Global Impact Bond report

AIMING TO GENERATE COMPETITIVE RETURNS AND POSITIVE IMPACT THROUGH PUBLIC FIXED INCOME MARKETS

June 2023

Contents

Message of commitment 3

Impact highlights 4

Engagement examples 5

Thematic allocation and UN SDG alignment 7

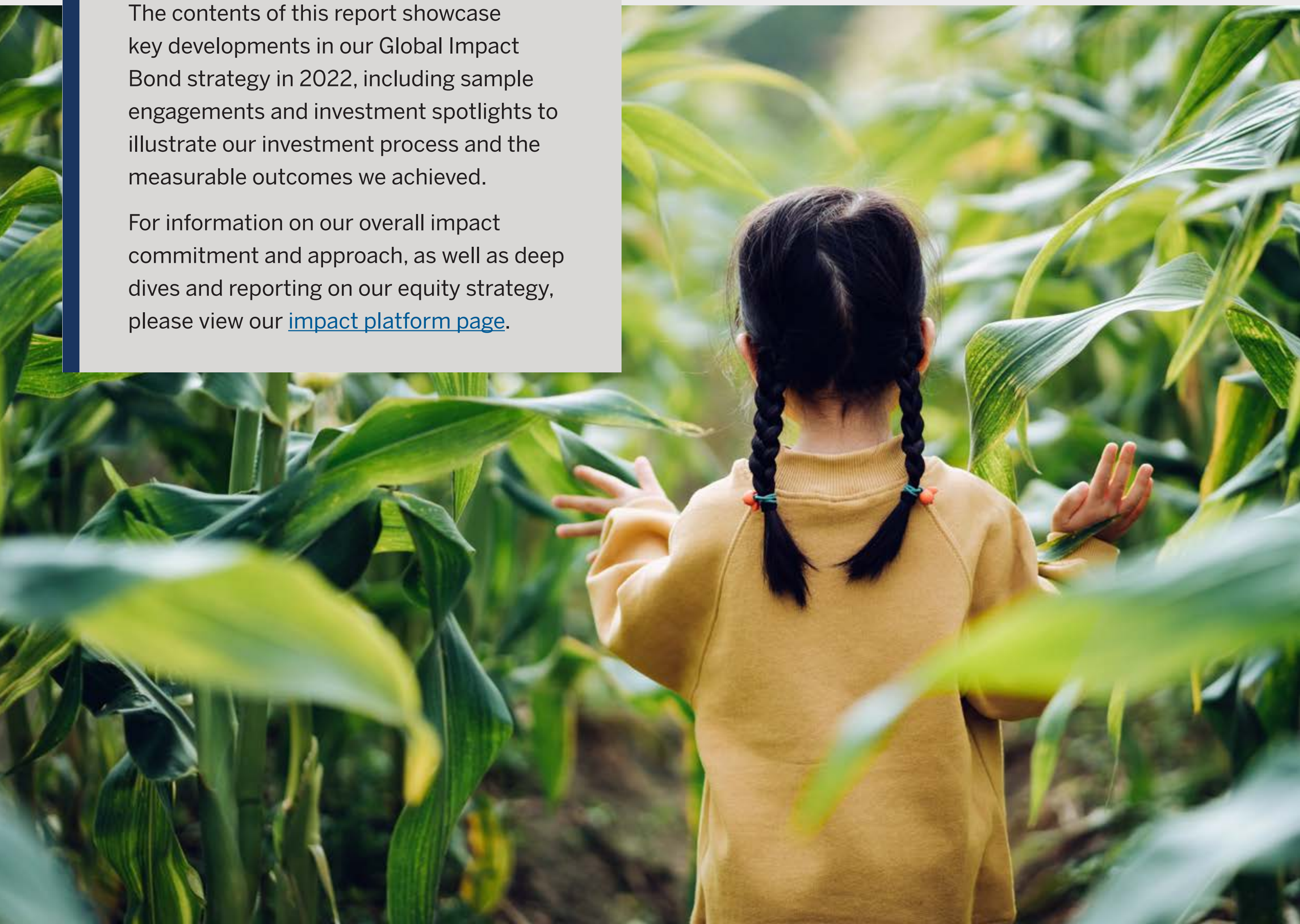
Impact themes and investment spotlights 8

Important disclosures 15

EVOLUTION OF OUR IMPACT REPORTING

The contents of this report showcase key developments in our Global Impact Bond strategy in 2022, including sample engagements and investment spotlights to illustrate our investment process and the measurable outcomes we achieved.

For information on our overall impact commitment and approach, as well as deep dives and reporting on our equity strategy, please view our [impact platform page].



Message of commitment

We're excited to present our fifth report for Wellington's Global Impact Bond strategy. In our view, impact investing harnesses investor power to help tackle the world's biggest social and environmental challenges. Our investment philosophy is simple: Public fixed income markets have the potential to provide not only attractive financial returns, but also a way to make a significant difference.

We recognize the increasing demand for initiatives that drive inclusive growth, safeguard our environment, and promote well-being. With that in mind, we have designed our Global Impact Bond strategy with the dual goal of generating strong returns and supporting positive societal change.

In 2022, our Global Impact Bond strategy helped fund solutions that made a tangible difference across our 11 impact themes. Here are a few examples:

- **Affordable housing:** We supported an underserved portion of the housing market by providing vital financing for lower-income individuals and bringing liquidity to secondary markets.
- **Health:** We backed hospitals that we believe combine top-notch health care with innovative research and professional education.
- **Clean water & sanitation:** With water scarcity worsening, our investments financed water-management infrastructure and supported sanitation providers in emerging markets.
- **Digital divide:** With the aim of helping to close the gap in broadband access, we invested in providers that bring high-speed broadband services to underserved areas.
- **Alternative energy:** We contributed to powering the future by backing the development of renewable energy facilities for solar, wind, and hydroelectricity.
- **Resource efficiency:** We continued to invest in green bonds and other debt instruments to fund energy-efficient upgrades in homes and buildings.

As the landscape of opportunity evolves, we remain dedicated to building on our high standards of rigorous impact research, engagement, and measurement. To this end, we're currently developing new frameworks to improve our analysis of issuers that tend to be overlooked in the impact sector, including quasi-sovereigns and securitized credit issuers.

We appreciate your trust in our team and in Wellington. We remain committed to generating both competitive investment returns and meaningful impact for you in 2023. Let's make a difference together.

CAMPE GOODMAN, CFA
Portfolio Manager, Global Impact Bond

All investing involves risk. Investors should consider the risk that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of original investment. Please refer to the Risks section for more information.

Learn more about our impact platform
Impact measurement and management

Impact highlights

Investments in our fixed income portfolio have enabled companies and other issuers to achieve the following impact:

6.8 million

Supplied or financed almost 6.8 million units of affordable housing

Equivalent to 13.4 times the housing stock of Stockholm[1]

661 million

Provided or treated more than 661 million cubic meters of water

Equivalent to approximately 1% of the water consumption of Canada in 2022[2]

22 million

Supplied health care products and services to more than 22 million patients

Equivalent to nearly twice the average number of patients admitted to hospitals annually in Australia[3]

1.3 billion

Enabled digital access for close to 1.3 billion people in developing countries

Roughly equal to the population of Africa[4]

3.3 million

Provided education, training, and career support to nearly 3.3 million people

Equivalent to 1.3 times the number of students enrolled in higher education in Japan in 2022[5]

12 million

Provided financial services to 12 million underserved people and businesses

Compared to 1.4 billion adults globally without bank accounts[6]

30.2 million

Protected more than 30.2 million businesses or individuals with cybersecurity tools and technologies

Compared to 392 million US data-breach victims in 2022[7]

99.2 TWh

Generated 99.2 terawatt hours of renewable energy

Equivalent to the average year-long electricity consumption of 8.4 million US households[8]

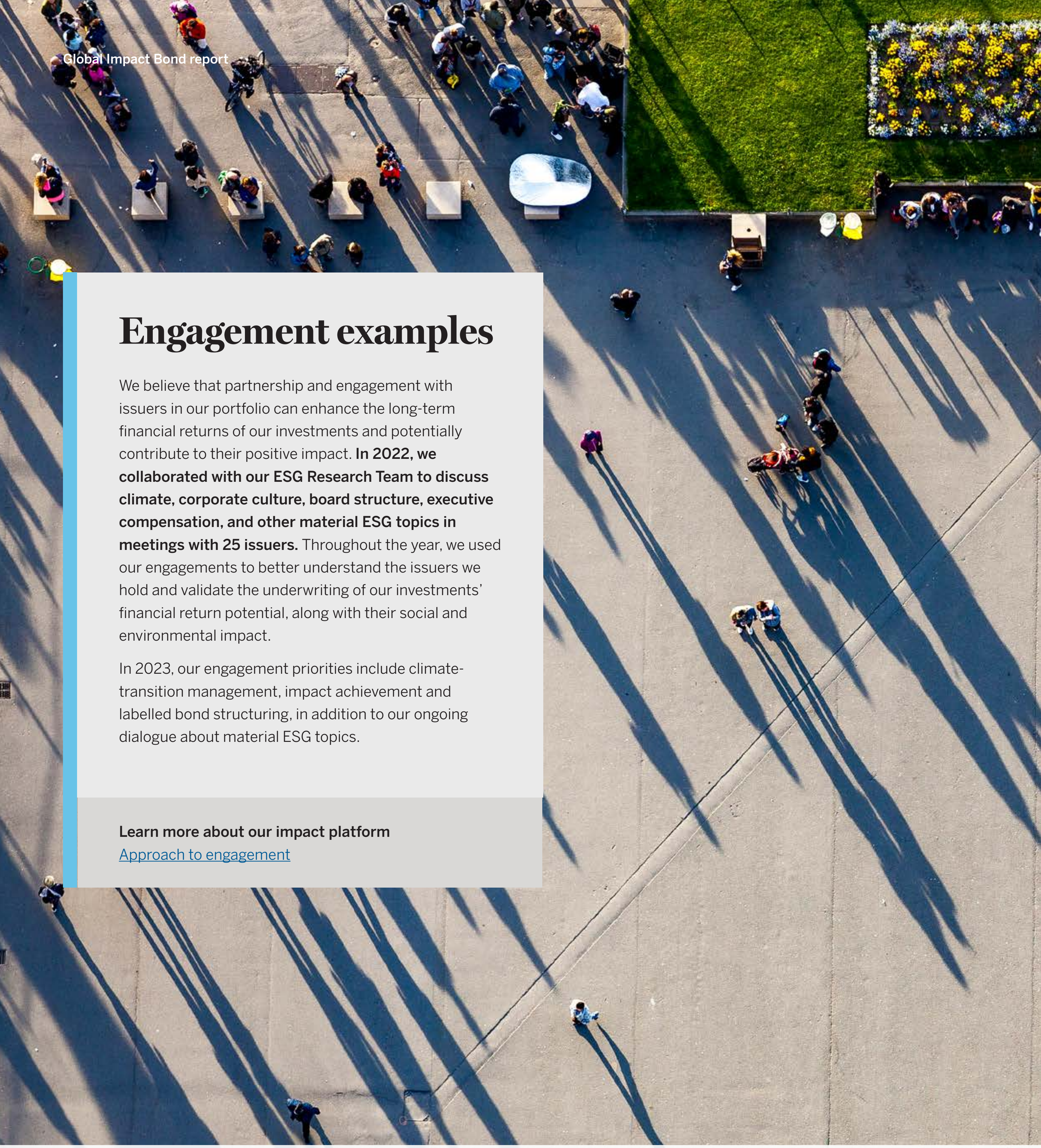
47 million

Avoided nearly 47 million tonnes of greenhouse gas (GHG) emissions through improved resource efficiency[9]

Equivalent to 10.5 million fewer cars on the road for a year[8]

Note: 38% of our holdings (as a percentage of market value) leverage a common KPI that can be aggregated. If a company or issuer does not report a figure that we believe aligns with one of our aggregated KPIs, we still monitor and report the KPI over time, but do not include it in the above aggregated statistics which we believe provide a conservative estimate of the impact our funds enable. All reported impact KPIs are obtained from publicly available information. We do not account for fund ownership stakes in the above calculations which represent 100% of the impact of the companies or issuers in which we invest. For each aggregated KPI we provide what we believe to be a relevant reference point. These are for context only and do not imply any equivalence for our KPIs regarding benefits delivered for society and the environment. 2022 data has been used for all holdings included in the above aggregation. | All investing involves risk. Investors should consider the risk to their capital, before investing. These impact highlights relate to our impact bond representative account, is for informational purposes only, is subject to change, and is not indicative of future portfolio characteristics or returns.. The value of your investment may become worth more or less than at the time of original investment. Please refer to the Important disclosures on our website or at the end of this document for more information.

[1]"Number of dwellings in 2022", Statistics Sweden, May 2023. | [2] "Countries that waste the most water" and "Canada's population clock (real-time model), Canada statistics. | [3] Australian Institute of Health and Welfare. | [4] Worldometer. | [5] "FY2022 School Basic Survey," National Information Center for Academic Recognition, Japan, February 2023. | [6] "The Global Findex Database 2021," World Bank. | [7] "The 2022 Annual Data Breach Report," Identity Theft Resource Center. | [8] "Greenhouse Gas Equivalencies Calculator," United States Environmental Protection Agency. | [9] Unless otherwise indicated, we use tonnes for metric tons.



Engagement examples

We believe that partnership and engagement with issuers in our portfolio can enhance the long-term financial returns of our investments and potentially contribute to their positive impact. **In 2022, we collaborated with our ESG Research Team to discuss climate, corporate culture, board structure, executive compensation, and other material ESG topics in meetings with 25 issuers.** Throughout the year, we used our engagements to better understand the issuers we hold and validate the underwriting of our investments' financial return potential, along with their social and environmental impact.

In 2023, our engagement priorities include climate-transition management, impact achievement and labelled bond structuring, in addition to our ongoing dialogue about material ESG topics.

Learn more about our impact platform
Approach to engagement

The examples described on the following page are presented for illustrative purposes only and are not to be viewed as representative of actual holdings. It should not be assumed that any client is invested in the (or similar) examples, nor that an investment in the examples has been or will be profitable. Actual holdings will vary for each client, and there is no guarantee that a particular client's account will hold the examples presented. Please refer to the Important disclosures section for information on investment examples. | The companies mentioned comprise a partial list of all engagement meetings in which Wellington's ESG Research and Impact Investing teams participated in 2022. The specific securities identified are not representative of all securities purchased, sold, or recommended for clients. This is not to be construed as investment advice or a recommendation to buy or sell any specific security. The engagement case studies presented are for illustrative purposes only. They are chosen based on meetings held during the year and our priorities' focus, with the aim of giving insight into our process. There is no assurance the fund would hold companies such as these or that they would be profitable in the future.

SAMPLE ENGAGEMENTS FROM 2022

ENVIRONMENT (E)

We engaged with a European developer and manufacturer of heating, ventilation, and air conditioning (HVAC) on its carbon emissions disclosures and science-based targets. This private issuer has ambitious plans to reduce Scopes 1, 2, and 3 emissions, aiming to reach net zero in its global operations by 2030. Through our engagement, we learned that the issuer is already switching to renewable energy and energy-efficient buildings to decarbonize its operations. The management team is also working with suppliers to reduce Scope 3 emissions across the supply chain, as this is the largest component of the issuer's carbon footprint. Disclosure on Scope 4 data (emissions avoided) is another area of focus, as management wants to demonstrate how much of the issuer's product range can help consumers save energy. Through our engagement, we became confident that the issuer is positioned to make meaningful progress on its emissions targets. We intend to continue the conversation in 2023 to assess progress on Scope 3 emissions-mitigation efforts and Scope 4 emissions-avoidance metrics.

SOCIAL (S)

We engaged with an African telecommunications issuer following its acquisition of new mobile operations assets in Tanzania to discuss the integration of new assets and the associated operational and cyber vulnerabilities. The issuer aims to improve mobile penetration across East Africa's largest country from 90% to 95% by 2025 through the development of 1,300 new 4G sites. It also plans to build 600 new 5G sites to support Tanzania's national broadband penetration scheme. Both initiatives could help address the rapidly growing demand for broadband and mobile financial services. Through our engagement, we learned how the issuer has changed its security strategy to protect property and personnel at its cell tower locations, including the use of personnel patrols. We also assessed the findings from a technology consultant hired to test the issuer's cyber defenses. While our analysis gave us the necessary confidence in management's approach to physical risk and cybersecurity risk, we will engage further as the integration of the Tanzanian assets progresses.

GOVERNANCE (G)

In 2022, we engaged with a US health insurer, due to ongoing concerns relating to executive compensation, board composition, and structure. Our engagement included supporting an activist investor who was questioning excessive tenure of board members. We sent a letter to the board and had a follow-up conversation, during which we encouraged management to replace entrenched directors with directors whose qualifications include managed care and CEO experience. In response to combined pressure from the activist investor and our team's engagement five new members joined the board.

In our introductory meetings with these new directors, we were pleased to find evidence of an evolving board culture, including the addition of age limits and consideration of revisions to the executive compensation plan.

The issuer also expressed greater openness to shareholder input, calling a special meeting at which management initiated proposals to declassify the board, permit shareholders to call a special meeting, and act by written consent. These measures received strong shareholder support. Management also acknowledged that its executive compensation plan had been above market norms for a prolonged period and asked the compensation committee to revise the plan over the next several years. We have upgraded the issuer's fundamental ESG rating, reflecting our confidence in its ability to manage financially material ESG factors. We will continue to monitor and engage with the management team on its plans to evolve governance and compensation.

IMPACT (I)

We engaged with an Africa-based provider of critical telecommunications infrastructure to discuss the use of renewable energy for improved network reliability. Today, 19% of the issuer's network of over 13,500 cell towers uses solar power, a number that management aims to expand. Through our engagement, we learned about the physical space required for expanded solar adoption and the constraints the issuer faces within its urban footprint. We also learned how chronic underinvestment in the energy infrastructure of one of its key markets has created power intermittency, thus hindering the issuer's plans to scale renewables adoption. Management detailed its plans for energy-storage systems, including battery technology and adjustments to its solar approach that could facilitate greater adoption of green energy. Through our engagement, we gained confidence in the issuer's commitment and approach. We plan further discussions in 2023 focused on the issuer's efforts to improve long-term grid connectivity and increase the number of solar-powered cell towers.

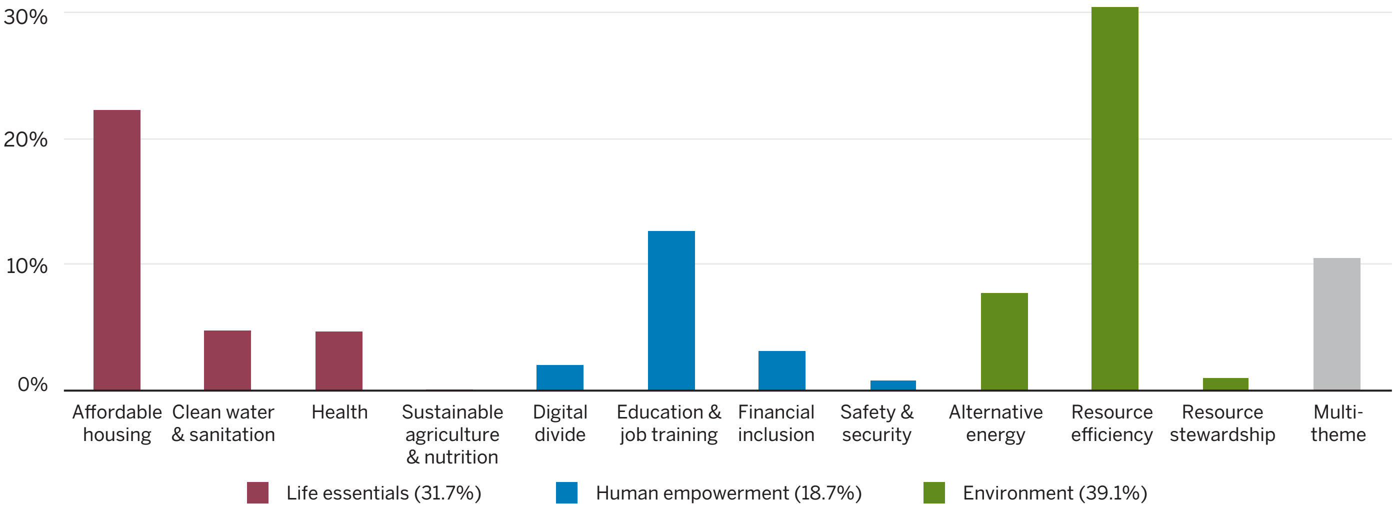
Thematic allocation and UN SDG alignment

Wellington's Global Impact and Global Impact Bond teams support the 17 United Nations Sustainable Development Goals (SDGs) and believes that the private sector has an integral role to play in bridging the funding gap to achieve them. In 2015, we launched Global Impact, our first impact approach. Through extensive research and consultation, we developed our 11 impact themes aimed at identifying the key forces driving a just transition to a sustainable future. When the SDGs were adopted, we were pleased to see how closely our themes overlapped.

We invest in companies and issuers aligned directly with our proprietary impact themes and denote the relevant SDG and specific target(s) to which they contribute. We do this to better contextualize their activities alongside the efforts of other financial, government, and nongovernment organizations. In our view, reporting by asset managers on SDG alignment helps governments and market participants assess the amount of private capital that is funding progress toward the goals.

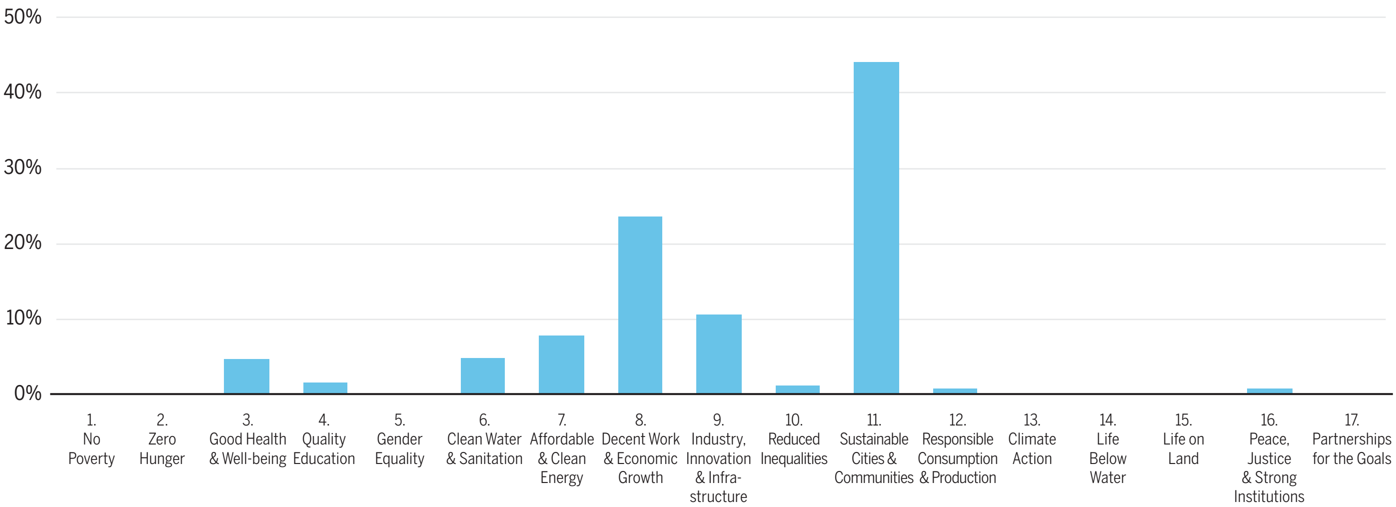
While our investments may not cover some SDGs, we believe they can represent indirect pathways to progress. Bridging the digital divide and expanding financial inclusion, for instance, may enhance gender equality and reduce inequalities (SDGs 5 and 10).

2022 REPRESENTATIVE ACCOUNT EXPOSURES BY THEME (WEIGHT, %)



Data as of 31 December 2022 | Source: Wellington Management.

2022 REPRESENTATIVE ACCOUNT SDG DISTRIBUTION (WEIGHT, %)



The graph shows the distribution of the representative account for our impact bond strategy across each primary SDG as of 31 December 2022. Holdings can have more than one secondary SDG. Our impact bond approach supports SDG 17 at the strategy level. We do not manage the portfolio to any targeted level of alignment with regard to the UN SDGs. | The data shown relates to representative accounts, is for informational purposes only, is subject to change, and is not indicative of future portfolio characteristics or returns. | Totals may not agree due to rounding. Excludes cash, cash equivalents, interest-rate, and currency derivatives. | Sources: FactSet, Wellington Management. | Please refer to the Important disclosures page for additional information.

Impact themes and investment spotlights

Wellington's impact investment teams invest globally across three broad impact categories — Life essentials, Human empowerment, and Environment — which we then divide into 11 impact themes. Impact opportunities can represent innovative solutions across sectors, asset classes, and market capitalizations. All impact investments must meet our thresholds for materiality, additionality, and measurability. That is, companies or issuers must generate most of their revenue from products and services related to at least one of our impact themes; the impact they generate must have a low prospect of being achieved by other means; and we must be able to track and measure the impact.

Once we determine whether an issuer meets our impact criteria, we add it to our opportunity set. In parallel, our fundamental analysis seeks to identify those investments with the most attractive long-term return potential.

Learn more about our impact platform
[Impact themes]
[Impact measurement and management]

On the following pages, we share sample 2022 fixed income investment spotlights, showcasing one theme in each category.

OUR IMPACT THEMES

LIFE ESSENTIALS
- Affordable housing
- Clean water & sanitation
- Health
- Sustainable agriculture & nutrition

HUMAN EMPOWERMENT
- Digital divide
- Education & job training
- Financial inclusion
- Safety & security

ENVIRONMENT
- Alternative energy
- Resource efficiency
- Resource stewardship

IMPORTANT NOTE

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 data is based on issuer 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 investing teams determine the UN SDG goals and targets that, in our view, each portfolio 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 | Wellington Management supports the UN SDGs.

THEME OVERVIEW

Affordable housing

SCALE | ACCESSIBILITY | RESOURCES

LIVING CONDITIONS

Approximately 40% of the world's population may need adequate housing by 2030, driven by the increase in urban dwelling. This translates to demand for 96,000 new housing units per day.[1]

POVERTY REDUCTION

Access to affordable housing is one of the most cost-effective strategies for reducing childhood poverty.[2]

Demand for affordable housing intensified in 2022 as families grappled with economic uncertainty, inflated rental prices, and higher mortgage rates. With inflation driving up the cost of goods and services across the board, low-income households, which typically spend a higher proportion of their income on essentials such as housing costs, are hit hardest.[3] Government responses to housing vulnerability have been patchy and slow, exposing many households to increasingly precarious situations.

We see affordable housing as an ongoing essential need that can accrue health and wellness benefits to families and communities while creating and sustaining economic value. We believe access to safe, affordable housing allows people to focus more on their overall well-being — health, education, and career-building — and less on basic survival. Put another way: Access to safe, affordable housing may lead to better educational outcomes, higher earning potential, and lower health care costs.

In 2022, we invested in entities combating homelessness and addressing the need for safe, affordable shelter. Specifically, we purchased sustainable bonds issued by a Peruvian state-owned lender to low- and middle-income families and individuals. We believe this investment combines compelling valuations with attractive impact potential as the proceeds of this issue are earmarked to fund sustainable and affordable housing projects. In our view, this investment helps to address Peru's housing shortage in a sustainable and inclusive manner by facilitating first-time homeownership in low- to middle-income areas.

[1] The United Nations Human Settlements Programme; UNstats for the Sustainable Development Goals.

[2] Multiple studies cited in "A Place to Call Home: The Case for Increased Federal Investments in Affordable Housing," Campaign for Housing and Community Development Funding.

[3] "The impact of the recent rise in inflation on low-income households," ECB Economic Bulletin, July 2022.

PORTFOLIO INVESTMENT SPOTLIGHT

Government National Mortgage Association

IMPACT THEORY OF CHANGE

The Government National Mortgage Association, or Ginnie Mae, is part of the US Department of Housing and Urban Development. The agency supports underserved markets, including low-income and first-time borrowers by guaranteeing the timely payment of principal and interest of federally insured housing loans. Its support helps make home ownership more accessible and affordable, which can accrue wider financial and social benefits.

UN SDG ALIGNMENT Making cities and human settlements inclusive, safe, resilient and sustainable

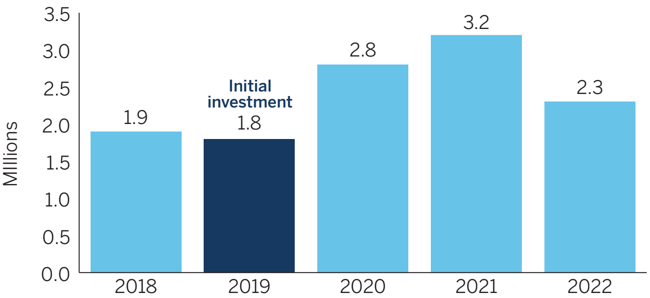
TARGET 11.1 By 2030, ensure access for all to adequate, safe and affordable housing, basic services, and upgrade slums

FIVE DIMENSIONS OF IMPACT

What	Improved lives and communities by supporting access to affordable housing
Who	In 2022, mortgage-backed securities (MBS) issued by Ginnie Mae supported over 2.3 million households[1]
How much	91% of Federal Housing Administration (FHA) single-family insured loans were pooled into Ginnie Mae MBS in 2022, when issuance reached over US$649 billion[2]
Contribution	Mortgages made to first-time home buyers collateralized 68% of issuance in 2022[3]
Risk	Execution: The ability to adapt to a changing mortgage market with flexible products and processes

PROGRESS OF CORE KPI

Number of households supported



Source: Ginnie Mae.

Year of initial investment: 2019
Three-year annualized change in core KPI: 8.5%
Assessment: Meets expectations

QUALITATIVE ASSESSMENT

Approximately half of US adults (49%) cite the availability of affordable housing as a major problem where they live, an increase of 10 percentage points from 2018.[4] Rising interest rates and homebuilders' labor costs, along with supply chain volatility, have negatively impacted supply. Today, just 38% of single-family homes are considered affordable for families earning US$90,000, the median household income.[5]

Ginnie Mae's mission is to increase access to credit for first-time homeowners and low- and moderate-income borrowers by increasing the availability of funds for government mortgage loans. By supporting the secondary market through the creation of MBS, Ginnie Mae helps attract liquidity to the mortgage market, helping lenders be more confident in extending mortgages to individuals who are typically underserved. In the absence of Ginnie Mae and the FHA, these borrowers would likely have to pay higher deposits or interest rates to own a home.

When measuring the impact of this issuer, we focus on the number of households supported. Although this KPI cannot fully capture wider social benefits of affordable housing, it does illustrate the increased access to home financing that is enabled through Ginnie Mae. Though the KPI has fallen on an annual basis, likely due to a weaker mortgage market in 2022, we still believe the longer-term trend demonstrates that the issuer is executing on its mission.

ENGAGEMENT PRIORITIES

We can engage actively with Ginnie Mae's management team because of Wellington's large firmwide footprint in the agency MBS market, including managing the world's largest actively managed Ginnie Mae mutual fund. Our discussions have been supportive of its plans to enhance disclosures on green and social aspects of mortgage pools such as median income, representation of underserved groups, and information, where appropriate, on distribution of borrower geography and demographics within pools of collateral.

[1] 2022 Ginnie Mae Annual Report.
[2] Ibid.
[3] Ibid.
[4] Schaeffer, K. "A growing share of Americans say affordable housing is a major problem where they live," Pew Research Center, 18 January 2022.
[5] "Boosting Housing Production is Best Way to Ease the Affordability Crisis," National Association of Home Builders, 9 February 2023.

THEME OVERVIEW

Digital divide

INFORMATION ACCESS | COMMUNICATIONS INFRASTRUCTURE

INTERNET ACCESS

In 2022, internet usage in high-income countries reached 92%, compared to 26% in low-income countries.[1]

THE DIGITAL ECONOMY

An estimated 60% of global GDP relied on digital communication technologies in 2022.[2]

The digital divide across the globe is stark. The COVID-19 pandemic has emphasized how important digital connections now are for remote work, education, and financial services. Yet connectivity in many rural areas and developing countries remains highly unequal or entirely nonexistent. Despite the acceleration of digitalization during the pandemic, 2.7 billion people are still offline, of which an estimated 74% live in low-income countries.[3]

We believe internet access can improve social inclusion, reduce structural inequality, and provide opportunities for economic empowerment. People and businesses without access to reliable digital services, particularly those in less-developed countries, could fall further behind as the global digital economy becomes more embedded. In 2022, we made investments on your behalf in companies that increase access to digital communications and strengthen connectivity for underserved markets.

We increased our position in a telecommunications infrastructure issuer that enhances digital connectivity across high-growth markets in central Africa. Despite continued economic growth and new business opportunities in the region, most African countries still suffer from a shortfall in digital hardware. Our purchase of corporate bonds will help the issuer develop vital telecommunications infrastructure throughout several nations in Africa, a key step in bridging the digital divide and creating a pathway for reducing poverty and inequality. In addition, the issuer invests in the training and development of employees and creates local employment directly through the construction, maintenance, and security of its assets.

[1] "Measuring digital development: Facts and figures 2022," International Telecommunication Union.

[2] "A digital silver bullet for the world: digitalization," World Economic Forum.

[3] "Our shared digital future: Building an inclusive, trustworthy and sustainable digital society," World Economic Forum, December 2018.

PORTFOLIO INVESTMENT SPOTLIGHT

Bharti Airtel

IMPACT THEORY OF CHANGE

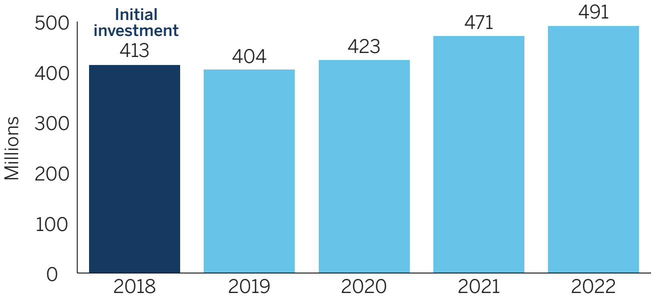
India-based Bharti Airtel provides mobile telecommunications and digital services to customers across India, Southeast Asia, and Africa — serving 24% of the global population. We believe the expansion of the company's high-speed broadband services, particularly for rural populations, enables access to better education and health care, advances social inclusion, and supports economic empowerment.

FIVE DIMENSIONS OF IMPACT

What	Reduced the digital divide in emerging markets
Who	491 million customers who gained digital access in 2022[1]
How much	Served 24% of global population and 95% of India's population in 2022[1]
Contribution	Conducted India's first 5G trial in the 700 MHz band in the outskirts of Kolkata in 2022[1]
Risk	Execution: Balancing connectivity at scale with speed and affordability[2]

PROGRESS OF CORE KPI

Emerging market consumers provided with digital access



Source: Bharti Airtel

Year of initial investment: 2018
Three-year annualized change in core KPI: 6.8%
Assessment: Meets expectations

UN SDG ALIGNMENT Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

TARGET 9.C Universal access to information and communications technology services, and upgrade slums

QUALITATIVE ASSESSMENT

Internet usage levels in low-income countries where Bharti Airtel operates, continue to lag far behind those in high-income ones.[3] Given the inadequacy of the fixed-broadband infrastructure in India, Bharti Airtel can play a significant role in expanding reliable access. Its large presence in low-income, rural areas demonstrates the company's commitment to delivering affordable high-speed connectivity to communities for which connecting to the internet is often prohibitively expensive. To date, Bharti Airtel has invested US$46 billion in digital infrastructure, covering network towers, fiber optic networks, submarine cables, and data centers.[4]

Closing the world's digital divide requires not only achieving universal coverage but also ensuring meaningful connectivity, so that people have ready access to the internet that they can use to improve their lives, through access to education, among other needs.[5] Currently, this metric is impossible to fully capture with our core KPI, nor is it easy to achieve, given challenges such as slow internet speeds or insufficient digital skills. Nonetheless, we believe Bharti Airtel's positive impact continues to improve the lives of millions of previously underserved Indian consumers.

ENGAGEMENT PRIORITIES

Long-term engagement priorities include, but are not limited to, gaining a better understanding of the company's low-carbon transition plan, which entails powering its data centers and cell towers with renewable energy and clean battery technology.

1 "Customer obsessed, future ready," Integrated Report and Annual Financial Statements, 2021 – 2022, Bharti Airtel Limited.
2 "Measuring digital development: Facts and Figures 2022," International Telecommunication Union (ITU).
3 "Internet surge slows, leaving 2.7 billion people offline in 2022," ITU, 16 September 2022.
4 "Customer obsessed, future ready," Integrated Report and Annual Financial Statements, 2021 – 2022, Bharti Airtel Limited.
5 "Connecting learners: Narrowing the educational divide," The Economist Intelligence Unit Limited, 2021.

THEME OVERVIEW

Alternative energy

RENEWABLE ENERGY GENERATION | STORAGE AND DISTRIBUTION

GHG EMISSIONS

Electricity accounts for 28% of annual GHG emissions.[1]

LOW-CARBON ELECTRICITY

Low-emissions sources of electricity, led by renewables, are poised to overtake fossil fuels by 2030, with renewables projected to generate 80% of the world's electricity by 2050.[2]

In 2022, government representatives at the UN Climate Change Conference in Sharm el-Sheikh (COP 27) restated commitments to cap the increase in global temperatures to 1.5°C above preindustrial levels. At the G20 climate summit in Bali, governments also pledged an additional US$20 billion to accelerate the clean-energy transition.[3]

A recent report from the Intergovernmental Panel on Climate Change (IPCC) highlighted the importance of alternative sources of energy.[4] The IPCC found that although 136 countries, accounting for 83% of global carbon emissions,[5] have committed to achieving net-zero emissions by 2050, significantly more needs to be done to avoid the irreversible social and environmental damage of greenhouse gas emissions (GHG). The urgent climate challenge and widespread policy shifts present an opportunity for investors to participate in the attractive potential for financial returns and positive impact associated with investments in alternative energy.

In 2022, the investments we made helped provide capital to issuers generating renewable energy, mostly through wind power and solar energy. The portfolios also invested in innovative solutions for power storage and distribution.

In fixed income markets, the adoption of green and other labelled bonds persists despite economic headwinds. We have continued to find opportunities to invest in high-quality corporate and sovereign issuers in both developed and emerging markets. In 2022, we invested in a labeled bond from one of the largest providers of renewable energy to companies in India. Data from Wellington's climate research initiatives confirms that India is one of the most climate-at-risk nations. By purchasing a labeled bond that expands the operational capacity of an alternative energy provider, we believe we are enhancing access to clean, renewable energy usage in one of the world's largest and fastest-growing markets. This, in turn, may allow millions of individuals and hundreds of industrial customers to reduce their reliance on polluting and finite resources such as fossil fuels.

1 "The Five Grand Challenges," Breakthrough Energy.
2 "Net Zero by 2050," International Energy Agency.
3 Indonesia Just Energy Transition partnership.
4 "AR6 Synthesis Report: Climate Change 2023," IPCC.
5 "The Climate Action Monitor 2022: Helping Countries Advance Towards Net Zero," Organisation for Economic Co-operation and Development.

PORTFOLIO INVESTMENT SPOTLIGHT

BNP Paribas

IMPACT THEORY OF CHANGE

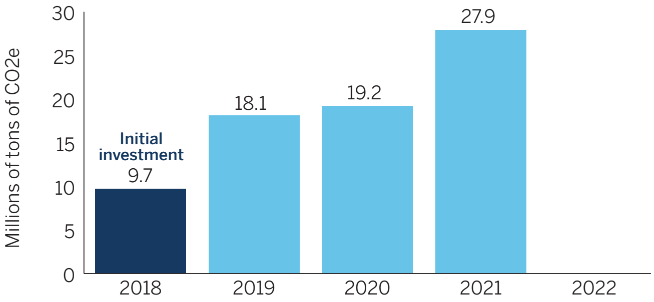
The global transition to zero-carbon emissions is estimated to cost US$9.2 trillion annually to 2050.[1] We believe banks have an integral role to play in this transition as large-scale providers of capital. As a large European bank, BNP Paribas can provide substantial funding to alternative energy projects, helping to fill a key capital need. BNP's green bond pool invests in renewable energy solutions including solar power and onshore and offshore wind.

FIVE DIMENSIONS OF IMPACT

What	Climate-change mitigation through investments in alternative energy such as solar and wind power
Who	People and the planet through the decarbonization of global energy supply
How much	60% of BNP's green bond pool is invested in renewable energy projects
Contribution	27.9 million tonnes of CO2e emissions avoided in 2021[2]
Risk	External: Weather conditions may undermine the production of renewable energy and the associated emissions avoided

PROGRESS OF CORE KPI

CO2e emissions avoided*



*CO2e = CO2 equivalent | Source: BNP Paribas

Year of initial investment: 2018
Three-year annualized change in core KPI: 42.2%
Assessment: Meets expectations

UN SDG ALIGNMENT Affordable and Clean Energy

TARGET 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

QUALITATIVE ASSESSMENT

We are happy with BNP Paribas' 42% three-year compound annualized growth rate in CO2e avoided.[3] This is partly a function of new green bond issuance over time, which has facilitated allocations to renewable energy projects.

We are also impressed with BNP's disclosures, which includes detailed explanations of how the issuer calculates avoided emissions. These calculations use the Project Carbon Footprint methodologies developed by the European Investment Bank. BNP's green bond pool also supports our resource efficiency theme, as it allocates funds toward residential energy efficiency, clean transportation, and green buildings.

ENGAGEMENT PRIORITIES

BNP Paribas aims to align its broader business with a net-zero world by 2050. We would like to discuss the issuer's goals for increasing the proportion of sustainable loans in its portfolio and its plans to invest in start-ups committed to the energy transition.

[1] "The net-zero transition: What it would cost, what it could bring," McKinsey & Company, January 2022.
[2] Includes both renewable energy projects and resource efficiency projects.
[3] "Climate analytics and alignment report: Accelerating on the pathway to a net-zero economy," BNP Paribas, April 2022.

Important disclosures

ABOUT THIS REPORT

Data provided is as of 31 December 2022.

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 31 December 2022. 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 issuer 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 from 1 January to 31 December 2022. For Global Impact Bond, the representative account shown became effective on 1 May 2019 because it was the only 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.

Issuer 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 Bond the largest position in each impact theme is selected. If the largest position was highlighted last year, then another example is selected. If there is more than one additional issuer in the theme, the largest trade is highlighted (based on the number of shares).

- Holding was largest by size in a theme in the portfolio as of 31 December 2022: BNP Paribas, Ginnie Mae
- Largest holding has been previously highlighted, and there were no new positions in the theme in 2022, so the largest trade is highlighted: Bharti Airtel

The Key Performance Indicators shown for each issuer have been developed by Wellington. These metrics are proprietary to Wellington and are used to assess an issuer's progress toward its particular business objectives. Information is from multiple sources including the following: annual and quarterly reports; industry research pieces; websites; press releases; case studies; and issuer engagements. Only holdings that had applicable and available KPI data were included. In cases where the 2021 data was not available at the time of publication, we have used 2020 or the nearest to 2021 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.

Derivatives: Derivatives can be volatile and involve various degrees of risk. The value of derivative instruments may be affected by changes in overall market movements, the business or financial condition of specific companies, index volatility, changes in interest rates, or factors affecting a particular industry or region. Derivative instruments may provide more market exposure than the money paid or deposited when the transaction is entered into. As a result, a relatively small adverse market movement can not only result in the loss of the entire investment but may also expose a portfolio to the possibility of a loss exceeding the original amount invested. Derivatives may also be imperfectly correlated with the underlying securities or indices it represents and may be subject to additional liquidity and counterparty risk.

Asset/mortgage-backed securities: Mortgage-related and asset-backed securities are subject to prepayment risk, which is the possibility that the principal of the loans underlying the securities may prepay differently than anticipated at purchase. Because of prepayment risk, the duration of mortgage-related and asset-backed securities may be difficult to predict.

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

Credit: The value of fixed income securities may decline, or the issuer or guarantor of that security may fail to pay interest or principal when due, as a result of adverse changes to its financial status and/or business. In general, lower-rated securities carry a greater degree of credit risk than higher-rated securities.

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.

Fixed income securities markets: Fixed income securities markets are subject to many factors, including economic conditions, government regulations, market sentiment, and local and international political events. In addition, the market value of fixed income securities will fluctuate in response to changes in interest rates, currency values, and the creditworthiness of the issuer.

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.

Interest rate: Generally, the value of fixed income securities will change inversely with changes in interest rates. The risk that changes in interest rates will adversely affect investments will be greater for longer-term fixed income securities than for shorter-term fixed income securities.

Leverage: The use of leverage can provide more market exposure than the money paid or deposited when the transaction is entered into. Losses may therefore exceed the original amount invested.

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.

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