

# Our Business and Practices

29 MARCH 2024



This document provides information about the qualifications and business practices of Wellington Management Company LLP (WMC), Wellington Management Hong Kong Limited (WM Hong Kong), and Wellington Management Japan Pte Ltd (WM Japan), each of which is registered with the US Securities and Exchange Commission (the SEC) as an investment adviser. For these investment advisers, this document serves as Form ADV Part 2A. Collectively, these investment advisers, along with the other subsidiaries of Wellington Management Group LLP, are referred to in this document as "Wellington Management".

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Please see the Appendix for descriptions of our affiliates. To the extent that the personnel of WM Hong Kong or WM Japan participate in the provision of services to US clients, a list of relevant employees is available upon request.

The information in this document has not been approved or verified by the SEC or by any other securities authority or regulator, and registration with any regulator does not imply a certain level of skill or training. Additional information about each of Wellington Management's registered investment advisers is available on the SEC's website at:

[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

\* Wellington Management Company LLP (WMC) is also registered with the US Commodity Futures Trading Commission (CFTC) as a commodity trading advisor (CTA) and serves as a CTA to certain clients including commodity pools operated by registered commodity pool operators. WMC provides commodity trading advice to all other clients in reliance on exemptions from CTA registration.

\*\* Wellington Private Fund Management (Shanghai) Limited, Wellington Global Private Fund Management (Shanghai) Limited, Wellington Management (DIFC) Limited, Wellington Management Australia Pty Ltd, Wellington Management Canada ULC, Wellington Management Europe GmbH, Wellington Management International Limited, Wellington Management Singapore Pte Ltd, and Wellington Management Switzerland GmbH are not registered with the SEC as investment advisers.

If you have any questions about the contents of this document, please contact us at [info@wellington.com](mailto:info@wellington.com) or contact your relationship manager.

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## **Changes to Our Business and Practices**

We review our policies and procedures on a regular basis to evaluate their continuing effectiveness. As a result of that process or due to changes in our firm and business, we may amend our policies and procedures and/or this document from time to time. We will describe material changes in this space.

A current version of Our Business and Practices is available upon request.

## **Material Changes**

The following is a list material changes made to this Form ADV, Part 2A ("Brochure") since Wellington's prior annual updating amendment to the Brochure, which was filed on March 31, 2023. In addition to the changes described below, this Brochure has been updated in other ways, such as providing clarification or additional information. Capitalized terms not defined below are defined in the Brochure.

### **Appendix: Description of Affiliates**

In January 2024, Wellington Management International Ltd ("WMIL") and Wellington Management Singapore Pte Ltd ("WMSG") were deregistered as investment advisers with the SEC. Each of these non-US advisers are Participating Affiliates of Wellington Management Company LLP as that term is used in relief granted by the staff of the SEC allowing U.S. registered advisers to utilize investment management and trading resources of unregistered advisory affiliates subject to the regulatory supervision of the registered adviser.

## A LETTER FROM OUR CHIEF EXECUTIVE OFFICER



**Jean M. Hynes**  
Chief Executive Officer

*“The reputation  
of a thousand years  
may be determined  
by the conduct  
of one hour.”  
– Ancient proverb*

To our clients:

At Wellington Management, we seek to positively impact the lives of millions of beneficiaries by delivering excellent results for clients. In pursuit of this Mission & Purpose, we lean into our edge as a firm, which I believe includes our ownership model (an independent private partnership at global scale), our investment model (a globally integrated, research-driven community of boutiques), our client-centric ethos, and our extraordinarily collaborative culture.

We seek to understand our clients’ challenges and objectives over a long time horizon and to provide investment solutions that meet their needs. Because we focus exclusively on managing our clients’ assets, we avoid many of the conflicts of interest that exist in the financial services industry. We also explain our business and practices in detail to our clients so that where conflicts do exist, our clients understand our approach to managing them. We believe that this transparency is essential to building client relationships based on trust and confidence.

This document provides you with information about our firm’s investment processes, investment styles, and trading practices. It also describes the conflicts associated with our business and explains how we manage these conflicts.

If you have any questions or would like more information about specific topics after reading this document, please feel free to contact your relationship manager.

Sincerely,

A handwritten signature in black ink that reads "Jean M. Hynes" followed by a horizontal line.

Jean M. Hynes

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# I. Our advisory business

## A. AN OVERVIEW OF WELLINGTON MANAGEMENT

Tracing its roots to 1928, Wellington Management is one of the largest independent investment management firms in the world. With client assets under management totaling approximately US\$1.18 trillion as of 31 December 2023 (of which approximately US\$1.11 trillion is managed on a discretionary basis), Wellington Management's investment advisory affiliates serve as investment manager for clients in over 50 countries. Wellington Management Group LLP (the Partnership), the parent company for our global organization, is a Massachusetts limited liability partnership. All of the partners are full-time professional members of our firm. No single partner owns or has the right to vote more than 5% of the Partnership's capital.

Because our clients and our personnel are located around the world, we conduct business through a number of affiliated entities licensed to offer services in various jurisdictions and to perform particular business functions. Though legally distinct, our affiliates function as a unified, global business. For example, our investment personnel share research and discuss investment ideas with their colleagues throughout our firm. We believe that our globally integrated model helps us to serve our clients' needs better.

Our affiliates often engage one another to assist in managing client mandates. For example, affiliated personnel often provide research, portfolio management or trading services to a client account. From time to time, investment management, client liaison, account administration and investment monitoring services are performed by a Participating Affiliate or by another affiliated entity. In those circumstances, we will notify you when required and take steps to ensure that we comply with all applicable laws.

Additional information about the entities within our organization can be found in the *Appendix* to this document.

## B. ABOUT OUR INVESTMENT MANAGEMENT SERVICES

Wellington Management offers investment management services for a fee to separate account clients and mutual funds and exchange-traded funds sponsored by unaffiliated parties, as well as to investment vehicles that we sponsor (our Sponsored Funds), including bank maintained collective investment funds, common trust funds, and privately offered US and non-US domiciled funds, including hedge funds, private investment funds, and to collateralized loan obligations (CLOs) for which we act as collateral manager. Our investment services rely on our extensive independent research and include portfolio management styles and approaches in equities, private companies, fixed income securities, currencies and commodities, as well as multi-asset allocation across these categories.

Client accounts are managed in a number of ways: by individual portfolio managers or teams of managers, by a group of research analysts or by a combination of these structures. In some cases, the members of a portfolio management team actively collaborate in managing a client account. In others, each member makes independent investment decisions and will generally manage separate portions of the account as if each were a separate portfolio. Some portfolio managers manage accounts in which they are the sole decision-maker and participate in managing other accounts in which they are one of multiple decision-makers. We refer to all investment personnel who have portfolio management responsibilities for client accounts, whether as the sole portfolio manager or as a member of a portfolio management team, as "portfolio managers" in this document.

Accounts are often customized to meet a client's specific requirements. For example, a particular account may be unable to invest in a particular country, industry or issuer. Initial account guidelines are established by agreement between us and the client and are typically stated in the investment management agreement. From time to time, we may negotiate changes to those guidelines with a client.



We provide investment advice to a limited group of clients on a non-discretionary basis. Those services include securities analysis, asset allocation advice, portfolio risk analysis and specific investment recommendations. We managed client assets on a non-discretionary basis totaling approximately US\$68.6 billion, as of 31 December 2023.

In addition, we serve as portfolio manager to certain sponsors of Separately Managed Account Programs, including wrap fee programs ("SMA Programs"). In these SMA Programs, we are engaged by the program sponsor (the "Sponsor") to provide investment management services to the Sponsor that the Sponsor then makes available to its underlying investors ("Underlying Investors") through the Sponsor's platform. Each Underlying Investor is permitted to establish reasonable, individualized investment restrictions that are communicated to us by the Sponsor. The Sponsor is responsible for establishing the investment objectives and restrictions applicable to each Underlying Investor in the SMA Program and for determining the suitability of the program for the Underlying Investor. We are not responsible, and do not attempt to determine suitability, for any Underlying Investor. We reserve the right, in our discretion, to reject assets referred to us by a Sponsor for any reason, including, but not limited to, a potential Underlying Investor's requested investment restrictions. Generally, we manage investment strategies for SMA Programs based on investment strategies that we also manage for institutional accounts and/or mutual fund clients; however, the strategies employed in the SMA Programs are typically managed differently. For example, we may manage an SMA Program strategy to hold fewer securities positions than an institutional client account following the same strategy, or the SMA Program strategy may be subject to position limitations and changes to weightings in existing positions that are not applicable to institutional accounts. Performance of SMA Program accounts will differ to the extent Underlying Investors impose their own investment restrictions. We use a third-party vendor to adjust purchase and sale instructions to account for Underlying Investor-imposed investment restrictions. We provide these services to SMA Programs for a

management fee that is paid by the Sponsor. Underlying investors separately pay fees to the Sponsor.

SMA Program accounts are traded differently than institutional accounts. For example, we may not have discretion to effect trades for SMA Program accounts or we may be obligated to effect trades with the program's designated broker-dealer. By contrast, when we manage institutional separate accounts, we will typically effect transactions with a variety of broker-dealers. When the same strategy is offered to multiple sponsor platforms, we typically rotate the sequence in which we communicate trades amongst relevant sponsors. In addition, for SMA Programs we will typically effect trades after we have effected trades for our institutional accounts trading in the same security, unless we have determined that the SMA Program trading will not adversely impact our institutional account trading.

## **C. THE NATURE AND ROLE OF RESEARCH AT OUR FIRM**

Our investment model rests on our extensive independent research. We have committed substantial resources to the development of groups that approach research from a number of different disciplines, including:

- Multi-asset analysts, who analyze expected returns of various asset classes, countries, industries and market segments;
- Currency analysts, who assess characteristics of global currencies;
- Data scientists, who focus on the use of data analysis in the investment process;
- ESG (Environmental, Social, Corporate Governance) analysts, who assess ESG issues that impact the long-term success and profitability of companies;
- Factor analysts, who assess factor risks, fundamentals, and return premiums over time;
- Fixed income credit analysts, who assess the credit characteristics of issuers, structures and industries;
- Fixed income market analysts, who analyze broad fixed income market and macro-level investment factors;

- Global industry analysts and research associates, who cover companies within a particular industry or industries;
- Macroanalysts, who provide country and global analysis of macro-level investment factors;
- Quantitative analysts, who assess securities using quantitative methods; and
- Technical analysts, who analyze technical market or security characteristics and their impact on individual securities, commodities and currencies.

The analysts and data scientists referenced above are collectively referred to as “Research Analysts.” In addition, our portfolio management teams often include dedicated analysts who evaluate securities and other instruments for suitability based on each team’s investment approach.

Our internal research activities are many and varied. We meet directly with company management teams, customers, suppliers, competitors and practitioners. We review extensive amounts of industry, financial and market data, along with publications and periodicals, company filings and related publicly available reports. Our analysts attend industry conferences, academic seminars and trade shows to obtain new perspectives and differentiated insights. We meet with government policymakers and market participants to understand global competitive forces and the market environment in different regions of the world.

We supplement our internal research with external research from sources such as broker/dealers and third-party research firms. These sources typically provide data, research and analysis and may serve as a gauge of market consensus. Together, our internal and external sources of research provide a wealth of raw material for our investment professionals to use in making judgments about the management of client accounts.

Our commitment to research is evident through the breadth and depth of resources dedicated to the task and through our attitude towards the sharing of research within our firm. Analyst research assists our portfolio managers in making investment decisions and

is shared broadly among our investment personnel. Investment ideas flow from portfolio managers to analysts, from analysts to portfolio managers, and among different investment teams subject to relevant information controls. Our goal is to create a marketplace of investment ideas and to foster a robust debate surrounding investment decisions.

Our research teams can and do have overlapping coverage assignments. We do not insist that all our analysts follow a single process for analyzing or rating stocks, bonds or other investments. We do not attempt to generate a unified investment opinion on any topic, and we do not require our portfolio managers to buy or sell investments based solely on the recommendations of research personnel. Instead, we encourage diversity of opinion and diversity of action. A portfolio manager may buy a security with a negative internal fundamental or quantitative recommendation. Likewise, an analyst may rate a security highly despite the contrary investment views of a portfolio manager and one portfolio manager may sell a security that another portfolio manager is buying.

### **Analysts as portfolio managers**

Many of our Research Analysts manage money on behalf of clients, typically as part of an analyst team. These analyst-managed portfolios include diversified portfolios covering a wide range of industries that are constructed by aggregating the security selections of a large number of Research Analysts, each of whom focuses on a particular industry, as well as sector portfolios managed by a small number of Research Analysts who specialize in the industries comprising a particular sector. The discussion of portfolio management practices in this document applies to all of the accounts managed by our Research Analysts.

Our Research Analysts’ dual responsibilities of research and portfolio management create a potential conflict in the allocation of investment ideas. We periodically assess the roles played by the different categories of Research Analysts and, where appropriate, implement policies and procedures to address these potential conflicts. For example, we

require our global industry analysts to pre-announce trading activity in the portfolios they manage if the trade reflects a significant shift in thinking with respect to the security, such as an imminent change in the analyst's recommendation or the initiation of coverage with respect to that security.

### **Sharing research with clients and prospects**

Wellington Management shares its proprietary investment research with clients, prospective clients and consultants in a variety of situations. In some cases, this research is shared broadly. In other cases, it is shared selectively. In all cases, we do so in a manner consistent with our fiduciary duty to all clients.

We provide some funds and clients with ongoing access to our proprietary research on investment-related topics as part of our overall services to those clients. We also share this type of research on an ongoing or ad hoc basis with selected prospective clients and consultants to illustrate our investment and research capabilities or as part of their due diligence. In addition, we invite some clients, prospective clients and consultants to attend research meetings that our investment personnel hold with company management teams in order to demonstrate the depth and breadth of our proprietary research capabilities.

In addition to the above, we also provide educational services to some clients as described in the section entitled *Ancillary Services*. Client participants in these educational programs work closely with our investment personnel over an extended period of time and are included in meetings where investment ideas are discussed. Clients, prospective clients and other guests, including client participants in educational programs, also have an opportunity to see our research in action when they are invited to attend our Morning Meetings. These educational programs and Morning Meetings frequently include discussion of internal research, ratings, and trading activity with respect to specific securities. Guests to these meetings and client participants in these educational programs agree to confidentiality terms that restrict their use of confidential information learned.

We do not have the means to monitor the guests' use of information provided in any of these circumstances. However, we think we have taken appropriate steps to protect any misuse of confidential information that might be discussed.

We recognize that EU regulated firms may determine that the materials described above may constitute an inducement. Where this is the case, clients should contact their relationship manager to discuss making appropriate arrangements.

### **D. OUR INVESTMENT MODEL**

Each portfolio manager or team makes investment decisions for the accounts the portfolio manager or team manages based on an independent evaluation of available investment opportunities in light of the client's investment objectives and guidelines. As a result, our firm may be buying a security for one client while it is selling that security for another. We do not have a Chief Investment Officer, or any group of individuals, who gives "top-down" direction with respect to investment positions or strategies for accounts we manage. We believe that this structure best enables us to meet the investment objectives of our diverse client base and encourages individual responsibility for investment performance. It does, however, result in situations where investment positions or actions taken for one client account directly contradict those taken for others.

Many of our portfolio managers manage client assets using more than one investment approach. In addition, some portfolio managers manage "long-only" portfolios, as well as portfolios that take both long and short positions. Managing multiple portfolio management assignments requires the exercise of discretion and judgment, since a portfolio manager will make different investment decisions for different clients based on the portfolio manager's analysis of each client's respective objectives, guidelines and risk tolerances. For more information on potential differences among a portfolio manager's investment approaches and portfolios and how we seek to ensure that all

clients are treated fairly, please see the section entitled *Side-by-side management of client accounts*.

## II. Fees and compensation

We retain complete discretion over the fees we charge our clients, subject to applicable law. Our standard fee for an investment approach may differ across regions and is available upon request. We negotiate fees in light of a client's specific circumstances, asset levels, service requirements or other factors, in our sole discretion. We offer certain clients a fee schedule that is lower than that of any other comparable clients in the same investment style. We sometimes choose to waive all or a portion of our negotiated fee for a given period. Finally, we have promised certain clients that we have provided and will continue to provide them the lowest available fee for a particular investment style and for comparable services.

Fee structures vary both among and within the investment approaches we offer. We do not require or ask our clients to pay fees in advance. In most cases, our fees are calculated as a percentage of assets under management and are payable quarterly in arrears based on the quarter-end market value or average value for the quarter. For some investment approaches, the standard fee schedule is a performance-based fee. Even within the same investment approach, different clients can have different fee structures; some pay asset-based fees, while others pay performance-based fees. Some client accounts have fee structures that include elements of both asset-based and performance-based fee structures. Finally, in a limited number of cases, we charge fixed fees for advisory and consulting services depending upon the nature and extent of services provided. Clients can choose to receive an invoice generated by us or they can calculate and remit fee payments directly to our firm.

From time to time, we agree to rebate advisory fees to investors in our Sponsored Funds or to investors in the CLOs for which we act as collateral manager. We enter into these arrangements only as permitted by applicable law. We implement rebate arrangements either by purchasing additional shares for the benefit of the registered owner in the same pool or by

making a payment to that investor. Rebates in a particular Sponsored Fund or CLO may be related to a broader relationship that we have with that investor.

On occasion, and when permitted, we agree to calculate fees based on the aggregate assets of related accounts. In these circumstances, the aggregated accounts receive the benefit of a lower effective fee due to the combined level of assets.

Some client accounts managed as separate accounts authorize us to invest in Sponsored Funds that already pay advisory fees to us. In those situations, the assets invested in the Sponsored Funds are generally excluded for the purposes of calculating the management fees at the separate account level. In some cases, however, the account pays a composite fee based on the fees charged by the various Sponsored Funds and/or approaches in which it invests, and the assets allocated to these investments.

Our management fees do not include fees charged by a client's custodian or the fees and other expenses deducted from the assets of a fund in which a client account invests. In addition, all client accounts incur transaction costs when they buy and sell securities. For more information, please see *Brokerage practices*.

## III. Performance-based fees and side-by-side management

As noted above, we charge performance-based fees in a number of situations. Many portfolio managers and other investment personnel have responsibility for client accounts with performance-based fees, as well as for accounts with asset-based fees. Strong investment returns increase the performance-based fee paid to us as a firm and the incentive compensation paid to the portfolio manager. As a result, we have an incentive to favor an account with a performance-based fee. The following sections describe how we manage this and other conflicts relating to the side-by-side management of client accounts.

## Side-by-side management of client accounts

Many of our portfolio managers manage client assets using more than one investment approach. Those approaches differ based on an array of factors such as issuer concentration levels, average market capitalization ranges, duration, sector or subsector concentrations, geographic concentrations, tax considerations, cash flows, benchmarks, risk profiles, liquidity needs, time horizons and turnover expectations.

Even within a single investment approach, client accounts are customized to meet clients' specific requirements. For example, a particular account may be unable to invest in a particular country, industry or issuer. That customization is typically reflected in the account guidelines. Accounts within the same investment approach may also differ as a result of client contributions and withdrawals, market constraints or other factors. For example, fixed income accounts in the same approach will typically contain different holdings given the number of publicly traded fixed income securities, the varying frequency and volume at which a particular fixed income security trades, and the ability to obtain a desired exposure through different securities that share similar characteristics (such as credit, interest rate and duration). Similarly, small- and micro-capitalization equity accounts in the same approach often contain different holdings. Those differences often result from the fact that the number of shares of a particular small- or micro-capitalization company available for purchase may be restricted by both the limited frequency and volume with which they trade, and the limits our firm places on aggregate ownership of classes of equity securities across all client accounts.

This description of potential differences among a portfolio manager's investment approaches and accounts is not meant to be exhaustive. Rather, we want to illustrate the fact that we expect that individual portfolio managers will make different investment decisions for different clients. Sometimes those decisions are based on objective criteria, such as industry, sector or capitalization levels. At other times the decision reflects the portfolio

manager's subjective professional judgment about the suitability of a security for an individual account or for a set of accounts. Our portfolio managers make these judgments based on a wide variety of factors, including but not limited to the other holdings in the account, the attractiveness of other investment opportunities available for that account, the portfolio manager's understanding of each client's objectives and risk tolerance and the costs of transacting in a particular security. These individualized decisions can result in significantly different investment returns between investment approaches and among accounts managed by the same portfolio manager.

An important example of how accounts managed by the same portfolio manager will differ, as well as how potential conflicts can arise in these situations, is our management of both hedge funds and more traditional long-only investment approaches. Most portfolio managers who manage hedge funds also manage other long-only client accounts. Some of those hedge funds are sponsored by our affiliates; others are sponsored by our clients.

Hedge funds generally use a more diverse array of investment tools and techniques than most other investment strategies. Those tools and techniques include the use of short sales, leverage and a wide range of derivative instruments. Hedge funds differ significantly from long-only accounts and typically have different investment objectives, strategies, time horizons and risk profiles and different tax and other considerations. In addition, these funds do not typically measure performance against a specific index or benchmark, but instead pursue absolute returns. Hedge funds often provide investors with limited redemption opportunities and require significant advance notice, and so have less need for portfolio liquidity.

We expect that, from time to time, perhaps often, a portfolio manager will purchase or sell securities, including initial public offerings (IPOs) of equity securities, for a hedge fund and not for accounts employing a more traditional, long-only investment approach. A portfolio manager may also make similar investment decisions for a hedge fund and a



long-only approach, but at different times. Because of these differences, we expect that hedge funds and long-only approaches managed by the same portfolio manager will have significantly different investment results over time.

The fee structures applicable to hedge funds often differ from those of the more traditional institutional accounts that make up the majority of our firm's asset base. In particular, the hedge funds pay a performance fee of up to 20% of the net profit of the funds. Portfolio managers for those funds receive a percentage of the performance fee paid to the firm. As a result, these portfolio managers have an economic incentive to favor hedge funds over other accounts they manage. Other accounts with similar fee structures and compensation arrangements, including other alternative funds we manage, will also present similar incentives. We recognize the conflict this presents. We manage this and other conflicts associated with side-by-side management of client accounts through additional investment restrictions on portfolio managers who manage both hedge funds and other accounts, internal review processes and enhanced oversight. While the procedures we use to manage these conflicts differ depending upon the specific risks presented, all are designed to guard against intentionally favoring one account over another.

### **How we allocate investment opportunities generally**

Our decentralized investment model means that individual portfolio managers manage assets in different investment approaches for different clients who pay different fees. We expect those portfolio managers to use their subjective judgment in managing client assets, and we expect that they will make different investment decisions for different clients in order to fulfill each client's investment mandate. We have controls reasonably designed to prohibit practices that violate either applicable law or our fiduciary duties to our clients.

We use a number of techniques to perform after-the-fact review of trading in client accounts. These techniques include performance dispersion analysis and analyses

of order or trading patterns; however, we do not routinely review individual transactions in isolation. The frequency and extent of reviews vary depending on our assessment of the opportunity and incentives for inappropriate investment allocation decisions. We pay special attention to trading patterns of portfolio managers who manage hedge funds, accounts with performance-based fee structures or Sponsored Funds in which firm personnel have invested.

### **How we allocate equity IPOs**

In certain market environments, equity IPOs have had a tendency to experience significant increases in value in the first day of trading. As a result, the ability to acquire IPO shares from the underwriters can be a valuable investment opportunity. Our firm has adopted trading policies and side by side oversight procedures specifically designed to ensure fairness in the allocation of those opportunities among our clients. Those procedures fit within our overall investment model and, therefore, incorporate concepts of portfolio manager decision-making based on the different investment objectives and strategies of different client accounts.

### **The decision to participate in equity IPOs**

Every portfolio manager with an eligible client account can elect to place an order for IPO shares in those accounts for which the IPO is suitable. Eligibility can be affected by investment strategy, legal or client restrictions, while suitability determinations tend to be more subjective and are made by portfolio managers. The factors that might influence a decision on suitability include:

- The portfolio manager manages accounts with different opportunity sets, and the IPO is relatively more attractive in one than another;
- The portfolio manager elects not to purchase the security in the portfolio manager's more concentrated accounts due to the limited number of names held in the concentrated accounts;
- The portfolio manager manages accounts measured against different benchmarks, and the IPO is more appropriate for one benchmark than another;

- The clients have differing tolerance for risk in their respective accounts;
- The portfolio manager finds a stock attractive, but it cannot be held in a particular account, and the IPO is an appropriate replacement holding;
- The IPO is not purchased in accounts in which the portfolio manager seeks to invest in issuers with a minimum market capitalization;
- The IPO is purchased in long/short accounts only with the IPO as the long leg of a pair trade, which is made only because of the ability to short another stock with a specific characteristic;
- The portfolio manager is attempting to achieve industry exposure generically, and the IPO is purchased in a subset of accounts that have the lowest weighting in the pertinent sector and/or industry;
- The IPO is purchased in a subset of accounts that have the highest cash positions; and/or
- The IPO is not purchased in accounts with low turnover expectations or requirements.

This list is intended to be illustrative, not exhaustive. We do not attempt to make a firmwide determination to purchase a particular IPO. However, we generally restrict participation to avoid potential conflicts if client accounts that we manage will be selling shares in the IPO. When a portfolio manager already holds private shares of a company in some client accounts at the time of the company's IPO, we may limit the amount the portfolio manager can purchase in the IPO on behalf of other client accounts or we may not allow those accounts to participate at all.

We expect portfolio managers who participate in an equity IPO to consider and, if appropriate, explain any decision to exclude a specific account from participation in the IPO. Those explanations take a variety of forms, including general protocols that are established by the portfolio manager in advance for the inclusion or exclusion of individual accounts or groups of like accounts. The individuals who enter the order for an IPO in our order entry system also document their understanding of the portfolio manager's reasons for excluding specific client accounts as part of the order entry process. Personnel review these explanations as a

further check that we have met our fiduciary obligations to all our clients.

### **Allocations of equity IPO shares by Global Trading**

Portfolio managers place orders for IPO shares by designating the client accounts and the number of shares requested for each account. Our trading group (which we refer to as "Global Trading" in this document) aggregates these IPO orders for all client accounts and places a block order with the underwriting syndicate. As a risk-control measure, we limit the block order to a certain percentage of the total offering. If the resulting allocation we receive from the underwriting syndicate is sufficient to fill all orders, we do that. If, however, the orders exceed the number of shares that we are allocated as a firm, we allocate shares among participating accounts pro rata by eligible assets under management. For traditional equity strategies and client sub-portfolios dedicated to equity investments, our calculation of eligible assets under management is straightforward. We include all assets in the account or sub-portfolio. However, for strategies that are not traditional equity approaches, but whose guidelines permit investment in equity securities, we use judgment to determine the eligible assets under management. We consider various factors when making that determination, including the level of equity investment permitted under the account's guidelines and the account's historical allocation to equity investments. Allocations are subject to minimum lot size, and an account's pro rata allocation will not exceed the share amount that the portfolio manager identified for the pre-execution order for that account. A portfolio manager cannot vary the allocation to an account or shift shares from one account to another. If the allocation would place some client accounts below the minimum lot size of the issue, then Global Trading will exclude those accounts in the allocation process and reallocate the remaining shares.

### **Allocations of investments in private companies**

Each Sponsored Fund client account that invests in private companies has its own investment strategy, which may be defined by geography, industry, type of investment, or any

other feature. Where the strategies of funds or clients' accounts overlap with respect to one or more investment opportunities, we may have an economic incentive to favor one over another where there is a difference in the fees or other compensation we receive, including a difference in any performance fee or carried interest allocation, or where our employees have a greater financial interest in one fund or client account over another.

We offer some clients and/or other persons opportunities to co-invest alongside our Sponsored Funds in certain private company investments in both fee-paying and no-fee arrangements. In arranging such opportunities, we take into consideration various criteria, not limited to but including a broader relationship that we have with a potential co-investor. In consultation with the general partner of the relevant Sponsored Fund, we retain sole discretion to offer, or not offer, co-investment opportunities to our clients and whether or not to charge fees or other compensation related to co-investments.

## IV. Types of clients

Our clients include central banks, insurance entities, endowments, foundations, mutual funds and other types of funds, public and private retirement plan sponsors (both defined benefit and defined contribution), SMA Programs and many other types of institutions. We also provide investment management services to investment vehicles that we sponsor, including collective investment funds, common trust funds, and US and non-US domiciled funds, including hedge funds and private investment funds. We also act as collateral manager for CLOs.

All of our investment approaches have account minimums, which generally range from US\$25 million to US\$300 million for separate accounts. Different investment approaches have different account minimums. We retain full discretion to waive an account minimum or to charge a minimum fee, regardless of the size of the account.

## V. Methods of analysis, investment strategies, and risk of loss

We offer a broad range of equity, fixed income, alternative and multi-asset investment approaches to our clients. Moreover, we manage many investment approaches relative to a benchmark and others to achieve absolute return. We also manage investment approaches to achieve a range of sustainable outcomes for our clients. Although we have divided the following description into several categories, we recognize that as the capital markets have evolved, the lines between and among these categories have blurred. That evolution continues to occur, particularly through the growing use of derivative instruments, such as forwards, futures, options, and swaps, which we use in many of the approaches described below.

Investing in securities and other financial instruments involves risk of loss that clients should be prepared to bear. Those risks will vary based on the nature and attributes of the relevant investment approach and the specific securities and other instruments held. For information on the risks and permissible investments associated with a particular investment approach, please contact your relationship team.

### A. INVESTMENT APPROACHES

#### Equity

We manage a broad range of equity investment approaches, including various growth, core and value approaches, as well as approaches designed to be "style-neutral." Some approaches focus on specific capitalization ranges, from micro-cap, through small-cap, mid-cap and large-cap, to mega-cap. Others look for investment opportunities in more than one capitalization category or across all capitalization levels. In addition, we manage approaches that are global, multinational or focused on particular geographic regions or specific countries. We manage diversified approaches invested across industry sectors, as well as sector approaches that concentrate on specific industries, such as health care, technology or finance. We also manage



approaches that take long and short positions or invest in private issuers. Our equity approaches may be based on fundamental research, may instead rely primarily on quantitative tools and techniques, technical analytical methods and strategies, may consider environmental, social, and/or governance (ESG) issues, may make use of derivative instruments to hedge or seek return, or a combination of these approaches.

Investments in equity markets are subject to many risk factors, including risks arising from economic conditions, government regulations, market sentiment, local and international political events, and ESG and technological issues. In addition, the market value of equity securities will fluctuate in response to changes in currency values.

### **Private Investments**

We invest in private companies for some client accounts, including our sponsored private investment and certain of our hedge funds. We manage a number of Sponsored Funds that invest all or a significant portion of their assets in private companies.

Investments in private companies are generally illiquid and hard to value because of regulatory and contractual limits on their transferability and the lack of a trading market. We may not be able to liquidate a client's investment in a private security at the time the client terminates our advisory services. If that happens, the client or its subsequent adviser will need to take on management of the private company investment going forward. We will not invest in private companies on behalf of a client without the client's permission. For client accounts that allow private company investments, we apply some internal risk management limits on both the amount of private company securities that can be purchased for particular client accounts and the aggregate level of ownership in a given private company across all of our client accounts. The account-specific limits vary based on client type and are less restrictive for our Sponsored Funds that invest all or a significant portion of their assets in private companies.

Investments in private companies may result in Wellington or its employees or affiliates having contractual relationships with private companies and/or representation on their Boards of Directors. It is possible for our firm or our private equity funds to be thought to control, participate in the management of or influence the conduct of private companies we hold as investments. These factors could expose the assets of our funds and client accounts that invest in private companies to claims by a private company, its other security holders, its creditors or governmental agencies. While Wellington intends to manage our funds and accounts in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

### **Fixed income**

We invest in fixed income instruments and related derivative instruments across the duration (from money market and short bond to intermediate to long bond) and credit (from investment grade to high yield) spectrums. Some approaches seek investment opportunities across various sectors, including government, mortgage, corporate, municipal and emerging market debt, while others are limited to one or more of those sectors. We also manage global, multiregional and multicurrency approaches. Our fixed income portfolio managers rely on fundamental research capabilities, as well as quantitative and technical analytical tools. Our investment approaches often utilize a combination of these capabilities and tools and may also consider ESG issues.

Investments in fixed income securities markets are subject to many risk factors, including risks arising from economic conditions, government regulations, market sentiment and local and international political events and ESG factors and technological issues. In addition, the market value and liquidity of fixed income securities will fluctuate in response to changes in interest rates, currency values and the creditworthiness of the issuer.

### **Currencies**

We offer our clients a range of currency management services. The firm offers actively managed currency-only approaches in multiple

styles, which are differentiated in terms of the currencies held, the underlying performance benchmark and the expected level of volatility. Each currency approach relies on a combination of fundamental research, quantitative tools and technical analysis. These approaches often utilize more than one of these capabilities and tools. Investments in currencies, currency futures contracts, forward currency exchange contracts 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.

Active investments in currencies are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

### **Commodities**

We manage commodities approaches that invest across commodities sectors and types. These approaches rely on our firm's fundamental research capabilities in combination with quantitative and technical analytical tools.

Exposure to the commodities markets may be more volatile than investments in traditional equity or fixed income securities and is typically achieved through derivative instruments. The value of commodity-linked derivative instruments may be affected by broad market movements, commodity index volatility, interest-rate changes, and environmental or other events affecting a particular commodity or industry.

### **Multi-asset**

We advise some clients on the allocation of assets among various asset classes and investment styles. These services range from the provision of strategic allocation studies that recommend adjustments to a client's existing asset allocations, to active (or tactical) management of the asset allocation exposures within an account, to full discretion over both strategic and active asset allocation decisions for a client's portfolio. Some active multi-asset portfolios include diversified exposure to a range of asset classes, while other portfolios

are concentrated on specific sectors of the global capital markets.

Active asset allocation decisions can be based on fundamental research, quantitative and/or technical analytical tools. Consistent with our firm's investment model, there is no top-down direction with respect to asset allocation. Allocation decisions and recommendations will vary based on the relevant portfolio manager's or strategist's views and evaluations of a client's specific objectives and requirements.

Multi-asset accounts can invest in desired asset classes or sectors in a number of ways. A portfolio manager may allocate a multi-asset account among various investment approaches that we manage, including our Sponsored Funds, invest the account's assets directly, or use a combination of these methods to gain the desired exposures. Multi-asset accounts are subject to all of the risks associated with each of the underlying asset classes and instruments in which they are invested, as well as the risk that asset classes and instruments do not perform as expected.

## **B. ESG**

We consider environmental, social and corporate governance (ESG) factors to be one of many sets of financially material factors that should be weighed appropriately to inform investment decision making. We believe ESG factors can help to mitigate investment risks and identify attractive investment opportunities, so understanding them enables more informed investment decisions. As such, we perform ESG analysis on many issuers and make the resulting information about ESG factors available to all investment personnel for consideration. Individual portfolio managers and analysts make their own decisions with respect to how much emphasis, if any, to place on the materiality of ESG factors. For many investment teams, ESG research is an input or lens to help assess the value of investments. The "weight" or prominence of this input differs, in large part, on the ESG issue, investment strategy, asset type, and team philosophy and process. ESG considerations can manifest in the investment thesis or portfolio weighting for a particular

security, as well as in proxy voting and company engagement efforts. ESG related guidelines or restrictions may be systematically applied where a portfolio manager has incorporated specific ESG factors or restrictions into their investment decision-making process and/or where we have agreed to these with clients.

We are a signatory to the United Nations backed Principles for Responsible Investment (the PRI) and a member of the Net Zero Asset Managers initiative. In addition, we are a signatory to or member of other ESG-related industry initiatives and stewardship codes. The PRI is a network of international investors working together to incorporate six principles addressing ESG factors into investment decision-making and stewardship practices. As a member of the Net Zero Asset Managers initiative, we have committed, to the extent consistent with our fiduciary duty, to work in partnership with clients on their decarbonization goals, prioritize the achievement of real-economy emissions reductions, and set an interim target for assets to be managed in line with the attainment of net-zero emissions by 2050. As a signatory to these initiatives, we have committed to considering relevant financially material ESG factors where appropriate and consistent with our duties to clients. Signatories are not required to apply any specific ESG restrictions on their investment processes, and we will take actions inconsistent with the PRI principles, Net Zero Asset Managers Initiative and other stewardship codes if we believe it is in the best interests of our clients to do so. Where these factors are a material component or focus of the investment process, we disclose to our clients how the investment approach in which they have invested considers ESG factors and engages with issuers on ESG issues. We provide additional information on how we seek to meet our commitments under the PRI principles or Net Zero Asset Managers Initiative upon request.

## VI. Disciplinary information

From time to time, our firm is involved in regulatory examinations or litigation that arise in the ordinary course of our business.

In the event that we become aware of any regulatory matters or litigation that we believe would be material to an evaluation of our advisory business, we promptly notify all clients or prospects affected by those events, subject to applicable law and regulation. We also notify clients and prospects about regulatory matters or litigation that are not material to our advisory business if we believe that our clients would expect to be notified of those matters.

## VII. Other financial industry activities and affiliations

Wellington Management's investment advisory entities operate as a unified, global investment management firm. We do business as an investment manager through a number of affiliated entities, each of which is registered with the appropriate regulators.

- Wellington Management Company LLP manages our business in the United States and Latin America and coordinates our global operations.
- Wellington Management (DIFC) Limited manages our business in the Middle East.
- Wellington Management Australia Pty Ltd manages our business in Australia and New Zealand.
- Wellington Management Canada ULC manages our business in Canada.
- Wellington Management Europe GmbH manages certain business in the European Union.
- Wellington Management Hong Kong Limited manages our business in greater China and Korea.
- Wellington Management International Ltd manages certain business in Europe, the Middle East and Africa.
- Wellington Management Japan Pte Ltd manages our business in Japan.

- Wellington Management Singapore Pte Ltd manages our business in South-East Asia.
- Wellington Management Switzerland GmbH services our clients in Switzerland.

Wellington Management personnel from these entities often work together to manage client portfolios and provide related services, including client liaison, investment monitoring, account administration, investment research and trading services. In those circumstances, we will notify you when required and take steps to ensure that we comply with any applicable laws.

Our firm also provides a range of investment management services to investment vehicles that are sponsored by our affiliates (referred to as Sponsored Funds). These affiliates include:

- Wellington Alternative Investments LLC
- Wellington Funds (US) LLC
- Wellington Luxembourg S.à r.l.
- Wellington Alternative Investments GP Late Stage Growth Luxembourg S.à r.l.
- Wellington Management Funds LLC
- Wellington Trust Company, NA

Wellington Funds Distributors Inc. (WFD), a limited-scope broker/dealer registered with the US Financial Industry Regulatory Authority (FINRA), introduces prospects to our Sponsored Funds and to certain SEC-registered investment companies to whom we provide advisory and sub-advisory services offered within the United States. WFD does not execute securities transactions or engage in any other business.

Wellington Management CLO Advisors LLC (CLO Advisors), a series limited liability company organized under the laws of Delaware, is an SEC-registered investment adviser that is a relying adviser of Wellington Alternative Investments LLC. CLO Advisors acts as collateral manager for a number of CLOs.

For additional information on the other entities within our organization please refer to the *Appendix*.

## VIII. Code of Ethics, participation or interest in client transactions, and personal trading

### A. OUR CODE OF ETHICS

Our Code of Ethics (the Code) applies to all Wellington Management personnel worldwide. The Code describes the standard of conduct we require of our personnel and sets forth certain restrictions on activities, such as personal trading and gifts and entertainment. Compliance with the Code is a condition of employment for all personnel. A serious violation of the Code or related policies may result in dismissal. Key provisions of the Code are summarized below. A copy of the entire document is available upon request.

#### Personal trading

All Wellington Management personnel are considered “access persons” under our Code. Temporary personnel (including co-ops and interns) and consultants whose tenure with Wellington Management exceeds 90 days and who are deemed by the Chief Compliance Officer to have access to nonpublic investment research, client holdings, or trade information are also subject to the personal trading requirements of the Code of Ethics. They must pre-clear their personal transactions in covered securities prior to execution, except as specifically exempted under the Code. Some personal securities transactions that are not subject to pre-clearance must nonetheless be reported, including transactions in open-end mutual funds and variable insurance products that we manage. The Code’s restrictions on personal trading apply to accounts over which an access person and/or certain immediate family members have investment discretion, or from which they enjoy economic benefits. Portfolio managers are subject to additional restrictions on their personal transactions.

The pre-clearance process tests proposed transactions against a number of substantive restrictions designed to prevent our personnel from taking advantage of our firm’s investment activity on behalf of our clients. We prohibit all

personnel from buying or selling securities issued by broker/dealers that are approved for execution of client trades or by securities markets or exchanges on which we trade on behalf of clients. Likewise, we do not allow our personnel to engage in personal transactions involving the direct purchase of any security in an IPO. All personnel are required to provide quarterly reports and certifications regarding their securities transactions and, at initial hire and annually, reports regarding their securities holdings. The Chief Compliance Officer (CCO) (or designee) may grant an exception from pre-clearance, other trading restrictions, and certain reporting requirements on a case-by-case basis, if the CCO or designee determines that the proposed conduct involves no opportunity for abuse and does not conflict with client interests.

### **Gifts and entertainment**

Our Code places restrictions on receipt of gifts, business meals, travel, and entertainment opportunities by our personnel. Our personnel occasionally participate in entertainment opportunities that are for legitimate business purposes, subject to limitations set forth in the Code.

## **B. INVESTMENTS BY OUR PERSONNEL IN PRODUCTS WE MANAGE**

We encourage our personnel to invest alongside our clients. Our personnel, including portfolio managers and other personnel, often invest in our Sponsored Funds and in other pooled vehicles that we manage. These investments are made directly by our personnel and through employee benefit plans that we sponsor (the Wellington Retirement Plans). The Wellington Retirement Plans invest extensively in Sponsored Funds and in mutual funds sponsored by two of the firm's largest sub-advisory clients.

By virtue of their responsibilities, our personnel have access to information that is not available to other participants in the investment vehicles that we manage. We recognize our duty to disclose any material information related to these funds in a fair and equitable manner to all participants. We have adopted policies and procedures to identify and disclose material

information and to manage any related conflicts that arise. Those procedures include information barriers and restrictions on transactions in Sponsored Funds by our personnel.

Our firm does not typically limit the percentage of a Sponsored Fund that our personnel can own. Wellington Management personnel are often the first participants in a new Sponsored Fund and in some instances will be the only participants for one or more years. However, the vast majority of total assets in the Sponsored Funds belong to investors unaffiliated with our firm. In some cases, a portfolio manager may own all or substantially all of the interests in a Sponsored Fund that the portfolio manager manages. While personnel who invest in Sponsored Funds have an incentive to favor those accounts in order to obtain a personal benefit, these investments also help to align those individuals' interests with those of our Sponsored Fund investors.

Sponsored Funds in which our personnel invest, including ones in which they are the only participants, invest and trade alongside other client accounts. We treat these Sponsored Funds the same as any client accounts, except with respect to investments in equity IPOs. Where the legal and accounting structure of a Sponsored Fund allows us to exclude our personnel from participating in the first day gains of a fund's investment in an IPO, we do so. Where we do not have that ability, the Sponsored Fund will only be permitted to invest in an equity IPO if our personnel's assets comprise less than 50% of the fund.

## **C. POLITICAL CONTRIBUTIONS**

We do not allow our personnel to make or solicit political contributions for the purpose of obtaining or retaining business with government entities. However, our personnel may make personal contributions, consistent with applicable law, to support political candidates or elected officials, including candidates who may share the firm's views on issues related to our business interests.



## D. DONATIONS TO CHARITIES

From time to time, our firm donates to charitable organizations that are clients or are supported by clients, prospects, consultants or their employees. In general, we make those donations in response to requests from one of those parties. We take into consideration the importance of the business relationship as one factor in determining whether to approve a charitable contribution.

## E. OTHER POTENTIAL INTERESTS

Our focus is investment management. We do not execute securities trades as a broker/dealer for client accounts that we manage. As a result, we avoid a number of potential conflicts with our clients' interests. However, the ordinary operation of our business does generate situations where we have a financial interest in investments in which our clients also transact.

### Identification and resolution of errors

Investment decisions, portfolio construction and related activities, including trading and trade reconciliation, are complex processes. Mistakes and imperfections occur, some of which cause losses in our clients' portfolios. However, not all mistakes and imperfections are errors. We generally consider something an error (Error) when we determine that our actions did not meet the applicable standard of care for managing a client's assets.

Our Error Resolution Council, a cross functional group of senior professionals, oversees review of the facts and circumstances underlying a potential Error and determination of whether the event constitutes an Error. We may consider a variety of factors in determining whether an event constitutes an Error, as set forth in our Policy Regarding Errors and Error Resolution. By way of example, a breach of investment guidelines, if corrected the same day, may be deemed a non-Error (where permitted by law and contract). A breach of contractual investment guidelines that is not caused by Wellington Management or its agents generally will not be considered an Error. We attempt to resolve similar situations in a consistent manner, although industry practice and our view as to whether we have met our standard of care may

change over time. In rare circumstances, in order to resolve a dispute with a client, we may decide to compensate a client for a loss even though we believe it is not a compensable Error.

If we determine that we have made an Error in a client's account, we will typically compensate the client for the direct monetary losses the Error caused in the client's account. Unless prohibited by applicable regulation or a specific agreement with the client, we net the client's gains and losses from the Error or a series of related Errors with the same root cause and compensate the client for the net loss. We do not compensate for any amounts that, in our judgment, are speculative, including any lost opportunity costs or other consequential or indirect losses. We typically notify clients as soon as practical of any Errors. However, we generally do not notify clients about an event when we have determined that it does not constitute an Error.

Where practicable and as permitted by law, we may resolve potential errors by canceling trades, reallocating trades to other client accounts with interest, or having the trades settle in our error account if we are able to identify and resolve the incorrect transaction prior to settlement date. These transactions may represent a loss or a gain. We bear the financial loss or retain the financial gain associated with the transactions that we resolve in the error account. We generally do not notify clients about those events.

### Investments by Wellington Management in products we manage

From time to time, we provide seed capital in connection with the launch of a new Sponsored Fund, other pooled investment vehicle that we manage, or feeder funds set up to facilitate investment into Sponsored Funds. We also invest capital in one or more Sponsored Funds that are designed to develop new investment approaches and do not accept external investments. In connection with investment approaches focused on private companies, we sometimes invest capital in warehouse vehicles, for which we receive interest income at prevailing market rates, whose assets may subsequently be acquired, in whole or in part, by one of the Sponsored Funds we manage.

These investments are not significant to our financial position.

Wellington oversees a proprietary risk account designed to hedge Wellington's investment risk associated with its seed capital investments. This account utilizes a variety of techniques to hedge investment risks, including strategies designed to hedge the firm's exposure to a specific issuer, instrument or asset. Hedging strategies implemented by our proprietary risk account are not required to be, and generally are not, implemented within the strategies we seed. As a result, a client's exposure to a specific issuer, instrument or asset within a seeded strategy or vehicle may be greater than the firm's own exposure, due to its hedging program. We have controls reasonably designed to ensure that all strategies, including those with seed capital investments, are managed in line with the objectives and risk characteristics disclosed to clients and investors.

#### **Client investments in securities issued by other clients**

Our client list includes numerous corporations that issue publicly traded equity and/or debt securities, as well as private companies that may issue equity and/or debt privately. In addition, we manage assets for sovereign and quasi-governmental entities and act as collateral manager for CLOs that issue publicly traded securities. Given the breadth of the firm's client base and its investment platform, we frequently invest client assets in the securities of entities with which our firm has a client relationship.

#### **Client investments in products we manage**

We may invest client accounts in Sponsored Funds and in CLOs for which we act as collateral manager when authorized by the client. In those situations, the assets invested are generally excluded for the purposes of calculating the management fees at the separate account level. However, in the case of our Sponsored Funds, when a client expressly agrees, an account will pay a composite fee based on the fees charged by the various Sponsored Funds and/or approaches in which it invests and the assets allocated to these investments. As a result, allocations to some

Sponsored Funds or approaches may result in higher fees than other allocations. We monitor these arrangements to ensure that allocation decisions are based solely upon an account's investment objectives, guidelines, and risk tolerance.

## **IX. Brokerage practices**

Our core business practices regarding trading and brokerage are set forth below. We have also sought to describe conflicts that arise in connection with the execution of trades for client accounts and the measures we use to manage those conflicts.

Global Trading executes all orders for trades directed by our firm's portfolio managers. Our Global Trading professionals have responsibility for selection of brokers and electronic trading methods, negotiation of commission rates, sequencing of orders, and overall trade execution.

Trades may be executed through electronic trading methods, which include broker-sponsored algorithms and accessing third-party venues, by manually working an order with one or more counterparties, or through direct trading between client accounts. Trading policies are developed and monitored by our cross-functional Order Implementation Risk Committee.

### **A. HOW WE TRADE LIKE ORDERS**

#### **Aggregation of orders**

Given our diverse investment platform, we frequently have open orders to buy or sell the same security in more than one client account. When orders are substantially similar, Global Trading typically aggregates them and places a block order with one or more brokers. Our trading professionals use guidelines in deciding whether to aggregate orders. They consider factors such as: the time frame over which different portfolio managers wish to build, reduce or eliminate a position; price limits and other instructions established by a portfolio manager for a specific order for a client account; client cash flows; the liquidity of the securities involved; and other relevant market information. Orders may be added to a block over a reasonable period of time during

the trading day without first allocating executed shares if Global Trading believes that the additional orders are based on the same news item, analyst recommendation or other triggering event that prompted the first order, or that the addition of the orders will not have a material impact on the block order.

While we typically aggregate similar orders, we may not do so in a number of circumstances, including where Global Trading determines that:

- The order is contingent on the execution of other orders or order terms such as price sensitivity or urgency to complete the trade differ significantly. In those circumstances, the trader handling the orders will use their discretion and may contact the portfolio managers involved to determine whether their intentions will be affected by the terms of the other orders. The trader will then sequence the orders in the process of seeking best execution. Likewise, when Global Trading becomes aware of new information that it believes might affect a portfolio manager's instructions regarding an order prior to its completion, Global Trading will seek to contact all appropriate portfolio managers and proceed in accordance with any revised instructions. A material change to a portfolio manager's instructions may also result in the separation of that order from the aggregated orders.
- Client account constraints, such as operational rules or broker/dealer selection requirements, may require orders to be traded separately from the aggregate order.
- Trades with low complexity of execution requirements may be traded separately from other orders without a material impact on other orders.
- The order is worked as part of a broader Program Trade, as described in the section on *Best Execution*.

Client accounts with orders traded separately may receive a different and inferior price from

those accounts participating in the aggregate order.

### Allocation of executions

As an aggregate order is filled, we allocate securities or cash among the participating accounts pro rata, based on the order size specified by the portfolio manager at the time of order entry. Except as described below, each participating client account receives a percentage of the executed portion of the order based upon each client account's percentage of the entire order. In some circumstances, additional allocation restrictions or preferences are dictated by the local market requirements or the issuer. When an aggregate order is filled through multiple executions, we allocate equity securities, where possible, at the average execution price, accounting for any differences in applicable commission rates across client accounts. Similarly, we allocate fixed income instruments (including new issues) pro rata at each executed market level. In both cases, we generally round the allocation to a given account to the nearest round trading lot.

When an aggregate purchase or sale order is only partially filled, our allocation of securities or sale proceeds among participating client accounts can deviate from a pro rata allocation because the size of the allocation to a given account fails to meet one or more of the following criteria: a minimum lot size imposed by the issuer, a round trading lot size established by the relevant exchange or market convention, client-directed guidelines setting minimum position sizes, or a minimum allocation amount that we impose based on our judgment regarding the position size needed to attain reasonable liquidity and pricing in the market. In these instances, our Global Trading systems allocate the securities or cash using methods designed to achieve fair and equitable allocations for all clients over time. Sometimes the application of these criteria will prevent a client from participating in the allocation for a purchase or sale order entered for the client's account.

For clients investing in private equity, we follow standard practices with the exception that we take a modified approach for follow-on investments and generally seek to give existing



investors in a portfolio company priority in maintaining their pro rata ownership interest; thereafter, we follow the principles outlined above.

While we believe that a pro rata allocation treats clients fairly in most instances, we recognize that a rigid formula will not always lead to a fair and equitable result. Accordingly, Global Trading or any portfolio manager may ask our Chief Compliance Officer (or the Chief Compliance Officer's designee) for an exception to the standard order aggregation and trade allocation processes described above. These exceptions are rare and will be granted only when we believe that all clients will be treated fairly under the proposed allocation.

### **Initial public offerings of equity securities**

The allocation of equity IPOs is described in *How we allocate equity IPOs*.

## **B. HOW WE HANDLE COMPETING TRADES**

Our diverse investment model often causes us to execute trades for one client that differ from, or conflict with, trades we are executing on behalf of another client. For example, one portfolio manager may be attempting to buy a security for one client account while another portfolio manager is selling the same security for another client. Likewise, one portfolio manager may sell short a security for one client while a different portfolio manager is purchasing the same security in another client account. We seek to obtain best price and most favorable execution on all orders, but one client may receive or appear to receive a more favorable outcome.

### **Direct trading between accounts**

When we have orders to buy and sell the same security on the same terms and at the same time, Global Trading may consider doing a "direct trade," sometimes referred to as a "cross trade," between the client accounts that are involved. Direct trades can provide a benefit to both clients in the form of reduced market impact and reduced transaction costs. However, not all clients are permitted to engage in direct trades.

We may execute a direct trade between client accounts when we believe that trade is appropriate for all accounts involved and consistent with applicable law and client guidelines. We limit direct trades to securities for which market quotations or current market prices as determined by reference to third-party vendors are readily available. We effect direct trades at the current market price for that security. The broker/dealer may charge clients customary transfer fees to complete the transaction or brokerage commissions consistent with applicable law and regulation. Global Trading has sole discretion over whether and when to effect direct trades between eligible client accounts and may choose not to do a direct trade even if the accounts involved are permitted to do them.

Global Trading may choose to execute trades that are otherwise eligible for direct trading through broker/dealers, as described immediately below.

### **Contra orders**

We execute contra orders (orders on opposite sides of the market) for accounts we manage in a manner designed to provide adequate market exposure to both orders. We generally place contra orders with different broker/dealers, but also use electronic trading methods when Global Trading determines that those methods offer adequate market exposure for the trades. Trades may be sequenced or executed at different terms than they otherwise would, in the interest of achieving best execution while also providing adequate market exposure for all orders. We do not consider trades executed through electronic trading methods with adequate market exposure to be direct trades.

We may purchase securities from a broker to which we have recently sold the same securities when we believe that doing so is consistent with seeking best execution, particularly where that dealer is one of a limited number of brokers who hold or deal in those securities. We do not consider trades executed in this manner to be direct trades between client accounts.

### Trades executed or directed by clients

In some circumstances, we make investment recommendations or provide model portfolios to clients who execute their own securities transactions or who direct us to execute a recommended transaction only after their own internal review and approval. Those recommendations are sometimes communicated after we have completed all or part of our trading activity in that security on behalf of clients for whom we have trading discretion. When the communication of the recommendations is delayed, the delay may be significant, and it may adversely affect the price the clients who execute or direct the trades themselves obtain. When the recommendations are not delayed, our trading desk may find itself competing against those clients in the marketplace for the securities in question. That competition could have an adverse impact on the price obtained by all clients.

## C. OUR BROKERAGE PRACTICES

Our firm's relationships with broker/dealers, particularly those affiliated with large financial services organizations, are complex. We use broker/dealers to execute trades on behalf of clients, but we also have many other relationships with them. Some examples include:

- We invest client assets in securities issued by broker/dealers or their affiliates;
- We provide investment management services to certain broker/dealers or their affiliates;
- Broker/dealers serve as counterparties to a variety of investment instruments, including derivatives that we manage on behalf of our clients;
- Certain broker/dealers serve as prime brokers to one or more of our Sponsored Funds;
- Certain broker/dealers provide both internally generated and third-party research and analytics to us as part of trade executions that we place on behalf of our clients;
- Family members of some of our personnel, including members of Global Trading, are employed by broker/dealers and third-party research providers;

- Certain broker/dealers distribute some of our Sponsored Funds.
- Certain broker/dealers act as agents for securities borrowing programs for Sponsored Funds where the lenders may be entities that also, separately, have accounts advised by us;
- Certain broker/dealers provide financing of trades for various funds;
- Certain affiliates of broker/dealers provide banking services to our firm.
- Certain broker/dealers provide services in our capacity as CLO collateral manager

All of these relationships pose the potential for a conflict in the selection of broker/dealers to execute trades in client accounts. For example, we understand that our firm has an incentive to select broker/dealers that provide Research Services in connection with client trade executions or that confer some other benefit to us or our personnel.

One way we manage the conflicts created by these multifaceted relationships is through our structure. We have assigned responsibility for different activities to separate and distinct business groups within our firm. All of our trading activity is directed by Global Trading, while investment matters are handled by the appropriate portfolio management and research teams with assistance from our investment implementation support. Client relationships are managed by the Client Group. Global Trading also assigns coverage of trading relationships in a manner designed to manage potential conflicts with broker/dealers. For example, no member of Global Trading is in a position to direct trades to a family member employed by a broker/dealer.

In addition to these structural arrangements, we manage the conflicts in our relationships with broker/dealers through our policies, as described below.

### Best Execution

We seek best available price and most favorable execution (Best Execution) of the orders directed by our portfolio managers. We define Best Execution as a process, not a result: it is the process of executing portfolio transactions at prices and, if applicable, commissions that provide the most favorable

total cost or proceeds reasonably obtainable under the circumstances (taking into account all relevant factors). Trading practices, regulatory requirements, liquidity, public availability of transaction information and commission structures vary considerably from one market to another. Best Execution incorporates many such factors, as well as the portfolio manager's investment intentions, and involves an evaluation of the trading process and execution results over extended periods. We regularly monitor our trade executions to assess our effectiveness in seeking Best Execution and use third-party analysis where applicable. We can never know with certainty that we have achieved Best Execution on any given trade, but we believe that over time we do achieve Best Execution.

Global Trading may choose to trade a portfolio of multiple securities with a single broker/dealer at a time (Portfolio Trades) to access aggregated liquidity more efficiently. The individual transactions may be executed at better or worse prices than similar transactions in the same securities that day in the interest of achieving Best Execution and maximizing the overall benefit to our clients.

### **Broker/dealer selection**

An essential component of seeking Best Execution is broker/dealer qualification. We maintain a broad list of approved broker/dealers through which we can execute trades in client accounts. Each of our traders has discretion to decide which of those broker/dealers to use in executing specific transactions. The trader considers the wide range of brokerage services and capabilities applicable to a particular transaction and attempts to select a broker/dealer that is among those most capable of providing Best Execution. On any given trade, the relevant brokerage services and capabilities can include the ability to execute a difficult or unique trade, the ability to provide anonymity and confidentiality, the breadth of the broker/dealer's counterparty relationships, the likelihood of execution, the likelihood and timeliness of settlement, the broker/dealer's underwriting capabilities, its use of automation, and its willingness to commit capital. The applicability and importance of specific criteria will vary depending on the

nature of the transaction, the market in which it occurs, nuances specific to certain products, and the number of broker/dealers that are capable of executing the transaction. A trader may or may not solicit bids from multiple broker/dealers based on that trader's judgment of the expected impact of a broad solicitation on the execution of that transaction.

Broker/dealer selection is often limited for certain products or investment strategies, such as private equity and private debt where there is a limited or no secondary market. We may have difficulty establishing or exiting a position due to this constraint.

In seeking Best Execution, eligible orders may be executed through electronic trading methods where broker/dealer selection is based on predetermined criteria.

While a trader does not consider research services when selecting a broker/dealer, we may execute orders with broker/dealers that provide research services to us when the trader handling the order believes that the broker/dealer can provide Best Execution.

### **Foreign currency transactions**

We generally use broker/dealers to execute foreign currency transactions. However, we trade foreign currency through a client's custodian when legal requirements or operational considerations make executing through a broker/dealer impractical. For example, we issue standing instructions to client custodians to effect foreign currency transactions related to the repatriation of income.

### **Counterparty risk**

We recognize that, as a by-product of investing, counterparty exposure is an unavoidable risk for all client accounts. We seek to preserve the ability of clients to take advantage of investment opportunities while prudently mitigating counterparty risk through counterparty selection and monitoring, trading discipline, standardized over-the-counter agreement terms and dedicated operational functions that oversee confirmation of trades, collateral management and pricing. Our

traders execute transactions only with approved counterparties.

We periodically review all trading counterparties under a risk-based framework. The extent and timing of these reviews vary based on our assessment of the potential risks associated with the type of trading we conduct with that counterparty. We use both internal and external analysis in conducting these reviews, as appropriate. While we believe that these measures reduce the risk that a counterparty default will have a major impact on client accounts, they cannot guarantee that investment losses associated with a major counterparty default will be averted.

### **Central Clearing**

Central Clearing refers to instruments and trades that are executed through a broker who then submits the transaction to a registered clearing member of a clearinghouse for settlement and servicing. Centrally cleared instruments include listed derivatives such as futures and options, certain OTC derivative swaps, and more recently Repurchase Agreement (Repo) transactions.

For certain instruments and clients, we are obligated by regulation to centrally clear all or some trades. In other markets or instruments, we have made the decision to voluntarily clear trades because we believe it to be in the best interest of our clients from a trading and counterparty risk management perspective. We generally seek to diversify our exposure to any one clearing member or clearing house, but may be limited in our ability to do so based on regulatory requirements and/or client guidelines or the lack of available and/or approved service providers. In addition, we may also decline to diversify exposure where we determine that doing so would not be in our client's best interest.

### **Commission rates**

When applicable, brokerage commissions play an important role in our evaluation of Best Execution. As with other aspects of Best Execution, we believe that an analysis of commission costs must be multifaceted. The most appropriate commission on a trade is not always the lowest available execution commission. Many orders require skills and/or

services that are not available at the lowest possible commission rate. The trader seeking to execute a specific order has full discretion to pay the commission rate necessary to pursue Best Execution of the order and selects a specific broker/dealer and commission rate based on their assessment of the execution requirements for the particular order.

We negotiate execution commission rates with broker/dealers in advance of trading based on the various types of trade execution that our client accounts may need. In many cases, we also negotiate commission rates with broker/dealers to include research services that are bundled with execution services. We attempt to negotiate rates that maximize the benefits received by our clients for their commission expenditures. Those benefits can include, but are not limited to, trade execution, the willingness and ability to commit capital and the availability of investment research provided by the broker/dealer. While some client accounts routinely make use of a range of services provided by broker/dealers, an account may make use of a particular service only rarely, if at all. As we cannot always predict when orders for a client account will require a particular service, we believe that access to the full range of services provided by broker/dealers generally benefits all client accounts. In the case of client accounts managed in strategies that we deem wholly systematic; Wellington Management has negotiated reduced commission rates for US algorithmic executions that we deem eligible. The reduced commission rates reflect their limited use of direct research. When orders for these client accounts are aggregated with other like orders for different strategies, the lower rate is not available. Global Trading retains discretion to determine whether the aggregation of orders is appropriate.

We also seek to negotiate commission rates for clearing services with clearing members that maximize the benefits received by our clients for their commission expenditures.

### **Client commissions and research benefits**

Our investment professionals use research provided by broker/dealers (Research Services) in their decision making process.

Research Services include written material and analyses, conversations with analysts at the research firms, meetings with corporate management and access to experts in a variety of fields, such as government officials, doctors, researchers, lawyers and scientists. Some of these Research Services are proprietary services developed by the broker/dealers themselves, and some of these Research Services are sourced from and developed by third-party research firms.

We believe that our clients benefit from our access to Research Services. Research Services can supplement our own internal research, particularly with respect to smaller issuers or niche markets and products. Research Services can also help investment professionals understand external perspectives on a given issuer, market or topic. However, market practices, regulatory constraints and our own choices regarding the provision of Research Services give rise to a number of conflicts between us and our clients and among our clients.

In most cases, broker/dealers provide Research Services as part of a package of services bundled with client trade execution services. Our clients generally pay trading commissions that cover both the cost of Research Services and the cost of execution services. (The portion of the bundled commission that goes towards payment for Research Services is often referred to as “soft dollars” or “soft commissions.”) This practice creates a conflict between us and our clients. When client accounts pay bundled commission rates that include credits for Research Services, the commission rates are higher than the lowest available rate. While these trading commissions are paid for by our clients’ accounts, the Research Services are provided to us. We thus receive a benefit because we do not have to pay for the Research Services ourselves. As a result, we may have an incentive to select broker/dealers based on our interest in receiving Research Services instead of our clients’ interest in receiving the most favorable execution.

In some cases, a broker/dealer may execute a portion of an equity trade order using securities or cash from its own inventory in

order to complete the transaction. In these instances, client trades executed at higher bundled commission rates will not yield all the Research Service credits anticipated at the time we placed the order, because commissions paid for the portion of the order executed by the broker/dealer as principal are not eligible to pay for Research Services.

Our approach to sharing research among our investment professionals also generates a conflict among our clients. We do not attempt to link soft commissions generated by a client’s trading activity to Research Services that are specifically used by the investment professionals making investment decisions for that client’s portfolio. Rather, we use the pool of soft commissions generated by all eligible client trading activity to pay for Research Services consumed by any of our investment professionals. While we believe that all of our clients benefit from our robust investment discussion across asset classes and investment approaches, some clients contribute more directly to the cost of obtaining Research Services used to inform that discussion.

The use and importance of Research Services to an individual portfolio manager’s day-to-day investment process varies among our diverse investment styles. The breadth of use for a given Research Service also varies based on its content. Some Research Services cover topics of wide interest that benefit a broad group of client accounts, while others cover specialized topics that benefit a narrower segment of accounts. In addition, some client accounts generate more trading commissions than others. For example, mark-ups and mark-downs charged by broker/dealers (in lieu of commissions) for transactions in fixed income securities, currencies and derivatives are typically ineligible for Research Service credits, and some investment approaches trade based only on quantitative inputs or simply trade less frequently than others. As a result of these and other similar factors, some client accounts whose commissions pay for Research Services may not directly benefit from them, and some client accounts may benefit from Research Services without generating commissions that pay for them.

We may use some Research Services both to assist in the investment process and for other business purposes. In these “mixed use” circumstances, we will either allocate the cost of the services between client commissions and our own resources based on the proportionate use for each purpose, or we will pay for the entire service ourselves.

The business model bundling trade execution with Research Services prevails in most markets where we do business and manage client assets. However, in January 2018, rules regarding the use of client commissions to acquire Research Services took effect in the European Union (EU) and were retained as part of the rules in the United Kingdom (UK) post its departure from the EU). Those rules, the conflict between those rules and the regulatory requirements in other major markets and the manner in which we have chosen to respond to those rules combine to generate additional conflicts between us and our clients and among our clients.

Following the implementation of the EU rules, our relevant European affiliates pay for Research Services related to our European and UK business out of their own resources. The remainder of our business continues to obtain Research Services under the bundled model. Client accounts that we consider to be part of our European and UK business pay execution only rates on their equity trades, and as such these accounts pay lower overall commission rates on equity trades than in accounts not considered part of our European or UK business including when their orders are aggregated with orders for other accounts.

#### **Client-directed brokerage and step-outs**

We do not enter into agreements, expressed or implied, to select a broker/dealer for trade execution as remuneration for recommending Wellington Management as an investment adviser. We do not knowingly place transactions with a broker/dealer in recognition of sales of pooled investment vehicles we manage. However, we do not disqualify broker/dealers for trade executions simply because the broker/dealer has referred clients to us or has sold or recommended pooled investment vehicles or separate account products advised or subadvised by us.

Some clients direct us to place orders for their account with specific broker/dealers that provide services to that client. We only agree to this type of direction on a “best efforts” basis and to the extent that it is consistent with our regulatory obligations, including our obligation to seek Best Execution. The ability to direct client trades is also limited by operational constraints. Trading instructions vary by client and our ability to meet those requests depends, in part, on the characteristics of the securities and markets in which the account invests and the capabilities of the broker/dealers. In addition, we have determined that certain categories of transactions are not eligible for client direction. Moreover, we will limit the aggregate amount of a client's trades that are directed to a broker/dealer if we believe that the limitation is reasonably necessary to allow us to seek Best Execution. These directed brokerage instructions are distinct from client instructions restricting broker selection or imposing other trading-related constraints with respect to that client's account, which may impact our ability to seek Best Execution on trades made pursuant to those instructions. (See *Aggregation of orders*.)

In rare circumstances, we use “step-outs,” a process by which one broker/dealer steps out of all or a portion of a transaction and allows another broker to act as the broker of commission credit, in connection with client-directed brokerage instructions, or to resolve unexpected problems in the trading process. Executing broker/dealers generally do not view step-out transactions as profitable business and thus may limit or refuse to engage in step-out transactions.

We generally do not recommend brokers to clients. However, we will occasionally recommend brokers to clients who solicit brokerage recommendations in connection with a specific trade or in connection with the client's selection of a directed brokerage program. Neither our firm nor any of our personnel receives any product, research services or other remuneration for those recommendations.



### Trades executed using broker capital

We engage broker/dealers as “at risk” counterparties to trades for client accounts (capital trades). Capital trades require broker/dealers to place their own capital at risk with respect to either the particular security or the collection of securities that is the subject of the client order. We use capital trades as part of the ongoing management of client accounts, as well as to facilitate account transitions. However, capital trades are not used proportionately across all client accounts and may not be used at all for some accounts. As with all transactions, we exercise our judgment in determining whether a capital trade is consistent with seeking Best Execution under the circumstances.

Although we may establish a stated commission rate in connection with these transactions, our assessment of Best Execution for these trades focuses on the prices our clients receive (taking into account all relevant factors), rather than the commissions paid. These prices may be influenced by the size of our past and future business with respect to all of our clients’ trading activity with a broker/dealer. In any given situation, we may alter the terms of a principal bid trade after they have been agreed upon, if we believe that the terms negotiated have become unfair either to our clients or the broker/dealer due to changed circumstances.

### Affiliated brokers

We do not own or control a broker/dealer that executes securities trades for client accounts. Clients, including registered mutual funds, that have trading restrictions and/or reporting obligations with respect to principal or agency transactions with particular brokers or dealers are required to notify us in writing of those affiliations and any associated trading restrictions for their accounts.

## D. HOW WE MANAGE OTHER TRADING-RELATED COSTS

A trader may fulfill a single order through a number of smaller transactions. The number of participating accounts, aggregation of other like orders, execution strategy, market structure, liquidity and the number of execution venues used can result in multiple

transactions. The number of transactions per order tends to increase where the liquidity of the security is low or where the firm’s overall aggregate order size for a security is large. A client may incur significant trade ticket, custody and related fees due to multiple transactions. The impact of these costs tends to be higher for smaller accounts or for accounts invested in certain markets. We may, in our sole discretion, accept client instructions to impose minimum transaction amounts on that client’s account on a “best efforts” basis in order to manage the cost of trading the account. Instructions of this type are likely to cause the client’s order to be traded after any aggregated orders that do not have similar restrictions. (See *Aggregation of orders*.)

## X. Review of client accounts

The management teams for each of Wellington Management’s investment groups within the Investment Platform (Directors, Associate Directors or Heads of the Investment Platform) have responsibility for the review of portfolio managers and the accounts they manage. Market risk managers in the Global Risk and Analytics Group (GRA) with respect to public securities portfolios and Investment Directors in Client Platform support the management teams in their review. These groups are intended to support our firm’s fiduciary responsibility to provide competent and professional investment management services to our clients by reviewing the investment process and performance of investment teams. While we believe in the importance of the clear accountability of the management teams, we also recognize the benefits of having other groups with functional expertise support these management teams.

The Investment Risk Review Group (IRRG) and the Private Investments Oversight Committee (PIOC), groups comprised of seasoned professionals with relevant markets experience, provide support to the management teams within the Investment Platform to assist in their investment risk review and to act as a resource for management teams in connection with their investment risk oversight responsibilities. The IRRG and PIOC report into the Investment Risk

Oversight Governance Committee (IROGC), a committee which is part of the investment platform's management oversight and independent governance structure and reports to the Executive Committee. The IRRG, PIOC and IROGC also provide inputs into the supervision exercised by management teams. Portfolio managers receive feedback from management teams and may also receive feedback from members of GRA, IPFS, and the Investor Development team. Feedback is shared with line management and other relevant groups. Management teams strive to formally review each portfolio management team they oversee once every 18 months.

Our Client Group and Client Investment Services groups provide a variety of reporting and other services to our clients. We provide detailed portfolio information on our client web site on an ongoing basis. On a quarterly basis, we typically provide a written reporting package, including an update of the holdings, transactions and performance of the client's account as well as commentary on current positioning. As part of this package, we typically share the portfolio manager's views on the economy and markets. In addition, we periodically provide our clients with white papers on asset allocation issues, investment strategy questions and other relevant topics.

Clients receive different levels of service from our firm or have varying access to our investment and other personnel, including varying opportunities to discuss current investment trends or themes. Some of our clients receive investment reports or analyses that other clients do not receive. We make decisions about the level of service offered to any client or group of clients based on a review of client needs and our business considerations. For example, we may provide different levels of service based on the amount of assets managed for a client or the perceived value of a client relationship. Clients who are perceived to be more influential or pay higher fees to the firm will typically receive more of these services.

## **XI. Client referrals and other compensation**

### **A. SOLICITATION OF BUSINESS**

We rely primarily on the business development and marketing activities of our personnel to solicit new business. However, we have entered into arrangements to pay third parties to solicit new business on behalf of our firm and/or to market or distribute products that we sub-advise or sponsor and have policies in place to oversee these arrangements. In those circumstances, we will provide or require the solicitor to provide an appropriate disclosure statement to clients and prospects regarding that arrangement to the extent required by applicable law.

We pay some third parties to include information about our investment approaches in databases that they maintain to describe the services provided by investment managers. We may pass the costs associated with participating in these databases on to the clients who utilize those databases. In these circumstances, those costs would affect the fee we charge to clients who use those databases.

### **B. OUR RELATIONSHIPS WITH CONSULTING ORGANIZATIONS AND OTHER INTERMEDIARIES**

Many of our clients and prospective clients retain investment consultants to advise them on the selection and review of investment managers. We have extensive dealings with investment consultants both in the consultants' role as advisors for their clients and in independent business relationships.

We provide consultants with information on accounts we manage for our mutual clients, pursuant to the clients' directions. We also provide information on our investment styles to consultants, who use that information in connection with searches they conduct for their clients. We also respond to requests for proposals in connection with those searches. Other interactions we have with consultants include the following:



- We invite consultants to events or other entertainment hosted by our firm.
- In some cases, we serve as investment adviser for the proprietary accounts of consultants or their affiliates, or as advisor or subadvisor for funds offered by consultants and/or their affiliates.
- We purchase software applications, access to databases and other products or services from some consultants.
- We may pay for the opportunity to participate, along with other investment managers, in conferences organized by consultants. These conferences provide us with the opportunity to discuss a broad variety of business topics with consultants, clients, and prospective clients.

Upon request by individual clients, we provide information regarding the existence of a relationship between our firm and that client's consultant. In general, however, we rely on the consultant to make the appropriate disclosure to its clients of any conflict that the consultant believes to exist due to its business relationship with our firm.

From time to time, our Sponsored Funds' prime brokers will introduce to us potential investors in those funds. Introductions are made either at conferences sponsored by the prime broker or through private meetings. We do not compensate the prime brokers for making those introductions.

## XII. Custody

Our clients deposit the assets we manage on their behalf in separate accounts maintained by third-party custodians. Our firm generally does not have possession, or the authority to obtain possession, of assets held in client accounts in our role as investment manager.

We nevertheless seek to safeguard client assets against unauthorized access or disposition in a number of ways. For example, we separate investment management, trading, operations and client relationship management responsibilities; we maintain access controls around the systems used by trading and by portfolio management to ensure that trades are authorized; and we periodically reconcile

records of client funds and securities to the client's custodian records.

Our Sponsored Funds also maintain their assets in accounts held at third-party custodians. Because Wellington Management affiliates often serve as the trustee or the general partner of, or hold another comparable position with respect to, a Sponsored Fund, we take additional measures to safeguard these assets. Our Sponsored Funds provide audited financial statements to their investors on an annual basis. In addition, clients with transition accounts that we manage in connection with an investment in our Sponsored Funds will receive required account statements from the custodian at least quarterly.

Clients should carefully review any statements or other reports that they receive from a custodian and compare them to the client reports provided by us.

## XIII. Investment discretion

We exercise investment discretion on behalf of our client accounts only when expressly authorized to do so in writing by the client. We exercise this discretion in accordance with client guidelines and limits we place on the aggregate ownership of individual equity securities across all client accounts.

### A. CLIENT GUIDELINES

In exercising investment discretion, our portfolio managers manage client accounts in compliance with account guidelines, which are often customized to reflect a particular client's investment objective, benchmark, risk tolerance and other requirements. Initial client account guidelines are established by agreement between us and the client and are typically included as part of the investment management agreement. From time to time, we negotiate changes to client guidelines with a client. We document changes to client guidelines and provide those changes to the account's portfolio management team. We employ a variety of methods to assist portfolio managers in complying with client guidelines. This support includes a dedicated team of guideline monitoring personnel, compliance

systems technology, exception identification and escalation, periodic training, consultation and review.

## B. LIMITS ON AGGREGATE OWNERSHIP

We monitor the extent of the aggregate ownership of classes of equity securities across all client accounts over which we have investment discretion and have adopted policies that places limits on our aggregate ownership levels. Those limits are based partly on regulatory and/or legal considerations related to large shareholdings and partly on investment risk management considerations. On occasion, a specific limit is imposed by law or regulation, but more frequently we impose ownership limits based on our subjective judgment. For example, we voluntarily limit aggregate ownership of some securities to avoid public reporting requirements for our firm or our clients. We believe that reaching our aggregate holdings limits generally represents a prudent level of investment risk. However, the size of our firm's aggregate holdings in a given security may affect the price at or speed with which we are able to liquidate client holdings.

In most cases, we place an initial limit of 9.9% of issued and outstanding shares on aggregate holdings of any public equity class of security of a given issuer across client accounts. Any investment professional may request an increase in the aggregate ownership level above this initial level. The firm's regulatory reporting group can increase the level following a review of legal, regulatory and market considerations. For increases above 15%, the regulatory reporting group will typically obtain the approval of the line managers of the portfolio manager initiating the request. Investments in private companies are subject to higher aggregate ownership limits.

We may exceed the aggregate ownership limit for a security involuntarily as the result of a share buyback or other corporate action that reduces the number of shares outstanding. Although we do not have a policy that requires managers to reduce their holdings due to involuntary decreases in shares outstanding, we sometimes reduce a client's holdings to

comply with applicable law or regulation or based on our subjective assessment of the risks associated with holding large positions of the issuer. This action may cause the client to sell shares under adverse circumstances. We do not consider shares of a security that is nearing the aggregate ownership limit to be an inherently valuable and scarce investment opportunity. As a result, competing orders for those securities are allocated based on the general provisions of the firm's trade allocation policy, which is described in greater detail in *How we trade like orders*. When we execute sell orders that bring our clients' ownership level below the aggregate ownership limit, we inform all investment personnel that additional purchases of shares are no longer restricted.

On occasion, we may exceed the aggregate ownership limit for a public equity at the time of public listing because we acquired shares while the issuer was a private company. Our investments in private companies on behalf of certain client accounts may thus limit our ability to invest in certain public equities for other client accounts immediately after a public listing.

The limits we place on aggregate ownership of securities across client accounts can cause performance dispersion among accounts with similar investment guidelines managed by the same portfolio manager. For example, a portfolio manager would not be able to invest a new account's assets in a security when the security has reached the firm's aggregate ownership limit. This occurs more frequently with respect to accounts invested primarily in stocks in the small- and mid-capitalization ranges.

## XIV. Voting client securities

Clients often give us discretion to vote proxies on securities held in their accounts. Our ability to vote proxies depends on the client's custodian delivering the proxies in proper form and in a timely manner to us or our agent.

We vote proxies in the best interests of our clients as shareholders and in a manner that we believe maximizes the long-term economic value of their holdings. Our proxy voting

guidelines set forth broad guidelines and positions on common issues that we use in voting proxies. Generally, issues that can be addressed by these guidelines are voted by means of standing instructions communicated to our primary voting agent. Some votes warrant analysis of specific facts and circumstances and therefore are reviewed individually. We examine such votes including internal research notes, third-party voting research and company engagement. While manual votes are often resolved by investment research teams, each portfolio manager is empowered to make a final decision for their relevant client portfolio(s), absent a material conflict of interest.

Proactive portfolio manager input is sought under certain circumstances, which may include consideration of position size and proposal subject matter and nature. Where portfolio manager input is proactively sought, deliberation across the firm may occur. This collaboration does not prioritize consensus across the firm above all other interests but rather seeks to inform portfolio managers' decisions by allowing them to consider multiple perspectives. Portfolio managers may occasionally arrive at different voting conclusions for each client, resulting in different decisions for the same vote. The vote entered on a client's behalf with respect to a particular proposal may differ from the proxy voting guidelines and/or from the vote entered on behalf of another client.

Voting procedures and the deliberation that occurs before a vote decision are aligned with our role as active owners and fiduciaries for our clients.

### **Conflicts of interest**

From time to time, we will have a business relationship with an issuer whose securities are held in a client account. The issuer may be a client, vendor or a lender. Our broadly diversified base and functional lines of responsibility serve to minimize the number of, but not prevent, the conflicts created by those business relationships.

Annually, the Investment Stewardship Committee sets standards for identifying material conflicts based on our client, vendor

and lender relationships and publishes those to individuals involved in the proxy voting process.

If a proxy is identified as presenting a material conflict of interest, the matter must be reviewed by designated members of the Investment Stewardship Committee, who will resolve the conflict in the best interest of the client and direct the vote accordingly. Because identifying potential conflicts is a self-reporting process, if the apparent conflict is not raised by someone within the firm it may not be identified and reviewed by the Investment Stewardship Committee.

### **Other proxy issues**

In certain instances, we are unable to vote or may determine not to vote a proxy on behalf of one or more clients. For example, a proxy vote might not be entered because the securities involved have been lent out under a client's securities lending program. In a number of countries, the need to block or reregister shares in order to vote proxies may make voting undesirable. In addition, proxies may not arrive in a timely fashion. We may determine that the cost of executing the proxy is excessive or may lack sufficient information to cast an appropriate vote. If a client wishes to direct the voting of their securities with respect to a particular solicitation, they may do so by providing us with timely, written instructions. We only agree to this type of direction on a best-efforts basis and to the extent consistent with our regulatory obligations.

We provide our clients with information on how we voted securities in their respective accounts, as well as our Global Proxy Policy and Procedures, upon request.

## **XV. Ancillary services**

We provide a range of ancillary services to a subset of our clients. We generally do not charge separate fees for these services, which include but are not limited to those described below.

### **Marketing support services**

We provide technical expertise to support the marketing efforts of some of our mutual fund and other financial intermediary clients. Some

clients receive more marketing support than others. Projects in which our marketing team collaborates directly with clients include: assistance with the development of product and marketing strategies; assistance with the development of marketing materials, including presentations, newsletters, brochures and investment communications; and product and investment training for the clients' sales personnel. In each case, marketing strategies and materials are subject to the ultimate oversight, approval and control of the client. The client also remains responsible for its compliance with applicable laws and regulations. We may also, on a case-by-case basis, provide financial support for marketing efforts, including marketing events, when requested by certain mutual fund or other financial intermediary clients. As with client service, decisions regarding marketing support services and financial support are based on our business considerations.

### Consulting services

We also provide various consultative services to a number of our clients, including insurance companies and other institutions. These services include consulting on: a client's general account assets, including asset and liability matching; cash flow analysis; the timing of impairment of assets; and implications for the client's assets resulting from restructurings, capital redeployments, asset sales and other transactions contemplated by the client. In addition, from time to time we provide investment risk analysis or custom research services with respect to a client's or prospective client's portfolio. Our clients retain all decision-making responsibility on these matters.

In the course of these consultations, we may receive information that is material to a client's operations. In some instances, the client may be a public company whose debt or equity securities we hold on behalf of other clients. Our possession of material inside information may affect our ability to transact in those securities for our other clients. Greater detail on our policies and procedures to prevent the misuse of material, non-public information is discussed in *Control over use of material, non-public information*.

### Educational services

We provide a variety of educational opportunities to our clients and prospects. Those opportunities include roundtable forums or investment institutes where clients meet and exchange investment ideas and techniques with our personnel. We also provide some clients with educational services related to various investment topics such as asset allocation, portfolio construction and risk analysis, and integration of ESG factors. We select the clients who receive these services at our discretion and based on business considerations.

Some educational programs include an entertainment component. While we take responsibility for our own compliance with legal restrictions on our ability to provide gifts or entertainment to clients, we cannot monitor or track our clients' compliance with applicable laws or other requirements. We rely on the recipients of the various ancillary services described above and/or attendees of these events to comply with these laws, as well as their own internal ethical and reporting policies.

## XVI. Other investment information

### A. PRICING AND VALUATION

We seek to maintain accurate market valuations of the holdings in our client accounts. We determine values of securities and other instruments held in client accounts at least monthly or in the case of certain private company investments, on a quarterly or semi-annual basis. Where reliable third-party vendor prices are readily available, we update those values daily. In addition, we determine fair values for securities and other instruments for which market quotations are not readily available or when the price provided by a pricing source does not, in our view, represent fair value. This pricing is done primarily to assist our portfolio managers in managing client accounts, although certain clients have agreed to use these prices when calculating the market value of their accounts for purposes of calculating our fees. For

certain private funds that invest in private placements, we utilize a third-party service provider in the estimation of the value of securities subject to Wellington's fair valuation methodologies. Wellington's internal Pricing Group oversees the third-party provider and is responsible for its valuation determination.

We do not act as the pricing agent of record in our capacity as advisor or subadvisor for client accounts, though we will provide assistance to the official pricing agents of those accounts, usually custodian banks or accounting agents, upon request. For example, we provide recommendations regarding the appropriate pricing methodology for fair-valued securities held in client accounts and often will act as the primary or sole pricing source for fair-valued securities held by our Sponsored Funds. In each instance, however, the official pricing agent retains responsibility for determining the value of the securities in question.

## **B. RESTRICTIONS ON OUR PRODUCTS AND SERVICES**

### **Availability of investment services**

We retain sole discretion to decide when and to which clients we will provide investment services, subject to any specifically negotiated contractual obligations to particular clients. We offer the same or substantially similar investment products and services to more than one client, including mutual fund clients that compete with each other. We may refuse to accept a prospective client or investment mandate for any reason.

We may make the decision to discontinue an investment approach, close an investment approach to new assets or to accept new assets only from specific clients or through the firm's Sponsored Funds. In addition, we may make certain investment approaches available only to certain clients or certain categories of clients, or offer an investment approach only through our Sponsored Funds. Once an investment approach is closed for any reason, we may reopen or offer the investment approach at any time, and may offer that approach to some clients but not others.

### **Impact of client decisions**

We frequently hold a particular security in multiple accounts for unrelated clients, especially those accounts managed in the same investment style. Some of our investment approaches have one investor, or a small number of investors, whose assets make up a significant portion of the total assets we manage in that investment approach. As a result, trading activity in one client account may adversely affect the price of securities held in other client accounts. In addition, a client's decision to redeem or liquidate an account could adversely affect the price of securities in other accounts and impair the liquidity and ability to redeem or liquidate all similar accounts. On the equity side, these risks are greater in small- and micro-cap equity investment approaches, which invest in thinly traded and less-liquid securities. With respect to fixed income investments, these risks are greater in emerging market, high yield and certain municipal securities. However, in times of market distress these risks can impact broad categories of investments. We have no control over clients' decisions to terminate our services, and the majority of our client assets under management are managed pursuant to contracts that can be terminated on thirty days' notice. In practice, we typically honor a client's request to waive that notice provision, so we may have very little advance warning of the liquidation of an account.

Although we generally restrict all client accounts from buying securities in an IPO when any client account is a selling shareholder in the IPO, these instances are rare. More commonly, we will participate in an IPO for some accounts while we hold restricted shares of the company in other client accounts. When a portfolio manager holds private shares of a company in some client accounts at the time of the company's IPO, we may limit the amount the portfolio manager can purchase in the IPO on behalf of other client accounts or we may not allow those accounts to participate at all. Nonetheless, in some instances, aggregate purchases can be a material portion of the shares offered in the IPO and contribute to the success of the IPO. The accounts that hold the investments in the private companies benefit from the liquidity resulting from the IPO.



### **Portfolio manager capacity**

We do not track the time a portfolio manager spends on a single portfolio or account, nor do we generally make specific time commitments to specific clients. Senior management with oversight responsibility for our investment professionals periodically assesses whether a portfolio manager has adequate time and resources to manage the portfolio manager's various client mandates effectively. A portfolio manager may choose to forgo certain limited opportunities for a particular client due to the portfolio manager's capacity constraints in managing the overall strategy for multiple clients.

A portfolio manager's capacity to manage assets for one or more clients may be limited based upon a variety of factors, including the number of clients and amount of client assets under management, the complexity of the investment product and the portfolio manager's other responsibilities within the organization. A particular portfolio manager or portfolio management team may be unavailable to manage additional assets due to capacity constraints on the manager's or team's time and resources. In some cases, not every client for a particular investment approach will have the same lead portfolio manager. We may limit or lower the amount of assets that an individual portfolio manager or portfolio management team manages for a new or existing client.

### **Trading ahead of cash flows**

Our firm generally does not invest cash flows in client separate accounts prior to obtaining confirmation from the relevant custodian that the assets have been received by the custodian into the account over which we have investment discretion. However, in our sole discretion, we may agree to a client's request to place trades ahead of the confirmed receipt of cash. That decision will be based on a number of factors that, in our judgment, provide adequate assurances that the cash will be received by the custodian prior to the settlement date for the transactions. Any losses or other costs incurred because a client failed to deliver cash or securities as indicated in valid client instructions to us are that client's obligation. Our Sponsored Funds have differing

policies with respect to the investment of cash contributions.

### **Adverse or unusual market conditions**

In certain circumstances, including significant changes in market prices, market conditions, market instability, liquidity constraints, operational or technology failures or for other risk management purposes, we may take such action over such period as it determines to be practical or desirable, including temporarily not trading some or all of the securities in client accounts. Additionally, a client account may temporarily depart from its normal investment policies and strategies, for instance, by allocating all or a significant percentage of its assets to cash equivalents, short-term investments, or securities that do not comply with strategy guidelines, in response to adverse or unusual market, economic, political or other conditions. Such conditions could include a temporary decline in the availability of certain securities.

### **Liquidation of client accounts**

We may be unable to sell or close all holdings in a client account in full or partial liquidation. This may result in a client having to take investment responsibility over certain holdings and/or employ a third party to convert these holdings into cash. For example, forward contracts with expirations less than 90 days will generally not be closed prior to their settlement date.

## **C. TECHNOLOGY AND DATA**

We rely heavily on the use of technology, including proprietary and third-party software and data, to run most aspects of our investment advisory business. For example:

- Some of our investment strategies rely on computer algorithms as part of the investment process;
- Virtually all of our trade instructions are entered through and executed utilizing electronic systems; and
- We use electronic systems and data provided by proprietary and third-party sources to monitor compliance with investment guidelines.

We employ controls reasonably designed to assure that our development and implementation of technology systems are sound and the systems suppliers we rely on are reputable and competent. We monitor for systems defects and have processes to escalate issues for prompt resolution. Our technology systems rely on a broad spectrum of data to operate effectively. Accordingly, we employ risk-based controls around the use of data. These controls include diligence of third-party data providers, monitoring data sources for inaccurate and missing data, and escalation procedures. We devote what we believe to be appropriate resources to development and support of technology systems and to data development, acquisition and maintenance.

Despite our control environment, we expect that from time to time we will encounter system flaws and that some of the data that we use will be inaccurate. These issues may go undetected for long periods of time or avoid detection altogether. These issues could affect the investment performance of portfolios we manage. We believe that we have taken reasonable steps to mitigate these risks, but do not believe that we can eliminate them altogether. We are not liable for these risks where we have acted in a responsible manner when selecting these data services.

We use computer systems to manage a broad range of data, including confidential information about our clients. We have implemented risk-based controls reasonably designed to protect these systems from unauthorized access. We employ technology, including firewalls and intrusion detection systems, to secure our computer networks, systems and data. We train our employees to identify various cybersecurity threats and we utilize various technologies such as encryption, obfuscation and access controls to protect sensitive information. Finally, we monitor our network for breaches to verify that our systems are, in practice, protecting records from unauthorized access. Despite all of these controls, we expect that, from time to time, we will experience breaches of our systems that will impact our operations or compromise data maintained by the firm. We will respond to breaches with appropriate resources to contain and remediate the cause of the breach

and restore our operations. If a breach of our system results in the material compromise of confidential client information or the ability of our systems to meet our fiduciary and regulatory obligations, we will undertake reasonable efforts to notify any affected client and regulatory authorities as appropriate.

#### **D. CONTROL OVER USE OF MATERIAL, NON-PUBLIC INFORMATION**

We encourage our investment professionals to visit companies in which they might invest and to meet with senior executives within these firms. Generally, those meetings are not open to the public. In discussions with corporate insiders or others (including suppliers, competitors, and brokers), our investment personnel are expected to direct questions toward customary subjects of investment interest, such as current and long-range business and industry trends, production and marketing policies and programs, quality and depth of management, and financial standards and controls. The purpose of these meetings is not to seek material, non-public information related to public issuers or publicly traded securities, but to develop knowledge of the company and the industry in a manner consistent with applicable law.

While our investment professionals do not actively seek material, non-public information related to public issuers or publicly traded securities in the ordinary course of their research activities, they sometimes receive it, sometimes through meetings such as the ones described above, from a client with publicly traded securities or through a privately offered investment. If an employee believes that this may have occurred, they must contact our legal and compliance group, which then reviews the situation. The legal and compliance group is authorized to take measures designed to protect our firm and our personnel from unlawful trading or the appearance of unlawful trading based upon that information. Those measures can include the imposition of information barriers or a restriction on trading in the relevant securities. We sometimes impose trading restrictions even in the absence of a legal requirement to do so, based on our determination that the interests of our

firm and/or our clients are best served by avoiding even the appearance of trading on material, non-public information.

At times, we intentionally obtain material, non-public information in order to assess an opportunity to participate in a transaction for certain client accounts. We maintain procedures and controls designed to segregate the information and limit its distribution to a small group of restricted personnel when practical. Those controls can include a temporary restriction on trading in an issuer's securities across all client accounts, including accounts that will not benefit from the transaction being considered. Before we take any steps that will result in a broad restriction on trading, we consider a variety of factors including the expected impact on any affected client accounts, the general merits of the investment opportunity and the expected duration of the trading restriction. When a temporary restriction on trading in a security is imposed, a portfolio manager may be required to forgo an investment decision the portfolio manager would otherwise make in client accounts, which could cause those accounts to experience a loss or be otherwise disadvantaged.

We have also established an information barrier around employees with investment authority over certain private credit investment strategies. We maintain procedures and controls designed to segregate the non-public information received by those behind the barrier and limit its distribution. Conversely, there are times we may decide not to obtain information through our equity investments in private companies or receive such information but limit its distribution to a small group of restricted personnel, to reduce the risk of receiving material non-public information related to public issuers or publicly traded securities. Such information may otherwise be of benefit to one or more clients.

## **XVII. Our human resources policies**

Our firm has adopted policies regarding our personnel that may affect some aspects of the management of client accounts. We believe

that these policies are necessary and appropriate to preserve our business interests. We may change or amend these policies from time to time in our sole discretion.

### **Non-competition agreement**

Each partner of the Partnership has signed, and each newly admitted partner will sign, the Partnership Agreement. This agreement provides that the partner agrees not to solicit Wellington's clients for five years following withdrawal and is also subject to a non-competition agreement of one year following withdrawal. Upon withdrawal, the partner may extend the non-compete period to three years in connection with vesting certain rights to post-partnership payments.

### **Incentive compensation arrangements**

Our portfolio managers and analysts typically receive incentive payments related to the portfolios they manage or to which they contribute investment ideas. Those payments are usually determined by a formula based on revenues we receive for those accounts. In most cases, portfolio managers have incentive compensation arrangements that are also tied to the performance of the account in question relative to the client's benchmark or objective. In some cases, the incentive benchmark differs from the client's benchmark. When we enter into a performance-based fee arrangement with a client, the portfolio manager's incentive arrangement will typically be a portion of the fee earned by the firm. A portfolio manager may allocate a portion of the portfolio manager's incentive compensation to team members, research analysts or other investment personnel in recognition of their contributions to the performance of the portfolios managed by that portfolio manager. All incentive compensation arrangements are reviewed by our Incentive Compensation Committee.

Certain of our personnel involved in the sale of investment products are eligible to receive a discretionary incentive payment designed to reward top-line growth. Those personnel are also eligible to receive variable compensation based upon a variety of factors, including overall firm performance, individual performance and their collaboration and contribution to team and firm performance.



The compensation of investment personnel is not based on their contributions to business development. However, many Wellington Management personnel are eligible for bonuses based on the firm's financial success and the individual's overall contribution to our business. This may include a portion of the carried interest payments received by the General Partner of some private equity funds. These payments may constitute a significant part of the compensation of many of our senior business and investment professionals.

## **XVIII. Conflicts of interest**

Throughout this document, we have tried to identify for you the conflicts that arise in the ordinary course of our business. Some of those conflicts are inherent in any large, global investment management business, while others are a result of our business model. We seek to avoid or minimize these conflicts where reasonably possible. However, some conflicts cannot be avoided, and although others could be, we have determined that doing so would require changes to business or investment practices that, on balance, do not provide a significant benefit to our firm and/or our clients.

Any conflicts that we cannot or have chosen not to avoid are managed through policies and procedures that we believe are sufficient to protect the interests of our clients and fulfill our fiduciary obligations to our clients. Key conflicts are described below, along with the principles upon which we attempt to manage them. Given the relationships among our clients, our firm, our personnel, our service providers and the companies in which we invest, and the potential for changes in these relationships, there may be new or different conflicts or potential conflicts that arise in the future and are not discussed in this document. We are committed to recognizing, minimizing and/or mitigating the impact of these conflicts in an appropriate manner.

### **Conflicts among clients**

Our firm has a large and diverse client base. Our fee arrangements with our clients vary greatly, even among clients receiving essentially similar portfolio management services from the same personnel. In addition,

our clients differ in their ability to affect the firm's business interests for reasons including the amount of assets under that client's control, a client's ability to influence the decisions of other potential clients regarding the purchase of investment management services or the client's reputation and prestige within a particular market.

We recognize that our business interest in serving clients who are perceived to be more influential or pay higher fees to the firm poses a risk that we would favor those clients over other clients. In order to manage this risk, we seek to ensure that clients are treated fairly over time with respect to the allocation of investment opportunities, trade allocation and the voting of proxies. We have identified these as areas that touch our fiduciary obligations to our clients. In areas where our fiduciary obligations are not implicated, such as the allocation of portfolio manager or product capacity, the content or frequency of client reporting, the offering or provision of educational opportunities or the sharing of proprietary research, we may exercise our business judgment to treat clients appropriately, but differently, depending on their circumstances.

Our firm has adopted policies designed to address conflicts of interest relating to the management of multiple client accounts, including the allocation of shares of equity IPOs. The specific procedures we use to ensure compliance with those policies differ depending on what we believe to be the inherent value of particular investment opportunities and/or the risk of favoritism presented by various parts of our business. Our policies and procedures reflect our belief that our clients benefit from the diversity of investment opinion within our firm and the individualized, subjective judgments of each portfolio manager with respect to each client account. Accordingly, we do not mandate that a portfolio manager include all client accounts in any particular investment opportunity, although we require a portfolio manager who participates in an equity IPO to provide an explanation of their decision to exclude a particular client account if other accounts they manage do participate. We may also restrict certain investment opportunities to avoid

conflicts of interest, such as equity IPOs in which client accounts that we manage will be selling shares to the public. In addition, we perform after-the-fact monitoring and review of client accounts to assess dispersion among accounts with similar mandates.

Because we manage client accounts in a wide range of strategies and asset classes, we sometimes invest in different parts of the capital structure of the same issuer for different clients and may have investments in public and private securities of the same issuer across client accounts. Some client accounts will hold equity securities of an issuer while other accounts hold bonds, notes, bank loans or other fixed income instruments of the same issuer. Some client accounts may hold private securities or obligations of an issuer while other accounts hold its publicly traded securities. Some client accounts may be invested in different tranches of the same structured finance vehicle, including CLOs for which we act as collateral manager. The interests of client accounts investing in different instruments or tranches of the same issuer can conflict because of competing rights and priorities associated with each instrument or tranche, including in cases where the issuer experiences financial distress. Conflicts can also arise when we can opt to receive confidential information about an issuer in connection with client holdings of a private security, a proposed private transaction, or our participation in an ad hoc bondholder or lender group related to a financially distressed issuer. Receipt of confidential information in situations like these may temporarily constrain our ability to trade securities of the issuer, including securities held in different client accounts that do not benefit from receipt of that information. We evaluate and manage these conflicts on a case-by-case basis, considering factors such as the nature and degree of the relevant client accounts' interest, the range of available options and the likelihood of related outcomes, the expected duration of any trading restrictions and applicable legal and regulatory requirements. In some cases, we may determine it is appropriate to take an action that benefits some client accounts despite a potentially adverse impact to other client accounts. In other cases, we may choose to avoid or mitigate the conflict by foregoing an

opportunity to act on behalf of some client accounts if that action is expected to harm other client accounts.

When managing client accounts that can invest in multiple investment approaches and asset classes, a portfolio manager may decide to allocate a portion of those accounts to Sponsored Funds or CLOs that we manage. Our portfolio managers and other investment personnel who make these allocation decisions have access to information about those funds that is not available to other participants in the same funds.

We recognize our duty to disclose any material information related to Sponsored Funds or CLOs that we manage in a fair and equitable manner to all participants. Where we think it appropriate, we have adopted policies and procedures to identify and disclose material information and to manage any related conflicts that may arise, including the use of information barriers and restrictions on contributions and withdrawals.

Our trade allocation policies and procedures for situations where multiple client accounts participate simultaneously in a buy or sell order for the same security strive to assure fair and equitable treatment of all client accounts participating in those orders. The firm's policies and procedures on trade allocation are discussed in the section entitled *Brokerage practices*. Finally, the firm's policies regarding the voting of proxies where we believe a client relationship with the issuer poses a material conflict are discussed in the section entitled *Voting client securities*.

### **Conflicts between clients and Wellington Management**

We recognize that our firm has the opportunity to benefit from the authority our clients have given us to direct the management of their assets and from the business that we are able to direct to other firms as a result. We receive valuable products and services from broker/dealers to whom we direct substantial amounts of client commissions that we control. A portion of the services provided by these broker/dealers are paid for by client commissions, which are generated based on our placement of client trades through those

broker/dealers. If we were unable to obtain those products and services through the use of client commissions, we would need to pay for them directly. We believe some research services would be unavailable if we sought to obtain them from broker/dealers in an unbundled manner.

Because we receive products and services from broker/dealers, there is a risk that we might place trades with particular broker/dealers in order to obtain those products and services, rather than to seek the Best Execution for client trades. We manage that risk in several ways.

By policy, we have limited our use of client commissions to the acquisition of Research Services (as described in *Brokerage practices*). Broadly speaking, that research benefits our clients through its contribution to the investment process, although there is no particular correlation between the amount of client commissions generated by trading activity in a client's account and the use of research in the management of that particular client's investments. Our policy also establishes Best Execution as the primary requirement in the selection of a broker/dealer to execute trades. We do not direct client accounts to pay a bundled commission rate that includes Research Services unless we have first determined that the commission rate is reasonable in light of the value of the overall execution services and Research Services we expect to receive from the broker/dealer. We evaluate the value of Research Services received from broker/dealers regularly, with input from our investment personnel and oversight by a cross-functional group of senior professionals. Finally, we also monitor trade executions to assess our execution quality, including the use of third-party analysis where available.

Even though we do not provide official prices for client accounts, we do provide information and/or recommendations on fair value methodologies. Information that we provide to clients regarding the value of certain securities held in accounts we manage for them poses a risk of conflict. We generally base our fees on the value of the accounts under our management. When a security held in one of

those accounts does not have a readily available market value, our interests would be served by placing the highest possible value on that security. We have adopted pricing policies and procedures and established a Pricing Committee to manage the conflict posed by pricing securities for which there is no readily available market value.

We do not manage any accounts or assets for our own account except as described below. Thus, in the ordinary course of business, we do not compete with our clients in the market for securities. Sometimes, we directly or indirectly acquire exposure to individual securities as a result of an error that we have made in a client account. In those situations, we have an interest in limiting our losses or maximizing our gains. That interest may be best served by trading with, ahead of, or on the other side of our clients. In these circumstances, we have adopted a policy against trading in a security acquired in error while we are trading for a client account in that security. Exceptions to that policy may be made only when the firm's Error Resolution Council determines that the client trades will not be materially affected by the firm's correction of the error.

We manage Sponsored Funds in which the only investors are our firm and/or our partners and employees. In some cases, these Sponsored Funds are designed to develop new investment approaches and do not accept external investments. In other cases, we have provided initial seed capital to the Sponsored Fund with the expectation of future investments from unaffiliated parties. We generally treat these Sponsored Funds the same as our other client accounts, except that we do not allow them to participate in equity IPOs.

### **Conflicts between clients and Wellington Management personnel**

We are aware that our personnel have the opportunity to benefit financially, as individuals, from their access to information about trading activity in client accounts. Some of those individuals may also benefit personally due to their ability to direct investment or trading activity in client accounts. Those opportunities create the risk that individuals will use confidential client information for their own benefit or exercise their discretionary

control over client accounts for their own benefit.

Our Code of Ethics was adopted in part to manage the conflicts posed by access to information about activity in client accounts. We systematically review personal trading activity to monitor compliance with the provisions of the Code. The Code also restricts, but does not prohibit, the receipt of personal benefits, such as gifts and entertainment opportunities, from clients, broker/dealers and others with whom we do business. Those provisions of the Code are monitored by the team responsible for the administration of the Code and by senior business managers.

The Code does not prohibit our personnel from investing in pooled vehicles managed by our firm. A substantial percentage of our personnel do, in fact, invest in such vehicles either through their accounts in the Wellington Retirement Plans, as investors in our Sponsored Funds or as shareholders in publicly offered mutual funds. In certain cases, a portfolio manager may own substantially all of the interests in a Sponsored Fund that the portfolio manager manages. These investments pose a risk that our firm or individuals who are in a position to control the allocation of investment opportunities to those vehicles will favor these vehicles in order to obtain a personal benefit.

We believe that it is beneficial for our personnel to invest in vehicles we manage because it aligns those individuals' interests with those of our clients. We recognize that the nature of pooled vehicles offers limited opportunities for an individual to gain personally through the allocation of investment opportunities and correspondingly limited ability for us to prevent personal gains. Our conflict management measures take these limitations into account. Where we think it appropriate, the firm has adopted policies and procedures to manage the conflicts that might arise from our personnel's investments in accounts they manage.

We treat Wellington Management personnel invested in our Sponsored Funds the same as other investors in those vehicles, with one key exception: For all our sponsored hedge funds

and for certain other Sponsored Funds whose legal and accounting structure allows us to do so, we exclude our personnel from participating in the first day gains of a fund's investment in an IPO. Where we do not have that ability, the Sponsored Fund will only be permitted to invest in an equity IPO if our personnel's assets comprise less than 50% of the fund.

Our personnel have access to information that is not available to other participants in investment vehicles that we manage. While this information is generally not material to an investor's decision to buy or sell interests in these investment vehicles, we recognize our duty to disclose material information only in a manner that is fair and equitable to all investors in these investment vehicles. We have adopted policies and procedures to identify and disclose material information relating to these investment vehicles and to manage any related conflicts that may arise, including information barriers, trading restrictions and restrictions on contributions and withdrawals in our Sponsored Funds.

Most of our investment personnel receive some form of incentive compensation. That compensation may be based on performance of an account against a benchmark return, applied to revenues received by the firm for the management of that account. It may also be based on receipt of a percentage of any performance-based fee paid to the firm for management of that account. In both instances, we believe that these incentive compensation arrangements play a valuable role in aligning the interests of our portfolio managers and other investment team members with those of our clients. However, just as our firm has an incentive to favor clients with whom we have more lucrative fee arrangements, portfolio managers and other investment team members have an incentive to favor accounts that have the potential to provide higher incentive compensation for them as individuals. We manage the conflict created by these incentive arrangements through our policies on the allocation of investment opportunities, including the allocation of equity IPOs, as well as after-the-fact monitoring and review of client accounts

to assess dispersion among accounts with similar mandates.

In some client accounts, portfolio managers have discretion to invest client assets directly or to make allocations to particular Sponsored Funds, investment vehicles or investment approaches that we offer and/or manage. Some accounts in which we exercise this discretion pay a variable fee based on the management fees charged by the underlying Sponsored Funds, investment vehicles or investment approaches selected by the portfolio managers, while others pay a fixed management fee. When managing an account with a variable management fee, a portfolio manager has an incentive to maximize firm revenues by selecting a Sponsored Fund, investment vehicle or investment approach that has higher fees. Conversely, the portfolio manager has a personal financial incentive to exclude underlying Sponsored Funds, investment vehicles or investment approaches with higher management fees when managing an account with a fixed fee. In both cases, a portfolio manager may also have a personal financial incentive to select other Sponsored Funds, investment vehicles or investment approaches that the portfolio manager manages. We manage the conflicts created by these contrasting incentives through a combination of specific client disclosures, internal review processes, and enhanced oversight.

## **XIX. Closing**

We hope this document has enhanced your understanding of Wellington Management and our business practices. We remain committed, as always, to justifying the trust you have placed in us as your fiduciary.

## Appendix:

### Description of affiliates

**WELLINGTON MANAGEMENT GROUP LLP** (the Partnership), the parent company of the Wellington Management global organization, is a Massachusetts limited liability partnership.

**WELLINGTON MANAGEMENT COMPANY LLP** (WMC) is a Delaware limited liability partnership and a registered investment adviser with the US Securities and Exchange Commission (SEC). WMC is also registered with the US Commodity Futures Trading Commission (CFTC) as a commodity trading advisor (CTA) and serves as a CTA to certain clients including registered commodity pools and their operators. WMC provides commodity trading advice to all other clients in reliance on exemptions from CTA registration. WMC is an indirect subsidiary of the Partnership. WMC serves as the investment manager for our clients in the US and Latin America and for some clients in other regions. WMC may engage an investment advisory affiliate or the personnel of such affiliates to perform some functions, including portfolio management, trading and/or account administration in whole or in part.

**WELLINGTON PRIVATE FUND MANAGEMENT (SHANGHAI) LIMITED** (WPFM Shanghai) is a Shanghai wholly foreign-owned enterprise established in Shanghai under the laws of the People's Republic of China. WPFM Shanghai is an unregulated entity and an indirect subsidiary of the Partnership.

WPFM Shanghai provides research to Wellington Management and its clients. WPFM Shanghai may also engage in client liaison services in mainland China.

**WELLINGTON GLOBAL PRIVATE FUND MANAGEMENT (SHANGHAI) LIMITED** (WGPFM Shanghai) is a limited company established in Shanghai under the laws of the People's Republic of China and is an indirect subsidiary of the Partnership. WGPFM Shanghai is registered as a private fund manager with AMAC to conduct Qualified Domestic Limited Partnership activities (registration number P1073646).

**WELLINGTON MANAGEMENT (DIFC) LIMITED** (WM DIFC) is a limited company established in the Dubai International Financial Centre and is an indirect subsidiary of the Partnership. WM DIFC is licensed by the Dubai Finance Services Authority to advise on financial products and arrange deals in investments.

WM DIFC provides client liaison and business development services for Wellington Management and certain of its clients in the Middle East.

**WELLINGTON MANAGEMENT AUSTRALIA PTY LTD** (WM Australia) is an Australian proprietary limited company. WM Australia is an indirect subsidiary of the Partnership and is authorized to provide investment management services in Australia under an Australian Financial Services License.

WM Australia serves as the contractually named manager for certain clients in Australia and New Zealand and is a Participating Affiliate of Wellington Management Company with respect to services provided to US Clients.

**WELLINGTON MANAGEMENT CANADA ULC** (WM Canada ULC) is a Delaware limited liability company and is registered in ten Canadian provinces (Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec, and Saskatchewan) in the categories of Portfolio Manager and Exempt Market Dealer. WM Canada is also registered under the securities commissions of Manitoba and Ontario as a Commodity Trading Manager. WM Canada ULC is an indirect subsidiary of the Partnership.

WM Canada ULC provides client liaison, investment monitoring and business development services for Wellington Management and its clients in Canada. WM Canada ULC also serves as the contractually named investment manager for our Canadian clients. Certain functions, including portfolio management, trading and/or account administration are delegated in whole or in part to WMC or another investment advisory affiliate.

**WELLINGTON MANAGEMENT HONG KONG LIMITED** (WM Hong Kong) is a private limited company organized under the laws of the Hong Kong Special Administrative Region of the People's Republic of China. WM Hong Kong is an indirect subsidiary of the Partnership. WM Hong Kong is authorized to provide investment management services in Hong Kong by the Securities and Futures Commission. WM Hong Kong is also registered with the SEC as an investment adviser.

WM Hong Kong provides client liaison, investment monitoring and business development services for Wellington Management and its clients in Northern Asia including Hong Kong, mainland China, Taiwan and Korea. WM Hong Kong also provides research, portfolio management and trading services for Wellington Management and its clients.



WM Hong Kong serves as the contractually named investment manager for certain clients in Hong Kong and for certain Sponsored Funds. In those cases, certain functions, including portfolio management, trading and/or account administration may be delegated in whole or in part to WMC or another investment advisory affiliate.

#### **WELLINGTON MANAGEMENT EUROPE GMBH**

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WMIL provides client liaison, investment monitoring and business development services for Wellington Management and its clients in Europe, the Middle East, and Africa (EMEA). WMIL is a Participating Affiliate of Wellington Management Company with respect to services provided to US clients.

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WM Japan serves as the contractually named manager for certain clients in Japan and for certain Sponsored Funds. In those cases, certain functions, including portfolio management, trading and/or account administration may be delegated in whole or in part to WMC or another investment advisory affiliate.

#### **WELLINGTON MANAGEMENT SINGAPORE PTE LTD**

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**GMBH** is a limited liability company incorporated under Swiss law and an indirect subsidiary of the Partnership. It provides client liaison and business development services for Wellington Management and its clients in Switzerland.

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(WAI) is a Delaware limited liability company and an indirect subsidiary of the Partnership. WAI is registered as a commodity pool operator with the CFTC and is registered with the SEC as an investment adviser. WAI is the general partner or manager of privately offered pooled investment vehicles. WAI is owned by WMFH and WMIL and managed by WMIL.

**WELLINGTON ALTERNATIVE INVESTMENTS GP LATE STAGE GROWTH LUXEMBOURG SÀRL** (WAI GP Lux) is a company in the form of a Société à responsabilité limitée organized under the laws of the Grand Duchy of Luxembourg and an indirect subsidiary of the Partnership. WAI GP Lux serves as a general partner of privately offered pooled investment vehicles. WAI GP Lux is owned by WAI.

**WELLINGTON FUNDS SERVICES LLC** (WFS) is a Delaware limited liability company which provides administrative and operational support, including trading settlement, account reconciliation and performance reporting, to certain of our Sponsored Funds. WFS is owned by WMFH.

**WELLINGTON FUNDS (US) LLC** (WFUS) is a Delaware limited liability company and an indirect subsidiary of the Partnership. WFUS is registered with the SEC as an investment adviser. WFUS is the general partner or manager of privately offered pooled investment vehicles. WFUS is owned by WMFH and WMF Inc. and managed by WMF Inc.

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**WELLINGTON LUXEMBOURG SÀRL** (Wellington Luxembourg) is a company in the form of a Société à responsabilité limitée organized under the laws of the Grand Duchy of Luxembourg and an indirect subsidiary of the Partnership. Wellington Luxembourg is authorized under Luxembourg law as a management company and AIFM for mutual investment funds domiciled in Luxembourg. Several Wellington Management affiliates serve as investment managers for certain portfolios domiciled in Luxembourg and, upon the request of Wellington Luxembourg, may provide other general management services for those portfolios.

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and administration. WTC sponsors common trust funds and collective investment funds that are exempt from registration under the US Investment Company Act of 1940, as amended. Several Wellington Management affiliates provide investment advice on a nondiscretionary basis to WTC with respect to client assets managed by WTC.

**WELLINGTON MANAGEMENT FUNDS LLC** (WMF LLC) is a Delaware limited liability company and an indirect subsidiary of the Partnership. WMF LLC is the manager of privately offered pooled investment vehicles. WMF LLC is owned by WMFH and WMF Inc. and managed by WMF Inc.

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**WELLINGTON HOLDINGS, INC.** (WH, Inc.) is a corporation organized under the laws of Massachusetts. WH, Inc. is owned by the Partnership.

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**WELLINGTON MANAGEMENT FUNDS HOLDINGS LLP** (WMFH) is a Delaware limited liability partnership which serves as the owner of WFD and WMF Inc., sole member of WFS, member of WMF LLC and WAI and majority owner of WGA and Wellington Luxembourg. WMFH is owned by WGH and the Partnership.

**WELLINGTON MANAGEMENT GLOBAL HOLDINGS, LTD.** (WMGH) is a Bermuda limited company. WMGH serves as a holding company for operating entities organized in Australia, Germany, Hong Kong, Singapore, Switzerland and the United Kingdom. WMGH is owned by WIAH and WH, Inc.

**WELLINGTON MANAGEMENT INVESTMENT, INC.**

(WMII) is a corporation organized under the laws of Delaware. WMII serves as the manager of WAI and WFT and holds common shares of WGA. WMII is owned by the Partnership.

**WELLINGTON MANAGEMENT FUNDS INC.** (WMF Inc.) is a corporation organized under the laws of Delaware. WMF Inc. serves as the manager of WMF LLC and WFUS. WMF Inc. is owned by WMFH.

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