

Newton Investment Management Limited

Strategic report, Directors' report and financial statements

Registered number 1371973

31 December 2020



Newton Investment Management Limited

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Newton Investment Management Limited

Board of Directors and other information

Directors

G A Brisk (Non-Executive Director)

K J Carter (Independent Non-Executive Director)

C W Custard (Executive Director)

A T Downs (Executive Director)

S Noble (Chair and Independent Non-Executive Director)

H Smits (Non-Executive Director)

Secretary

I I Partridge

Auditor

KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

Registered Office

BNY Mellon Centre

160 Queen Victoria Street

London

EC4V 4LA

Registered Number

1371973

Newton Investment Management Limited

Strategic report

In accordance with Section 414A(1) of the Companies Act 2006, we have prepared the Strategic report which includes a review of Newton Investment Management Limited's ("the Company") business and future developments, a description of the principal risks and uncertainties facing the Company and key performance indicators.

The ultimate parent company is The Bank of New York Mellon Corporation ("BNY Mellon" or "Group").

Business review

The Company has continued to operate profitably and there have been no significant changes in the Company's core operations during the year.

The Company's sole activity is investment management and the business is built around the following principal client bases: Institutions (including government bodies, local authorities and corporations), charities and retail investment funds.

The Company continues to manage a variety of products including multi-asset, specialist equity and fixed income mandates and is in a position to offer existing and potential clients an extensive range of pooled investment vehicles. The Company's investment management services are provided through segregated portfolios or ranges of pooled investment vehicles.

The overall aim of the Company is to increase the wealth of its clients through consistent, long-term performance.

Financial key performance indicators

The Company's key financial and other performance indicators during the year were as follows:

	2020 £000	2019 £000	Change £000	Change %
Revenue	169,250	179,742	(10,492)	(6)%
Administrative expenses	119,079	119,910	(831)	(1)%
Profit before taxation	51,639	61,844	(10,205)	(17)%
Net assets	426,397	376,552	49,845	13%
Average assets under management	45,816,590	42,198,960	3,617,630	9%

The Company's revenues are driven in the main from the value of assets under management and as such the business is susceptible to volatility in equity, fixed income and currency market levels. In order to sustain profit margins in times of market downturn the Board regularly reviews the Company's cost base. In common with other firms in the Investment Management industry, the Company is facing pressures to its business model, including; downward pressure on fees, the impact of the switch from active to passive fund management and continuing regulatory change. In response to these pressures, the Company is undertaking a series of actions including reducing revenue concentration by geography and investment strategy, investing in technology and strategic hiring to augment the investment team.

Despite COVID-19 restrictions worldwide, global equity markets grew strongly during 2020. The MSCI World (USD) index closed at 2,690 on 31 December 2020, 14.1% higher than the 31 December 2019 close of 2,358. The average 2020 MSCI World (USD) value was up 6.5% compared to 2019. The exchange rate between Sterling and the US Dollar fluctuated during the year but ended 2020 on a relative high note as a result of the post-Brexit trade deal and a weaker US dollar due to the Federal Reserve's monetary efforts to combat COVID-19. Overall, the average GBP/USD foreign exchange rate was 1% higher in 2020 (1.284) compared to 2019 (1.277). This movement in exchange rates had a slightly negative impact on the GBP reporting financials, as revenue earned in USD was worth less in GBP.

Fund performance was strong in 2020 across most strategies. At the end of 2020, 70% of Newton's strategies were 1st or 2nd quartile over 1 year, 88% were 1st or 2nd quartile over 3 years and 68% were 1st or 2nd quartile over 5 years.

Newton Investment Management Limited

Strategic report - continued

Despite the strong investment performance versus peers, the Company continued to experience net outflows in 2020. For the year, net outflows were £6.5bn (2019: £3.3bn) mainly in the Global Income and Global Equity strategies. Global Income had a particularly difficult year due to both COVID-19's impact on the sector (suspension of dividends and market rotation towards growth stocks) and due to the resignation of the Global Equity Income portfolio team in Q1 2020. Despite these outflows, average assets under management ("AUM") increased by 9% due to the transfer of the ex-Newton Investment Management North America ("NIMNA") clients into the Company, effective 1st January 2020. In prior years, the Company recognised 75% of the Management fee income for these clients as Net management fees receivable from group undertakings, so the increase in AUM has not led to a related increase in revenue. As a consequence of the above factors management fee income fell by £13,138,000 (7.0%) in 2020.

Revenue decreased by £10,492,000 (6%) during the year, which is driven by the factors described above.

Administrative expenses decreased by £831,000 (1%) compared to 2019, a significant portion of this decrease related to a one time impairment of an intangible asset under development in 2019, partially offset by accelerated amortisation of equity and deferred cash long-term incentive awards granted during 2020.

Net assets increased by £49,845,000 (13%) during the year, predominantly reflecting the current year profit after tax.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business have been considered and addressed in the Directors' report on pages 8 to 16.

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.
- A new corporate purpose statement was adopted, which sets not only the key role the Company performs in helping clients address their challenges and meet their investment objectives, but also the Company's role as active investors in helping to foster a healthy and vibrant world for all.
- Since the start of January 2020, COVID 19 has created significant disruption to global markets and economies. Management recognises that the pandemic presents risks to the Company's clients and suppliers, and has put in place procedures to monitor and mitigate those risks. The Company has also enhanced its monitoring of operational and financial resilience during this period and will continue to do so.
- 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 NIMNA client contracts to the Company; clients were contacted accordingly with the novation effective 1 January 2020. NIMNA was placed into liquidation in December 2020.

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Strategic report - continued

- In February 2021, BNY Mellon Investment Management, in partnership with the Newton business and Mellon Investments Corporation, announced its restructuring plans which will commence during Q3 2021. The restructuring plans are intended to enhance the business's capabilities by bringing the equity and multi-asset divisions of Mellon together with Newton and will result in the creation of a new Newton legal entity in the US, Newton Investment Management North America LLC (NIMNA LLC). This new legal entity, whilst not being a direct subsidiary of any Newton UK legal entity, will operate under combined management. In addition, the Newton business will be integrating the expertise of the equity team from BNY Mellon Investment Management Japan (IMJ).
- 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. This includes staff training on relevant legal and compliance matters and an annual attestation from staff to confirm compliance with the BNY Mellon Code of Conduct.
- The Company undertakes a Greenwich Associates survey with clients and consultants (alternating years) to obtain 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 has an Inclusion and Diversity Council, which is chaired by the Company's Chief Investment Officer ("CIO").
- The Company participates in non-traditional employee talent sources, including a Returning Military Programme, Vocational Trainee Programme and an Emerging Leaders programme. The Company also attracts diverse talent through programs such as Investment 2020, 100 Black Interns, The Diversity Project Cross Company Returners, and the FDM Technology Training scheme.
- The Company undertakes regular Chief Executive Officer ("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. In order to align employee outcomes with those of the Company's clients, a new LTIP scheme was introduced during 2020 and links a proportion of employee deferred incentives to the performance of a basket of Newton funds (See note 6 for further details).
- The Company has a 'Get Involved Committee', which facilitates the organisation of sports, social, and charitable events for Newton employees.
- 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 the Newton Board Nomination Committee supports the Company in achieving the goals set out in the statement. The Company is also 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.
- The Company set diversity and inclusion goals for 2020, which seek to (i) increase the diversity of profiles being hired at a team level (global focus on women and ethnic minority groups) to create a well-balanced diverse organisational profile; (ii) improve retention rates of diverse employee population; and (iii) improve access to opportunities for growth and career

Newton Investment Management Limited

Strategic report - continued

progression for diverse talents aspiring for a diverse succession bench for key positions.

- The Company adapted quickly to the fast evolving Coronavirus situation. A Coronavirus working group was established at an early stage, and employee wellbeing has remained a key focus. Various initiatives were launched, including an enhanced Employee Assistance Programme, online personal resilience tools and a wellbeing newsletter highlighting available support services. Mental health awareness training was also made mandatory for all managers to increase the social support network for employees. The Company also benefits overall from the wider BNY Mellon Group COVID 19 Response Programme, with periodic strategic direction from BNY Mellon Group Executive Committee.
- A culture assessment (involving virtual workshops as well as an employee survey) was undertaken in order to review the Company's culture from its employees' perspective. Feedback was consolidated and assessed, and ultimately a set of recommendations prepared in order to support the continued enhancement of the Company's culture in line with its stated values.
- In March 2020 the Company released its 2019 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 2020, the Company was awarded an A+ rating overall for the fourth 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.
- During 2020, in line with the Company's strategic priorities, the Company launched sustainable versions of existing flagship products, and worked towards building out its sustainable fund ranges. Thematic strategies were also launched, which enable clients to ultimately access the Company's long-standing thematic research framework in specific thematic aligned investment strategies.
- The Company recognises climate change as a material investment issue and discloses its efforts on this through their TCFD Reporting process, which they began in 2018.
- During 2020, the Company donated over £35,000 to its selected charities, supporting causes such as social mobility, mental health and equality.

High Standards of Business Conduct

- The Company is regulated by The Financial Conduct Authority (the "FCA") and is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940. It operates within the rules of the FCA and the restrictions as defined within its regulatory licence.
- All Senior Managers, Certified Persons and Conduct Rules (SMCR) staff undertake ongoing SMCR training sessions. The Company is classified as an Enhanced Firm. The aim of SMCR is to reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to hold individuals to account. SMCR aims to: (i) Encourage staff to take personal responsibility for their actions; (ii) Improve conduct at all levels; and (iii) Make sure firms and staff clearly understand and can demonstrate the roles and responsibilities of all relevant staff.

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Strategic report - continued

- 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 2020 there were seven Board members (reduced to six in October 2020), 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 is a wholly owned subsidiary within the BNY Mellon group governed by its Board. It maintains an open relationship with BNY Mellon where ideas and strategic objectives are exchanged and shared, ensuring the Board members remain aligned with the strategic objectives and corporate values of its shareholder whenever appropriate. Across all decisions, the Newton Board is fully committed at the same time to ensuring due regard to the interest of other stakeholders as described above.

Coronavirus ("COVID-19")

Since early 2020, COVID-19 has created significant disruption to global markets and economies. Management recognises that the pandemic presents risks to the Company and has put in place procedures to monitor and mitigate those risks. An assessment of the impact of the uncertainty on the Company's year-end financial position and operational resilience has been performed and management has concluded that the pandemic will not have a substantial impact on the Company's ability to continue as a going concern. This consideration has been detailed within the 'Risk management' section of the Directors' report on page 10.

Business and future developments

In February 2021, BNY Mellon Investment Management, in partnership with the Newton business and Mellon Investments Corporation, announced its restructuring plans which will commence during Q3 2021. The restructuring plans are intended to enhance the business's capabilities by bringing the equity and multi-asset divisions of Mellon together with Newton and will result in the creation of a new Newton legal entity in the US, Newton Investment Management North America LLC (NIMNA LLC). This new legal entity, whilst not being a direct subsidiary of any Newton UK legal entity, will operate under combined management. In addition, the Newton business will be integrating the expertise of the equity team from BNY Mellon Investment Management Japan (IMJ).

The UK formally left the European Union ("EU") on 31 January 2020 and ceased to be an EU member state on that date. The departure was subject to a transition period which ended on 31 December 2020. On 24 December 2020, the UK and EU reached a "Trade and Cooperation Agreement" which offered some major free-trade benefits, but also represented an end to most aspects of the free market access that the UK previously enjoyed as an EU member state. The new rules apply from 1 January 2021.

The UK's withdrawal from the European Union ("Brexit") has had a limited impact on the Company. It continues to monitor other risks which may arise as a result of post-Brexit changes to the UK legal and regulatory framework in which it operates. Changing economic factors such as changes in interest rates and foreign exchange rates could also affect the Company's performance.

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Strategic report - continued

The directors expect the Company to remain profitable over the next 12 months, with a robust balance sheet and significant headroom above regulatory capital requirements. Accordingly, there is no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to Brexit.

Approval

By order of the Board



A T Downs
Director

Newton Investment Management Limited
BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

19 April 2021

Registered number: 1371973

Newton Investment Management Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Company is investment management.

Results and dividends

The profit for the year after taxation amounted to £41,847,000 (2019: £49,253,000).

Interim dividends paid during the year amounted to £nil (2019: £nil). The directors do not recommend a final dividend for the year ended 31 December 2020 (2019: £nil).

Future developments

See 'Business and future developments' section in Strategic report for details.

Political Donations

The Company made no political donations or incurred any political expenditure during the year.

Risk management

The Company is a Banks, building societies and investment firms Prudential sourcebook ("BIPRU") limited licence firm and is regulated by the FCA, also by the SEC as a Registered Investment Advisor. Capital and other financial returns are prepared and submitted to the regulator on a semi-annual basis. At 31 December 2020, surplus regulatory capital as reflected within the Company's regulatory returns amounted to £165,492,000 (2019: £128,105,000).

Governance and policies

Policies and procedures are in place to govern and manage the business. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant element of the business.

Governance of the Company is the ultimate responsibility of the Board of Directors. The Board is responsible for the ongoing success and development of the Company's business as well as setting the risk appetite for the firm as part of the risk framework. The firm also has a Head of Compliance, she has an independent reporting line into the Europe, Middle East and Africa ("EMEA") Head of Risk and Compliance for BNY Mellon Investment Management.

Key committees are in place to oversee compliance and risk management of the business to ensure adequate risk management and controls are in place. Each committee has clearly stated terms of reference and reporting lines.

The key committees include:

- Newton Board Risk Committee
- Newton Risk and Compliance Committee
- Newton Investment Oversight Committee
- Newton Commercial Oversight Committee
- Newton Operations Committee

Newton Investment Management Limited

Directors' report - continued

Risk management process

The lines of business are responsible for actively identifying the risks associated with their key business processes, business changes or external threats, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. This is done through the Risk Control Self-Assessment Process ("RCSA"). The objective of this is to prevent or minimise:

- Errors or service delivery failures, especially those with impact on clients
- Financial losses
- Compliance breaches
- Reputational damage

The Company utilises the Group Operational Risk Platform to facilitate the above. The platform is used to maintain risk and control self assessments, key risk indicators and tracking of operational risk events. Risk Management works in partnership with the business to ensure that there is adequate understanding and assessment of, and accountability for, all risks that relate to the Company.

The Risk Appetite for the Group is set and owned by the BNY Mellon Board of directors, giving the overall strategy and willingness to take on risk at a global level. The Company's risk appetite is commensurate with local business and regulatory requirements, within the guidance set by the Group and in coordination with the relevant business expertise.

Risks associated with the Company's operations are measured through production and assessment of key risk indicators and other analysis, the results of which are formally reported to the Risk and Compliance Committee on a monthly basis as part of the risk management framework which has been adopted. This includes an analysis of the Company's financial resources against the applicable regulatory capital requirements and liquidity risk management framework.

Credit risk

Credit risk covers default risk from counterparties where realisation of the value of the asset is dependent on counterparties' ability to perform.

The Company's Risk Appetite limits the holding of cash or cash-like funds to investment grade counter-parties only. Therefore cash deposits are held at either BNY Mellon London Branch or highly rated external banks or financial institutions (S&P equivalent of AA-, Moody's equivalent of Aa-).

Established operational policies, procedures and controls exist around the collection of receivables and identification and follow-up of at-risk balances

Market risk

Market risk is the risk of loss due to adverse changes in the financial markets. Market risk arises from foreign exchange exposure in respect of revenue, expenses, and interest rate exposure on cash balances.

The main source of market risk to the Company is through currency exposure on fees received and expenses paid in non functional currencies. These exposures are actively managed through a monthly spot sell off process of non sterling currency balances by Group Treasury.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes.

Newton Investment Management Limited

Directors' report - continued

Risk management process - continued

Operational risk - continued

A dedicated Operational Risk Team oversee the Newton Risk Framework which includes business line RCSA, error reporting and resolution, risk assessments and other risk management activities such as Board and committee reporting. Sources of operational risk are monitored through regular Key Risk Indicators ("KRIs") and the RCSA process. A number of key operational controls are tested through the annual Compliance Monitoring Plan and independently audited through the ISAE 3402/SSAE 18 Type II report conducted by KPMG LLP.

Liquidity risk

Liquidity risk is the risk that a firm, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

The Company is subject to the Group Liquidity Policy. It is the responsibility of all BNY Mellon firms to maintain liquid resources that are adequate in both amounts and quality. The Company has adopted an internal liquidity policy (based on the Group policy) which has been approved by the Board of Directors and outlines the liquidity framework, annual stress testing programme and liquidity risk tolerance levels. Monthly liquidity trend analysis is carried out by the Finance function and breaches to tolerance are reported to the Board Risk Committee and/or Newton Risk and Compliance Committee.

Business risk

Business risk includes risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy.

Business risk is managed through both the Emerging Risk and Strategic Risk frameworks, and key risks are monitored and reported to the Board Risk Committee and Board through the Newton Top Risk framework.

Compliance risk

Compliance risk covers the risk relating to earnings or capital from violation, or nonconformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executors to fines, payment of damages, the voiding of contracts and damaged reputation.

The Company's compliance arrangements are inherently risk based. Although, and as noted under Operational Risk, Newton measures and monitors broad operational risk areas of the business via the RCSA process, regulatory requirements assessed via a separate Compliance Risk Assessment ("CRA") to identify and measure areas of regulatory risk. The CRA output drives the Annual Training and Compliance Monitoring Plans, focusing on those areas where the regulatory risk to Newton is deemed to pose a higher risk. Governance arrangements are in place to allow for the effective management of key regulatory risks with relevant management information. Governance committees are expected to review to confirm that the risks continue to be mitigated effectively.

Conduct risk

Conduct risk is defined as the risk that detriment is caused to clients, the market, the Company or its employees because of inappropriate execution of our business activities or inappropriate behavior by Newton or its employees.

Newton Investment Management Limited

Directors' report - continued

Risk management process - continued

Conduct risk continued

The Company is subject to the BNY Mellon group Conduct Risk Policy and Code of Conduct. It sets out clear expectations of the roles of senior management in setting the appropriate tone and includes examples of good and poor conduct. Employees received periodic training/briefing on conduct related matters and are required to complete an annual process to confirm adherence to the Code of Conduct. Conduct related management information is captured and provided to the Board Risk Committee and reviews of conduct related matters can be included in the scope of Compliance Monitoring or Internal Audit assurance reviews.

Other macro environmental risks (Including coronavirus)

In 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation remains dynamic and has led to a continued level of uncertainty among companies and global financial markets. Consideration of the impact of the uncertainty on the Company's financial statements and operational resilience is summarised below:

- The Company experienced a decrease in its revenue during the year primarily driven by a reduction in revenue allocation from other group companies. However, the Company continues to remain profitable indicating that the impact of the pandemic has not been significantly adverse.
- IFRS 9 *Financial Instruments* requires that in determining the Expected Credit Loss ("ECL"), estimates of forward-looking macro-economic factors are incorporated into multiple scenarios about the future economy. Accordingly, as a result of market volatility and uncertainty due to COVID-19, management in Q1 2020 adjusted both the macroeconomic scenarios and associated probability weightings used in estimating the ECL. The revised scenario weightings were maintained at the same cautious levels for Q2 - Q4 2020. However, the Company's ECL provision continues to remain immaterial.
- Liquidity: The Company continues to closely monitor the impact of market volatility on its Balance sheet. The Company currently has sufficient liquidity in excess of its regulatory requirement to absorb any short-term losses and it's able to meet its obligations as and when they fall due.
- No provisions in scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* have been identified as a result of management's actions specifically in response to the pandemic.
- Going concern consideration: Management has performed an assessment to determine whether there are any material uncertainties arising due to the pandemic that could cast significant doubt on the ability of the Company to continue as a going concern. This assessment is disclosed in note 1.3 'Going concern' and focuses on the Company's financial and operational resilience to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company continues to carefully monitor and mitigate the risk on an ongoing basis in order to minimise exposure while maintaining a robust Balance sheet and significant headroom above regulatory capital requirements.

Climate change risk

The Company is committed to understanding and mitigating the financial risks resulting from climate change, and is actively enhancing its focus on managing these risks. This disclosure describes the current status of the Company's approach, using the framework as recommended in the June 2017 Task Force on Climate-related Financial Disclosures (TCFD) publication, "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures". Newton published its first TCFD report in 2018 and in April 2020 it published an updated report containing updates from 2018 and 2019. This report is available from the Newton website at <https://www.newtonim.com/uk-institutional/special-document/tcfd-disclosure-report/>

Newton Investment Management Limited

Directors' report - continued

Risk management process - continued

Climate change risk continued

Governance

To ensure that the Board has oversight of climate related issues, the independent non-executive chair is now responsible for ensuring that climate related risks and opportunities are integrated into the Company's decision making and business process.

Climate change is viewed as a cross function risk, and relevant and material analysis is fed into the Board Risk Committee

Global trends that affect the Company's business, such as climate change, are considered by the responsible investment team and global research analysts, who are economic, thematic and industry sector experts. This research process is overseen by the Investment Oversight Committee, which has an input into strategic decision making at a board level via the CIO who is also a board member. At present there are three management level processes designed to assess and manage climate related issues.

- A Climate Change Working Group (CCWG) was established in 2018, with the responsibility that the Company effectively manages climate-related risks and opportunities across the business, by integrating climate-change considerations into investment and business decision-making. The CCWG is chaired by the CIO. Where relevant, these discussions, are also escalated via the Board Risk Committee.

- Newton's Emerging Risk Working Group, constituted of executive directors, discusses various risks that may impact Newton's business, and includes environmental considerations such as climate change as a standing agenda item.

- The CIO is responsible for the management of climate risks in the investment process. There are three key ways in which these risks are considered

1. Before any global sector analyst stock recommendation is formally approved to be included in any client portfolio, the responsible investment team conduct an Environmental Social and Governance ("ESG") quality review, which includes consideration of material climate-related risks and opportunities.

2. The Company offers a number of sustainably focussed and exclusion based products to its clients, for which portfolio managers pay particular attention to the nature of the investments contribution to climate change and the carbon footprint of their portfolio.

3. The Company is a thematic investor, using themes to drive investment ideas. Several of the Company's investment themes monitor and analyse trends in the global economy, discuss policy changes which involve climate related regulation, and their potential impact on current and future investment strategy.

Newton Investment Management Limited

Directors' report - continued

Risk management process - continued

Climate change risk continued

Strategy

The Company recognises that success in addressing the financial risks resulting from climate change must take into account impacts on its clients, vendors, existing and future employees, financial position and performance, and must also reflect its outsourced business model and status as a subsidiary of a global organisation. Ongoing engagement with the BNY Mellon Group Executive Committee (who have appointed an executive sponsor for climate change-related initiatives) on the importance of climate change continues. The Company will work collaboratively with the broader BNY Mellon Group with a view to embedding the initiatives resulting from its plan into the Company's wider ongoing ESG and Corporate Social Responsibility ("CSR") programmes. As the understanding of financial impacts of climate change evolves, management actions are expected to evolve and to be reflected in the Company's documentation including its policies and procedures.

As an investment manager, the Company believes that climate change poses a serious threat to the future of the planet, and as result, its clients' investments are exposed risks. These risks are multi-layered and interconnected, change over different time horizons and between various investment strategies, asset classes and sectors. At present, the Company uses a variety of approaches to identify climate-related risks and opportunities; these are incorporated into idea generation, ESG analysis, company engagement, voting, product design and thought leadership.

Climate Change Risk Management

BNY Mellon's existing risk management framework provides the structure, processes and tools necessary to identify, mitigate and manage climate related risks. Over time, as knowledge and understanding of climate change risks develops, the Company will incorporate these impacts into its analysis and oversight of all risk types, thereby embedding climate change within the business as usual ("BAU") risk management environment.

In relation to client portfolios, through the Company's integrated ESG analysis, embedded into the global investment process, material climate-change risks and opportunities are highlighted to global analysts and portfolio managers. Throughout the ESG analysis process, the investment team will review company reports, third party-data providers and dedicated climate-change research, and may also speak to the Company management or directors, consultants, subject-matter experts or non-governmental organisations to better understand and evaluate potential risks and opportunities.

Metrics and Targets

- In March 2021 Newton signed up to the Net Zero Asset Managers initiative with the Institutional Investor Group on Climate Change Commitment (IIGCC). In summary, this is a commitment that both Newton as a business and the investment portfolios we run will be carbon neutral by 2050. The Net Zero Investment Framework proposes key components of a net-zero investment strategy should focus on achieving two alignment objectives:
 - Decarbonise investment portfolios in a way that is consistent with achieving global net-zero greenhouse gas (GHG) emissions by 2050.
 - Increase investment in the range of 'climate solutions' needed to meet that goal.
- The framework recognises that investors have a range of levers to pull to drive decarbonisation and increase investment in climate solutions, and these should be used to ensure progress in the real economy as well as reaching targets for the portfolio itself. It provides recommended methodologies and actions which asset owners and asset managers should use to assess and undertake alignment of their portfolios towards net zero, to maximise their contribution to the decarbonisation of the real economy.

Newton Investment Management Limited

Directors' report - continued

Streamlined Energy and Carbon Reporting ("SECR")

In accordance with the Companies Regulations 2018, we report the Company's energy use and associated greenhouse gas ("GHG") emissions resulting from energy use and employees' business travel.

The methodology used to calculate our GHG emissions is the Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard Revised Edition, defined by the World Resources Institute/World Business Council for Sustainable Development ("WRI/WBCSD"). We have adopted the location-based method which reflects the average emissions intensity of grids on which energy consumption occurs. We have applied the latest UK Government conversion factors available at the time of reporting and disclose the results below.

In determining the Company's organisational boundary, we have adopted the financial control approach.

Carbon dioxide emissions in tonnes			2020
Scope 1	Gas	i)	-
Scope 2	Purchased electricity	ii)	26.8
Scope 3	a) Other- Business travel	iii)	38.9
	b) Other- Indirect emissions	iv)	<u>183.2</u>
Total			<u>248.9</u>
Intensity ratio			
Total Full Time Employees (FTE)			300
Carbon dioxide emissions in tonnes per FTE			0.83

The Company's energy efficiency actions form part of the wider BNYM UK and Ireland annual Energy and Sustainability Report and as whole, carbon emissions decreased by 22.1% compared to 2019 specifically with respect to gas and electricity carbon emissions. These are as a result of lower occupancies as well as proactive energy management across the estate which included refurbishments within certain buildings with the intention of obtaining a Leadership in Energy and Environmental Design ("LEED") Gold certification, optimising or switching-off equipment on unoccupied floors, consolidation of the remaining occupants onto fewer floors whilst maintaining social distancing, optimisation of central plant and local air-conditioning systems where controls permit, and review and switching off automatic time-clocks where applicable.

Energy consumption in KWh		2020
UK (gross)		785,648

- Scope 1 covers direct emissions from gas usage. The Company had no direct emissions from gas usage.
- Scope 2 includes emissions from purchased electricity estimated based on square footage for the leased building in Jersey.
- Scope 3 covers indirect emissions from business travel. The data includes air, train and ground travel. UK Companies Regulations 2018 require disclosure of travel related emissions within the UK. However, this has voluntarily been extended to include emissions from international travel.
- Other indirect emissions relate to emissions from purchased electricity usage for allocated rental space on a building owned by another Group entity. The data has been estimated based on square footage area.

Newton Investment Management Limited

Directors' report - continued

Pillar 3 risk disclosures

CCRR Pillar 3 disclosures about the Company (capital and risk management) are covered by the BNY Mellon Investment Management Europe Holdings Limited group disclosures which can be found on the Group website: (<https://www.bnymellon.com/us/en/investor-relations/other-regulatory.jsp>).

Employees

The Company is committed to a best practice approach to consult with employees on matters that are likely to affect their interests. Information of general interest to employees is provided through the intranet, newsletters and notices and general dialogue between line managers and employees, all of which seeks to achieve a common awareness of the financial and economic factors which impact on the Company's performance. In addition the Company participates in the UK Employee Information & Consultation Forums at both a local and European level. The Forums build on existing communication channels and provide more formal opportunities for dialogue between management and employees.

The Company adopts a total rewards and pay for performance remuneration philosophy. Any remuneration elements awarded in respect of bonus and long term incentives are discretionary, based on individual and business unit performance together with other factors as determined from time to time in the context of the Company's operating plans and results and may be subject to deferral. All employees have the opportunity to purchase stock through the Group's Employee Stock Purchase Plan and the key business drivers are eligible to participate in a long term incentive scheme. There are currently two forms of Newton LTIP available, equity and deferred cash, and the Newton Remuneration Committee (Remco) decides on its preferred allocation between the two on an annual basis. The equity scheme links their compensation to the growth in value and financial performance of the Company and the deferred cash award is linked to the value of a selection of daily valued funds where the Company acts as the Investment Advisor (See note 6 for further details).

The Company is also committed to providing relevant training and development opportunities, to include achievement of professional qualifications, to enable each employee to successfully fulfil their job responsibilities, and in addition, meet regulatory requirements. The Company adheres to the principles of Equal Employment Opportunity, and through our diversity and inclusion framework, we empower our employees to reach their full potential.

Directors

The directors who served during the year and up to the date of the report were as follows:

	Appointed	Resigned
G A Brisk	-	-
K J Carter	-	-
C W Custard	-	-
A T Downs	-	-
M Harris	-	1 October 2020
S Noble	-	-
H Smits	-	-

Directors' indemnity provision

The articles of association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year but have not been utilised by the directors (2019: £nil).

Newton Investment Management Limited

Directors' report - continued

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

In February 2021, BNY Mellon Investment Management, in partnership with the Newton business and Mellon Investments Corporation, announced its restructuring plans which will commence during Q3 2021. The restructuring plans are intended to enhance the business's capabilities by bringing the equity and multi-asset divisions of Mellon together with Newton and will result in the creation of a new Newton legal entity in the US, Newton Investment Management North America LLC (NIMNA LLC). This new legal entity, whilst not being a direct subsidiary of any Newton UK legal entity, will operate under combined management. In addition, the Newton business will be integrating the expertise of the equity team from BNY Mellon Investment Management Japan (IMJ).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



A T Downs
Director

Newton Investment Management Limited
BNY Mellon Centre,
160 Queen Victoria Street,
London,
EC4V 4LA

19 April 2021

Registered number: 1371973

Newton Investment Management Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report, the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Newton Investment Management Limited

Opinion

We have audited the financial statements of Newton Investment Management Limited ("the Company") for the year ended 31 December 2020 which comprise the statement of profit and loss and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101: *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Independent auditor's report to the members of Newton Investment Management Limited

- Enquiring of directors, the audit committee, the internal audit function and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's authority to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, data protection, anti-money laundering, market abuse regulations, financial services regulations and specific areas of regulatory capital and liquidity and certain aspects of company legislation and financial services legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of Newton Investment Management Limited

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Newton Investment Management Limited

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Neil Palmer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

April 2021

Newton Investment Management Limited

Statement of profit and loss and other comprehensive income for the year ended 31 December 2020

		2020	2019
	Note	£000	£000
Revenue	2	169,250	179,742
Administrative expenses	3	(119,079)	(119,910)
Other operating income	4	1,098	-
Operating profit		51,269	59,832
Interest receivable and similar income	8	512	2,036
Interest payable and similar charges	9	(142)	(24)
Profit before taxation		51,639	61,844
Taxation on profit	10	(9,792)	(12,591)
Total comprehensive income for the financial year		41,847	49,253

Notes 1 to 27 are integral to these financial statements.

All items dealt with in arriving at the Company's results for the financial year and prior year relate to continuing operations.

During the year the Company had no items going through other comprehensive income (2019: Nil).

Newton Investment Management Limited

Balance sheet at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	11	13,836	8,077
Tangible assets	12	649	798
Other Investments	13	11,218	-
		<u>25,703</u>	<u>8,875</u>
Current assets			
Debtors	14	54,631	52,517
Current asset investments	16	50,749	46,883
Cash at bank and in hand	17	336,483	311,822
		<u>441,863</u>	<u>411,222</u>
Creditors: amounts falling due within one year	18	(34,518)	(41,501)
Net current assets		<u>407,345</u>	<u>369,721</u>
 Total assets less current liabilities		 433,048	 378,596
 Creditors: amounts falling due after more than one year	19	 (6,651)	 (2,044)
Net assets		<u>426,397</u>	<u>376,552</u>
 Capital and reserves			
Called up share capital	22	35,500	35,500
Other reserves		125,039	117,041
Profit and loss account		<u>265,858</u>	<u>224,011</u>
Shareholders' funds		<u>426,397</u>	<u>376,552</u>

Notes 1 to 27 are integral to these financial statements.

These financial statements were approved by the Board of Directors and were signed on its behalf by:



A T Downs
Director

19 April 2021

Company registered number: 1371973

Newton Investment Management Limited

Statement of changes in equity

31 December 2020

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	35,500	107,997	174,758	318,255
Total comprehensive Income for the financial year	-	-	49,253	49,253
Equity-settled share based payment transactions	-	9,044	-	9,044
Balance at 31 December 2019	35,500	117,041	224,011	376,552

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	35,500	117,041	224,011	376,552
Total comprehensive income for the financial year	-	-	41,847	41,847
Equity-settled share based payment transactions	-	7,998	-	7,998
Balance at 31 December 2020	35,500	125,039	265,858	426,397

Notes 1 to 27 are integral to these financial statements.

Newton Investment Management Limited

Notes to the financial statements for the year ended 31 December 2020

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

The Company is a private company limited by shares incorporated and domiciled in the UK and registered in England and Wales. The registered address is given on page 1.

These financial statements were prepared in accordance with FRS 101.

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company and all its subsidiary undertakings in its consolidated financial statements. The consolidated financial statements of The Bank of New York Mellon Corporation are prepared in accordance with U.S. Generally Accepted Accounting Principles, which is considered equivalent under the requirements of Section 401 of the Companies Act 2006. The Bank of New York Mellon Corporation's consolidated financial statements are available at <https://www.bnymellon.com/us/en/investor-relations/>. Accordingly the Company is a *qualifying entity* for the purpose of FRS 101 disclosure exemptions.

Therefore, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Statement of cash flows and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- Disclosures in respect of compensation of key management personnel; and
- Disclosures in respect of revenue contracts with customers and significant judgements.

As the consolidated financial statements of The Bank of New York Mellon Corporation include equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share-Based Payments* in respect of Group settled share-based payments.
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 *Financial Instrument Disclosures*;

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.19.

1.2 Measurement convention

These financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through profit and loss and liabilities for cash-settled share-based payments. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Newton Investment Management Limited

Notes to the financial statements - continued **for the year ended 31 December 2020**

1 Accounting policies - continued

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 to 7. In addition, the Directors' report on pages 8 to 16 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit and liquidity risk.

The Company currently holds capital above regulatory capital requirements as at year end. The directors perform an annual going concern review that considers, under a stress test scenario, the Company's ability to meet its financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Management has performed an assessment to determine whether there are any material uncertainties arising due to the pandemic that could cast significant doubt on the ability of the Company to continue as a going concern. No significant issues have been noted. In reaching this conclusion, management considered:

- The financial impact of the uncertainty on the Company's Balance sheet;
- Stress tests on reasonable plausible scenarios in addition to an extreme revenue scenario assuming zero management and performance related fees charged on assets under management and maintaining these levels for at least a year from the date of signing the financial statements;
- Liquidity position based on current and projected cash resources. The Company's current cash/liquidity position is able to sustain its current operational costs for at least a year even with a significantly reduced revenue scenario;
- Reverse stress tests, and;
- The Company's operational resilience including the impact of the pandemic on existing processes and key stakeholders such as suppliers, employees, customers and existing IT systems and infrastructure.

Based on the above assessment of the Company's financial position, COVID-19 impact, liquidity and capital, the directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Related party transactions

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions with entities which form part of the Group. Balances with other members of the Group are disclosed with notes 8, 14, 17, 18, 25.

1.5 Foreign currency

The Company's functional and presentational currency is GBP. Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are reported net in the Statement of profit and loss and other comprehensive income within interest receivable or payable as appropriate.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Any resulting exchange differences are reported net in the Statement of profit and loss within interest receivable or payable as appropriate.

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

1 Accounting policies - continued

1.6 Revenue from contracts with customers

Revenue, which is stated net of value added tax, comprises management fees, performance fees, net management fees receivable from Group undertakings and other income and is accrued over the period for which these services are provided.

Management fees are fees paid for the management of investment portfolios. These are recognised as services are provided and are calculated on various formulae linked to the value of portfolios at pre-determined valuation dates. Performance fees are fees paid on the investment performance in current and previous periods. Revenue is recognised for the element of management fees linked to performance, which is usually billed on a four-year rolling basis, when such fees in respect of each calendar year are receivable in accordance with management agreements.

Income and expenses are presented on a net basis only when permitted under FRS 101, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Revenue is based on terms specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Revenue is recognised when, or as, a performance obligation is satisfied by transferring control of a good or service to a customer.

A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognised by measuring the Company's progress in satisfying the performance obligation in a manner that reflects the transfer of goods and services to the customer. Revenue from a performance obligation satisfied at a point in time is recognised at the point in time the customer obtains control of the promised good or service.

The amount of revenue recognised reflects the consideration the Company expects to be entitled to in exchange for the promised goods and services. Taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue producing transaction, are collected from a customer and are excluded from revenue.

1.7 Share-based payment transactions

Share-based payments

Certain employees are issued Restricted Stock Units ("RSUs") and options in the shares of The Bank of New York Mellon Corporation (the Company's ultimate parent). All share-based payments issued under these plans are equity-settled.

The grant date fair value of the majority of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

Most RSUs issued are measured based on grant date fair value of the shares of The Bank of New York Mellon Corporation. However, certain awards granted to Code Staff under the European Banking Authority are required to be marked to market due to discretionary claw back language contained in their grants. Options are measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted.

Vesting conditions are not factored into the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non market performance or service conditions.

The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

1 Accounting policies - continued

1.7 Share-based payment transactions - continued

Share-based payments continued

expensed immediately. Certain of the Company's share-based payment awards vest when the employee retires. For grants of share-based payments with this feature, the award is fully expensed by the first date that the employee is eligible to retire. If an employee voluntarily leaves the Company before the awards are fully vested, then the shares in relation to the employee are forfeited, with a credit to the Statement of profit and loss and a debit to equity.

Where an employee has transferred between different companies within Group, current and future years' amortisation of all types of share-based payments issued in prior years will be charged to the new company from the year of transfer.

Equity Long-Term Incentive Plan

Awards made under the Equity Long-Term Incentive Plan (LTIP) are in the form of restricted equity in the holding company, Newton Management Limited ("NML"). Once shares have reached exercise point, the employee is entitled to acquire the shares from the holding company, accordingly, awards issued under this plan are classified as equity-settled in the Company and cash-settled in NML. Generally, the amounts payable to employees under the plan are required to be deferred and recognised over the vesting period of three years from the award date onwards. However, for the employees who meet the qualifying conditions for good leavers as set out in the plan document, the recognition of cost is immediate or spread over the period when they become unconditionally entitled to the awards.

The value of the shares is assessed on a bi-annual basis by an independent valuer, with mark to market adjustments being recognised in the holding company. The key inputs into the valuation process are five year forecasts, including a discounted cash flow prepared by the Company. Employees may hold their shares for a maximum period of seven years following acquisition. If an employee decides to sell their shares, they may do so in a window following the most recent valuation at the prevailing price per share by exchanging them for cash from the holding company.

If an employee voluntarily leaves the Company before the awards are fully vested, then the shares in relation to the employee are forfeited, with a credit to the income statement and a debit to equity, although the shares may be partially retained at the discretion of the Investment Management Remuneration Committee. The offset in the holding company is a debit to the LTIP liability and a credit to the cost of investment in the Company. If an employee leaves the Company involuntarily, the proportion of the award up to the date of departure may be exercised in the next redemption window at the discretion of the Investment Management Remuneration Committee, with the remainder being written back, as previously stated.

Deferred Cash Long-Term Incentive Plan

Awards made under the Deferred Cash Long-Term Incentive Plan are in the form of units in a number of Newton managed funds. Generally, the amounts payable to employees under the plan are required under IAS 19 to be deferred and recognised over the vesting period of three years from the award date onwards. However, for the employees who meet the qualifying conditions for good leavers as set out in the plan document, the recognition of cost is immediate or spread over the period when they become unconditionally entitled to the awards. The long term incentive liability and the assets held to hedge against variability in that plan are both designated as fair value through the Statement of profit and loss and other comprehensive income reflecting the fair value as at balance sheet date. The difference between the book cost and the fair value of both the liability and the asset is marked to market through the Statement of profit and loss and other comprehensive income, and is included within the total long term incentive costs (see note 5 Staff numbers and costs).

Newton Investment Management Limited

Notes to the financial statements - continued **for the year ended 31 December 2020**

1 Accounting policies - continued

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of profit and loss and other comprehensive income in the periods during which services are rendered by employees.

Defined benefit plans

The Company participates in a Group wide defined benefit pension plan. As required by IAS 19 Employee Benefits, and as there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the Company recognises a cost equal to its contribution payable for the accounting period, as if it were a defined contribution plan. The net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the Group. The assets of the plan are held separately from those of the Company.

1.9 Interest receivable and interest payable

Interest receivable and payable is recognised in the Statement of profit and loss and other comprehensive income, using the effective interest rate method.

Interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest payable and similar charges includes interest payable and net foreign exchange gains or losses that are recognised in the Statement of profit and loss and other comprehensive income (see note 1.5). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

1.10 Dividends

Dividends are recognised as a liability at the date that they are declared, to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.11 Taxation

Taxation on profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

1 Accounting policies - continued

1.12 Non-derivative financial instruments - classification and measurement

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings and trade and other creditors.

Financial assets are measured at amortised cost if they meet both of the following conditions and are not designated as at fair value through profit and loss ("FVTPL"):

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets include trade and other debtors.

Financial assets are measured at fair value through other comprehensive income ("FVOCI") only if they meet both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application depending on the facts and circumstances at that date.

A Financial liability is initially recognised at fair value and in the case of loans and borrowings and trade and other creditors, net of directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost or FVTPL. Loans and borrowings and trade and other creditors are measured at amortised cost using the effective interest rate method.

Business model assessment

Certain financial assets, for example, deposits with central banks and financial institutions, always will be held for collection of contractual cash flows as the nature of the asset means that it cannot be sold. For other financial assets, the Company makes an assessment of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. Information that is considered includes:

- the stated policies and objectives for the portfolio;
- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated; and
- the frequency and volume of historical and expected sales.

The Company generally does not hold assets for trading.

Newton Investment Management Limited

Notes to the financial statements - continued **for the year ended 31 December 2020**

1 Accounting policies - continued

1.12 Non-derivative financial instruments - classification and measurement continued

Assessment of whether cash flows are solely payments of principal and interest

‘Principal’ for these purposes is defined as the fair value of the financial asset at initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that would change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company’s claim to cash flows from specified assets; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

1.13 Impairment of financial assets (including trade and other debtors)

Under IFRS 9, the Company generally recognises loss allowances at an amount equal to 12-month expected credit loss (“ECL”) (Stage 1, the portion of ECL that results from default events that are possible within 12 months after the reporting date) unless there has been significant increase in credit risk since origination of the instrument, in which case ECLs are recognised on a lifetime loss basis (Stage 2). Exposures that are in default are regarded as credit impaired (Stage 3) and are also measured on a lifetime ECL basis.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- Financial assets that are credit-impaired at the reporting date – the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Financial guarantee contracts – the expected payments to reimburse the holder less any amounts that the Company expects to recover.

1.14 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under FRS 101, or for gains and losses arising from a group of similar transactions such as in the Company’s trading activity.

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

1 Accounting policies - continued

1.15 Intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the Statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Computer software, other 5 years

1.16 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the Statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Office equipment 10 years
- Right-of-use asset 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.17 Other Investments

Other investments comprise the Company's holding in Newton managed funds as part of the deferred cash long-term incentive plan for staff. They are stated at fair value with gains/losses credited/charged to the Statement of profit and loss and other comprehensive income.

1.18 Leases

Lessee

The Company recognises a right-of-use asset ("ROU") and a lease liability with respect to all lease agreements in which it is a lessee at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Newton Investment Management Limited

Notes to the financial statements - continued **for the year ended 31 December 2020**

1 Accounting policies - continued

1.18 Leases continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, and discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Lease modifications

Lease modifications arise from changes to the underlying contract agreed between the lessee and the lessor subsequent to commencement of the lease. The accounting for the modification depends on whether the modified terms increase or decrease the scope of the lease, and whether increases in scope require consideration to be paid that is commensurate with a 'standalone price' for the new scope of the lease.

Separate lease

A lease modification is accounted for as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- fixed payments, including in-substance fixed payments;

If both criteria are met, a lessee would account for the lease on the initial recognition and measurement of lease liabilities and ROU assets.

Not a separate lease

If a lease modification results in the lessee obtaining additional rights to use one or more underlying assets, but not at an amount that is commensurate with the standalone price for the increase in scope, the liability is remeasured by discounting all of the future lease payments as revised in the modified contract at the lessee's prevailing incremental borrowing rate. The remeasurement of the lease liability is adjusted against the carrying value of the ROU asset such that no gain or loss arises as a result of the modification. The same accounting is applied if the term of the original lease is extended without adding any additional rights to use any more underlying assets.

Newton Investment Management Limited

Notes to the financial statements - continued **for the year ended 31 December 2020**

1 Accounting policies - continued

1.18 Leases continued

Lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'net occupancy expense' as this activity is not a significant business activity and is part of the Company's customary business practice.

1.19 Accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions about future conditions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Management believes that the Company's critical accounting policies for which judgement is necessarily applied are those which relate to impairment of intangible assets, the valuation of financial instruments, deferred tax assets, valuation of share-based payments and provisions. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the notes 6, 14, 15, 16 and 23 of the financial statements.

Newton Investment Management Limited

Notes to the financial statements - continued **for the year ended 31 December 2020**

2 Revenue from contracts with customers

Nature of services and revenue recognition

Fee revenue in Investment Management is primarily variable, based on levels of AUM.

Investment management fees are dependent on the overall level and mix of AUM. The management fees, expressed in basis points, are charged for managing those assets. Management fees are typically subject to fee schedules based on the overall level of assets managed and products in which those assets are invested.

Investment management fee revenue also includes transactional and account-based fees. These fees are recognised when the services have been complete. Clients are generally billed for services performed on a monthly or quarterly basis.

Performance fees are generally calculated as a percentage of the applicable portfolio's performance in excess of a benchmark index or a peer group's performance. Performance fees are recognized at the end of the measurement period when they are determinable.

Contract balances

The Company's customers are billed based on fee schedules that are agreed upon in each customer contract. The receivables from customers were £17,654,000 at 31 December 2020 (2019: £11,962,000). An allowance is maintained for accounts receivable which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in other expense in the Statement of profit and loss and other comprehensive income.

Contract assets represent accrued revenues that have not yet been billed to the customers due to contingent factors other than the passage of time. The Company had £nil contract assets as at 31 December 2020 (2019: £nil).

Receivables from customers are included in other assets and prepayments and accrued income on the balance sheet.

Contract liabilities represent payments received in advance of providing services under certain contracts and were £nil as at 31 December 2020 (2019: £nil).

Any changes in the balances of contract assets and contract liabilities would result in changes arising from business combinations, impairment of a contract asset and changes in the timeframe for a right to consideration becoming unconditional or a performance obligation to be satisfied. No such instances were noted.

Contract costs

Contract costs represent either costs which are capitalised relating to incremental costs for obtaining contracts, or costs incurred for fulfilling contract obligations when they relate directly to an existing contract or specific anticipated contract, generate or enhance resources that will be used to fulfil performance obligations and are recoverable. The Company had £nil contract costs as at 31 December 2020 (2019: £nil).

Unsatisfied performance obligations

The Company does not have any unsatisfied performance obligations other than those subject to a practical expedient election under IFRS 15. The practical expedient applies to (i) contracts with an original expected length of one year or less, and (ii) contracts for which the Company recognises revenue at the amount to which the Company has the right to invoice for services performed.

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

By activity

	2020	2019*
	£000	£000
Management fees	37,350	37,142
Performance fees	5,854	2,845
Net management fees receivable from Group undertakings	<u>126,046</u>	<u>139,755</u>
	<u>169,250</u>	<u>179,742</u>

Net management fees receivable relates to fees receivable from Group undertakings for the management of portfolios, for which another Group undertaking is the fund operator.

* The Company has reclassified certain prior year numbers to be consistent with current year presentation.

3 Administrative expenses and auditor's remuneration

Profit before taxation is stated after charging:

	2020	2019
	£000	£000
Impairment loss on intangible assets	-	5,811
Amortisation of intangible assets	2,900	2,166
Depreciation of tangible fixed assets	144	177
Impairment loss on right of use assets	-	71
Depreciation of right of use assets	143	170

Auditor's remuneration:

	2020*	2019
	£000	£000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	151	79
Audit related assurance services	<u>111</u>	<u>144</u>
	<u>262</u>	<u>223</u>

*Includes additional fees expensed in 2020 to reflect agreed cost increases with the auditors.

4 Other operating income

	2020
	£000
Gain on remeasurement of investments to fair value	<u>1,098</u>
	<u>1,098</u>

Other operating income relates to fair-value movements on deferred cash investments in funds managed by BNY Mellon Fund Managers Ltd where the company acts as sub-investment advisor. These investments act as hedge against future liability under deferred cash long term incentive plan awards (See note 13 - Other investments).

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 292 (2019: 296).

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Salaries and wages	56,739	53,436
Share-based payments	384	598
Social security costs	3,892	4,581
Pension costs - defined contribution plan (see note 21)	2,560	2,574
Other staff costs	977	1,000
	<u>64,552</u>	<u>62,189</u>

Salaries and wages includes short term incentives recognised on an accruals basis.

6 Long-term incentive plan

a) Equity long-term incentive plan

The following restricted equity awards in NML are outstanding at the following dates:

	2020	2019
	Number of awards	Number of awards
	000's	000's
Balance outstanding at 1 January	4,008	6,057
Additions	784	1,913
Forfeitures	(323)	(2,758)
Redeemed	(421)	(1,204)
Balance outstanding at 31 December	<u>4,048</u>	<u>4,008</u>

During the year ended 31 December 2020, 784,000 shares (2019:1,913,000) were issued by Newton Management Limited to a Joint Ownership Equity trust with regard to Real Equity Awards made to employees of Newton Investment Management Limited. During 2020 £7,665,000 (2019: £8,445,000) was charged to the Statement of profit and loss and other comprehensive income in respect of the Real Equity Scheme.

At 31st December 2020, the value per share was £5.02 (2019: £6.06), resulting in a liability to Newton employees of £15,812,000 (2019: £14,297,000). This liability is accounted for in the parent Company NML, with the national insurance liability (NI) at 13.8% of the grant price (£3,467,000 (2019: £3,025,000)) being accounted for in the Company and included in Accruals and deferred income in notes 18 and 19.

b) Deferred cash long-term incentive plan

During the year ended 31 December 2020, a deferred cash plan was introduced for certain key Newton employees and units of Newton managed funds were purchased as a hedge against the liability for this. This liability is accrued over either the vesting period or immediately for those who meet the qualifying conditions for good leaver status.

At 31st December 2020, the value of these funds was £11,218,000 (See note 13), with the relevant proportion of the mark to market gain on the funds being included within long term incentive costs (see note 5) and the liability accrued of £4,950,000, including NI at 13.8% was included in Accruals and deferred income in note 19.

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

7 Directors' remuneration

The aggregate amount of remuneration paid to or receivable by directors in respect of qualifying services is disclosed below. Qualifying services include services as a director of the Company, as a director of any of its subsidiary undertakings or otherwise in connection with the management of the affairs of the Company or any of its subsidiary undertakings. The amounts are disclosed irrespective of which BNY Mellon Group company actually makes the payment to the directors.

	2020	2019
	£000	£000
Directors' emoluments	2,518	2,714
Amounts receivable under long-term incentive schemes	1,019	442
Company contributions to money purchase pension plans	40	36
	<u>3,577</u>	<u>3,192</u>

Current year Directors' emoluments include short term incentives payments made in February 2020 in respect of 2019 performance.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £1,752,664 (2019: £1,623,494), and no Company pension contributions were made on their behalf (2019: £nil) to a money purchase scheme. During the year, the highest paid director did not exercise share options but did receive shares under a long term incentive scheme.

	Number of Directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	3
The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was	4	4

8 Interest receivable and similar income

	2020	2019
	£000	£000
Receivable from Group undertaking	370	1,725
Receivable from current asset investment	142	311
Total interest receivable and similar income	<u>512</u>	<u>2,036</u>

9 Interest payable and similar charges

	2020	2019
	£000	£000
Payable on lease liabilities	8	15
Net foreign exchange loss	132	9
External third parties payable	2	-
Total interest payable and similar charges	<u>142</u>	<u>24</u>

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

10 Taxation

Recognised in the statement of profit and loss and other comprehensive income

	2020		2019	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on profit for the period	12,051		13,525	
Adjustments in respect of prior periods	(1,079)		12	
	<u>10,972</u>		<u>13,537</u>	
Total current tax		10,972		13,537
<i>Deferred tax (see note 15)</i>				
Origination and reversal of temporary differences	(734)		(1,057)	
Effect of changes in tax rates	(446)		111	
	<u>(1,180)</u>		<u>(946)</u>	
Total deferred tax		(1,180)		(946)
Total tax expense		<u>9,792</u>		<u>12,591</u>

Factors affecting total tax charge for the current period

	2020	2019
	£000	£000
Total profit for the year	41,847	49,253
Total tax expense	<u>9,792</u>	<u>12,591</u>
Profit excluding taxation	51,639	61,844
Tax using the UK corporation tax rate of 19.00% (2019: 19.00%)	9,811	11,750
Effect of changes in tax rates	(446)	111
Adjustment in respect of prior years	(1,079)	12
Non-deductible expenses	523	52
Long Term Incentive Plan	898	548
Share Based payments	85	105
Other	-	13
Total tax expense	<u>9,792</u>	<u>12,591</u>

The UK Corporate Tax rate for 2020 of 19% (2019 : 19%) as per Finance Act 2020 received Royal Assent on 22 July 2020. UK deferred tax balances as at 31 December 2020 have been calculated with respect to the enacted rate at the balance sheet date of 19% (2019 : 19%). In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £1,569,000.

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

11 Intangible assets

	Computer software £000	Intangible assets under development £000	Total £000
Cost			
At 1 January 2020	9,783	11,573	21,356
Additions	-	8,841	8,841
Transfers	2,134	(2,316)	(182)
At 31 December 2020	11,917	18,098	30,015
Amortisation			
At 1 January 2020	6,604	6,675	13,279
Amortisation	2,900	-	2,900
At 31 December 2020	9,504	6,675	16,179
Net book value			
At 31 December 2019	3,179	4,898	8,077
At 31 December 2020	2,413	11,423	13,836

Intangible assets under development represent project costs associated with the transition of existing front and middle office technology systems onto a new platform. Once certain project milestones are achieved, these costs are reclassified to Computer software.

During the year management conducted an impairment review of intangible assets. The review indicated that there were no indicators of impairment. Management are therefore satisfied that the recoverable amount exceeds the carrying amount. The recoverable amount of the intangibles is based on their net realisable value.

Transfers for the year include an adjustment of £1,498,000 relating to 2018.

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

12 Tangible assets

	Right of use: leasehold improvements £000	Office equipment £000	Total £000
Cost			
At 1 January 2020	980	757	1,737
Additions	-	182	182
Lease modification	(44)	-	(44)
At 31 December 2020	936	939	1,875
Depreciation			
At 1 January 2020	375	564	939
Depreciation	143	144	287
At 31 December 2020	518	708	1,226
Net book value			
At 31 December 2019	605	193	798
At 31 December 2020	418	231	649

The Company leases two floors within an office building in Jersey. The non-cancellable period of the lease is 25 years to 2023. The lease payments are mostly static, with incremental increases at stated years within the term of the lease. The impairment losses relate to adjustments booked to align the carrying value with the net present value of future cash flows.

13 Other investments

	Deferred Cash £000
Cost	
Additions	10,120
Revaluations (See note 4 - Other operating income)	1,098
At 31 December 2020	11,218
Net book value	
At 31 December 2020	11,218

Other investments relates to deferred cash investments in funds managed by BNY Mellon Fund Managers Ltd where the company acts as sub-investment advisor. These investments act as hedge against the future liability under deferred cash long term incentive plan awards.

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

14 Debtors

	2020	2019
	£000	£000
Trade debtors	2,829	1,285
Amounts due from Group undertakings	26,979	34,751
Other debtors	-	86
Prepayments and accrued income	17,252	12,605
Tax recoverable	2,601	-
Deferred tax asset	4,970	3,790
	<u>54,631</u>	<u>52,517</u>
Due within one year	51,921	51,468
Due after more than one year	<u>2,710</u>	<u>1,049</u>
	<u>54,631</u>	<u>52,517</u>

Debtors include deferred tax of £2,710,000 (2019: £1,049,000) due after more than one year.

15 Deferred tax assets and liabilities

Movement in deferred tax during the year

	2020	2019
	£000	£000
Provision at 1 January	3,790	2,844
Deferred tax credited to profit and loss for the period	<u>1,180</u>	<u>946</u>
Provision at 31 December	<u>4,970</u>	<u>3,790</u>

The deferred tax asset has been recognised in full based on its expected recoverability due to the future anticipated profits of the Company. The major components of deferred tax are as follows:

Recognised deferred tax assets and liabilities

	2020	2019
	£000	£000
Fixed assets	471	450
Share-based payments	3,427	3,111
Deferred Cash	1,052	211
Other	<u>20</u>	<u>18</u>
	<u>4,970</u>	<u>3,790</u>

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

16 Current asset investments

	2020	2019
	£000	£000
Current asset investments		
Financial assets designated at fair value through profit or loss	50,749	46,883

Current asset investments relate to a holding in the Insight Liquidity Fund ("ILF"). The Company's investment is in the ILF Sterling Liquidity Fund. The Fund is a short-term money market fund which aims to provide investors with stability of capital and daily liquidity. In addition it seeks to offer an income comparable to short-term sterling interest rates.

17 Cash at bank and in hand

	2020	2019
	£000	£000
Cash at bank and in hand	336,483	311,822

Cash at bank included £334,415,000 (2019: £309,991,000) of funds on deposit with a UK regulated banking entity within the Group.

The Company is exposed to foreign exchange risk between the date of recognition and settlement of foreign currency income and expenses. To mitigate this the Company maintains foreign currency cash balances to offset the net currency position. This activity can result in foreign currency overdrafts that mitigate the risk of foreign currency receivables. All overdrafts are with the Bank of New York Mellon London Branch.

18 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Bank loans and overdrafts	7,790	5,554
Lease liabilities	192	194
Amounts owed to Group undertakings	6,314	5,441
Accruals and deferred income	15,206	15,845
Taxation and social security	2,346	11,492
Other creditors	2,670	2,975
	34,518	41,501

19 Creditors: amounts falling due after more than one year

	2020	2019
	£000	£000
Lease liabilities (see note 20)	373	603
Accruals & deferred income	4,626	-
Taxation and social security	1,652	1,441
	6,651	2,044

The balance relates to deferred cash long-term incentive plans and the national insurance accrual on deferred cash and equity long-term incentive plans.

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

20 Lease liabilities

Maturity analysis - contractual undiscounted cash flows

	2020	2019
	£000	£000
Expiring within one year	192	206
Expiring between one and five years	373	603
Total undiscounted lease liabilities at 31 December	565	809

The Company leases two floors within an office building in Jersey over a term of 25 years to 2023.

Amounts recognised in Statement of profit or loss and other comprehensive income

	2020	2019
	£000	£000
Interest on lease liabilities	(8)	(15)
Income from sub-leasing right-of-use assets	76	124
	68	109

Sub-lease

	2020	2019
	£000	£000
Operating lease		
Lease income	76	124

Operating lease

The Company sub-leases the 1st floor and 2nd floor. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the asset.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2020	2019
	£000	£000
Receivable		
Less than one year	115	58
One to two years	115	58
Two to three years	82	58
Three to four years	-	41
	312	215

Newton Investment Management Limited

Notes to the financial statements - continued **for the year ended 31 December 2020**

21 Employee benefits

The total pension cost for the year was £2,560,000 (2019: £2,574,000) relating to the defined contribution plan and £nil (2019: £nil) relating to the defined benefit plan. No amount (2019: £nil) was payable to the schemes at year end.

Defined contribution plan

Employees of the Company are eligible to join The Bank of New York Mellon Group Personal Pension Plan. This Plan is funded by a monthly payment to a third party insurer.

Defined benefit plans

The Company participates in the Mellon Retirement Benefits Plan ("the Plan"), a Group Plan in respect of which the contributions made are affected by surpluses or deficits in the Plan. The Plan is a final salary scheme and provides pension benefits linked to salary at retirement or earlier date of leaving service. The Mellon Retirement Benefits Plan has been closed to new employees since September 2006. From this date new joiners are eligible to join The Bank of New York Mellon Group Personal Pension Plan.

On 31 December 2018, the Trustee Directors executed a deed to amend the Plan rules to allow future accrual of benefits under the Plan to cease following the completion of the 60 day consultation in 'good faith' required under the pension regulations. This change will result in no additional benefits being accrued by members of the Plan after 31 December 2018. The sponsoring employer, the London Branch of The Bank of New York Mellon, may however incur costs in future periods in relation to the funding of existing obligations under the Plan. Following the change, members were provided with the option to join The Bank of New York Mellon Group Personal Pension Scheme.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the Plan to participating entities, the net defined benefit cost of the Plan is recognised fully by the sponsoring employer, The London Branch of the Bank of New York Mellon, which is another member of the Group. That entity bears the actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk inherent in the Plan. The Company recognises a cost equal to its contribution payable for the period, which contributions will in the long-term be affected by surpluses or deficits in the Plan.

Regulatory framework

The UK pensions market is regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website: www.thepensionsregulator.gov.uk.

UK legislation requires that pension schemes are funded prudently (i.e., to a level in excess of the current expected cost of providing benefits). The Plan has been valued by qualified actuaries as at 31 December 2020, the next valuations are due to be carried out in 2022. Within 15 months of effective date of the valuation, the Trustee and the Company must agree the contributions required (if any) to ensure the Plan is fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement.

Governance of the Plan

The Plan is managed by a Trustee that is legally separate from the Company. The Trustee Directors are composed of representatives appointed by both the employer and employees, and include an independent professional Trustee Director. The Trustee Directors are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day to day administration of the benefits. They also are responsible for jointly agreeing with the employer the level of contributions.

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

21 Employee benefits - continued

Defined benefit plans continued

Plan amendments, settlements and curtailments

There were no Plan amendments, curtailments or settlements over the year.

Plan Assets - The Mellon Retirement Benefits Plan

	2020	2019
	£000	£000
Cash and cash equivalents	3,393	3,260
LDI and Liquidity	377,889	290,162
Debt instruments e.g. Government bonds	474,507	434,525
Secured Finance	162,419	161,821
Investment Funds	26,301	36,947
Insured liabilities	6,719	6,431
Total	1,051,228	933,146

In respect of the Mellon Retirement Benefits Plan, the latest actuarial valuation carried out on 31 December 2020 for the purpose of FRS 101 showed a surplus of £208,085,000 (2019: surplus of £167,814,000). Contributions to the fund are no longer required on an ongoing basis following closure to future accrual.

All government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA or AA rated.

There are no transferable financial instruments of the Company held as Plan assets; nor is there property occupied by, or other assets used by, the Company.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2020	2019
	%	%
<i>Mellon Retirement Benefits Plan</i>		
Discount rate at 31 December	1.65	2.10
Future pension increases: RPI min 3% max 5%	3.45	3.55
Retail price inflation	2.85	3.05
Consumer price inflation	2.15	2.05

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

21 Employee benefits - continued

Defined benefit plans continued

Mellon Retirement Benefits Plan

- Current pensioner aged 65: 23.2 years (male), 24.6 years (female).
- Future retiree currently aged 45 upon reaching 65: 24.8 years (male), 26.2 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2020	2020	2019	2019
	£000	£000	£000	£000
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	(179,424)	248,894	(160,696)	222,880
Future salary increases	N/A	N/A	N/A	N/A
Medical cost trend	N/A	N/A	N/A	N/A
Future pension increases	146,606	(76,033)	131,987	(105,632)
Inflation (RPI, CPI)	158,857	(123,880)	144,686	(122,802)

The above analyses assume that assumption changes occur in isolation except in the case of inflation where any change is assumed to have a corresponding impact on inflation-linked pension increases. In practice this is unlikely to occur and some assumptions may be correlated. The same method (projected unit method) has been applied when calculating these sensitivities.

Funding

The Plan is funded by a monthly payment to the Plans investment manager by The Bank of New York Mellon London Branch and an appropriate amount is recharged to the Company. The funding requirements are based on actuarial measurement frameworks set out in the funding policies of the Plan. The funding of the Plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above.

The Bank of New York Mellon London Branch does not expect to pay any contributions (2019: £nil) in respect of the Mellon Retirement Benefits Plan in 2021. The weighted average duration at the end of the reporting period for the Mellon Retirement Benefits Plan's defined benefit obligation was 25 years (2019: 25 years).

Newton Investment Management Limited

Notes to the financial statements - continued for the year ended 31 December 2020

22 Capital and reserves

Share capital

	2020	2019
	£000	£000
Allotted, called up and fully paid		
35,500,000 ordinary shares of £1 each	35,500	35,500

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

23 Financial instruments

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments. Short term debtors and creditors are excluded from financial assets and financial liabilities.

As at 31 December 2020, the Company carried a quoted investment at fair value through the statement of profit and loss and other comprehensive income that relates to a holding in the Insight Liquidity Fund plc with a fair value of £50,749,000 (31 December 2019: £46,883,000) (See note 16 - Current asset investments). The aim of the fund is to provide investors with stability of capital and daily liquidity. In addition it seeks to offer an income comparable to short-term sterling interest rates. This investment was valued based on Level 1 valuation technique (quoted prices in active markets for identical assets or liabilities).

24 Transactions involving Directors, officers and others

At 31 December 2020 there were no loans and other transactions made to directors, officers or other related parties of the Company (2019: £nil).

25 Offsetting financial assets and financial liabilities

Group and Company

Amounts due to and from certain individual Group undertakings are netted in the balance sheet as settlement is made net. The extent of this netting can be seen below:

	2020			2019		
	Gross amounts	Amounts offset	Net amounts	Gross amounts	Amounts offset	Net amounts
	£000	£000	£000	£000	£000	£000
Amounts owed by Group undertakings	28,885	1,906	26,979	37,190	2,439	34,751
Amounts owed to Group undertakings	8,220	1,906	6,314	7,880	2,439	5,441

Newton Investment Management Limited

Notes to the financial statements - continued **for the year ended 31 December 2020**

26 Subsequent events

In February 2021, BNY Mellon Investment Management, in partnership with the Newton business and Mellon Investments Corporation, announced its restructuring plans which will commence during Q3 2021. The restructuring plans are intended to enhance the business's capabilities by bringing the equity and multi-asset divisions of Mellon together with Newton and will result in the creation of a new Newton legal entity in the US, Newton Investment Management North America LLC (NIMNA LLC). This new legal entity, whilst not being a direct subsidiary of any Newton UK legal entity, will operate under combined management. In addition, the Newton business will be integrating the expertise of the equity team from BNY Mellon Investment Management Japan (IMJ).

27 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is Newton Management Limited, a company registered in England and Wales. Newton Management Limited's registered address is 160 Queen Victoria Street, London, EC4V 4LA.

The largest and smallest Group in which the results of the Company are consolidated is that headed by The Bank of New York Mellon Corporation, incorporated in the United States of America.

The ultimate parent company as at 31 December 2020 was The Bank of New York Mellon Corporation, incorporated in the United States of America. The consolidated accounts of the ultimate parent company may be obtained from its registered address.

The Secretary
The Bank of New York Mellon Corporation
240 Greenwich Street
New York, NY
10286
USA.