

Good Governance Assessment Policy

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

INTRODUCTION

This document sets out the policy of Wellington Management Group companies, which engage in investment management activity (“Wellington Management”), on the assessment of the governance practices of investee companies as required under the Sustainable Finance Disclosure Regulation (“SFDR”). SFDR requires that those products classified as Article 8 or Article 9 invest only in companies which are determined to practice Good Governance (as defined below). The policy applies to all products classified as Article 8 or Article 9 under SFDR.

This policy shall also apply to products which are not classified as Article 8 or Article 9 under SFDR but, via an investment guideline agreement with a client, intend to formally assess governance practices of investee companies as part of the investment universe criteria of the product.

This document sets out Wellington Management’s definition of Good Governance and the requirements for portfolio managers and investment teams for in scope products to confirm that the companies in which they invest practice Good Governance.

In overview, Wellington portfolio managers and investment teams of Article 8, Article 9 and any in-scope products as outlined above, are responsible for applying the Wellington Management definition of Good Governance and assessing the governance practices of investee companies. In support of this assessment, portfolio managers and investment teams are provided with a wide range of data, research and analysis regarding the governance practices of investee companies, including Wellington Management’s G Ratings (defined below), which must be considered when assessing investee companies.

Purpose of this Policy

For Wellington Management funds and strategies marketed in, into or from the European Union which are classified as Article 8 or Article 9 products under SFDR, the companies invested in must follow Good Governance practices as a precondition for investment. In addition to Article 8 or Article 9 products, Wellington Management may agree with a client to formally assess Good Governance as part of the investment guidelines agreed with the client.

This policy outlines how a Good Governance determination is made and what research and analysis is used in making such a determination.

Good Governance Definition

Wellington Management considers “good governance” to be a standard of governance which is broadly reflective of industry-established norms and practices with regards to management structures and decision-making, accountability to shareholders, compensation structures, corporate culture, compliance with applicable law and the absence of negative events which are likely to have a material adverse impact on the financial returns of the company (“Good Governance”). In assessing Good Governance, Wellington Management assesses any investment made directly or indirectly in a single corporate issuer which results in the allocation of capital to

such an issuer. Derivative instruments, unless used to gain long exposure to an investee company such as single name Total Return Swaps or Credit Default Swaps, are not included for the purpose of this analysis. Short positions or index positions or companies held within commingled pools or other collective investment schemes in which Wellington Management may invest will generally not be assessed for good governance.

Good Governance Assessment Requirement

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

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

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

Governance Research

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

Wellington Management's Fundamentally Derived G Rating

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

- **Shareholder Rights** - including share class structure, voting rights, takeover defenses, shareholder

meetings, voting frequency and procedures, quality of information provided to shareholders, and other rights.

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

Other factors that ESG Research Team Analysts may consider when creating this fundamental G Rating include any identified information or controversies concerning compliance with law and regulatory enforcement actions, governance-relevant employee relations, anti-money laundering risk, risk management, weaknesses in corporate controls or breaches in standards of conduct that lead to corporate reputational damage.

Wellington Management's Quantitatively Derived G Rating

In cases where a fundamentally derived G Rating is not available, Wellington Management makes available to portfolio managers and investment teams a quantitatively derived governance rating based on a proprietary algorithm which consumes data from select third party sources which measure certain dimensions of a company's governance practices. This quantitatively derived G Rating proxies for similar factors in our fundamentally derived G rating. Portfolio managers and investment teams have access to ongoing reporting which highlight issuers for which G Ratings have fallen materially below industry standards.

Use of Wellington Management's G Rating in the Governance Assessment Process

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

Wellington Management does not produce a G Rating for all companies, and portfolio managers assessing Good Governance are free to invest in companies for which no G Rating is available. Although companies may not have a G Rating for a variety of reasons, typically this occurs where there is a lack of information informing the underlying constituent data due to the nature of the security type or the business structure, the region in which the company operates or whether the company is a private, or recently private entity.

Certain fixed income investments, such as high yield, bank loans or emerging markets debt issuers may not have a G Rating assigned to them and may be researched and assessed primarily by Wellington Management's credit analysts. In researching and assessing corporate governance related to these types of securities, governance may be assessed by evaluating the governance nature of the issuer relative to other issuers of a similar type and the context of the region and/or industry in which it operates. Where a portfolio manager or investment team invests in a company without a G Rating, such companies should generally be those whose management and board, to the best of the portfolio manager's or investment teams' knowledge, are credible, have a strong capital allocation track record, promote a strong corporate culture and are appropriately incentivised to run the company in a responsible manner. In cases of conflict between a portfolio manager or investment team's assessment of a company's governance practices and the G Rating, the former shall take precedent.

For more information on the research, data and tools which Wellington Management makes available to its portfolio managers and investment teams with regards to the governance practices of the companies in which they invest, please see Wellington Managements disclosure on its ESG and sustainable investment research on www.wellington.com.

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