

NEWTON INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' duty

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

Business relationships with suppliers, customers and others

- As part of the Company's governance framework, a Vendor Management Oversight Group meets monthly with the aim to provide oversight of the management of all the Company vendor relationships, escalating any material issues as required.
- BNY Mellon Accounts payable team ensure payments are made on behalf of the Company to suppliers on a timely basis and in a controlled manner. The Company publishes data in line with the Reporting on Payment Practices and Performance Regulations.
- The Board receives quarterly updates on key milestones and progress against plan underpinning the delivery on the agreed strategy.
- In light of the evolving commercial, economic and regulatory environment, the Company took a strategic review of the structure of its group and as a result of this review the Board decided to simplify the legal structure of Newton. The Board approved the novation of Newton Investment Management (North America) Limited (NIMNA) client contracts to the Company. Clients were contacted accordingly with the novation effective 1 January 2020.
- The Board acknowledged the strategic and emerging risks impacting the Company's business, in particular Brexit. The Board delegated oversight of Brexit preparations to the Board Risk Committee, as part of BNY Mellon's Brexit Programme and was provided regular updates on the Company's risk assessment, internal preparations and scenario planning of Brexit.
- The Board received updates and sought assurance from the Company in relation to the implementation and embedding of regulatory change initiatives and compliance with ongoing regulatory requirements.
- The Company was part of the BNY Mellon Investment Management rebrand initiative during 2019 aligning the global fund renaming across the UK fund range with the aim to simplify a consistent brand identification for its clients.
- The Company undertakes an annual Greenwich Associates survey with clients to obtain client feedback. Results and associated action plans are discussed at the Newton Board Risk Committee
- The Company publishes data in line with the Modern Slavery Act, which is approved by the Board Risk Committee.

Employees

- In recognition that improving diversity in decision making increases innovation, provides better feedback from key market segments, improves outcomes and drives employee engagement, the Company established an Inclusion and Diversity Council, which is chaired by the Company's Chief Investment Officer.
- The Company participates in non traditional employee talent sources, including a Returning Military Programme, Vocational Trainee Programme and an Emerging Leaders programme.
- The Company undertakes regular CEO all staff briefings focussing on the financial and economic factors affecting the performance of the company, The Company undertakes CEO and CIO lunches with employees consulting employees on decisions likely to affect their interests.
- The Company undertakes an employee share scheme 'LTIP for all award', where each employee is awarded a sum with a three year vesting period.
- The Board acknowledges the importance of driving a more diverse culture and the positive impact diversity has on the long term success of the business. In November 2019, the Board approved a corporate wide diversity statement

and became a member of the UK diversity project, as part of a wider initiative aimed at driving a more diverse and inclusive culture across the investment industry.

- In March 2019 the Company released its 2018 Gender Pay Gap Report. The Company is determined to reduce its gender pay gap going forward, and while it is making progress, it is aware more work needs to be done. The Company has put in place a number of specific actions and initiatives that aim to improve its gender balance and act as a positive influence on its gender pay gap over time.

Impact on the Community and Environment

- The Company has been a signatory to the Principles for Responsible Investment (“PRI”) since 2007. As part of this commitment to the PRI, it is required to report annually on its approach to, and implementation of environmental, social and governance (“ESG”) integration throughout its investment process. During 2019, the Company was awarded an A+ rating overall for the third consecutive year.
- The Company runs a broad range of equity, fixed income and multi asset strategies, with a particular expertise in sustainable investing. The Company considers ESG issues in relation to every company in which it invests. The Company has a ‘Get Involved Committee’, which facilitates the organisation of sports, social, and charitable events for Newton employees.

High Standards of Business Conduct

- The Company is regulated by The Financial Conduct Authority (the “FCA”) and operates within the rules of the FCA and the restrictions as defined within its regulatory licence.
- The Board oversaw the implementation of new internal controls and processes within the Company, to ensure it complied with the FCA’s new Senior Managers and Certification Regime by 9th December 2019. All Senior Managers and Certified Persons completed external SMCR training in 2019.
- Company employees’ activities, are carried out in accordance with applicable process and procedures and where issues arise from liaisons with clients, market practice, regulators or vendors that require senior level consideration, they are addressed through the escalation mechanisms that are built into the robust, Board approved governance framework.
- The Board promotes a high performance culture by managing talent, strengthening employee engagement and ensuring effective employee communications. The Board Remuneration Committee supports the Board to achieve this goal.
- The Board recognises the importance of having greater representation of women on the Board and in senior management positions. During 2019 there were seven Board members, two of which were female.
- The Board recognises the importance of risk management in the execution of its strategy and the Board has defined the levels of risk acceptable to the Company. This is formalised and monitored through a risk appetite statement.
- The Board retains overall responsibility for approval of Newton’s risk appetite and strategy, including capital adequacy and liquidity of financial resources. The Board Risk Committee is responsible for ensuring that frameworks exist to identify, assess, manage and monitor risk; and for considering the material outputs from these frameworks

Acting fairly between members of the Company

- Newton’s Board of Directors includes representatives from its corporate shareholder BNY Mellon. It maintains an open relationship with BNY Mellon where ideas and strategic objectives are exchanged and shared. The Newton board are fully committed to ensuring due regard to the interests of other stakeholders as described above.