

# Global Impact investment spotlights

ADDENDUM TO OUR 2022 GLOBAL IMPACT REPORT

September 2023



# Contents

This report, an addendum to our [Global Impact report](#), showcases four impact themes and sample investment spotlights, including impact theory of change and key performance indicators (KPIs), qualitative assessment, engagement updates, and the measurable outcomes we achieved.

The purpose of this report is to highlight the impact case for one sample investment spotlight in four of our impact themes that span our three broad categories of Life essentials, Human empowerment, and Environment. While all companies in our portfolio meet the financial criteria that we believe enable us to deliver competitive investment returns for our clients, these sample investment spotlights are solely intended to illustrate metrics regarding our impact objectives and outcomes.

For information on our overall impact commitment and approach, as well as deep dives and reporting on our both our equity and fixed income strategies, please view our [impact platform page](#).

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Portfolio spotlight examples are based on non-performance-based criteria. For information on how we selected the portfolio spotlight examples, please see the Important disclosures section. Portfolio spotlight examples are for illustrative purposes only, are not representative of all investments made by the portfolio, and should not be interpreted as specific security recommendations or advice. It should not be assumed that an investment in the examples has been or will be profitable. Actual holdings vary for each client, and there is no guarantee that a particular client's account will hold the examples presented. Key performance indicator (KPI) data is based on issuer or company reporting, press releases and websites, proxy data, and Wellington analysis. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness.

For all investment spotlights, Wellington's impact investment teams determine the UN SDG goals and targets that, in our view, each portfolio company or issuer is aligned with. Language for the goals and targets has been abbreviated, but not otherwise altered, from UN.org. Sources for SDG logos and targets: Wellington Management, [www.un.org](http://www.un.org).

THEME OVERVIEW

# Clean water & sanitation

## QUANTITY | QUALITY | DISTRIBUTION

2.8 billion people in urban areas could face water scarcity by 2050, equivalent to half the world's urban population.<sup>1</sup>

In 2022, nearly 3.5 billion people lacked safely managed sanitation, including 1.5 billion without basic sanitation services.<sup>2</sup>

For billions of people, securing clean water is a constant struggle that can hamper economic development and impair health outcomes. At the community level, water scarcity can contribute to social unrest, particularly in regions where economic inequality is high and governance is weak.

Increasing water demand and the growing risk of droughts and floods associated with climate change may make water insecurity worse. The Intergovernmental Panel on Climate Change (IPCC) estimates that without adequate adaptation, the water-related impacts of climate change will lower GDP in many low- and middle-income countries.<sup>3</sup> Access to sanitation also remains a major challenge for many underserved populations. According to UNICEF, 3.5 billion people still lack safely managed sanitation.<sup>4</sup>

We believe that products and technologies that help alleviate water stress and secure better health outcomes could see rising investment spending and secular demand growth. The UN estimates that capital investment in water infrastructure needs to triple by 2030 in order to meet this goal.<sup>5</sup> Our research with Woodwell Climate Research Center has reaffirmed the opportunity in this theme. We expect to see increased capital expenditure directed toward improving water and sanitation infrastructure, including delivery, safety, and treatment.

<sup>1</sup>"Partnerships and Cooperation for Water," UN World Water Development Report 2023, United Nations Educational, Scientific and Cultural Organization (UNESCO). | <sup>2</sup>"Progress on household drinking water, sanitation and hygiene 2000 – 2022: Special focus on gender," New York: United Nations Children's Fund (UNICEF) and World Health Organization (WHO), 2023. | <sup>3</sup>"Climate Change 2022: Impacts, Adaptation and Vulnerability," IPCC Sixth Assessment Report, Intergovernmental Panel on Climate Change. | <sup>4</sup>Previously cited UNICEF report. | <sup>5</sup>"Water Infrastructure and Investment," United Nations Department of Economic and Social Affairs.



## IMPACT THEORY OF CHANGE

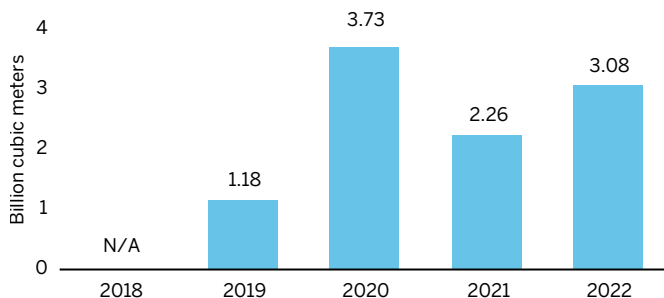
Xylem is a leading global water technology company that deals with some of the most challenging water issues across utility, industrial, commercial, and residential markets. Its portfolio of products and systems is designed to treat water and wastewater through smart technology solutions, including aeration, advanced filtration, and chemical-free disinfection. We believe investments in Xylem support efforts to mitigate water scarcity and water loss and optimize community water-system assets.<sup>1</sup>

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Provides solutions that improve water and energy efficiency, enabling water reuse and promoting water conservation
<b>Who</b>	End clients in the utility, industrial, and commercial/residential building solutions sectors
<b>How much</b>	Treated 3.08 billion cubic meters (bm <sup>3</sup> ) of water for reuse in 2022, for a total of 10.25 bm <sup>3</sup> since 2019 <sup>2</sup>
<b>Contribution</b>	Industry-leading installed base contributes to water efficiency <sup>3</sup>
<b>Risk</b>	Execution: Ensuring the safety of products across their life cycle; ensuring responsible sourcing practices in the supply chain

## PROGRESS OF CORE KPI

Volume of water treated for reuse



Source: Xylem

**Year of initial investment:** 2015

**Three-year annualized change in core KPI:** 37.7%

**Assessment:** Meets expectations

## QUALITATIVE ASSESSMENT

We are pleased with Xylem's financial and impact performance. In 2022, the company treated 3 bm<sup>3</sup> of water for reuse and made significant progress toward reaching its 2025 sustainability goals, including preventing polluted water from reaching local



**UN SDG ALIGNMENT** Ensure availability and sustainable management of water and sanitation for all

**TARGET 6.4** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

waterways and improving access to water solutions for millions of underserved people.<sup>4</sup>

Xylem developed its sustainability goals in collaboration with the Massachusetts Institute of Technology Sustainability and Health Initiative for NetPositive Enterprise (MIT SHINE). We are impressed with its use of a leading research center to develop detailed and realistic sustainability goals.<sup>5</sup>

Xylem has also worked with local, state, national, and global agencies; nonprofits; and utilities to launch the Reservoir Center for Water Solutions, a consortium tasked with brainstorming new approaches to global water problems. Through supporting this type of collective action, we believe Xylem helps to advance important work in water sustainability.

We are encouraged by Xylem's recent acquisition of Evoqua Water Technologies, which we also held in our portfolio. We are keen to see how this acquisition helps Xylem scale its services, particularly regarding industrial water challenges and digital innovation. These efforts will be critical in the US residential market as well, given proposed regulations of polyfluoroalkyl substances (PFAS). Evoqua believes its systems can meet the updated rules.<sup>6</sup>

## ENGAGEMENT PRIORITIES

We have recently engaged with Xylem's CEO to focus on the May 2023 acquisition of Evoqua and the proposed PFAS National Primary Drinking Water Regulation. We want to understand the potential risks and opportunities the regulation may present, and to what extent Evoqua will help Xylem manage them. We are impressed with the potential synergies of the acquisition and will continue to monitor progress.

<sup>1</sup>"Water Crisis: a vital investment opportunity," European Investment Bank, March 2023. | <sup>2</sup>Xylem Sustainability Report 2022. | <sup>3</sup>"Xylem announces acquisition of MultiTrove Pty Ltd to enhance global water and wastewater monitoring and control offering," Xylem press release, March 2013. | <sup>4</sup>Xylem Sustainability Report 2022. | <sup>5</sup>Ibid. | <sup>6</sup>"PFAS, PFOA & PFOS Contaminant Treatment," Evoqua.com.

THEME OVERVIEW

# Education & job training

## REMOTE ACCESS | IMPROVING FINANCIAL FUTURES

In 2022, US adults with a high-school diploma earned 25% more than those who did not finish high school.<sup>1</sup>

An estimated 773 million adults worldwide are illiterate, most of whom are women.<sup>2</sup>

Education is a basic human right, yet an estimated 78 million children do not attend school, owing to social conflict, climate-related disasters, or other reasons for displacement.<sup>3</sup> Children who do not receive an education may face significant obstacles as adults in finding employment opportunities that can sustain them economically. They are also likely to be more vulnerable to ill health, discrimination, and exploitation.

The COVID-19 pandemic and associated lockdowns have highlighted how crucial access to education is for children around the world. At the same time, the pandemic has turbocharged the use of technology in providing remote education. While COVID-related restrictions are no longer in place, we believe innovations that improve distance learning will remain in high demand, especially among low-income countries and communities. For adults, job training and skills development can help to lower the likelihood of unemployment and lead to higher-quality and better-paid work.

In our view, companies and issuers whose products and services provide affordable online learning and vocational training could enjoy significant growth potential. The impact they can have in narrowing the education gap and increasing access to economic opportunity is potentially widespread and enduring.

<sup>1</sup>"Education pays, 2022," US Bureau of Labor Statistics, May 2023. | <sup>2</sup>"What you need to know about literacy," United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute for Statistics (UIS), June 2023 update. | <sup>3</sup>"78 million children don't go to school at all, warns UN chief in call for action," UN News, February 2023.





## IMPACT THEORY OF CHANGE

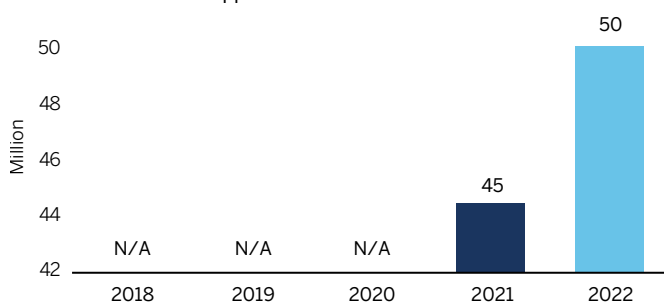
Ensuring inclusive education requires that every child, regardless of individual needs or barriers, has equal access to learning and equal opportunity to succeed. As the leading provider of cloud-based software for primary and secondary education in the US and Canada, PowerSchool simplifies workflows and reduces administrative tasks, allowing teachers to spend more time focusing on students. The company's software generates comprehensive data in real time on student performance, which enables schools to better understand students' educational needs and address them in a timely manner. By accelerating educators' ability to create appropriate support plans, we believe PowerSchool helps strengthen teacher/student relationships and empowers children to learn and engage in ways that are most beneficial for them.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Improving quality education and student outcomes
<b>Who</b>	More than 15,000 customers, including districts or individual schools, in over 90 countries <sup>1</sup>
<b>How much</b>	Reaching 50 million students globally <sup>2</sup>
<b>Contribution</b>	Case studies prepared by PowerSchool indicate that its solutions can lead to better student outcomes such as higher grades and lower dropout rates <sup>3</sup>
<b>Risk</b>	Execution: Keeping pace with technological advancements while protecting school information and preventing cybersecurity breaches

## PROGRESS OF CORE KPI

Number of students supported



Source: PowerSchool

**Year of initial investment:** 2021

**Three-year annualized change in core KPI:** N/A

**Assessment:** Meets expectations



**UN SDG ALIGNMENT** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**TARGET 4.1** By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education

## QUALITATIVE ASSESSMENT

The COVID-19 pandemic led to a significant increase in the use of education technology (edtech) software in US primary and secondary schools — nearly tripling in the 2021 – 2022 school year compared to 2017 – 2018.<sup>4</sup> Despite this penetration, schools often struggle with navigating multiple fragmented platforms, with information residing in disparate data silos.<sup>5</sup>

PowerSchool continues to meet our financial criteria as well as our impact thresholds. Its cloud-based solutions are intended to save time, increase efficiency, and aggregate data, allowing schools to focus on improving pedagogy and student outcomes. In Modesto, California, PowerSchool's integrated platform connected students, teachers, administrators, and parents across the district and helped schools use predictive data to deliver more personalized instruction. According to PowerSchool, this has led to an 8% drop in the number of failing or near-failing grades in the 2020 – 2021 school year.<sup>6</sup>

While multiple factors have likely driven the increase in the number of students supported, we believe PowerSchool's contribution to improving quality education is material. Supplemental data on aggregate student outcomes, as well as anecdotal evidence, such as the examples mentioned above, support the assumptions on which our theory of change is based.

## ENGAGEMENT PRIORITIES

We engaged with the company on developing more comprehensive impact metrics for learning outcomes and on its ability to aggregate such data across schools to demonstrate its added value. We have been impressed by management's solicitation of our thoughts and receptiveness to this feedback. We also appreciate that its efforts to advance technology such as artificial intelligence have not diminished its focus on safety. Based on a recent engagement with PowerSchool, its superior cybersecurity system appears to be recognized as a differentiator in an environment where US school districts are increasingly subject to high-profile ransomware attacks.

<sup>1</sup>PowerSchool Holdings, Inc. Form 10-K, December 2022. | <sup>2</sup>Ibid. | <sup>3</sup>"PowerSchool Awarded SIIA CODiE Award for Best Data Management Tool and EdTech Breakthrough Award for School Information System Solution Provider of the Year," PowerSchool press release, June 2022. | <sup>4</sup>Ibid. | <sup>5</sup>"Data interoperability in public education," Digital Promise, July 2017. | <sup>6</sup>"How One California District is Leading the Way with Interoperable Edtech," case study, PowerSchool.

THEME OVERVIEW

# Financial inclusion

## ACCESS TO CAPITAL | FINANCIAL TECHNOLOGY

Approximately 24% of people worldwide lack an account at a bank or regulated financial institution.<sup>1</sup>

Small- and medium-sized enterprises (SMEs) represent approximately 90% of businesses and employ more than 50% of workers worldwide.<sup>2</sup>

The UN calls financial inclusion “an enabler and accelerator of broad-based economic growth and resilience, improved financial health, job creation, and development,” adding that “an inclusive financial system is essential infrastructure in every country.”<sup>3</sup> Although bank account ownership in developing economies rose by eight percentage points between 2017 and 2021,<sup>4</sup> significant gaps in financial access persist for small businesses and underserved adults, particularly women, whose lower rates of account ownership can limit independence and economic empowerment.

Technology can help close the financial inclusion gap by reducing the use of high-cost or unreliable mechanisms to manage money.<sup>5</sup> For instance, millions of unbanked adults still receive payments in cash from governments and employers. Digitalizing these cash payments can increase account ownership and financial inclusion.<sup>6</sup> We believe companies that expand access to financial products and services, especially via digital mobile technology, have long runways for growth through expanding addressable markets around the world. We also think these solutions can help foster financial stability and economic development, and, in doing so, improve the lives of underserved individuals, companies, and communities.

<sup>1</sup>The Global Findex Database, The World Bank, 2022. | <sup>2</sup>“Small and Medium Enterprises (SMEs) Finance,” The World Bank, 2020. | <sup>3</sup>“The Imperative of Financial Inclusion,” United Nations Secretary-General’s Special Advocate for Inclusive Finance for Development, 2023. | <sup>4</sup>The Global Findex Database, The World Bank, 2021. | <sup>5</sup>Ibid. | <sup>6</sup>Ibid.



## IMPACT THEORY OF CHANGE

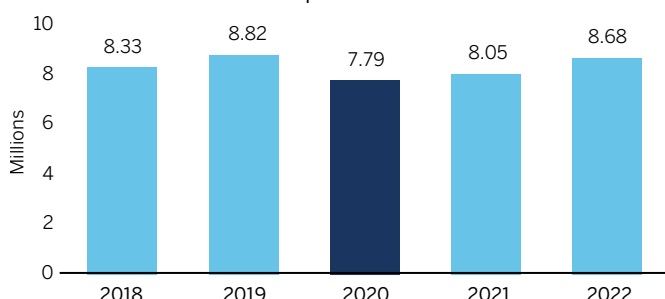
Bank Rakyat Indonesia provides microloans and other financial services to individuals and businesses who otherwise may be unable to access the financial system. Financial services such as digital payments, savings accounts, loans, and other forms of credit can enable people to improve their social and economic well-being. We believe that investing in banks that promote financial inclusion and financial education, particularly in emerging markets, can have a lasting impact on wealth creation and social mobility for individuals, communities, and economies.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Financial inclusion, which can lead to economic empowerment
<b>Who</b>	Financially excluded individuals and businesses; 48% of Indonesians do not have a bank account <sup>1</sup>
<b>How much</b>	Provided microloans to 8.68 million customers in 2022 <sup>2</sup>
<b>Contribution</b>	Provides more affordable lending rates for lower-income customers than informal alternatives
<b>Risk</b>	Execution: Ensuring customers are aware of and fully understand the risks of microfinance borrowing

## PROGRESS OF CORE KPI

Number of microloan customers provided with access to financial services



Source: Bank Rakyat

**Year of initial investment:** 2020

**Three-year annualized change in core KPI:** -1%

**Assessment:** Meets expectations

## QUALITATIVE ASSESSMENT

Bank Rakyat provides access to financial products and services to underserved Indonesians, nearly half of whom lack a bank account. The company, which continues to meet our financial criteria for investing, has publicly committed to provide financial access for all Indonesians, mainly via its predominance in the micro-, small-, and medium-enterprises (MSME) sector, which



**UN SDG ALIGNMENT** End poverty in all its forms everywhere

**TARGET 1.4** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

employs roughly 97% of the country's workforce.<sup>3</sup> In 2022, the bank increased its MSME loan disbursement by 10.1%, to an amount totaling approximately 60% of all credit distributed by the bank across Indonesia.<sup>4</sup>

Bank Rakyat is particularly focused on ensuring financial inclusion for people in the country's "3T" regions — frontier, outermost, and remote areas. The bank's BRILink Agent program enables certain customers to act as agents, so they can provide banking services to other customers. The program had more than 627,000 agents in 2022, a 24.6% year-over-year increase.<sup>5</sup> In our view, the program demonstrates the value of collaboration between the bank and its customers in advancing financial inclusion.

Although the number of Bank Rakyat customers has remained relatively constant, we are confident that other metrics show that the company has improved financial inclusion in the 3T regions. The BRILink Agent program, increased volumes of e-banking transactions, and the launch of the bank's Indonesian people's market app (digitally connecting food buyers and sellers) exemplify this greater inclusion.<sup>6</sup> Overall, we believe the bank is helping millions of low-income customers improve their financial resilience and access to opportunity.

## ENGAGEMENT PRIORITIES

We have had productive discussions with the management team about efforts to strengthen Bank Rakyat's retail banking capabilities. We gained a deeper understanding of its countrywide strategy, including how it offers lower prices than competitors and develops stronger relationships with customers. Through these conversations, we gained confidence that the bank will continue its strategic focus on enhancing financial inclusion, especially in rural Indonesia.

<sup>1</sup>"The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19," The World Bank. | <sup>2</sup>"Enhancing Sustainability Values Turning Goals Into Actions," PT Bank Rakyat Indonesia Sustainability Report, February 2022. | <sup>3</sup>"SME and Entrepreneurship Policy in Indonesia 2018," OECD, October 2018. | <sup>4</sup>"Enhancing Sustainability Values Turning Goals Into Actions," PT Bank Rakyat Indonesia Sustainability Report, February 2022. | <sup>5</sup>Ibid. | <sup>6</sup>"Reach Further, Provide Solution, Grow Better and Stronger," PT Bank Rakyat Indonesia Annual Report, 2022.



THEME OVERVIEW

# Resource efficiency

## PRESERVATION | ADVANCEMENT | SUSTAINABILITY

Global electricity demand is expected to reach 50,000 terawatt hours (TWh) in 2050, almost double the 2021 level.<sup>1</sup>

To ensure a sustainable and equitable future and promote long-term economic growth potential, we believe society must use its natural resources more efficiently. The UN estimates that more efficient production and consumption of materials in G7 countries could help cut estimated CO2 emissions between 2016 and 2060 by approximately 25 gigatons (Gt).<sup>2</sup> The twin trends of rising consumption and dwindling supply of nonrenewable and mostly finite resources including fossil fuels, minerals, and arable land pose a substantial risk to economic activity worldwide. We are already seeing signs of growing resource scarcity in areas as diverse as power generation and transmission, manufacturing, and construction.

The natural resource challenge is not just environmental. For many people, the more difficult resources are to obtain, the harder it is to maintain living standards and economic stability. Recent difficulties ensuring reliable access to energy supplies and the associated rise in energy prices have underscored the importance of efficient production and consumption. Prudent use of finite resources is also essential for a successful transition to a sustainable and more inclusive economic model. Innovating and modernizing existing resource extraction, production, and distribution methods can help reduce waste and pollution, contribute to climate-change mitigation, and safeguard human health. While requiring significant up-front investment, better processes could also save money over time.

We see a growing number of attractive investment opportunities within this theme as companies seek to decarbonize their manufacturing and production by sourcing renewable energy, investing in carbon capture and storage technology, and developing more efficient systems for water and energy use. Our research indicates that these solutions will not only be increasingly economically viable, but they could also help companies establish competitive and reputational advantages.

<sup>1</sup> Raimi, Daniel et al. "Global Energy Outlook 2023: Sowing the Seeds of an Energy Transition," Resources for the Future, March 2023. | <sup>2</sup> "Resource efficiency and climate change," UN Environment Programme, International Resource Panel, 2020.



## IMPACT THEORY OF CHANGE

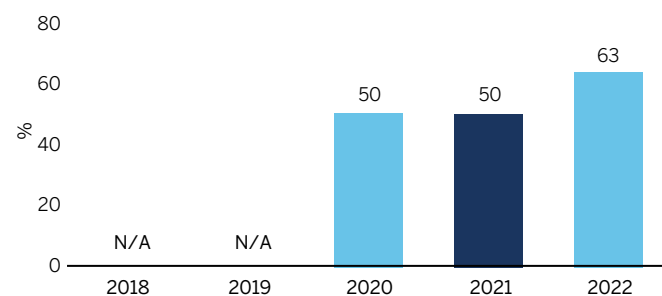
In many parts of the world, aging energy grids are increasingly stressed by the impacts of climate change, population growth, and the myriad challenges of transitioning to renewable energy supplies. As a result, governments are focusing on improving the operational efficiency of local power and utility infrastructure. We believe Hubbell's products, many of which help upgrade critical components and equip utilities with data-driven insights, can contribute to a more resilient, reliable, and efficient grid and critical infrastructure, thus facilitating the energy transition.

## FIVE DIMENSIONS OF IMPACT

<b>What</b>	Increase efficiency and resilience of the electric grid and facilitate the energy transition
<b>Who</b>	90% of sales are in the US, where 70% of the electricity grid is more than 25 years old <sup>1</sup>
<b>How much</b>	63% of Hubbell's 2022 revenue (US\$3.1 billion) was from products that improve grid resource efficiency, facilitate the energy transition, and protect critical infrastructure <sup>2</sup>
<b>Contribution</b>	Leading electrical infrastructure provider covering approximately 50% of the US electrical products market, with innovative products spanning the electricity value chain <sup>3</sup>
<b>Risk</b>	External: Changes in network infrastructure or other bottlenecks could impede Hubbell's impact

## PROGRESS OF CORE KPI

Share of total revenue from products with impact



Source: Hubbell Incorporated

**Year of initial investment:** 2021

**Three-year annualized change in core KPI:** N/A

**Assessment:** Meets expectations

## QUALITATIVE ASSESSMENT

In the US, 70% of the grid infrastructure is more than 25 years old, and outdated technology and aging infrastructure mean



**UN SDG ALIGNMENT** Take urgent action to combat climate change and its impacts

**TARGET 13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

that currently 5% of the US's annual electricity production is lost during transmission and distribution.<sup>4</sup> In addition, aging infrastructure can lead to power disruptions, which are economically costly and can be life threatening.

Hubbell remains financially attractive, in our view, and meets our impact thresholds. Its products support sustainability, resilience, and the integration of clean energy technologies into the power grid. The company's brands provide solutions across the power-grid value chain, ranging from power transmission to distribution components that ensure a resilient grid backbone. These include connectors, smart readers and communication systems, and electrical solutions that enable building operators to protect, wire, and manage power. These products help modernize the US electric grid and support the urgent need for more resilient, efficient infrastructure able to cope with climate change, increasing electricity demand, and the growing share of renewables as power sources.

While the rising share of products with impact reflects Hubbell's contribution over time, it does not tell the full story. Additional data on the extent to which the company's products improve resource efficiency compared to a baseline where they are not used would better reflect our impact theory of change. We understand that this is challenging given that Hubbell has close to 75 brands. However, the scope and depth of the company's products continue to give us conviction in Hubbell's expanding impact and growth potential.

## ENGAGEMENT PRIORITIES

We engaged with Hubbell last year on supply chain challenges resulting from heightened geopolitical risk and energy requirements. The company is considering sourcing components nearer its supply chain to better match costs and ensure reliable product delivery. We intend to use future engagements to discuss the utility-spending environment, as the need for increasing the US grid's resilience (known as grid hardening) becomes a greater focus for both policymakers and Hubbell's end customers.

<sup>1</sup> McLaughlin, Tim. "Creaky U.S. power grid threatens progress on renewables, EVs," Reuters, May 2022. | <sup>2</sup> "2023 Sustainability Report," Hubbell Incorporated. | <sup>3</sup> Presentation at Hubbell Incorporated 2022 Investor Day, June 2022. | <sup>4</sup> Frequently Asked Questions, US Energy Information Administration, November 2022.

# Important disclosures

## ABOUT THIS REPORT

Data provided is as of 30 September 2023.

The 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. The material and/or its contents are current as of 30 June 2023. Forward-looking statements or estimates may be made. Actual results and occurrences may vary significantly. 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. Wellington determines the goals and targets that, in our view, each portfolio company is aligned with. Language for the goals and targets has been abbreviated, but not otherwise altered, from UN.org. Wellington Management supports the United Nations Sustainable Development Goals. These are not to be construed as a recommendation of any of the specific securities presented or indicative of their past or future performance.

Investment examples are based on holdings of the representative account as of 30 June 2023. For Global Impact Equity, the representative account shown became effective on 1 September 2017 because it was the least restrictive account at the time of selection. Each client account is individually managed; individual holdings will vary for each account and there is no guarantee that a particular account will have the same characteristics as described.

Company examples are for illustrative purposes only, are not representative of all investments made by the portfolio, and should not be interpreted as a recommendation or advice. Portfolio spotlight examples are based on nonperformance criteria. For Global Impact Equity, the largest position in each impact theme is selected. If the largest position was highlighted last year, then a new position within the theme for 2022 is selected. If there is more than one additional company, or no new positions in the theme, the largest trade is highlighted (based on the number of shares).

The featured holding was largest by size in a theme as of 30 June 2023 for: Xylem, PowerSchool, Bank Rakyat, Hubbell Incorporated (Hubbell is tied for largest position, but the other holding was highlighted last year).

The key performance indicators (KPIs) shown for each company have been developed by Wellington. These metrics are proprietary to Wellington and are used to assess a company's progress toward its particular business objectives. Company information is from multiple sources including the following: annual and quarterly reports; industry research pieces; company websites; press releases; case studies; and company engagements. Only holdings that had applicable and available KPI data were included. In cases where the 2022 data was not available at the time of publication, we have used 2021 or the nearest to 2022 data.

## INVESTMENT RISKS

All investing involves risk. If an investor is in any doubt as to the suitability of an investment, they should consult an independent financial adviser. Past results are not necessarily indicative of future results and an investment can lose value.

**Capital:** Investment markets are subject to economic, regulatory, market sentiment, and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment.

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

**Currency:** Investments in currencies, currency derivatives, or similar instruments, as well as in securities that are denominated in foreign currency, are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

**Equity markets:** Equity markets are subject to many factors, including economic conditions, government regulations, market sentiment, local and international political events, and environmental and technological issues.

**Foreign and emerging markets:** 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.

**Real estate securities:** Risks associated with investing in the securities of companies principally engaged in the real estate industry such as REIT securities include: the cyclical nature of real estate values; risk related to general and local economic conditions; overbuilding and increased competition; demographic trends; and increases in interest rates and other real estate capital market influences.

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

**Sustainability:** An environmental, social, or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

## IMPORTANT INFORMATION

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