WELLINGTON MANAGEMENT®

2022

Sustainable Investment education:

A multifaceted approach

The concept of sustainable investing can mean different things to different clients, and there are many ways clients can express their preferences in their investment agreements with us. Integration of sustainable investing into a portfolio is subject to client approval and not all clients opt for sustainable investing solutions.

FOR PROFESSIONAL OR INSTITUTIONAL INVESTORS ONLY

We seek to drive excellence for clients by developing a sustainable investment (SI) edge that is research-based, credible, and future facing. To this end, we have developed a multifaceted approach to SI governance and education across our investment, client, and infrastructure platforms ("our three Platforms").

SI governance model

During 2021, we strengthened the governance around our overall SI strategy. This included the creation of several new forums designed to optimize cross-functional decision making. With the creation of our SI Governance Committee and SI Management Team, we have evolved our SI governance model in ways that deepen firmwide SI knowledge, formalize responsibilities, improve communication, ensure continued collaboration, and facilitate efficient decision making.

Our SI Governance Committee is chaired by our CEO and includes senior leaders from across our three Platforms, as well as from our Executive, Operating, and Compensation Committees. These leaders support the overall vision and success of Wellington's SI efforts. The SI Management Team includes SI leaders who determine and execute the firm's overall SI vision and strategy to meet evolving investment, client, and regulatory imperatives.

A comprehensive SI Education Program

Wellington's SI education program includes in-person and online regional training sessions on priority ESG and SI topics, as well as sessions tailored for each of our three Platforms. Internal subject-matter experts lead the training sessions, with a focus on how a wide array of SI data, analytics, research, and portfolio-construction tools can be applied and integrated. Depending on an employee's function, some sessions are voluntary and others mandatory. Our SI education program covers various themes and regulatory matters, leveraging internal expertise and external research. Examples of topics covered include:

- Physical climate risks. On a quarterly basis, members of our Climate Research Team offer firmwide education sessions to update colleagues on their ongoing work with Woodwell Climate Research Center, studying the effect of physical climate risks on capital markets.
- Climate transition risks. We will offer nine sessions on this topic in 2023 to educate colleagues about our newest climate-science research collaboration with the Joint Program on the Science and Policy of Global Change at the Massachusetts Institute of Technology. This initiative aims to strengthen our current research on the transition to a low-carbon economy, enhance our understanding of expected financial and economic impacts of transition pathways, and potentially inform our engagements with issuers.

- Modern slavery. Based on input from portfolio companies that have shared their approach to identifying, managing, and mitigating issues of human rights abuses and modern slavery in their supply chains, we structure training around these issues and highlight best practices.
- EU regulations. We provide guidance on evolving SI-related regulation, for example, SFDR Level II including Principal Adverse Indicators (PAIs) and the EU Taxonomy, and MiFID Sustainability Preferences. We explain how the regulations fit together and where gaps in the regulatory landscape remain.
- Hong Kong and Singapore regulations. These sessions focus on regional climate disclosure requirements.
- Climate-change concepts and investor tools. These sessions focus on key calculations, metrics, and technical terms (e.g., weighted average carbon intensity and science-based targets). We also cover how to utilize the net-zero portfolio dashboard and net-zero issuer dashboard in both group sessions and tailored one-on-one sessions to potentially facilitate future company engagement discussions.
- Proxy voting season previews. Each spring, the ESG Research Team hosts sessions to educate investors about major governance developments, focusing on a selection of "hot topics" expected to be most pertinent throughout the season and explaining any shifts to their vote recommendations. These sessions help clarify contentious issues ahead of time so that investors can have more focused, productive debates about significant votes. While these sessions are not mandatory, attendance is highly encouraged.
- Corporate sustainability. Apart from SI, all Wellington employees must undergo annual mandatory training on preserving our respectful workplace. These sessions include online courses and tailored, in-person sessions in which employees learn about various forms of harassment and discrimination, and how to avoid them. We also train hiring teams on mitigating unconscious bias in the candidate-decision process.

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Finally, our culture of collaboration fosters everyday learning on SI concepts. For example, our daily morning investment meeting is a venue for regular dialogue and cross-education that frequently touches on important ESG topics, from the energy transition to product safety and quality to supply-chain risks to governance in emerging markets, among many other topics. These conversations center on the materiality to the investment case and impact on the risk profile of an issuer. The intersection of ESG with other investment factors deepens the understanding of SI considerations across our firm.

Our ESG research analysts also accompany portfolio managers, global industry analysts, and credit analysts on various meetings with portfolio companies. Preparation and discussions during and after these meetings advance SI education and perspective. Insights from all corporate engagements are shared broadly through our research collaboration platform. We view this type of collaboration as a form of implicit, ongoing training.

We anticipate continued evolution of the SI landscape and our firm's approach to it. Our SI education and training program will continue to focus on ensuring that our investment, client, and infrastructure teams are knowledgeable and prepared.