

The logo for Wellington Management, consisting of the words "WELLINGTON" and "MANAGEMENT" stacked vertically in a dark blue, sans-serif font.

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ESG Integration at Wellington Management

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23 August 2016

What is ESG and why does it matter?

Environmental, Social, and Corporate Governance

Environmental



Water efficiency ▶ Production costs

Social



Labor conflicts ▶ Net margins

Governance



CEO compensation ▶ Share price

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Defining the sustainable investment universe

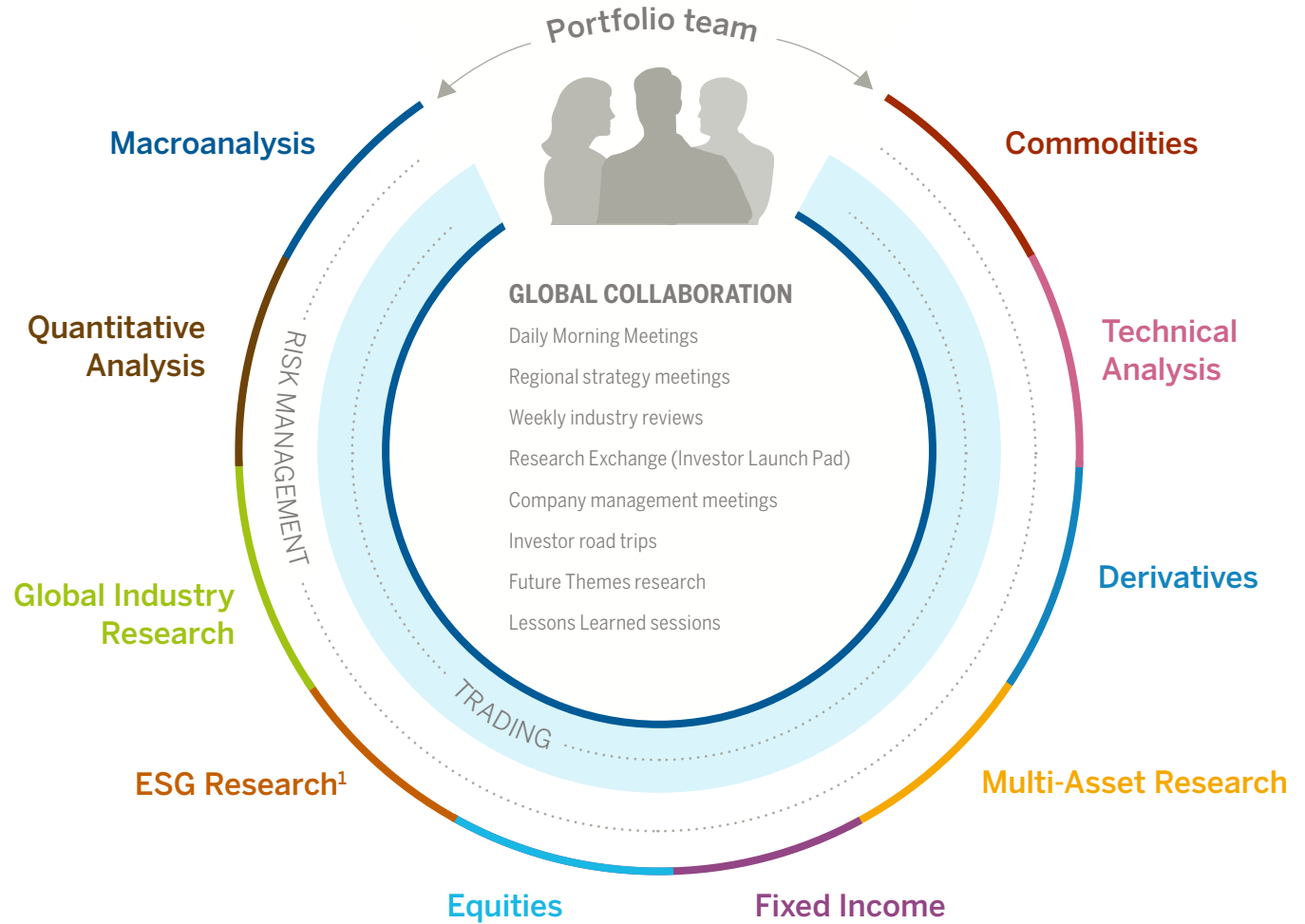
ESG vs SRI vs Impact Investing

Category	Definition	Objective
Socially Responsible Investment (SRI)/ Values alignment	Screen out irresponsible “sin stock” companies, such as tobacco, alcohol, and gambling; and/or only invest in “best in class” leaders in sustainability	Social mission
Environmental, Social and Governance (ESG) integration	Integrates ESG risks and opportunities into investment analysis and dialogues with portfolio companies	Seeks better risk-adjusted, long-term performance
Thematic investing	ESG themes such as climate change, water scarcity, or women’s empowerment	Investment opportunity
Impact investing	Invests in companies with the intention to generate a measurable and beneficial social or environmental impact alongside a financial return	Measurable societal and environmental impact

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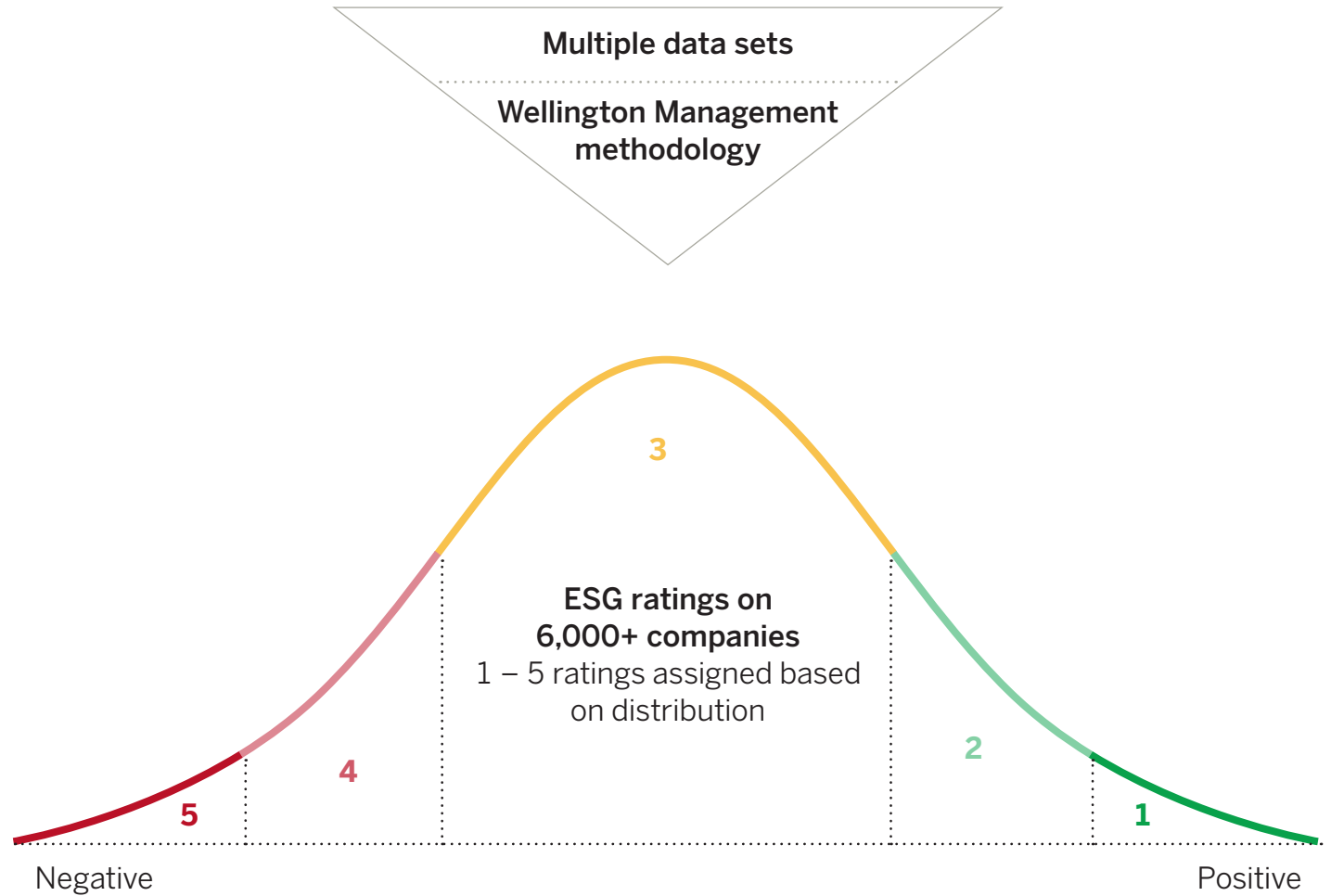
Investors draw on our marketplace of ideas to build portfolios

We believe the best investment thinking is forged by the free exchange of ideas among a broadly diverse group of professionals



¹Environmental, social, and corporate governance

How do we create our proprietary ESG ratings?

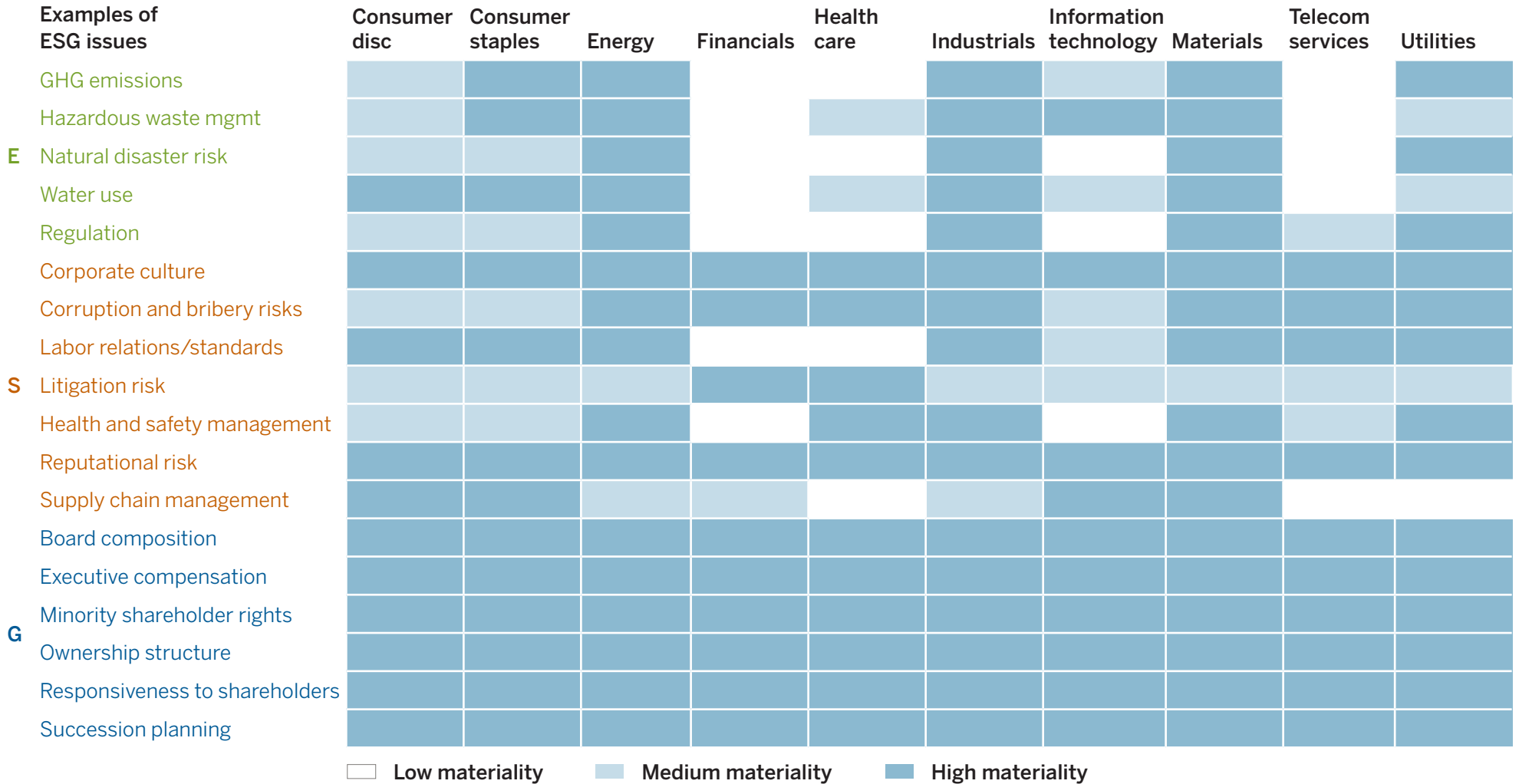


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Which ESG issues matter?

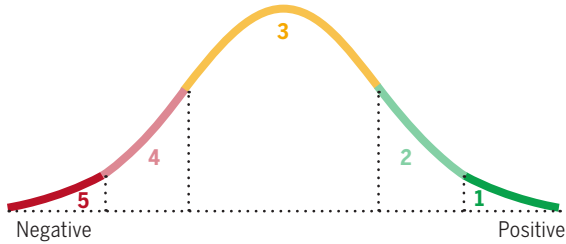
Materiality differs across industries



Materiality determinations made by Wellington Management ESG team.

How do we integrate ESG into the investment process?

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Research and ratings

Calculate and assign proprietary ratings to 6,000+ companies

ESG portfolio reviews

Identify and analyze most material ESG risks and opportunities at portfolio level

Company engagement

Query company managements on ESG issues and vote proxies for 5,000+ companies across 65 markets

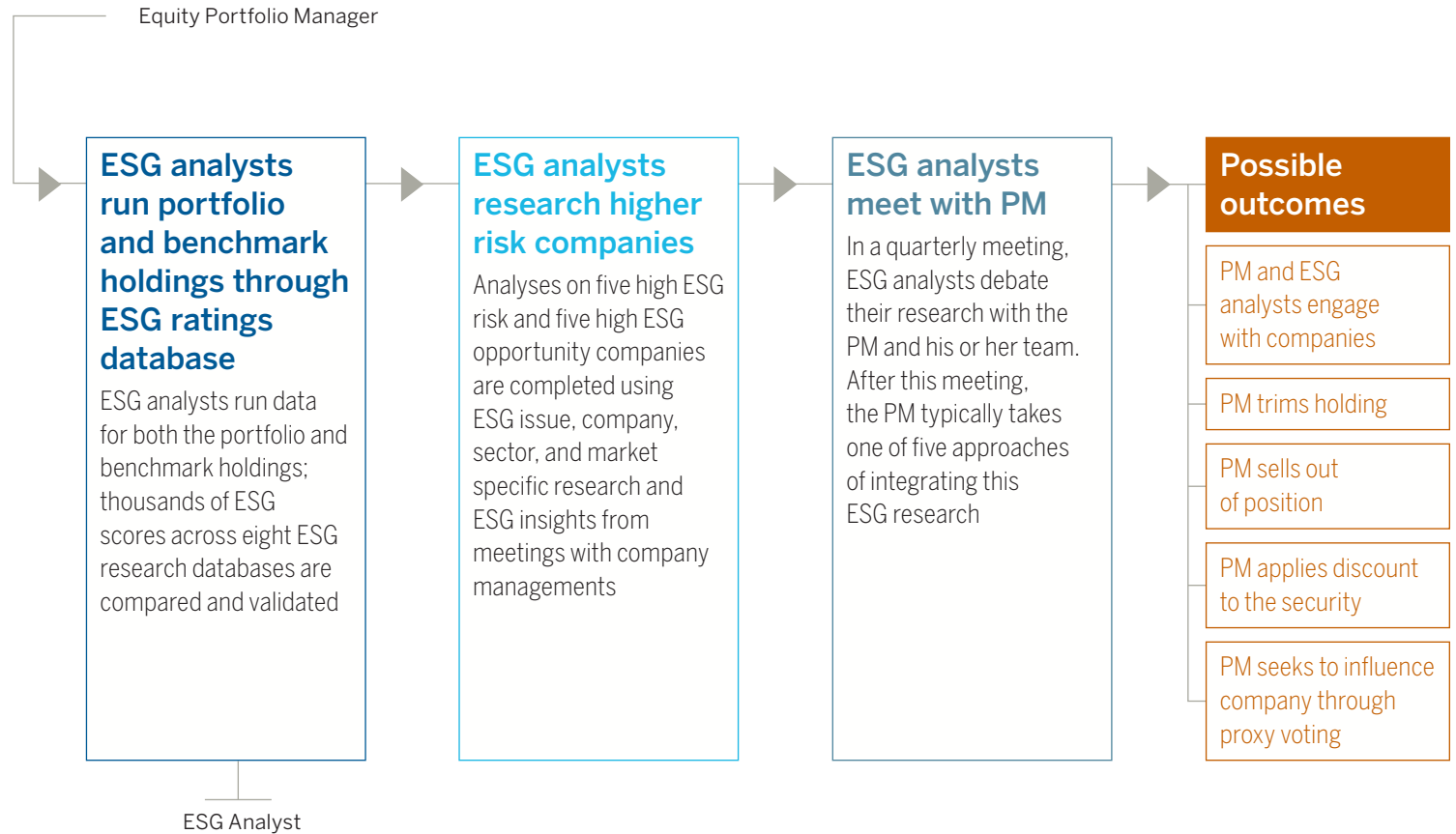
Portfolio managers integrate ESG into investment and risk management processes

Engagement on ESG issues can drive more informed decisions



ESG portfolio reviews

Deep dive on the portfolio's material ESG risks and opportunities



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