



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.¹ 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.

¹Khan, 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.²

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.

²www.unpri.com

For additional information on our approach to ESG integration, please contact your relationship manager or email 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

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