

CASE STUDY

Wellington Management

Global Impact Bond Fund

WELLINGTON
MANAGEMENT®

Year established	2019
Fund domicile	Ireland
Strategy-level AUM (USD) ⁷⁵	\$1.8B
Target market	Global
Primary investments	Labeled and unlabeled fixed income securities (sovereign, securitized, corporate, municipals, and agencies)
Management team	3 dedicated portfolio managers (supported by other stakeholders within Wellington, including ESG analysts and internal experts)
Aligned standard(s) & regulation	SFDR Article 9; Net Zero Commitment

Strategy overview

Wellington’s Global Impact Bond Fund was launched in May 2019 and aims to achieve long-term total returns in excess of the Bloomberg Aggregate Hedged to US Dollar Index while creating positive, measurable impact by investing in fixed income opportunities that contributes solutions to at least one of the firm’s 11 “impact themes,” which are in turn aligned to

the SDGs.⁷⁶ These impact themes are organized into three overarching categories, which the Fund defines as key to driving “a just transition to a sustainable future”: Life Essentials (Affordable Housing, Clean Water and Sanitation, Health, and Sustainable Agriculture and Nutrition); Human Empowerment (Digital Divide, Education and Job Training, Financial Inclu-

75. As of January 31, 2025, Strategy Level AUM

76. While Wellington Management supports the SDGs, it does not manage the portfolio to any targeted level of alignment to them. Wellington determines the goals and targets that, in its view, each company is aligned with. Other investment firms may take different views.

sion, and Safety and Security); and the Environment (Alternative Energy, Resource Efficiency, and Resource Stewardship).

Both labeled and unlabeled securities feature within the Fund's investment universe, which is diversified across all major fixed income sub-asset classes. To be included within the bond portfolio, issuers or securities must meet the Fund's core impact criteria of materiality (i.e., impact is central to the issuer's activities and related to the impact themes), additionality (i.e., the issuance generates impact that otherwise may not have been achieved), and measurability (i.e.,

the issuance generates quantifiable impact that can be tracked over time).

Investing in both labeled and unlabeled securities, the Global Impact Bond Fund's impact approach is grounded in assessment of securities based on their *materiality* to one or more of the firm's 11 impact themes, their *additionality*, and their *measurability*. Also core to the Fund's approach are robust assessment of issuers' ESG practices, regular monitoring of impact performance, and frequent engagement with issuers in support of improvements in their impact reporting and overall sustainability.

Core characteristics

Focus

The investor selects securities based on their stated UoPs' or revenues' contribution to specific impact themes.

Issuances are assessed against three primary impact criteria: materiality, meaning an issuer must derive over 50 percent of its revenue from impact activities in the case of general-purpose bonds or have stated UoPs aligned to at least one of the Fund's 11 impact themes for labeled bonds; additionality, which assesses the extent to which the issuer or UoPs are creating impact that otherwise may not have happened; and measurability, which assesses whether impact is quantifiable, as evidenced through the identification of an impact KPI.

Responsibility

The investor assesses an issuer's ESG performance and ethical footprint (e.g., reputational checks, thematic exclusions).

The Fund takes a multi-pronged approach to assessing issuers' ESG performance. Issuers are subjected to a do no significant harm test using SFDR's Principle Adverse Impact indicators (PAIs). For a given PAI, the Fund may compare an issuer's sustainability performance against peers' (e.g., GHG emissions for a given industry) or conduct more qualitative assessment of policies and practices, as appropriate. Additionally, on an ongoing basis, issuers are rated by a dedicated ESG research team, and the Fund may pursue divestment in cases where ESG controversies arise. ESG analysts conduct in-depth analysis of factors that are considered material to companies within their sector coverage. Financial materiality forms the foundation of the research process, as the ESG issues that are likely to impact long-term value differ by sector and industry.

Completeness

The investor takes a holistic approach to impact assessment—considering UoPs/revenue, the issuer’s practices, and securities’ structure, while also calibrating assessment to the theme and sub-asset class at hand.

In addition to assessing investments based on their materiality, additional-ity, and measurability—as well as on their issuers’ ESG performance—the Fund subjects labeled bonds to other assessment criteria. In the case of labeled UoP bonds, a specific framework is applied that examines, among other things, their structural characteristics, including the percentage of proceeds allocated to social or environmental projects and the length of lookback period.

Engagement

The investor leverages impact data to optimize their portfolio and engages with issuers to improve their impact.

The Fund leverages issuer engagement to meet several objectives: to gather more information about their investments, to take corrective actions in the case of impact underperformance (including divestment), to gather information about material ESG considerations, and to support the development and disclosure of appropriate impact KPIs in support of the Fund’s impact goals. The Fund may directly engage with issuers multiple times a year and aims to cultivate relationships over a longer term to support issuers in evolving their practices.

Transparency

The investor collects, aggregates, and transparently reports on the impact of its investments.

In assessing investments, the Fund identifies an impact KPI per transaction to collect annually—to the extent possible, leveraging a loose taxonomy of KPIs organized by theme to support consistency in measurement and aggregation. Impact KPIs, such as units of affordable housing financed or GHG emissions avoided, are aggregated at the fund level and included in annual impact reports. Additionally, allocation data is shared by theme and SDG, with quantitative data paired with qualitative case studies.

Featured practice: *Impact diligence*

The Global Impact Bond Fund's approach to impact diligence is distinguished by its granular, bottom-up, and integrated nature—involving strong collaboration between various teams within the firm. Investible opportunities are typically sourced by the investment team. The Impact Management and Measurement (IMM) practice collaborates closely with the investment to document how the issuer or issuance meets the criteria for materiality, additionality, and measurability ahead of investment—taking input from ESG analysts and other internal experts. Included in documentation is a theory of change created for the issuer/issuance, assessment of its alignment with SDG goals and targets, and consideration of any impact risks. If opinions on impact eligibility differ among collaborators, real-time debates supported by sector- and issuer-specific research contribute to a highly dynamic investment process. If approved, the security type is included within the Fund's impact universe and may be purchased repeatedly without need for additional impact assessment.

On a weekly and monthly basis, stakeholders involved in managing the Fund convene to discuss emergent findings, trends, and challenges. Tracking each of its investments in the same, comprehensive database, the IMM Practice assists the investment team in reviewing the impact materiality of each holding on an annual basis using a combination of third-party and issuer published data. Significant declines in materiality form a basis for issuer engagement and even divestment in certain cases.

Highlighted transaction: Aegea⁷⁷

In 2022, the Global Impact Bond Fund invested in the debt of Aegea, Brazil's largest private sanitation company, which falls under the Fund's Clean Water & Sanitation theme. Aegea has set ambitious sustainability goals that drive real world impact: to provide 99% of the population with access to drinking water and 90% with adequate sanitation within their operational area. Additionally, the company aims to reduce energy consumption in water and sewage treatment by 15% percent between 2021 and 2030. The Fund has purchased both general-purpose and sustainability-linked bond issuances from Aegea in support of these objectives.

Aegea serves over 31 million people across 15 states. With around percent of Brazil's population lacking basic sanitation, water pollution and waterborne diseases are prevalent. Aegea's planned expansion of sewage infrastructure and services support improvements in access to clean water, reductions in water pollution, and enhancement of public health outcomes.

**Investor spotlight:
Square Mile**

Square Mile, a UK-based consulting company, focuses its research on fixed income impact funds on strategies that invest in securities that have UoPs demonstrating a clear intention to generate a broader positive social or environmental impact or that have issuers whose core products and services provide demonstrable social and environmental impact. It also priori-

77. "Sustainability Report", Aegea, 2023 and "Socio-Environmental Report", Aegea, 2023; Company case study example is for illustrative purposes only and should not be interpreted as a recommendation or advice

tizes strategies that demonstrate issuer engagement. Square Mile invests in the Wellington Global Impact Bond strategy because it offers the compelling proposition of prioritizing both the pursuit of financial returns—which aim to outperform the Bloomberg Global Aggregate Index—and of substantial positive social and environmental impact. The strategy encompasses a structured investment process that meticulously evaluates potential investments using quantitative and qualitative measures and provides comprehensive annual reports that provide detailed insights into engagement priorities, thematic allocations, investment spotlights, impact outcomes, engagement case studies, and SDG alignment—facilitating a clear understanding of the strategy’s impact and performance.