



Q1 2009

Responsible investment Corporate governance and SRI

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Performance

Newton exists primarily to increase the wealth of its clients by delivering strong and transparent investment performance

Perspective

Newton uses a distinctive global, thematic approach to maintain perspective and to generate strong and durable investment ideas

Teamwork

Newton is successful in varied market conditions by using a coherent, collaborative and enduring team-based investment approach

Consistency

Newton seeks to achieve consistent and stable growth in its business by maintaining strong investment performance and managing portfolios that are appropriate to the fulfilment of clients' objectives

Voting profile

Please be advised that the companies named throughout this document are not indicative of current investments made by Newton on behalf of its clients.

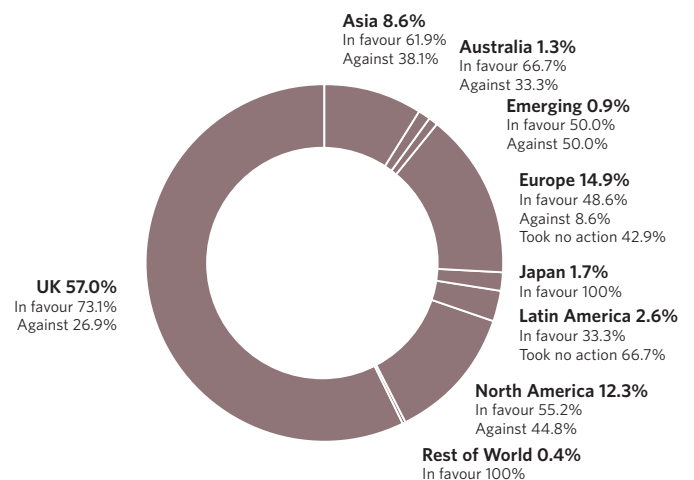
During the quarter, Newton exercised its clients' voting rights at 235 general meetings. Votes were instructed against one or more resolutions at 28.5% of these meetings or a total of 184 separate resolutions. Voting on companies wishing to issue shares and amend capital structures accounted for 16.3% of these resolutions. Newton undertakes voting decisions on a cases-by-case basis and will instruct votes against resolutions where it is considered that shareholders could be unnecessarily diluted. The key factors that are considered when a company is seeking to raise funds or amend its capital structure include the stated use of any raised funds and potential dilution to shareholders.

A summary of all voting activity during the quarter, including a regional summary, is illustrated in the proceeding table and charts.

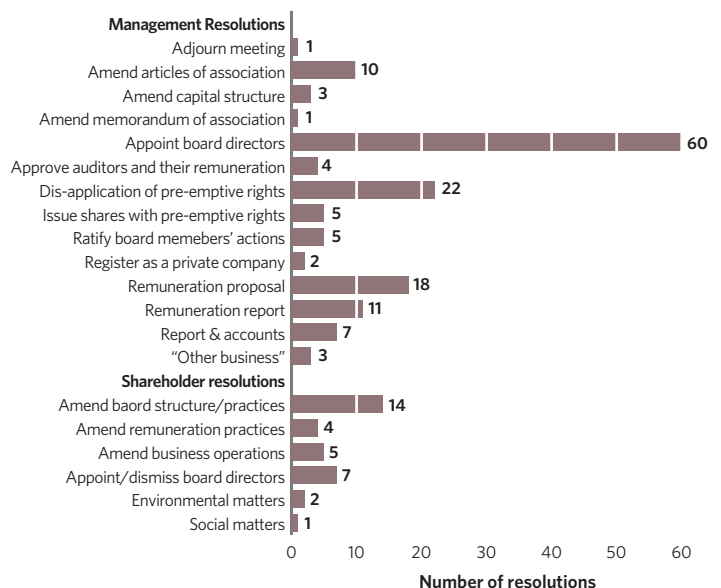
VOTING SUMMARY - Q1 2009

AGMs	142
Voted in favour of all resolutions	81
Voted against one or more resolutions	51
Took no action	10
Abstained	0
EGMs	91
Voted in favour of all resolutions	70
Voted against one or more resolutions	16
Took no action	5
Abstained	0
Court Meetings	2
Voted in favour of all resolutions	2
Voted against one or more resolutions	0
Took no action	0
Abstained	0
TOTAL	235
Voted In favour	153
Voted against	67
Took no action	15
Abstained	0

VOTING SUMMARY BY REGION



BREAKDOWN OF RESOLUTIONS WHERE VOTES AGAINST WERE INSTRUCTED DURING Q1 2009



Companies where votes against were instructed

Agencia Debt Strategies Ltd

EGM – 18 Mar 2009

The company's articles of association contain a provision relating to the level of discount at which the company's shares can trade relative to their net asset value. Should the average discount be greater than 5% over the preceding 12 months, the company is required to seek shareholder authority to continue trading. Newton instructed votes against the resolution that sought shareholder authority to remove this discount provision from the company's articles of association.

Shareholder authority was also sought to make a further amendment to the company's articles of association to reflect Guernsey company law. This would allow the company to issue an unlimited number of its shares for a period of five years. Given the potential dilution of voting powers and shareholder value that could result from this, Newton voted against this resolution.

In addition, Newton instructed votes against a resolution seeking shareholders' authority to allow shareholders to convert their shares into an equivalent holding in Agencia Fundamental Credit, an open ended cell company, which is associated with Agencia Debt Strategies. Newton was concerned that such a strategy could significantly reduce the liquidity in Agencia Debt Strategies' shares and, therefore, limit trading opportunities for the company's existing shareholders.

Apple Inc

AGM – 25 Feb 2009

A shareholder submitted a resolution, which requested that Apple prepare a sustainability report. Generally, Newton is supportive of relevant corporate sustainability initiatives. However, in this instance, Newton did not consider that the resolution warranted shareholders' support given the company's existing sustainability disclosures, which extend to policies, procedures and key performance metrics. In addition, Newton is supportive of Apple's product specific reports that focus on the environmental impact of the lifecycle of individual products, as well as the company's approach to managing sustainability issues in its supply chain.

A further shareholder requisitioned resolution was proposed. This requested that Apple adopt principles for healthcare reform based on those advocated by the Institute of Medicine (IOM). Among other things, the principles state that healthcare coverage should be universal, continuous and affordable to individuals and families. Newton considered that the proposal extended beyond the scope of any one company and would be better addressed by public policy setters or regulators. Newton instructed votes against this resolution.

Artemis VCT 2 PLC

EGM – 20 Mar 2009

By way of a bundled resolution, shareholder approval was sought for the company to issue shares with and without pre-emptive rights, as well as to buy back shares. Newton would expect to be presented with a separate resolution for each of these three proposals. Irrespective of concerns over the proposed method of issuing shares, the company failed to provide the necessary assurances that the shares would not be issued at a discount to their net asset value. Newton believed that the resolution may not be in shareholders' best interest and instructed votes against it.

ATH Resources

AGM – 13 Jan 2009

Newton was concerned that the company's audit committee did not consist of any independent members. This led to votes being instructed against the resolution seeking shareholders' acceptance of the financial statements and statutory reports.

A further resolution was also voted against. This sought shareholder approval for the company to increase the number of share options available for making awards to individual executives. Concern centred on the fact that no performance conditions would govern the vesting of share option awards.

Autonomy Corporation PLC

AGM – 27 Mar 2009

During the year, executive directors were eligible to receive maximum bonuses valued at 50% of salary. However, the company decided to award its chief executive and finance director with bonuses of 100% of salary. Newton's concerns were not only raised by bonus awards, but also by the fact that no specific caps were in place in relation to the maximum award that could be made under the executive share option plan. These contraventions of best practice continued in the form of potentially excessive use of shares when making share based remuneration awards. Up to 10% of the company's issued share capital may be awarded in any five year period, rather than any ten year period as dictated by best practice. Newton instructed votes against the remuneration report and re-election of the two board members, who sit on the remuneration committee.

Banco Estado Do Rio Grande Do Sul SA

AGM – 31 Mar 2009

The company failed to provide the underlying information relating to four of the eight resolutions that were proposed at its AGM. These resolutions included the election of directors, election of fiscal council members, approval of remuneration

arrangements and amendments to the company's articles of association. Newton understands that it is general practice in Brazil to make such information available at the general meeting. However, given that Newton was unable to physically attend the company's AGM and that the company was unwilling to allow shareholders adequate time to analyse the proposals, votes were instructed against these proposed resolutions.

Bank of Ayudhya PCL

EGM – 12 Mar 2009

Votes were instructed against a resolution entitled "other business". This item would allow other issues, not specified in the company's official meeting agenda, to be raised at the AGM. Shareholders, voting by way of proxy, would not be able to review the details ahead of the meeting. This resolution would provide an opportunity for matters to be approved that may not be in shareholders' best interests.

Bank of Montreal

AGM – 3 Mar 2009

A shareholder requested that the company reviews its short selling practices. The proponent stated that the company should be prepared to permanently cease such activities. Newton believed that the proponent's concerns surrounding the practice of short-selling would be best addressed at an industry and regulatory level. Votes were instructed against this resolution.

A further three shareholder proposed resolutions were also voted against. Newton felt that the resolutions involved matters best left to the discretion of the company's board of directors. It was requested that the number of outside directorships held by a director be limited to four, that the number of female board members be increased, and that the number of non-executive directors on the board that are current or former CEOs of other companies be limited.

Bank of Nova Scotia

AGM – 3 Mar 2009

A total of five shareholder resolutions were voted against at the company's AGM. In the event that the company goes through a change in control, it was requested that the vesting of any share-based remuneration should be calculated using the share price as at four months prior to the change of control. Newton felt that such a policy could dis-align the interests of management with those of shareholders'.

It was requested that the company reviews its short selling practices with a view to potentially ceasing such activities. Newton believes that the proponent's concerns surrounding the

practice of short-selling would be best addressed at an industry and regulatory level.

Newton felt that the remaining three shareholder-proposed resolutions, which were voted against, concerned matters that would be best left to the discretion of the company's board of directors. Attempts were made to limit the number of board seats to four per director, to increase the number of female board members and to limit the number of non-executive directors on the board who are current or former CEOs of other companies.

Bank of the Philippine Islands

AGM – 31 Mar 2009

The company's board consisted of one executive director and fourteen non-executive directors. At the company's AGM, separate resolutions were proposed for the re-election to the board of each of these directors. Of the fourteen non-executive directors, only two were considered independent. Newton instructed votes against the twelve non-independent non-executive directors.

Votes were also instructed against a resolution that requested shareholder approval for "other business" to be raised and approved at the meeting. While such resolutions are routinely proposed at Philippine companies' AGMs, Newton exercises a level of caution by instructing votes against these resolutions. It would be possible for items to be raised and approved that may not be in shareholders' interests. In addition, shareholders would not have adequate time to assess fully the matters raised.

Bellway PLC

AGM – 16 Jan 2009

During the year, the remuneration committee exercised its discretion by awarding bonuses to all directors, despite targets not being achieved. The award level was almost 50% of the maximum available. Given the company's performance, Newton felt that the level of bonus awarded was unjustified. Votes were instructed against the remuneration report and against the re-election to the board of two non-executive directors, who were members of the remuneration committee.

Brewin Dolphin Holdings PLC

AGM – 27 Feb 2009

Under the company's share option plan, Newton had concerns over the ability for performance conditions to be re-tested should they not be achieved after the initial testing period. Newton noted that this fundamental breach of best practice was disclosed in the financial notes to the accounts rather than within the remuneration report. Newton voted against the remuneration

report and against a member of the remuneration committee, who was seeking re-election to the board.

Canadian Imperial Bank of Commerce

AGM – 26 Feb 2009

A shareholder requested that the company review its short selling practices. The proponent stated that the company should be prepared to permanently cease such activities. Newton felt that the proponent's concerns surrounding the practice of short-selling would be best addressed at an industry and regulatory level. Votes were instructed against this resolution.

A further three shareholder proposed resolutions were also voted against. Newton felt that the resolutions were in connection with matters that should be left to the discretion of the company's board of directors. It was requested that the number of outside directorships held by a director be limited to three, that the number of female board members be increased and that the number of non-executive directors on the board who are current or former CEOs of other companies be limited.

Canadian Western Bank

AGM – 5 Mar 2009

By way of a single resolution, the company sought to re-elect twelve board directors and elect a new director. Two of the directors seeking re-election were members of two other companies' boards, where Canadian Western Bank's CEO was also a board member. These two directors were members of Canadian Western Bank's main board committees, where it is important to have independent representation. In addition, Newton felt that there was a lack of refreshment of board members, given that the average tenure of a company board director was 19 years. This lack of board independence led to Newton instructing votes against the bundled resolution to elect and re-elect board members.

Shareholders were also asked to vote on a proposed amendment to the company's stock option plan. It was proposed that a greater of number of shares be awarded under the plan. Owing to the vesting of awards not being subject to the achievement of any performance criteria, Newton instructed votes against this resolution.

Care UK PLC

AGM – 11 Feb 2009

Last year, Newton highlighted concerns over salary increases and maximum bonus payments that were awarded to the company's executive directors following the poor execution of an acquisition and the loss of significant business contracts. Despite continued lacklustre performance in 2008, directors' salaries were increased

by up to 15%. In addition, both the chief executive and finance director received bonuses at almost the maximum level. Newton did not consider that the pay rises and bonus payments were adequately justified and instructed votes against the remuneration report and a member of the remuneration committee, who was seeking re-election to the board.

Carlsberg

AGM – 12 Mar 2009

It was proposed that shareholders support a resolution allowing the company to put in place certain capital re-allocation provisions. Included in the proposal was a request for shareholder approval of the issue of convertible bonds. However, no information or comfort was provided as to the proposed coupon rate, conversion price or potential dilution to existing shareholders. The company also failed to provide any rationale regarding the intended use of any raised capital. Newton instructed votes against this resolution.

Furthermore, owing to the fact that only one board director was considered independent, Newton instructed votes against a second resolution. This was a bundled resolution that sought to re-elect or elect a slate of four directors to the company's board.

China Growth Opportunities Ltd

EGM – 23 Jan 2009

A shareholder, representing 10.2% of the company's issued shares, requisitioned this EGM. It was proposed that two non-executive directors and one executive director be removed from the board and replaced with two of the proponent's nominated non-executive directors. It was also proposed that the company's investment objectives be amended in order to allow shareholders to fully divest by 30 September 2010.

In the first instance, Newton was not minded to support the shareholder's proposals given that the proponent would gain effective control of the company while not having a commensurate financial interest or paying a takeover premium. Also, to allow shareholders to fully divest by September 2010, the company may be forced to sell assets at steeply discounted prices.

Newton instructed votes against all six of the shareholder proposed resolutions.

Credicorp Ltd

AGM – 31 Mar 2009

A single resolution sought shareholder approval of the company's external auditor and authorisation of the auditor's fees. When analysing such resolutions, Newton assesses the auditor's

independence. A benchmark for reviewing auditor independence is to note the level of fees paid to the audit for audit work versus the fees paid for non-audit work. In an effort to keep auditors independent, Newton believes that non-audit fees should account for a fraction of those fees paid for actual audit work.

In this instance, Newton was unable to make such a judgement owing to the company failing to disclose the fees paid to its auditors. Votes were instructed against this resolution.

Daily Mail & General Trust PLC

AGM – 11 Feb 2009

Newton instructed votes against the company's remuneration report due to concerns over the company's remuneration structure. The vesting of a core part of the long-term incentive awards would not be subject to performance conditions. In addition, against established best practice, the highest paid director is employed on a two year service contract. Newton also had concerns over an increase in the bonus potential for directors for the year 2008/09. Newton believed that the short-term focus of awards failed to align the interests of directors with those of shareholders.

Deere & Company

AGM – 25 Feb 2009

Newton had a number of concerns with the company's remuneration arrangements. First, individuals who defer their cash compensation receive interest payments at a rate equivalent to the market rate plus 2%. Secondly, service contracts provide for three additional years pension and severance payments in the event that the company goes through a change of control. Thirdly, the CEO was permitted to use the company's aircraft for personal use, which equated to a benefit of \$400,000. Lastly, non-executive directors receive cash benefits, which include spouses' travel costs and associated tax gross-ups. Owing to these key concerns, Newton did not support the re-election to the board of three directors, who were members of the company's compensation committee.

Defined Capital Return Fund Ltd

AGM – 31 Mar 2009

Newton instructed votes against the re-election to the board of the non-executive directors. Newton was concerned with the lack of independent directors on the board. This concern was highlighted by the fact that the whole board assumes the role of the audit committee.

Eaglet Investment Trust PLC

EGM – 11 Mar 2009

A non-executive director, who was the chairman of the trust's audit committee, was not considered to be sufficiently independent, due to his position as a director of a company within the trust's group of companies. Newton instructed votes against the re-election to the board of this non-executive director.

Elisa Corp

AGM – 18 Mar 2009

Despite requesting clarification, the company failed to provide sufficient information to allay Newton's concerns in relation to three of the resolutions proposed at the company's AGM.

A single bundled resolution proposed the election of two directors and re-election of four directors to the company's board. The lack of transparency surrounding board committees and their membership led to Newton instructing votes against this resolution.

Shareholders were requested to approve the remuneration of the company's auditors. Newton held concerns with the independence of the company's auditors given that fees paid to the auditor for "other services" were four times that of the fee paid for conducting the audit. Newton voted against the resolution seeking shareholder approval of the auditor's remuneration.

Finally, the company did not provide any comfort surrounding a proposal for it to issue new shares while dis-applying existing shareholders' pre-emption rights. The method of issuance could mean that existing shareholders could be diluted by 23.1%. Newton felt that, without adequate justification, this was excessive and voted against the resolution proposing the issue of new shares.

Emerson Electric Co

AGM – 25 Nov 2009

Two of the company's remuneration practices led to Newton not supporting the re-election to the board of a member of the company's compensation committee. First, recipients of share-based remuneration awards receive the dividends of the underlying shares, irrespective of the awards vesting or not. Secondly, the company reimburses the tax charged to individuals on the benefits they receive. This included the CEO's personal use of the company's aircraft, which resulted in a tax reimbursement of \$234,586 in 2008.

Finsbury Growth & Income Trust PLC

AGM – 23 Jan 2009

Two resolutions were proposed that, if passed, would enable the trust to issue shares while dis-applying existing shareholders' pre-emption rights. One of the resolutions was in connection with the issue of new shares, while the second resolution related to the issue of shares held in the company's treasury account. Votes were instructed against both resolutions given that the trust could issue such shares at a discount to their net asset value.

Firestone Diamonds PLC

AGM – 29 Jan 2009

Of the company's eight board directors, it was not possible to establish who were executive directors and who were non-executive directors. In addition, the company did not disclose if it had established a formal audit committee. Newton was also concerned that the remuneration committee was not independent; the two members were both executive directors. Given these fundamental corporate governance concerns over the company's board structure, votes were instructed against the company's report and accounts.

Votes were also instructed against two further resolutions. These related to two proposed methods and levels of issuing new shares. The first method of issuance would respect shareholders' pre-emption rights and represent c.81% of the company's existing shares. The second issuance method would dis-apply shareholders' pre-emption rights and represent c.49% of the company's existing shares in issue. Without clear justification or comfort provided by the company that the share issuance requests would be in shareholders' best interests, Newton considered the proposals to be excessive.

GW Pharmaceuticals PLC

AGM – 14 Jan 2009

Shareholders were asked to support the company's proposed new articles of association. However, the company failed to provide the necessary detail relating to the principal difference between the old and the new articles of association. Newton voted against this resolution.

Newton also voted against a further resolution. If approved, the resolution would allow the company to issue new shares, representing 20% of its issued shares. The method of issuance would allow shareholders' pre-emption rights to be dis-applied. Without adequate justification, Newton considered the potential shareholder dilution to be excessive.

Hologic Inc

AGM – 4 Mar 2009

Shareholders were asked to approve the re-pricing of outstanding share options held by the company's key employees. Newton believes that the re-pricing of share options undermines their nature, which is to encourage recipients to create sustainable value for the company and its shareholders. In addition, Newton was concerned that the vesting of share option awards are not subject to the achievement of any performance conditions and would begin vesting after just 12 months. Given concerns with the operation of the company's remuneration arrangements, Newton did not support the appointment of five compensation committee members who were seeking re-election to the board.

A further non-executive director, who was seeking re-election to the board and the audit committee, was also voted against. This nominee was not considered to be sufficiently independent to warrant membership of the audit committee. His main employment was as senior counsel at a law firm that provided services to the company.

The final resolution that Newton voted against proposed that management be given permission to adjourn the meeting should it be necessary to solicit extra votes. Newton felt that this resolution was unnecessary given that the company had provided sufficient information to allow shareholders to make informed voting decisions.

Humberts PLC

AGM – 20 Mar 2009

The company stated that owing to resource constraints it had failed to publish its annual report and accounts ahead of its AGM. This made it impossible for shareholders to make informed voting decisions with regard to a number of resolutions including the re-election of directors, the appointment of auditors and the authorities to issue shares. It was also proposed that the company re-register as a private company. Newton considered that the resolution did not warrant shareholder approval given the less stringent regulatory and reporting requirements of a private company. Newton instructed votes against all eight resolutions proposed at the company's AGM.

The Income & Growth VCT PLC

AGM – 6 Feb 2009

Newton instructed votes against a resolution seeking shareholder authority for the company to issue new shares up to 10% of the company's issued shares. The proposed method of issuance would not respect shareholders pre-emption rights. Newton's concerns centred on the company's failure to provide a qualifying statement that shares would not be issued at a discount to their net asset value (NAV).

In a separate class meeting for 'O' and 'S' shareholders, the company sought shareholder authority for a resolution that would enable the issue of shares with and without pre-emption rights as well as to buy back shares. In addition to concerns that three items had been bundled into one resolution, the company did not provide the necessary assurances that the shares would not be issued at a discount to their NAV.

Independent Investment Trust PLC

AGM – 20 Mar 2009

Newton was concerned that the chairman, who held 13% of the company's shares, was in possession of share option awards. The company's failure to justify this practice led to Newton voting against the remuneration report and the re-election of the chairman to the board. Newton also voted against the company's report and accounts. This was due to the chairman and the managing director being members of the audit and remuneration committees.

In addition, Newton voted against a resolution seeking shareholder authority to amend the company's articles of association. The company had failed to provide the necessary assurances that corporate representatives appointed by shareholders would be properly represented at the company's general meetings.

Innovise PLC

AGM – 25 Feb 2009

Votes were instructed against two resolutions that related to the issuance of new shares in the company. One of the resolutions sought to issue shares without pre-emption rights up to 58% of the existing issued share capital. The second resolution sought to issue shares up to 161% of the current issued share capital, whilst respecting existing shareholders pre-emption rights. However, the company failed to provide adequate justification for these proposed high levels of issuance.

Inveresk PLC

EGM – 26 Feb 2009

Owing to the fact that the company's board did not consist of any independent non-executive directors, Newton instructed votes against two separate resolutions. These resolutions sought shareholder approval of the remuneration report and acceptance of the company's financial statements and statutory reports.

Invesco Leveraged High Yield Fund Limited

AGM – 20 Jan 2009

In a resolution that sought an authority for the company to adopt new articles of association it appeared that the directors would have discretion to award and set the terms of any share option awards. Newton did not feel that such a level of discretion should be afforded to the board and instructed votes against the adoption of the new articles of association.

JBS SA

AGM – 30 Mar 2009

Where a company provides little or no information relating to resolution items, Newton will instruct votes against the proposals. Newton instructed votes against four resolutions proposed at the company's AGM owing to the absence of any supporting information. Votes were instructed against the bundled resolutions seeking the election of board directors, the election of the company's fiscal councillors, approval of their remuneration and an amendment to the company's articles of association.

Marston's PLC

AGM – 23 Jan 2009

A specific aspect of the company's remuneration policy caused Newton sufficient concern to instruct votes against the remuneration report and against three members of the remuneration committee, who were seeking re-election to the board. A provision within the remuneration policy allows for 50% of any vested but unexercised long-term incentive awards to be diversified into other securities that are not necessarily issued by Marston's.

Neste Oil

AGM – 3 Apr 2009

A shareholder requisitioned resolution was proposed requesting the company end its use of palm oil when producing biodiesel. Newton recognises the sustainability concerns surrounding the operations of Malaysian and Indonesian suppliers of palm oil.

However, Newton instructed votes against this resolution given Neste Oil's relevant policies and procedures in relation to sourcing palm oil in a sustainable manner. In addition, it was noted that the company is committed to sourcing certified sustainable palm oil and that the company is a member of the Roundtable on Sustainable Palm Oil, which promotes the sustainable growth and use of palm oil.

Northern Aim VCT PLC

AGM – 18 Feb 2009

The company sought shareholder authority to issue shares with pre-emption rights equivalent to approximately 134% of its current issued shares. Without adequate justification, Newton felt the level of share issuance to be excessive and instructed votes against this resolution. The company also requested shareholder authority to issue shares without pre-emption rights up to 10% of its current issued shares. Again, the company failed to provide any explanation for the high level of issuance and the company also failed to provide necessary assurances that shares would not be issued at a discount to their net asset value.

Parity Group PLC

EGM – 19 Feb 2009

At this EGM, Newton instructed votes against the executive share option plan. This was due to concerns over the inadequate performance conditions that would govern the vesting of awards. Newton also instructed votes against a proposal to amend the rules of the company's long-term incentive scheme. The proposed amendment would allow awards of shares to exceed 10% of the company's issued shares. Best practice states that dilution from the award of share-based incentives should not exceed 10% of the issued shares in any rolling ten year period.

Penn Virginia Resource Partners L.P.

EGM – 14 Jan 2009

A single resolution was proposed at the company's EGM. This requested shareholder approval for additional shares to be made available for making awards under the company's share-based remuneration arrangements. Three elements of the company's compensation policy meant that Newton instructed votes against this resolution. First, non-executive directors may participate in the awards of share-based remuneration. Secondly, all awards automatically vest in the event of a change of control. Thirdly, the compensation committee has the discretion to amend the terms of any outstanding awards.

Pennine AIM VCT 6 PLC

AGM – 3 Mar 2009

It was recognised that the company's listing on the Alternative Investment Market meant that it was not required to comply or explain with the provisions of the UK's Combined Code on corporate governance. However, Newton believes that all companies should adhere to best practice in relation to the broad principles of the Combined Code on corporate governance. In contrast to these principles, the company failed to elect any independent non-executive directors to its board.

Newton instructed votes against four resolutions. These resolutions included the approval of the company's remuneration report and its financial statements and statutory reports. In addition, Newton instructed votes against the resolutions relating to the appointment of two non-independent non-executive directors, who were seeking re-election to the board.

Porto Seguro SA

AGM – 27 Mar 2009

Shareholders were asked to approve the remuneration of the company's executive and non-executive board directors. Newton instructed votes against this resolution. The company did not provide any information that would enable shareholders to make an appropriate assessment of the proposed resolution.

Punch Taverns PLC

AGM – 14 Jan 2009

The company failed to provide shareholders with sufficient detail in order to analyse a proposed new share incentive plan, which was intended to provide an incentive to the company's managing director of its spirit business. Based on the level of detail provided, Newton concluded that the plan could provide excessive levels of reward without creating significant value for shareholders. Newton instructed votes against the company's remuneration report.

Retec Digital PLC

EGM – 10 Feb 2009

The company requested shareholder authorisation to de-list from the Alternative Investment Market (AIM) and become a private company. Newton instructed votes against the resolution as it did not consider that de-listing was in shareholders' best interest given the reduced liquidity of the company's shares and the less stringent regulatory and reporting requirements imposed on a private company.

Rights & Issues PLC

AGM – 20 Mar 2009

Newton had concerns regarding the company's failure to establish separate audit and remuneration committees. Instead, the whole board formed the function of these committees, which meant that an executive director and a non-independent chairman were members of these committees. Newton also had concerns over the independence of one non-executive director given that he is the chairman of Intelek, a company 14% owned by Rights & Issues. Newton instructed votes against the report and accounts, the re-election to the board of the chairman and the non-independent non-executive director.

Royal Bank of Canada

AGM – 26 Feb 2009

A shareholder requested that the company reviews its short selling practices. The proponent stated that the company should be prepared to permanently cease such activities. Newton felt that the proponent's concerns surrounding the practice of short-selling would be best addressed at an industry and regulatory level. Votes were instructed against this resolution.

A further three shareholder proposed resolutions were also voted against. Newton believed that the resolutions were in connection with matters that would be better left to the discretion of the company's board of directors. It was requested that the number of outside directorships held by a director be limited to three, that the number of female board members be increased and that the number of non-executive directors on the board that are current or former CEOs of other companies be limited.

Samsung Electronics Co Ltd

AGM – 13 Mar 2009

It was proposed that shareholders support a resolution to approve the total remuneration paid to the company's executive and non-executive directors. Newton instructed votes against this resolution. The resolution included proposed retirement benefits for four former directors of the company. Two of these former directors had been found guilty of tax evasion. Newton did not consider it appropriate for the company to be rewarding such individuals with retirement benefits.

The Shaw Group Inc

AGM – 28 Jan 2009

Since 2005, the company's auditors had cited material weaknesses in the company's internal controls. Eventually, these led to the restatement of the company's earnings and incomes. In addition, Newton had concerns with a specific aspect of the company's

bonus arrangement. Certain executive directors receive guaranteed bonus, which may be up to 75% of their base salaries, irrespective of performance. Furthermore, certain executive directors may use of the company's aircraft for their personal use. This equated to a combined benefit for the CEO and FD of US\$1.2m.

Given the apparent failings of the audit committee and the excesses approved by the compensation committee, Newton instructed votes against six non-executive directors who were seeking re-election to the board and also re-election to either the audit committee, compensation committee or to both of these committees.

Newton also instructed votes against the resolution seeking shareholder approval of the company's omnibus incentive plan. This was due to the fact that non-executive directors are able to participate in the plan.

Lastly, Newton voted against a resolution entitled "other business". Concern centred on the potential for matters to be raised and approved at the time of the AGM that may not be in shareholders' best interests.

Siemens AG

AGM – 27 Mar 2009

Three proposed resolutions, if approved, could lead to shareholders' pre-emption rights being dis-applied in the event of an issuance of shares representing up to 29% of the company's issued shares. Without adequate justification from the company, Newton considered the potential dilution of shareholder value to be excessive and instructed votes against these three resolutions.

A further resolution was also voted against. This sought shareholder approval for the introduction of performance-based remuneration for the company's non-executive directors. It was proposed that the awards would vest subject to the company's earnings per share performance. Newton believes that rewarding non-executive directors in this way could jeopardise the need for the non-executive directors to exercise independent judgement.

SVM Global Fund PLC

AGM – 20 Jan 2009

The company sought shareholder authority to dis-apply existing shareholders' pre-emption rights. If passed, this authority would allow the company to re-issue shares, held in its treasury account, at a discount to their net asset value. While the company had incorporated certain safeguards for shareholders, Newton did not consider the resolution to be in shareholders' best interests and instructed votes against its approval.

Taewoong Co

AGM – 26 Mar 2009

A number of amendments to the company's articles of association were proposed for shareholder approval. One of the proposals sought to allow the company to issue an uncapped number of shares, while dis-applying existing shareholders' pre-emption rights. Newton instructed votes against this resolution as it could excessively dilute existing shareholders' value and act as an anti-takeover mechanism.

Shareholder authorisation was also requested for two resolutions that would allow the board to determine the remuneration of the board directors and the company's internal auditor. No information was disclosed in relation to these two resolutions. Given that Newton was not provided with the detail for the proposals it was asked to approve, votes were instructed against these two resolutions.

Temple Bar Investment Trust PLC

AGM – 30 Mar 2009

Following the implementation of the Companies Act 2006, there has been uncertainty in relation to appointing multiple corporate representatives that represent a single shareholder nominee. Without a company stating that it will follow the Institute of Chartered Secretaries and Administrators (ICSA) guidance on this matter, the company may dismiss the votes cast by corporate representatives at general meetings. Newton voted against a resolution at this AGM that sought shareholder approval for the company to amend its articles of association in line with the 2006 Act. The company failed to provide the necessary assurances that it would adhere to the ICSA guidance in relation to the handling of corporate representatives.

Terna Participacoes S.A.

AGM – 10 Mar 2009

The lack of any substantive information provided ahead of the company's AGM led to Newton instructing votes against two resolutions. These were in relation to the election of a board director and approval of the remuneration of all board directors.

Thomas Cook Group PLC

AGM – 19 Mar 2009

Newton had a number of concerns with the company's remuneration structure. Last year, the chief executive and finance director were awarded "one-off" synergy bonuses. However, this year the company introduced a further synergy bonus. The company did not seek shareholders' views on this additional one-off bonus and the company provided little explanation as to its

necessity. Newton was also concerned that other elements of executive remuneration were being increased significantly without adequate rationale being provided by the company. Newton instructed votes against the remuneration report and a member of the remuneration committee, who was seeking re-election to the board.

Tyson Foods Inc

AGM – 6 Feb 2009

Newton did not support the re-election of three members of the compensation committee. This decision was taken after it was discovered that the company reimbursed the retired CEO for the tax charges incurred on the benefits he received. Newton does not consider it the company's responsibility to manage the tax liabilities of its executives, which, in this instance, equated to US\$185,000. Additional concern was also had with the lack of detail being provided relating to the terms of the CEO's termination payment. Given these poor remuneration practices, Newton did not support three members of the compensation committee, who were seeking re-election to the board.

A shareholder submitted a resolution, which requested that the company disclose the greenhouse gases (GHG) emissions for individual products on product packaging. While Newton is supportive of initiatives that aim to enhance companies' disclosure, Newton was concerned that, in this case, the shareholder proposal would be too arduous for the company to implement. The proposal requested Tyson Foods to calculate and disclose specific levels of carbon dioxide, nitrous oxide and methane per serving of each of its products. To provide a true picture of the environmental impact, information would need to be gathered from the company's own operations and the operations of its contractors. Given the challenges involved with disclosing the carbon footprint at product level and the lack of a single widely accepted standard for making such calculations, Newton instructed votes against this resolution.

Victoria Petroleum N.L

EGM – 10 Feb 2009

The company proposed, for shareholder approval, a grant of share options to the company's managing director. In contrast to best practice, the vesting of the share options would not be subject to performance and would become exercisable after twelve months, rather than three years. Newton instructed votes against this resolution.

A further four resolutions were also voted against. These related to the separate grant of share options to four independent non-executive directors. Given that the company was in a financially

stable situation and the directors all received adequate cash fees, Newton did not consider it appropriate to jeopardise their independence through the offer of share options.

Wah Sang Gas Holdings

EGM – 23 Mar 2009

While the Hong Kong stock exchange had suspended trading in the company's shares, it was requested that shareholders support a resolution that sought acceptance of the company's last five years' financial statements and statutory reports. Newton was aware that the company's auditors had issued an adverse opinion on the 2004 accounts and a qualified opinion on the 2005 accounts. There was also an indication of material uncertainty in relation to the company's 2006, 2007 and 2008 accounts. Given the uncertainty over the validity of the company's financial statements and statutory reports, Newton instructed votes against this resolution.

William Ransom & Son PLC

EGM – 13 Jan 2009

Two of the company's former executive directors, representing c.28% of the company's shares, requisitioned this EGM and proposed seven resolutions. The intention of the proponents was to remove the three directors from the board and appoint themselves, together with two of their own nominees. Newton instructed votes against each of the seven resolutions. Newton felt that the relatively new management team at the company was making good progress in restructuring the business. In addition, it was considered that the proponents should make a takeover offer for the company should they wish to have effective control of its operations.

Issuance of new shares

At the meetings listed in the table below, Newton voted against resolutions seeking shareholder authority to issue new shares. This reflected either the dis-application of pre-emption rights or excessive levels of issue without adequate explanation. The guidance from The Pre-emption Group suggests that a company should provide justification to shareholders should it wish to dis-apply pre-emption rights above 5% of its issued shares.

Company	Meeting type	Date	Issue without pre-emption rights	Issue with pre-emption rights
Anglo Platinum Ltd	AGM	30 Mar 2009	73.7%	
Baronsmead VCT 3 PLC	AGM	18 Mar 2009	24%	
Hardy Underwriting Bermuda	EGM	31 Mar 2009	46%	
Lombard Medical Technologies PLC	EGM	26 Jan 2009	120%	120%
Pico Far East Holdings	AGM	19 Mar 2009	30%	
Phynova Group PLC	AGM	19 Mar 2009	665%	
Samsung Heavy Industries Co Ltd	AGM	13 Mar 2009	30%	
Woongjin Coway Co	AGM	20 Mar 2009	50% or Unlimited	

Xstrata PLC

EGM – 2 Mar 2009

Shareholder approval was sought for the company to acquire Prodeco, a thermal coal company, from its largest shareholder, Glencore, for US\$2 billion. In an announcement from the company, it was stated that an agreement could not be reached between the two parties as to an appropriate valuation of the business. To overcome this apparent stalemate situation, it was proposed that Glencore be granted a call option to allow it to buy back Prodeco after two years for US\$2.25 billion. In connection with this resolution, three further resolutions were also proposed. These related to the company's desire to raise US\$4.1 billion of capital by way of a rights issue. In effect, all the proposed resolutions were bundled together. The company stated that all four of the resolutions had to be passed for any one of them to be enacted.

Newton's main concern was with the preferential treatment being given to the company's largest shareholder, Glencore. It appeared that Xstrata was providing Glencore with a loan to enable it to participate in the proposed rights issue and thereby enabling it to maintain the level of its shareholding in Xstrata. Newton also considered that the terms of the proposed deal were not necessarily in the best interests of all shareholders. Votes were instructed against the proposed acquisition and against the proposed rights issue.



Examples of corporate governance engagement

Where clients provide Newton with discretion over the exercise of their voting rights, Newton undertakes corporate governance engagement activity in relation to their underlying investments. Below are examples of corporate governance engagement carried out during the quarter. This is not an exhaustive list of all engagement activity.

UK support services company – January 2009

Engagement subject: Remuneration

Contacts: Chair of the remuneration committee

Remuneration consultant

Remuneration consultant

The chairman of the remuneration committee wrote to Newton detailing proposed amendments to the company's remuneration structure. The proposals followed an analysis of the company's remuneration arrangements, which had not been reviewed since 2005.

In summary, it was proposed that the maximum bonus potential be increased by 33.3%, a new co-investment matching scheme be established and a long-term incentive plan (LTIP) be introduced that would enable awards to be double that of existing arrangements.

While Newton was minded to support the increase in the maximum annual bonus awards, concern was had in relation to the arrangements for the new co-investment plan. Specifically, Newton failed to appreciate why participants should receive a guaranteed match of one share for every two shares that had been committed to the plan. Newton also expressed concern with the structure of the proposed LTIP. It was proposed that the total shareholder return (TSR) performance condition governing the vesting of the existing LTIP be replaced with earnings per share (EPS) and return on invested capital (ROIC) measures. In effect, this would create two new LTIPs. Newton suggested that an underpin, such as TSR, should be achieved before either of these awards are able to vest. Ideally, a matrix approach between EPS and ROIC would govern the levels of vesting of the proposed LTIP awards, such that a minimum level of performance would need to be achieved for both measures before any vesting could occur. The remuneration committee concluded that it would not introduce an underpin or adopt a matrix approach in relation to the vesting of LTIP awards. However, the remuneration committee agreed to Newton's suggestion that the ROIC performance range be widened.

On a general matter, it was suggested that a 'clawback' provision be incorporated within the various remuneration arrangements, such that monies would be retrieved should it be discovered that remuneration had been based on a mis-statement of results. While the remuneration committee did not consider it

appropriate to introduce such a provision, a commitment was made to keep this decision under review.

UK utility company – February 2009

Engagement subject: Remuneration

Contact: Chairman

The company sought shareholders' views on a proposal to alter its deferred annual bonus arrangement. It was proposed that the calculation of economic profit (EP), which determines part of bonus payments, be amended from a cumulative method to a point-to-point method. It was also proposed that the level of bonus that is compulsorily deferred be increased by 10% of an individual's bonus payment. While it was felt that the proposals were sensible, Newton questioned the appropriateness of using EP as a performance measure and explored other performance measures that may be viable. It was concluded that EP was an appropriate measure provided the remuneration committee exercised its discretion to determine the sustainability of achieved EP performance.

UK support services – February 2009

Engagement subject: Remuneration

Contacts: Chair of the remuneration committee

Company secretary

Newton was consulted by the company on proposed changes to its remuneration structure. The company explained that executive directors' maximum potential annual bonuses, other than for the CEO, would be increased to 100% of salary. Previously they were 90% of salary. However, the level of vesting for target performance would be reduced to 40%, where previously this had been 66.6%. In addition, a 'clawback' provision would be introduced that would provide a mechanism for retrieving bonus payments should it emerge that their payment resulted from a misrepresentation of results. The company also proposed that the earnings per share performance condition, which governs 50% of the vesting of long-term incentive awards, be suspended. Instead, an operating margin measure would be introduced.

Despite being relatively comfortable with the proposed changes, Newton raised a number of matters relating to the company's remuneration arrangements. On questioning, it was discovered

that the company's CEO would be awarded a salary increase of c.20%. While it was recognised that this decision had been taken in July 2008, Newton requested that justification for this increase be fully explained within its next remuneration report. Given that the company's existing long-term incentive plan (LTIP) is due to expire next year, the company explained that later in the year it would be seeking to introduce a new LTIP. In developing the new LTIP, Newton suggested that the remuneration committee consider introducing a formal underpin to the performance condition that governs the vesting of awards. Also, it was suggested that a deferral period for vested awards be incorporated or that a 'clawback' provision be established.

US health care equipment & services company - February 2009

Engagement subject: Remuneration

Contacts: Compensation Director

Investor Relations

The company requested Newton's views on four proposed amendments to its 2007 long-term incentive plan (LTIP). First, it was proposed that a clause in the LTIP that prohibits the repricing of any outstanding awards be clarified and formalised. Secondly, dividend equivalent rights would be made to holders of outstanding awards. Thirdly, a policy would be introduced that would allow the 'clawback' of awards should it be discovered that they had vested as a result of mis-stated performance. Fourthly, it was proposed that the number of shares that could be awarded under the LTIP be increased by 7.5 million shares.

Newton was comfortable with the first three of these proposals but had misgivings over the last proposed amendment. Historically, the company had made significant share-based remuneration awards and the proposed increase of 7.5 million shares would only further aggravate the problem. On a fully diluted basis, over time, shareholders could suffer dilution of up to 21%. Newton explained to the company that such a level of dilution was excessive. The company later compromised by increasing the number of shares available for future LTIP awards by 1.375 million.

While the company only requested Newton's feedback on the four LTIP related proposals, Newton took the opportunity to gain a better understanding of the wider remuneration policy at the company. Newton was encouraged that the LTIP awards vest subject to relevant performance targets of operating cash flow and return on invested capital and that the performance period is for a minimum of three years. Newton was also encouraged that the compensation committee regularly reviews the

appropriateness of these performance conditions as key drivers of shareholder value. Furthermore, Newton gained the necessary comfort that the remuneration policy for non-executive directors did not compromise their independence.

South Korean telecom company - March 2009

Engagement subject: Service contracts

Contact: Investor Relations

At its AGM, the company sought shareholder approval to amend the terms of severance payments. Specifically, the company intended to add 'senior vice president' to the list of executives eligible for severance payments. Unfortunately, in contrast to best practice, the company failed to provide the terms of these severance payments. Newton contacted the company in an effort to gain further information that would enable an informed voting decision to be made. The company responded with a clearly defined calculation methodology for potential severance payments that could become payable to a senior vice president. In addition, similar information was provided in relation to the service contracts of the CEO, executive vice president and vice president positions. Newton considered that the potential severance payments would not be excessive or viewed as payment for poor performance.

UK insurance company - March 2009

Engagement subject: Proposed AGM resolutions

Contact: Company Secretary

Ahead of the company announcing its AGM, Newton's views were sought on a number of the proposed resolutions. Newton was encouraged by the company's attention to detail in capturing changes within the regulatory environment together with advancements in best practice. Newton requested further detail and received useful clarification in relation to proposed amendments to the company's articles of association. In addition, the company's responses to questions concerning the renewal of the executive share option scheme gave Newton confidence that key areas were being effectively managed. However, Newton stated that it would reserve overall judgement on the company's approach to corporate governance matters until the company publishes its report and accounts for the year.

Brazilian bank - March 2009

Engagement subject: Proposed AGM proposals

Contact: Investor relations

Newton contacted the company in an effort to gain information relating to resolutions proposed at its AGM. These resolutions

included the election of directors, election of fiscal council members, approval of remuneration arrangements and amendments to the company's articles of association. Given that the company provided little information ahead of its AGM relating to these resolutions, Newton explained that it would not be able to support the proposals. Despite Newton's clients controlling c.6% of the issued shares, the company continued its reluctance to provide the necessary detail that would enable Newton to make informed voting decisions.

UK aerospace & defence company – March 2009

Engagement subject: Remuneration

Contacts: Chair of the remuneration committee

Company Secretary

Remuneration consultant

The company approached Newton with regard to certain proposed changes to remuneration arrangements. The primary change was a proposed amendment to the earnings per share (EPS) performance condition that governs the vesting of part of the company's restricted share plan. While Newton was supportive of the revised targets, the company could not adequately explain why the EPS targets for its share option scheme were not also amended in line with the restricted share plan. Newton recommended that any changes to the performance conditions of the company's performance share plan should also be reflected in the share option scheme.

UK oil & gas company – March 2009

Engagement subject: General corporate governance matters

Contacts: Chairman

Chair of the audit committee

Chair of the remuneration committee

Chair of the HSE committee

Newton met with the chairman of the company together with the chairman of the board's key committees. Many matters surrounding the company's operations were discussed. In particular, Newton sought to gain further insight into the company's approach and developments of its succession planning. Despite the company's recent set-backs in recruiting a new board member, it was clear that the company had made good progress in the area. Newton took comfort that the company now recognises the importance of having an effective process and policy in relation to succession planning.

Other matters discussed included the company's proposed remuneration arrangements for the coming twelve months. It was evident that the remuneration committee had been spending a

considerable amount of time getting the right structure in place and making small amendments to reflect the company's evolving business strategy.

Insight into the operation of the company's audit committee was also of particular interest to Newton. Following significant organisational changes, the company described the structure of its internal audit function and how resources had been increased in this area. The company's explanation of the centralised and coherent approach that was now being taken in this area provided comfort.

Events over the past few years have proven that gaps exist in the implementation of the company's environmental and social policies. Newton believes that the company now properly recognises the value to be gained from effective environmental and social management systems and it is expected that the company will be making significant improvements in this area.

UK health care equipment & services company – March 2009

Engagement subject: General corporate governance matters

Contacts: Chairman

Non-executive director

A meeting was had with the company's chairman and a non-executive director. The purpose of the meeting was to achieve a deeper understanding of the company's board evaluation process, succession planning policy and attitude towards risk. In addition, Newton took the opportunity to garner the chairman's views on the company's recent acquisitions and its strategy in this area.

Newton was convinced that the necessary corporate governance matters were being well managed by the board and its relevant committees. However, Newton felt that it would be useful if more detailed descriptions of key policies were included within the company's annual report. On a specific matter, Newton recognised that there was a lack of refreshment amongst the non-executive board members. However, Newton accepted that the stability and experience of the non-executive board was important given that the company's recently appointed CEO had initiated personnel changes at the heads of most of the company's operating divisions.

UK insurance company - March 2009

Engagement subject: Capital raising methodology

Contacts: Chief financial officer

Company secretary

Newton entered into discussions with the company to determine the detail behind its plans to raise capital by way of three different share issuances. The company indicated that the raised capital would be used to fund new business opportunities and was not needed to ensure the viability of the company as a going concern. Specifically, Newton questioned the mechanics behind one of the proposed share issuances. The description of this share issuance seemed to suggest that shareholders' rights to participate would be dis-applied in the first instance, but shareholders could clawback these rights at a later stage. Given that the company proposed a level of share issuance of 46% of its issued share capital and that it would be priced at a c.10% discount to the shares trading price, Newton was concerned over potential dilution to its clients' holdings. It was finally discovered that the proposed method of issuance would not respect existing shareholders' pre-emption rights. Given that the capital raising would be used to fund new business opportunities, Newton felt that it was inappropriate and unacceptable to dilute existing shareholders.

Examples of environmental & social engagement

Please note that this activity log shows examples of environmental and social engagement undertaken during the quarter. It is not an exhaustive list of all engagement.

Exploring the environmental risks and opportunities of nuclear energy

Progress Energy, Silex and EDF Energy

As demand for energy increases, and the world turns to cleaner forms of energy in a bid to combat climate change, nuclear power is being reconsidered by governments around the world.

As an investor, Newton has been exploring the investment implications, as well as the environmental and social risks and opportunities arising from a nuclear renaissance. Nuclear energy is a near carbon neutral source of power generation. Carbon emissions from nuclear power are comparable with both wind and solar. However, there are a number of environmental as well as health and safety concerns associated with nuclear power that need to be addressed. These include environmental impacts in mining uranium, transport of nuclear materials, safety of nuclear power plants and disposal of nuclear waste.

Newton met with the Advisory Secretary of State for Business, Enterprise and Regulatory Reform (BERR) to discuss the future of nuclear power generation in the UK and gain some insight into the government's view on energy generation.

Newton also met with a number of companies involved with nuclear power. This included meeting Progress Energy, an American power company with more than 21,000 megawatts of generation capacity from oil, gas, coal and nuclear. The company is exploring new nuclear build and discussions focused on political drivers, energy security, the handling of spent fuel and environmental challenges. Newton also had discussions with Silex, an Australian technology innovation company. Silex is developing alternative energy technologies such as nuclear enrichment, solar energy and thermoelectric energy. Newton's meeting with EDF Energy allowed it to explore the company's global nuclear business and its involvement in potential new nuclear build in the UK.

All these companies cited the need to mitigate climate change as a key driver for governments considering new nuclear build. During its engagement activities, Newton was able to explore the environmental and social issues affecting each company and the industry as a whole.

Sustainable Transport

Honda Motor, Ford Motor, British Airways and A.P. Moller-Maersk

Automobiles: During the quarter Newton met with a number of companies involved in the automobile sector. Specific issues discussed included fuel efficiency and the impact of the current economic environment on the companies' research and development (R&D) programmes and their continued commitment to hybrid cars and hydrogen fuel cell technology.

During a meeting with Honda Motor, the company explained that the success of its R&D programmes on fuel efficiency and alternative technologies were vital to the company's long-term competitiveness. Honda noted the need to develop cheaper alternative technologies which would appeal to a wider audience.

Ford Motor, which has one of the highest R&D budgets in the corporate world, highlighted the need for the company to streamline its R&D programme. However, Ford also noted that it would be focusing more efforts on fuel efficiency programmes and alternative technologies. The company recognises that fluctuating fuel prices have been shifting consumer preferences in the US towards more fuel efficient automobiles. In view of this, the company predicts that demand for its smaller and more fuel efficient European models will increase in the US market.

Aviation: Newton has been actively following the debate on controlling carbon dioxide emissions from the aviation industry. Australia will include domestic aviation in its emissions trading scheme, which will commence operation in the next few years. Similarly, the European Union (EU) has stated that air traffic within the region and international air traffic that arrives in or departs from the region will be linked to EU emissions trading scheme (ETS) from 2012. During the quarter, Newton met with a number of industry experts to understand the costs implications as a result of participation in the EU ETS for companies in the aviation industry.

Newton was also in dialogue with British Airways (BA) to discuss the company's initiatives to improve fuel efficiency of its aircraft fleet and its strategy ahead of the EU ETS. BA was the first airline to gain practical experience through participation in the UK Emissions Trading Scheme, which was a voluntary emissions trading system created as a pilot prior to the EU ETS.

In January 2009, BA disclosed a new long-term carbon emissions reduction target, which is to reduce the company's absolute carbon emissions by 50% by 2050. The company also has a carbon efficiency target to reduce carbon dioxide per passenger kilometre by 25% by 2025. BA has identified its carbon efficiency reduction target as one of its overall corporate goals, signalling the importance of the need to reduce emissions to its business. The strategic importance BA gives to environmental concerns is also highlighted by the fact that Willie Walsh, BA's chief executive, chairs the company's Corporate Responsibility Board. Newton commends BA's strategic approach to the governance of its environmental issues. In Newton's view, the company is in a strong position both to manage the risks and take advantage of opportunities involved with any future carbon trading scheme applicable to airliners.

Maritime: Newton has also been in discussion with A.P. Moller-Maersk, the world's largest shipping company. In September 2008, A.P. Moller-Maersk published its first consolidated Health, Safety and Environment (HSE) Report. Newton discussed with the company its plans to develop its reporting and expand its efforts to address HSE issues in the company. Other issues that were raised included A.P. Moller-Maersk's approach to managing oil spills, handling of ballast water, as well as introducing inventories of hazardous and potentially hazardous materials in its ships.

Regarding A.P. Moller-Maersk's HSE performance, Newton raised concerns over the number of fatalities that had occurred in A.P. Moller-Maersk's transport operations. The company ensured Newton that it is taking every possible measure to reduce the number of fatalities to zero. Thorough investigations were conducted to find the causes of each incident in order to implement necessary measures to make sure they would not be repeated. As part of a wider HSE action plan, the company has also implemented new management training programmes to increase focus on safety in its transport operations.

Newton also inquired how human rights issues are managed at A.P. Moller-Maersk and asked whether the company had considered becoming a signatory to the United Nations Global Compact Principles. A.P. Moller-Maersk explained that its board had considered becoming a signatory to the initiative and that the company was now in the process of ensuring it would be able to effectively report on its progress in implementing the principles before joining the initiative. Newton is supportive of the company's cautious approach. There has been much criticism of companies signing onto the principles without proper

commitment and without following up with a communication of progress. The UN Global Compact requires that companies report on their progress in implementing the principles within two years of becoming a signatory. Following our conversation with the company, A.P. Moller-Maersk announced in its annual report that it had become a signatory to the initiative.

Company disclosure on environmental and social issue

Assessment and subsequent engagement

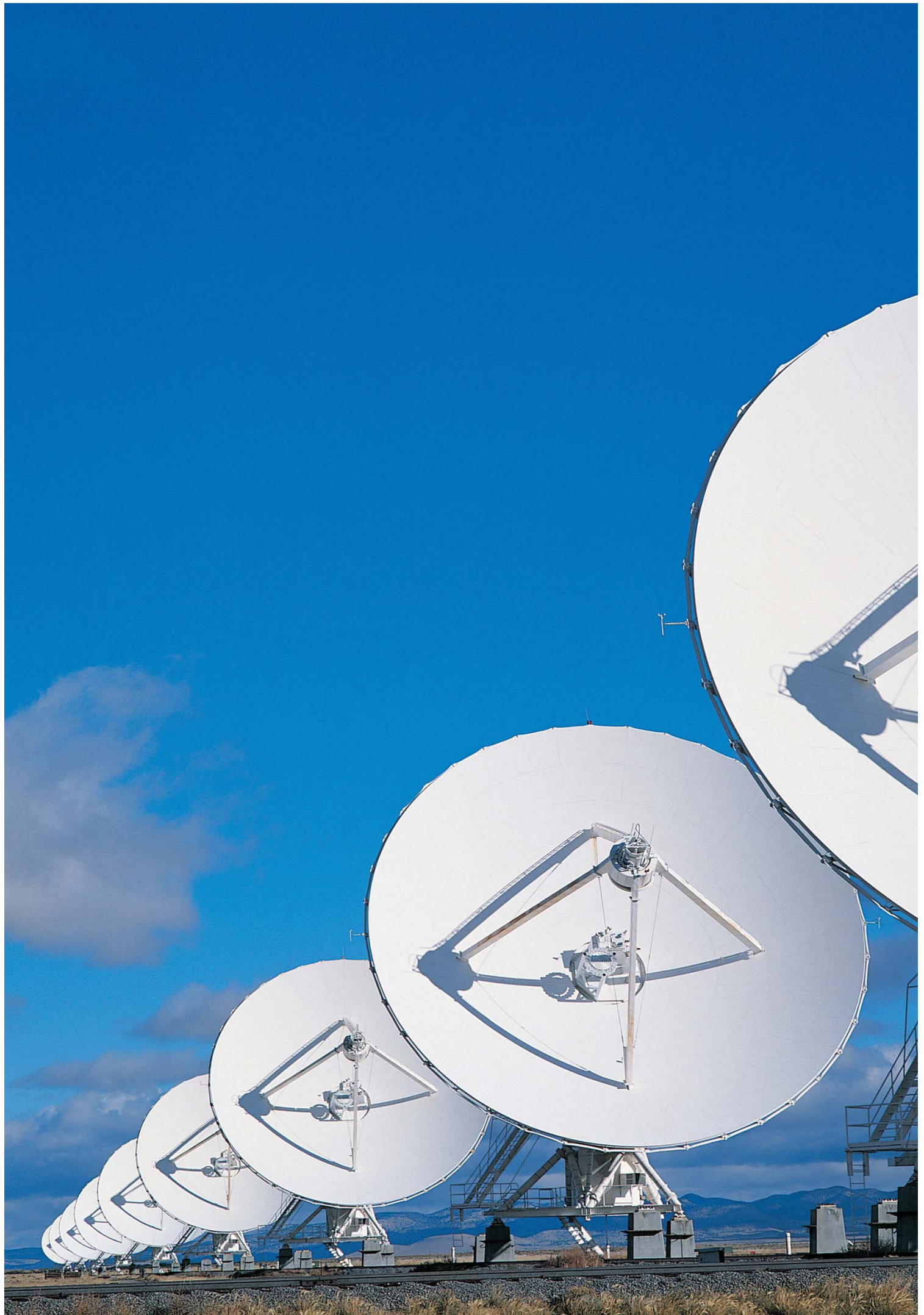
As part of Newton's governance activities, environmental and social assessments are conducted of Newton's largest holdings. Newton engaged with a number of companies on ESG disclosure and practices during the quarter.

Microsoft, Corp: At the Microsoft's annual general meeting (AGM) in November 2008, Newton voted against a shareholder resolution requesting the company to adopt a board committee on human rights. Newton did not consider that the resolution warranted shareholder approval given the company's existing human rights policies and procedures, including its code of conduct. Newton also noted that Microsoft's Governance and Nominating committee is responsible for overseeing human rights matters. Following the AGM, Newton met with Microsoft to discuss further the company's governance arrangements in relation to corporate citizenship and human rights. The meeting highlighted how Microsoft's Corporate Citizenship programme is integrated into the company's overall corporate strategy and business review processes. Newton commends Microsoft's approach to corporate citizenship and would like to see more US companies addressing relevant environmental and social issues at board level.

Hologic, Inc: Newton has been in dialogue with the company to encourage greater disclosure of its environmental and social reporting. Newton's concerns centre on the high environmental intensity of Hologic's operations as a developer, manufacturer and supplier of diagnostics, medical imaging systems, and surgical products. Given the nature of Hologic's operations, Newton would expect reporting on the standards that the company adopts in relation to employee issues including the wider health and safety policies, waste management, and environmental procedures within the business. Newton encouraged the company to expand its disclosure on managing and mitigating these environmental and social risks to the business.

Melrose PLC: Newton held a conference call with the deputy company secretary of Melrose, the specialist UK manufacturing investor, to explore how the company was addressing the lack of disclosure on environmental and social risks to the business. The company acquired FKI (the international diversified engineering group) last year and during the end of 2008, the company spent time understanding FKI's corporate social responsibility (CSR) programme. Melrose has since used this programme as a base for rolling out a CSR strategy across the business. The company is in the process of compiling its annual report and accounts; it has increased the level of disclosure on environmental, employee and health & safety risks this year. Newton encouraged the company to ensure minimum standards were in place across the business. The call provided an opportunity to explore additional key environmental and social risks that the company should consider reporting in future.

Wincanton PLC: Newton contacted the company to discuss fuel efficiency as part of its overall environmental strategy. Newton was encouraged to learn about the holistic approach the company is taking in managing the environmental risks to the business. Wincanton asked Newton to conduct a review of the company's draft five year environmental strategy. Newton perceives Wincanton's approach to managing this strategy highlights the key impacts, risks and opportunities facing Wincanton in terms of climate change and other environmental issues. As a next step, Newton would like to see the company disclose key performance indicators.



Environmental, social and governance (ESG) themes

As part of Newton's responsible investment work, the risks and opportunities of environment, social and governance issues are identified and researched. Below are examples of issues examined during the quarter. This is not an exhaustive list of all themes covered and work remains ongoing.

ESG issue: Climate change and carbon

Policy and trading update

Poznan: Since the UN Climate Change Conference in Kyoto in 1997, a number of investors have been closely monitoring the policy process for developing climate change legislation. To encourage greater clarification from policy makers, Newton signed the investor statement on a global climate change agreement that coincided with the most recent UN climate change meeting in Poznan, Poland in December 2008.

Following the meeting, Newton participated in a roundtable discussion that sought to explore the issues for investors arising from the Poznan meeting. The roundtable aimed to identify the key issues that investors need to address in the lead up to next UN Climate Change Conference in Copenhagen at the end of 2009. A large part of the discussion focused on the US government's new approach to tackling climate change and the implications for a stronger agreement on carbon emission targets. Challenges still exist around how developing nations, such as China and India, will reduce their carbon emissions, given that they rely heavily on coal as an energy source.

Carbon trading update: Over the next few years, the Australian government is planning to launch a trading scheme similar to the European Union Emission Trading Scheme (EU ETS) that was established in 2005. The Australian scheme, which was initially intended to commence in 2010, looks likely to be postponed until 2012. The scheme will cover a wide range of sectors including aviation and shipping. Last year, the EU decided to extend the range of sectors covered by the EU ETS beyond power generation and energy-intensive manufacturing industries to include aviation from 2012 onwards.

Greenhouse gas abatement cost curve: As part of its continued work on climate change, Newton explored a greenhouse gas abatement cost curve that has been compiled by McKinsey. This cost curve has been sponsored by 10 global companies and organisations including the Carbon Trust, Shell and Volvo. The cost curve aims to provide a quantitative basis for debating the actions most effective in mitigating climate change. It concludes that it will be possible to reduce greenhouse gas emissions sufficiently to hold global warming below a rise of two degrees Celsius. However, in order to achieve this, all regions and sectors will need to make large scale operational changes in order to

capture the full potential of abatement available to them. Globally, the costs and investments are manageable. However, the challenges for individual sectors will be significant. The abatement cost curve suggests that a delay of even 10 years would result in a failure to hold global warming below the 2 degree Celsius target.

Emissions reporting: The UK government is currently developing detailed guidance on reporting of greenhouse gas emissions for companies. Newton was invited to participate in a roundtable for key investment bodies hosted by the Department for Environment, Food and Rural Affairs (Defra) to discuss its initial thinking. The roundtable provided an opportunity for investors to share their views on the suggested guidance and raise the practicalities, limitations and challenges such reporting may create for companies, sectors and regions in which they invest. Newton was able to voice its view over the adoption of mandatory reporting on emission, and advocated the "comply or explain mechanism" already in place for corporate governance reporting. Newton believes reporting need not be a regulatory burden but should be as flexible as possible to incorporate the complex differences between companies and sectors.

Climate change adaptation: Newton attended an event exploring the economic impacts of climate adaptation. Historically, climate change research has largely focused on mitigating the risks and reducing carbon. Less attention has been given to the unavoidable physical consequences of climate change. The seminar explored both the risks and opportunities of climate change adaptation. A variety of topics were covered including the impact of shifting weather impacts on food security, government infrastructure, insurance liabilities, water availability and tourism. Climate change may also bring opportunities for investors through new products and services, such as a growth in renewable energy, clean waste management, housing and weather warning systems.

ESG issue: Water

The impact of Australia water shortages on mining and the Water Mandate

Newton examined the environmental issue of water scarcity within the Australian mining sector. Water scarcity is a serious concern around the world as populations grow, living standards

improve and the physical consequences of climate change affect weather patterns. Australia has been suffering from severe drought conditions in many regions over recent years. Consequently, Australia has seen an increased burden on already limited fresh water reserves. This could increase government intervention and infrastructure costs, placing increased financial burden on water intensive industries. This has implications for mining companies, such as BHP Billiton, operating in Australia.

In December 2008, Newton joined the CEO Water Mandate, an initiative of the UN Global Compact. Together with other investors, Newton wrote to 100 of the world's largest companies asking them to consider an initiative that will aid in improving policies and practices around the use of water within their businesses. Six of the world's largest companies have responded to engagement, including Bayer AG, Royal Dutch Shell and Heineken. A further nine companies have said they are currently considering endorsing the CEO Water Mandate. The investor coalition is now following-up with non-respondents.

ESG issue: Social reforms

Impacts for the US pharmaceutical and healthcare sector

During the quarter, Newton explored how social issues are driving pharmaceutical reform in the USA. The healthcare system in America is viewed as one of the most inefficient in the world. New US healthcare reforms, that place a greater emphasis on the benefits to society and address the issue of a too-costly health service, are likely by 2010.

Healthcare spend is the most costly item in the US government budget, with more money being spent on healthcare than on defence. The US government is likely to push for social reforms in healthcare through changing legislation that will allow it to negotiate drug prices with pharmaceutical companies. This would reduce government costs but potentially at the expense of the pharmaceutical companies.

Newton has been engaging with the pharmaceutical sector for many years and has set up a meeting with Pfizer to discuss the importance of managing environmental and social risks. Companies adopting enlightened corporate responsibility programmes embedded in the business will be able to demonstrate social benefits and minimise the financial cost of any new social reforms proposed by the government. Specifically, issues may include access to medicines, affordable healthcare, product safety and drug trials.

ESG issue: Health & safety

Debating the social benefits of genetically modified food versus safety fears

Genetically Modified Organisms (GMOs) are one of the more contentious current scientific developments. Many believe GMOs can provide the answer to food shortages around the world and create crops tolerant of extreme weather patterns. The current generation of genetic modification has the potential to offer farmers improved flexibility in weed control. In addition, farmers can benefit from cost and time saving and an increased yield, thereby reducing the fuel required to maintain and harvest crops.

Yet concerns remain over the safety of GMOs for both consumers and the environment. A number of studies have been cited as evidence that GMOs have a negative impact on human and animal health as well as the environment. Studies suggest GMOs may cause allergic reactions, are no more nutritious and do not have higher yields than non-GM crops. Opponents believe that industry and governments have overstated the benefits of GM crops.

Newton explored the opposing arguments and what these meant for companies involved in GMO technology, examining both the importance of identifying all the environmental and social risks as well as the opportunities within the sector and associated businesses.

ESG issue: Human rights

Engagement on Sudan with the oil & gas sector

Newton has been actively involved with the Sudan Engagement Group, which is comprised of a number of international institutional investors, all of whom are UN Principles for Responsible Investment signatories. The group believes that company exposure to Sudan poses additional risks and the group is aware of ongoing calls for international companies to withdraw from Sudan. However, the Sudan Engagement Group believes that withdrawing from a country may not always be the most viable or constructive solution for protecting human rights and promoting strong governance, long-term stability, and economic development that would benefit the ordinary citizens. Therefore, the group is involved in ongoing engagement with relevant companies to encourage the companies operating in Sudan to act responsibly, respect human rights and contribute in a positive way to a resolution of the crisis.

Company meeting log

During the quarter Newton analysts and fund managers had individual meetings with the management of 218 companies to initiate or maintain dialogue around financial performance and/or responsible investment matters. The insights gained through this engagement are used when making investment decisions. Meetings were held with the following companies:

ABB	Capita Group	GlaxoSmithKline
Acergy	Capital One Financial Corp	Go-Ahead Group
Admiral Group	Canon Marketing	Greenhill
Aegon	CBA Management	GT Solar
Air Liquide	Centrica	Hardy Oil & Gas
Aker Solutions	Chugai Pharmaceutical	Hardy Underwriting Bermuda
AMMB	Cisco Systems	Hargreaves Lansdown
AMP	CLP	HDFC Bank
Anglo American	Cobham	Hewlett Packard
Antofagasta	Companhia Vale Do Rio Doce	Honda Motor
Aon Corp	Consolidated Edison	Hopewell Highway Infrastructure
A.P. Moller-Maersk	Constellation Energy Group	Hospira
Applied Materials	Cookson Group	HSBC
ARM Holdings	Covidien	HTC Corporation
Arrow Energy	CSL	Huabao International Holdings
Asahi	Daito Trust	IG Group
Assicurazioni Generali	Dana Petroleum	Imerys
AT&T	Danone	IMI
Atkins (WS)	Davis Services Group	Indus Gas
Austrian Post	DBS Bank	Informa
Autonomy	Dechra Pharmaceuticals	Intercontinental Hotel Group
AXA	Deere	Integra
AXA Pacific	Denbury Resources	International Power
Axel Springer	Deutsche Boerse	Interserve
BAE Systems	Deutsche Post	Intertek Group
Balfour Beatty	Devon Energy Corp	Japan Tobacco
Bank of the Philippine Islands	Devro	Jardine Lloyd Thompson
Bank of Yokohama	DNB NOR	Julius Baer
Banorte	Domino's Pizza UK & Ireland	Karoon Gas
Barrick Gold	eaga	KDDI
Bavarian Nordic	EDF	Kirin Holdings
BBA Aviation	Energy World Corp	KPN Management
Beckman Coulter	EnergySolutions	Kubota
BG Group	ENI	Labopharm
BHP Billiton	ENRC	Lonza Group
BP	Finmeccanica	Lukoil
British Airways	First Merit	Makhteshim-Agan
British American Tobacco	Ford Motor	Medtronic
Bunzl	Futuris Management	Melrose
Cable & Wireless	GALP Energia SGPS	MetLife
Capcom	GKN	Microsoft

Millicom International Cellular
Mitsubishi
Moody's Corporation
The Mosaic Company
Nestlé
National Express
Nidec
Nobel Biocare
Novo Nordisk
Novozymes
NTT Docomo
Oil Search
Old Mutual
Opera Software
Oriflame Cosmetics
People's United Financial
Pearson
Pensions Insurance Corporation
Praxair
Premier Farnell
Progress Energy
Pronova Biopharma
Prudential
Prudential Financial
Prysmian
PTT Group
PV Crystalox Solar
PZ Cussons
QBE Insurance Group
Quadrise Fuels
Quanta Services
Red Electrica
Renishaw
Resona
Rexam
Roche
Rohm
Royal Caribbean Cruises
RSA Insurance Group
Saipem
Santos
Serco
Severn Trent
Shire
Silex
Sinoland
Smith & Nephew
Snam Rete Gas

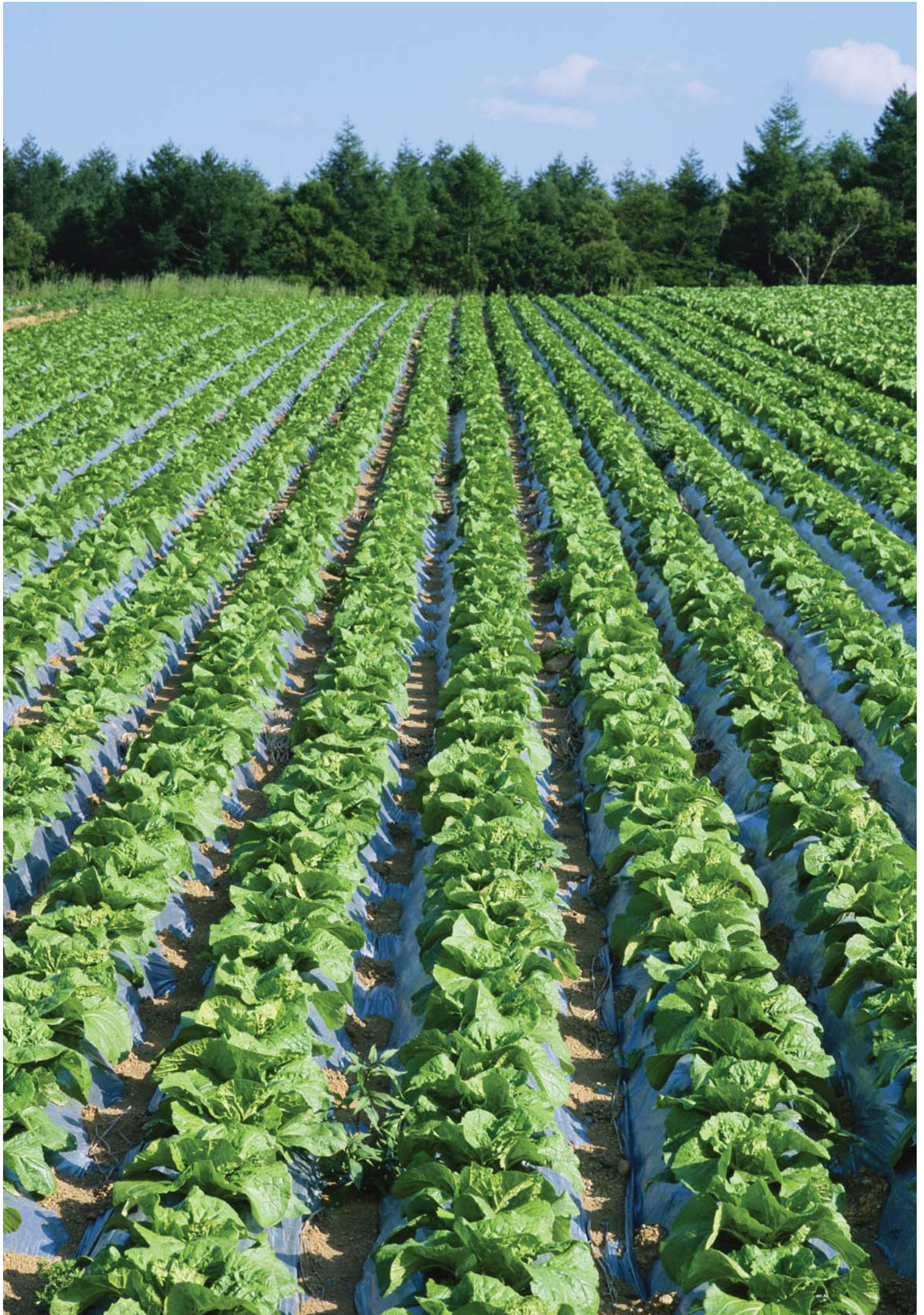
Softbank
Sonova
Sony
Spectris
Sprint Nextel
St James's Place
Standard Chartered
StatoilHydro
Sun Life
Suncorp Metway
Syngenta
Tatneft
Technip
Tele2
Telstra
Tencent Holdings
Tenon
Terna Participacoes
Thales
Thomas Cook Group
Times
Titan
Tomkins
Toshiba
Toyota Motor
Total
Tsumura & Company
Tullow Oil
Turkcell
UCB
Ultra Electronics
Unilever
United Business Media
United Health Group
UPM
Venture Production
Verbund
Victrex
Vienna Insurance Group
Virgin Media
Vivus
Vodafone
Wincanton
Wisconsin Energy
Wolseley
Wood (John) Group
Woodside Petroleum

In addition, the analysts and investment managers attended a large variety of external meetings arranged by the companies or by brokers and other research providers.

Ian Burger
Corporate Governance Officer

Amanda Young
SRI Officer

Laura Aarnio
Responsible Investment Analyst



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