Wellington Global Stewards Fund Sustainability Report

2Q22

WELLINGTON MANAGEMENT®

ENGAGEMENTS IN SPOTLIGHT

Our investment framework is centered on finding companies with high, relative returns on capital and the stewardship to ensure that those returns are sustained. Stewardship is an important concept for us; we are looking for companies that have built a privileged competitive position and understand their responsibility in carrying it forward.

Consider the risks: Investors should consider the risks that may impact their capital before investing. The value of your investment may fluctuate from the time of the original investment. Please refer to the risks section on page 8 for further details.

This is a marketing communication. Please refer to the prospectus of the Fund and to the KIID and / or offering documents before making any final investment decisions.

Holding a High Bar

The second quarter of the year is a busy quarter for proxy voting. While our objective is to own companies in a position of strength with established competitive positions, a history of high returns, and inspiring leadership, we still see meaningful opportunity to influence the long-term success of our holdings through voting and engagement. Reviewing and voting company proxies is an important part of our fiduciary responsibility when we manage assets on your behalf.

Core to the annual proxy ballot is our assessment of the strength of board membership and our vote in support of directors for seats on the board. An effective board director should act in shareholders' best economic interests and possess the relevant skills to oversee company strategy, succession planning and capital allocation. We also look for directors with a wider perspective that enables a focus on the long-term and the consideration of all stakeholders in the pursuit of profit. We assess whether a director has the time and energy to fully commit to their board responsibilities. Year to date we have voted at the annual meetings for 33 of the 38 holdings in the portfolio. Of those 33 proxies, we voted against nine directors, across eight companies, due to over-boarding concern. We are especially careful to consider commitments when a director has executive and board positions for a separate company or the added role of chairing the Audit or Remuneration committees of the board. In this season, one director at **Ecolab** that we voted against for over-boarding received notably low support from all shareholders (58%, down from 61% last year). We expect the Ecolab board to address this ongoing shareholder concern, ensuring a reduction in the director's outside responsibilities or his replacement on the board. These are challenging trade-offs as the director in question brings important industry and customer perspective, with deep knowledge of Ecolab's institutional market, particularly the foodservice segment. At the same time, we set high standards for directors as fiduciaries and expect them to have the capacity to fully dedicate themselves to their board duties in good times and in challenging times.

We follow votes against management with engagement outreach to encourage companies to adopt best practices. We voted against seven compensation plans last year. Constructive engagements post the annual meeting season helped reduce this total to two votes against in 2022 because companies revised plans to improve integrity and alignment. As an example, we had a successful engagement with **Prologis** on the complexity of their remuneration plan after our 2021 vote against. Prologis should be recognized for the strong level of investor outreach after receiving only 52% shareholder support on their say on pay vote in 2021. With amendments to the plan, support rose to 84% this season. The real-estate logistics company made important improvements, simplifying and reducing the double counting of performance criteria, narrowing and improving the fit of their plan peer group, and introducing max caps on high-paying long-term plans. We saw strong improvement in the level of disclosure, including targets, thresholds and maximums for all metrics, including ESG measures. We supported their responsiveness and engagement on the topic, but encouraged continued efforts to reduce complexity and raise the bar further on measurement targets to limit the potential for egregious pay-outs and misalignment.

We continue, meanwhile, to identify those compensation plans that were less well structured, lacked transparency or stood out for sheer quantum. Even the best stewards have room for improvement. We continue to vote against the compensation plan for semiconductor company **Texas Instruments** and for card payments provider **Visa**. For Texas Instruments our concerns remain the largely discretionary cash bonus paid with little context around the award, an overly low bar for bonus pool funding, and time-based vs equity-based long-term incentive awards. We encourage a more formulaic plan with less discretion, more transparency around metrics and a higher threshold for performance. The plan received 83% support in 2022 suggesting we were not alone in our concerns. For **Visa**, there was ongoing use of discretion around a plan that continuously pays out at the maximum by measuring items that feel like table stakes for executives, including employee health & safety, cyber security, engaging with governments to help disburse public finds and reducing expenses. As with Texas Instruments, we encouraged Visa to provide more transparency and to raise the performance measurement bar used to determine incentive compensation.

During the 2022 proxy season we also had an opportunity to weigh in on a number of key shareholder proposals calling for companies to undertake an important review of key issues, including sexual harassment policy (**Starbucks** saw 32% of total votes cast in support of this review) and racial equity (**Home Depot** saw 63% of votes cast in support of its proposal). We strongly believe that thoughtful study of these important human capital topics can identify cultural blind spots and areas for improvement in managing people. These efforts can lead to actions that advance talent attraction, development and retention, ultimately benefiting long-term returns for shareholders. We plan to engage with both companies as they respond to the strong support for the proposals in question.

Home Depot also faced a call for greater efforts around deforestation (65% support). We strongly encouraged Home Depot to consider submitting their initiatives around deforestation to the CDP in order to receive external validation of their efforts and commitments. We shared this view in our engagement with the company ahead of voting. We were supportive of a number of other environmental shareholder proposals on proxy ballots. At **Scotiabank**, as an example, we supported proposals to add a Say on Climate vote and a proposal in support of a Climate Committee on the Board.

While our proxy votes help to influence the composition of the board and to encourage additional oversight on topics like remuneration and audit, we also aspire to engage one-to-one with directors to evaluate their influence on companies. We believe that board engagement is critical to a robust assessment of company stewardship. While boards at minimum provide checks and balances to management, we look for boards to provide additional insight through respectful challenge and ideally foresight, helping companies to think ahead and anticipate future challenges and opportunities. As part of this process, we held three important board engagements in the quarter. We met with the Chair of **National Grid**, where we discussed the importance of balancing the needs of the energy transition with the concerns over affordability and the need to modernize the company with stronger accountability, metrics and KPIs. We met with the Chair of **Scotiabank** to understand how the board balances the need to oversee risk and compliance while also encouraging management to evolve strategy and pursue new avenues for growth. Similarly, we pressed the Chair on how capital allocation was expanding revenues and creating value, while also ensuring attention was being paid to attendant risks like cybersecurity and preparing for a decarbonizing world (especially important in Scotia's resource-rich primary markets throughout Canada and Emerging Markets). Finally, we engaged with the lead independent director of **ADP** where we reviewed skills and perspectives in the boardroom, talent and succession planning in the C suite, and firm culture. We encouraged the board to increase their focus on climate risks and to eventually set science-based targets in alignment with a plan to reach net zero emissions.

While proxy voting and board engagement helps us to hold companies accountable for their overall governance, we continue to invest significant time and effort into assessing stewardship more broadly. During the second quarter of 2022, we were able to visit the headquarters of **Inditex** in Spain to better understand the business model, moat and culture of the firm. This comes at a time of board and leadership transition and the added pressures from closing their operations in Russia (8.6% of EBIT) and responding to a slowdown in European demand. Our engagement was strongly supportive of the business and stewardship case for Inditex. The company's business model is very differentiated, marrying engineering and creativity. The model is highly customer centric. Inventory is centralized, sourcing is focused on nearby markets, and the emphasis is on quick inventory turns and full priced sales. The company has transitioned well to a hybrid online/offline model, sustaining margins, and has a strong emphasis on sustainability (inclusive of reducing CO2, focusing on sustainable fabrics, cotton tracing and fair wages, emphasizing recyclability). We have engaged successfully with the new CEO and look now to engage with a non-executive director of the board as we follow Marta Ortega (daughter of founder Amancio Ortega) in her new responsibilities as board Chair.

We will continue to engage on your behalf with companies in the portfolio and hold them to an increasing standard, taking full advantage of the broad toolkit at our disposal, including our proxy voting responsibilities, direct board engagements, company visits and management meetings in order to support a portfolio that balances returns and stewardship. We appreciate your confidence in us and look forward to reporting further on the progress of your investments in the quarters to come.

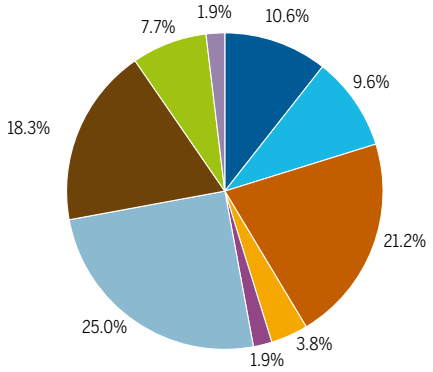
The engagement case studies presented are for illustrative purposes only. The engagement case studies chosen are based on meetings held during the quarter and focus on topics we think are important to stewardship, giving insight into our process. There can be no assurance will continue to hold these companies and will be profitable in the future.

ENGAGEMENT SUMMARY

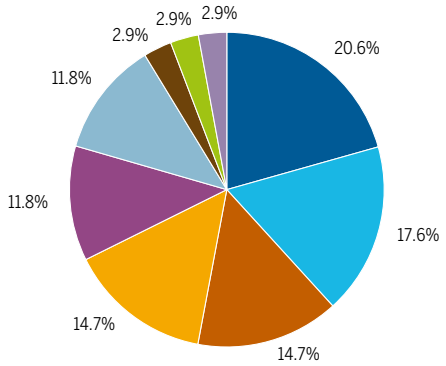
We see a meaningful opportunity to supplement our knowledge of companies, and to enhance our influence on their long-term success, through engagement. Regular conversations with Management and with Boards open the door for this to be a two way dialogue. Our exchanges help us assess companies for their corporate culture, adaptability, responsiveness, and an alignment of incentives with sustainable long term targets. We believe it is our fiduciary duty to give feedback to companies entrusted with our client's capital, supporting long-term behavior, and holding accountable those in charge. Over the reporting period, 34 engagements with the portfolio's held names were conducted on a broad range of ESG topics.

	Number of Engagements	Market Value Covered by Engagements (%)
2Q22	34	75.9
Year-to-date	72	89.9

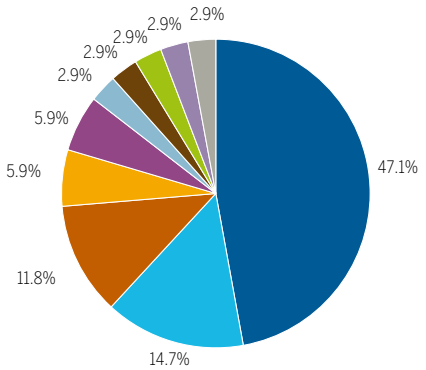
Engagements by Topic	Class	Split (%)
Climate (Physical/Adaptation Or Transition/Mitigation)	E	10.6
Environmental Practices	E	9.6
Culture/Talent/Labor/Health & Safety/Ethics	S	21.2
Supply Chain Management	S	3.8
Other Social	S	1.9
Long Term Corporate Strategy	G	25.0
Capital/Resource Allocation	G	18.3
Governance/Compensation/Succession Planning	G	7.7
Other Governance	G	1.9
Total		**100.0**



Engagements by Sector	Split (%)
Financials	20.6
Consumer Discretionary	17.6
Information Technology	14.7
Utilities	14.7
Health Care	11.8
Industrials	11.8
Consumer Services	2.9
Consumer Staples	2.9
Real Estate	2.9
Total	**100.0**



Engagements by Country	Split (%)
United States	47.1
United Kingdom	14.7
Spain	11.8
Canada	5.9
France	5.9
Hong Kong	2.9
Japan	2.9
Netherlands	2.9
Singapore	2.9
Switzerland	2.9
Total	**100.0**



The companies shown are not representative of all of the securities purchased, sold, or recommended for the portfolio. It should not be assumed that an investment in the companies listed has or will be profitable. 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.

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ESG RATINGS SNAPSHOT

As one component of the firm's research process, companies are assigned an ESG rating using a proprietary, systematic process that uses third-party inputs and considers industry, home market, and company size in defining the peer universe. Each rating reflects a peer-relative assessment, thus comparison versus peers is more meaningful than comparison across peer groups, in our view. Importantly, the rating is not a buy or sell signal, but rather helps identify potential issues and provides a starting point for deeper analysis.

Wellington Management methodology

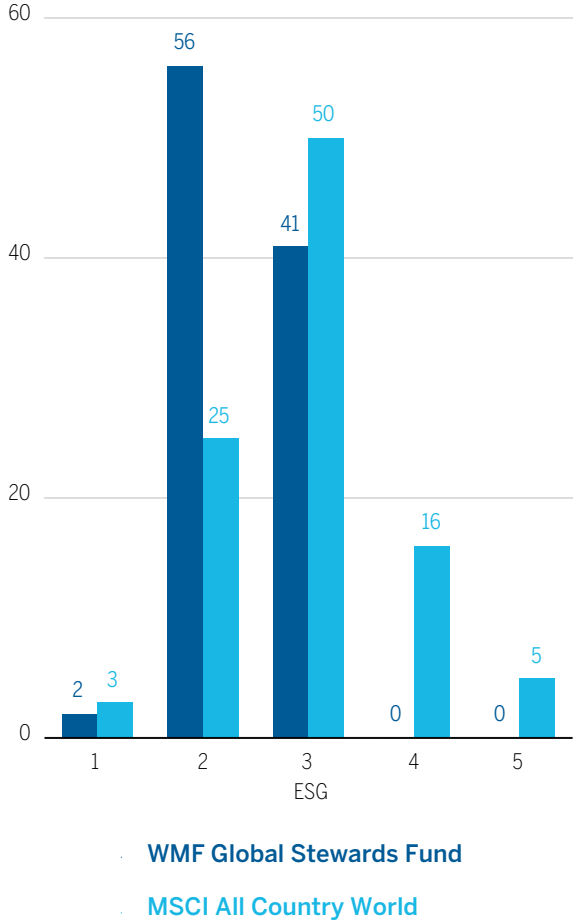
Comparable: peer-relative ESG profile and E, S, and G components rated on 1 – 5 scale, facilitating comparison across portfolio or industry; with 1 being the most positive and 5 the most negative.

Proprietary: calculated using our own industry weights and peer universe definition

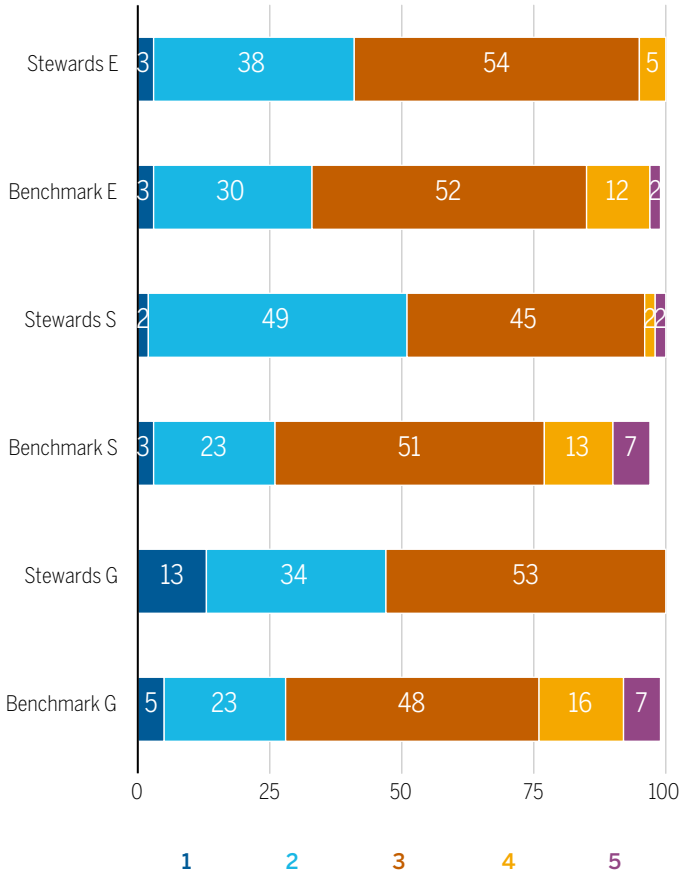
Accessible: available through equity and fixed income systems and on our common research platform

	ESG Rating	Environmental (E)	Social (S)	Governance (G)
Global Stewards	2.4	2.6	2.5	2.4
MSCI All Country World Index	2.9	2.8	3.0	3.0

ESG rating distribution – Global Stewards (holdings %)



Global Stewards vs benchmark ESG rating distribution (rating %)



The data shown is for informational purposes only, is subject to change, and is not indicative of future portfolio characteristics or returns.

PORTFOLIO CARBON ANALYSIS

We are committed to limit the portfolio's contribution to climate change by targeting a carbon footprint that is at least 50% less than the global economy (MSCI ACWI). Further, we will manage the portfolio to target net zero emissions by 2050 in alignment with the Paris Agreement. Science based targets (SBTs) are validated by the Science Based Targets initiative (SBTi). SBTs are 10-year targets aligned with limiting global warming to 1.5°C, include scope 1, 2, and material scope 3 emissions, and must be achieved through direct action in operations/value chain. Three consecutive SBTs would show alignment with the Paris Agreement by meeting net zero by 2050. Carbon footprint reporting is intended to quantify the carbon exposure of a portfolio by aggregating the contribution of investee entities to climate change through their regular operations. Footprint metrics are most meaningful in reference to the strategy's benchmark or relevant opportunity set. Carbon footprint reporting accounts for Scope 1 and 2 greenhouse gas (GHG) emissions and is expressed in carbon dioxide equivalents. Scope 1 emissions are those occurring from sources that are directly controlled by the entity, meaning the operations that create products and services. Scope 2 emissions measure indirect emissions generated by the production of electricity that the entity consumes.

SBT Summary

	Eligible MV with SBTs (%)		# of Issuers with SBTs		Ctb to WACI (%)	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Total (Targets Set or Committed)	72.6	45.8	27	697	74.1	24.0
Targets Set	58.5	32.1	22	429	70.6	15.9
1.5 °C	45.8	25.1	17	274	40.0	5.0
1.5°C / Well Below 2 °C	0.0	0.3	0	7	0.0	0.0
2 °C	5.2	2.1	2	43	6.9	1.5
Well Below 2 °C	7.5	4.6	3	105	23.8	9.4
Committed	14.1	13.7	5	268	3.5	8.1

Source: Science Based Targets | Benchmark: MSCI | The Summary Table displays portfolio's exposure to companies with science based targets (SBTs) validated by the Science Based Targets initiative (SBTi). SBTs are 10-year targets aligned with limiting global warming to 1.5°C, include scope 1, 2, and material scope 3 emissions, and must be achieved through direct action in operations/value chain. Three consecutive SBTs would meet net zero by 2050. The Glidepath shows the path from exposure to SBTs from the baseline start date to 100% exposure at the end of 2040, and allows the last 10 years for companies to execute against their SBTs.

Overall Global Stewards CO2 Emissions and Intensity

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Fund	11	1,257	47	44	100
Benchmark	56	6,619	186	170	99.8
	T CO2e/$M Invested	T CO2e		T CO2e/$M Sales	% Market Value

The Weighted Average Carbon Intensity of the Global Stewards Fund is 74% less than that of the MSCI ACWI.

Source: MSCI | Benchmark: MSCI All Country World | **Carbon Emissions**: Emissions financed per $1 million invested in the mandate. This metric is calculated by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding, and then dividing by the portfolio's total market value. **Total Carbon Emissions**: Total emissions financed by the portfolio. This metric accounts for mandate size by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding. **Carbon Intensity**: Metric normalizes emissions by company size, using revenue as a proxy for size. This metric is calculated as total emissions financed by the portfolio (equivalent to Total Carbon Emissions metric) divided by total revenue financed by the portfolio (% Enterprise value incl cash financed X Revenue) for each holding. **Weighted Average Carbon Intensity**: Proxy for carbon efficiency of portfolio construction when compared to benchmark. This metric is calculated as a weighted average of each holding's carbon intensity, using % Market value in the portfolio. | Data availability may be lower than Data Availability – Carbon Intensity for the two calculations of financed emissions (Carbon Emissions and Total Carbon Emissions). This is because the financed emissions metrics require availability of both carbon emissions and Enterprise Value including Cash for each holding.

Weighted Average Carbon Intensity by Sector

	% Equity Market Value		Weighted Average Carbon Intensity (T CO2e/$M Sales)		Contribution to Weighted Average Carbon Intensity (T CO2e/$M Sales)	
Sectors	**Stewards**	**Benchmark**	**Stewards**	**Benchmark**	**Stewards**	**Benchmark**
Utilities	4.3	3.2	342	1,934	15	61
Information technology	19.5	20.9	58	33	12	7
Consumer discretionary	15.3	11.1	38	38	6	4
Materials	4.7	4.8	85	813	4	39
Health care	11.6	13.0	28	20	3	3
Consumer staples	5.8	7.6	30	52	2	4
Industrials	12.5	9.4	13	134	2	13
Financials	19.2	14.5	3	17	1	3
Communication services	1.9	7.9	15	18	0	1
Real estate	2.5	2.8	1	95	0	3
Energy	–	5.0	–	653	–	33
Overall	**97.3**	**100.0**			**45**	**171**

Source: MSCI | Benchmark: MSCI All Country World | Data presented in this report is compiled from numerous sources and estimation methods | Carbon eligibility is based on the state of carbon data availability and includes only Corporate holdings. Carbon data availability is represented as a % of carbon eligible securities, which may be less than the total market value of the portfolio. Weighted Average Carbon Intensity figures for each sector and the portfolio are calculated by rescaling exposures based on available emissions data and therefore may not be fully representative of the portfolio's emissions. | **Not classified**: Corporate holdings not classified as one of 11 sectors according to GICS Sector classification. It also includes Market exposure through investments in ETFs; no carbon data is provided for such pooled investments because the report does not provide for look-through to underlying investments.

Largest Contributors to the Global Stewards' Weighted Average Carbon Intensity

Company	Sector	Country	% Equity Market Value	Contribution to Weighted Average Carbon Intensity (%)	Carbon Intensity (T CO2e/ $M Sales)	Benchmark Average Sector Intensity	Emission Source
Iberdola SA	Utilities	Spain	2.4	18.7	346	1,934	Company disclosure
National Grid PLC	Utilities	United Kingdom	2.0	15.6	338	1,934	Company disclosure
Taiwan Semi	Information technology	Taiwan	2.3	11.1	216	33	Company disclosure
Texas Instruments	Information technology	United States	3.0	9.8	148	33	Company disclosure
Koninklijke DSM NV	Materials	Netherlands	2.6	7.4	125	813	Company disclosure
Cie Generale des Eta	Consumer discretionary	France	2.7	6.8	112	38	Company disclosure
Starbucks Corp	Consumer discretionary	United States	3.9	3.9	45	38	Company disclosure
Microsoft Corp	Information technology	United States	5.4	3.6	30	33	Company disclosure
Baxter International	Health Care	United States	2.4	3.4	62	20	Company disclosure
Diageo PLC	Consumer staples	United Kingdom	2.4	2.6	49	52	Company disclosure

Source: MSCI | Benchmark: MSCI All Country World | Company represents the name of the parent entity from which a holding's emissions data has been sourced, if that issuer does not disclose its own emissions data. | The % Market Value may represent more than one holding as it aggregates all account holdings that source emissions data from the same parent entity.

Emission Source (%)

	Company disclosure	Adjusted	Estimation	Uncovered
Fund	94.8	3.1	2.1	–
Benchmark	87.8	22.4	9.7	0.2

Source: MSCI | Benchmark: MSCI All Country World | Data presented in this report is compiled from numerous sources and estimation methods. Subsidiary mapping by MSCI is leveraged where emissions data is available only for the parent issuer. The source % represents a breakdown of Scope 1 and 2 carbon data availability as a percentage of carbon eligible securities, which may be less than the total market value of the fund. **Company disclosure**: Direct from entity disclosure, either to CDP or company filings. **Adjusted**: Augmented by MSCI due to partial or outdated company disclosure. **Estimation**: Provided by MSCI based on assessment of business activities and output levels. Where subsidiaries are held and no distinct emissions data is disclosed, emissions may be attributed from the parent company as a proxy. **Uncovered**: No data available, as data is not disclosed by entity or estimated by MSCI.

FUND OBJECTIVE

Our objective in this approach is to outperform global equity markets as represented by the MSCI All Country World Index by identifying businesses with high financial returns and the stewardship to sustain them. We are biased to own companies already in a position of strength: with established competitive positions, identifiable business advantages, a history of continuous improvement and innovation, and inspiring leadership. We focus on return on capital as a measure of success, looking for a track record of value-added returns over time and through cycles.

There is no guarantee that a company in a position of strength today will be successful in the future. To help evaluate the likelihood for high returns to continue, we place a heavy emphasis on each company's stewardship, with the belief that proper care and nurturing of a corporation's valuable assets and intangibles is critical to a company's long term resilience.

We value stewardship that is long-term oriented; implemented by strong management and an engaged Board; exemplified by excellent capital and resource allocation; and distinguished in its consideration of all stakeholders in the pursuit of profit. The popular moniker ESG (referring to Environment, Social and Governance considerations) captures many of these elements. Our bias is to focus on the ESG issues most material to the long-term value of each company in the portfolio.

In our opinion, the best global stewards are dynamic, relying on a constantly turning flywheel. That is, businesses that redeploy their free cash flow from high financial returns to further strengthen competitive positions, investing in stewardship activities that energize employees, customers, investors and communities around a company's mission. This creates a bigger competitive moat and a more resilient business, supported by increasingly committed stakeholders. As a result, high financial returns are sustained, if not improved. Then the process repeats itself, again and again. When done well, the spinning flywheel can put even more distance between market leaders and competitors. We want to own these types of companies for a long time.

Mark Mandel, CFA
Equity Portfolio Manager

Mark manages Global Stewards, a concentrated global equity strategy that aims to invest responsibly in high-return companies with leading corporate stewardship over an extended time horizon. As vice chair Mark also meets with clients, consultants, and prospects to represent the firm and to discuss global capital markets, investment opportunities, risks, and potential solutions. He is based in our Boston office.

Yolanda Courtines, CFA
Equity Portfolio Manager

Yolanda co-manages Global Stewards with Mark and is chair of the firm's Investment Stewardship Committee. From 2006 through 2018, she was a global industry analyst specializing in European and Latin American banks, responsible for fundamental analysis on her sector and for managing research-based portfolios. She is based in our London office.

INVESTMENT RISKS

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. The Fund may experience a high volatility from time to time.

Concentration: Concentration of investments within securities, sectors or industries, or geographical regions may impact performance.

Currency: The value of the Fund may be affected by changes in currency exchange rates. Unhedged currency risk may subject the Fund to significant volatility.

Emerging markets: Emerging markets may be subject to custodial and political risks, and volatility. Investment in foreign currency entails exchange risks.

Equities: Investments may be volatile and may fluctuate according to market conditions, the performance of individual companies and that of the broader equity market.

Hedging: Any hedging strategy using derivatives may not achieve a perfect hedge.

Sustainability: A Sustainability Risk can be defined as 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.

PLEASE REFER TO THE FUND PROSPECTUS AND KEY INVESTOR INFORMATION DOCUMENT FOR A FULL LIST OF RISK FACTORS AND PRE-INVESTMENT DISCLOSURES.

A decision to invest should take into account all characteristics and objectives as described in the prospectus and KIID.

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