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2024 Global Impact Engagement Report

A REVIEW OF EQUITY ENGAGEMENTS BY OUR IMPACT EQUITY TEAM

For professional and institutional investors only.

2024 HIGHLIGHTS OF OUR GLOBAL IMPACT ENGAGEMENT ACTIVITY

236

engagement topics

78

portfolio companies

23

engagements with potential
portfolio candidates

CONSIDER THE RISKS

Investors should consider the risks that may impact their capital, before investing. The value of your investment may fluctuate from the time of the original investment.

We believe that partnership and engagement with our portfolio companies and issuers can enhance our positive social and environmental impact and create lasting value for our clients.

In our view, material environmental, social, and governance (ESG) issues are strategic business issues that can affect a company's financial performance, competitiveness, and sustainability. The more we understand material ESG issues, the more informed our investment decisions will be. To ensure the viability of our theory of change — the impact thesis — for each company, we seek to support and influence positive outcomes through informed and active ownership.

Our team approaches engagement as we do our investment research, leveraging multidisciplinary analysis that spans equity, fixed income, impact, and ESG perspectives across public and private markets. As a fiduciary of our clients' capital, we believe it is our duty to understand the full mosaic of a company's business model, industry structure, and capital allocation. We also believe that this approach is the most effective way to achieve our intended positive impact on people and the planet.

Objectives of engagement

The Global Impact investment team, collaborating with Wellington's ESG analysts, takes a hands-on approach to engagement, meeting in person with boards and management teams, writing letters, and hosting multiple calls each year. During our engagements, we have three main objectives:

1. To understand material E, S, and/or G considerations for companies in the portfolio.
2. To gain insight into matters relevant to our investment thesis and impact thesis and take corrective action if repeated engagement does not provide the necessary levels of comfort.
3. To educate management on our impact goals and develop key performance indicators (KPIs) to measure the impact generated.

Active engagement helps us identify where improvements can be made, encourage companies to measure their impact — both positive and negative — and report meaningful data. Ultimately, engagement creates an important feedback loop and mechanism for delivering and measuring impact as well as helping meet our financial goals.

A successful engagement starts by defining the opportunity. We tend to approach engagement with the initial objective of learning how management sees the company's ability to effect positive change; this helps us outline longer-term goals. While companies are increasingly receptive to our requests for transparency or additional reporting on business strategies, they sometimes still need time and support to develop resources that enable them to evolve their practices and assess and measure impact. In our view, successful engagement outcomes result in improved communication on how the company's business strategy can be applied more effectively to impact contribution, which can help management articulate a stronger value proposition. We believe this communication and transparency leads to better alignment across stakeholder groups.

Overall, in 2024, we engaged on 236 topics across 78 portfolio companies and had further engagements with 23 potential candidates for the portfolio. Throughout the year, we used engagements to take informed action in the face of sharp stock-price movements, assess the potential effects on company fundamentals of the US presidential election, and evaluate companies' competitive positioning. Engagement remains a key mechanism to gain deeper understanding of the companies in our portfolio and validate the underwriting of our investments.

In addition to our engagements with individual companies, we continued to engage with the broader impact and sustainable investment community through our participation in industry conferences and working groups throughout the year. For example, Global Impact's portfolio manager and investment director participated in a panel discussion at the Global Impact Investing Network conference in October. Members of Wellington's Impact Measurement & Management team spoke at several impact- and sustainability-related events globally. We continued to engage with other impact practitioners, including by joining working groups to discuss best practices in impact reporting and greenhouse gas (GHG) emissions calculations.

Sample engagements and outcomes from 2024

OUR IMPACT THEMES



LIFE ESSENTIALS

Affordable housing
Clean water & sanitation
Health
Sustainable agriculture
& nutrition



HUMAN EMPOWERMENT

Digital divide
Education & job training
Financial inclusion
Safety & security



ENVIRONMENT

Alternative energy
Resource efficiency
Resource stewardship

Below we share examples of our engagements that centered on material ESG issues and many of the 11 impact themes across our Life essentials, Human empowerment, and Environment categories. Three key areas of emphasis were:

Reaffirming our impact theses amid short-seller allegations — In the first half of the year, we relied on our access, ability to engage, and strong long-term relationships with management teams to navigate an increase in short-seller reports targeting companies in our portfolio. While these allegations were frustrating, we used each instance as an opportunity to reaffirm our impact thesis and preserve the value of our clients' invested capital.

Understanding potential effects of anticipated regulatory changes — Several engagements touched on the risks and opportunities associated with potential regulatory and political changes under the incoming Trump administration.

Increasing efficiency — Select engagements across all three impact categories addressed ways in which boards and management teams are improving efficiency through strategic business decisions or technological advancements, creating more value for customers, and ultimately having more impact.

ENVIRONMENT (E)

We witnessed a streamlined operation that relies on a lean, heavily automated labor force to generate significant output.

ALTERNATIVE ENERGY

We engaged with a US solar company on several occasions. Early in the year, we spoke to the CEO to better understand potential business implications of the US presidential election. We were encouraged that the company was well positioned to navigate a range of political outcomes with little impact on its long-term fundamentals. Later in the year, we visited the company's new manufacturing plant in Ohio. We were impressed by the massive scale (1.8 million square feet) and efficiency (a mere 85 workers) of the facility. We witnessed a streamlined operation that relies on a lean, heavily automated labor force to generate significant output. The company is focused on adding technology to existing solar panels to reduce costs and increase electricity generation. We remain impressed by the company's technological prowess and clear geographic advantages.

RESOURCE EFFICIENCY

We engaged multiple times with a renewable-diesel feedstock supplier and producer to better understand its outlook amid a fluid regulatory environment and competitive landscape, both of which are weighing on the biofuels industry. Management expressed confidence in the company's vertically integrated business model, in which its base business supplies fuel to the renewable-diesel joint venture. The team also underscored its advantages in process technology and durable feedstock. On the regulatory side, the company anticipated a positive catalyst stemming from clarification of state and federal biofuel credits — a view we shared. Late in the year, the California Air Resources Board accelerated the state's carbon-intensity reduction targets, providing a potential tailwind for the company. Although the biofuels industry faced challenges during the year, the company remains well positioned, with management focused on capital allocation and maintaining existing advantages.



SOCIAL (S)

There appears to be a growing gap between companies able to attract and retain talent in order to grow organically and those struggling with employee retention.

RESOURCE STEWARDSHIP

We engaged with an Australian waste management company to discuss the long-term outlook. Management believes that the company's growth potential beyond 2026 is underappreciated by the market, and it is aiming to orient investors to longer-term targets. Meanwhile, the company's coordinated efforts to improve its corporate culture continue apace, with restructured incentives across the operation yielding increased employee retention and engagement.

RESOURCE EFFICIENCY

We continue to see attractive opportunities within the engineering and construction (E&C) group, particularly with what we believe are undervalued contributions to much-needed infrastructure improvement. During several engagements with E&Cs, we were struck by the continued expansion in capex budgets among clients of these companies, underscoring that the imperative to invest in this increasingly complex work remains strong. In our view, there appears to be a growing gap between companies able to attract and retain talent in order to grow organically and those struggling with employee retention. One Netherlands-based industrial consultant under new management has made dramatic improvements to talent retention and established a tighter strategic and geographic focus.



GOVERNANCE (G)

We spent time reviewing the team's efforts to concentrate on streamlining the business and avoiding portfolio creep.

CLEAN WATER & SANITATION

We met with senior management at a US water company for an update on its corporate strategy. Importantly, while the market has been focused on capital allocation since the company spun off from its parent corporation, our discussion on the company's M&A pipeline left us impressed with its discipline in contemplating its first foray into M&A as an independent company. These positive datapoints, along with the company's steady operating and earnings results and our continued constructiveness in the water space more broadly, underscored our conviction in the growth potential of its water-quality business.

AFFORDABLE HOUSING

We engaged with a US manufactured-home-community operator on multiple occasions following a period of challenged capital allocation, disappointing financial results, and poor stock performance. We are encouraged by management's steps to restructure costs and improve internal controls. We also appreciate its commitment to bring greater attention to decisions around mergers and acquisitions (M&A). Recent announcements of the CEO's upcoming retirement, three pending board seat changes, and, most encouragingly, the appointment of a new president are additional positive developments. We are impressed with the incoming president and believe he is well positioned to execute on a set of strategies intended to improve operational performance and restore investor confidence.

CLEAN WATER & SANITATION

We engaged with the CEO of a US water company, who was nearing the end of his first year in the role. We reviewed his team's efforts to streamline the business and avoid portfolio creep, an approach the company refers to as "80/20." While we remain positive on the company's trajectory and long-term outlook, we recognize that change is occurring at a more measured pace than management had hoped and may bring near-term top-line pressures until the company gets to the other side of cost-cutting measures.



IMPACT (I)

This engagement increased our confidence in the company's ability to accelerate growth and provide a positive customer experience...

EDUCATION & JOB TRAINING

When a US for-profit education company was the subject of a short seller's report in the first quarter, our understanding of its student demographic, a core component of our impact thesis, helped us maintain conviction. While the report criticized the company for low graduation rates, we quickly identified the faulty logic in that assessment, which failed to acknowledge that the company's nontraditional, part-time student body naturally requires more time to graduate. During our engagement immediately following the report, management reinforced its confidence in the academic, operational, and financial strength of the business.

DIGITAL DIVIDE

We attended an investor event hosted by a US internet company that enables small businesses and entrepreneurs to develop an online presence. During the event, we met with the CEO, CMO, and other executives. This engagement highlighted the company's progress incorporating generative AI into its products through its new virtual assistant. In our view, the new AI features provide significant added value to customers in website creation and marketing. During 2024, the company's growth was boosted by its ability to bundle products and cross-sell with the virtual assistant. Going forward, the company plans to monetize its AI assistant through a paid tier with premium features. This engagement increased our confidence in the company's ability to accelerate growth and provide a positive customer experience through high-quality, customer-tested offerings built on AI technology.

Looking ahead

Our engagements in 2024 provided us with valuable insight into companies' strengths and weaknesses. These additive discussions also helped confirm that our companies are delivering impact along with the potential for strong long-term financial returns for our clients. In 2025, we remain focused on how companies can continue to deliver on both outcomes while watching new developments that may affect our financial and impact goals. Specifically, we are monitoring the implications of policy changes under the new Trump administration in the US, as well as inflation and interest-rate trends globally. Despite these potential macro headwinds, we believe the demand for the innovative products and services that the companies in our impact opportunity set are providing remains strong. We look forward to reporting on our continued engagement with investee companies as they, too, navigate the coming uncertainty.



2024 engagements

■	E	Environment
▲	S	Social
●	G	Corporate governance
◆	I	Impact
*		Sold during 2024

ISSUER NAME	E	S	G	I
ENVIRONMENT				
ALTERNATIVE ENERGY				
Brookfield Renewable*				
EDP Renovaveis SA*			●	◆
First Solar Inc	■	▲	●	◆
HA Sustainable Infra	■	▲	●	◆
NEXTracker Inc	■	▲	●	◆
RESOURCE EFFICIENCY				
Aalberts NV*	■	▲	●	◆
Advanced Drainage Sy	■		●	◆
Arcadis NV	■	▲	●	◆
Autodesk Inc	■	▲	●	◆
Hubbell Inc	■	▲	●	◆
Infineon Tech	■	▲	●	◆
Kingspan Group Plc	■		●	◆
Landis+Gyr Group AG	■	▲	●	◆
Samsung SDI Co*			●	◆
Schneider Electric	■	▲	●	◆
Trane Tech PLC	■		●	◆
Westinghouse Air	■	▲	●	◆
RESOURCE STEWARDSHIP				
AZEK Co Inc/The	■	▲	●	◆
Cleanaway Waste Mgmt	■	▲	●	◆
Crown Holdings Inc	■		●	◆
Darling Ingredients	■		●	◆
Waste Connections In	■	▲	●	◆
HUMAN EMPOWERMENT				
DIGITAL DIVIDE				
GoDaddy Inc			●	◆
GrameenPhone Ltd*				
MediaTek Inc	■	▲	●	◆
Telefonica Brasil SA			●	◆
Vodacom Group Ltd	■		●	◆
EDUCATION & JOB TRAINING				
Adtalem Global Education		▲	●	◆
Laureate Education			●	◆
PowerSchool Hldgs*	■	▲	●	◆
Recruit Holdings Co	■	▲	●	◆
Stride Inc			●	◆
YDUQS Participacoes*				◆
FINANCIAL INCLUSION				
Bank Rakyat Indonesi*		▲	●	◆
Block Inc			●	◆
Etsy Inc*	■	▲	●	◆
Globe Life Inc	■	▲	●	◆
Old Mutual Ltd			●	◆

ISSUER NAME	E	S	G	I
OneMain Holdings Inc			●	◆
Popular Inc	■		●	◆
Shriram Finance Ltd	■		●	◆
SAFETY & SECURITY				
Beazley PLC		▲	●	◆
Chroma Ate Inc	■	▲	●	◆
CyberArk Software			●	◆
F5 Inc			●	◆
Fortinet Inc*		▲	●	◆
MIPS AB			●	◆
PGT Innovations Inc*	■		●	◆
Renesas Electronic	■	▲	●	◆
Stantec Inc*			●	◆
Tecnoglass Inc	■	▲	●	◆
LIFE ESSENTIALS				
AFFORDABLE HOUSING				
Cavco Industries Inc*				
Independence Realty			●	◆
Katitas Co Ltd*				
Sun Communities Inc	■	▲	●	◆
CLEAN WATER & SANITATION				
Tetra Tech Inc	■	▲	●	◆
Veralto Corp	■	▲	●	◆
Watts Water Tech Inc*	■	▲	●	◆
Xylem Inc	■	▲	●	◆
HEALTH				
Abbott Laboratories	■	▲	●	◆
Agilent Technologies		▲	●	◆
AstraZeneca PLC	■	▲	●	◆
Boston Scientific	■	▲	●	◆
Danaher Corp	■	▲	●	◆
Eli Lilly & Co	■	▲	●	◆
GSK PLC	■	▲	●	◆
Hangzhou Tigermed Co*				
Insulet Corp	■	▲	●	◆
Merck & Co	■	▲	●	◆
National Vision Hold*				
Veeva Systems Inc	■		●	◆
SUSTAINABLE AGRICULTURE & NUTRITION				
DSM-Firmenich AG	■	▲	●	◆
Genus Plc	■	▲	●	◆
Lineage Inc*				
Nomad Foods Ltd			●	◆
Vital Farms Inc	■	▲	●	◆
MULTI-THEME				
Sekisui House Ltd	■	▲	●	◆
Wolters Kluwer	■	▲	●	◆

*Sold during 2024. E = Environment, S = Social, G = Corporate governance; I = Impact. The companies shown comprise a complete list of all engagement meetings in which Wellington Management's ESG Research and Impact Investing teams participated in 2024. The specific securities identified are not representative of all the securities purchased, sold, or recommended for clients. It should not be assumed that an investment in the securities identified has been or will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all the securities listed. This is not to be construed as investment advice or a recommendation to buy or sell any specific security.

The engagement case studies presented are for illustrative purposes only and should not be viewed as representative of actual holdings. The engagement case studies chosen are based on meetings held during the year and our priorities, giving insight into our process. There can be no assurance that the portfolio would hold companies such as these or that they would be profitable in the future. Please refer to the annual and semi-annual report for the full holdings.

Risks

Concentration: Concentration of investments in a relatively small number of securities, sectors or industries, or geographical regions may significantly affect performance.

Currency: Investments in currencies, currency futures contracts, forward currency exchange contracts, or similar instruments, as well as in securities that are denominated in foreign currency, are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

Equity markets: Equity markets are subject to many factors, including economic conditions, government regulations, market sentiment, local and international political events, and environmental and technological issues.

Foreign markets (includes emerging markets): Investments in foreign markets may present risks not typically associated with domestic markets. These risks may include changes in currency exchange rates; less-liquid markets and less available information; less government supervision of exchanges, brokers, and issuers; increased social, economic, and political uncertainty; and greater price volatility. These risks may be greater in emerging markets, which may also entail different risks than developed markets.

Smaller-capitalization stock: The share prices of small- and mid-cap companies may exhibit greater volatility than the share prices of larger-capitalization companies. In addition, shares of small- and mid-cap companies are often less liquid than those of larger- capitalization companies.





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