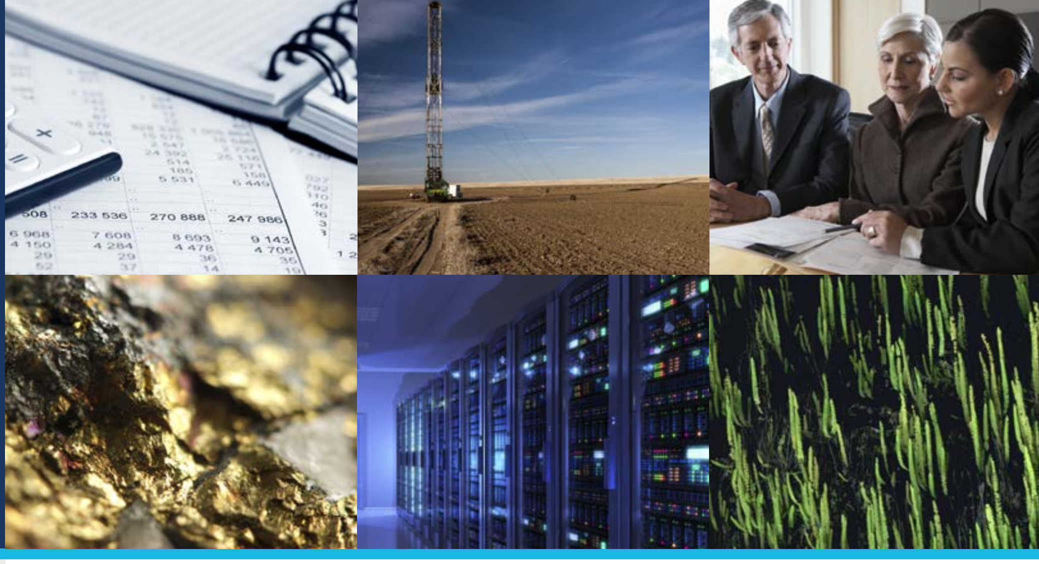
WELLINGTON
MANAGEMENT®

First quarter 2021



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GLOBAL ESG RESEARCH UPDATE

2021 stewardship priorities

The challenges of the past year have highlighted the potential for ESG factors to become even more relevant to the investments we make on our clients' behalf and underscored the increasing importance of stewardship by fiduciaries and active investors. In 2020, an unprecedented number of our corporate engagements included ESG topics, a trend we expect will continue in 2021 and beyond. In particular, we expect many conversations to address executive compensation, climate change, and diversity, equity, and inclusion (DEI).

Ahead of proxy voting season, we are paying close attention to executive compensation plans. Following layoffs and furloughs during the COVID-19 pandemic, outsized executive pay plans are under greater scrutiny. We prefer executive pay to be aligned with company performance. Outsized pay packages that set low bar for performance may be inconsistent with the experience of shareholders and other stakeholders.

Another focus is climate change, which we believe poses material long-term financial risks for economies, companies, and society, and therefore, our clients' investment portfolios. Companies will need to prepare for both the physical and transition risks associated with climate change. We expect to engage more deeply with companies to help them assess and improve climate preparedness and disclosures. In December 2020, Wellington became a founding member of the Net Zero Asset Managers initiative. This opportunity enables us to demonstrate continued leadership on climate issues, deepen engagements with portfolio companies, and enhance consultative partnerships with clients.

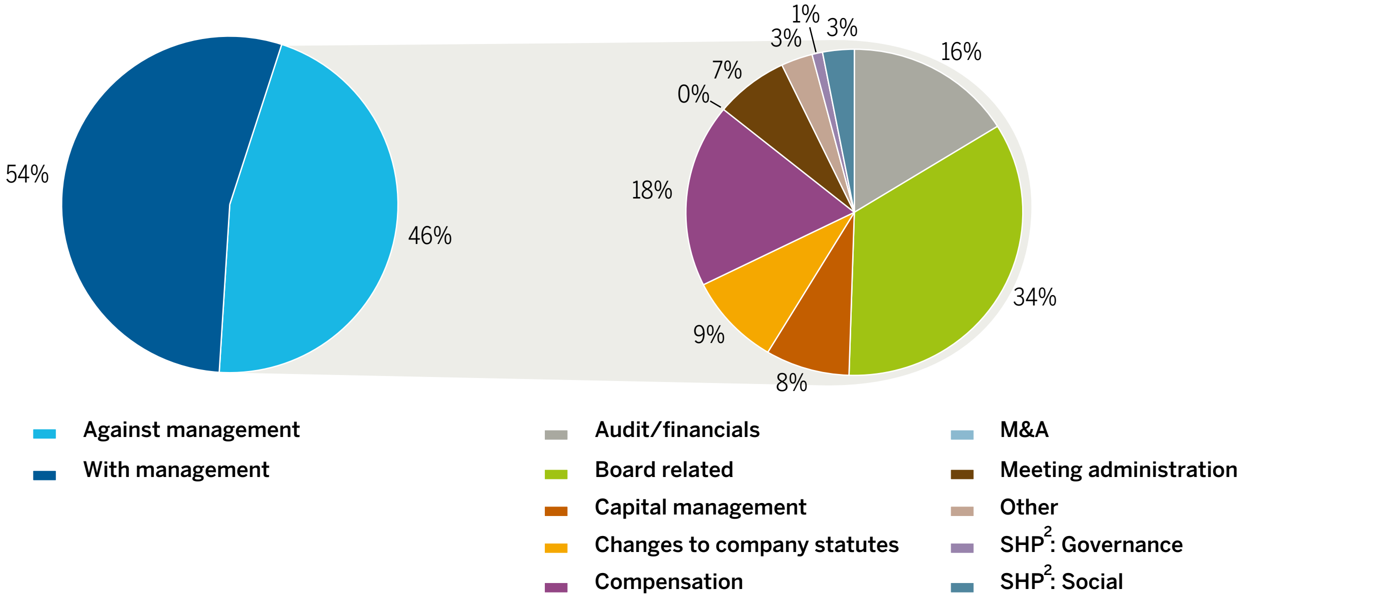
Finally, we continue to improve our understanding of portfolio companies' response to and action on racial inequity. While we believe DEI practices can impact long-term performance, we are only able to adequately assess these practices when robust disclosure is in place. We encourage companies to disclose the racial and ethnic composition of their boards and, starting this year, in the US, we plan to vote against the reelection of nominating or governance committee chairs that fail to disclose this information. We also expect companies to communicate goals and strategies for fostering a diverse workplace and disclose workforce diversity data. We plan to encourage transparency and improvement in these areas through engagement and proxy voting.

1Q21 firmwide proxy-voting results

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

Figure 1

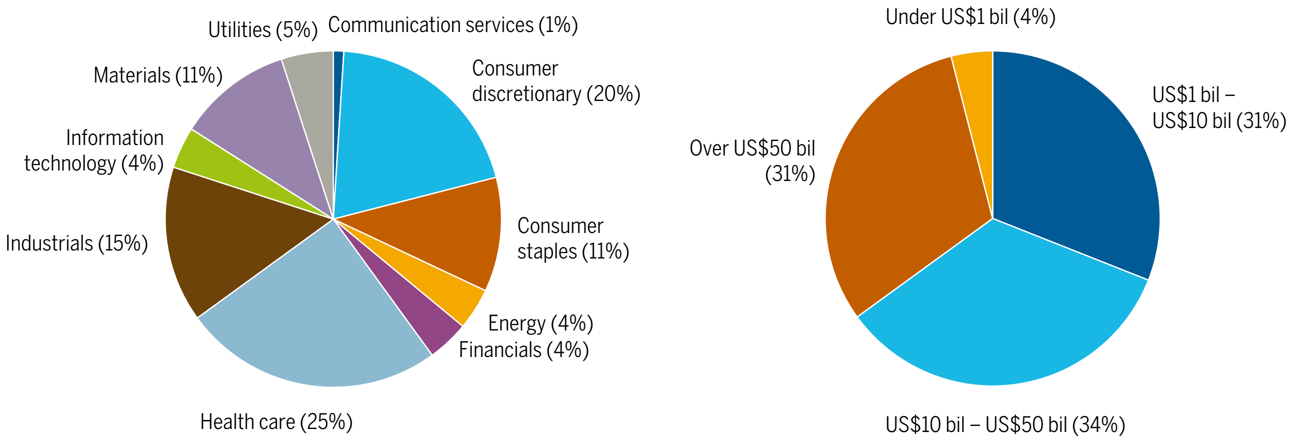
Wellington Management's 1Q21 proxy-voting results[1]



1Q21 ESG engagement activity

In the first quarter of 2021, our team engaged with 80 portfolio companies in 18 countries (**Figure 2**) on ESG topics ranging from governance practices and executive compensation to climate resiliency and disclosure. See the list of our engagement discussions for the quarter below.

Figure 2[1]



[1]Figures may not sum to 100 due to rounding. | [2]Shareholder proposal | Source: Wellington Management

1Q21 ESG engagement activity by company

Company	E	S	G
Communication services			
Activision Blizzard		●	●
Consumer discretionary			
Acushnet	●	●	●
Amazon.com	●	●	●
B&M European Value		●	●
Carnival	●	●	
Compass		●	
Deckers Outdoor	●	●	●
Domino's Pizza	●	●	●
DraftKings		●	●
Etsy	●	●	●
Ferrari			●
Lowe's Companies	●	●	●
McDonald's		●	●
Nike			●
RealReal	●	●	●
Starbucks		●	●
Target	●	●	
Consumer staples			
Anheuser-Busch InBev	●	●	
Boston Beer		●	●
Colgate-Palmolive	●	●	●
Diageo	●	●	●
General Mills	●	●	●
Mondelez		●	
Sanderson Farms	●	●	●
Tyson Foods	●	●	
Energy			
Diamondback Energy	●		
Equinor	●		
YPF SA			●
Financials			
Banc of California		●	●
Hilltop Holdings			●
MGIC Investment	●	●	●
Health care			
Alnylam Pharmaceutical		●	●
AMN Healthcare		●	
Arena Pharmaceutical		●	●
Becton Dickinson			●
Chugai Pharmaceutical		●	●
Daiichi Sankyo		●	●
Eisai		●	●
Elanco Animal Health			●
HCA Healthcare		●	●
Innovent Biologics		●	●
Jazz Pharmaceuticals		●	●
Ono Pharmaceutical		●	●
R1 RCM INC		●	●
Regeneron Pharm			●
Revance Therapeutics		●	●
Royalty Pharma	●	●	●
Shionogi & Co Ltd		●	●
Siemens Healthineers		●	●
Tandem Diabetes Care		●	●
Zealand Pharma			●
Industrials			
BrightView	●	●	
BWX Technologies		●	●
Deere & Co	●	●	●
Enerpac Tool			●
Hazama Ando	●		●
Middleby			●
Northrop Grumman		●	●
Rexel		●	●
Standex			●
Sumitomo		●	●
United Parcel Service	●	●	●
Wolters Kluwer	●		●
Information technology			
FleetCor Technologies	●	●	●
Otsuka		●	●
Samsung Electronics	●	●	●
Materials			
Beijing Oriental Yuhong	●		●
Cemex SAB de CV	●		
Danimer Scientific	●		
Ecolab	●	●	●
FMC	●	●	
KH Neochem	●	●	●
Rio Tinto			●
Smurfit Kappa	●	●	
Vulcan Materials	●	●	●
Utilities			
American Elec Power	●		
Avangrid	●		●
China Gas Holdings	●		
Pinnacle West Cap	●		●

E = environmental, S = social, and G = corporate governance discussions. The companies shown comprise a complete list of all engagement meetings in which Wellington Management's ESG Team participated in 1Q21. These companies are not representative of all of the securities purchased, sold, or recommended for clients. It should not be assumed that an investment in the companies listed has or will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the companies shown. This material is not intended to constitute investment advice or an offer to sell, or the solicitation of an offer to purchase shares or other securities.

> We believe it is important to encourage our portfolio companies to reward top talent while ensuring that pay programs are aligned with market governance standards.

1Q21 ESG engagement examples

WOLTERS KLUWER

Overview

We engaged with Wolters Kluwer ahead of the 2021 annual general meeting to discuss changes made to the company's executive compensation plan. While the plan failed to garner the 75% shareholder support required to pass in 2020, we are encouraged that recent changes and Wolters' broader engagement with shareholders will have built more support for the 2021 vote. We also discussed succession planning and greenhouse gas (GHG) emissions disclosure.

Key discussion topics

Executive compensation

We take a positive view of the company's efforts to thoughtfully incorporate the various, and somewhat conflicting, shareholder preferences into its pay plan. In our view, European shareholder concerns regarding the quantum of pay for the CEO should be balanced against Wolters Kluwer's position as a global company with a strong US revenue base. They are also led by a CEO who has been instrumental to the firm's strong performance. The CEO has accepted a 10% reduction in total target pay over the next two years to help the plan succeed. We believe it is important to encourage our portfolio companies to reward top talent while ensuring that pay programs are aligned with market governance standards. We also appreciate the addition of material nonfinancial metrics that are positive growth drivers, as well efforts to enhance compensation disclosures. This transparency will allow us (and other investors) to make more informed assessments on executives' incentives and targets.

Succession planning

We appreciate the company's challenge of balancing retention risk with meeting governance expectations. Although we believe it could improve transparency around succession planning, we are confident that the board has a long-term plan for CEO succession. We value the supervisory board chairman's decision to extend his mandate by a year to ensure smooth board oversight during the COVID-19 pandemic. The chairman had previously intended to retire at the end of his current term.

Emissions disclosure

We reiterated that, as a founding member of the Net Zero Asset Managers initiative, disclosure for all GHG emission scopes (1, 2, and 3) is very important to us. We shared our view that greater transparency around emissions should help keep the company's pool of potential investors broad, and we encouraged them to engage with the Science-Based Targets initiative (SBTi). Wolters Kluwer was receptive to our suggestion, recognizing the growing focus on environmental disclosures.

Conclusion/follow-up

We view the company's receptivity to shareholder feedback positively. We offered to continue to engage over the coming year as the company works to improve disclosure and integrate ESG factors more holistically into its core business strategy.

> **While we tend to avoid telling companies how to compensate executives, we expressed our preference for the inclusion of both financial and non-financial metrics in compensation plans.**

REGENERON PHARMACEUTICALS

Overview

We met with Regeneron's compensation committee chair to discuss the company's recent decision to move to 100% performance-based compensation for the CEO and chief scientific officer. We view this as a positive step in improving governance by ensuring pay-for-performance alignment; however, there is still room for improvement in the compensation plan and other governance provisions.

Key discussion topics

Executive compensation

We discussed the evolution of the company's compensation plan following several years of low shareholder support. Regeneron has shifted from 100% time-based stock options in 2019, to 70% time-based stock options/30% performance-based compensation in 2020, and finally to 100% performance-based compensation in 2021. While we view this change positively and we tend to avoid telling companies how to compensate executives, we expressed our preference for the inclusion of both financial and nonfinancial metrics in compensation plans.

Currently, Regeneron's sole performance metric is five-year total shareholder return (TSR). We believe that compensation based completely on TSR could misalign incentives and encourage management to take excessive risk.

Shareholder rights/governance provisions

During the engagement, Wellington's incoming CEO, Jean Hynes, discussed the increasing importance of ESG to Wellington and investors globally. Jean expressed our view that Regeneron's current governance structure and existing provisions could hinder broader ownership. The company explained that its dual-class share structure, classified/entrenched board, and shareholder votes on pay every three years, rather than annually, are legacy provisions. Jean suggested that Regeneron acknowledge in its disclosures that those legacy provisions are subject to change. The company was receptive to this idea.

Organization and culture

The company's compensation committee chair identified the board's ability to engage in constructive debates as a key cultural strength. She highlighted two debates during her tenure to illustrate this, including a recent discussion about pricing for COVID-19 therapeutics. She asserted that constructive debates prevail across the workforce and that the company's strong retention rate indicates an ability to identify candidates who thrive in this environment. She also said that she believes financial incentives keep employees focused on innovation.

Conclusion/follow-up

We appreciate Regeneron's receptivity to our suggestions and the tangible improvements it has made to executive compensation. We will continue to build a productive dialogue with the company to encourage further governance improvements.

> We believe the most effective compensation plans attract and retain high-caliber executives, foster a culture of performance and accountability, and align management's interests with those of long-term shareholders.

BEIJING ORIENTAL YUHONG

Overview

We engaged with the board secretary to gain an understanding of how the company integrates ESG into its strategy and to share our views on ESG best practises. Our conversation covered compensation and the company's environmental focus.

Key discussion topics

Executive compensation

We expressed our preference for more rigorous performance conditions under the company's employee stock-incentive plan. We believe the most effective compensation plans attract and retain high-caliber executives, foster a culture of performance and accountability, and align management's interests with those of long-term shareholders. We were pleased that the company's recently announced stock-incentive plan more closely aligns incentives with shareholder value creation. The new plan includes positive earnings targets and a strike price closer to the current share price. The board secretary told us that the chairman will backstop and compensate employees personally if the company' compound annual growth rate is below a specific target. We believe this speaks to management's confidence in its business strategy and a commitment to attracting and retaining talent.

Climate change mitigation

The company is supportive of more stringent environmental regulation and views such regulation as positive for market conditions. While the company has continued to reduce emissions intensity, we believe there is an opportunity to improve disclosure on its progress. We were therefore pleased to learn that management is considering including GHG emissions disclosure in its next annual report. We came away from the engagement with the view that Beijing Oriental Yuhong is thinking progressively about environmental issues.

Conclusion/follow-up

We take a positive view of the company's receptivity to our feedback and were pleased to see our suggestions incorporated into the new employee stock-incentive plan. We believe these actions reflect a focus on creating value, not only for shareholders, but for stakeholders such as employees as well. We will continue to engage with the company to encourage it to provide more robust environmental disclosure to shareholders.

Notes

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