believe the understanding of the materiality of these issues is likely to improve risk-adjusted returns over the proposed investment horizon.

Sustainable investment

For our range of 'sustainable' strategies, the sustainability portfolio managers are responsible for applying our sustainable investment framework, closely supported by the responsible investment team which advises the portfolio managers in the security-selection process, as well as during the lifetime of an investment.

The responsible investment team also owns the sustainable 'red lines' which are built on a combination of exclusions that effectively avoid investments in security issuers involved in or that generate a material proportion of revenues from areas of activity that we deem to be harmful from a social and/or environmental perspective.

Monitoring

We look to engage with companies which we are considering for investment, either via equity or fixed income, or in which we have committed our clients' monies, where we have identified specific matters that we wish to raise on ESG issues that may affect their business.

These meetings add a further dimension to our continued monitoring of investments and help to ensure that the requirements of both the company and investors are understood and aligned.

Where we hold both equity and fixed-income securities of the same company, we may engage management with members present from our responsible investment team, equity investment team and fixed-income investment team. This can help ensure that management focuses its discussion on the holistic outcome for investors.

Our engagement meetings are not restricted to financial performance; active engagement with companies enables us to monitor issues relating to matters such as trading, strategy, changes in management processes, remuneration, and social and environmental issues. Engagement should also seek to ensure that any change being proposed or considered by a company is beneficial to investors.

Our approach to engagement applies both to equity and corporate bond investments that we have made or are considering for our clients. Our motivation for engagement in relation to these asset classes is aligned with and predicated on our belief that we are acting in the best long-term interests of our clients.

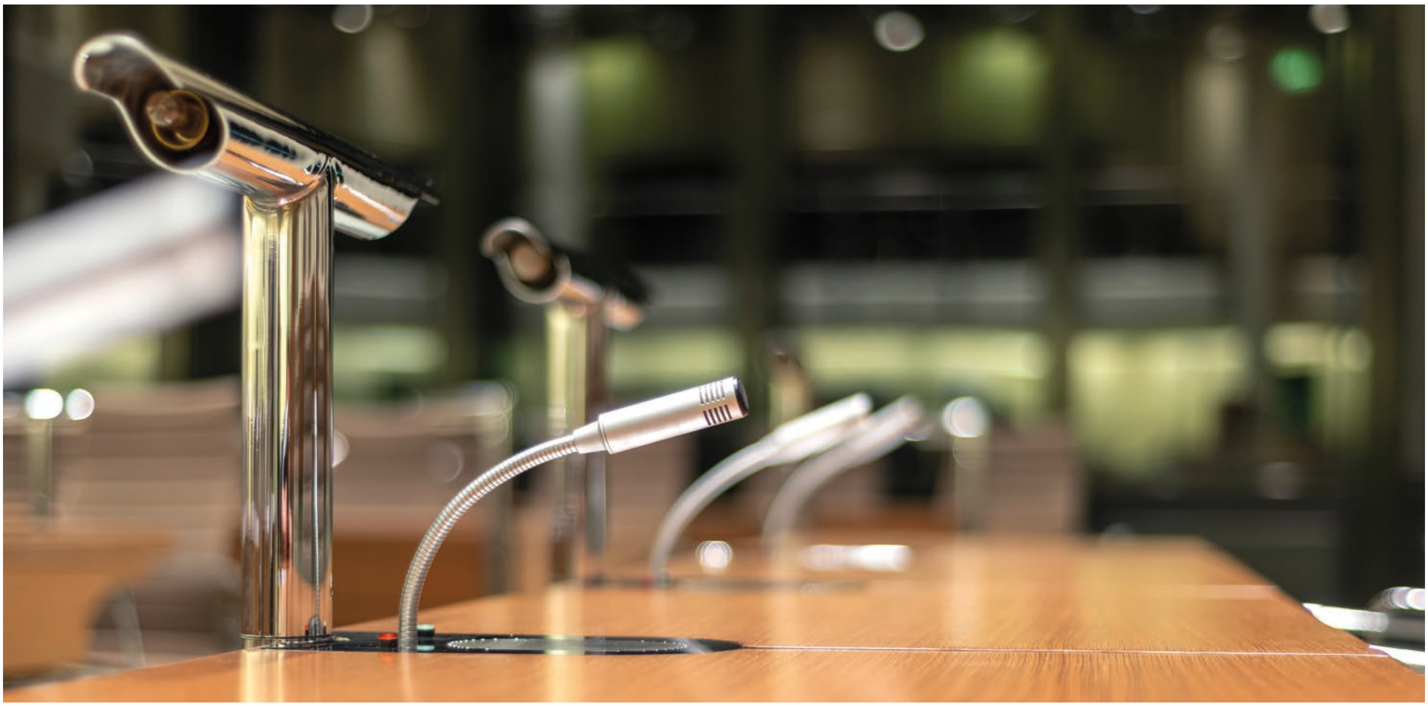
Engagement with companies and wider stakeholders is not limited to our responsible investment team; it is a key element of the roles carried out by our wider investment team, which includes our portfolio managers as well as our equity and fixed-income analysts and others.

Engagement can take a variety of forms. As an active manager, we engage for clarity as well as to influence. The engagement activity may take place as part of our regular monitoring and desire to better understand the investment opportunity; it may be in reaction to an event; or it may be proactive based on our predetermined engagement priorities.

We often engage with companies for information to help us to understand how issues are being managed. This can help increase our confidence in the underlying investment or, conversely, cement a concern that detracts from the attractiveness of the investment opportunity. Examples of engaging for change include requesting that a company enhances its public disclosures, or more fundamental engagement, such as seeking the removal of a board director.

Engaging for change may precede the exercise of voting rights or provide an opportunity to explain our voting rationale. Should the matter continue to be of sufficient concern, we reserve the right to dispose of the investment, which is the ultimate sanction we have as an active investor.

12 Newton manages a variety of investment strategies. Whether and how ESG considerations are assessed or integrated into Newton's strategies depends on the asset classes and/or the particular strategy involved, as well as the research and investment approach of each Newton firm. ESG may not be considered for each individual investment and, where ESG is considered, other attributes of an investment may outweigh ESG considerations when making investment decisions.



Engagement

Regular meetings with the management of companies in which we make potential or current investments are invaluable to ensure that the requirements of both management and investors are understood and aligned. Once invested, we continue to try to protect and enhance the value of our clients' holdings. Active engagement with companies enables us to monitor trading, strategy, changes in management processes, remuneration, and social and environmental issues.

We work collectively with other like-minded investors as well as trade associations, government bodies and non-governmental organisations. 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 being unintentionally in receipt of material non-public information or breaching concert party or competition rules.

Details of engagement activity undertaken is published alongside other investment notes in our research database.

Voting

We believe it is important that investors exercise the ownership rights they have been afforded. These include the regular voting opportunities enjoyed by most shareholders, as well as the infrequent voting opportunities for investors in corporate bonds.

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. We also publicly report our rationale for decisions taken on all shareholder proposals.

Newton has established overarching voting guidelines which inform our ultimate voting decision, based on guidance established by internationally recognised governance principles including the OECD Corporate Governance Principles, the ICGN Global Governance Principles, the UK Investment Association's Principles of Remuneration and the UK Corporate Governance Code, in addition to other local governance codes.

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. These are applied to the company's unique situation, while also taking into account any explanations offered for why the company has adopted a certain position or policy.

For resolutions proposed by a company, voting in favour expresses support for management. Voting against a resolution is the ultimate sanction of the owner, short of selling the security. Disposal may not be the most constructive method of demonstrating a commitment to responsible investment.

The ability for shareholders to file resolutions at general meetings is an important and powerful tool which should be exercised in exceptional circumstances. We consider all shareholder resolutions on a case-by-case basis and on their own merit and we do not believe it is possible to generalise how we would vote.

Voting procedure

All voting notifications are communicated to our stewardship team by way of an electronic voting platform. Moreover, the stewardship team has set up a series of email alerts and notifications on the electronic voting platform designed to ensure all meetings are voted in time and the significant holdings are captured and looked at internally.

All voting decisions are based on Newton's voting guidelines. We have used the services of an independent voting service provider to translate these guidelines into explicit voting actions forming a bespoke voting policy for Newton. This policy will be applied to all our votable holdings, enabling a universal approach to our voting while allowing us to deploy in-depth case-by-case analysis from the stewardship team for those issuers and/or proposals which merit greater focus due to the materiality of our investment or the importance of the issue at hand (e.g., shareholder resolution, corporate action, related-party transactions). In these instances, communication with or input from the wider investment team may be sought, as well as, if relevant, engagement with the company. The stewardship team retains the ultimate discretion to deviate the vote instruction from Newton's bespoke policy's recommendation.

Our voting guidelines have been formulated by our responsible investment team in collaboration with the wider members of our investment team. Implementation of the voting guidelines is likely to involve the stewardship analysts in collaboration with the equity research analysts and portfolio managers.

Newton's corporate actions team is responsible for the all-important administrative elements surrounding the exercise of voting rights by ensuring we have the right to exercise individual clients' votes and that these votes are exercised.

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

If any potential material conflict of interest between Newton, an investee company and/or a client is identified, it is our policy that the recommendation of our external voting 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.

Practice

In general, voting decisions are taken consistently across all Newton's clients that are invested in the same underlying company. This is in line with Newton's investment process that focuses on the long-term success of the investee company. Further, it is Newton's intention to exercise voting rights in all circumstances where it retains voting authority. This may be hindered by various practical considerations. For instance, in certain markets, shares are 'blocked' before the exercise of voting rights.

Blocking consists of placing the stock on a register for a number of days spanning the meeting. During the share-blocked period, the shares cannot be traded freely. In markets where share blocking is practiced, Newton will vote only when the resolution is not in shareholders' best interests and where restricting the ability to trade is not expected to risk adversely affecting the value of clients' holdings.

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 into place, we will not submit a vote.

Voting service providers

We utilise an independent voting service provider for the purposes of managing upcoming meetings via its electronic platform, providing research and for implementing Newton's bespoke voting policy and issuing recommendations based on this policy.

As part of our outsourcing service policy, we conduct regular due diligence meetings which include reviewing its operational performance, service quality, robustness of research and its internal controls, including management of its potential material conflicts of interest. In addition, and along with its other clients, we participate in consultations that seek specific feedback on proxy voting matters. This helps ensure alignment of interest between our expectations and the voting recommendations provided by the external provider.

Securities lending

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

In such cases, we may be unable to monitor loaned securities or recall/restrict securities from being loaned, and we will be unable to exercise the voting rights attached to any loaned securities.

Reporting

We publish our quarterly vote record 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, we publish a quarterly list of all issuers with whom we discussed ESG matters. Visit newtonim.com for publications that relate to our responsible investment activities.

Sustainability committee

Newton's 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 issues (including internal and external initiatives relating to sustainability both from an investment perspective and more broadly).

NEWTON'S RESPONSIBLE INVESTMENT TEAM

Therese Niklasson
Global head of sustainable investment

Jennifer Law
Head of stewardship

Niall Brennan
Co-head of responsible investment data

Alex Parkinson
Co-head of responsible investment data

Sakshi Bahl
Responsible investment analyst*

Diya Choudhury
Stewardship analyst*

Onkar Jagtap
Responsible investment analyst*

Amit Khandelwal
Responsible investment analyst*

Ragi Khimasia
Responsible investment analyst

Antoine Najm
Stewardship analyst

Parag Saxena
Responsible investment analyst*

Anchit Sharma
Stewardship analyst*

Harish Venkatachalam
Responsible investment data analyst*

Shalin Vora
Responsible investment data analyst*

Rebecca White
Responsible investment analyst

* BNY Mellon India, outsourced service provider to Newton Investment Management.

INDUSTRY GROUPS AND INVOLVEMENT

Newton believes it is essential to be involved actively in the development of good practice in responsible investment. We participate in a number of industry groups in order to influence and understand fully the ESG issues and challenges facing the investment industry.

30% Club – Investor Group

Newton is a member of the 30% Club Investor Group seeking to improve gender diversity.

30percentclub.org

Asian Corporate Governance Association (ACGA)

Newton is a member of the ACGA, which works with investors, companies and regulators to implement effective corporate governance practices throughout Asia. ACGA was founded in 1999 in the belief that good corporate governance is fundamental to the long-term development of Asian economies and capital markets.

acga-asia.org

CDP (formerly Carbon Disclosure Project)

Newton is a signatory of the CDP, which is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. The world's economy looks to CDP as the gold standard of environmental reporting with the richest and most comprehensive dataset on corporate and city action.

cdp.net

Climate Action 100+

Newton is a signatory to Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse-gas emitters take necessary action on climate change.

climateaction100.org

Council of Institutional Investors (CII)

Newton is a member of the CII, which is a leading voice for effective corporate governance, strong shareholder rights and vibrant, transparent and fair capital markets. It promotes policies that enhance long-term value for US institutional asset owners and their beneficiaries.

cii.org

FAIRR

Newton is a member of FAIRR, a collective investor resource for research and engagement with animal agriculture.

fairr.org

Good Work Coalition (GWC)

Newton is a member of the GWC, a ShareAction coalition focused on improving standards in the workplace, including a specific living wage campaign.

shareaction.org/investor-initiatives/good-work-coalition

Institutional Investors Group on Climate Change (IIGCC)

Newton is a member of the IIGCC, which provides investors with a collaborative platform to encourage public policies, investment practices and corporate behaviour that address long-term risks and opportunities associated with climate change.

iigcc.org

Investor Alliance for Human Rights (IAHR)

Newton is a member of the IAHR, a collective action platform for responsible investment that is grounded in respect for people's fundamental rights.

investorsforhumanrights.org

Net Zero Asset Managers initiative (NZAM)

Newton is a signatory to the NZAM initiative, an 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 global warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

netzeroassetmanagers.org

The Investment Association (IA)

Newton is a member of the Investment Association, the representative trade body for the UK investment management industry.

theinvestmentassociation.org

Pensions and Lifetime Savings Association (PLSA)

Newton is a member of the PLSA, which is active in the development of good ESG practices and provides guidance on best practice to the investment management industry.

plsa.co.uk

Principles for Responsible Investment (PRI)

This member-led organisation supports its members' understanding of the investment implications of ESG factors. It also helps its members to coordinate ESG-related activities that drive best practices and influence policymakers and regulators. Newton has been a signatory to the PRI since 2007.

unpri.org

Transition Pathway Initiative (TPI)

Newton is a supporter of the TPI, a global, asset owner-led initiative which assesses companies' preparedness for the transition to a low-carbon economy.

transitionpathwayinitiative.org

Workforce Disclosure Initiative (WDI)

Newton is a member of the WDI, which seeks to encourage the world's largest companies to better disclose diversity policies, procedures and practices.

shareaction.org/workforce-disclosure-initiative

World Benchmarking Alliance (WBA)

Newton is an Ally of the WBA, a multi-stakeholder group working at global, regional and local levels to encourage businesses to achieve the United Nations Sustainable Development Goals through transparency and benchmarking.

worldbenchmarkingalliance.org

UK STEWARDSHIP CODE REPORTING

We have long been active stewards of our clients' assets. Undertaking considered engagement activities and exercising voting rights globally are the primary drivers to being effective stewards. For jurisdictions where Newton has a physical corporate presence, we have undertaken to comply with the relevant stewardship codes or guidelines.

We endorse the US-based Investor Stewardship Group's principles, and we are a signatory to the UK Stewardship Code. We describe below how we comply with the UK Stewardship Code.

Response to the UK Stewardship Code

The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.

1. Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
2. Signatories' governance, resources and incentives support stewardship.
3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.
6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8. Signatories monitor and hold to account managers and/or service providers.
9. Signatories engage with issuers to maintain or enhance the value of assets.
10. Signatories, where necessary, participate in collaborative engagement to influence issuers.
11. Signatories, where necessary, escalate stewardship activities to influence issuers.
12. Signatories actively exercise their rights and responsibilities.

13 Financial Reporting Council – UK Stewardship Code 2020.

Newton's response to the Code's twelve principles:

Our corporate purpose, corporate culture and approach to responsible investment is fully aligned with the Financial Reporting Council's definition of stewardship, which states that:

"Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society." [13]

Newton's responsible investment and stewardship annual report, which sets out how we comply with the Financial Reporting Council's 2020 UK Stewardship Code, is available at newtonim.com.

PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

The Principles are detailed below with a description of the action being taken by Newton.

1. **We will incorporate ESG issues into investment analysis and decision-making processes.**
   Our commitment to incorporating ESG issues into investment analysis and decision-making processes is explained in this document, the latest version of which can be found at newtonim.com

2. **We will be active owners and incorporate ESG issues into our ownership policies and practices.**
   Our engagement and voting practices demonstrate commitment to active ownership. Examples of engagement and voting may be found in our responsible investment quarterly reports. These may be found at newtonim.com

3. **We will seek appropriate disclosure on ESG issues by the entities in which we invest.**
   We assess disclosure of corporate governance matters relative to laws, codes and best practice. These may be from a local and/or a global perspective. Where it is considered that disclosure levels are inadequate, we may seek commitments from a company to future improvements and may also vote against relevant resolutions at a general meeting of the company.

   With regard to environmental and social matters, we encourage companies to comply with internationally recognised norms and standards. Companies should disclose, in their annual report, how they are managing key risks and opportunities linked to ESG issues. If the level of reporting is deemed to be insufficient, we will seek improvement by engaging with the company and may consider voting against the resolutions at its annual general meeting (AGM).

4. **We will promote acceptance and implementation of the Principles within the investment industry.**
   Where appropriate, we encourage others to accept and implement the Principles.

5. **We will work together to enhance our effectiveness in implementing the Principles.**
   We work with other investors through various organisations and initiatives, including the PRI Collaboration Platform. Newton is a member, or signatory, of various ESG-related groups, industry bodies and collective forums.

6. **We will report on our activities and progress towards implementing the Principles.**
   Our policies for the implementation of the Principles are outlined in this document.

Your capital may be at risk. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested.

Important information

This is a financial promotion. These opinions should not be construed as investment or any other advice and are subject to change. This document is for information purposes only. Newton manages a variety of investment strategies. Whether and how ESG considerations are assessed or integrated into Newton's strategies depends on the asset classes and/or the particular strategy involved, as well as the research and investment approach of each Newton firm. ESG-related issues may not be considered for each individual investment and, where ESG-related issues are considered, other attributes of an investment may outweigh ESG considerations when making investment decisions.

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