



For decades, **Wellington Management** has been actively engaging with the companies we invest in on environmental, social, and corporate governance factors, sharing these insights among our investment teams via our Morning Meetings, and aligning our proxy voting in an effort to benefit shareholders.

## Wellington Management's ESG integration philosophy

At Wellington Management, we consider environmental, social, and corporate governance (ESG) criteria as one set of factors among many that should be weighed appropriately to inform investment decision making.

We view ESG analysis and integration as both return enhancing and risk mitigating. To help our portfolio managers and investment teams better assess risks and opportunities in client portfolios, we have integrated the analysis of ESG factors into our investment and risk-management processes firmwide.

### **Our approach**

We approach ESG integration as a tailored process that can be applied to all asset classes. We do this by analyzing ESG risks and opportunities in our clients' portfolios, engaging with companies in which we invest to discuss material ESG issues, and voting proxies on our clients' behalf to support decisions that we believe will maximize the long-term value for shareholders. Wellington Management's culture is built to support collaboration and our open-architecture "community of investors" naturally lends itself to the integration of ESG considerations.

Our ESG Research team, part of the central Investment Research function, helps our portfolio managers and analysts gather deeper intelligence on ESG topics and integrate these considerations into the investment process. We believe that a holistic understanding of how companies deploy capital — financial, physical, and human — is helpful in framing an investment thesis, and examining ESG issues gives us a more complete picture. Our ESG analysts are responsible for conducting in-depth analysis of the ESG factors considered material to the companies within their sector coverage. Materiality is the foundation of our integration process, as the ESG considerations likely to impact long-term value are not identical for every sector or industry.

We believe material ESG issues are strategic business issues that can impact performance, so understanding them enables more informed investment decisions. Research suggests that companies focused on their strategy to address material ESG factors for their industry may outperform over the long term, while there is an implicit opportunity cost for companies that focus their efforts on immaterial factors.<sup>1</sup> Applying a materiality lens to our broader stewardship efforts, the ESG team is also responsible for coordinating the proxy voting and engagement strategies for the companies in their sectors, alongside equity and fixed income analysts and portfolio managers.

Our ESG team works closely with investment teams to incorporate our research into the investment process — regularly conducting in-depth portfolio reviews to evaluate ESG risks and strengths of particular holdings. With support from the ESG team, each of our portfolio managers develops their own investment approach whereby ESG considerations are integrated into their research and decision-making processes to the extent that they believe these issues may affect the long-term success of a company and potential investment returns. ESG integration can manifest itself within the investment thesis or portfolio weighting for a particular security, as well as within our proxy voting and company engagement efforts.

<sup>1</sup>Khan, M., et al. "Corporate Sustainability: First Evidence on Materiality," Harvard Business School, 2015. Time period studied was 1991 through 2012.



“The ESG insights we gain are integral to our assessments of the durability of a company’s returns on capital invested. Understanding a company’s culture enables us to assess more accurately its management depth, risk controls, and potential to innovate.”

Tara Stilwell, CFA  
Global Equity Portfolio Manager



“When we meet with managements, one of the topics we bring up is corporate governance. As the saying goes, there’s rarely just one cockroach in the kitchen. When you find corporate governance issues, there are usually more lurking, so we tend to be very careful with companies like that.”

Dirk Enderlein, CFA  
European Equity Portfolio Manager

### Engagement

As a firm with a long history of independent fundamental research, direct engagement with company managements has always been a core part of our process. Examples of engagement topics include business strategy, capital structure, and material ESG issues relevant to the company’s long-term success, such as environmental regulation, employee training and development, and senior-level succession planning. During our conversations with company managements, we learn about their perspectives and approaches, provide them with feedback on how we think they can improve, and incorporate our findings into our research. We believe this engagement plays a critical role in helping to identify, understand, and appropriately consider ESG risks. Wellington hosts thousands of company management meetings each year. This degree of interaction helps our investors assess changes in a company’s ESG performance with more depth and conviction than if they had to rely purely on quantitative data sources. Through informed, active ownership, we aim to influence corporate behavior by encouraging what we consider best practices on material issues that may ultimately benefit our clients.

### Proxy voting

Proxy voting is another powerful tool for our investors, providing leverage in company management discussions and also the opportunity to directly influence corporate policy. Many of our clients ask us to vote company proxies on their behalf for their portfolios, and we take that responsibility seriously. We have policies and procedures designed to ensure that we collect and analyze relevant information for each meeting, apply our proxy voting guidelines accurately, and execute the votes in a timely manner. Ultimately, each vote must reflect the specific situation at stake, and these vary broadly. Therefore, portfolio managers and analysts have discretion to vote proxies in the best interests of each client portfolio they manage. In making voting decisions, they are supported by our Investment Stewardship Committee, which represents the diverse investment views of the firm.

### United Nations-backed Principles for Responsible Investment (PRI) and best practice codes

Our approach to ESG considerations is a global effort and applies broadly across asset classes when applicable and as appropriate. Our process is consistent with the aims of emerging best practice codes, including the UN Principles for Responsible Investment (PRI), the UK Stewardship Code, the Hong Kong Principles of Responsible Ownership, the Japan Stewardship Code, and the Investor Stewardship Group’s Framework for US Stewardship and Governance.

Since 2012, Wellington Management has been a [signatory to the PRI](#), a network of international investors working together to put the six Principles for Responsible Investment into practice. The Principles were devised by the investment community and reflect the view that environmental, social, and corporate governance issues can affect the performance of investment portfolios and should be given consideration by investors if they are to fulfill their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices to better align their objectives with those of society at large.<sup>2</sup>

For a complete list of ESG-related initiatives supported by Wellington Management, please see the description of our ESG integration efforts on our [website](#).

### Disclosure and reporting

Our Global ESG Research Update report, published quarterly and available on our website, includes a list of company engagements conducted by our ESG team and statistics summarizing proxy voting activity from the previous quarter. As a PRI signatory, we report annually on our ESG integration approach through the PRI Reporting Framework.

<sup>2</sup>[www.unpri.com](http://www.unpri.com)

For additional information on our approach to ESG integration, please contact your relationship manager or email [info@wellington.com](mailto:info@wellington.com).



The Morning Meeting at Wellington Management

**WELLINGTON MANAGEMENT COMPANY LLP** Boston | Chicago | Radnor, PA | San Francisco

**WELLINGTON MANAGEMENT AUSTRALIA PTY LTD** Sydney

**WELLINGTON MANAGEMENT CANADA LLC** Serviced from Boston and Chicago

**WELLINGTON MANAGEMENT HONG KONG LTD** Hong Kong | Beijing Representative Office

**WELLINGTON MANAGEMENT INTERNATIONAL LTD** London | Frankfurt

**WELLINGTON MANAGEMENT JAPAN PTE LTD** Tokyo

**WELLINGTON MANAGEMENT SINGAPORE PTE LTD** Singapore

**WELLINGTON MANAGEMENT SWITZERLAND GmbH** Zurich

[www.wellington.com](http://www.wellington.com)

Wellington Management Company LLP (WMC) is an independently owned investment adviser registered with the US Securities and Exchange Commission (SEC). WMC is also a commodity trading advisor (CTA) registered with the US Commodity Futures Trading Commission. In certain circumstances, WMC provides commodity trading advice to clients in reliance on exemptions from CTA registration. In the US for ERISA clients, WMC is providing this material solely for sales and marketing purposes and **not** as an investment advice fiduciary under ERISA or the Internal Revenue Code. WMC has a financial interest in offering its products and services and is not committing to provide impartial investment advice or give advice in a fiduciary capacity in connection with those sales and marketing activities. WMC, along with its affiliates (collectively, Wellington Management), provides investment management and investment advisory services to institutions around the world. Located in Boston, Massachusetts, Wellington Management also has offices in Chicago, Illinois; Radnor, Pennsylvania; San Francisco, California; Beijing; Frankfurt; Hong Kong; London; Luxembourg; Singapore; Sydney; Tokyo; and Zurich. ■ This material is prepared for, and authorized for internal use by, designated institutional and professional investors and their consultants or for such other use as may be authorized by Wellington Management. This material and/or its contents are current at the time of writing and may not be reproduced or distributed in whole or in part, for any purpose, without the express written consent of Wellington Management. This material is not intended to constitute investment advice or an offer to sell, or the solicitation of an offer to purchase shares or other securities. Investors should always obtain and read an up-to-date investment services description or prospectus before deciding whether to appoint an investment manager or to invest in a fund. Any views expressed herein are those of the author(s), are based on available information, and are subject to change without notice. Individual portfolio management teams may hold different views and may make different investment decisions for different clients.

In Canada, this material is provided by Wellington Management Canada LLC, a US SEC-registered investment adviser also registered in the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec, and Saskatchewan in the categories of Portfolio Manager and Exempt Market Dealer. ■ In the UK, this material is provided by Wellington Management International Limited (WMIL), a firm authorized and regulated by the Financial Conduct Authority (FCA). This material is directed only at persons (Relevant Persons) who are classified as eligible counterparties or professional clients under the rules of the FCA. This material must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment service to which this material relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. ■ In Germany, this material is provided by Wellington Management International Limited, Niederlassung Deutschland, the German branch of WMIL, which is authorized and regulated by the FCA and in respect of certain aspects of its activities by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). This material is directed only at persons (Relevant Persons) who are classified as eligible counterparties or professional clients under the German Securities Trading Act. This material does not constitute investment advice, a solicitation to invest in financial instruments or financial analysis within the meaning of Section 34b of the German Securities Trading Act. It does not meet all legal requirements designed to guarantee the independence of financial analyses and is not subject to any prohibition on dealing ahead of the publication of financial analyses. This material does not constitute a prospectus for the purposes of the German Capital Investment Code, the German Securities Sales Prospectus Act or the German Securities Prospectus Act. ■ In Hong Kong, this material is provided to you by Wellington Management Hong Kong Limited (WM Hong Kong), a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), and Type 9 (asset management) regulated activities, on the basis that you are a Professional Investor as defined in the Securities and Futures Ordinance. By accepting this material you acknowledge and agree that this material is provided for your use only and that you will not distribute or otherwise make this material available to any person. ■ In Singapore, this material is provided for your use only by Wellington Management Singapore Pte Ltd (WM Singapore) (Registration Number 201415544E). WM Singapore is regulated by the Monetary Authority of Singapore under a Capital Markets Services Licence to conduct fund management activities and is an exempt financial adviser. By accepting this material you represent that you are a non-retail investor and that you will not copy, distribute or otherwise make this material available to any person. ■ In Australia, Wellington Management Australia Pty Ltd (WM Australia) (ABN19 167 091 090) has authorized the issue of this material for use solely by wholesale clients (as defined in the Corporations Act 2001). By accepting this material, you acknowledge and agree that this material is provided for your use only and that you will not distribute or otherwise make this material available to any person. Wellington Management Company LLP is exempt from the requirement to hold an Australian financial services licence (AFSL) under the Corporations Act 2001 in respect of financial services. A registered investment adviser regulated by the SEC, among others, is exempt from the need to hold an AFSL for financial services provided to Australian wholesale clients on certain conditions. Financial services provided by Wellington Management Company LLP are regulated by the SEC under the laws and regulatory requirements of the United States, which are different from the laws applying in Australia. ■ In Japan, Wellington Management Japan Pte Ltd (WM Japan) (Registration Number 199504987R) has been registered as a Financial Instruments Firm with registered number: Director General of Kanto Local Finance Bureau (Kin-Sho) Number 428. WM Japan is a member of the Japan Investment Advisers Association (JIAA) and the Investment Trusts Association, Japan (ITA). ■ WMIL, WM Hong Kong, WM Japan, and WM Singapore are also registered as investment advisers with the SEC; however, they will comply with the substantive provisions of the US Investment Advisers Act only with respect to their US clients.