



Carolina San Martin, CFA
Director of ESG Research



Jeff Barbieri
ESG Research Analyst



Lindsay Blitstein, CFA
ESG Research Analyst



Lauren White
Business Associate

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GLOBAL ESG RESEARCH UPDATE

Update on stewardship priorities

In the first quarter of 2021, we highlighted diversity, equity, and inclusion (DEI) and climate change among our stewardship priorities for the year. We believe these issues can affect long-term investment outcomes, and we seek to align our proxy voting decisions with our engagement efforts to encourage improvement. We wrote letters to all S&P 500 companies, communicating our updated voting approach, continuing our longstanding practice of engaging on these issues. We voted against the reelection of nominating/governance committee chairs at 28 companies in the index that failed to disclose the racial and ethnic composition of their boards. We believe board diversity helps companies make better strategic decisions. We were not alone in using our vote to encourage improvement: Reelection rates during the 2021 voting season for directors at these companies averaged 85%, lower than the typical 95%. In 2022, we plan to repeat this voting pattern for the S&P 500 and may expand our approach to other indices.

Climate change continues to be a priority of our voting and engagement efforts because of the significant long-term financial risks we believe it poses for economies, markets, and therefore, our clients' investment portfolios. In 2021, we supported several shareholder proposals asking companies to take specific steps to align with the Paris Agreement and improve climate-risk reporting. We generally support proposals requesting board oversight of a company's political contributions and lobbying activities or those seeking improved disclosures, particularly where material inconsistencies in reporting and strategy may exist with respect to climate plans. In assessing shareholder proposals related to lobbying, we also focus on the transparency of existing disclosures.

New for the 2021 voting season were proposals from management and shareholders alike seeking shareholder approval of climate transition plans ("Say on Climate"). While the proposals varied in quality due to the absence of market standards, we assessed each plan on its merits, applying our knowledge of companies held in portfolios we manage on our clients' behalf as well as our climate transition-risk research capabilities.

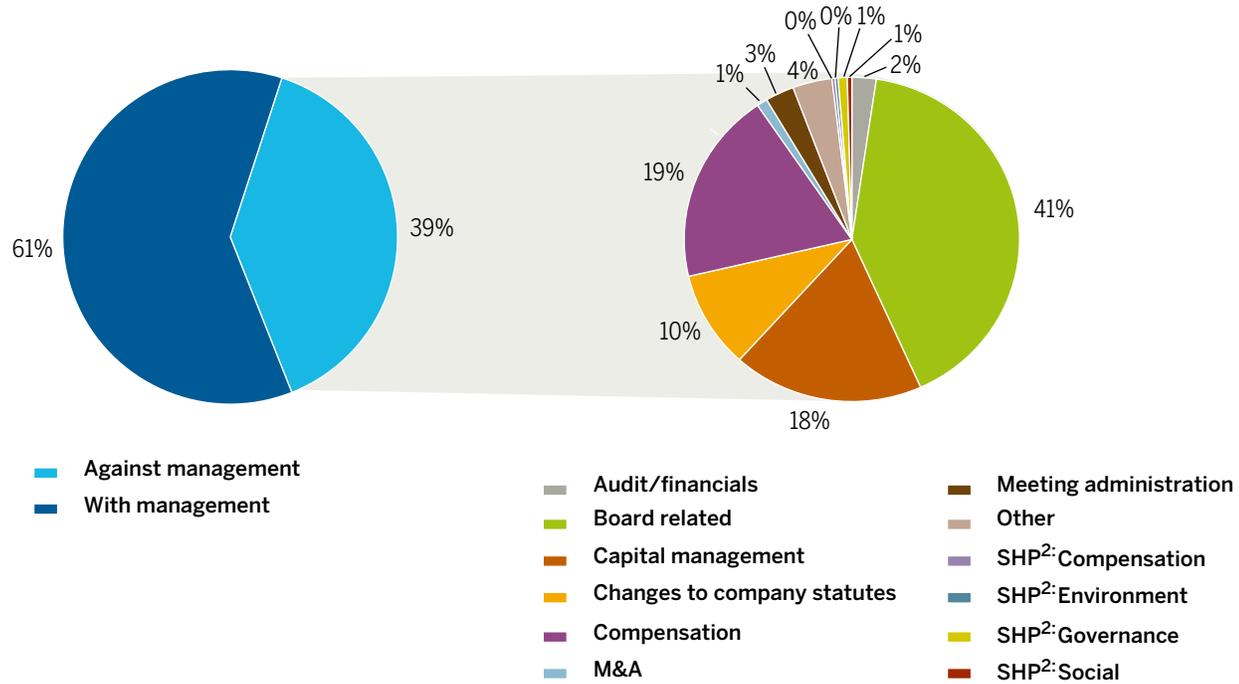
Finally, we advocated for best practices with regulators. To the US Securities and Exchange Commission, we [communicated our support](#) for mandatory disclosure of material climate risks, including an issuer's location information, greenhouse gas emissions, and other key data and metrics.

3Q21 firmwide proxy-voting results

Proxy voting can be a powerful tool that we leverage when engaging with company management teams. Our team examines each proxy proposal and votes against issues that we believe would have a negative effect on shareholder rights or on the current or future market value of the company’s securities. **FIGURE 1** shows the breakdown of the past quarter’s global proxy voting.

FIGURE 1

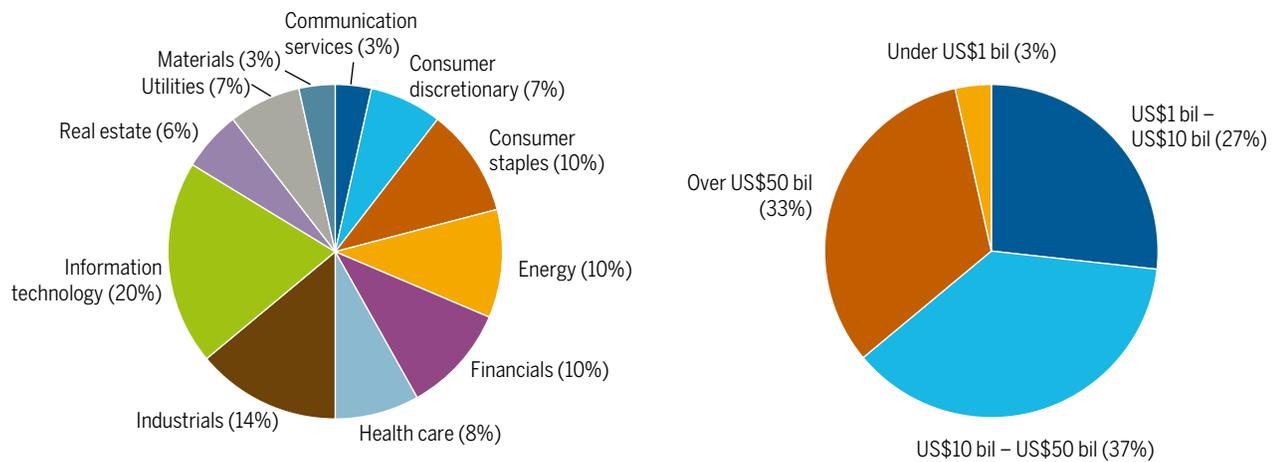
Wellington Management’s 3Q21 proxy-voting results¹



3Q21 ESG engagement activity

In the third quarter of 2021, our team engaged with 86 portfolio companies in 14 countries (**FIGURE 2**) on ESG topics ranging from board composition and executive compensation to climate resiliency and disclosure. See the list of our engagement discussions for the quarter below.

FIGURE 2



3Q21 ESG engagement activity by company

Company	E	S	G	Company	E	S	G	Company	E	S	G
Communication services				Financials							
Alphabet		●	●	Central Pacific Financial		●	●	Ciena Corp			●
Electronic Arts			●	First Interstate Bank			●	Cisco Systems	●	●	
Facebook		●		Morgan Stanley	●	●	●	First Solar		●	
Consumer discretionary				Trupanion		●	●	Hon Hai Precision		●	●
Carter's	●	●		UBS Group	●	●	●	Lam Research	●		●
Monro			●	BAWAG Group		●	●	Maxeon Solar Technologies		●	●
NIKE		●	●	Danske Bank	●		●	Microsoft			●
Petco Health & Wellness		●	●	Erste Group Bank	●	●	●	NEXTDC	●	●	
PVH	●	●		Health care				Rapid7	●	●	
Starbucks			●	Becton Dickinson and Co	●	●	●	salesforce.com	●		
Consumer staples				Biogen			●	Square	●	●	●
Bunge	●			Danaher		●	●	Switch	●	●	
Constellation Brands	●	●		Seagen	●	●	●	Texas Instruments	●		●
CP ALL PCL	●			Syneos Health			●	Tower Semiconductor			●
Freshpet		●	●	UnitedHealth Group		●	●	Materials			
Monster Beverage	●		●	ABIOMED/Inc		●	●	Agnico Eagle Mines	●	●	●
Procter & Gamble	●		●	Industrials				Sealed Air	●		
Sysco Corp	●		●	Cie de Saint-Gobain	●			Real estate			
US Foods	●	●	●	Delta Air Lines	●	●		American Tower	●	●	
Energy				DSV			●	British Land	●	●	
BP	●			FedEx			●	Digital Realty Trust	●	●	
Cheniere Energy	●			Huron Consulting Group	●	●		Equinix	●		●
Conoco Phillips	●		●	Radiant Logistics	●		●	Host Hotels & Resorts	●	●	●
Hess	●			Ryanair Holdings	●			Utilities			
Marathon Petroleum	●	●	●	Serco Group		●		Acciona		●	●
ONEOK	●	●	●	Upwork		●	●	Consolidated Edison	●		
Phillips 66	●		●	Builders FirstSource		●		Duke Energy	●		●
Pioneer Natural Resources	●	●		General Dynamics	●			ENN Energy	●	●	
Williams Cos	●			Raytheon Technologies		●	●	Exelon	●		●
				Information technology				PG&E	●	●	●
				Accenture	●		●				
				Box			●				
				Ceridian HCM			●				

E = environmental, S = social, and G = corporate governance discussions. The companies shown comprise a complete list of all engagement meetings in which Wellington Management's ESG Team participated in 3Q21. These companies are not representative of all of the securities purchased, sold, or recommended for clients. It should not be assumed that an investment in the companies listed has 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 of the companies shown. 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.

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We will continue to monitor AMT's progress in reducing its carbon footprint over time and continue to encourage the company to set SBTs as soon as possible.

3Q21 ESG engagement examples

AMERICAN TOWER CORP (AMT)

Overview

We engaged with AMT to better understand how the company is thinking about setting emissions-reduction targets. We also discussed the social co-benefits of the company's sustainable projects in emerging markets.

Key discussion topics

Climate transition

As founding members and committed signatories to the Net Zero Asset Managers initiative, we seek to engage with carbon-intensive portfolio companies to better understand how they plan to set science-based targets (SBTs) and reduce greenhouse gas (GHG) emissions. AMT informed us that while it has made notable progress on its initial 10-year goal to reduce emissions in Africa and Asia by 60%, the feasibility of setting SBTs has been a challenge. AMT's African and Asian operations account for over 90% of its emissions, so we are eager to see the company improve. We recognize the challenges in these regions, including the lack of power-grid resilience and a reliance on diesel fuel. We were encouraged to see AMT has accelerated its process for setting SBTs in other regions. AMT's peers, customers, and investors are increasingly concerned with emissions profiles and mitigation strategies.

Community relations

We learned of the positive social outcomes associated with AMT's significant investments in energy-efficient projects in emerging markets, including the use of solar power and back-up energy storage. These efforts have enabled the company to create jobs and expand online education. In our view, AMT's ability to work effectively with local communities, governments, and strategic partners will increase its social impact while facilitating the rollout of similar projects.

Conclusion/follow-up

We believe AMT was receptive to our feedback and will — cognizant of the importance of establishing SBTs and a climate transition plan — make these strategic priorities. We will continue to monitor AMT's progress in reducing its carbon footprint over time and continue to encourage the company to set SBTs as soon as possible, which will demonstrate its commitment to improvement and help it maintain a global base of customers and investors.



Given the increased threat of cyberattacks on the financial services industry, we were keen to understand how UBS is managing these risks.

UBS

Overview

We reached out to discuss how the company integrates ESG and sustainability considerations more broadly into its product offerings and long-term strategy, and to better understand how management thinks about increasing climate- and cyber-related risks.

Key discussion topics

ESG integration

We engaged with UBS to better understand the context and rationale for its decision to make sustainable investments the preferred solution for private clients in September 2020. UBS said the strategy aligns with its ambition to become a leader in sustainable finance across all business lines and consolidate its reputation for sustainable investment products in its wealth management channel. The company's early success positioning itself as a leader and strong conviction that sustainable investing can enhance returns and reduce risk factored into the decision. In our view, UBS is well positioned to benefit from stronger investor demand for ESG- and sustainability-focused products.

Climate transition

While we recognize that UBS's corporate loan portfolio is somewhat small relative to other global banks, we were pleased to learn of its proactive approach to climate-related transition risks. UBS has made a net-zero commitment for its loan portfolio and established clear criteria for carbon financing. We believe the company's disclosure for lending activity in climate-sensitive sectors is best in class.

Cybersecurity

Given the increased threat of cyberattacks on the financial services industry, we were keen to understand how UBS is managing these risks. The company said that because maintaining its reputation for customer privacy is paramount, cybersecurity and data protection are top of mind for management and the board. UBS requires employees and clients to undergo regular training to mitigate the "human element" of cybersecurity risk.

Conclusion/follow-up

We are pleased with the progress UBS has made integrating sustainable investments into its core strategy. We believe the company will continue to assess the potential implications for its reputation, assets under management, and client relationships of making these offerings default options for private clients.



In our view, this reporting will enable the company not only to demonstrate the relevance of ESG to its business but also to ultimately begin to shift the reputation of the managed care industry overall.

UNITEDHEALTH GROUP (UNH)

Overview

Following previous engagements with the board, we followed up with the CFO and investor relations to better understand how management integrates ESG considerations. We also wanted to provide feedback on how the company defines financially material key performance indicators (KPIs).

Key discussion topics

ESG metrics and integration

As UNH works to define, measure, and report on social (S) metrics, we suggested it define KPIs that are material to financial performance. Examples included metrics for improving patient efficacy and outcomes as well as cost-reduction efforts. We would like to see such KPIs then integrated into quarterly earnings calls and annual reports. In our view, this reporting will enable the company not only to demonstrate the relevance of ESG to its business but also to ultimately begin to shift the reputation of the managed care industry overall. UNH was receptive to our feedback and agreed that positive outcomes for patients are integral to its business and long-term profitability.

Customer satisfaction

We were pleased that the CFO and broader management team had reviewed our industry-specific ESG framework ahead of the call. To us, this demonstrates management's desire to understand how UNH can credibly integrate ESG into its business strategy and communicate these efforts to investors. We discussed metrics for customer satisfaction and relations, including retention and net promoter scores (NPS). Management was particularly receptive to our view that once a metric is disclosed, it is difficult to retract. We believe the company will continue to be diligent and detail oriented as it works to identify material social factors to track and report.

Conclusion/follow-up

We intend to continue to engage with the board and management team to provide feedback on developing social metrics for future disclosures. ■



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