



Q3 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.

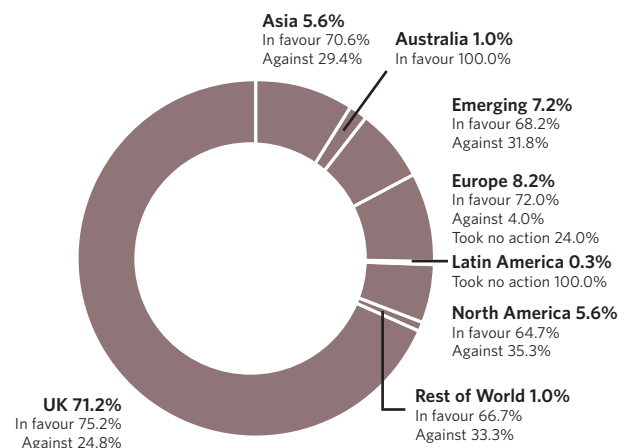
During the quarter, Newton exercised its clients' voting rights at a total of 306 company meetings. 218 of the meetings were for companies domiciled in the UK and 88 related to companies outside of the UK. Across all regions, votes were instructed against 154 resolutions. This represents votes being instructed against one or more resolutions at 24% of the 306 meetings. A summary of all voting activity during the quarter, including a regional summary, is illustrated in the proceeding table and chart.

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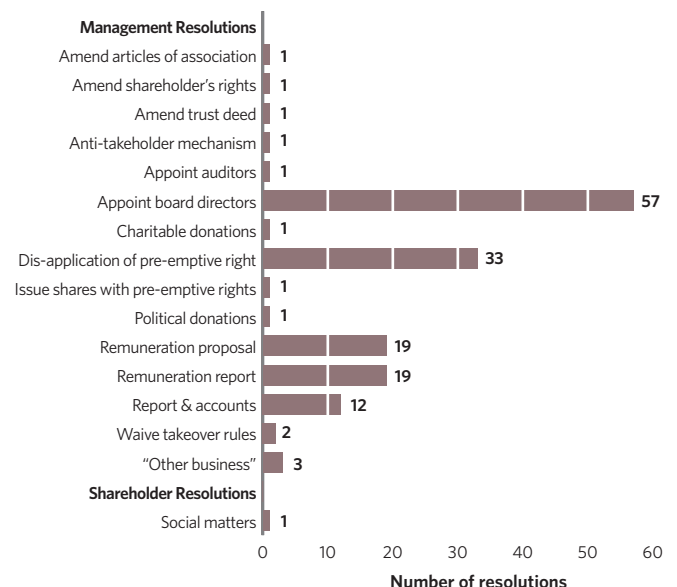
VOTING SUMMARY - Q3 2009

AGMs	224
Voted in favour of all resolutions	158
Voted against one or more resolutions	62
Took no action	4
Abstained	0
EGMs	80
Voted in favour of all resolutions	65
Voted against one or more resolutions	12
Took no action	3
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	306
Voted in favour	225
Voted against	74
Took no action	7
Abstained	0

VOTING SUMMARY BY REGION



BREAKDOWN OF RESOLUTIONS WHERE VOTES AGAINST WERE INSTRUCTED DURING Q3 2009



Companies

Acuity VCT 3 PLC

EGM – 5 Aug 2009

By way of one resolution, the company sought to issue shares representing up to 10% of its issued shares. The method of issuance would allow shareholders' pre-emption rights to be dis-applied. Votes were instructed against this resolution given that the trust failed to provide a qualifying statement that shares would not be issued at a discount to their net asset value.

Albion Venture Capital Trust PLC

AGM – 27 Jul 2009

Newton instructed votes against three non-executive directors, who were seeking re-election to the board and the audit committee. Newton was concerned that the three directors were connected to the trust's investment manager. None of these non-executive directors were deemed to be sufficiently independent to warrant their proposed membership of the audit committee.

Alternative Asset Opportunities PCC Ltd

EGM – 28 Aug 2009

The company's articles of association contained a provision that required a scheduled liquidation of the company in 2012. Newton instructed votes against the resolution that sought to amend the articles by removing the provision relating to the fixed life of the company. Newton felt that the proposal was not in the best interest of shareholders as the amendment was not in line with the original investment objective and policy of the company.

Analog Devices Inc

EGM – 20 Jul 2009

A single resolution was proposed at the EGM for shareholders to approve a stock option exchange programme. The company argues that poor economic conditions had led to a fall in the company's share price, leaving outstanding share options with an exercise price higher than the company's share price. Newton's concern centred on the fact that the company had not made a commitment to scale back share option awards should its share price benefit from an improvement in economic conditions. Votes were instructed against this resolution.

Anhanguera Educacional Participacoes SA

EGM – 3 Sept 2009

In the absence of any supporting information, Newton instructed votes against a resolution. This was a bundled resolution that asked shareholders to elect the members of the company's Fiscal Council.

Berkeley Group Holdings PLC

AGM – 9 Sept 2009

During the year, the company amended its long-term incentive plan (LTIP) and transferred outstanding shares under the plan into a new share option plan. Newton was concerned that some of these share options would not be subject to any performance hurdles. In addition, Newton did not consider the financial underpin governing the vesting of the remaining share options to be sufficiently challenging. Votes were instructed against the company's remuneration report.

Bharat Electronics Ltd

AGM – 25 Sept 2009

Newton instructed votes against the resolution that sought shareholders' acceptance of the company's financial statements and statutory reports. This decision was based on concerns relating to the constituent members of the audit committee. Of the three members, Newton considered only one to be independent. One member had been an employee of the company for 36 years and was an executive director with no formal financial experience or education, while the other represented the government's 76% shareholding in the company.

Big Yellow Group PLC

AGM – 3 Jul 2009

The company sought approval of a new long-term bonus performance plan. The company failed to disclose the specific performance hurdles that would govern the vesting of awards under the plan. This led to Newton instructing votes against the proposed new plan, the company's remuneration report and a member of the remuneration committee, who was seeking re-election to the board.

The British Land Company PLC

AGM – 10 Jul 2009

Newton was concerned that, during the year, the company made a one-off award to the new chief executive officer equivalent to 100% of his salary. This was not subject to any performance hurdles. In the absence of adequate justification from the company, Newton instructed votes against the remuneration report and against two members of the remuneration committee, who were seeking re-election to the board.

BT Group PLC

AGM – 15 Jul 2009

Newton had a number of reservations with regard to the company's remuneration arrangements. These led to votes being instructed against the remuneration report.

First, during the year, executives received bonuses of up to 80% of their salary despite lacklustre performance. Secondly, the company amended, but failed to disclose, the performance hurdles governing the vesting of its equity incentive portfolio plan awards. Thirdly, Newton was not comfortable that the company granted shares under its equity incentive portfolio plan at the maximum level of 300% of salary. Given the significant fall in the company's share price during the year, the absolute number of shares granted under the company's share option and long-term incentive scheme was significantly higher than in previous years. Newton felt that the awards should have been scaled back and the number of shares granted should have been reduced to compensate for the significant fall in share price. Fourthly, given his poor performance, Newton was not comfortable with the contractual payments made to an executive following the termination of his employment.

Caledonia Investments PLC

AGM – 23 Jul 2009

The company had a significant concert party shareholder controlling 46% of the company's share capital. Should this shareholder's interest in the company's shares increase, the UK takeover code would require this concert party to make a mandatory offer to the remaining shareholders. With the company seeking to buy back 10% of its issued share capital, in which the concert party would not participate, a resolution was proposed that would waive the requirement for the concert party to make a mandatory offer to the company's other shareholders (a Rule 9 waiver). By not participating in the buy back, the concert party's shareholding would increase to 51% should the company buy back 10% of its issued shares. Given the potential for the concert party to gain effective control of the company without paying an appropriate takeover premium, Newton instructed votes against the resolution seeking a Rule 9 waiver.

A further resolution was also voted against. Shareholders were asked to authorise a political donation of £75,000 to the Conservative Party. The company stated that it had concerns over the level of public borrowing of the incumbent government and that this prevented a sustained economic recovery. The company further argued that only a Conservative government would be able to address this issue. Newton did not consider that the company's shareholders should be funding such a donation.

The Carphone Warehouse Group PLC

AGM – 23 Jul 2009

During the year, the company adopted a new medium-term incentive plan, which was subject to performance criteria linked to the increase in total market capitalisation of the company. Newton had concerns that the plan, as structured, could reward

or penalise participants solely on share price fluctuations, which could be merely a function of market momentum and not necessarily representative of sustainable operational performance. Newton was also not satisfied with the proposed long-term value enhancement schemes. Awards under the scheme would not be subject to a further deferral period or claw-back provision following the fulfilment of the performance period. Such provisions would ensure that recipients are only rewarded for the creation of sustainable shareholder value. Votes were instructed against the proposed new schemes, the remuneration report and two members of the remuneration committee, who were seeking re-election to the board.

Cattles PLC

AGM – 29 Jul 2009

Newton instructed votes against three members of the audit committee, who were seeking re-election to the board. At the time of its AGM, the company had not published its report and accounts owing to a review of the adequacy of certain accounting impairment provisions. The review concluded that there had been a breakdown of internal controls, which had resulted in the company's impairment policies being applied incorrectly. Newton felt that the audit committee should be held responsible for its failure to oversee an effective internal control process.

Citigroup Inc

EGM – 29 Jul 2009

It was requested that shareholders approve a resolution that would remove their right to vote on matters relating to the terms of the company's preference shares. Newton did not support this resolution given that motions could be passed by the board that negatively affect holders of the company's ordinary shares.

The Clapham House Group PLC

AGM – 29 Sept 2009

Newton's reservations with the effectiveness of the company's key board committees led to votes being instructed against the remuneration report and against the financial statements & statutory reports. Only one of the six board members was considered to be independent. The founder of the company was nominated as the senior non-executive director, was a member of the audit committee and chaired the remuneration committee. In addition, the company's chief executive officer was a member of the remuneration committee.

Denby Investment (UK) PLC

AGM – 24 Jul 2009

The company had failed to disclose whether or not it had established audit, remuneration or nomination committees. This breach of prevailing best practice led Newton to instruct votes against the resolution seeking shareholders' approval of the company's report and accounts.

Diagnosticos da America SA

EGM – 1 Sept 2009

By way of a single resolution, the company sought shareholder approval for the election of the company's directors. In addition to concerns that shareholders were not able to vote on the election of each director, the company failed to provide the names of the directors that sought election to the company's board. Newton instructed votes against this resolution.

Electronic Arts Inc

AGM – 29 Jul 2009

Newton had fundamental concerns with the company's remuneration practices. Significant levels of share options are awarded to non-executive directors, in excess of 3% of the company's shares are awarded annually and there was a proposal to replace outstanding share options with restricted shares. Votes were instructed against two remuneration related resolutions and against the re-election of five non-executive directors, who were either members of the remuneration or audit committees. Newton felt the share options awarded to the non-executive directors undermined their ability to act independently and in the best interests of shareholders.

Experian PLC

AGM – 15 Jul 2009

Newton did not consider the performance hurdles, governing the vesting of the award made under the co-investment plan, to be sufficiently challenging. In addition, Newton has previously highlighted concerns with the chief executive's annual expatriate allowance, which this year was equivalent to almost 60% of his salary. Newton instructed votes against the remuneration report and two members of the remuneration committee, who were seeking re-election to the board.

Firestone Diamonds PLC

EGM – 24 Jul 2009

Newton instructed votes against two resolutions, which related to proposals to issue further shares in the company. By way of a share placing, the first resolution sought to issue new shares of up to 10% of the company's issued shares. The nature of the placing

would mean that existing shareholders' pre-emption rights would be dis-applied. Newton felt that the company's explanation did not adequately justify the excessive dilution to shareholders' value. The second resolution also sought to issue a further 10% of the company's issued shares, whilst dis-applying shareholders' pre-emption rights. In this instance, the company made no explanation as to the intended use of any capital raised.

Foresight 3 VCT PLC

AGM – 2 Sept 2009

Newton instructed votes against a resolution seeking shareholder authority to issue shares at a level equivalent to 26% of the company's existing shares whilst dis-applying pre-emption rights. The company failed to provide the necessary assurances that the shares would not be issued at a discount to their net asset value.

Foresight 4 VCT PLC

AGM – 14 Jul 2009

Newton instructed votes against a resolution seeking shareholder authority to issue shares at a level equivalent to 61% of the company's existing shares whilst dis-applying pre-emption rights. The company failed to provide the necessary assurances that the shares would not be issued at a discount to their net asset value.

Fuller Smith & Turner PLC

AGM – 21 Jul 2009

Newton instructed votes against two directors, who were seeking re-election to the board. The first of these directors was the company's chairman and chief executive. Newton believes that it is in the best interests of shareholders for these roles to be separate and felt that company had not provided adequate justification for combining these roles. The second director that Newton voted against was a non-executive director, who had previously been an executive director at the company. Newton did not consider him sufficiently independent to warrant his proposed membership of the audit committee.

GAM Worldwide Inc

AGM – 5 Aug 2009

A resolution was proposed that asked shareholders to elect an unidentified board of directors. No information was made available as to the names of the nominees or the existing board structure. Owing to the bundled nature of the resolution and the lack of disclosure, votes were instructed against this resolution.

Granite Master Issuer

EGM – 2 Sept 2009

Holders of this bond were asked to approve an amendment to its

trust deed. The amendment would allow the company to retain its liquidity provider, despite this provider's credit rating being reduced. Newton would expect an enhanced return from an investment should its risk profile increase but in this instance no additional return was being proposed. Newton voted against this resolution.

Hansa Trust PLC

AGM – 30 Jul 2009

A senior partner of the trust's investment manager, who was a significant shareholder in the trust, was seeking re-election to the board as a non-executive director. Newton felt that this nominee was not sufficiently independent to warrant his proposed membership of the audit committee and instructed votes against his re-election.

Helical Bar PLC

AGM – 22 Jul 2009

The company provided little justification for a discretionary one-off bonus that was awarded to the company's finance director during the year. Newton believes that a well-structured remuneration policy should limit a need for one-off remuneration arrangements and that only in truly exceptional circumstances would such awards be considered appropriate methods of remuneration. Newton instructed votes against the remuneration report and three members of the remuneration committee, who were seeking re-election to the board.

Home Retail Group PLC

AGM – 1 Jul 2009

Under the company's deferred bonus plan, the amount awarded in cash under the annual bonus is matched after three years, subject to continued employment and the achievement of satisfactory company performance. The company failed to disclose the specific performance hurdles that would govern this award. Newton instructed votes against the resolution seeking shareholder approval of the company's remuneration report.

InTechnology PLC

AGM – 28 Jul 2009

The company's remuneration policy provides non-executive directors with annual share option awards, which are in addition to their annual cash fees. Newton believes that such arrangements compromise the requirement for non-executive directors to exercise independent oversight and judgement in relation to the company's operating policies and procedures. Given these remuneration arrangements, Newton instructed votes against two non-executive directors, who were seeking re-election to the board.

Invesco Income Growth Trust PLC

AGM – 5 Aug 2009

Newton instructed votes against the re-election to the board of a non-executive director. Given his role as chief investment officer of a significant shareholder in the trust, Newton did not believe the nominee to be sufficiently independent to warrant his proposed membership of the audit committee.

Israel Chemicals Ltd

AGM – 25 Aug 2009

By way of a single resolution, the company sought shareholder authority for the election of directors and approval of their remuneration. In addition to the bundled nature of this resolution, Newton was concerned that a non-executive director, who was not deemed to be independent, was proposed as a member of the audit committee. Newton instructed votes against this resolution.

James Cropper PLC

AGM – 29 Jul 2009

Newton was concerned that only one of the three members of the company's audit committee was considered to be an independent non-executive director. The company's chairman and his son, both of whom being members of the founding family of the company, were the two other members of the audit committee. This breach of prevailing best practice led to Newton instructing votes against the resolution seeking shareholders' approval of the company's report and accounts. Newton also instructed votes against a resolution seeking shareholder approval to issue new shares of the company, while dis-applying existing shareholders' pre-emption rights. Newton felt that the proposed level of issuance, up to 10% of the company's issued shares, to be excessive.

The JM Smucker Company

AGM – 19 Aug 2009

During the year, the company adopted an anti-takeover mechanism without first gaining shareholder approval or providing an opportunity for shareholders to discuss the merits of introducing such a mechanism. Generally, Newton does not consider anti-takeover mechanisms to be aligned with the creation of shareholder value. Votes were instructed against the three non-executive directors.

JP Morgan European Fledgling Investment Trust PLC

AGM – 3 Jul 2009

By way of two resolutions, the company sought shareholder authority to re-issue shares from its treasury account whilst dis-

applying existing shareholders' pre-emption rights. Newton's concerns centred on the fact that these shares could be issued at a discount to net asset value. Given the potential and unnecessary dilution that could result, Newton instructed votes against these two resolutions.

JP Morgan Fleming Japanese Smaller Companies Investment Trust PLC

AGM – 22 Jul 2009

The company sought shareholder approval to re-issue shares held in its treasury account. The proposed method of issuance would see shareholders' pre-emption rights being dis-applied and allow the shares to be issued at a discount to their net asset value. Newton instructed votes against the two resolutions relating to this proposed share issuance, which could unnecessarily dilute shareholders' value.

JP Morgan Private Equity Ltd

EGM – 16 Jul 2009

Newton instructed votes against a resolution seeking shareholder authority to issue shares representing up to 729% of the company's issued shares without respecting existing shareholders' pre-emption rights. Newton had concerns with this high level of issuance and with the proposed five year authority. In addition, the company failed to provide the necessary assurances that the shares would not be issued at a discount to net asset value.

The Lindsell Train Investment Trust PLC

AGM – 29 Jul 2009

Newton instructed votes against the proposed remuneration report. Newton was concerned that non-executive directors are entitled to receive performance based annual bonuses in addition to their cash fees. Votes were also instructed against two non-executive directors. Given the remuneration arrangements, Newton did not consider the directors sufficiently independent to warrant their membership of the audit committee. In addition, given that only one of the five board members was independent, the resolution seeking shareholder approval of the company's report and accounts was also voted against.

Marks & Spencer PLC

AGM – 8 Jul 2009

Within its annual report, the company had disclosed that it had made exceptional share-based awards to executive directors. Subsequent to these awards, these executive directors had forfeited their right to these awards. Newton was concerned with the remuneration committee's decision to grant them in the first instance. It was also noted that this was the second successive year that exceptional awards had been authorised by the

remuneration committee. It is Newton's view that a well structured remuneration policy should limit the need for such awards and that any such awards should be clearly justified. Newton instructed votes against the remuneration report and the chairman of the remuneration committee, who was seeking re-election to the board.

Mears Group PLC

EGM – 3 Jul 2009

The company sought shareholder approval to amend its special incentive plan, under which, share options are awarded to the company's combined chairman and chief executive. Owing to the company's share price being significantly greater than the exercise price of the outstanding share option awards, it was proposed that outstanding market-priced share option awards be replaced with nil cost share options. Newton considered that the proposal undermined the nature of the share option awards and could constitute a reward for failure. Votes were instructed votes against the resolution seeking to amend the plan.

Micro Focus International PLC

AGM – 24 Sept 2009

During the year, significant amendments were made to the company's remuneration structure. Base salaries were increased by 10% and enhanced awards would be made available under the long-term incentive plan. In addition, a new one-off medium-term incentive plan was introduced. This plan would provide a reward based on the successful integration of two acquisitions and maintenance of the company's core business. The performance conditions or performance period were not disclosed and, in the event of awards vesting, a 13% salary increase would be made to the chief executive and finance director. Newton had fundamental concerns with all aspects of the one-off plan and instructed votes against the resolution seeking shareholder approval of the remuneration report.

Neopost SA

AGM – 7 Jul 2009

The company's proposed structure for its share repurchase arrangement would allow shares to be bought back during a takeover period. Given that such a structure could be used as an anti-takeover mechanism, Newton voted against the proposed share repurchase plan.

Two resolutions, proposed for shareholder approval, sought an authority for the company to issue new shares under the company's share option plan and under its restricted share plan. The company failed to provide essential information relating to the structure of these plans and also failed to justify the excessive number of shares that were proposed for issuance under these

plans. Newton instructed votes against these two resolutions.

Furthermore, seven resolutions were proposed that would provide the company with various methods of raising additional capital. Newton instructed votes against five of these resolutions given that they would ignore shareholders' pre-emption rights when issuing new shares of up to c. 27% of the company's existing shares. The company failed to give any comfort as to why shareholders should accept such potential dilution to their value and control.

New India Investment Trust PLC

AGM – 21 Sept 2009

The company sought shareholder approval to issue new shares representing up to 5% of the issued shares in the company. The proposed method of issuance would see shareholders' pre-emption rights being dis-applied and allow the shares to be issued at a discount to their net asset value. Newton instructed votes against this resolution, which could unnecessarily dilute shareholder value.

Northern Petroleum PLC

AGM – 22 Jul 2009

Newton was concerned that the company's non-executive directors received performance based annual bonus awards in addition to their annual cash fees. Also, historically, the non-executive directors have been granted warrants over the company's shares. These remuneration arrangements are contrary to best practice and can undermine the need for non-executive directors to act independently. The lack of independence amongst the non-executive directors constituting the board and its key committees led to Newton instructing votes against the company's report and accounts.

Votes were also instructed against a resolution relating to the issuance of new shares in the company. If approved, the resolution would allow the company to issue shares representing 25% of its issued shares, whilst dis-applying existing shareholders' pre-emption rights.

Patel Engineering Co Ltd

AGM – 31 Jul 2009

The company sought shareholder authority to donate up to 5% of the company's average net profits to charitable purposes. Newton instructed votes against this resolution as the company had no public disclosure of its corporate social responsibility strategy and provided no detail as to how such contributions would provide benefit to shareholders.

Three further resolutions were also voted against. These related to the company's employee stock option plan. Newton was concerned with the potentially excessive dilution to shareholder

value that could result from the proposed share option awards. Additional concern was had with lack of disclosure of performance hurdles that would govern the vesting of the proposed share option awards.

Pennine AIM VCT PLC

AGM – 14 Jul 2009

Newton instructed votes against the re-election to the board and the audit committee of a non-executive director who was not deemed to be independent. This nominee was an executive of the company's administrator. Furthermore, in addition to receiving annual fees, all the non-executive directors participate in the company's share option scheme. These remuneration arrangements led to Newton instructing votes against the company's remuneration report. Votes were also instructed against the company's report and accounts owing to the audit committee being constituted of non-independent non-executive directors.

RIT Capital Partners PLC

AGM – 23 Jul 2009

Newton was not comfortable with the performance hurdles that govern the vesting of awards made under the company's long-term incentive scheme. These performance conditions were not considered to be sufficiently stretching to warrant the stated vesting schedule. Newton instructed votes against the remuneration report and against a member of the remuneration committee, who was seeking re-election to the board. In addition, Newton instructed votes against a resolution seeking shareholder authority to issue new shares of up to 33% of the company's issued shares. Newton felt that the proposed level of issuance was excessive given that existing shareholders' pre-emption rights would not be respected.

Robert Wiseman Dairies PLC

AGM – 9 Jul 2009

The company had a significant concert party shareholder controlling 36.3% of its share capital. Should this shareholder's interest in the company increase, the UK takeover code would require the concert party to make a mandatory offer to the remaining shareholders. With the company proposing to buy back 9.7% of its issued share capital, in which the concert party would not participate, a resolution was proposed that would waive the requirement for the concert party to make a mandatory offer to the other shareholders (a Rule 9 waiver). By not participating in the buy back, the concert party's shareholding would increase to 44.4%. Given the potential for the concert party to gain effective control of the company, without paying an appropriate takeover premium, Newton instructed votes against the resolution seeking a Rule 9 waiver.

SABMiller PLC

AGM – 31 Jul 2009

During the year, the company granted exceptional share-based awards to the executive directors under its executive share option scheme and its performance share plan. Newton considered the company's justification for the enhanced awards to be inadequate and instructed votes against the resolution seeking shareholder approval of the company's remuneration report. In addition, Newton instructed votes against two members of the remuneration committee, who were seeking re-election to the board.

SeaDrill Ltd

AGM – 25 Sept 2009

Newton did not consider any of the three non-executive directors on the company's board to be independent. One of these directors was a former executive director of the company, another was the daughter of the company's chief executive/chairman and the other, as stated by SeaDrill, was affiliated to the company. Based on concerns over board structure, votes were instructed against the re-election, to the board, of the company's three non-executive directors and against the company's report & accounts.

In addition, the final resolution proposed that shareholders provide their authority for other business to be transacted and approved on the day of the meeting. Newton voted against this resolution owing to the fact that the content of the resolution would not be known ahead of the meeting.

Shanks Group PLC

AGM – 23 Jul 2009

Newton declared a conflict of interest for this meeting and outsourced the voting recommendation to an independent third party, Risk Metrics Group. This led to one resolution being voted against. The non-audit fees paid to the company's auditor were in excess of the fees paid to the same auditor for audit related work. Given the lack of disclosure in relation to the nature of work carried out to justify the level of non-audit fees, Risk Metrics recommended instructing votes against the resolution seeking shareholder authority to appoint the auditors and determine their pay.

Singapore Airlines Ltd

AGM & EGM – 31 Jul 2009

At the company's AGM, shareholder approval was sought for the issuance of shares, which would be used to satisfy the company's share-based remuneration arrangements. Meanwhile, at the EGM, the company sought to amend its employee share option scheme. Newton instructed votes against these resolutions given the lack of adequate disclosure of the performance hurdles that would govern the vesting of share-based remuneration awards

and the potential dilution to shareholder value that could result from these awards.

Speedy Hire PLC

AGM – 21 Jul 2009

During the year, the company increased the maximum potential awards that may be granted under its performance share plan. It was stated that this was in an effort to compensate individuals for the loss of a bonus opportunity. The company had cancelled payments under the annual bonus in an effort to conserve cash. Newton was not supportive of the proposals and was concerned that, under the amended plans, significant levels of reward would be received for achieving lacklustre performance. Newton instructed votes against the resolution seeking shareholder approval of the company's remuneration report.

Tesco PLC

AGM – 3 Jul 2009

The company sought shareholder authority to amend its share option plan so that share options would be exercisable for a period of three years following an employee leaving or retiring from the company. Best practice allows share options to be exercised for a period of one year following termination of employment. Newton instructed votes against the proposed amendments, against the company's remuneration report and against two members of the remuneration committee, who were seeking re-election to the board.

Votes were also cast against a single shareholder proposed resolution. This single resolution made three separate requests of Tesco. First, a non-executive director should be appointed to the corporate responsibility committee. Secondly, Tesco was asked to commit to annual reporting on performance and progress on its corporate responsibility policies. Thirdly, Tesco was requested to implement improvements to its UK meat and poultry supply chain. While it was felt that parts of the resolution had merit, the bundling of the proposals prevented Newton from supporting the resolution. Newton considered that particular elements of the proposal constituted an attempt to micro-manage the company. Having said this, Newton awaits the results of a formal enquiry by the Equality and Human Rights Commission into the meat and poultry processing sectors and is committed to following-up on any company specific findings that may arise.

Trans-Siberian Gold PLC

AGM – 28 Jul 2009

Votes were cast against the re-election of a non-executive director, who was a member of the audit committee and was not deemed to be independent. This nominee was an executive of UFG, the

company's controlling shareholder. Newton also instructed votes against a further non-executive director, who was seeking election to the board. Newton was not comfortable with his election given that he was also a nominee of UFG, which at the time had two representatives on the board.

Unitech Ltd

AGM – 20 Aug 2009

Newton instructed votes against the resolution that sought shareholders' acceptance of the company's financial statements and statutory reports. Newton felt it prudent to instruct such a vote owing to the company's finance director being a member of the audit committee.

Value and Income Trust PLC

AGM – 10 Jul 2009

Newton had fundamental concerns over the structure of the trust's board. Executive directors were members of the trust's remuneration committee. In addition, Newton was not comfortable with the trust's chairman being a member of the audit committee, given that he had been on the board of the trust for over 20 years and was a significant shareholder. Newton instructed votes against the re-election of the chairman and the resolution seeking shareholder approval of the company's report and accounts.

Victoria PLC

AGM – 30 Jul 2009

The company disclosed that its executive directors have been employed under service contracts that allow notice periods to be extended from 12 to 24 months following a change of control of the company. Best practice suggests notice periods should be set at one year or less. Newton instructed votes against the resolution seeking shareholder approval of the company's remuneration report. Newton was also concerned with the fact that the audit committee was not fully independent. The non-independent non-executive chairman was a member of the committee. This led to Newton instructing votes against the company's report and accounts.

Walker Crips Group PLC

AGM – 17 Jul 2009

Newton instructed votes against a non-executive director, who was seeking re-election to the board. Given that he was employed by the company's legal advisors, Newton did not consider him sufficiently independent to warrant membership of the audit committee. Newton also instructed votes against a resolution seeking shareholder authority to issue shares representing up to 10% of the company's issued shares without respecting existing shareholders pre-emption rights.

Wyeth

AGM – 30 Jul 2009

Given remuneration related concerns, Newton did not support the re-election, to the board, of the five members of the compensation committee. Newton had fundamental concerns with the excessive benefits awarded to the chief executive, which included use of the company's aircraft and helicopter, housing allowances and the funding of his tax liabilities.

Wynnstay Properties PLC

AGM – 15 Jul 2009

The company had not established separate audit and remuneration committees. Instead, the whole board performed the function of these committees, which meant that two executive directors and a non-independent chairman were members of these committees. This led to votes being cast against the resolution seeking shareholder approval of the company's report and accounts.

Yell Group PLC

AGM – 24 Jul 2009

The company disclosed that its executive directors are employed under service contracts that allow for all share and option awards to vest should their contracts be terminated. This is in contrast to best practice, which suggests that share-based awards should be pro-rated for time and performance. Additionally, against the background of a significant fall in the company's share price during the year, the absolute number of shares granted under the company's share option and long-term incentive scheme was significantly higher than in previous years. Executive directors received over five times more shares in 2008 compared with 2007. Newton instructed votes against the remuneration report and against two members of the remuneration committee, who were seeking re-election to the board.

Issuance of new shares

At the meetings listed in the table below, Newton voted only 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 when issuing shares representing in excess of 5% of its issued shares. If Newton also voted against other resolutions at the meeting, the company is discussed separately in the preceding text.

Company	Meeting type	Date	Issue without pre-emption rights	Issue with pre-emption rights
Accsys Technologies PLC	AGM	19 Aug 2009	15%	60%
Alizyme PLC	AGM	29 Jul 2009	10%	
Betex Group PLC	AGM	24 Jul 2009	33%	
China Grand Forestry Resources Group Ltd	AGM	16 Sept 2009	30%	
CSS Stellar PLC	AGM	22 Jul 2009	10%	
Huabao International Holdings Ltd	AGM	7 Aug 2009	30%	
Maxima Holdings PLC	AGM	24 Sept 2009	40%	
Portrait Software PLC	AGM	21 Sept 2009	10%	
Witwatersrand Consolidated Gold Resources Ltd	AGM	24 Jul 2009	30%	
Young & Co.'s Brewery PLC	AGM	14 Jul 2009	8.3%	

"Other business"

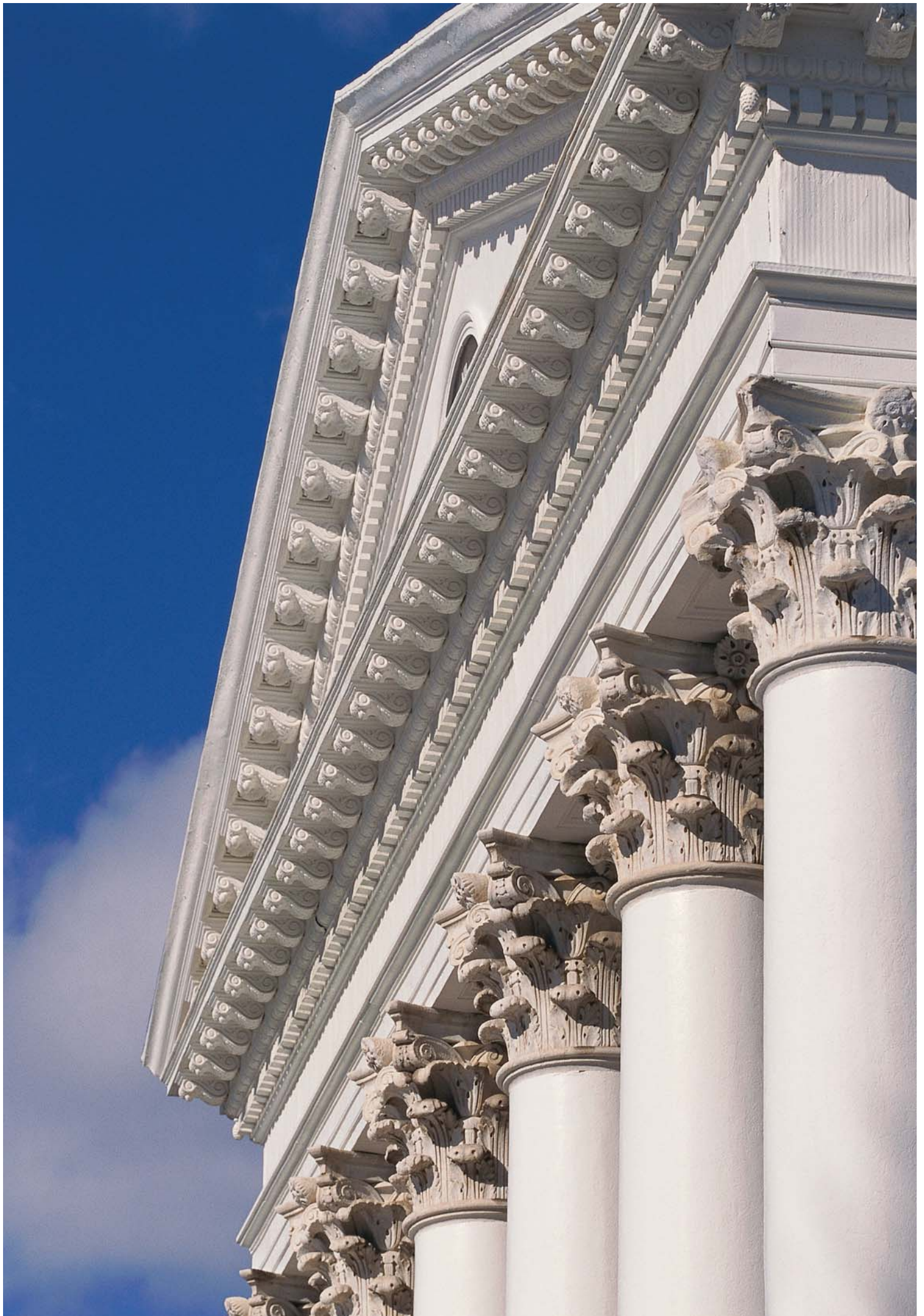
The companies listed below included a resolution at their meetings entitled "other business". This was the only resolution that Newton considered to be sufficiently against shareholders'

best interests to warrant instructing votes against. If Newton also voted against further resolutions in addition to "other business", the company is discussed separately in the preceding text.

Company	Meeting type	Date
Nature Group PLC	AGM	29 Jul 2009
Bank of Ayudhya PCL	EGM	27 Jul 2009

Open-ended resolutions, such as "other business", which are not accompanied by additional supporting information or shareholder protection measures, are generally considered to be unhelpful by institutional investors and other shareholders who

vote by way of proxy. They allow other issues, not specified in the company's official meeting agenda, to be raised and approved at the AGM. Newton instructed votes against the resolution seeking shareholder approval of "other business".



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.

Japanese food & beverages company

Engagement subject: General corporate governance matters
Contacts: Chief producer, general and legal affairs
Investor relations
Investor relations

Representatives from Newton and the company met in an effort to better understand each party's approach to corporate governance matters. Two of the matters discussed are detailed below.

It was recognised and stated by Newton that the company's corporate governance standards are considerably in advance of its Japanese peers. However, Newton explained that it did not consider that the board member who represented a significant shareholder should be classified as independent.

The company sought Newton's views on its anti-takeover mechanism, which is due to expire and could be renewed next year. While Newton understood that the anti-takeover mechanism was in place to discourage hostile bids for the company, Newton explained that, generally, it does not support the use of such mechanisms. It was explained further that Newton considers that anti-takeover mechanisms can hinder the realisation of shareholder value. Also, should the company seek shareholder approval to renew its anti-takeover device at its AGM in 2010, Newton explained that it would be likely to instruct votes against such a resolution.

Swiss pharmaceutical company

Engagement subject: Board succession and remuneration
Contacts: Head of corporate law and governance
Investor relations

Newton met with the company in order to raise concerns relating to the company's board structure and remuneration policy.

Detailed discussions were had on the appropriateness of the structure of the main board and how the company was dealing with a potential succession planning issue. Newton stated that the company's disclosures surrounding board responsibilities meant that confusion existed as to whether an effective control structure was in place. It was stated further that this confusion was shared amongst the investor community and had resulted, in part, in the company's share price trading at a discount to its peers. The company clearly explained the responsibilities of the

key board members and stated that the number of senior managers had been expanded in an effort to identify potential candidates for executive positions, when they become available. Comfort was taken in the company's much improved approach to board policies that had been made since Newton last raised concerns with the company two years ago. However, Newton suggested that company's public disclosures on this matter could be made clearer. This would go some way to allaying concerns from the wider investment community.

On the subject of the company's remuneration policy, Newton requested clarification on a number of issues. These included arrangements that were in place for executives' severance contracts and the policy of granting share awards. Newton also sought the company's view in relation to putting its remuneration policy to a shareholder vote. Furthermore, given that the executive team has sizable individual shareholdings in the company, Newton sought an assurance that executives were prohibited from hedging against this exposure to the company's shares. On the first two points, Newton was confident that the company was handling matters effectively. In relation to shareholders' voting on the company's remuneration policy, the company was open to suggestions with regard to content and detail. However, the company did not have a "no hedging" policy. This would, however, be raised with the board, together with looking into whether or not all hedging strategies would be classed as an event that would require public disclosure.

Italian oil & gas company

Engagement subject: General corporate governance
Contacts: Corporate affairs and governance
Executive vice president –
Sub Saharan region
SRI analyst
Investor relations

Newton had a number of corporate governance related concerns that were raised during a meeting with the company. At the top of the meeting agenda was an approach that had been made to the company by an activist investor. The company was able to provide Newton with the history of its relationship with this investor, together with insights into the validity of the activist's claims.

In addition, discussions were had in relation to a significant shareholder in the company and the role and influence that this shareholder has over the company's operations. It was explained that this shareholder has no involvement or influence over the management of the company. Concerns that Newton had in connection with the company's capital structure were also allayed. Newton was seeking comfort that the company's existing balance sheet was of sufficient strength to avoid any requirement to raise capital and, should capital need to be raised, that shareholder value would not unnecessarily be diluted. It was confirmed that the company had no intention of raising additional capital and that it had no outstanding authority that could allow any dilution to shareholder value. Discussions were also had on the structure of the company's remuneration policy. Newton encouraged the company to disclose the performance targets that had resulted in the vesting of remuneration awards.

UK food & beverages company

Engagement subject: General corporate governance
Contact: Chairman

Following his appointment, Newton met with the company's new chairman. The purpose of the meeting was for the chairman to understand Newton's approach to investing and for Newton to understand the chairman's priorities for the company. From a corporate governance perspective, Newton explained that the company's succession planning policy appeared weak and would benefit from enhanced disclosure. The chairman recognised Newton's concerns and went on to state that he was comfortable with the board's structure and performance. Newton also stated that it would expect the remuneration policy to be tightened, such that no more non-performance based long-term incentive awards be granted. However, Newton was encouraged when the company subsequently confirmed that its executives are prohibited from hedging against their personal exposure to the company's share price.

UK travel & leisure company

Engagement subject: Remuneration
Contact: Company secretary

The company sought shareholder approval to amend its long-term remuneration arrangements. Specifically, the company proposed to cease operating its share option plan and to grant only awards under its long-term incentive plan (LTIP). This would lead to the company increasing the maximum award available under the LTIP and amending the performance hurdles that govern the vesting of these awards. Unfortunately, in contrast to best practice, the company failed to provide the specific performance targets. Newton contacted the company in an effort to encourage better disclosure in relation to the

proposed LTIP amendments. The company responded with a clearly defined calculation methodology for the performance hurdles, which related to earnings per share and free cash flow. Newton considered the proposed performance conditions to be sufficiently challenging.

UK equity investment company

Engagement subject: Board structure
Contact: Sales director

Newton contacted the company to explain why it had instructed votes against the re-election, to the board, of a non-executive director. Newton's concern centred on the fact that this non-executive director represented the investments of a significant shareholder and that he was not suitably independent to merit his position as a member of the audit committee. In reply, the company stated that it would be seeking views from other shareholders in preparation for a board meeting discussion on this matter.

UK equity investment company

Engagement subject: Capital structure
Contact: Director, investment companies, professional advisor and manager

In order to incorporate Guernsey's 2008 Companies Law, the company requested shareholder approval to amend its articles of association. Newton had concerns with a specific proposed amendment. This would allow the company to issue an unlimited number of new shares over the next five years. In the event that existing shareholders' pre-emption rights are dis-applied, Newton sought clarification whether shareholder approval would be sought prior to the issuance of new shares. The company confirmed that, according to its articles of association, shareholder authority would have to be requested for any new issuances of shares on a non pre-emptive basis if they are in excess of 10% of the total number of shares in issue. However, in practice, the company stated that it would seek shareholder authority for any new share issuances. Newton was provided with assurances that new shares and treasury shares would not be issued at a price below their net asset value.

UK technology software & services company

Engagement subject: Remuneration
Contact: Company secretary

Newton contacted the company to gain further insight into its employee incentive schemes, which the company was seeking to amend and renew at its AGM. In relation to the company's share option scheme and the lack of clarity over the performance targets that govern their vesting, Newton questioned whether executive directors would be participating in any awards. At the

time of contacting the company there was no intention to operate the scheme at a board level. Newton took comfort in the company's assurance that if options were to be granted to executive directors, shareholders would be consulted beforehand on the performance conditions that would govern their vesting. Newton also raised concerns with the potentially high number of shares that may be granted under the employee incentive arrangements. The stated limit was 15% of the company's issued shares over a ten year period. The company explained that previously it had applied a higher share usage level of 20% and that it was now seeking to reduce it to 15%. Best practice suggests that share usage should be limited to 10% of a company's issued shares in any 10 year rolling period. Acknowledging that this was still above the limits suggested by best practice, the company explained that it wanted a certain level of flexibility given that employees across the group participate in its employee share plan (ESP) and that they form a significant portion of total potential remuneration. The company views the ESP as its key means of rewarding and incentivising its employees and ensuring that all employees are linked to the company's performance. The company also highlighted that the actual dilution level was below 10% and shares granted to executives under the ESP were at a relatively low level.

US food & beverages company

Engagement subject: Anti-takeover mechanism
Contacts: Director, corporate finance and investor relations
 Corporate secretary

During the year, the company adopted an anti-takeover mechanism without first seeking shareholder approval or providing an opportunity for shareholders to discuss the merits of introducing such a mechanism. Newton contacted the company to gain a better understanding of its rationale for introducing an anti-takeover mechanism and how it might be implemented. The company explained that the adoption of the anti-takeover mechanism was consistent with the board's belief that the long-term interest of the company, and all of its constituents, are best served by the stewardship of the existing management team, which includes members of the company's founding family. The terms of the anti-takeover mechanism gives the company the authority to distribute convertible warrants to existing shareholders, which allow shares to be acquired at a discount to their trading price. The warrants become exercisable when a third party, other than the founding family, controls in excess of 10% of the company's outstanding shares. Newton felt that the reasons given by the company for the adoption of such a mechanism did not provide enough assurances that the board would always act in all shareholders' best interests. Newton's view is that anti-

takeover mechanisms, such as this, can restrict the realisation of shareholder value and can entrench management.

UK equity investment company

Engagement subject: Board structure and remuneration
Contacts: Chairman
 Fund manager
 Fund manager

Newton contacted the company in relation to fundamental concerns with the risk and control functions of the board and with the remuneration of the board members. Newton's concerns centred on the fact that only one of the five board members was felt to be independent. In addition, Newton was uncomfortable with the performance fee arrangement that was in place to remunerate the company's non-executive directors. During communications with the company, Newton clearly stated its recommendation that the board could benefit from an increase in the number of independent non-executive directors and that it is not acceptable to reward non-executive directors based on the company's performance. The company recognised and accepted Newton's suggestions, which would be discussed at the next meeting of the company's board members.

UK real estate investment trust

Engagement subject: Remuneration
Contact: Company secretary

Ahead of the company's AGM, Newton sought further information on certain elements of the company's remuneration report. Given the lacklustre performance of the company during the year, Newton was surprised that any bonus payments had been made. Newton sought clarification of the customer satisfaction targets, under which a portion of the maximum annual bonus had been awarded. The company explained that the targets were based on customer surveys, the results of which were analysed by an independent third party. The company also provided the calculation methodology for the targets and explained that the bonuses awarded during the year had been paid in shares and deferred for two years. In addition, Newton questioned the company's rationale for the exceptionally large share award made to an executive director under the company's long-term equity incentive plan. The company considered the exceptional award necessary to ensure the retention of this director. It was stated that he was relatively new to the sector and brought with him strong financial skills and the advantage of a banking background. The company also considered this director to be a vital addition to the management team during an economic downturn. Newton was comforted by the explanation provided and felt assured that the remuneration structure successfully aligned the interests of management with shareholders' interests.

UK telecommunications company

Engagement subject: Remuneration

Contact: Company secretary

Newton contacted the company in an effort to gain a better understanding of certain aspects of the new long-term incentive arrangement that was being proposed at its AGM and to seek clarification of other remuneration arrangements at the company. Newton queried the company's new annual bonus targets that constitute the new balanced scorecard approach, which was introduced during the year. Additionally, Newton highlighted concerns with the performance hurdles that govern the vesting of the new medium-term incentive plan, which were linked to the increase in total market capitalisation of the company. Newton was not comfortable with this performance hurdle given that it could reward or penalise participants solely on share price fluctuations, which may be merely a function of market momentum and not necessarily representative of operational performance. Newton questioned whether the plan had a suitable financial underpin but was disappointed that this had not been introduced. Lastly, in relation to the proposed new long-term incentive plan, Newton enquired if awards would be subject to a deferral period or a claw-back provision. The company explained that awards under the plan were not subject to a claw-back or a deferral period. Newton was not comfortable with new remuneration structure at the company and highlighted its unease at the AGM by instructing votes against the company's remuneration report, members of the remuneration committee and the proposed new incentive schemes.

UK travel & leisure company

Engagement subject: Remuneration

Contacts: Chairman
Company secretary

The company sought Newton's views on proposed changes to the performance conditions that govern the vesting of its long-term incentive plan (LTIP) awards. Previously, the vesting of the company's LTIP awards was based on relative total shareholder return (TSR) and earnings per share (EPS) performance. The TSR element, which would account for 50% of an award vesting, was underpinned by EPS. The remaining 50% of an award would be subject to EPS performance only. In its communications with Newton, the company proposed that the EPS elements be removed and that relative TSR be the sole performance metric. 50% would be subject to the company's TSR performance relative to its sector, while the subsequent 50% would be subject to the achievement of TSR performance relative to the FTSE 250 index. Newton was somewhat surprised at this shift in strategy. At the end of 2008 the company had argued against using TSR as an underpin to the portion of the LTIP that would vest on the achievement of EPS performance.

The company stated that TSR was not considered a suitably motivational measure for management owing to a belief that management could not control this measure. Newton questioned this change in attitude towards TSR and enquired into the exact calculation methodology used for assessing relative TSR performance. In addition, Newton sought further information in relation to the discretion that is afforded to the remuneration committee when determining the level of vesting of LTIP awards. Comfort was provided on the methodology used for calculating relative TSR and Newton was encouraged that the TSR averaging period would be extended. However, the company failed to adopt Newton's suggestion that a deferral period and a financial underpin could be introduced.

UK industrial transportation company

Engagement subject: Board structure and share capital

Contact: Company secretary

The company sought Newton's views on general corporate governance matters at the company. Newton highlighted a breach of best practice in the form of a five year authority being sought for the company to issue new shares up to 40% of its issued shares. The company explained that, in practice, it would align with best practice and seek annual shareholder authority to issue new shares. Newton also queried the relevance of a non-independent non-executive director being a member of the audit committee. The company argued that it found the specific non-executive director's contribution to be valuable to the committee. Newton's views were appreciated by the company, which stated that it would consider the issues raised by Newton at its next board meeting. Newton will continue to monitor the corporate governance arrangements at the company.

UK retail company

Engagement subject: Remuneration and board structure

Contact: Deputy chairman
Company secretary

Newton contacted the company to request information on its succession planning policy for executive directors and gain clarification of the exceptional awards that had been granted to two executive directors during the year. At the company's AGM, a shareholder resolution had been proposed that requested certain amendments to the company's board structure. Going forward, the company explained that, in the first instance, its intention was to find a new chief executive and, following this appointment, it would then commence the search for a new chairman. Newton questioned why the company could not commence the search for candidates for both roles at the same time. The company's view was that starting the search for a new chairman would divert its focus of finding a new chief executive.

Newton highlighted the challenges that a number of companies had experienced in trying to recruit suitable chairmen in a timely manner. In some instances, such search and selection processes had taken years. Newton explained that it was supportive of the shareholder resolution. Following the company's AGM and together with other shareholders, Newton has continued to engage with the company on this ongoing matter.

In relation to concerns with the company's remuneration structure, Newton questioned the rationale for making exceptional levels of awards to executive directors. It was appreciated that the company's executive directors had forfeited their right to this year's exceptional awards in substitution for normalised levels of awards. However, Newton noted that this was the second time in successive years that unjustified exceptional levels of remuneration had been authorised by the remuneration committee. Newton explained its concerns with regard to the awards and stated its view that a well structured remuneration arrangement should limit the need for exceptional awards. At the company's AGM, Newton instructed votes against the company's remuneration report and the chairman of the remuneration committee.



Examples of environmental & social engagement

Examples of environmental and social engagement undertaken by Newton are shown below. It is not an exhaustive list of all environmental and social engagement activity undertaken by Newton during the quarter.

Valuing good employment practices

Newton believes that constructive and positive labour relations are critical to a company's long-term success. Well managed employee relations can help improve worker productivity and effectiveness, which is of value to shareholders. In addition to conducting its own engagement with companies, Newton has been an active participant in a number of investor groups that have tasked themselves with exploring employment issues with companies world-wide. Through its engagement work, Newton aims to encourage companies, which have not already done so, to adopt internationally recognised labour standards that support freedom of association, such as the International Labour Organization Conventions or Universal Declaration of Human Rights. In addition, companies should consider clear communication policies and forums for employee feedback. As an investor, Newton believes that fostering good employee relations helps reduce the risk to the company of negative union activity, disgruntled employees or government intervention.

GlaxoSmithKline PLC

The international pharmaceutical company, GlaxoSmithKline (GSK) employs around 90,000 people, with around half based in Europe, a quarter in America and the rest in Australia, Japan, Canada and the emerging markets. Although GSK has well established employment policies in the UK, Newton was keen to understand how the company rolls out these policies across its business and the cultural challenges it faces in implementing internationally recognised standards. GSK adopts global employment policies which set a minimum standard for all areas of its business. These policies either meet or exceed national minimum standards, depending on the country in question. Implementing these policies across its business will continue to be a challenge as GSK grows its presence within emerging markets.

As reported in the Q2 2009 Responsible Investment Report, Newton was eager to understand how changes being considered to USA labour legislation (in particular, the Employee Free Choice Act) would affect UK listed companies with large operations in the USA. As such, Newton focused its discussion on how GSK manages its employees in its USA operations,

particularly in respect to unionisation and collective bargaining activity. GSK expects limited impact on its USA operations and already adopts global policies that support freedom of association and the right of employees to join unions.

GSK also has commendable employee communication programmes in place across its European operations. The company believes its excellent communication practices have been fundamental in ensuring the smooth progression of its current restructuring programme. Despite a large number of redundancies, the company has managed staff expectations successfully, resulting in very little negative feedback from staff. While the company has communication policies in its USA operations, these do not appear to be as comprehensive than those in Europe. Newton encouraged the company to consider rolling out similar communication policies in the USA to those in Europe, given the success the company has experienced in Europe.

Bunzl PLC

Newton organised a meeting with Bunzl and other SRI investors to discuss the company's approach to employment matters and environmental management. Bunzl is an outsourcing business; it does not manufacture products itself but arranges the sourcing, storing and delivering of consumerable goods as part of an integrated supply chain. As a UK listed company with operations in 23 countries, the company faces cultural and social challenges in managing employee issues. The majority of its employees are based in its warehouses, as pickers, packers or drivers. The company explained its well thought out policies and procedures that fit with its decentralised business model, including policies on freedom of association and the right to collective bargaining.

Newton took the opportunity to discuss with the company its environmental management systems, particularly given that the company deals largely in disposable items. Bunzl has been able to capitalise on the fact that it operates a "one-stop-shop" which reduces the number of deliveries needed by its customers owing to its ability to supply a range of products in one delivery truck. Bunzl has also promoted the use of environmentally friendly products or "green" alternatives. Not only are these products environmentally friendly but any increase in sales is commercially beneficial to the company.

Newton believes the company is demonstrating some entrepreneurial thinking on environmental and employment issues. Despite this, Bunzl's reporting is limited. Newton encouraged the company to consider widening its corporate responsibility reporting, believing that the company is well placed to capitalise on its well established and integrated practices.

G4S PLC

G4S is the second largest corporate employer in the world with over 500,000 employees in 110 countries. Given the nature of the company's operations, health and safety continues to be its most significant challenge and was the main focus of discussions at a meeting with the company. In 2008, G4S reported 53 fatalities, the majority of which were in Latin America. The company states that working in hostile environments, clearing mines, providing armed escorts for convoys and dealing with the fallout from terrorist attacks, poses a high risk of injury for its employees. In some markets, employees are often targeted in hostile attacks. Consequently, the company needs to ensure that employees are provided with adequate training, equipment and back-up support that enables them to reduce the risks they encounter in their workplace. Also, there must be sufficient support following any traumatic encounter experienced by members of its staff.

Trade union relations were also discussed with the company. G4S stated that the nature of its union relationships differs according to local context and culture. In 2008, G4S entered into an Ethical Employment Partnership with UNI, the global union federation. The company hopes this partnership will drive improvements in employment standards across the security industry while helping to ensure that employee and union rights are respected throughout the group.

Following the meeting, the company was contacted with regard to the issue of human rights. Given that two thirds of the company's employees are based in developing markets, Newton encouraged the company to ensure the protection its employees of human rights and promote strong governance within its operations. Although G4S supports the principles of the International Labour Organisation, Newton noted the company is not a signatory to the UN Global Compact.

Unilever PLC

In collaboration with a number of other investors, Newton met representatives from Unilever, a leading global consumer goods company. The company has 174,000 employees across its business, a quarter of which are in the USA. Discussions with the company revolved around its position on unionisation and the current debate on the American Employee Free Choice Act (EFCA). Unlike some other international UK listed companies, Unilever adopts a more regional approach to employment issues. The company demonstrated a clear understanding of the proposed changes to legislation and has clearly considered the implications for its business. Unilever raised some concern over the proposed changes under the EFCA to present the possibility of weak or undecided employees being harassed to join unions, a concern that Newton had already heard from both politicians and other companies.

At the meeting, Investors used the opportunity to explore the company's approach to managing labour issues in developing regions of the world, as well as the company's wider corporate responsibility policies and processes. Investors encouraged the company to consider wider communication of its labour practices in the USA and emerging economies. While the company's current level of reporting on employment issues is adequate, Newton believes there is scope for improvement.

Deutsche Telekom AG

UNI Global Union, a global union for skills and services that represents 900 unions, contacted Newton about concerns it had with Deutsche Telekom's T-Mobile USA business in the USA. Newton contacted the company to discuss the accusations being made by the union that the company was failing to adhere to fundamental labour rights in its USA operations. The union recommends that the company signs a global agreement stating that it allows all workers the freedom to join a trade union of their choosing without interference from the company. Deutsche Telekom stressed its commitment to full compliance to all labour laws, including those in the USA. The company explained its eagerness to foster effective dialogue with the union and was working with UNI Global to reach an agreement over its treatment of employees.

Newton stressed that maintaining good labour relations with its employees was vital for Deutsche Telekom, particularly given the current restructuring being considered by the company. Newton highlighted the potential reputation risk being faced by the company and the need for clear communication policies to be maintained with its workforce and wider stakeholders around the world.

Corporate responsibility in multi-media

Vivendi SA

Vivendi is a leading French communications business involved in the production of video games, music, telecommunications as well as premium television and film production and distribution. Newton met with the company to discuss its approach to sustainable development. As a producer and distributor of content, Newton explored the company's approach to protecting vulnerable customers, while at the same time offering innovative products and services. Newton was keen to understand how the company protected its young customers from its adult-rated computer games and television services. The company was able to demonstrate a clear understanding of its responsibilities and an awareness of the risk to its reputation should the company fail to protect the young or vulnerable from inappropriate content.

Newton also explored the cultural and social challenges of being a leading mobile telecom operator in Morocco. The company showed evidence of an integrated approach in offering access to technology and information and outlining the socio-economic benefits of its business model. The company explained how the social benefits of its operations in Morocco are clearly linked to building and growing a sustainable business and help to facilitate its growing market share in other African countries.

Clean energy technology

Xstrata PLC

Coal fired power stations are major emitters of greenhouse gases. The UK listed mining company, Xstrata, is the world's largest exporter of thermal coal and the fifth largest producer of hard coking coal used in the powering of fossil fuel power plants. Xstrata Coal has interests in over 30 operating coal mines throughout Australia, South Africa and Columbia. Newton met the company to discuss the implications for the business of a world moving towards secure but cleaner energy solutions in a bid to mitigate the effects of climate change. As an investor, Newton was interested to explore the potential risks and challenges arising from an increase in legislation or regulation on carbon intensive energy sources.

The company recognises the carbon liabilities associated with coal, particularly the risk of further regulation to its business. It is committed to working with its customers to find solutions to reduce greenhouse gas emissions from burning coal. Xstrata is

funding and collaborating with other companies on research projects to develop clean coal technologies which will reduce the emissions from burning coal in electricity generation. Over the next five years, Xstrata Coal will contribute over \$75 million to support the development and demonstration of these technologies. Xstrata is also involved in a number of other initiatives that are exploring ways to lower emissions from coal, including carbon capture and storage and the capture of coal-seam methane used in methane-powered electricity generation.

The company demonstrated a forward thinking approach to managing the direct climate change risk for its business, including the direct implications of water scarcity, the increased risk of severe weather conditions in some areas of operations and the cost implications for business disruption from changing weather patterns.

RWE AG

Newton met with RWE to discuss its energy policy and the implications of climate change for its business. RWE, a major diversified utility company, is Europe's biggest emitter of CO₂. The company has strong commitments to reduce its CO₂ emissions by 2015 but much of this is dependent on government action, such as extending the life of its nuclear power plants in Germany and providing incentives for developing carbon capture and storage technology (Newton discussed these issues in its Q2 2009 Responsible Investment report). Newton questioned RWE on its strategy for reducing greenhouse gas emissions, given that its calculations assume that both its nuclear power plants in Germany will be given a lifetime extension. Newton believes this extension to be unlikely. In addition, RWE is facing delays to one of its carbon capture and storage projects. Funding for developing this technology is not yet finalised and the company has witnessed an increase in community resistance towards this new technology. Newton questioned the company on what it was doing to facilitate good stakeholder dialogue with the communities adjoining its sites, as Newton views this as a significant hurdle in gaining access to on-shore storage facilities for any carbon that is captured. Although the company remains committed to developing clean coal technologies, community resistance remains and the decisions that need to be made to facilitate the development of this technology largely lie outside of the company's control.

RWE has worked to increase the efficiency of its lignite power plants through the development, and patenting, of lignite pre-drying as part of its bid to reduce CO₂. The company has been able to capitalise on developing this technology by selling the technology to lignite power stations in Australia. In addition, the

company has developed CO₂ capturing technology through coal and lignite scrubbing. The first tests at the pilot plant have delivered promising results. The aim would be to retrofit power stations from 2020.

The meeting with RWE highlighted the challenges facing diversified utility companies in setting and then reaching targets of CO₂ reduction, in a bid to minimise the risk of further climate change legislation.

Animal testing on pharmaceutical products

GlaxoSmithKline PLC

The subject of using live animals for research purposes is a sensitive issue. In the past, companies have faced significant reputational damage and have been the focus of campaigning from animal rights activists when they have been found to be in breach of best practice. Newton understands the importance of considered management policies on animal testing and as such attended a site visit to a GSK Laboratory Animal Science Facility. The aim of the visit was to gain a better understanding of how a global pharmaceutical company manages the complex issue of using animals in drug discovery and research.

GSK stated that its preference is not to use animals in research. However, this is unlikely to be achievable in the foreseeable future. GSK uses animals in research only when scientifically necessary and required by law. Wherever possible, the company aims to minimise the number of animals used. GSK's policy is to minimise pain and distress through its commitment to the 3Rs in all areas of its research and development business.

The 3Rs is a term used by the biomedical community and stands for:

- replacement – with non-animal alternatives or lower order species
- reduction – in the number of animals used
- refinement – of techniques to minimise pain and distress

During the visit, members of GSK's staff demonstrated a personal commitment to high standards of animal welfare, providing examples of adherence to the 3Rs.

GSK recognises that laws on the use of animals in research differ around the world. However, the company achieves worldwide

standards through a core set of principles for the care of laboratory animals, which establishes GSK's standards for conducting animal research. This is in addition to any legal and regulatory requirements that govern the use of animal testing facilities.

During the visit, Newton explored how human embryonic stem cell research forms part of the 3Rs. GSK has stated that one of the reasons it now uses stem cells in research is to help reduce the need for the use of animals.

GSK's tour of its facilities provided Newton with a good understanding of how the company is striving to minimise the use of animals in research, as well as the encouraging natural animal behaviour and creating environments that reduce the levels of stress in the animals.

Nigeria

Eni SpA

A meeting with the company provided an opportunity for Newton to question management about the company's operations in Nigeria. Owing to long-standing political and community tensions in the country, operating in Nigeria poses significant challenges for companies including security challenges, illegal oil tapping and militant hijacking of employees.

In addition to adopting good security management, Eni recognises, for the long-term sustainability of the company's presence in Nigeria, it is vital to build and maintain good community relations. Eni has been operating in Nigeria since 1962 and employs over 1,500 people in the country, the majority of which are from the local population. In building community trust, Eni supports the local socio-economic environment through community projects, infrastructure development and the development of local health service facilities, schools, water services and electricity plants. In 2008, Eni commenced a project to map and evaluate local conflicts around its operations in Nigeria. This project is in preparation for a wider stakeholder management plan in the country.

Newton was encouraged by Eni's approach to promoting economic development and hiring local people in Nigeria. Newton also commends the company's community initiatives and believes that good community relations are crucial in gaining support of the local people and maintaining licences to operate in the country.

Company disclosure on environmental and social issues

Assessment and subsequent engagement

As part of Newton's approach to responsible investment, environmental and social assessments of Newton's largest holdings are conducted as an integral part of its governance activities. These assessments often lead to engagement with companies on their environmental, social and governance (ESG) disclosure and practices. Following such assessments, Newton contacted a number of companies during the quarter.

The JM Smucker Company: Owing to a lack of public disclosure, Newton contacted this US based food producer to explore how the company approaches wider corporate responsibility matters. During the discussions, Smucker gave an overview of its five-year sustainability strategy, which promotes its social initiatives. The company also outlined ways in which it reduces its environmental impact. Newton was encouraged to hear how this sustainability strategy is integrated into Smucker's overall business model. The company has established targets to reduce its energy use and waste generation. As a member and supporter of the Carbon Disclosure Project's (CDP) work in improving the timely disclosure of environmental and climate change matters, Newton was encouraged to see Smucker's participation in the CDP's annual questionnaire. However, the company does not disclose specific data relating to greenhouse gas emissions. Newton believes it best practice for companies to disclose key performance metrics on ESG matters, such as greenhouse gas emissions, water, and health and safety. Newton encouraged the company to consider increasing the level of its disclosure on these issues. Newton believes further disclosure on the management of ESG issues along its supply chain should also be considered.

Align Technology, Inc: Newton contacted Align Technology, the USA based medical device company that designs and manufactures a proprietary system called 'invisalign', which accounts for 96% of its revenues. Invisalign is used in the treatment of malocclusion or the misalignment of teeth. Newton explored how the company's code of ethics, code on marketing practices and wider employment policies are managed and communicated across its operations. In particular, Newton was interested in learning how it communicated its policies to its non-English speaking employees in its operations in Mexico and Costa Rica. Newton commended Align Technology on its employee recruitment and training programmes and encouraged the company to capitalise on these initiatives by increasing its corporate responsibility reporting. Newton explored the company's approach to other employment matters, including health and safety policies and procedures. Newton highlighted the lack of publicly available information on the management of its environmental policies such as waste streams and the life cycle of its products. Newton encouraged the company to consider providing more information on these ESG matters.

Times Ltd: Times is a leading operator of supermarkets in Eastern China. Following a lack of publicly available information on the company's management of ESG matters, Newton contacted the company to discuss what environmental and social policies and procedures are in place. Times provided information on its energy and water savings efforts together with environmental impact assessments that are conducted on its new stores. The company also described its recent community activities, general employment practices and the supply chain management systems it has in place. While Newton was comforted by the company's recognition of the importance of managing ESG matters, Newton believes that its approach falls short of best practice. As such, Newton aims to have further dialogue with the company to encourage better policies, practices and disclosure.

Company meeting log

During the quarter Newton analysts and fund managers had individual meetings with the management of 248 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:

Abcam	Bloomsbury Publishing	Domino Printing Sciences
Acciona	Brazil Foods	Dragon Oil
Accordia Golf	British American Tobacco	eaga
Aceryg	Bunzl	eAccess
Actelion	Cadbury	Eaton Vance
Admiral Group	Capita Group	Elbit Systems
Affiliated Managers Group	Carrefour	Eli Lilly
Aflac	Celgene	Elpida Memory
Afren	Centrica	EMC Corp
Air Liquide	CEZ Group	EnCana
AJ Lucas Group	Chesapeake Energy	Eni
Aker Solutions	China State Construction International	Eurochem International
Align Technology	Holdings	Exelon
AllianceBernstein	China Resources Cement	First American
American Superconductor	Chugai Pharmaceutical	First Gen
Amlin	CIMB Group	Forest Oil
AMP	Cineworld Group	Frasers Commercial Trust
Anadarko Petroleum	Circle Oil	G4S
Anglo American	CNOOC	Genus
Anhanguera Educacional Participacoes	Coastal Energy	Genmab
Arch Capital	Cobham	Genworth Financial
Artio Global Investors	Commonwealth Bank of Australia	Genzyme
Asahi Breweries	Compal Electronics	GlaxoSmithKline
ASOS	Computacentre	Glow Energy Public Company
AXA	Constellation Energy	Go-Ahead Group
AXA Asia Pacific	Copasa	Green Dragon Gas
Axis-Shield	Covidien	Greenhill & Co
BAE Systems	CSL	Greggs
BBA Aviation	CVS	Global Unichip Corp
Baidu	Daelim Industrial	Halliburton
Balfour Beatty	Dana Petroleum	Hang Lung Properties
Bank of China	Danone	Hargreaves Services
Bawang International	Datacash Group	Hartford Financial Services
BBMG	Davis Service Group	Hays
Beiersdorf	Dechra Pharmaceuticals	HMV
Beckman Coulter	De La Rue	Hikma Pharmaceuticals
BHP Billiton	Deutsche Boerse	Hogy Medical
Bilfinger Berger	Devon Energy Corp	HSBC
Biovitrum	Diageo	Hypermarcas

IG Group	Next	Smith & Nephew
IMI	Nippon Meat Packers	JM Smucker
Informa	Noble Group	Sony
ING Vysya Bank	Novartis	Spectris
Inotera Memories	Novozymes	Sprint Nextel
Inpex	NPC	Sociedad Química y Minera de Chile
Intelligent Environments Group	NS Solutions	Standard Chartered
InterOil	Oil India	Standard Life
International Power	Old Mutual	Statpro Group
Interserve	Opera Software	Strauss Group
Jardine Lloyd Thompson	Paladin Energy	Subsea 7
JD Sports Fashion	PDG Realty	Suez Environment
J Power	Pearson	Sumco
Julius Baer	Peninsula Land	Suzlon Energy
Kingsoft	Pennon Group	Syngenta
Kraft Foods	PG&E Corporation	Tate & Lyle
Laboratory Corporation of America	Philip Morris International	Tele Norte Leste Participacoes
Ladbrokes	Pioneer Natural Resources	Telstra
LG Telecom	Piramal Healthcare	Thales
Lindsell Train Investment Trust	PNC Financial Services Group	Times
Lonza	PotashCorp	Tong Yang Insurance
Lynas Corporation	Premier Foods	Total
Lupin	Procter & Gamble	Toyota Motor
Majestic Wine	Pronova BioPharma	Ultra Electronics Holdings
Massmart	Prudential	Umicore
Mears	Prudential Financial	Under Armour
Medtronic	Quorum Oil and Gas Technology Fund	Unilever
Melrose	Reckitt Benckiser	United Business Media
Metallurgical Corporation of China	Reed Elsevier	Vivendi
MetLife	Reliance Industries	Vodafone Group
Millicom International Cellular	Republic Services	Wasion Group
Mitsubishi Corp	Resolution	Waste Management
Mitsubishi UFJ Financial	Rexam	Wellstream
Mitsui Fudosan	Rhoen Klinikum	Wetherspoon (JD)
Mizuho Financial	Royal Dutch Shell	Wimm-Bill-Dann Foods
Moneysupermarket.Com	RSA Insurance Group	Wintek Corp
Mothercare	RWE	Wood (John) Group
Mouchel	Sapporo Holdings	Woodside Petroleum
Multiplan	SDL International	World Fuel Services
National Grid	Serco	WorleyParsons
Natura Cosmetics	Severn Trent	WPP
Nestlé	Sharp	Xchanging
Net Servicos de Comunicacao	Siam Commercial Bank	Xstrata
Newfield Exploration	Sinopharm	Zurich Financial Services

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

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

Newton Investment Management Limited

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Newton Investment Management Limited
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
Registered in England No. 1371973

Tel: 020 7163 9000
www.newton.co.uk

Registered office: As above
Authorised and regulated by the Financial Services Authority

Newton Capital Management Limited

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Tel: (516) 338 3521
www.newtoncapitalmanagement.com



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