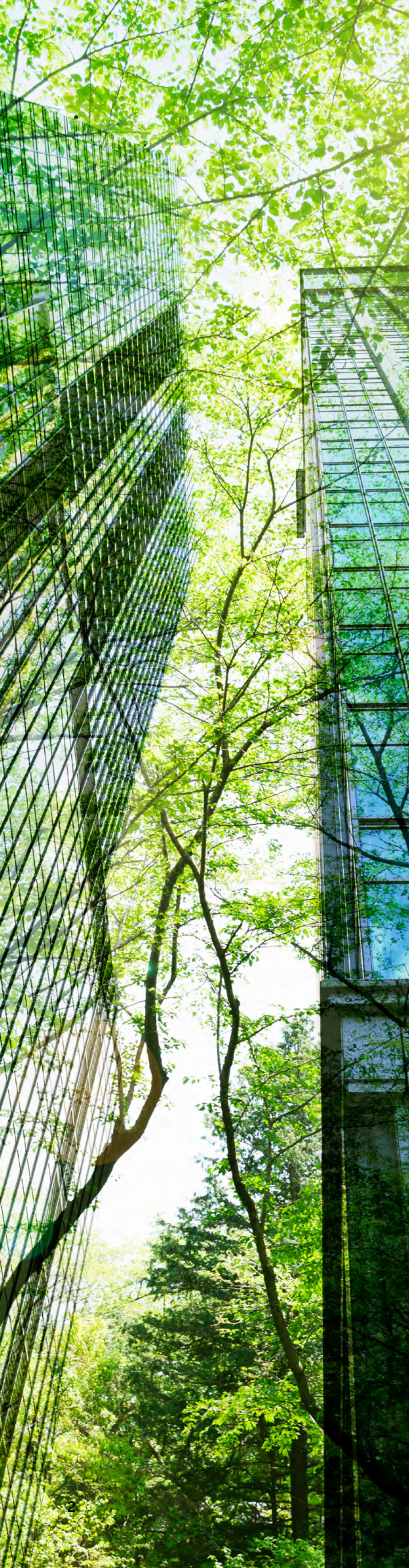
WELLINGTON MANAGEMENT®

# 2024 Sustainability Report





# Contents



PUBLISHER'S NOTE:

The content of this report covers Wellington Management's approach to stewardship and sustainability during 2024. The global ESG/sustainable investing (SI) legal and policy landscape is evolving rapidly, as are our clients' expectations. We are keeping abreast of this evolution as we seek to deliver excellence for our clients and comply with legal and regulatory obligations globally. This means that areas within this report may be under regular review.

# Message from leadership

Wellington's sustainable investment (SI) research supports our firmwide objective to deliver investment excellence for our clients. To that end, we are committed to:

- Rigorous research that leads to better-informed investment decisions.
- A platform of nonconcessionary SI strategies that translate sustainability research into competitive outcomes for our clients.
- A partnership model of constructive, informed dialogue with companies and other issuers on material issues in pursuit of improved investment outcomes.
- Focus on financially material issues that may affect long-term returns and client outcomes.

In 2024, we continued to enhance our SI research process in pursuit of improving investment outcomes for clients. As part of our multiyear strategic plan, we formally integrated our ESG research analysts into our sector teams at the beginning of the year. These multidimensional sector research teams now include equity, fixed income, and ESG industry experts working together to better understand industry dynamics and company fundamentals. We believe having multiple views on a sector and the companies within it gives us a more holistic understanding that can lead to differentiated investment insights.

Similarly, the relationship between climate and extreme-weather resilience and the low-carbon transition underpins our collaborations with Woodwell Climate Research Center (Woodwell Climate) and the MIT Center for Sustainability Science and Strategy (CS3).[1] Working with the scientists at Woodwell Climate, our Climate Research Team seeks to understand how heat, drought, wildfire, floods, hurricanes, sea-level rise, and water scarcity may impact security prices. Our work with the MIT CS3 focuses on sector decarbonization paths and the technologies that may become viable and scalable — again, with effects on asset values. Physical and transition risks have countless interdependencies, and this research helps us assess them.

A third example is the evolution of our Impact Measurement & Management (IMM) Practice. This team's original remit was to help our impact investment teams identify and track impact-specific key performance indicators (KPIs) that support their investment thesis. Over time, other investment teams have found this nontraditional data and analysis helpful. The IMM Practice has developed an internal dashboard to which all investment teams at the firm have access. It also assists teams with company-level impact analysis and the development of thematic frameworks to ensure alignment with evolving industry best practices.

Our SI research and approach is designed to further positive investment outcomes for our clients. This report outlines our firm's approach to sustainable investment, which is nuanced, research-driven, and grounded in financial materiality.

**Jean Hynes, CFA**
Chief Executive Officer

**Wendy Cromwell, CFA**
Vice Chair and Head of Sustainable Investment

**Ellen Chae**
Head of Sustainability Group

[1] Formerly the MIT Joint Program on the Science and Policy of Global Change; hereafter, "MIT CS3."

# Wellington in numbers

All data as of 31 December 2024

## BUSINESS OVERVIEW

- US$1.2+ trillion of client AUM
- 3,000+ clients in 60+ countries
- Held 18,500+ meetings with 5,000+ public-market issuers in 76 countries in 2024.[2] We believe these meetings open avenues to value creation through productive dialogue, including on financially material ESG issues

## 2024 STEWARDSHIP OVERVIEW

- Voted proxies at 5,600 meetings in 73 markets
- Reviewed more than 522 unique issuers, for a total of 2,700 issuer-level climate physical-risk assessments

## PEOPLE AND PORTFOLIOS

- 950+ investment professionals, with an average of 17 years' experience
- 199 active partners
- Over 50 SI professionals (with 14 years' average experience) across our investment, client, and infrastructure platforms
- Investment Stewardship Committee (ISC), with representation across functions and regions
- Sustainable Investment Governance Committee (SIGC), comprised of senior leaders, including our CEO
- Sustainable Investment Management Team (SIMT), with representation across functions and regions

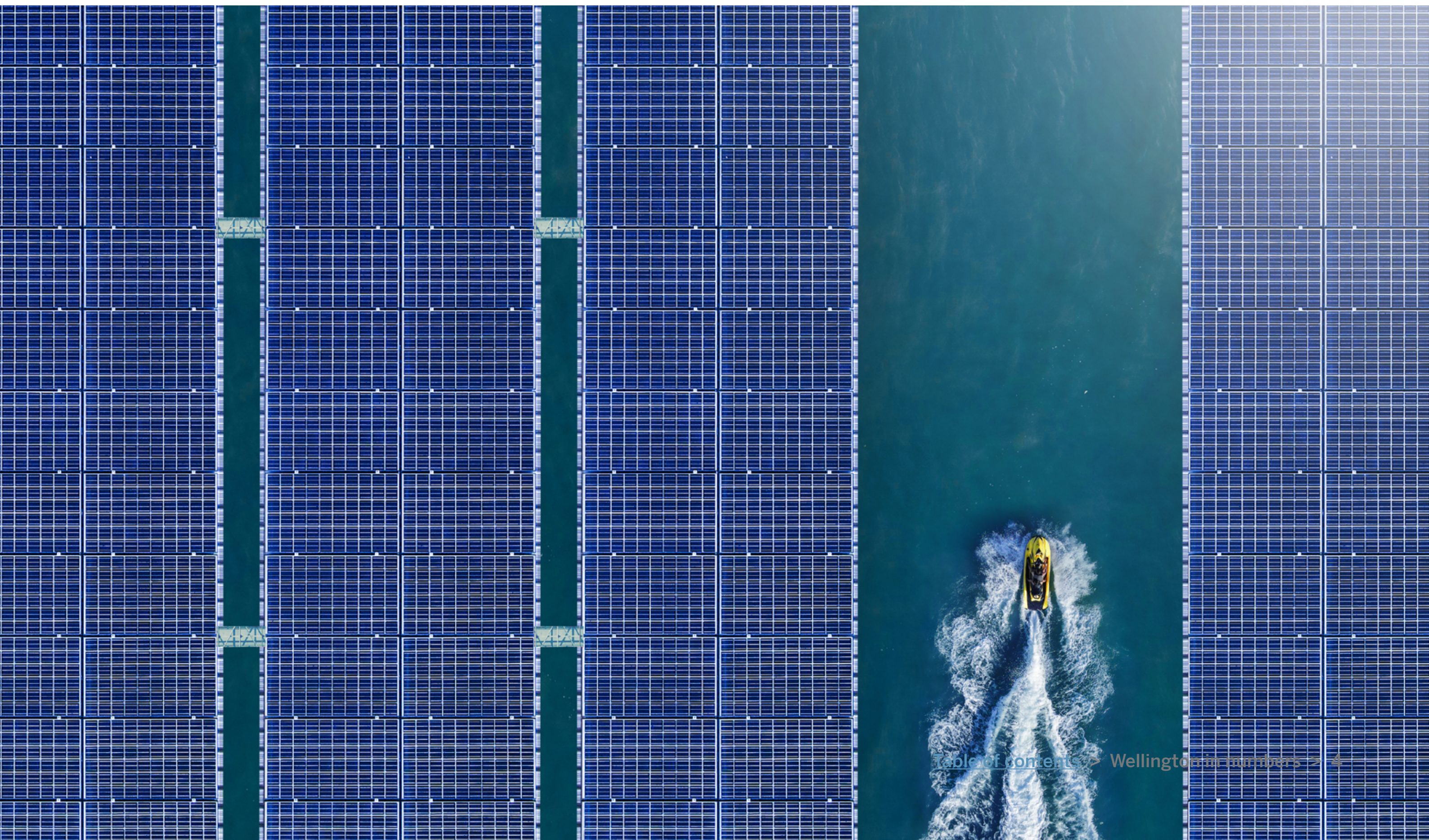
| Asset class (% of total AUM)* | Assets (US$ million) |
|---|---|
| Equity (46%) | 575,192 |
| Fixed income (37%) | 461,527 |
| Multi-asset (16%) | 200,264 |
| Total | 1,236,984 |

| Account region[3] | Assets (US$ million) |
|---|---|
| Americas | 989,469 |
| APAC | 115,831 |
| EMEA | 131,784 |
| Total | 1,236,984 |

*Sums may not equal 100% due to rounding.

[2] Represents meetings with public-market issuers. "Issuers" refers to companies and sovereigns. All figures as of 31 December 2024 for the Management group of companies. While all meetings inform our investment processes, ESG topics are not covered at every meeting.

[3] Regional AUM is counted at the account or fund level.



# Section 1: Purpose and governance

Wellington's mission is to drive excellence for clients to positively impact millions of beneficiaries' lives.

- Our singular focus is investment management.
- Our investment decisions are informed by in-depth, multidisciplinary research.
- We are committed to our role as a fiduciary.
- We exist for our clients and are driven by their needs.

We trace our history to 1928, when Walter Morgan, a Philadelphia-based accountant, established the first balanced mutual fund in the United States. Our expertise is investments. We like to describe ourselves as a community of investment boutiques that create solutions for specific client needs. Our most distinctive strength is our proprietary, independent research, which is shared across all areas of the organization and used for the purpose of managing our clients' portfolios.

Wellington is a private partnership, serving as an investment adviser to more than 3,050 institutions in over 60 countries. As of 31 December 2024, we managed more than US$1.2 trillion in client assets. Our clients include central banks and sovereign institutions, consultants, defined benefit and defined contribution plans, endowments and foundations, family offices, insurers, and intermediaries and wealth managers.

> We are guided by the maxim client, firm, self. This translates into an emphasis on investment results, exceptional service, and a fiduciary mindset.

**JEAN HYNES, CFA**
Chief Executive Officer

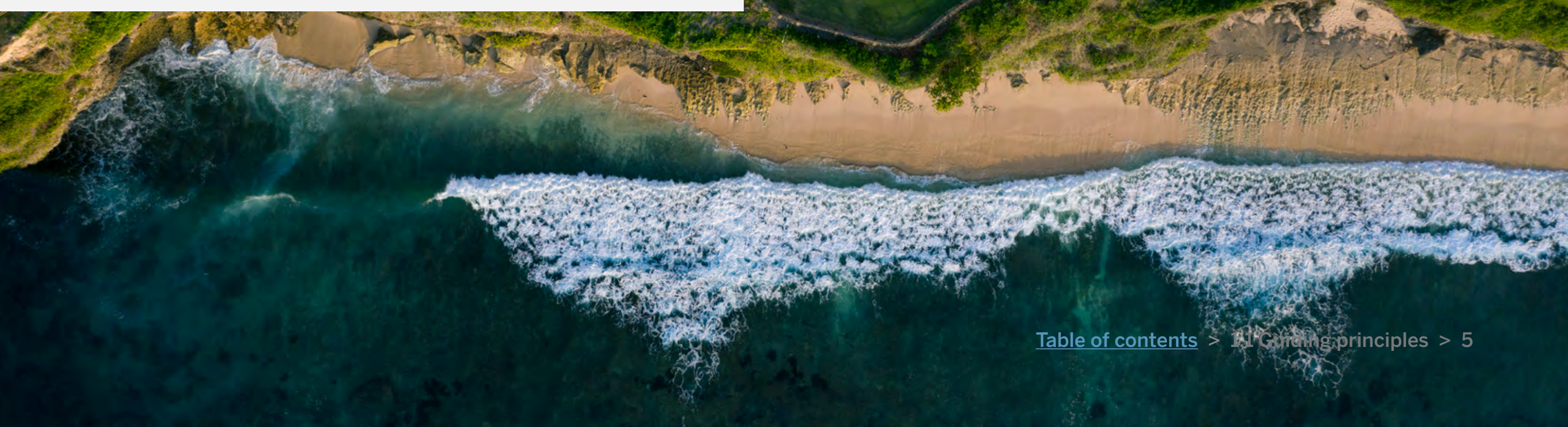
## 1.1 Guiding principles

### Seeking to deliver excellence for our clients

We believe that our private partnership enables us to take a long-term view, better align our interests with those of our clients, and attract and retain outstanding talent. A central concept in our long-term approach to stewardship and SI is that material ESG issues and sustainability-related risks and opportunities are often strategic business concerns that can affect the long-term value of the securities we may invest in on behalf of our clients. We also believe that through informed, active ownership, we can partner with management teams to share and develop best practices on issues that may affect client outcomes. Our ability to identify and assess risks and opportunities is critical to achieving our clients' financial objectives.

We recognize that building strong, long-term relationships with clients is vital to our success as a firm, and we seek to support our clients across all touchpoints. Our efforts to evolve our client reporting have positioned us to be more responsive to clients' desire for information (beyond performance results), including providing greater transparency and context for our voting and engagement activities, as well as carbon emissions and ESG metrics, where relevant, and impact reporting for our impact investing strategies. As many of our clients increasingly focus on understanding the complexity of the global low-carbon transition, we will seek to act as a partner in assessing the impact on markets and investment portfolios.

Our approaches span a range of asset classes, from public and private equities to fixed income, multi-asset, alternatives, currencies, and commodities. On our dedicated, non-concessionary SI platform, we also offer approaches for which sustainability concepts are primary features of the core investment philosophy. (See **Section 2** for details.)



# 1.2 Sustainability governance structure and policies

**To support our sustainability teams in effectively meeting clients' needs**

## GOVERNANCE STRUCTURES

We continue to experience growing demand and specialized requests from clients for additional layers of risk management and compliance with expanding regulation. Our governance processes include several forums designed to optimize cross-functional decision making. Our SIGC and SIMT deepen firmwide SI knowledge, formalize responsibilities, improve communication, ensure continued collaboration, and facilitate efficient decision making.

Our SIGC includes senior leaders from across our three business platforms (investment, client, and infrastructure), who oversee and guide Wellington's sustainability efforts. The SIMT includes SI leaders who determine and execute the firm's overall SI vision and strategy to meet evolving investment, client, and regulatory imperatives. In addition to these two groups, some SI leadership members are embedded within other platforms that support the integration of our work across the firm. This governance is further backed by our ISC.

Our governance structures and forums continue to evolve to better meet the needs of our clients and Wellington's investment teams. The following structures were in place during 2024:

### SI GOVERNANCE COMMITTEE (SIGC)

**Purpose:** Oversee and guide the firm's sustainability efforts.

**Membership:** CEO Jean Hynes and other senior-level and experienced leaders from across the firm.

**Sample activities:** Establish/review key external partnerships; approve major industry initiatives; endorse resource recommendations; approve policy mandates with broad, firmwide consequences.

### SI MANAGEMENT TEAM (SIMT)

**Purpose:** Determine and execute the firm's overall SI vision and strategy to meet evolving investment, client, and infrastructure imperatives.

**Membership:** Senior-level and experienced SI leaders from our investment, client, and infrastructure platforms.

**Sample activities:** Recommend and prioritize resource needs; decide on industry-wide working group participation; identify resources for priority SI initiatives; identify and solve for gaps, redundancies, or inconsistencies that arise from our decentralized SI management model.

### SI LEADERSHIP TEAM (SILT)

**Purpose:** Bring together experienced leaders, including those focused on SI, from across the firm to provide input and discuss key strategic SI initiatives.

**Membership:** Experienced leaders from our investment, client, and infrastructure platforms. To share a holistic perspective, we include leaders within Wellington's SI ecosystem as well as leaders from other areas of the firm.

**Sample activities:** Provide insight on evolving investment, client, and regulatory imperatives; gain a better understanding of key initiatives to act as a conduit to each member's functional groups.

### INVESTMENT STEWARDSHIP COMMITTEE (ISC)

**Purpose:** Set the strategic direction on stewardship across the firm, with a focus on proxy voting and engagement.

**Membership:** Senior-level and experienced professionals from portfolio management, investment research, sustainability, relationship management, and legal.

**Sample activities:** Ensures Wellington votes, engages, and stewards client assets in a manner consistent with our mission to deliver investment excellence over time. In pursuit of this goal, the ISC is empowered to:

- Set and approve proxy voting policies and procedures, conflicts-of-interest policy, and annual voting guidelines.
- Oversee our proxy votes, with a focus on key stewardship issues and evolving best practices.
- Set and approve our engagement policies.
- Monitor our engagement practices and steer engagement priorities.
- Serve as a sounding board on engagement and stewardship matters, including escalation and conflicts.
- Confirm that we satisfy our regional stewardship code responsibilities.
- Ensure we are accountable and authentic in our external stewardship commitments.
- Identify tools and information to support investment teams in their stewardship decisions.

## CROSS-FUNCTIONAL WORKING GROUPS

### SI PRODUCT INTEGRITY WORKING GROUP (SI PIWG)

**Purpose:** Ensure that our SI products, funds, and client solutions have high integrity and are operationally scalable, in alignment with our overall SI strategy and global client and regulatory standards.

**Membership:** Experienced professionals from our investment, client, and infrastructure platforms, including colleagues focused on legal and compliance issues and guideline monitoring.

**Sample activities:** Evaluate new SI products and recommend whether they should be offered and marketed to clients, considered for incubation, or not pursued in their current form. Evaluate custom SI client solutions and evolution of existing products and funds. Consider investment integrity, commercial potential, legal implications, and operational complexity in the context of the overall suite of SI product offerings and capabilities.

### CLIENT EXCLUSIONS WORKING GROUP (CEWG)

**Purpose:** Develop, monitor, and evolve frameworks for client-directed exclusions and enhanced engagement protocols related to economic activities commonly incorporated into portfolios. Wellington research informs these protocols, which are used by select sponsored funds and Wellington clients who elect to adopt this policy upon request; reports to the ISC.

**Membership:** Experienced professionals from our investment, client, and infrastructure platforms.

**Sample activities:** Assess client and market expectations related to business activities that Wellington's clients seek to avoid (e.g., antipersonnel mines) or promote (e.g., low-carbon transition, responsible business practices); articulate internal and external communications plans related to enhanced engagement protocols, escalation processes, and exclusions; evaluate new categories for exclusions or enhanced engagement as needed.

**Additional details:** The CEWG convenes analysts and other subject-matter experts from across the firm to:

- Leverage internal research to assess and document an investee company's association with harmful activities or adverse environmental or societal impacts that our investment teams or clients may seek to avoid, mitigate, or discourage.
- Evaluate the measures investee companies have adopted to address harmful activities or adverse impacts and develop measures to encourage the implementation of harm-reduction measures.
- Help develop and implement frameworks to ensure a consistent application of rules, as appropriate, for engagement and/or exclusion, and to articulate relevant philosophy and process (P&P).
- Make recommendations for exclusion or enhanced engagement.

In conjunction with subject-matter experts, the CEWG reviews and recommends frameworks and their results, prior to submitting to the ISC for approval. The CEWG continually reviews and approves exclusions, exemptions, or enhanced engagement lists as recommended by internal subject-matter experts, in accordance with approved frameworks. It also evaluates new categories as needed.

## FIRMWIDE STEWARDSHIP AND POLICIES

Our stewardship activities aim to support outcomes that result in competitive returns for our clients over the long term. Engaged stewardship allows us to be committed to deep research and constructive dialogue and, in our view, is integral to our responsibility to our clients. Details about our SI stewardship policies and guidelines are included throughout this report; the documents themselves are available on our website.

- Global Proxy Policy and Procedures
- Global Proxy Voting Guidelines
- Global Proxy Voting Disclosure
- Engagement Policy
- ESG Integration Philosophy

We also partner with our separate account clients to understand their stewardship and investment policies and how we can best adhere to them. All committees and working groups listed here are responsible for ensuring that our policies and reporting are fair, balanced, and understandable.

# 1.3 Promoting well-functioning markets

### To share and support resilient business practices and sustainable outcomes with the aim of creating value

Our culture of deep research and constructive dialogue with company managements and boards is at the heart of our engagement philosophy, as our investment-led approach informs our engagement and escalation process. By leveraging our long-standing relationships and understanding of our investee companies and by exercising our voting rights, we believe we can enhance the long-term value of our clients' investments. We vote proxies in the best interests of our clients and, as relevant to the issue and investment approach, engage with companies on consequential risks and opportunities to enhance their resiliency and profitability. In our voting, we encourage investment-relevant disclosure at companies as a means of assessing potential issuer-level risks and identifying improvement opportunities. Our sector teams and experienced portfolio managers (PMs) have extensive access to and relationships with company boards and managements, enabling ongoing, robust dialogue.

Our Voting Policy and Procedures outline our approach to proxy voting, including how we manage potential conflicts of interest and discharge our responsibilities. Our Voting Guidelines set out our general stance on material issues that may arise in the context of our voting as informed owners. Quarterly, we disclose details of our voting decisions on our website to ensure our clients and fund end investors have transparency on how we express these guidelines.

## SUPPORTING OUR CLIENTS' NET ZERO GOALS

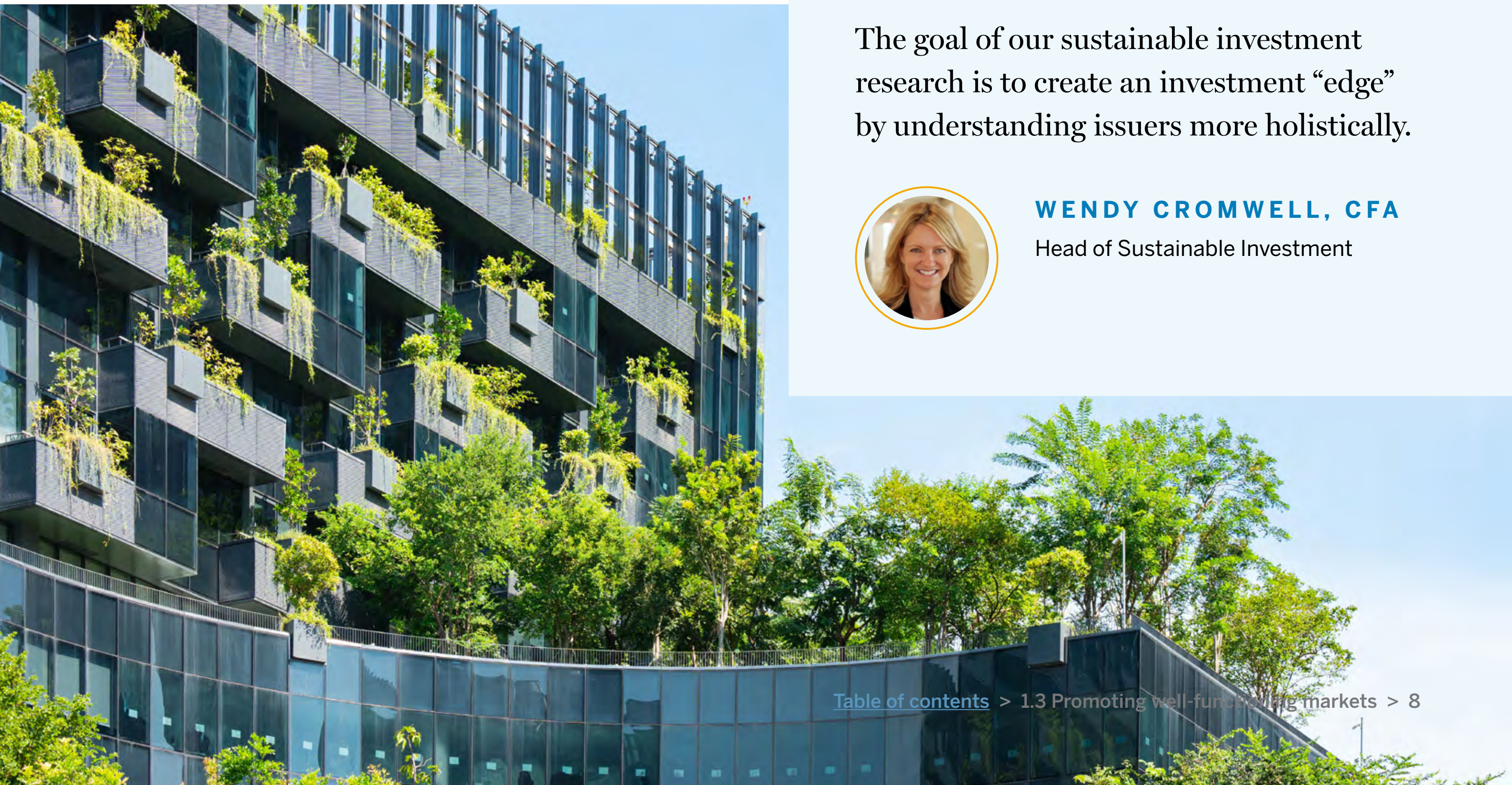
### A research-led approach

Through our research partnership with Woodwell Climate, we have come to appreciate that the physical consequences of climate change will likely be felt sooner and be more disruptive than markets expect. As policymakers and markets increasingly recognize and respond to this, the transition to a low-carbon economy is likely to transform certain business models. As a result, we believe actively considering transition-risk management at the company and portfolio levels, in cases where an investment team deems these risks material to its investment process, can help us deliver better financial outcomes for our clients.

For those asset-owner clients who have requested implementation of a decarbonization glidepath in the portfolios we manage on their behalf, we developed two standard approaches: a bottom-up glidepath based on holdings' transition alignment and a top-down glidepath based on the portfolio's overall emissions footprint. The tool(s) selected by each portfolio management team and the resulting measurement are driven by client objectives and each team's investment philosophy, style, time horizon, concentration, and name-based turnover rate. We recognize that there is no one-size-fits-all metric, and we continue to evaluate additional metrics that may be added to our glidepath implementation tool kit.

> The goal of our sustainable investment research is to create an investment "edge" by understanding issuers more holistically.

**WENDY CROMWELL, CFA**
Head of Sustainable Investment



## ADVOCACY

### Encouraging adoption of the ISSB's Sustainability Disclosure Standards by individual jurisdictions

Starting in 2024, we have been responding to select consultations in jurisdictions considering the adoption of mandatory sustainability disclosure requirements by public companies. These jurisdictions include Hong Kong, Switzerland, and Indonesia. We expect consultations from additional jurisdictions to continue through 2025 and beyond.

The International Financial Reporting Standards (IFRS) organization and its ISSB-developed Sustainability Disclosure Standards[4] present a comprehensive global baseline centered on financial materiality. This focus addresses a critical issue: the need for consistent, comparable data on sustainability topics most relevant to financial outcomes. Accurate, comparable information is essential to our ability to make informed investment decisions on behalf of our clients. Our response also underscores the importance of interoperability across jurisdictions to reduce the compliance burden for companies. Finally, with input from our ESG sovereign analyst, our response explains the potential benefit of adopting the standards to governments as issuing entities, as improved transparency can help attract private sector capital to complement government spending.

## INDUSTRY DEVELOPMENT AND PARTICIPATION

### Enhancing our ability to serve stakeholders through participation in partnerships, affiliations, and industry initiatives

Wellington is a signatory to several industry initiatives and organizations focused on advancing SI practices. Examples of our participation include:

**UN PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)**

Signatory since 2012; Head of SI reelected to the board in December 2024

**TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)**

Signed Statement of Support in 2017; released our first TCFD-aligned report in 2021

**GLOBAL IMPACT INVESTING NETWORK (GIIN)**

Members since 2016; align our impact framework and processes with the GIIN's core characteristics of impact investing; a member of our IMM Practice sits on GIIN's listed equities working group

**TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES (TNFD)**

Member of TNFD Forum since 2022; utilize the TNFD framework to inform how nature-related risks may impact company assessments and investment activities, building upon our work in 2023 to provide feedback prior to methodology finalization

**SUSTAINABLE DEVELOPMENT GOALS (SDGS)**

Measure alignment of our impact portfolios with the SDGs and targets

**IMPACT INVESTING INSTITUTE**

A member of our IMM Practice sits on the institute's listed markets community of practice

[4]International Sustainability Standards Board.

We believe participation helps us gain knowledge, stay current on key issues, and share our perspectives in pursuit of better investment outcomes. We will participate in SI-related initiatives and organizations only to the extent that we believe that doing so is consistent with our fiduciary duties to our clients. To maximize the research impact of our participation, we are discerning in our evaluation of the wide range of initiatives and organizations we are asked or encouraged to join.

Importantly, as a participant in these industry initiatives and organizations, we do not form groups, act in concert, or make any collective-investment decisions with other investor participants; nor do we ask, encourage, or allow other participants to represent our views or speak on our behalf. These initiatives and organizations do not provide any individual or collective recommendations, arrangements, agreements, or understandings with respect to any company or its securities, including voting or investment decisions.

In alignment with certain clients' investment objectives, we may help clients prepare portfolios for the low-carbon transition, aiming to build portfolio resiliency and better position those portfolios to generate alpha over the long term. Through specific net zero industry initiatives, we share and gain insights on climate research topics relevant to our investment processes. We periodically participate in working groups, where relevant to an investment approach. For example, members of our Climate Research Team contribute to Institutional Investors Group on Climate Change (IIGCC) asset-class-specific working groups, developing further practical methodologies related to net-zero topics, such as the Net Zero Bondholder Stewardship Guidance. Additionally, our head of SI is a member of the Climate-related Financial Risk Advisory Committee, formed by the Financial Stability Oversight Council (FSOC). This committee was established to identify, assess, and respond to the risk climate change poses to the US financial system. In 2024, our ESG sovereign analyst continued to follow Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) project developments.

We joined the Net Zero Asset Managers initiative (NZAM) in 2020. On 13 January 2025, NZAM announced plans to launch a review of the initiative and suspend activities that track signatory implementation and reporting. We are following the review and will stay engaged with the initiative during the consultation.

### REGULATORS AND TRADE ORGANIZATIONS

We will advocate for public policies that we believe are in the long-term best interests of our clients. During 2024, we continued to share our comments and perspectives on sustainability-related public policy topics with regulators and trade organizations. This included ongoing dialogue with the UN PRI and with the UK's Financial Reporting Council (FRC) regarding its UK Stewardship Code expectations and feedback on last year's Stewardship Report submission.

## 1.4 Talent resourcing and risk management

At Wellington, we take seriously our commitment to sustainability and ESG talent recruitment and development. We also have a robust, firmwide approach to risk management.

### TALENT RESOURCING

As of 31 December 2024, 51 dedicated individuals at Wellington support SI functions. On our investment platform, we have 40 dedicated SI professionals, including the ESG analysts, Climate Research Team, Impact, Measurement & Management Team, and Stewardship Team. These professionals are central resources that support research efforts across Wellington's community of boutiques. This figure also includes members of certain investment teams that manage non-concessionary SI strategies. Across our client and infrastructure platforms, 11 professionals are dedicated to supporting the firm's SI efforts through client engagement, reporting solutions, and other means. Apart from those teams, many professionals contribute to the firm's SI efforts as part of their broader roles. These include, but are not limited to, individuals from our Risk, Technology, Product Management, Legal, Compliance & Risk, Private Investments (Value Creation), and Guideline Monitoring teams.

### INCENTIVES

When hiring dedicated sustainability research professionals, we seek people who are passionate about markets and have experience integrating sustainability considerations into the investment process. We design our compensation plans to be fair and motivational over time to attract and retain the best professionals in the investment industry. We provide employees with incentives to excel, and we reward superior performance. Compensation arrangements for investment professionals typically include a base salary component and one or more variable components.

Generally, each investment professional is eligible to receive an incentive payment for which the primary determinant is the achievement of client objectives. Wellington believes that its remuneration policies, practices, and procedures ("Remuneration policies") are consistent with the appropriate consideration of relevant sustainability risks in the investment decision-making process. Sustainability measures are considered as part of the firm's investment processes, which implicitly drive compensation outcomes through investment performance achievement. In addition, Wellington's remuneration of investment professionals and those tasked with monitoring investment activity incentivizes compliance with explicit obligations to consider sustainability risks stemming from client guidelines or fund documentation.

## RISK MANAGEMENT

The firm's approach to enterprise risk management relies on three lines of defense: line management, second-line risk management, and third-line independent assurance functions governed by Wellington's Risk Committee (RC). Line management has primary responsibility for the management of the risks inherent in their respective business functions. Various independent risk functions partner with line management to strengthen their management of risks by providing expert advice, guidance, constructive challenge, risk monitoring, and oversight. The RC oversees and reviews principal components of the firm's risk-management framework by focusing on three pillars: operational, regulatory, and business/strategic risk. Reputational risk is an integral element of each pillar, and the RC considers the impact of each risk on the firm's reputation. The primary responsibilities of the RC are to:

- Advise on risks across the firm to enable appropriate risk-based decisions to be made.
- Embed and maintain a supportive culture that enables us to achieve client and firm objectives.
- Oversee identification of and focus on current and emerging risks.
- Act as an adviser, sponsor, and advocate for risk-mitigation initiatives.
- Challenge the firm's line- and risk-management functions on the effective management of risk.

The RC oversees other operational and regulatory risk-focused committees and may coordinate efforts with regional risk committees as needed. It may also call upon additional firm resources to address specific issues or provide updates. The RC's activities are supported by second- and third-line functions including, but not limited to, Legal, Compliance & Risk. These functions collaborate on specific initiatives, oversight committees, and other ways to ensure a holistic approach to the management of the firm's key risks.

### ENTERPRISE RISK

Responsibility for analyzing and managing operational risk rests with each business line, with support from our Enterprise Risk Management (ERM) organization and oversight from the firm's risk committees. The Risk Management (RM) team with ERM advises and challenges line management on risk identification, monitoring techniques, risk-aware decision making, risk-control design, and the development of risk priorities and mitigation strategies. We do this to meet the expectations of our clients and regulators and to serve our business objectives. RM reports to the chief risk officer. RM also works with each business function globally as an independent adviser to address cross-functional and/or major operational risks.

The ERM group resides within Legal, Compliance & Risk and provides risk-management expertise across non-investment-risk areas, including operations, information security, technology, life safety, third parties, business resiliency, and other related risk-management processes. The various ERM teams are each charged with providing specialized advice and challenging analytical objectives with stakeholders across business teams, oversight committees, and affiliate boards. These distinct teams collaborate closely to create an engagement model that is client-centric, disciplined, and pragmatic. We believe the integration of these component risk disciplines allows us to have an even greater impact in promoting strong client outcomes.

### INVESTMENT RISK

The management teams for each of Wellington Management's investment groups within the Investment Platform have responsibility for the review of portfolio managers and the accounts they manage. Market risk managers in Global Investment Performance & Strategy (GPS), Investment Product and Fund Strategies (IPFS) support the management teams in their review. These groups are intended to support our firm's fiduciary responsibility to provide competent and professional investment management services to our clients by reviewing the investment process and performance of investment teams. While we believe in the importance of the clear accountability of the management teams, we also recognize the benefits of having multiple groups with functional expertise supporting these management teams.

The Global Investment Performance & Strategy (GPS) group is responsible for investment risk oversight across all public investment mandates at the firm. Specifically, they oversee risk measurement, identify quantitative and qualitative investment risks in portfolios, and ensure that investors, line management, and IPFS have access to and understand investment risks in portfolios. In addition to their work on quantitative risk measurement, they work directly with investors and investment teams to understand the theses underlying portfolio positioning and provide constructive challenge to those theses and positioning to help investors achieve efficient expressions of their investment ideas and improve risk adjusted returns for clients. Finally, they serve as a source of domain expertise in quantitative risk for the firm and participate in the broad investment dialog at the firm as it relates to risk. This group also serves on a number of the firm's internal investment and risk management committees.

The Investment Risk Review Group (IRRG) and the Private Investments Oversight Committee (PIOC), groups comprised of seasoned professionals with relevant markets experience, provide support to the management teams within the Investment Platform to assist in their investment risk review and to act as a resource for management teams in connection with their investment risk oversight responsibilities. The IRRG and PIOC report into the Investment Risk Oversight Governance Committee (IROGC), a committee which is part of the investment platform's management oversight and independent governance structure and reports to the Executive Committee. The IRRG, PIOC and IROGC also provide inputs into the supervision exercised by management teams. Portfolio managers receive feedback from management teams and may also receive feedback from members of GPS, IPFS, and the Investor Development team. Feedback is shared with line management and other relevant groups. Management teams strive to formally review each portfolio management team they oversee once every 18 months.

### SUSTAINABILITY RISK

We have a Sustainability Risk Consideration Policy, available on our website, to inform sustainability risk management in Wellington's investment functions. This policy provides a framework that encapsulates the types of risks teams may incorporate. For example, investment teams may incorporate climate analysis in the context of their investment objective and time horizon, and as an authentic aspect of their investment philosophy. As sustainability data and risk measurement evolve, we expect to continue enhancing our processes to inform our management of these risks.

As relevant to each team's investment P&P, investment teams aim to assess sustainability risks, governance principles, and economic activities that may affect the financial returns of their strategies. As increased transparency and consistency are provided with growing compliance with ISSB (formerly TCFD) reporting, combined with global efforts to require improved disclosure of a broad set of investment-relevant metrics, our ability to test exposure to various sustainability risks should improve. Thanks to our research collaborations with Woodwell Climate and the MIT CS3, we continue to expand our capabilities to assess and engage on physical and transition risks with relevant issuers. We expect the quality of sustainability risk reporting to evolve.

A key component of our risk-management strategy is the development of fluency and understanding of sustainability-related risks among our analysts, portfolio managers, and product management teams. There are several ways learning takes place. Ongoing interactions between our investment teams, ESG analysts, and GIAs regarding company engagement, proxy voting, and portfolio reviews are opportunities to educate investment teams on ESG issues and trends, as well as on potential sustainability risks and opportunities. These stakeholders often participate in our dialogue with companies, and we share engagement information using a central platform. Analysts also regularly discuss issuers, write investment notes, and make comments in our Morning Meeting.

### INFORMATION TECHNOLOGY RISK

Information Technology (IT) is responsible for governing this function firmwide. IT is supported by committees and working groups that provide governance of and assistance on risk mitigation. The Head of Technology and their direct reports leads IT and oversee technology risk management, software development, and overall technology strategy. IT leaders also set the technology-controls environment for the firm. Our Software Development Lifecycle (SDLC) Board, Technology Risk Board (TRB), and Technology Strategy Board (TSB) all support IT.

The core of the IT risk-management process is based on the Information Technology Infrastructure Library set of practices for IT service management. This covers change management, problem management, and incident management. The TRB and the Change Advisory Board (overseen by the TRB) govern and review these processes. An additional series of boards help to govern project prioritization and the software development life cycle for each IT project, including the Business Architecture Board and the Data Architecture Board (overseen by the TSB). Each board listed above can, and is encouraged to, escalate any concerns, issues, or risks to the Technology Management Team (TMT).

### INFORMATION SECURITY RISK

The Information Security Team, in close partnership with the TSB, TRB, senior management, and the various business functions represented by the Information Security Council, is responsible for establishing and overseeing risk-aligned controls intended to safeguard the confidentiality, integrity, and availability of client and firm information. The Information Security and IT Risk and Controls Teams report to the chief information security officer and chief risk officer. The Risk Committee oversees the Information Security Program.

# 1.5 Resolving conflicts of interest

As a fiduciary, we seek to place the interests of our clients first and avoid conflicts of interest. Some conflicts are inherent in any large, global investment management business, while others are a result of our business model. We have adopted and implemented policies and procedures that we believe are reasonably designed to manage conflicts if they occur, including those that arise from our stewardship activities. Our Code of Ethics applies to all Wellington Management personnel worldwide. The Code describes the standard of conduct we require of our personnel and sets forth certain restrictions on activities, such as personal trading and gifts and entertainment.

Annually, the ISC sets standards for identifying conflicts based on client, vendor, counterparty, and lender relationships, and publishes those standards to individuals involved in the proxy voting process. We further require personnel within the investment functions to identify family and close personal relationships that could present a conflict of interest that may affect their ability to act impartially in relation to proxy voting.

Potential conflicts may be resolved by voting in accordance with our published Global Proxy Voting Guidelines. Alternatively, where the published voting guideline is case specific, where no published guideline exists, or where the proposed voting position is contrary to a published guideline, three disinterested internal ombudsmen from the ISC are appointed. Their role is to review the recommendations of the Stewardship Team, oversee any discussion or debate with respect to the proposed votes, and ensure that votes are executed solely in the best interest of our clients. Where a material, self-disclosed personal conflict is identified in relation to proxy voting, the conflict may be mitigated by assigning voting responsibility to another investment professional or directing it to three disinterested ombudsmen from the ISC.

In practice, these conflicts are few, but the engagement of ombudsmen ensures a robust process and clear documentation of decisions. While we have a policy and process for how we vote at general meetings of a conflicted company, we are not constrained when engaging on issues outlined in our Engagement Policy.

Our Stewardship Conflicts of Interest Policy is available on our website.

"We aim to drive better investment outcomes for clients through informed, nuanced analysis and constructive dialogue with issuers."

**ELLEN CHAE**
Head of Sustainability Group

# 1.6 Alignment with clients' stewardship and investment policies

Most of our AUM are held in separately managed mandates. As such, we have experience aligning investments with our clients' needs. We partner with those clients to understand their investment policies and how we can best support them. We communicate in advance and agree on how we will meet each client's unique requirements. We also discuss elements of their policies to which we cannot adhere. Once we begin managing assets on their behalf, we manage them in alignment with our mutually agreed-upon approach. Some client mandates have guidelines or exclusion policies. These client issues can include a range of environmental and social concerns including those relating to coal, tobacco, gambling, alcohol, weapons, adult entertainment, and labor issues. They can also extend to concerns about investing in certain countries whose governments run afoul of various global norms. In addition to helping many clients develop investment screens or holistic approaches that seek to achieve specified investment goals, we have also helped clients align their portfolios with decarbonization glidepaths.

Our internal systems contain the rules applied to each account, and these are tested within our compliance-screening processes. Compliance screening can be performed on a pre-trade basis, in an overnight post-trade process, or both. Each client account's guidelines are entered into the monitoring systems.

## CLIENT COMMUNICATIONS AND REPORTING

Details on stewardship activities and voting records for holdings in relevant client portfolios, delineating portfolio-level engagement topics and visually summarizing our activity, are available in our sustainability reporting. We include ESG ratings and carbon-emissions information, identifying all holdings on which we have engaged. The proxy voting report includes detailed voting information, such as the proposal, proponent, management recommendation, and for-/against-management result. Our stewardship reports can be run monthly or annually. We can also work with client-specific voting templates when requested to provide the information required to meet each client's unique reporting requirements.

Our regular interactions with clients help us understand their needs and respond to their feedback. For example, beyond proxy voting activity, some clients require additional detail on broader stewardship and engagement activities. To respond to this, we leverage our proprietary engagement-tracking tool, which allows us to share enhanced portfolio-specific engagement information. This technology continues to evolve to meet our investment teams' needs and our clients' expectations.

Our SI reporting team introduces enhancements to our reporting, in partnership with a cross-functional advisory group and IPFS. Following this consultation process, the team drafts sample reporting for review by IPFS and other subject-matter experts, who consider appropriateness amid global expectations. Factors they consider in the review and approval process include:

- Data accessibility, coverage, and integrity.
- Whether sustainable data points are considered as part of the investment management process and applied consistently across all holdings in the portfolio.
- Whether appropriate disclosures on the nature of the approach/fund have been included to create a clear and accurate representation of that approach/fund.

# Section 2: Sustainable investment approach

Our research shows that sustainability considerations continue to affect many markets and economies in new ways. In our view, consideration of consequential sustainability risks and opportunities gives investors and the companies and issuers they invest in greater ability to drive value and create strategic advantages. For our SI strategies, our goal is to achieve our clients' investment objectives by incorporating sustainability risks and new opportunities into our investment approaches — where they align with client/fund investment objectives. Pursuant to that goal, we aim to leverage what we consider to be our SI edge: a research-based, credible, future-facing approach grounded in the pursuit of investment excellence.

## 2.1 Research

### To help mitigate risk and enhance returns

Our north star is the belief that material ESG risks and opportunities can affect the long-term value of the assets in which we invest; therefore, it is in our clients' best interest for us to analyze and consider these issues as part of our investment mosaic. To that end, our dedicated sustainability research specialists include our ESG analysts and Climate Research Team, as well as researchers focused on policy, strategy, impact measurement, and stewardship.

#### ESG RESEARCH IN PUBLIC MARKETS

ESG research analysts are embedded as part of our broader investment research group. Each analyst specializes in a particular sector and conducts bottom-up analysis of key considerations in their respective coverage areas. As part of their process, our ESG analysts work closely with global industry analysts and credit analysts to gather intelligence on ESG topics to help various investment teams integrate these considerations into their broader philosophy and process. We believe combining our deep sector and industry knowledge with ESG research often helps investment teams develop a holistic understanding of issuer value.

Together, our experts have developed proprietary ESG materiality frameworks that define the key issues for each sector and identify metrics for assessing issuer performance. These frameworks are the cornerstone of our ESG research process. Our ESG analysts, based in Boston, London, and Singapore, share their ratings and research via our central collaboration tools and often share insights with PMs at our daily Morning Meetings, sector team meetings, and investment team discussions. While the analysts communicate with PMs via informal conversations, email, and other means in the normal course of research, they also meet with PMs for more structured ESG portfolio reviews, in support of the ESG integration process, upon request. In these meetings, each ESG analyst highlights the most relevant ESG issues for their sector and portfolio companies.

Investment teams may access and incorporate ESG analysts' research and connect it with that of our equity, credit, macro, quantitative, and sovereign analysts to enhance their overall fundamental research. By combining these analytical viewpoints to inform investment decision making and deepen the constructive dialogue with portfolio companies, we strive to unlock value, enhance long-term investment returns, and identify issuer-level risks and opportunities.

As our clients' fiduciaries, our investment teams may provide feedback via voting and engagement, indicating opportunities for companies to utilize best practices and contribute to the long-term success of the business. In this way, our investment research and stewardship activity act as a feedback loop to drive value. When companies improve upon the ESG issues that we believe could affect investment outcomes, our clients should benefit.

We do not have a chief investment officer who directs investment decisions. Instead, each of our PMs and investment teams develops a P&P unique to their investment approach. In other words, our ESG integration is evidence-based and investment-led, rather than externally imposed. We believe this approach aligns our investment teams with the performance outcomes they pursue for clients.

> We believe that rigorous investment research and agile active management are key drivers of long-term outperformance. This goes for sustainable investing as much as any other type of approach.

**MARY PRYSHLAK, CFA**
Head of Investment Research

"Our sector-focused research teams have a multidimensional view on which issues are material and how those issues may affect a stock versus a bond differently.

**CAROLINE CONWAY**
ESG Analyst

We also believe that our investment dialogue is strengthened by having teams with different investment philosophies sharing and debating ideas. Individual PMs and analysts make their own decisions with respect to how much emphasis, if any, to place on the importance of ESG factors. For many investment teams, ESG research is an input or lens to help assess the value of investments. The "weight" or prominence of this input depends, in large part, on the ESG issue, investment strategy, asset type, and team P&P. ESG considerations can manifest in the investment thesis or portfolio weighting for a particular security, as well as in proxy voting and company engagement efforts. ESG-related guidelines or restrictions may be systematically applied where a PM has incorporated specific ESG factors or restrictions into their investment decision-making process and/or where we have agreed to these with clients. See **Section 3.4** for ESG integration and engagement examples.

Examples of how investment teams may incorporate ESG research into their investment process:

- Focusing on companies that they believe have best-in-class practices that will help the company to compound value over time.
- Focusing on companies that they believe have improving practices that have not been incorporated into the security's price.
- Considering E, S, or G characteristics as one of many inputs that may factor into a security's value.

## SUSTAINABILITY IN PRIVATE MARKETS

### Support for private portfolio companies

Wellington's Value Creation Team provides our portfolio companies with sustainability and business support, leveraging the firm's investment experience in both public and private markets. This team aims to help minimize risk and maximize value across a portfolio company's life cycle and can assist companies with access to experts, community building, knowledge sharing, and stewardship to that end. This work begins pre-investment with ESG diligence support and continues post-investment via our partnership approach. By providing tailored support to help companies reach their next growth stage, we believe we can drive better financial outcomes.

The Value Creation Team seeks to establish a productive two-way dialogue and provide companies with an informed, long-term view, sharing valuable market- and company-specific guidance. This includes offering a mix of sustainability and business support, such as:

- **Market intelligence and IPO readiness:** We give our portfolio companies access to sector, macro, and thematic experts to help them navigate evolving investor expectations and regulatory requirements.
- **Business development and corporate access:** We tap our networks to connect companies with potential public-market partners and customers.
- **Board composition and governance:** Companies can stay ahead of their next governance steps by leveraging our proprietary Governance Guide and working with us to create director skills matrices and identify potential board candidates.
- **Compensation benchmarking:** We offer companies access to our Executive Compensation Guide and provide individualized private- and public-market compensation benchmarking analysis for key executives.
- **Human capital management:** Our proprietary Human Capital Management tool kit highlights best practices for recruiting and engaging top talent.
- **Custom business-sustainability roadmaps:** Our roadmaps access Wellington's internal and external insights to highlight long-term strategic business issues and set up our portfolio companies for enduring success.
- **Climate and impact resources:** We can provide companies with resources for carbon accounting; climate risk assessment; and impact measurement, management, and communication on request.

> Our team's goal is to leverage the best of Wellington to the benefit of our portfolio companies and to help them achieve sustainable long-term success.

**HILLARY FLYNN**
Director, Value Creation

## PRIVATE COMPANY ENGAGEMENTS IN PRACTICE

#### HUMAN CAPITAL MANAGEMENT (HCM)

A mid-stage company has continually engaged on HCM issues, attending our HCM for Private Companies webinar and leveraging our HCM tool kit. We have provided ad hoc guidance on tuition loan agreements, C-suite compensation benchmarking, and connections to industry peers with sector-specific expertise on hiring talent.

#### GO-TO-MARKET SUPPORT

For one early-stage company, the Value Creation Team led its first offsite strategic planning workshop to align on vision, priorities, and messaging. We further supported the development of new content to improve messaging to targeted prospective customers.

#### PHYSICAL CLIMATE-RISK SUPPORT

In response to a request from an industrials company held in one of our portfolios, we leveraged our proprietary Climate Exposure Risk Application (CERA) tool to prepare a physical climate-risk assessment of its manufacturing plants to review potential disruption to its operations.

## CLIMATE RESEARCH

Evidence shows climate change may pose substantial financial risks for certain companies, issuers, and economies — and subsequently, for a variety of our clients' investment portfolios. For some strategies, research on material industry- and security-related climate risks and opportunities can inform short-, medium-, and long-term investment decisions; lead us to define and share best practices; and enable more effective engagement to address these factors. We base our approach to climate research on bottom-up analysis and close collaboration among our investment teams, ESG Research and Climate Research teams, and third-party climate research partners. Each investment team is responsible for considering climate risk management within its portfolios, using its individual P&P to guide the extent — if at all — to which climate research influences its investment decisions.

Over the years, we have advanced our research efforts by collaborating with various climate-focused initiatives, including:

- A collaboration with Woodwell Climate to help bridge the gap between climate science and finance. We continue to explore a variety of research topics with scientists at Woodwell Climate, focusing on material physical climate risks impacting the industries and geographies in which we invest.
- A collaboration with the MIT CS3 to study transition risks. We also host monthly sessions with scientists at the MIT CS3, which center on the impact of regional policies and transition technologies on industry outlook and company-level differentiation.

> "The market tends to overcomplicate ESG by thinking it's something distinct from fundamental analysis. The reality is that they are very much one and the same.

**TIM CASALETTO, CFA**
Global Industry Analyst

### STUDYING PHYSICAL CLIMATE RISKS

Woodwell Climate Research Center

Since September 2018, we have been collaborating with Woodwell Climate, a leading independent climate research institute. Working with the climate scientists, we study the physical effects of climate change on capital markets and asset prices, integrating those findings, where relevant to our clients' objectives, into our investment processes through geospatial mapping and analysis. Recognizing the interrelationship between climate change and biodiversity loss, we continue to expand our research agenda to better understand the changing dynamics of global biodiversity and the risks facing companies and countries. Our goals are to:

- Bridge the gap between climate science and capital markets.
- Understand companies' and regions' exposure to climate change and biodiversity risks.
- Improve our ability to quantify liabilities and appropriately price securities.
- Better assess significant business costs and consequences of climate change and biodiversity loss.
- Raise awareness of physical climate risks to promote resilience and adaptation among companies.
- Identify opportunities to invest in companies whose goods and services can help society adapt to a changing climate and preserve biodiversity.

That research has resulted in several practical tools, available to all investment teams at the firm. We leverage proprietary data-driven tools and technology, including our CERA software that Wellington investment professionals can use to view the geospatial relationships between physical climate-risk variables and the assets we consider investing in on behalf of clients. See **Section 2.4** for details.

The Climate Research Team applies the information and insights from CERA, along with company disclosures, to issuer analysis. In 2024, the team reviewed the physical-climate-risk exposures of 522 securities, some of which were a revisiting of previously reviewed securities (approximately 2,700 unique companies reviewed), based on materiality. This work facilitates our ability to integrate climate science into fundamental investment insights; to better analyze and question those insights; and to draw practical next steps to support integration. The Climate Research Team offers investment teams climate-focused portfolio reviews covering physical, transition, and biodiversity risks and opportunities. It also develops dashboards to facilitate company- and portfolio-level monitoring and support collaborative research. These insights, projections, and data sets are available to investment teams at Wellington to use as they deem appropriate within their P&Ps.

### STUDYING CLIMATE TRANSITION RISKS

Center for Sustainability Science and Strategy

Since January 2022, Wellington and the MIT CS3 have been collaborating on transition-risk research. The alliance has not only bolstered the research we had been doing on the transition to a low-carbon economy but also enhances our understanding of the expected financial impacts of various transition pathways on industries and economies and deepens our decarbonization engagement practices. The MIT CS3 team of natural and social scientists provides our investment teams with updates on their existing research on climate-change projections under various environmental, economic, and policy scenarios. Throughout 2024, several investment teams across asset classes have integrated these transition-risk findings into ongoing fundamental research, in conjunction with physical-risk findings from Woodwell Climate.

Complementing this research collaboration, we made substantial investments in our issuer-level evaluation of transition risk. These included the introduction of our proprietary Transition Alignment Rating (TAR) and related climate-transition-risk considerations into the climate-focused portfolio reviews offered by the Climate Research Team. We also apply our transition-risk research framework to sovereign analysis; we expect to enhance this methodology as more transition-related data becomes available.

### STUDYING BIODIVERSITY RISKS

Consistent with our data-driven climate research, our approach to biodiversity emphasizes financial materiality across asset classes, regions, and securities over the long term. We have found that research on biodiversity loss is complementary to our climate research, given the many direct and indirect interrelated impacts. To deepen our understanding of biodiversity risks, the Climate Research Team and ESG analysts contribute to our stewardship on biodiversity, informing engagements and helping select investment teams consider these risks in their investment process, where relevant to their P&P. Investment team training on biodiversity occurs through climate-focused portfolio reviews.

Biodiversity-related risks can potentially pose challenges to certain businesses, stemming from resource scarcity and pressure on supply chains. For instance, if a company relies on water, timber, or agricultural products, disruptions related to biodiversity loss can necessitate alternative sourcing, halt or disrupt production, or require investments in more resilient practices. We strive to interpret changing client, market, and regulatory priorities around biodiversity — particularly for disclosure and risk management — and we expect to align with emerging industry frameworks, such as the TNFD, as they evolve. As a member of the TNFD Forum, we contribute perspectives and learnings from our research on biodiversity, climate change, and the intersection between the two.

Toward our goal of evaluating biodiversity impacts, dependencies, risks, and opportunities, we have conducted data research and provider trials to better understand the current data landscape and utilize data in our stewardship approach to biodiversity. We incorporate biodiversity into climate-focused portfolio reviews through a sector-level "heat-mapping" tool. This tool employs World Wildlife Fund Biodiversity Risk Filter data, which can be applied to portfolios and benchmarks to inform the engagement and investment process. We also participate in several industry groups to learn from and contribute to practitioners' perspectives on developing policies and practices. These include the TNFD Forum, the PBAF, Ceres' Working Group on Land Use and Climate, and the FAIRR Initiative. As data availability, frameworks, and company disclosures develop, our research teams will continue to provide Wellington analysts and portfolio management teams with the biodiversity information they may need to help inform investment decisions.

## IMPACT RESEARCH

Wellington's impact investment teams prioritize a thorough evaluation of impact for funds in which we aim to achieve tangible positive environmental or social outcomes in addition to robust financial returns. IMM includes clearly defining the criteria that qualify a company for inclusion in our impact opportunity set, conducting in-depth research to ensure that these impact criteria are met, and reporting on and analyzing this data to maximize real-world positive impact.

While IMM began in the realm of impact investing, it is now increasingly adopted by investment teams who manage other sustainable or thematic strategies, even if they are not classified as impact. These teams may use IMM to showcase their contributions to real-world impact, emphasizing environmental or social outcomes as key components of their philosophy and process. Partnering with the IMM Practice ensures that the methodology and process used align with industry standards and allow the investment team to utilize existing KPIs or research where available. In some cases, analyzing KPI trends can provide a unique perspective for evaluating portfolio companies and prioritizing engagement questions. Our public-market impact reporting includes social and environmental KPIs as well as detailed case studies on some of our portfolio holdings to illustrate how we evaluate a company's impact and incorporate it into our investment decisions.

## THEMATIC RESEARCH PRIORITIES

Given the breadth of investment approaches we manage for clients and the evolving economic landscape, we research an ever-expanding range of financially significant sustainability topics.

### CLIMATE CHANGE

We continue to develop our climate research in multiple ways. The Wellington Climate Leadership Coalition (WCLC) brings together a group of large global asset owners to learn and ask questions about key research findings on the impact of climate change on financial markets. Building on our multiyear research efforts, the following are examples of focus areas in 2024:

Power and energy infrastructure is an increasingly important focus area at the intersection of our physical- and transition-risk research. The rapid expansion of generative AI has intensified power-demand expectations and associated datacenter build-out. We explored this topic with the MIT CS3 and looked at company-level strategies on mechanisms to meet energy demand. We also conducted joint research on potential supply bottlenecks across power sources with both Woodwell Climate and the MIT CS3. For instance, we looked at enriched uranium availability for nuclear power plants from the transition-risk perspective and the effects of changing precipitation patterns on hydroelectric generation output on the physical-risk side.

Our research on insurance markets, with insights from Woodwell Climate, focused on the increasing physical climate risks facing the industry along with related shifts in market dynamics. This analysis combined insights on the strengths and limitations of catastrophe models, as well as engagement with insurance companies to understand state-level trends in the US market. Our research discovered that the increasing frequency of low- to medium-severity disasters is one of the key physical-risk concerns for many primary insurers. Many insurers do not use forward-looking climate projections in their catastrophe models, however, which may therefore underestimate losses and premium pricing. This operating environment has created structural incentives for insurers to declare certain geographic regions uninsurable and has increased reliance on last-resort state insurers. These insights inform ongoing company- and state-level analysis.

### MODERN SLAVERY

In 2024, we broadened our supply chain and labor research with the goal of driving investment returns through better risk assessment and promoting the adoption of modern slavery risk-management guardrails at particular investee companies. When companies lack labor-rights transparency or oversight in their operations or supply chains, adverse effects such as reputational damage, legal fines, and supply disruptions may occur. These factors can collectively erode profitability and weaken the company's financial position.

Our efforts included improving our data tools and related insights and expanding the use of due diligence tools, including a proprietary engagement survey. We have shared our supply chain-management engagement survey with more than 523 companies; 203 have responded through year-end 2024. The survey serves two main purposes. First, it enables us to better understand and assess a company's policies and procedures for managing modern slavery risk across its business operations and supply chains, as well as any progress the company has made over time on adopting responsible business practices regarding labor management. Second, it enables our PMs (where this is relevant to their P&P) and ESG analysts to identify companies that may have the opportunity to improve their policies and procedures and determine which companies may benefit from enhanced engagement on the subject, specifically for the purpose of protecting value.

See **Section 3.4** for engagement examples.

# 2.2 Strategies

### To translate sustainability research into client-oriented outcomes

In addition to our efforts to integrate material ESG considerations, where relevant, into our investment processes, we manage four categories of dedicated SI approaches, comprising strategies that view sustainability considerations as a core component of their primary investment philosophy:

- Stewardship
- Sustainable theme
- Climate
- Impact

## STEWARDSHIP

### Great stewards manage financial, natural, and human capital responsibly and strategically to protect and enhance the value of their companies for generations to come.

Our Global Stewards investment team's philosophy is to invest in companies with high returns on capital and strong corporate stewardship. It views stewardship as an underappreciated driver of long-term value creation in companies. The team believes that strong stewardship can help companies lower their cost of capital, become more durable and resilient, and sustain returns on capital over time. This, in turn, can allow a company to continue to allocate capital toward further improving its stewardship credentials. This approach may help generate a virtuous cycle, or flywheel effect, that can improve both profitability and future stewardship. The team:

- Defines stewardship as how companies balance the interests of all stakeholders in the pursuit of sustainable returns.
- Believes good stewards must possess strong management teams, durable governance structures, thoughtful allocation of capital and resources, a long-term orientation, and consideration of all stakeholders.
- Believes superior stewardship could potentially help a company be more resilient and adaptable over time to help sustain high return on capital.

Poor resource or capital allocation decisions often result in negative outcomes that can detract value for firms. The Global Stewards investment team expects companies to make difficult trade-offs to protect returns for shareholders; ensure a loyal, engaged, and productive workforce; maintain a reliable supply chain; safeguard sustainable access to raw materials; and adapt to the energy transition. It seeks to avoid businesses that generate returns at outsized costs to stakeholders, which could jeopardize future returns on invested capital. This focus on corporate stewardship and robust resource allocation decisions can potentially help the team identify companies committed to improving performance, innovating, and building resilience.

## SUSTAINABLE THEME

### Socially and environmentally positive themes underpinned by structural economic drivers are central to the investment philosophy in pursuit of value creation and/or risk management.

The dynamics that sustain economic progress are typically more enduring than near-term growth drivers, and these secular trends can provide a wide range of investment opportunities. The managers of our sustainable thematic approaches believe companies whose products and services or operational practices contribute to long-term, positive outcomes for society and/or the environment could be market leaders. Building a sustainable future will require investment across nearly every sector, and the deployment of capital on a global scale creates inefficiencies, leading to dispersion in growth rates, valuations, and returns. We believe an active approach to thematic investing is essential for identifying disruptive companies that can improve outcomes through scale, cooperation, and innovation.

Secular themes can change the world. Thirty years ago, biotechnology and renewable energy were barely investable but have become enormous opportunity sets today. Thirty years from now, investors may look back on newer themes that cut across traditional investment industries and sectors, including climate innovation, cybersecurity and AI, the circular economy, and many others, as obvious and underappreciated opportunities.

## CLIMATE

**Seeking to engage with and invest in issuers that we believe contribute to a lower-carbon future, can help the world adapt to a changing climate, or are well positioned to manage climate-related risks.**

We believe our ongoing work with Woodwell Climate and the MIT CS3 confirms that first, society is generally unprepared for climate change, and second, climate risks remain deeply misunderstood through the lens of traditional capital market metrics. As climate awareness and action grow in response to regulatory, customer, and other stakeholder pressures, our climate teams expect demand for — and capital allocation to — innovations aimed at climate-risk mitigation and resiliency to increase. Climate investing enables markets to supply capital toward such solutions, while gaining access to segments of the market that we believe are inefficient and, therefore, can feature attractive investment opportunities. Companies that position themselves to help adapt to and/or mitigate the impacts of climate change by applying existing technology in new ways or developing novel products and services could gain market share and build competitive advantages. Those that fail to align with the low-carbon transition and build resiliency to physical climate risks may lag their peers and face headwinds from rising costs of capital and/or regulatory pressures.

Our climate investing opportunity set includes solutions like low-carbon electricity and transport, utility and grid resilience, sustainable infrastructure and agriculture, water and resource management, cooling systems, flood control, backup power, and many others. Recognizing the range of solutions needed to address the climate crisis holistically, our Climate Research Team, third-party climate research partners, and climate-focused investment teams collaborate to identify underappreciated issuers that may stand to benefit from providing climate change solutions. These watchlists primarily support integration across public market teams with a range of inclusion criteria, such as the threshold for the minimum proportion of revenue exposed to a climate mitigation and/or adaptation tailwind.

In our view, a fuller understanding of the opportunity set across the value chain — and therefore across industries — can support idea generation for an investment team, whether the strategy has an explicit climate-related objective or not. We believe this because of the many intersections between pure-play companies that offer climate solutions and the industries that such companies can influence or even disrupt; for example, products like electric vehicles and HVACs are likely to influence demand forecasts for electricity in the medium term, which has implications for power-grid operators.

The Climate Research Team has collaborated on the evolution of climate integration frameworks for both sovereign issuers and commodities, with the goal of identifying the assets that are best positioned to take advantage of climate-related opportunities, and that have unmanaged risk exposure. On an ad hoc basis, the IMM Practice, in consultation with the Climate Research Team, advises on the impact case and KPIs that measure the improvements issuers are making on climate, such as net $CO_2$ emissions avoided, renewable energy produced, number of people and structures protected from extreme weather events, and volume of wastewater treated.

## IMPACT

**Seeking to invest in issuers whose core products, services, or projects provide environmental and/or social solutions in a differentiated way, with the goal of driving measurable positive impact alongside financial returns.**

Following research initiated in 2012 on water scarcity for our firmwide Future Themes effort, we launched our first public-market equity impact strategy in 2015 and our first fixed income impact strategy in 2017. These strategies seek to deliver financial returns by intentionally investing in companies and issuers whose core goods, services, or projects help address the world's biggest social or environmental challenges, in a manner that is material to revenue generation, additional, and measurable, in our view. We invest globally across three broad impact categories — Life essentials, Human empowerment, and Environment — which are further divided into 11 impact themes. Our strategies may not be invested in all themes at any given time, and some topics, including climate resilience, health care advancements, and bridging the digital divide, among others, span several impact themes.

Our impact investments must:

- Align with at least one of our impact themes
- Offer additionality, or address a need that has a low prospect of being addressed by other agents
- Deliver impact that can be quantified and measured

In the first quarter of 2025, Wellington's impact investment funds partnered with BlueMark, a leading provider of independent verification services, to evaluate our impact investing practices and their alignment with industry standards.[5] Wellington achieved impressive results, earning an "advanced" or "high" rating in eight out of nine assessment areas. We believe that this recognition reflects the robust integration of real-world social and environmental impact into our public-market impact investment strategies. Said integration is a key component of our impact investment process, alongside the targeting of attractive financial returns.

### IMPACT MANAGEMENT AND OVERSIGHT

To ensure a high level of integrity and consistency across our impact investing strategies, Wellington has both an IMM Practice and an Impact Steering Group (ISG). The role of the IMM Practice is to ensure we can measure impact as thoroughly as financial outcomes through in-depth research. This involves rigorous analysis of an investee's contribution (both positive and negative) to social and environmental challenges before it is included in our investable universe and the gathering and monitoring of impact-related KPIs annually. The IMM Practice works with our ESG Research and Climate Research teams to leverage the latest insights most relevant to our impact categories and helps portfolio managers incorporate impact investing frameworks. We also consider how our impact themes may advance the SDGs.

The ISG members include Wellington's impact investment professionals, product managers, and the IMM Practice. Our ESG research analysts, SI teams, and our macro strategists may also participate in ISG meetings. The purpose of the ISG is to bring together decision makers on Wellington's impact strategies and key internal stakeholders to promote knowledge sharing, accountability, and collaboration. It is a crucial forum that facilitates decision making and discussions of all issues related to our impact investment process. The group's focus is:

- **Theme management** — Evaluate the relevance of our impact themes and proactively research potential new themes.
- **Universe management** — Determine securities' eligibility for the impact opportunity set by defining scope, rules, and policies for inclusion, and, therefore, consideration for our impact portfolios.
- **Impact measurement** — In collaboration with the IMM practice leader, set standards for the calculation of KPIs at the security, issuer, and portfolio level.
- **Engagement** — Set priorities for engagement with companies and issuers held in the portfolios.
- **Research** — Stay up to date with the latest impact and sustainability research, share relevant insights with Wellington colleagues, and discuss potential future impact research topics.

[5] See Risks and important disclosures for details on our BlueMark verification.

# 2.3 Technology

### To help interested investment teams view SI research holistically

The structure of Wellington's integrated research functions lends itself to analyzing the holistic impact of sustainable factors on economies, industries, and companies. Our ESG, equity, and credit analysts discuss and debate their views on security-level risks and opportunities in their respective industries, while our climate and macro analysts contribute industry insights via thematic lenses. The result is a holistic research process that helps our investment teams appreciate the substantial and interconnected nature of various topics, including governance topics, climate change, and social factors. Our SI Technology and Analytics platform is designed to offer our investment teams curated access to the latest SI and ESG research. The sample of tools described here is broadly available to our investment teams. Usage typically depends on the types of approaches an investor manages or on specific areas of coverage. Investment teams managing portfolios in accordance with ESG- and SI-specific strategies, those incorporating ESG into their fundamental process, and those managing in accordance with client guidelines and regulations are typically the most frequent users of these tools.

## FOUNDATIONAL RESEARCH PLATFORM[6]

### MOSAIC

Mosaic is one of Wellington's internally developed applications designed as a platform for sharing research and exposing key portfolio analytics. Mosaic's core capabilities center on fostering collaboration and dissemination of potentially alpha-generating internal research across the broad investor community at Wellington. To further public-market-issuer analysis, we populate SI-related data (inclusive of our proprietary internal ratings) into investor and portfolio management tools. The objective is to support investment teams' assessment of the risks and opportunities they believe are most relevant to their investment process and to the individual issuers they may hold.[7] While we have maintained our multiyear investment in our suite of climate-related research and tools on the SI Technology and Analytics platform, we transitioned during 2024 into a state of evergreen support for platform maintenance.

## KEY SI ANALYTICS TOOLS

We developed two tools on Mosaic to be a hub for all SI-related research and portfolio analysis. SI Research View and SI Portfolio View (SI PV) collocate SI metrics onto a single screen, saving time and facilitating education. The former presents information at the issuer level, while the latter rolls up these key SI metrics to the portfolio level. Our SI tools ecosystem is constructed in a hub-and-spoke model, such that investment professionals can alternate between content-specific dashboards and simultaneously perform deep-dive analysis on issuers, sectors, or portfolios.

### SUSTAINABLE INVESTMENT RESEARCH VIEW (SI RESEARCH VIEW)

This tool aims to ensure our investment teams have straightforward, comprehensive access to our SI research, ratings, tools, and analysis. It centralizes public-market issuer-based research, ratings, and metrics and is also a jumping off point to other SI tools and dashboards, described below. Designed to support our multifaceted research process, SI Research View offers a single point of access to a series of data points that have historically lived in multiple places internally, or on various vendor portals, including:

- Internal ESG ratings, rationales, and commentaries from our ESG analysts.
- External ESG ratings, report summaries, and direct links to the full vendor commentaries.
- Internal climate transition alignment ratings (TARs), as well as transition-risk metrics: Scopes 1 and 2 emissions and intensity; and science-based target status.
- Internal physical climate ratings and commentaries from our Climate Research Team.
- Streamlined access to engagement notes.
- Revenue alignment with the SDGs.

### SUSTAINABLE INVESTMENT PORTFOLIO VIEW (SI PV)

The SI PV provides investment teams with a single place to evaluate and understand their portfolios' SI and ESG profile on a benchmark-relative and/or absolute basis. The dashboard offers aggregated views of our proprietary ESG ratings, sovereign ESG ratings, corporate and sovereign carbon footprinting, and alignment with the SDGs. It also provides SFDR-focused regulatory views on principal adverse indicators for investment teams managing strategies in accordance with those regulations.

[6] The firm's research and engagement-tracking tools are designed to ensure that information relating to private companies is strictly maintained behind an information barrier and accessible only to our private investing and private ESG research teams. This is to ensure there are critical information barriers between our private- and public-market business activities.

[7] All investment teams at the firm can access the tools and dashboards discussed. Investor usage typically depends on the types of approaches the investor manages, or their specific areas of coverage. Investors managing portfolios in accordance with ESG- and SI-specific strategies, those incorporating ESG into their fundamental process, and those managing in accordance with client guidelines and regulations are typically the most frequent users of these tools.

In 2024, we developed a summary tab that consolidates key information regarding portfolios' aggregate exposure to ESG or climate physical and transition risks and highlights high-exposure laggards as potential candidates for engagement.

## KEY CLIMATE-ANALYTICS TOOLS

### CLIMATE EXPOSURE RISK APPLICATION (CERA) — PHYSICAL-RISK ASSESSMENTS

Working with Woodwell Climate, we have developed an innovative physical-climate-risk assessment tool (**Figure 1**). Using integrated spatial finance, CERA displays geospatial maps overlaid with climate data, which enable investment teams to visualize and quantify physical climate risks for a wide variety of securities and real assets. CERA allows investment teams to isolate or combine views of seven key climate factors: heat, drought, floods, hurricanes, wildfires, water scarcity, and sea-level rise. The tool overlays capital market insights onto regional maps, enabling PMs and investment teams to identify "hot spots" warranting further fundamental research for each asset class and region of interest.

The Climate Research Team applies the information and insights from CERA, along with public-market company disclosures, to issuer analysis. As of year-end 2024, the team has evaluated more than 2,700 individual companies for their physical risks, based on level of exposure and strength of risk-management practices.

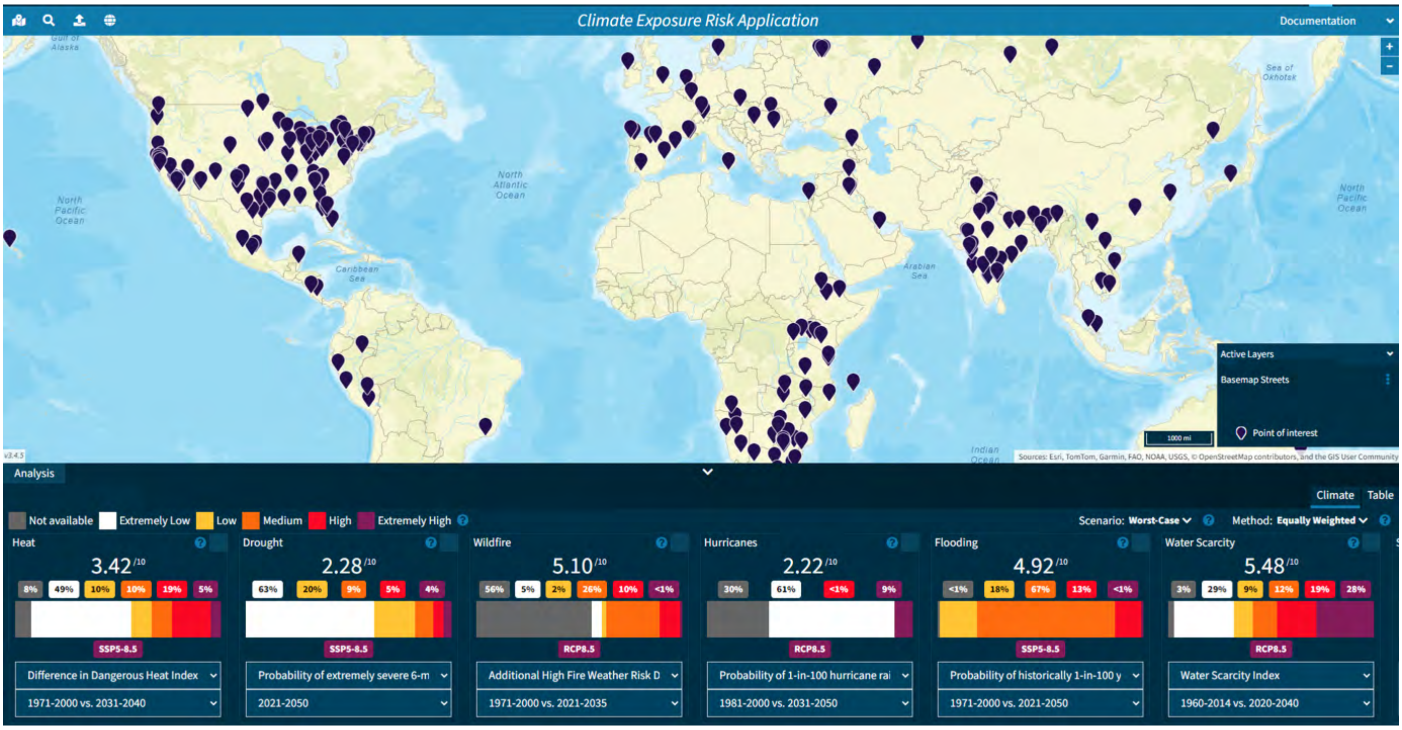
> The CERA tool really opens up a whole other range of investment ideas...one exciting investment opportunity my team has found... is the idea of vertical farming.

**TOM HORSEY**
Equity Portfolio Manager

### CARBON EMISSIONS DASHBOARD — TRANSITION-RISK ASSESSMENTS

Our Carbon Emissions Dashboard allows investment teams to perform deep-dive transition-risk analysis on individual public-market companies and facilitates peer comparison within industries. Investment teams typically review carbon metrics against a company's subindustry to help contextualize how different business models influence emissions. The dashboard features the ability to view both emissions intensity trends over time and projected intensity by incorporating published targets (Scopes 1, 2, and 3). The tool also compares companies' reported Scope 3 emissions to estimated Scope 3 emissions as a proxy for comprehensiveness of measurement. Where

**Figure 1**
**CERA sample screenshot**




For illustrative purposes only. | Source: Wellington Management.

relevant, investment teams can decompose a company's estimated Scope 3 emissions into the 15 upstream and downstream categories to identify key connection points of transition risk to business strategy.

### NET ZERO PORTFOLIO VIEW (NZ PV)

To provide portfolio aggregation of transition-risk metrics and support our clients' net zero commitments, in 2021, we designed our Net Zero Portfolio View (NZ PV) in Mosaic (**Figure 2**). For a given portfolio and its benchmark, the dashboard calculates the historical, current, and projected weighted average carbon intensity (WACI). This forward-looking, what-if analysis can be compared to a client-directed decarbonization glidepath.

In addition to these portfolio metrics, the tool also allows investment teams to dive into the top-contributing public-market issuers within the portfolio to understand these companies' current means of addressing transition risk. These metrics, in tandem with the portfolio's glidepath, can be used by investment teams to surface candidates for engagement, to the extent that engagements are a component of their strategy. They do this to assess and mitigate transition risk in their portfolios or to implement client-specific decarbonization targets over time.

In 2024, we enhanced the functionality of this tool with the intention of improving both research and dialogue with asset owners and companies to ensure we can continue to meet client needs and regulatory requirements. First, we made a secondary metric more prevalent; we now include financed emissions — economic intensity (tons CO2e/US$ million invested) — to facilitate comparison to our preferred metric, WACI, or tons CO2e/US$ million in revenue. Second, we included more comprehensive emissions, expanding to Scope 3 in our calculations and using an estimated data set to improve comparability across industries. Finally, we improved efforts to fill gaps in coverage from our third-party data providers; specifically, we enhanced our estimation methodology using our proprietary sector-average calculation.

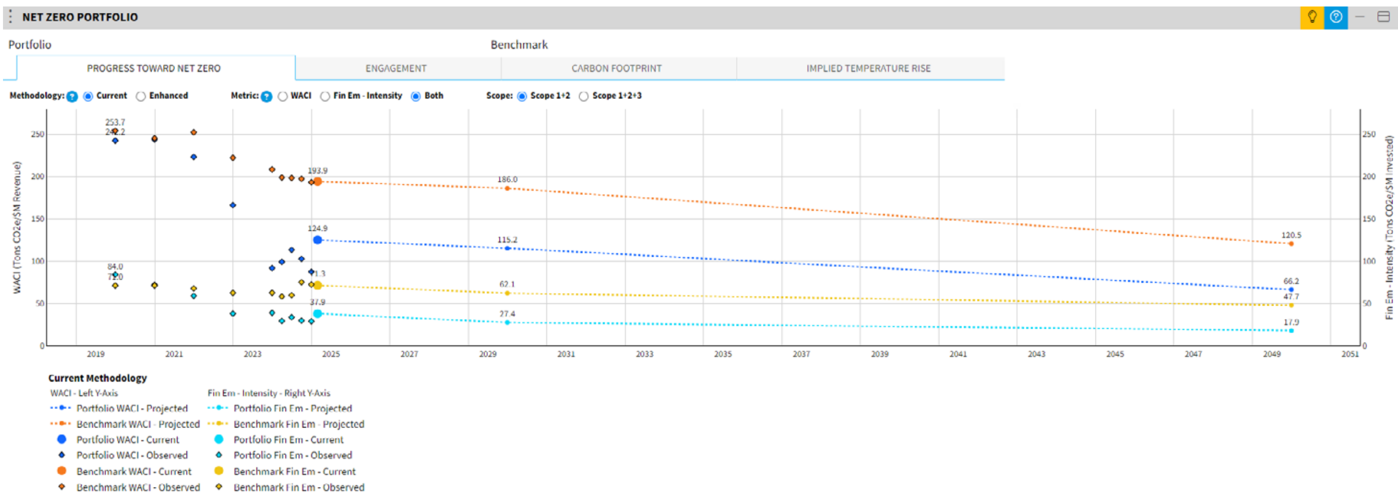
### TRANSITION ALIGNMENT RATING (TAR)

The TAR is a proprietary, quantitatively derived rating inspired by the parameters for alignment outlined in the IIGCC's Net Zero Investment Framework. The rating enables investment teams tracking public companies' transition risks and opportunities to focus dialogues on topics of greatest impact and track incremental progress toward robust transition-risk-mitigation plans. This rating is available in the SI Research View, Net Zero Portfolio View and SI Portfolio View, where investment teams can use it to identify companies with which to engage.

In 2024, we enhanced the TAR data quality and developed a dashboard to help our Climate Research Team and climate-focused portfolio managers better understand the drivers of a company's TAR. This dashboard can also help track incremental progress at the company level using underlying data points. For example, when a consumer staples company updated its annual sustainability report with clearer, more ambitious emissions-reduction targets, improvement in the TAR "Ambition" component supported our ESG analyst's fundamental view about the positive trend.

Please see our annual Climate Report for more details on our climate-focused investment tools.

**Figure 2**
**NZ PV**




For illustrative purposes only. | Source: Wellington Management.

## ADDITIONAL TECHNOLOGY AND PROCESSES

### KPI TRACKER

The KPI Tracker in Mosaic provides certain SI teams with a centralized place to log KPIs, note revenue materiality, tag investment themes and commentaries, and capture other IMM data points for issuers held in our impact and sustainable portfolios. Based on these inputs, the tool calculates potential engagement targets by assessing the compounded annual growth rate of each issuer's respective KPIs. In 2024, we enhanced the KPI Tracker to support KPI tracking and analysis for additional sustainability-focused teams.

### MONITORING DATA VENDORS

To support the firm's SI and ESG initiatives, we source data from a variety of market and ESG data providers. Both quality and coverage of data are key factors when assessing vendors. To ensure that data is presented consistently across our investment tools and applications, it is centrally onboarded via our Reference Data Platform (RefDP). RefDP centralizes reference data attributes, including security, issuer, and ESG metrics, ensuring that information is correctly mapped and visible at the firm. As part of this process, the Reference Data Team partners closely with our Data Governance Team in our Investment Technology function. As part of our data-governance strategy, these teams monitor our data feeds for anomalous changes in our feeds, as well as in the individual data points. We track issues identified through the data monitoring process, as well as those located by users across the firm, within our Data Control Tower (DCT), a centralized location to raise and triage various data issues. The team then produces monthly reports and dashboards and leverages these dashboards to identify and treat potential data-quality trends.

When anomalies are detected via our DCT process, we will typically raise these issues to the respective vendors to assess the driver of the anomaly. Issues are tracked until they are remedied, whether that is via the vendor making an update on their side, or by our reference data teams performing additional scrubbing of the data points. Additionally, as part of our data governance strategy, we host monthly meetings with our key ESG data vendors, where we review the ongoing performance and data issues and provide feedback to them. These meetings allow us to partner with our providers and suggest ways to improve the quality of the data they send us. If performance standards do not meet our expectations, after appropriate engagement, we create KPI targets and a remediation plan. If a data provider still cannot meet our expectations within a reasonable time frame, we would ultimately terminate the contract.

Where appropriate, Wellington conducts a due diligence review of new and existing third-party service providers, when any new services are added. The degree and frequency of due diligence is commensurate with the level of risk and complexity of the relationship (as assessed internally by Wellington's Third-Party Risk Team). Enhanced due diligence is conducted on third-party vendors involved in critical activities or with access to nonpublic data.

This due diligence may include review of the following: client references, background checks, business experience and reputation, insurance coverage, staff turnover, information and physical security controls and practices, disaster recovery and business continuity, financial solvency, risk management, and compliance governance. In addition, we may visit operational sites. For our larger providers, we may complete consolidated scorecards focusing on performance, systems/technology, and client service.

## DATA VENDOR EXAMPLE

Wellington has systematic quality checks and validation rules in place for data sourced to measure the ESG characteristics of the companies in which we invest. We collect and use third-party vendor data to screen securities on a pre-trade and post-trade basis through Wellington's guideline-monitoring system. During this process, we run systematic quality checks, which apply rules for consistency, timeliness, and conformity to expected formats and value ranges. Processes and governance are in place to remediate detected data-quality issues, and we continuously evaluate our processes to improve our checks.

One data category currently in focus involves reviewing vendor-sourced data for companies' science-based carbon-emissions targets. While we hire a vendor to source and scrub this data, we have had the opportunity to verify the vendor-sourced data against an independent third-party source. In this comparison, we have noticed inconsistencies in the mapping and timing of the vendor's data updates. We worked with the vendor to identify these anomalies, and the vendor subsequently improved their processes to resolve data-quality and timeliness issues. We continue to monitor vendor-data updates to identify other potential misalignments and indicate corrections needed for specific companies and data sets. We have processes in place to escalate and review issues with our data vendors on a regular basis, and to monitor their resolution.

# 2.4 Education

### To share subject-matter expertise with SI stakeholders around the firm

In 2024, we continued with our multifaceted approach to SI education across our three platforms (investment, client, and infrastructure). This includes the availability of our SI foundational training that was introduced firmwide in 2023. We conduct in-person and online training sessions on priority ESG and SI topics, as well as sessions tailored for each of our three platforms. Internal subject-matter experts lead training sessions, with a focus on how an array of SI data, analytics, research, and portfolio construction tools can be applied and integrated.

Our SI education approach covers various themes, regulatory matters, and risk-mitigation practices, leveraging internal expertise and external research. Some modules are mandatory while others are opt-in. We anticipate continued evolution of the SI landscape and our firm's approach to it. SI education will continue to focus on ensuring that our investment, client, and infrastructure teams are knowledgeable and prepared to support our clients in understanding sustainability and associated regulations to meet their sustainability goals.

We appreciate the opportunity to collaborate with clients on topics of interest to them and where we believe we have unique insights. Specific to sustainability, we welcome the opportunity to share knowledge, including SI investment content and demonstrations covering the SI tools and reporting available. As an example, in the past, we have included sustainability modules within our Client Investor Development program as well as our Wellington Institute program.

# Section 3: Culture of stewardship

The goal of our stewardship activities is to support decisions that we believe will deliver sustainable, competitive investment returns for our clients. Our commitment to active ownership combines deep research and our longstanding relationships with companies and issuers, allowing for partnership in addressing risks and opportunities with the common goal of driving value. This commitment anchors our investment philosophy and stewardship approach across asset classes, including private markets. Stewardship is integral to our fiduciary responsibility to our clients as an active manager, and our focus on research-based financial materiality supports our stewardship approach.

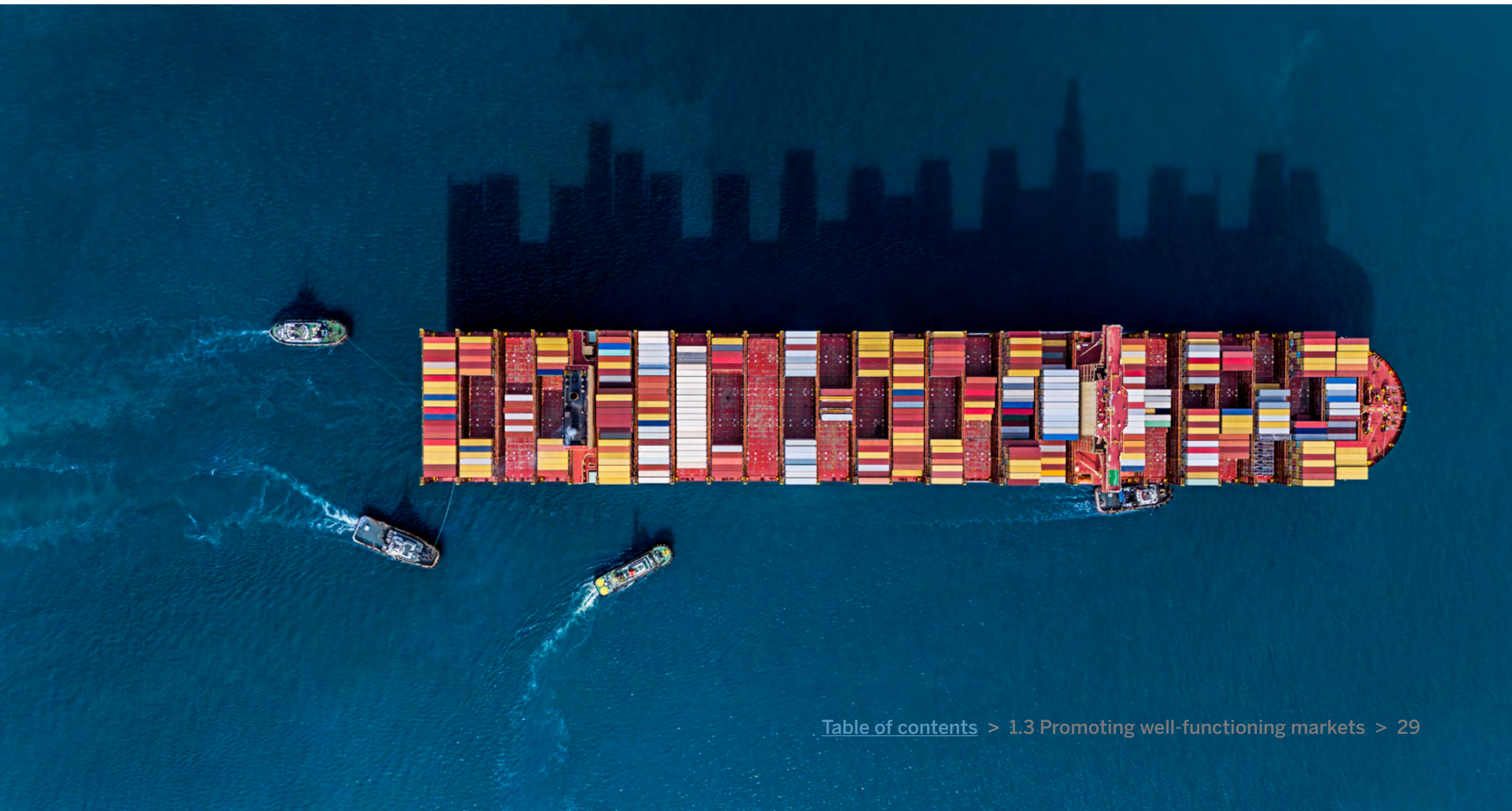
The mechanisms we use to implement our stewardship activities vary by asset class. Engagement via constructive dialogue with issuers applies to investments across equity and credit, in both private and public markets. Proxy voting applies mostly to public equities. At Wellington, Stewardship prioritizes risks and opportunities that may affect the long-term value of an investment, which may include the consideration of ESG issues. Stewardship is rooted in deep research and constructive dialogue with company management and boards, assessing company behavior through informed active ownership, and emphasizing management accountability for key issues via our proxy votes. All these methods have long been part of Wellington's investment ecosystem.

## 3.1 Empowered investment teams

Wellington operates as a community of boutiques, with each investment team acting as a fiduciary for its clients and developing its own P&P to guide investment decisions. Individual PMs and analysts are empowered to make their own assessments of the materiality of various ESG factors. For many investment teams, ESG research is an input to help them assess the value of investments. ESG-related guidelines or restrictions may be systematically applied where a PM has incorporated specific ESG factors or restrictions into their investment decision-making process and/or where we have agreed these with clients.

We believe this bottom-up, collaborative approach sharpens our focus on key topics, ensures investment integrity, leads to better long-term results, and is in the overall best interest of our clients. It also enriches our culture of collaboration, as investment teams share their perspectives in a variety of forums, including daily Morning Meetings that are open to all teams globally. We believe a deeper understanding of the full spectrum of financially significant subjects can lead to more informed investment decisions. To assist our investment teams, the ESG research analysts are part of our central research function.

Our engagement philosophy, available on our website, centers on research and issuer dialogue. As an integral part of our fiduciary responsibility, we engage with issuers and exercise our voting rights with the goal of driving value and reducing the financial risk of our clients' investments. Through constructive dialogue, we share best practices with companies in adopting standards for governance and sustainability approaches that can enhance resilience and profitability. We believe that with informed, active ownership, we can drive long-term value.



# 3.2 Engagement philosophy and approach

## ENGAGEMENT PHILOSOPHY

We aim to deliver sustainable, long-term value for our clients, and engagement and proxy voting support us in accomplishing that. Engagement may occur with any investment we hold across equity and credit, in both private and public markets. Proxy voting applies mostly to public equities. We consider engagement to be a two-way dialogue with issuers, aimed at gathering information and providing feedback on financially material risks and opportunities. Specific approaches to engagement dialogue may vary and are informed by an investor's P&P. As a part of our fiduciary duty and as an element of Wellington's investment ecosystem, we may utilize stewardship to address risks and opportunities that can affect the long-term value of an investment. We may achieve this by assessing companies' policies and practices, pursuing constructive dialogue with management or boards, and voting proxies that emphasize management accountability on key matters.

The investment teams often choose to start with routine one-on-one engagement with investable companies during the investment due diligence process. This starting point may help prioritize topics for subsequent engagements post-investment and, ultimately, inform the investment decisions made on behalf of our clients. Based on decades of research and engagement, it is our belief that informed, constructive dialogue can support companies in their efforts to develop better governance, capital allocation, or a sustainability goal that will likely have a financially significant impact on future returns or security values.

Thanks to our long history of investing in nearly all sectors of the global securities markets, we have access to most portfolio company management teams and boards. Our investment teams, GIAs, credit analysts, climate research analysts, and ESG analysts conduct regular in-person or virtual company meetings around the world. We focus on gaining differentiated insights, assessing and addressing the risks and opportunities facing an issuer, encouraging better and more investment-relevant disclosure, and consulting on best practices that may improve the long-term value and resilience of a company. We seek to understand corporate strategy and share our views, if appropriate, on topics such as capital allocation, risk management, and ESG practices inclusive of business ethics and corporate culture.

## ENGAGEMENT APPROACH

The work of the Stewardship Team and ESG research analysts, in collaboration with our investment teams, informs our firm's stewardship priorities for the year. We focus our engagement efforts according to what we consider meaningful subjects for key holdings in pursuit of investment excellence for our clients. In 2024, we continued to prioritize climate change; supply chain transparency; employee development; director time commitments (overboarding); and board refreshment. As our proprietary tools and technology continue to evolve, investment teams and analysts are increasingly able to track engagements over time.

To determine their engagement priorities at the portfolio level, various investment teams draw on Wellington's extensive resources and research to consider which issues matter most to the team's investment philosophy. Investment teams often partner with our ESG research analysts to more comprehensively assess the spectrum of topics most financially relevant to their industry and determine appropriate engagement with issuers. The decision to hold or exit an asset is made through the lens of each team's investment P&P and in line with clients' investment objectives. We believe this bottom-up, collaborative approach drives focus on material matters and serves the best interests of our clients.

Wellington may also engage with other stakeholders, including business partners, employee representatives, suppliers, and nongovernmental organizations to inform our stewardship research. As an example, our engagement dialogue on climate risks typically leverages our research collaborations with Woodwell Climate and the MIT CS3.

The desire for informed, constructive, and material dialogue with all our portfolio companies drives our company outreach. Investment teams across the firm often convene to host thousands of company meetings each year, a subset of which meet the firm's criteria for engagement. Current and potential owners of a security collaborate with our GIAs, credit analysts, and ESG research analysts to drive the agenda of these engagements, raising the most material topics for discussion, which often include strategic, financial, and ESG elements. This combined knowledge base of sector expertise, ESG best practices, and understanding of secular themes helps focus engagements on companies' long-term resiliency and adaptability. Critically, engagements also help us understand a company's point of view, encourage respectful debate, and foster accountability. If we believe that certain critical risks and opportunities are not addressed or managed over the relevant timescale, we may escalate our engagement per our policy detailed below.

Wellington cultivates relationships with asset owners, other asset management firms, academia, and industry organizations to share and gain insights on corporate governance trends and local market considerations. Wellington may also issue questionnaires to assess standards of practice, send letters to management and/or board members, and use email to engage on key topics. The Stewardship Team manages the firm's voting and engagement policies, reviews them annually (subject to the approval of the ISC), and is responsible for proxy vote execution. The ESG research analysts on each sector team make case-by-case voting recommendations to the security owners when certain criteria are met (e.g., holding size, shareholder proposal, M&A). (**See Section 4.1 Our approach to proxy voting for details.**) The Stewardship Team also periodically assesses the engagement process for consistency and effectiveness, which can inform voting or escalation strategies, as well as policy changes.

### BOARD ENGAGEMENT

Communicating with boards of directors on behalf of our clients has long been a part of our research process. We see it as an effective way to enhance discussions about long-term, potentially risk-additive issues. Conversations complement our ongoing discussions with management teams and provide a window into a board's effectiveness and competence, two factors that are challenging to assess using company disclosures alone. Engagements with boards occur both during proxy voting season (these are often tailored to items on the ballot) and outside of proxy voting season. In our view, some of the most productive engagements with boards occur outside of proxy voting season, when we can solicit directors' views on strategic plans, including human capital management and other risk-management concerns.

We seek to understand how a board collaborates with management and delineates responsibilities. We also look for evidence that directors foster healthy debate in the boardroom, develop constructive relationships with management, and challenge management teams when appropriate. We expect board engagements to remain central to our investment stewardship and ESG research processes.

### ESCALATION PROCESS

Engagement, in many cases, does not generate immediate outcomes. If we assess companies to be insufficiently responsive to concerns regarding what we view as a consequential financial risk over time, escalation of our efforts may be in order. We always consider whether such steps are appropriate and in the best financial interest of our clients. Escalation can entail voting action (including votes for shareholder proposals or votes against relevant board members) or writing formal letters to the board of directors or management team, in collaboration with the ISC. We engage with companies to better assess their strategies and potential risks and opportunities, and to share best practices. As an active manager, we may make investment decisions based on our assessment of risks or benefits and management's progress towards addressing them.

> Engaging regularly with corporate boards and executive teams makes us more effective stewards of our clients' assets.

**YOLANDA COURTINES, CFA**
Equity Portfolio Manager

#### COLLABORATIVE ENDEAVORS

Engaging with company management teams is crucial for identifying and understanding investment risks and opportunities. Our firm prefers to engage on a standalone basis, as we believe this approach fosters openness and sustained constructive dialogue. We may occasionally undertake collaborative engagement if we determine that it adds significant investment value, is in our clients' best interests, and is permissible under applicable laws and regulations. We do not act in concert, or make any collective investment, voting, or other decisions or agreements with other shareholders, nor do we ask, encourage, or allow any industry forum or any of its shareholder members to represent our views or speak on our behalf.

Our firm's extensive presence and long-term experience across global securities markets provides us with ongoing direct access to company management. This access is highly valuable due to the number of meetings we conduct, the breadth of our contacts, and the quality of our discourse. By primarily engaging privately with investee companies, we aim to ensure they act in the best interests of their capital providers, while we remain committed to acting in the best interests of our clients.

#### FIXED INCOME AND CREDIT

Wellington's fixed income credit analysts, in partnership with our syndicate desk and PMs, regularly engage with companies and sell-side banks to discuss and provide feedback on deal structure and terms. Specifically, credit teams focus on ensuring that the credit covenants within a deal provide adequate protection to bondholders. When lending to an investment-grade-rated company, for instance, we seek to ensure that bondholders have adequate protection against significant risks. Similarly, we may request coupon step-ups for bonds rated at the lower end of the investment-grade range, again, for partial protection in the event of a downgrade. Finally, we may request restricted payment covenants for issuing entities owned by a highly levered holding company to preserve sustainability of the issuer. For our impact bond portfolios, we may also engage with issuers to discuss coupon step-ups and sustainability targets for new types of green deal structures.

#### PRIVATE MARKETS

We believe strong performance on financially material ESG issues can help private companies improve financial returns, establish stronger brands and wider competitive moats, draw a broader pool of investors post-IPO, and reduce the risk of being a target of shareholder activism. We seek to help private company management teams and boards navigate the complex and constantly evolving ESG landscape by sharing our experience and perspective from the venture capital stage through initial public offering. Our goal is to be a thought partner to private companies. We hope to establish a productive two-way dialogue and draw on our firm's broad public and private equity; fixed income; and ESG, climate, and impact expertise to offer companies an informed, long-term view and provide valuable market- and company-specific input. We believe this will become increasingly critical to private companies, especially as they approach the public markets.

## 3.3 Tracking issuer engagements and outcomes

Wellington's commitment to research and constructive dialogue with company management and boards is at the heart of our investment philosophy. We believe engagement and voting are integral, mutually reinforcing parts of our fiduciary responsibility. Through constructive dialogue and by exercising our voting rights, we seek to achieve outcomes that can enhance the value of our clients' investments. As a large active manager with a deep bench of experienced fundamental research resources, we see our approach to engagement as a competitive advantage. We invest in securities on behalf of clients by choice, and corporate engagement is a form of active ownership that informs the investment decision-making process. We encourage companies to adopt standards for governance and sustainability practices that we believe enhance resilience and profitability.

### ENGAGEMENT TRACKER

To facilitate the engagement work of our investment teams, we have built a proprietary system for tracking our public-market-engagement activity.[8] Our goal is to create a rich data set that can deepen our conversations with issuers. Our engagement tracker is a shared tool that investment teams in public-market corporate and sovereign issuers across our firm can use to record and monitor engagement activity. It may be leveraged as a component of our escalation process, helping to enable investment teams in identifying engagements that require escalation. Investment teams can view engagement data as it progresses over multiple years, and this data is, in turn, used to support our engagement reporting tools.

We utilize an engagement reporting dashboard that enables investment teams to see tracked engagement data across their team, strategies, and firmwide. Once issuer meetings are booked, other investment teams are invited through a central calendaring system. Bringing asset-class specialists together gives company managements a window on various investment team perspectives, such as balance-sheet leverage, capital allocation, and material ESG topics. We believe this approach helps us to understand issuers more holistically.

During 2024, we held over 18,500 meetings with more than 5,000 public-market issuers, which were attended by our equity, credit, and ESG analysts, as well as PMs.[9] With the aim of ongoing communication, we often meet with issuers multiple times throughout the year. Our engagement tracking and reporting technology continues to evolve to enable us to report more easily on engagements across our investment platform. As a firm, we discussed a wide array of topics with companies in 2024 (**Figure 3**). Our engagements also spanned regions and sectors (**Figures 4** and **5**).

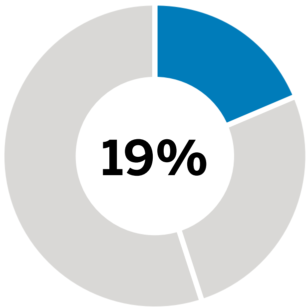
[8]The firm's research and engagement-tracking tools are designed to ensure that information relating to private companies is strictly maintained behind an information barrier and accessible only to our private investing and private ESG research teams. This is to ensure there are critical information barriers between our private- and public-market business activities.

[9] Represents meetings with public-market issuers. "Issuers" refers to companies and sovereigns. All figures as of 31 December 2024. For the Wellington Management group of companies. While all meetings inform our investment processes, ESG topics are not covered at every meeting.

**Figure 3**[10]

**Tracked engagements by category**[11]

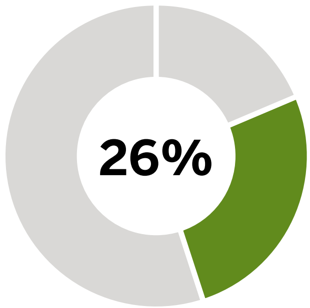
**ENVIRONMENT ENAGAGEMENTS**




**TOP 5 TOPICS**

- Product sustainability & innovation
- Climate (physical/adaptation or transition/mitigation)
- Environmental practices
- Climate (transition/mitigation)
- Science-based/net zero target

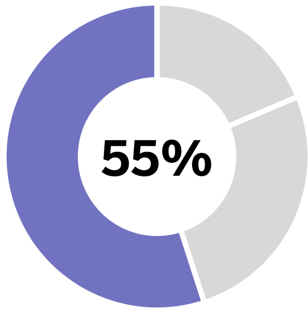
**SOCIAL ENGAGEMENTS**




**TOP 5 TOPICS**

- Culture, talent, labor, health & safety, ethics
- Supply chain management
- Product quality & safety
- Corporate culture
- Labor management &talent

**GOVERNANCE ENGAGEMENTS**




**TOP 5 TOPICS**

- Long-term corporate strategy
- Governance, compensation, & succession planning
- Board structure or composition/classified board
- Executive compensation
- Risk management

**Figure 4**

**Geographical breakdown**

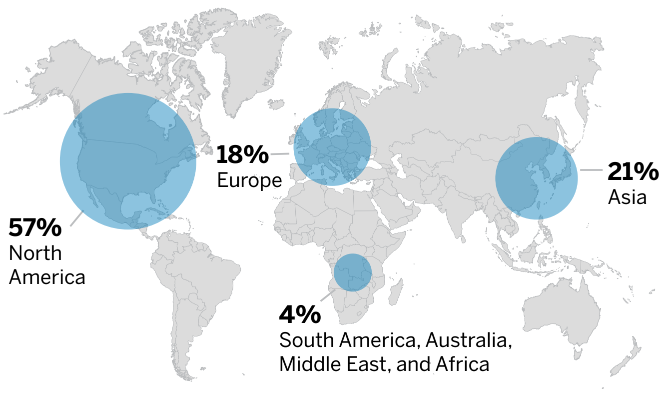
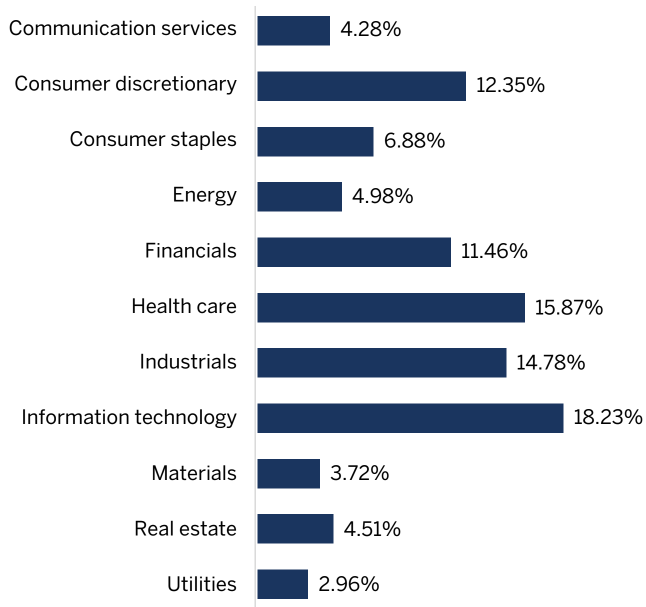



**Figure 5**

**Sector breakdown**




[10] Data is from 3,411 tracked meetings in which E, S, or G topics were covered.

[11] Most meetings cover multiple E, S, and G topics and therefore the tracked engagements by category may not add up to the total number of tracked meetings.

# 3.4 2024 Engagement examples

Investment teams engage with issuers across asset classes, regions, and sectors in pursuit of outcomes that we believe will enhance the value of our clients' investments long term.

We chose the following examples using a matrix to ensure they represent stewardship, broad investment team involvement along asset classes and regional lines, and a range of engagement outcomes. We also selected examples that we believe best demonstrate our engagement and voting policies in action. Outcomes following engagements vary and may be influenced by external factors such as regulation and/or market trends rather than as a direct result of engagement by Wellington Management. However, they all contributed to the relationship with and/or understanding of the company. We continue to develop our engagement-tracking tools to enhance research and ESG integration, as well as client reporting.

## CREDIT ENGAGEMENTS

### BANK FÜR ARBEIT UND WIRTSCHAFT AG (BAWAG)

**Topic:** Alignment of remuneration to drive strategic growth and shareholder value

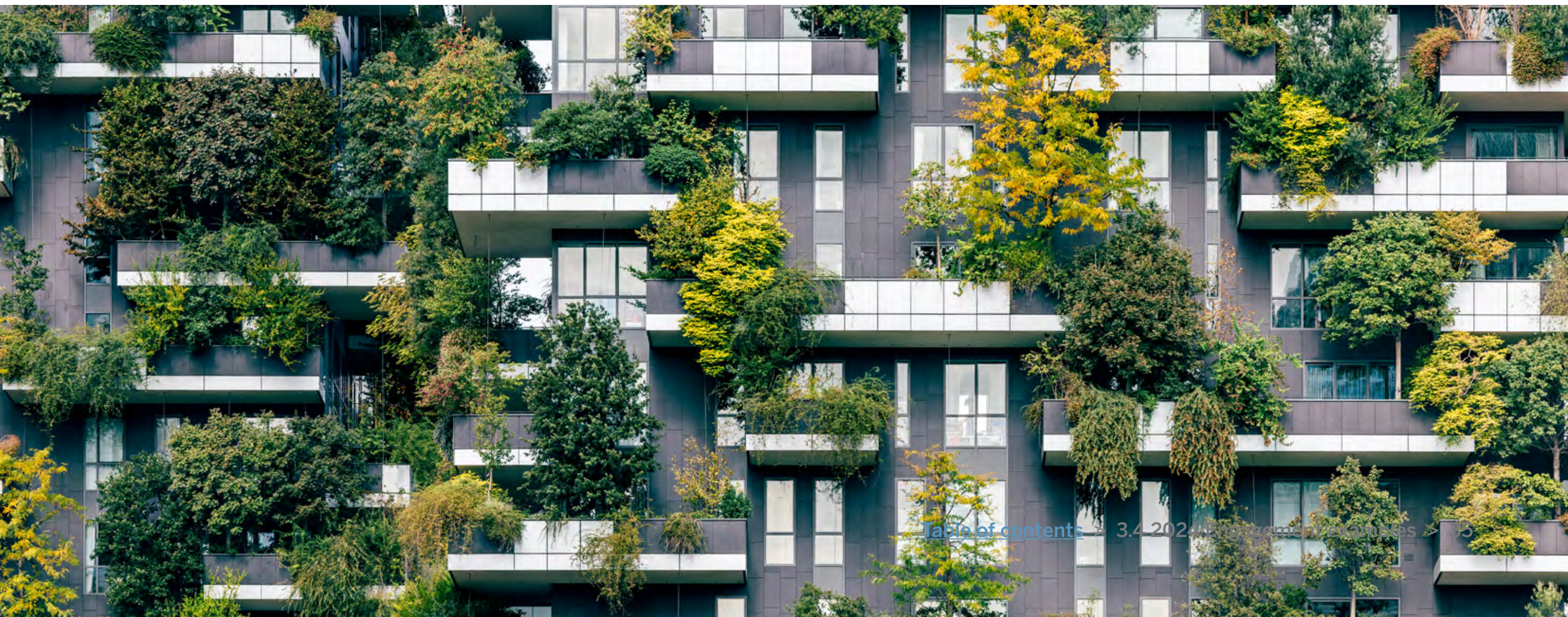
**Rationale and goal:** BAWAG, a large retail banking group, distinguishes itself from many of its European peers by prioritizing efficient capital allocation to new and existing businesses, rather than following a traditional bank operating model. This approach typically requires a growth-oriented strategy, strong incentives through remuneration, and support for top talent. Consequently, a unique remuneration system is necessary. In 2024, investors observed that BAWAG's remuneration structure could benefit from improvements to align with its competitors for better talent and shareholder outcomes. This misalignment has long been a concern for equity and credit investors, as evidenced by the low support in remuneration votes in 2022 in 2024.

**Approach:** Throughout our engagements, we focused on understanding how BAWAG compares itself to peers from a compensation perspective, including how to best set strategic remuneration targets and better align with shareholders by using metrics such as total shareholder return in its remuneration structure. We also emphasized the urgency and need for change. In our discussions with management and the board, we highlighted the importance of establishing a more appropriate peer group and creating a clearer connection between compensation and share price performance.

**Outcomes:** BAWAG has made significant changes to better align its remuneration structure with shareholder interests, including:

- A shift in long-term targets to a ratio-based approach and sustainability metrics versus previous absolute cumulative earnings per share, dividend per share, and profit metrics.
- Establishing a more appropriate peer group (reducing from three competitors to one) and aligning with our view of the credit and equity investment opportunity of BAWAG.
- Considering feedback and working to create a clearer connection between compensation and share price performance, with an increased proportion of compensation in shares providing greater alignment.
- Additionally, management has taken steps to address other investor concerns regarding the quantum of remuneration. The openness of management and the board to discussing our concerns and the positive changes implemented have increased our confidence in their direction, supporting a more positive view from our analysts.

**Next steps:** We will monitor the remuneration structure and engage with management and the board as needed. We are also interested in seeing how the broader investor base reacts to any revised structure at the 2025 annual general meeting. Effective governance is crucial for companies navigating significant operational, regulatory, and reputational challenges. BAWAG's proactive approach to aligning remuneration with shareholder interests is a positive step, and we will continue to monitor its progress and provide feedback as necessary.



### CARGILL

**Topic:** Enhancing governance on modern slavery and biodiversity risks

**Rationale and goal:** Cargill, the largest private company in the world, operates a highly complex, labor-intensive supply chain that faces heightened risks related to modern slavery. Its sector, agriculture, is also exposed to significant biodiversity-related risks, including deforestation, land-use changes, and pollution. We sought to understand and support the enhancement of Cargill's governance around sustainability practices, with a focus on addressing modern slavery and biodiversity risks and impacts, while encouraging greater transparency and alignment with evolving regulatory and stakeholder expectations.

**Approach:** In 3Q24, we engaged directly with Cargill's leadership to discuss their efforts to improve disclosure, sustainability practices, and governance structures. Cargill has historically disclosed less information than its public-market peers. However, increasing regulatory pressures and stakeholder demands have led the company to taking a more proactive approach. We encouraged Cargill to continue enhancing its transparency and governance structures, with specific focus on monitoring supply chain risks, enhancing traceability measures, and strengthening oversight mechanisms.

**Outcomes:** Cargill has made significant progress in addressing modern slavery risks. Building on the company's 2023 human rights risk assessment, which focused on individual supply chains and implemented child-labor monitoring systems, covering 62% of its cocoa supply chain, Cargill has also enhanced traceability efforts and governance structures, which have improved data collection and monitoring of labor-related risks. The establishment of an ESG controller position has reinforced governance processes. The board currently has six independent directors who have strengthened oversight, demonstrating a commitment to improving governance practices. These actions reflect Cargill's proactive approach to managing sustainability risks and addressing key stakeholder concerns.

**Next steps and reflections:** The creation of dedicated roles, such as the ESG controller, and the inclusion of independent board members have significantly strengthened oversight and driven accountability in addressing sustainability-related risks within the company. We will continue to monitor Cargill's progress on expanding its child-labor monitoring systems and further enhancing traceability across its supply chains. Future engagements will assess Cargill's efforts to address biodiversity risks, particularly in relation to deforestation and agricultural pollution. Ongoing discussions will also encourage Cargill to maintain and improve transparency, ensuring alignment with evolving regulatory landscapes and stakeholder expectations.

### GLOBAL AUTOMOBILE BRAND

**Topic:** Governance challenges and strategic oversight in a transitioning automobile manufacturer

**Rationale and goal:** A global automobile manufacturer has faced significant governance challenges, including repercussions from an emissions scandal, claims of exposure to modern slavery in China, and efforts to lead in electrification. These issues have amplified the importance of effective governance and strategic oversight as the company seeks to maintain its reputation and operational efficiency. Our engagements aimed to understand the company's restructuring plans, governance structure, and strategies to address regulatory risks and carbon emissions, providing insight into whether it is effectively navigating these substantial challenges.

**Approach:** Between 2022 and 2024, we conducted numerous engagements with the company, including hosting management in our office to discuss its accelerated restructuring plan, carbon-emissions penalties, regulatory timelines, and capital allocation. During these discussions, we sought detailed updates on the company's restructuring plans, including the potential closure of two or three production plants in response to decreased demand for internal combustion engine vehicles and increased competition. We also aimed to understand management's decision-making process, particularly the rationale for excluding supervisory board approval for plant closures. Our inquiries extended to the company's strategies for mitigating substantial penalties tied to the EU's 2025 $CO_2$ targets, which focus on emission-reduction plans and their financial impact. We aimed to assess how the company's governance structure supports or hinders these strategic decisions.

**Outcomes:** Through these engagements, it became evident that the company faces considerable challenges, particularly owing to its complex governance structure and competing stakeholder interests. These factors raised concerns about the company's ability to drive significant change. Based on these observations and our reassessment of the risk/reward profile, one of our portfolio managers decided to eliminate our exposure to the company in 3Q24, when the investment no longer met our criteria for compelling value. Despite this decision, we remain committed to following the company's progress and reassessing its efforts and improvements.

**Next steps and reflections:** Effective governance is crucial for companies navigating significant operational, regulatory, and reputational challenges. The company's complex governance structure, coupled with competing stakeholder interests, poses substantial barriers to swift and impactful decision making. While we have divested from the company, we will continue to monitor its progress on key issues, including restructuring plans, carbon-emissions reduction, and governance improvements. Future engagements will reassess whether the company's efforts to address governance challenges and strategic priorities have yielded meaningful progress, which, along with valuation, could inform potential investment considerations.

## EQUITY ENGAGEMENTS

### ANTA

**Topic:** Enhancing sustainability standards and traceability

**Rationale and goal:** Engagements with Anta's investor relations and sustainability teams in 2024 aimed to assess the company's ongoing improvements in sustainability and traceability over the previous 12 to 18 months. Our investment professionals were also seeking to understand the company's efforts in improving overall sustainability standards and enhancing transparency in its supply chain, in support of our investment thesis.

**Approach:** We discussed several key areas, including management commitment, audit framework, supplier consolidation, and global engagement. The company's CEO chairs the sustainability committee, demonstrating strong management commitment to sustainability. We reviewed the company's progress in achieving 100% traceability for sustainable leather sourcing by 2024 — up from 80% to 90% two years ago — and its enhanced transparency on sustainability disclosure.

**Outcomes:** Anta has adopted best practices from third-party audits into its internal audit system, ensuring that all suppliers are assessed against higher-standard audit criteria. The company actively participates in various United Nations events and has become a member of the UN Women's Empowerment Principles and UN High Commissioner for Refugees. To us, this engagement indicates Anta's commitment to sustainable development, especially in areas that are relevant and supportive of its long-term business strategy and success. Analysts appreciated the overall sustainability and traceability progress that Anta has made over the last 12 – 18 months. Continued strong management commitment and proactive global engagement efforts have significantly enhanced Anta's sustainability profile. Improvements in its audit framework and supplier consolidation have streamlined the evaluation process, making it easier for the company and its shareholders to track and improve overall product quality.

**Next steps and reflections:** Incorporating best practices from third-party audits into internal audit systems has engendered substantial improvements in the effectiveness of the company's supplier evaluations. We will continue to monitor Anta's progress in sustainability and traceability, as these are essential for building trust with stakeholders. Further engagements will focus on ensuring that Anta maintains its high standards and continues to proactively engage with relevant global sustainability initiatives.

### COLGATE-PALMOLIVE

**Topic:** Reinforcing governance and strategic execution in a resilient consumer brand

Rationale and goal: We have owned shares of Colgate-Palmolive (Colgate) for many years, during which time our investment teams have developed an extensive understanding of its business and built a constructive relationship with management and the board. Our investment thesis centered on Colgate's exceptional franchise value in oral and personal care and pet nutrition, as well as the resilience of its business model. Our confidence in the new management team and its ability to execute effectively has further bolstered our conviction. Engagements with Colgate aimed to reinforce our understanding of the company's corporate governance; assess resilience; and evaluate its approach to innovation, reinvestment, and long-term strategy.

**Approach:** From 2021 to 2024, we participated in regular engagements with Colgate's management and board. This access provided insights into governance and strategic priorities. In our most recent engagement in 2Q24, we met with Colgate's lead independent director to discuss Colgate's innovation strategy, reinvestment efforts, and leadership effectiveness. Discussions focused on the board's ability to set ambitious and credible goals, evaluate strategic progress, and maintain a high level of board independence and accountability.

**Outcomes:** Colgate demonstrated strong operational execution, with gross margin expanding to over 60% in 2024 (approaching peak annual levels), successful pricing strategies, and broad-based sales acceleration. Alongside this progress, the company increased reinvestment in its business, including higher advertising spending. Management raised its organic growth and EPS guidance in 2024, reflecting heightened confidence in its ability to execute. Governance improvements were evident, with 55% of the board refreshed since 2019, including the addition of five directors with diverse experience and backgrounds. Annual reviews of the board and committees, benchmarked externally, underscored a commitment to best practices in governance. The board aims to add rigor around its strategy, with a focus on continuous improvement, including intensive examination of innovation and management quality improvements.

**Next steps and reflections:** Strong stewardship and leadership at the company have been integral for driving innovation, reinvestment, and execution in a mature, resilient business. Board independence and the presence of an empowered lead independent director are crucial to maintaining a healthy and effective governance structure. We will continue to monitor Colgate's ability to set strong, realistic goals under the guidance of its board and new lead independent director. Progress in key areas such as innovation, reinvestment, and leadership development will remain a focus in future engagements. We will track shareholder sentiment regarding governance practices, particularly the proposal for an independent chair, given the 34% support it received in the last proxy vote.

### CYBERARK SOFTWARE

**Topic:** Strategic acquisitions and innovations in identity security

**Rationale and goal:** CyberArk Software (CYBR) ensures identity security, a function that cybersecurity executives across industries consider a priority. Our engagement aimed to assess the company's strategic direction, market positioning, and innovations, with a focus on its recent acquisition of Venafi, a leading player in machine identity. We also discussed CYBR's broader efforts in product development and market expansion. Given the company's market leadership in identity security, understanding the alignment of Venafi's capabilities with CYBR's long-term strategy and the implications for execution risks and revenue synergies was critical to evaluating the acquisition's potential impact.

**Approach:** In a series of engagements, including meetings during an industry conference and CYBR's customer event in 2Q24, we interacted with senior leadership, customers, partners, and industry consultants to gather a comprehensive view of the company's strategy and execution. Discussions focused on CYBR's demand environment, pipeline composition, and the strategic rationale behind the US$1.54 billion Venafi acquisition, particularly its potential to solidify CYBR's leadership in machine identities. We examined CYBR's innovation engine, evaluated new products such as Cora AI and Identity Threat Detection and Response (ITDR), and met with researchers from its AI and CyberArk Labs teams. We also explored the company's ability to execute on its acquisition strategy while maintaining its cultural and operational strengths.

**Outcomes:** CYBR's acquisition of Venafi positions the company as a leader in machine identities, with capabilities spanning the full gamut of machine-identity forms (secrets, certificates, SSH keys, etc.) The deal capitalizes on the inflection in market understanding of machine-identity security, Venafi's completed SaaS solution, and CYBR's ability to leverage its sales channel for revenue synergies. While the scale of the acquisition introduces execution risks, CYBR's strategic approach and due diligence — including feedback from account executives— mitigate some of these concerns.

CYBR's launch of Cora AI and ITDR reinforces its reputation for innovation. Cora AI, embedded within CYBR's identity platform, offers naturavl-language processing, policy optimization, and automated responses, while ITDR provides identity-threat detection across identity types, a differentiator from competitors. In addition, CYBR's strong customer relationships and market traction reflect its commitment to identity security. Anecdotes, such as those from customers who have reduced their cyber insurance premiums by deploying CYBR solutions, illustrate the practical value of its offerings.

**Next steps and reflections:** Strategic acquisitions, including Venafi, are transformative opportunities that require disciplined execution and alignment with overarching corporate strategies. Embedding cutting-edge AI capabilities into existing product platforms can differentiate companies and enhance customer value, positioning companies like CYBR for long-term growth in evolving markets. Engaging with customers, industry consultants, partners, and internal teams provides unique insights into a company's ability to execute on strategic priorities and maintain its competitive edge. We will continue to monitor CYBR's integration of Venafi, focusing on execution risks, revenue synergies, and the alignment of machine-identity solutions with customer needs. Future engagements will assess the adoption of new products, and the next areas of focus for CYBR's innovation engine. We will track CYBR's financial progress, including annual recuring revenue growth and free-cash-flow targets, to ensure alignment with its long-term strategic objectives.

### GLOBAL ELECTRONICS MANUFACTURER

**Topic:** Addressing human capital risks amid labor disputes

**Rationale and goal:** In 2Q24, we engaged with an Asia-based global electronics manufacturer following news of an impending worker strike. Strikes may disrupt productivity and signal deeper issues that could threaten long-term returns. Our objective was to assess human capital risks by gaining insights into the labor dispute to better understand the potential impact on our long-term investment thesis.

**Approach:** We held meetings with the investor relations team to discuss the situation. Conversations centered on the strike's anticipated scale, its potential production implications, and the company's resolution strategies. Although the company disclosed that the strike would likely involve approximately 10% of its workforce, it anticipated minimal disruption to production due to automation, worker-shift patterns, and temporary staffing plans. The company expressed confidence in resolving the dispute, describing the gap between the conflicting parties as surmountable.

**Outcomes:** Following this engagement, analysts and portfolio managers closely monitored the situation for further developments. Despite management's efforts, the strike proceeded as planned in July 2024, with workers pledging to continue until an agreement is reached. This extended duration is disappointing and highlights the complexity of resolving labor disputes. On a more positive note, the company has successfully negotiated a deal with labor unions for 2025, indicating that the company has made improvements based on its 2024 experience.

**Next steps and reflections:** Strikes, even when anticipated to have limited short-term operational impact, may indicate deeper organizational challenges and warrant close monitoring. Transparent communication and effective strategies from company leadership are critical for the ability to understand and manage human capital risks. These efforts also facilitate thoughtful engagement and resolution efforts. We will continue to track and assess any potential implications for our long-term investment thesis in the company. Future engagements will focus on understanding the company's approach to addressing labor concerns, improving human capital management, and fostering sustainable workforce relations, as well as executive compensation alignment.

### MICRON TECHNOLOGY

**Topic:** Advancing sustainability in semiconductor manufacturing

**Rationale and goal:** In 2021, Micron set ambitious environmental goals, including issuing US$3.7 billion in sustainability-linked credit, a US$1 billion green bond, and making a US$1 billion commitment to green initiatives by 2028. Given the high environmental impact of semiconductor manufacturing, these goals address potentially crucial operational, financial, legal, regulatory, and reputational risks. Between 2022 and 2024, we engaged with Micron to track progress, encourage extra focus on renewables in previously unserved international markets and on Scope 1 emissions, and emphasize the long-term benefits of committing to the Science Based Targets initiative (SBTi). Our engagement objective was to support related practices and policies that could reduce risks and increase beneficial outcomes, enhancing long-term shareholder value.

**Approach:** Starting in 2022 and continuing in 2024, we engaged with Micron through video calls and in-person meetings to track progress and discuss sustainability strategies. Conversations included efforts to better understand the allocation of Micron's green bond funds, which are primarily directed toward funding LEED-certified buildings and have 40% of committed funds deployed ahead of schedule. Discussions also included deep dives on Micron's approach to areas that might prove more challenging for its goals, including renewable-energy expansion in previously unserved international markets and R&D and investments to address unique semiconductor Scope 1 emissions over the medium and long term. Analysts also assessed Micron's additional emission sources and encouraged the adoption of more comprehensive and relevant climate goals over the long term.

**Outcomes:** By 2024, Micron had committed to the SBTi and made significant improvements in emissions abatement. The company achieved 100% renewable power in key locations, expanded renewables in new international markets, developed a more robust approach and commitments to Scope 1 reductions, and set a 70% water recycling goal by 2030 (already reaching 65% with full recycling at its Boise, Idaho campus). Our engagement contributed to these advancements, improving our internal ESG assessment of Micron and, in our view, reducing regulatory, operational, financial, and physical climate risk.

**Next steps and reflections:** Micron's transparent reporting on sustainability efforts has been essential for building trust with stakeholders and demonstrating progress. Moving forward, analysts will shift focus to other potentially financially material social and governance issues, particularly geopolitical risks, while continuing to monitor Micron's climate-related progress. We will maintain an ongoing dialogue with Micron to act as thought partners and encourage the company to continue to prioritize and achieve its sustainability goals.

### NOVO NORDISK

**Topic:** Strategic leadership and talent development in a global biopharma leader

**Rationale and goal:** Over the past several years, Denmark-based Novo Nordisk has transformed from a small, domestic-oriented biopharmaceutical company into a large global brand, with a continued focus on diabetes, obesity, and more recently other serious chronic diseases. This scale has introduced important questions around changing capital allocation priorities and talent management, especially as the company continues to expand its presence in diabetes and obesity treatment, which investors see as an increasingly important and growing category. Our goal was to assess the effectiveness and long-term orientation of Novo Nordisk's board and management, and to reinforce conviction in our investment thesis.

**Approach:** In 2024, we conducted our first engagement with Novo Nordisk's board chair. The discussion focused on the board's near-term priorities, which include scaling manufacturing and commercial operations. We explored its approach to talent development and succession planning, particularly the rigorous executive rotation in which future leaders are exposed to most areas of the business. We also addressed the company's reputational risks, including political pressure on pricing in advance of the US presidential election.

**Outcomes:** The engagement reaffirmed analysts' confidence in the effectiveness and long-term orientation of the board and management. We valued Novo Nordisk's commitment to growing the organization with top talent at all levels. Our investment professionals also appreciated the company's strategic focus on therapeutic verticals like diabetes and obesity, a category in which it has an edge, while also growing in adjacent areas such as cardiovascular and chronic kidney disease.

**Next steps:** Novo Nordisk is strategically focused on maintaining its edge in key therapeutic areas while expanding into related fields. Leadership's approach to talent development and succession planning is rigorous and thoughtful, exposing future leaders to various parts of the business. We will continue to monitor and follow up on the identified reputational risks in future engagements. We will maintain our ongoing dialogue with Novo Nordisk to ensure it remains focused on its strategic priorities and talent management.

### PRIMO BRANDS CORP

**Topic:** Leveraging climate resilience for growth

**Rationale and goal:** We believe Primo Brands Corp, a leading "healthy hydration" water company, is well positioned to address crucial natural resource challenges, including drought, water scarcity, and declining water quality. Our goal was to help Primo Brands Corp effectively highlight its unique, low-cost access to water resources in its earnings calls and investor relations materials.

**Approach:** This engagement is part of ongoing discussions with Primo Brands Corp's senior management to help them better supply a growing customer base with safe, reliable drinking water. We shared drought maps created with CERA to support our engagement rationale and goals. We provided examples of best practices for discussing climate risks in investor calls and public documents, encouraging the company to consider incorporating language that accurately emphasizes its position as a climate-driven company. We stressed the importance of creating market awareness around these valuable capabilities and of embracing this identity. To that end, we encouraged Primo Brands Corp to consider communicating its role in providing crucial support for water availability, supply, quality, and safety.

**Outcomes:** By successfully conveying the potential benefits of improved climate and water resource messaging and strategy, including attracting a larger climate-focused investor base, we helped the company achieve a multiple rerating. Senior management acknowledges the importance of climate-driven communication and considers incorporating intentional language into their calls and documents. The company's updated language is included in documents around sustainability efforts and the strategic advantages of its distribution network, particularly in the context of addressing water shortages, droughts, and water-quality issues.

**Next steps and reflections:** Effective communication of climate resilience can drive customer demand and loyalty, especially among consumers focused on sustainability. We will continue to engage with Primo Brands Corp's senior management to support effective communication of the company's climate resilience and sustainability efforts. We will monitor the impact of the company's enhanced climate-driven messaging on investor interest, market perception, and customer demand.

### SEADRILL

**Topic:** Strengthening governance post-bankruptcy

**Rationale and goal:** Seadrill, an offshore drilling company, recently emerged from Chapter 11 bankruptcy. Our engagement aimed to understand proposed changes to the bylaws following the bankruptcy process and evaluate the company's governance and strategic direction. This engagement is a continuation from 2023 engagements on executive renumeration.

**Approach:** We discussed the adoption of blank-cheque preferred-stock authorization and supermajority voting requirements, which are intended to provide additional protection to shareholders in the event of a hostile takeover. We addressed the company's proposal to be delisted in Norway, which is expected to promote more institutional ownership in the stock. We examined improving compensation transparency, for which Seadrill provided additional disclosure on metrics for performance-based awards. Our GIA collaborated with investment teams across the firm to cover these discussions and provide insights.

**Outcomes:** The engagement reaffirmed our belief that Seadrill is moving in the right direction for corporate governance. We appreciated the steps taken to adopt bylaws that protect shareholder interests and promote transparency. The proposal to delist in Norway is seen as a positive move to attract more institutional investors.

**Next steps:** Seadrill's commitment to improving corporate governance and transparency is evident through its proposed bylaw changes and compensation disclosures. Collaboration between our ESG analyst and designated GIA added valuable insights to our understanding of the company's strategic direction. We will continue to monitor Seadrill's governance reforms and their impact on shareholder value. We plan to engage further with Seadrill to ensure continued progress in its corporate governance practices.

### SEKISUI HOUSE

**Topic:** Evaluating sustainable homebuilding practices and growth potential in the US market

**Rationale and goal:** Our impact investment team owns shares of Sekisui House, a leading Japanese homebuilding firm, because of its established domestic business and its potential for international expansion, particularly in the US market. The engagement took place during a visit to the company's SHAWOOD-brand-built Sommers Bend Community in Temecula, California. We aimed to assess the sustainability and growth potential of Sekisui House's US operations, alignment with long-term strategic goals, and the cultural transfer of Sekisui House's unique approach into the US market.

**Approach:** In 2Q24, we toured the Sommers Bend Community, meeting with Sekisui House's sales and marketing team. This firsthand interaction provided invaluable insights into the company's operational practices, sustainability initiatives, and sales strategies, which were challenging to discern from off-site management interactions alone. The engagement highlighted Sekisui House's proprietary building technologies, sustainability features, and innovative design philosophy. Discussions covered the long-term growth trajectory, margin potential, and alignment of the SHAWOOD brand with US market dynamics. The visit also focused on broader strategic considerations, including currency management, capital allocation, and brand cohesion across Sekisui House's US subsidiaries.

**Outcomes:** The visit confirmed our impact thesis of Sekisui House and the value proposition of SHAWOOD homes. SHAWOOD emphasizes sustainability, with net zero designs featuring sufficient solar power, backup battery systems, and EV charging capabilities. The brand prioritizes safety and durability through features such as high-quality ceramic panels, which are both fireproof and earthquake-resistant, qualities that can lower homeowner insurance rates and boost safety. We identified comfort and convenience as drivers of customer value. The homes integrate functional design with lifestyle features, highlighting comfort, stress reduction, and proximity to nature. These attributes should resonate with buyers seeking sustainable luxury.

The pilot phase of Sommers Bend indicates that Sekisui's US growth ambitions are realistic. SHAWOOD is on a deliberate growth path, supported by proprietary building technology and the company's plans to localize component manufacturing by 2028, which could enhance margins and cycle times. The development also demonstrated strong demand, with 21 of 57 homes sold and one under contract at the time of our visit, reflecting a robust sales pipeline. The management team expressed strong alignment with Sekisui House's mission, embracing its competitive building technology and commitment to improving lives. Brand proliferation and cohesion require further refinement to enhance the integration of legacy brands with Sekisui House's broader strategy.

**Next steps:** We will continue to seek opportunities for facility visits, which offer insights into operational practices, stakeholder alignment, and strategic positioning. The impact investment team will seek additional evidence to validate our impact thesis that sustainability-focused designs with unique safety and lifestyle features provide a differentiated value proposition in competitive markets, particularly for high-end buyers. We will also look to confirm that Sekisui House's US subsidiaries can successfully implement the company's philosophy, as this cultural transfer — including the integration of brands and operational practices — is critical for long-term success.

We will monitor Sekisui House's progress on localizing manufacturing, improving cycle times, and expanding inventory to meet demand. Future engagements will focus on the company's strategies for managing currency dynamics, capital allocation, and brand integration across its US subsidiaries. Ongoing discussions will assess Sekisui House's ability to scale its US operations sustainably while maintaining its commitment to innovation, sustainability, and lifestyle-driven design.

## SOVEREIGN ENGAGEMENTS

### AUSTRALIA

**Topic:** Supporting energy transition and sustainable development goals

**Rationale and goal:** In 2Q23, our engagement with the Australian government began to address the country's significant reliance on fossil fuels, high greenhouse gas emissions, and slow renewable energy uptake. We believed that these factors all posed operational, regulatory, and reputational risks to sustainable development. Our goal for ongoing engagement was to support meaningful progress toward Australia's climate targets, particularly through policy updates, energy-transition initiatives, and the issuance of sovereign green bonds to fund the energy transition and climate adaptation.

**Approach:** In 2Q24, we continued this engagement with key stakeholders, including the Australian Office of Financial Management (AOFM), during a roadshow. Discussions focused on Australia's US$15 billion "Future Made in Australia" package and its first green treasury bond, which was set to be issued in May or June 2024. We explored how the AUD23 billion package would fund renewable energy projects, sustainable finance, and critical raw materials production, aiming to bring the country closer to its net zero by 2050 goal and emissions-reduction target of 43% by 2030. We provided feedback on the need to address regional disparities in renewable energy use, reduce fossil-fuel consumption and production, and tackle inefficiencies in permitting processes for clean-energy projects.

**Outcomes:** The Australian government launched the AUD7 billion 10-year green treasury bond to fund energy transition, climate adaptation, and biodiversity protection. The bond met International Capital Market Association (ICMA) principles, had a one-year lookback period, excluded nuclear energy, and aligned with international green bond indices. The country made progress in renewable energy development through a capacity investment scheme targeting 32 gigawatts of new capacity by 2030 and investments in electrification through the AUD20 billion "Rewiring the Nation" program. The "Future Made in Australia" package supported renewable energy investments, sustainable-finance development, and critical minerals production, which together position Australia as a leader in emerging industries like green hydrogen.

**Next steps and reflections:** Investment in critical raw materials and renewable energy infrastructure presents significant opportunities for economic growth and global leadership in green technologies. Addressing fossil-fuel reliance and improving the permitting process for renewable energy projects remain vital challenges for Australia as it aims to meet its climate targets. Future engagements will focus on exploring short-term investment opportunities within the "Future Made in Australia" package, including renewable energy projects and critical raw materials development. Continued dialogue with the Australian government will emphasize the importance of phasing out coal through a just transition and advancing climate-action commitments, particularly in lagging regions. We will seek updates on the progress of new renewable energy projects, green hydrogen initiatives, and long-term sustainability outcomes associated with the green treasury bond program.

### SLOVENIA

**Topic:** Addressing energy transition, ESG bond issuance, and social reforms

**Rationale and goal:** Our engagements with the Slovenian Debt Management Office in 2023 and 2024 aimed to address key challenges in energy transition, social policy, and sustainability. As a proactive ESG bond issuer, Slovenia has made significant strides but faces challenges in balancing its transition from coal to nuclear and renewable energy, tackling labor shortages, and ensuring sufficient green and social expenditures. Our goal was to provide feedback on Slovenia's ESG framework, encourage clear and measurable KPIs, and address financial and climate risks while supporting the country's long-term goals.

**Approach:** We engaged with Slovenia's Debt Management Office, meeting with key stakeholders to discuss sustainability-related risks, energy-transition challenges, and social policies. Discussions included Slovenia's coal phase-out by 2033, plans for the construction of a second nuclear power plant, and efforts to reduce energy dependence by diversifying gas imports and expanding renewable energy. We reviewed Slovenia's approach to ESG bonds, including the 2023 issuance of its second sustainability bond and plans for a sustainability-linked bond (SLB) framework tied to the National Climate and Energy Plan. Social insights included the challenges posed by an aging population, labor shortages, and ongoing pension reforms to encourage workforce participation and long-term economic stability.

**Outcomes:** Slovenia has diversified its gas imports, eliminating dependence on Russian gas and securing capacities from Croatia, Algeria, Azerbaijan, and Norway, while addressing energy security through regional networks. The government adopted an ESG bond strategy, issuing sustainability bonds every two years and developing a €2.6 billion sustainability bond framework, with plans to issue its first SLB in the first half of 2025. The Slovenian Sustainability-Linked Bond (SLB) Framework, published in March 2025, outlines the country's long-term commitment to climate goals by linking bond performance to key decarbonization metrics. The framework includes defined sustainability performance targets that align with Slovenia's national energy and climate plans. Slovenia made progress in decarbonizing its transportation system by expanding EV charging infrastructure, though infrastructure gaps remain a challenge. Analysts better understood the government's careful planning undertaken to transition from coal to nuclear while maintaining energy security and minimizing reliance on imports.

**Next steps and reflections:** Developing clear, credible KPIs tied to national climate and energy plans has helped the Slovenian Debt Management Office enhance ESG bond frameworks and improve investor confidence. Future engagements will focus on the issuance of Slovenia's inaugural SLB bond. We will seek updates on the progress of solar and wind projects, private-sector partnerships, and timelines for nuclear plant construction. We aim to discuss further expansion of EV infrastructure and public transportation, as well as updates on pension system reforms.

# Section 4: Exercising rights and responsibilities

## 4.1 Our approach to proxy voting

Wellington views the informed discharge of voting rights as an essential part of an integrated stewardship approach. The majority of clients delegate proxy voting authority to Wellington given our research expertise, access to management, and the integration of engagement into our investment process.

We believe we are well positioned to perform this function on behalf of our clients and that there are key benefits in doing so. By integrating stewardship activities into investment decision making, for example, we can pursue a more comprehensive and collaborative approach. Our investment teams, GIAs, and ESG research analysts can leverage their industry relationships and deep expertise through constructive dialogue with companies, applying their knowledge to deliberations on voting matters. In a situation where engagement on an important concern is not generating a desired result, it may be possible to escalate these concerns by taking relevant voting action, including voting for shareholder proposals or against directors. Our global presence and longstanding relationships with management teams and boards position investment teams to conduct constructive, ongoing dialogue and help support issuers in adopting best practices on a variety of material issues.

We recognize that our clients may hold contrasting views on how to conduct stewardship. For example, some clients may wish us to promote the net zero transition emphatically, while others may want us to steer clear of this discussion altogether.

> We believe that our approach to stewardship, which is investment-led and integrates differentiated research, adds value for our clients.

**BRAM HOUTENBOS**
Governance Policy and Proxy Voting Manager

Our guiding principle is to approach each vote from the perspective of financial materiality and the vote's anticipated impact on long-term client returns. We are transparent about our voting guidelines and general expectations for companies. We communicate these via our website, which includes proxy voting disclosures. We encourage clients to communicate their stewardship priorities and provide feedback when there is a perceived misalignment. While clients generally entrust us to vote on their behalf, in a small number of cases, clients with separate mandates or differing approaches to stewardship may opt to retain voting discretion.

### PROXY VOTING GUIDELINES

We are long-term stewards of clients' assets. Our voting guidelines are based on our fiduciary obligation to act in the best interest of our clients as shareholders. We consider differences in local practices, cultures, and laws to make informed voting decisions. We see these as guidelines, not rigid rules, and we reserve the right in all cases to vote contrary to stated guidelines when we believe doing so represents the best interest of our clients. Our guidelines offer specific guidance on our voting biases on a range of matters as financially material to company performance. These include, but are not limited to:

- Board compensation and independence, overboarding, role of directors, director elections, diversity representation and disclosure, and climate-change disclosure.
- Compensation alignment, transparency, structure, and accountability.
- Approving equity incentive plans including employee-stock purchase plans, nonexecutive director compensation, severance arrangements, and clawback policies.
- Audit quality and oversight.
- Shareholder rights plans, multiple voting rights, proxy access, special meeting rights, and mergers and acquisitions.
- Capital structure and capital allocation, increases in authorized common stock, and capital allocation (Japan).
- Environmental and social issues that are typically raised as shareholder proposals. These may include climate change, corporate culture, human capital, stakeholders and risk management, human rights, and cybersecurity.

We regularly review and update our proxy voting policies to ensure we are acting in the best interests of our clients. This information is publicly disclosed on our website.

As part of our annual voting policy review, our Stewardship Team conducted a proxy voting guideline review to ensure evolving market practices were met and the evolving views of investment teams and our ESG research analysts were incorporated. This presented an opportunity to assess the implementation of the voting policy and guidelines and raise suggestions for policy updates to the ISC, where the changes were debated and approved. In 2024, our review process involved, among other things, a survey of investee companies to better understand director time commitments. Given our concern that directors can potentially become overextended, we wanted to study the incremental burden involved with various director roles, recognizing a relative dearth of relevant up-to-date external research in this area. More than 200 companies responded to our survey, demonstrating that the roles of board chair and audit committee chair entailed the greatest time commitment. This finding was in line with our expectation. As a result of our review, we were able to re-underwrite our enhanced consideration of these roles in our voting guidelines.

We have continued dialogue to make our internal governance processes and oversight more robust, as we believe this helps ensure the integrity of our stewardship activities and reporting. Because we believe transparency on voting increases accountability, we publish our Global Proxy Voting Disclosure on a monthly basis on our website. The Stewardship Team also reviews and signs off on vote reporting, including relevant management information that helps facilitate appropriate oversight from the ISC.

## VOTING PROCESS

In line with our Global Proxy Voting Guidelines, votes are evaluated against our general expectations for good governance and the unique circumstances of the issue and the company. This process allows us to deliberate on the vote presented in the context of general best practices and in concert with specific nuances related to the company and issue. We believe our clients benefit from the informed views of our ESG research analysts, Global Industry Research Team, PMs, and analysts, who may have greater transparency and knowledge of the company's long-term strategy based on their own engagement and analysis. As such, proxy proposals are evaluated on their merits, with our ESG research analysts recommending to PMs a specific stance regarding voting for a subset of proposals.

Generally, subjects that can be addressed by the guidelines are voted by means of standing instructions communicated to our primary voting agent. Some votes warrant analysis of specific facts and circumstances and are therefore reviewed individually. While ESG analysts often resolve manual votes, each PM is empowered to make a final decision for their relevant client portfolio(s), absent a notable conflict of interest. We proactively seek PM input under certain circumstances, including position size and the subject and nature of the proposal. Where PM input is proactively sought, deliberation across holders may occur. Rather than prioritize consensus, this collaboration seeks to inform investment decisions by providing multiple perspectives. Consistent with our community-of-boutiques model, PMs may occasionally arrive at different voting conclusions for their clients, resulting in different decisions for the same vote. Robust voting procedures and the deliberation that occurs before a vote decision are aligned with our role as active owners and fiduciaries for our clients.

We assess the effectiveness of operational controls in the voting process each year, after the voting season is complete. This review may lead to process enhancements, where opportunities to strengthen the control environment are identified. Last year saw the introduction of the US Securities and Exchange Commission's (SEC's) new form N-PX reporting requirements in the US. We worked across functions to deliver our own filings and support our clients with their filing needs, also in close collaboration with our primary voting agent.

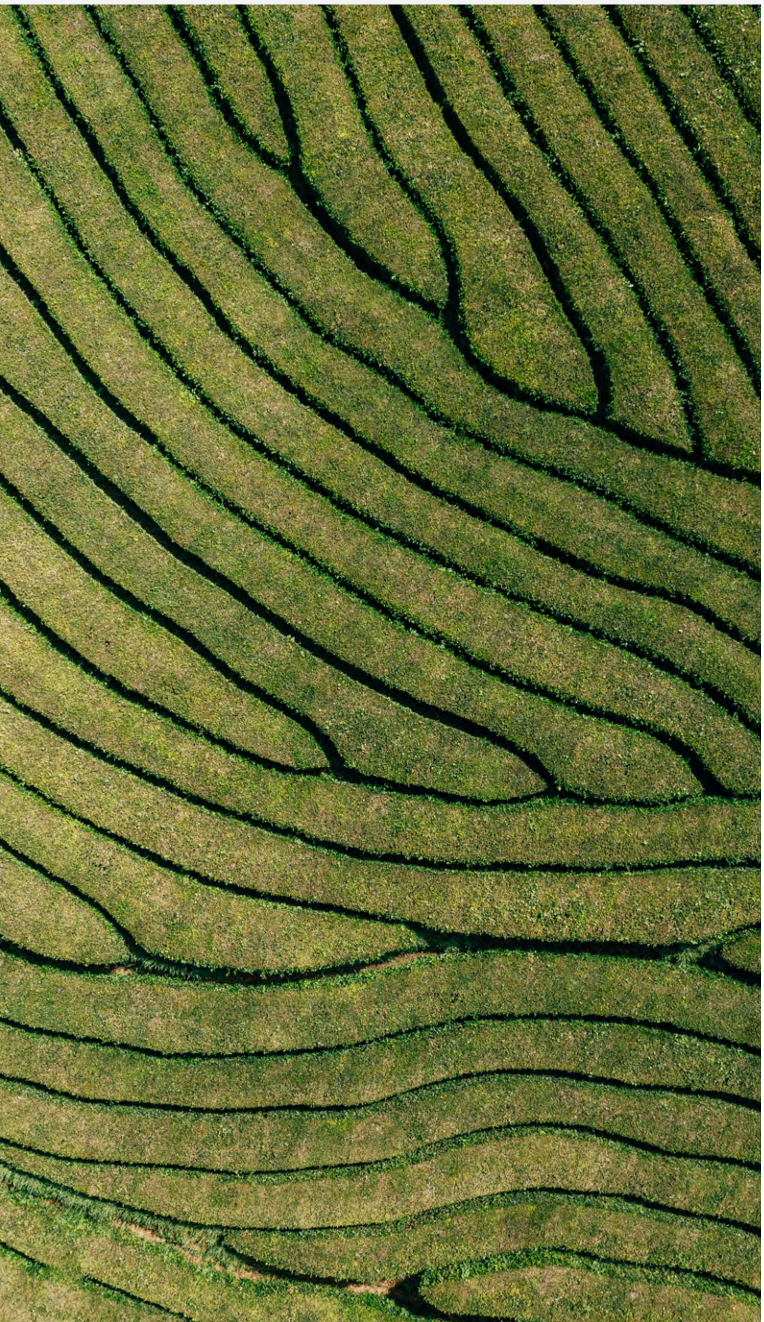
## USE OF PROXY ADVISORS

Wellington uses a third-party voting agent to manage the administrative aspects of proxy voting, and the ISC establishes voting guidelines that inform our custom voting policy. Based on this custom policy, our voting agent processes proxies for client accounts, casts votes based on our guidelines, and maintains records of proxies voted. Mapping company practices to our custom policy enables us to identify cases where we need to conduct more in-depth analysis, seek greater clarification, and share our feedback directly with an investee company, rather than rely on the vote alone.

Wellington complements the research and analysis performed by our ESG research analysts and internal investment teams with the analysis received by our primary voting agent, as well as research from a secondary voting agent. Our primary voting agent performs reconciliations to ensure that we receive all proxies for which we are entitled to vote. The research provided by our secondary agent offers a "second opinion" and permits cross-referencing for accuracy and completeness. Wellington reviews ballot reconciliation reports to ensure that accounts with proxy voting discretion are correctly set up. Finally, we review proxy voting reports as generated by the vendor to ensure votes cast are executed and records are kept. Our Stewardship Team oversees these controls and vendor relationships.

### PROXY VOTING VENDOR EXAMPLE

The Stewardship Team participates in regular formal meetings with our primary voting agent to provide feedback on service, system, and process improvements. We score our service providers on an ongoing basis against an established set of KPIs, which range from service level to timeliness of research delivery. In July 2024, we performed an annual due diligence exercise, which allowed us to thoroughly vet various parts of the business. Building on our existing collaboration, we noted progress in areas we had previously flagged for improvement, including quality of research, timeliness, and voting platform functionality. We also took note of the findings produced by the proxy adviser's Best Practice Principles Group's Independent Oversight Committee. Over the course of the year, we worked with our vendor to further evolve the voting process, including streamlining the assignment of votes to Wellington staff, which had previously been a highly manual process.



## ADDITIONAL CONSIDERATIONS

### VOTING LIMITATIONS

We generally vote in meetings at which we are entitled to do so. We may refrain from voting when the cost of voting is expected to outweigh the perceived value of the vote. Occasionally, we are prevented from voting if ballots are received late or if we lack essential information pertaining to the voting options.

### SECURITIES LENDING

Because clients may operate their own securities lending programs, Wellington may not have insight into which securities have been loaned at a given time. Efforts to recall loaned securities are not always effective, but in certain circumstances, we may determine that a vote is of particular importance. This may lead us to recommend that a client attempt to have its custodian recall the security to permit voting of related proxies.

### SHARE BLOCKING AND REREGISTRATION

Certain countries impose trading restrictions or requirements regarding reregistration of securities held in omnibus accounts before shareholders may vote a proxy. The potential impact of such requirements is evaluated when determining whether to vote such proxies. PMs may specifically request that their shares be reregistered and/or blocked so they can exercise voting rights on their clients' behalf.

### VOTING OUTSIDE OF PUBLIC EQUITIES

For our private investments, the typical practice is for portfolio companies to request written shareholder consent on matters such as board composition, financing, new share issuances, and the like. Our Legal, Compliance and Risk Team, in conjunction with the private portfolio management team, reviews written content proposals. We continue to enhance our stewardship efforts by combining our company engagement and written consent actions within one technology platform. Bondholder meetings are primarily the responsibility of our Corporate Actions Team. This team works with investment teams at the firm to vote on the options contained in the proposal. The voting items often involve changing the terms of bonds where issuers are restructuring or going through bankruptcy. We work to support investment professionals in their decisions to deliver the vote.

# 4.2 Proxy voting activity

In 2024, we voted at 5,600 general meetings for companies in 73 markets. **Figures 6, 7,** and **8** summarize our voting decisions during the 2024 calendar year. Aggregate voting authority may not be equal to firmwide ownership in cases where our clients have elected to retain voting discretion for their shares. We report voting decisions through our website, including rationales for proposals voted against management. Details of individual votes are included in our Global Proxy Voting Disclosure, available on our website.

## SHAREHOLDER PROPOSALS

When voting on shareholder proposals, we consider the spirit of the proposal, not just the letter, and generally support proposals addressing consequential issues, even when management has been responsive to our engagement, to encourage continued focus and improvement. In 2024, we voted on more than 1,000 shareholder proposals and supported more than 200.

**Figure 6**

**Votes in/not in support of management**

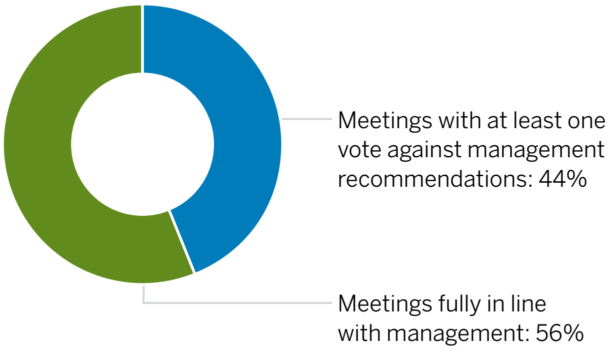



**Figure 7**

**Proposal topics on which we did not support management**

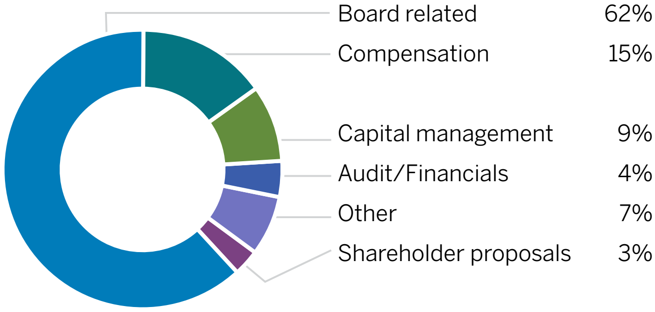
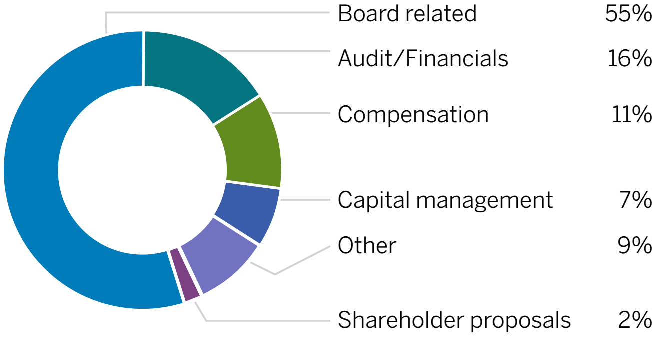



**Figure 8**

**Proposal topics voted on**



# Closing thoughts and contact information

In 2024, Wellington's SI research continued to support our firmwide objective to deliver investment excellence for our clients. To that end, we have remained committed to:

- Research that leads to better-informed investment decisions.
- A platform of SI strategies that translate sustainability research into competitive outcomes for our clients.
- An engagement model of constructive, informed dialogue with companies on material issues in pursuit of improved investment outcomes.
- Leadership among policymakers and standard setters on financially relevant issues that may affect long-term returns and client outcomes.

Our firm's approach to sustainable investment continues to be nuanced, research-driven, and grounded in financial materiality. In 2025, we look forward to deepening our insights and sharing our findings with clients in support of their investment objectives.

For additional information, please contact your relationship manager or visit us online:

wellington.com

Linkedin

Sustainable investing is qualitative and subjective by nature, and there is no guarantee that the criteria utilized, or judgment exercised, by Wellington will reflect the beliefs or values of any one particular investor. SI norms differ by region. There is no assurance that any SI strategy and techniques employed will be successful.

**Please refer to the risks and important disclosures at the end of this report.**

# Appendix: Index of acronyms

| | |
|---|---|
| **APAC** | Asia Pacific Region |
| **ASCOR** | Assessing Sovereign Climate-related Opportunities and Risks |
| **AUM** | Assets under management |
| **CERA** | Climate Exposure Risk Application |
| **CEWG** | Client Exclusions Working Group |
| **DCT** | Data Control Tower |
| **EMEA** | Europe, the Middle East, and Africa Region |
| **ERM** | Enterprise Risk Management |
| **ESG** | Environmental, Social, and Governance |
| **EU** | European Union |
| **FAIRR** | Farm Animals Investment Risk and Reward |
| **FRC** | Financial Reporting Council |
| **FSOC** | Financial Stability Oversight Council |
| **GIA** | Global Industry Analyst |
| **GIIN** | Global Impact Investing Network |
| **GRA** | Global Risk and Analytics Group |
| **HCM** | Human Capital Management |
| **ICMA** | International Capital Market Association |
| **IIGCC** | Institutional Investors Group on Climate Change |
| **IT** | Information technology |
| **IMM** | Impact Measurement & Management |
| **IPFS** | Investment Product & Fund Strategies |
| **ISC** | Investment Stewardship Committee |
| **ISG** | Impact Steering Group |
| **ISSB** | International Sustainability Standards Board |
| **KPIs** | Key performance indicators |
| **MIT CS3** | Massachusetts Institute of Technology Center for Sustainability Science and Strategy |
| **NZAM** | Net Zero Asset Managers initiative |
| **NZ PV** | Net Zero Portfolio View |
| **P&P** | Philosophy and process |
| **PBAF** | Partnership for Biodiversity Accounting Financial |
| **PM** | Portfolio manager |
| **PRI** | Principles for Responsible Investment |
| **RC** | Risk Committee |
| **REfDP** | Reference Data Platform |
| **SBTi** | Science-Based Targets initiative |
| **SEC** | US Securities and Exchange Commission |
| **SFDR** | Sustainable Finance Disclosure Regulation |
| **SI** | Sustainable Investment/investing |
| **SIGC** | Sustainable Investment Governance Committee |
| **SILT** | Sustainable Investment Leadership Team |
| **SIMT** | Sustainable Investment Management Team |
| **SI PIWG** | Sustainable Investment Product Integrity Working Group |
| **SDLC** | Software Development Lifecycle Board |
| **SI PV** | Sustainable Investment Portfolio Analysis View |
| **SRD II** | Shareholder Rights Directive II |
| **SLB** | Sustainability-linked bond |
| **TAR** | Transition Alignment Rating |
| **TCFD** | Task Force on Climate-related Financial Disclosures |
| **TNFD** | Task Force on Nature-related Financial Disclosures |
| **TLT** | Technology Leadership Team |
| **TMT** | Technology Management Team |
| **TRB** | Technology Risk Board |
| **TPI** | Transition Pathway Initiative |
| **TSB** | Technology Strategy Board |
| **SDGs** | Sustainable Development Goals |
| **WACI** | Weighted-average carbon intensity |
| **WCLC** | Wellington Climate Leadership Coalition |

# Risks and important disclosures

## INVESTMENT RISKS

All investments involve risks. Given the long time frames for most impact projects and many companies' reliance on disruptive technologies, investments may be subject to volatility and are therefore more suited to longer investment horizons. The following are some general risks associated with various approaches discussed in this report. This is not an all-inclusive list. Each specific investment approach and product will have its own specific risks and risks will vary.

**Capital risk:** The value of your investment may become worth more or less than at the time of the original investment.

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

**Equity and fixed income securities' market risks:** Financial markets are subject to many factors, including economic conditions, government regulations, market sentiment, local and international political events, and environmental and technological issues. In addition, the market value of fixed income securities will fluctuate in response to changes in interest rates, currency values, and the creditworthiness of the issuer.

**Foreign and emerging markets risk:** 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 from developed markets.

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

**Manager risk:** Investment performance depends on the portfolio management team and the team's investment strategies. If the investment strategies do not perform as expected, if opportunities to implement those strategies do not arise, or if the team does not implement its investment strategies successfully, an investment portfolio may underperform or suffer significant losses.

**Sustainability risks:** ESG factors may be considered as part of a broader analysis of individual issuers (including with regard to a sustainability risk assessment), using inputs from the investment manager's team of ESG analysts to help identify global best practices, prepare for company engagement, and collaborate on new research inputs. The factors considered will vary depending on the security in question, but typically include ownership structure, board structure and membership, capital allocation track record, management incentives, labor relations history, and climate risks.

## BLUEMARK IMPACT VERIFICATION

Wellington Management engaged BlueMark to independently verify the alignment of our impact management system with industry best practices. BlueMark's assessment findings cover both areas of strength and areas for improvement, as reflected in the Verifier Statement. Wellington Management did pay a fee for the verification. BlueMark's full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the impact investing industry's best practices, using BlueMark's proprietary rubric, and examining processes and policies against the following criteria:
   - Compliance of the IM system with a threshold level of practice.
   - Quality of the IM system's design in terms of its consistency and robustness.
   - Depth of subcomponents of the system, focused on completeness.
2. Interviews with Wellington staff responsible for defining and implementing the IM system.
3. Testing of selected Wellington transactions to check the application of the IM system.
4. Delivery of detailed assessment findings to Wellington, outlining areas of strong alignment and recommended improvement, as well as BlueMark's proprietary benchmark ratings on the extent of alignment with impact investing industry best practices.

Wellington provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system. The scope of BlueMark's work was limited to processes in place as of March 2025. BlueMark's verification does not constitute either an endorsement of the client's practices or a verification of the resulting impacts achieved. The verification may not be representative of any one client's experience. The verification is not indicative of Wellington Management's future performance. Past performance is no guarantee of future results.

## ABOUT THIS REPORT

The Shareholder Rights Directive II (SRD II) is an EU directive, which aims to strengthen the position of shareholders and ensure that decisions are made for the long-term stability of a company. The UK Stewardship Code 2020 sets high expectations for how investors, and those that support them, invest and manage money, and how this leads to sustainable benefits for the economy, the environment, and society. At a high level, the purpose of SRD II and the UK Stewardship Code is to promote long-term shareholder engagement through increased transparency and encourage long-term investment decision making by both asset owners and asset managers. This report is designed to be an overview of our progress toward sustainability goals and investment practices and should not be taken as advice or a recommendation. Certain data provided is that of a third party. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness. Data provided is as of 31 December 2024. Company examples are for illustrative purposes only, are not representative of all investments made on behalf of our clients, and should not be interpreted as a recommendation or advice. Company information is sourced from multiple sources including the following: annual and quarterly reports; industry research pieces; company websites; press releases; case studies; and company engagements.

Individual portfolio management teams may hold different views and may make different investment decisions for different clients. Views may change over time. Each account is individually managed; the extent to which ESG research and SI are considered in the investment process will vary depending on the investment policy established for the approach or fund. 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.

**Sustainable Development Goals (SDGs):** Wellington Management supports the SDGs. The SDGs and targets are sourced from UN.org. Wellington determines, based on its own research of each company, the UN SDGs, and targets that, in our view, each portfolio company is most aligned with. Other investment firms may take different views. This information should not be construed as a recommendation or endorsement by the United Nations for any investment example shown or Wellington Management. Examples are also not indicative of their future performance. Additional information is available upon request.

## IMPORTANT INFORMATION

Wellington Management Company LLP (WMC) is an independently owned investment adviser registered with the US Securities and Exchange Commission (SEC). WMC is also registered with the US Commodity Futures Trading Commission (CFTC) as a commodity trading advisor (CTA) and commodity pool operator (CPO). WMC serves as a CTA to certain clients including commodity pools operated by registered commodity pool operators. WMC provides commodity trading advice to all other clients in reliance on exemptions from CTA registration. WMC serves as a CPO to certain Wellington sponsored pooled vehicles. WMC, along with its affiliates (collectively, Wellington Management), provides investment management and investment advisory services to institutions around the world. Wellington Management Group LLP (WMG), a Massachusetts limited liability partnership, serves as the ultimate parent holding company of the Wellington Management global organization. All of the partners are full-time professional members of Wellington Management. Located in Boston, Massachusetts, Wellington Management also has offices in Chicago, Illinois; New York, New York; Radnor, Pennsylvania; San Francisco, California; DIFC, Dubai; Frankfurt; Hong Kong; London; Luxembourg; Madrid; Milan; Shanghai; Singapore; Sydney; Tokyo; Toronto; 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. While any third-party data used is considered reliable, its accuracy is not guaranteed. Forward-looking statements should not be considered as guarantees or predictions of future events. Past results are not a reliable indicator of future results. Wellington assumes no duty to update any information in this material in the event that such information changes.

In Canada, this material is provided by Wellington Management Canada ULC, a British Columbia unlimited liability company 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 Europe (excluding the United Kingdom and Switzerland), this material is provided by the marketing entity Wellington Management Europe GmbH (WME) which is authorized and regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin). This material may only be used in countries where WME is duly authorized to operate and is only directed at eligible counterparties or professional clients as defined under the German Securities Trading Act. This material does not constitute investment advice, a solicitation to invest in financial instruments or information recommending or suggesting an investment strategy within the meaning of Section 85 of the German Securities Trading Act (Wertpapierhandelsgesetz). ■ In the United Kingdom, this material is provided by Wellington Management International Limited (WMIL), a firm authorized and regulated by the Financial Conduct Authority (FCA) in the UK (Reference number: 208573). This material is directed only at eligible counterparties or professional clients as defined under the rules of the FCA. ■ In Switzerland, this material is provided by Wellington Management Switzerland GmbH, a firm registered at the commercial register of the canton of Zurich with number CH-020.4.050.857-7. This material is directed only at Qualified Investors as defined in the Swiss Collective Investment Schemes Act and its implementing ordinance. ■ In Dubai, this material is provided by Wellington Management (DIFC) Limited (WM DIFC), a firm registered in the DIFC with number 7181 and regulated by the Dubai Financial Services Authority ("DFSA"). To the extent this document relates to a financial product, such financial product is not subject to any form of regulation or approval by the DFSA. The DFSA has no responsibility for reviewing or verifying any prospectus or other documents in connection with any financial product to which this document may relate. The DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it. Any financial product to which this document relates may be illiquid and/or subject to restrictions on its resale. Prospective purchasers should conduct their own due diligence on any such financial product. If you do not understand the contents of this document you should consult an authorised financial adviser. This document is provided on the basis that you are a Professional Client and that you will not copy, distribute or otherwise make this material available to any person. ■ 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. 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 Private Fund Management (Shanghai) Limited (WPFM), which is an unregulated entity incorporated in China, is a wholly-owned subsidiary of WM Hong Kong. Wellington Global Private Fund Management (Shanghai) Limited (WGPFM) is a wholly-owned entity and subsidiary of WPFM and is registered as a private fund manager with Asset Management Association of China to conduct qualified domestic limited partnership and management activities. In mainland China, this material is provided for your use by WPFM, WGPFM, or WMHK (as the case may be). ■ 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 deal in capital markets products, 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) (ABN 19 167 091 090) 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. ■ 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), the Investment Trusts Association, Japan (ITA) and the Type II Financial Instruments Firms Association (T2FIFA). ■ WM Hong Kong and WM Japan 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.



WELLINGTON MANAGEMENT®