Good Governance Assessment Policy

Wellington Management established this policy document with respect to the good governance assessment of investee companies

INTRODUCTION

This document sets out the policies of Wellington Management Group companies which engage in investment management and advice activity ("Wellington Management"), on the assessment of the governance practices of investee companies as required under the Sustainable Finance Disclosure Regulation ("SFDR"). SFDR requires that those products classified as Article 8 or Article 9 products under the regulation invest only in companies which are determined to practice Good Governance (as defined below). This document sets out Wellington Management's definition of Good Governance and the requirements for portfolio managers and investment teams for in scope products to confirm that the companies in which they invest practice Good Governance. The policy applies to all products classified as Article 8 or Article 9 under SFDR.

In overview, Wellington portfolio managers and investment teams of Article 8 or 9 products are responsible for determining that the investee companies they invest in engage in good governance practices. In support of this, portfolio managers and investment teams are provided with a wide range of data, research and analysis regarding the governance practices of investee companies including Wellington Management's G Ratings (defined below), which must be considered when assessing the governance practices of investee companies.

PURPOSE OF THIS POLICY

For Wellington Management funds and strategies marketed in, into or from the European Union which are classified as Article 8 or Article 9 products under SFDR, the companies invested in must follow Good Governance practices as a precondition for investment. This policy outlines how a Good Governance determination is made and what research and analysis is used in making such a determination.

GOOD GOVERNANCE DEFINITION

Wellington Management considers "good governance" to be a standard of governance which is broadly reflective of industry-established norms and practices with regards to management structures and decision-making, accountability to shareholders, compensation structures, corporate culture, compliance with applicable law and the absence of negative events which are likely to have a material adverse impact on the financial returns of the company ("Good Governance").

In assessing Good Governance, Wellington Management assesses any investment made directly or indirectly in a single corporate issuer which results in the allocation of capital to such an issuer. Derivative instruments, unless used to gain long exposure to an investee company such as single name Total Return Swaps or Credit Default Swaps, are not included for the purpose of this analysis. Short positions or index positions will not be assessed for good governance.

GOOD GOVERNANCE ASSESSMENT REQUIREMENT

Portfolio managers and investment teams of Article 8 and 9 products are responsible for the ongoing assessment and monitoring of the governance practices of the companies in which they invest in. Such an assessment is inherently subjective, and must be made in the context of their strategy and their fiduciary duties to clients using available data and research they deem to be most relevant. Assessment of investee company governance practices is complex and may be based on data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate.

Portfolio managers and investment teams are required to consider Wellington Management's G Ratings (described below), where available. Portfolio managers and investment teams should additionally assess Good Governance using any other reasonably available information which they determine to be material to the governance practices of any company in which they invest. Portfolio managers and investment teams should re-evaluate their initial assessment on an ongoing basis should they become aware of new events or information which might have a material impact on their determination that a company practices Good Governance.

Wellington Management also believes that a governance assessment is an ongoing rather than a point in time assessment, and portfolio managers and investment teams may from time to time engage directly with companies to seek further information, to address concerns and/or to remedy issues with respect to governance practices that the portfolio managers and investment teams may identify.

GOVERNANCE RESEARCH

Portfolio managers and investment teams perform their own assessment of the governance practices of the companies in which they invest and may use any number of internal and external sources. In support of this assessment, Wellington Management's dedicated ESG Research Team (the "ESG Research Team") is responsible for providing in-house research, training and consultation with regards to the governance practices of investee companies to portfolio managers and investment teams on a periodic and ongoing basis. The ESG Research Team also supports the portfolio managers' or investment teams' ability to identify global best practices, prepare for company engagement, collaborate on new research paths, and, where applicable, vote proxies.

WELLINGTON MANAGEMENT'S FUNDAMENTAL G RATING

The ESG Research Team produces a fundamental governance rating on companies they cover based on primary and secondary research, including direct corporate engagement, which aims to characterise the governance practices of a company using a 1 through 5 scale (the "Fundamental G Rating") where 1 is the highest and 5 the lowest rating. The Fundamental G Ratings are available to all portfolio managers and investment teams at Wellington Management and should generally be considered the primary data point in assessing good governance of investee companies. In creating the Fundamental G Rating, ESG Research Team Analysts look at a number of factors including the following:

- Shareholder Rights - including Share class structure, voting rights, takeover defenses, shareholder meetings, voting frequency and procedures, quality of information provided to shareholders, and other rights.
- Board Structure and Composition – including board diversity, how the board collaborates with management and delineates responsibilities, the diversity of perspectives of board members, Director attendance and other time or professional commitments, the ability of the board to challenge and counsel management, the independence and activity level of the board and the process of director appointments.
- Compensation – including the extent to which compensation incentives align with the interests of shareholders, the integration of equity ownership in the company into Executive compensation, the transparency of the decision-making process and rationale behind compensation plan structures, the structure and composition of compensation plans with regards to performance target, appropriate risk-taking and non-financial criteria incentives, the quantitative and qualitative nature of criteria used in performance-based compensation and the accountability of compensation committees for compensation outcomes.
- Audit Risk and Transparency – including the reliability of data provided by companies, the level of transparency they provide, the quality and empowerment of internal and external auditors and any potential conflicts of interest they may have, the frequency, timeliness and scope of internal and external audit and controls reports, any restatements of financial results, adverse opinions, material deficiencies or identified misstatements in disclosures and any other audit-related events such as a change in or resignation of the auditor.

Other factors that ESG Research Team Analysts consider when creating a Fundamental G Rating include any identified information or controversies concerning compliance with law and regulatory enforcement actions, tax law compliance, Anti-money laundering risk, risk management, weaknesses in corporate controls or breaches in standards of conduct that lead to corporate reputational damage.

WELLINGTON MANAGEMENT'S QUANTITATIVE G RATING

In addition to the Fundamental G Rating, Wellington Management makes available to portfolio managers and investment teams a quantitative governance rating based on a proprietary algorithm which is fed from data from multiple select third party sources that provide proprietary scores on company governance (the "Quantitative G Rating"). This Quantitative G Rating represents a simplified rating weighted by a comparison to all other scores in a company's market-industry universe. Portfolio managers and investment teams will have access to ongoing reporting which will highlight issuers for which Fundamental G Ratings and/or Quantitative G Ratings have fallen materially below industry standards.

USE OF WELLINGTON MANAGEMENT'S G RATING IN THE GOVERNANCE ASSESSMENT PROCESS

Where a portfolio manager or investment team has made a determination with regards to the governance practices of a company which is not reflected by Wellington's Fundamental G Rating and/or Quantitative G Rating for such a company, Wellington Management may require additional confirmation of the rationale behind such an assessment. Factors which may lead a portfolio manager or investment team to this conclusion may include, but are not limited to, additional information not represented in the constituent data or methodology informing the G Rating or latency in the G Rating determination based on recent events such as a change in the corporate management team.

Wellington Management does not produce a Fundamental or Quantitative G Rating for all companies, and portfolio managers of Article 8 and Article 9 products are free to invest in companies for which no Rating is produced. Although companies may not have a G Rating for a variety of reasons, typically this occurs where there is a lack of information informing the underlying constituent data due to the nature of the security type or the company, the region in which the company operates or whether the company is a private, or recently private, entity. Certain fixed income investments, such as high yield, bank loans or emerging markets debt issuers do not have a G Rating assigned to them and may be researched and assessed primarily by Wellington Management's credit analysts. In researching and assessing corporate governance related to these types of securities, governance may be assessed by taking into account the nature of the issuer relative to other issuers of a similar type and in the context of the region or industry in which it operates. Where a portfolio manager or investment team invests in a company without a G Rating, such companies should generally be those whose management and board, to the best of the portfolio manager's or investment teams' knowledge, are credible, have a strong capital allocation track record, promote a strong corporate culture and are appropriately incentivised to run the company in a responsible manner.