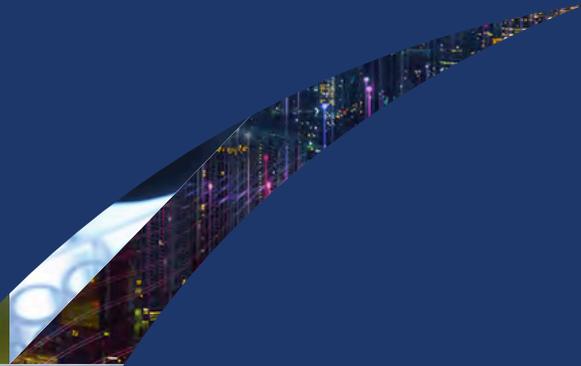


Humankind
US STOCK ETF



Humankind Benefit Corporation
**2021 Annual
Benefit Report**

Ticker:
HKND

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Investors are never only investors. We are human beings.



Executive Summary

Investors are never only investors. We are human beings. Yet, traditional corporate structures enshrine the investor as the only kind of stakeholder that truly matters, essentially ignoring the fact that investors are people with additional interests beyond those of an abstract investor robot. We created the **Humankind Benefit Corporation** to help provide an alternative to that traditional investing approach. The Humankind Benefit Corporation is an innovative creature in the corporate world: it is a registered investment company with a single fund, the **Humankind US Stock ETF (Ticker: HKND)**, as well as a Maryland benefit corporation with a legal mission that goes beyond just trying to make a profit for its investors. As a benefit corporation, we strive to optimize benefits not only for investors, but also for customers, employees, and society at large.

This is our first Annual Benefit Report, which details the degree to which we believe we have fulfilled our general and specific public benefit missions as of December 31, 2021. This report explains how issuer companies are selected as investment opportunities for HKND, using the proprietary metric we call "**Humankind Value**". Pages 7 to 9 of this report explain what we mean by that term. The Humankind Benefit Corporation and its investment advisor, Humankind Investments LLC ("Humankind Investments"), have also engaged with companies to encourage them to improve their **value for humanity** and have also worked to promote the United Nations Principles for Responsible Investment (UNPRI, and each a Principle, and collectively, the Principles). We therefore believe the Humankind Benefit Corporation has put in the work to fulfill its general and specific public benefit missions.

Introduction

The Humankind Benefit Corporation is the first, and as of the publication of this report, the only, Benefit Corporation fund family to register with the United States Securities and Exchange Commission (“SEC”).

At Humankind Investments, we use the Benefit Corporation structure to better align the mission of the funds we create with our socially responsible investment goals.

Whereas other fund families are constrained by their mission statements that may only benefit their investors, the Humankind Benefit Corporation works to benefit investors, customers, employees, and society at large. In other words, we recognize that we as investors aren't ever only investors — we are also human beings. This is our first Annual Benefit Report. As currently required by Maryland law governing Benefit Corporations, we will report on how we believe we have measured up to our stated mission each year, using a third-party standard. The elected third-party standard currently is the UNPRI — six general principles that will help guide our assessment.

As of December 31, 2021, the Humankind Benefit Corporation had a single fund: The Humankind US Stock ETF, with approximately \$111,485,000 in assets at that time.¹ In this Annual Benefit Report, we will outline the basis for our assessment of the impact that HKND has had on humanity, based on our research. While doing so, we will address the extent to which this fulfills the specific public benefit mission of the Humankind Benefit Corporation, with reference to the UNPRI Principles as our third-party standard.

Humankind
US STOCK ETF

\$111,485,000

in assets as of December 31, 2021



Public Benefit

According to the Articles of Incorporation of the Humankind Benefit Corporation,² the company was formed with the following utilitarian public benefit in mind:

Creating the specific public benefit of supporting socially optimal economic outcomes. In particular, any corporate actions or investments made by or through the Benefit Corporation will be evaluated through the lens of social responsibility. The Benefit Corporation defines its socially responsible philosophy as follows: The benefits and costs of economic activity to company owners will be evaluated together with the benefits and costs provided to or imposed upon all other stakeholders, including, but not limited to, consumers, employees, and members of society at large, to determine the economic value provided to humankind.

This report will focus on quantitatively assessing the degree to which the specific public benefit shown above has been achieved by the Humankind US Stock ETF, as the sole fund of the benefit corporation investment company.

Third Party Standard

We have chosen the UNPRI's six Principles³ as the third-party standard against which to measure our progress toward achieving our public benefit mission. We believe that these principles are broad enough that they do not conflict with our specific public benefit mission. Furthermore, we believe the UNPRI is a well-intentioned non-profit organization and that there is enough substance in these principles to provide us with a structure to assess the degree to which we are fulfilling our socially responsible investment mission. The UNPRI's Principles are as follows:

Principle 1



We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2



We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3



We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4



We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5



We will work together to enhance our effectiveness in implementing the Principles.

Principle 6



We will each report on our activities and progress towards implementing the Principles.

ESG stands for Environmental, Social, and Governance. ESG investing is essentially a catch-all term for many different kinds of socially responsible investing. To show how we have measured up against these Principles, we have organized our assessment into three sections:

- 01. Selective Investment**
covering Principle 1
- 02. Engagement**
covering Principles 2 and 3
- 03. UNPRI Citizenship**
covering Principles 4, 5, and 6





01. Selective Investment

In this section we will detail the kinds of companies that HKND is invested in, as a result of its tracking of the Humankind US Equity Index (the “HKND Index”).⁴ It all comes down to the overall impact that the individual issuer companies have on humanity, as measured by the portfolio’s Humankind Value. As will be explained below, Humankind Value is a proprietary metric that aims to put a dollar value on the economic impacts that companies have on humanity.

Humankind Value

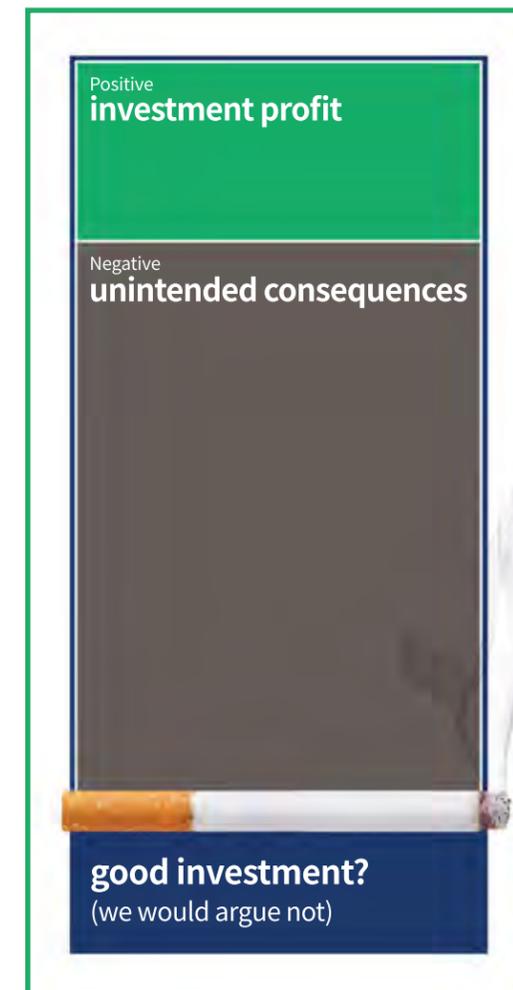
When you look at the top of your brokerage statement and see the value of your investment portfolio, it is important to remember that this number is just one out of many different numbers that can have an economic impact on your life. The insurance premiums that you’ll pony up, the medical bills you’ll have to pay, your salary, the value of your employment benefits, the money you spend on the goods and services that you need to survive — these and others are all numbers that can be just as impactful, if not more so. So, when we invest, why would we only care about how our investments impact our portfolio? Shouldn’t we also think about how the companies in which we invest are impacting us in other areas of our lives?

Let’s say you invest in a tobacco company — an easy punching bag to be fair, but it helps drive the point home. Maybe you make \$1,000 in your investment portfolio as a result of the investment — good so far. But then imagine someone in your family starts smoking that brand of cigarettes and gets sick, and now you have to shell out \$10,000 to help get them well (and that’s before taking into account the quality-of-life reduction and stress associated with the whole episode).⁵ So, the question is — was this a good investment? We would argue not. Further, this is just a simple example of a kind of bad trade that people often make when they myopically focus on their portfolio’s investment value. Lots of different kinds of companies are putting money in our right pockets as investors while sneaking money out of our left pockets in other areas of our lives. We can’t think of a reason why we should let them keep doing things this way. Investors hold the ultimate power over what kinds of companies get funding and legally control the actions that companies take through the voting power associated with their shares, so we believe it is within our hands as investors to push companies to make a change for the better.

The challenge is that things are not always as clear cut as the example above. In order to judge how much a company is helping or hurting us in other areas of our lives, we must try to quantify every impact that a company has on people. This is why we created the concept of Humankind Value.

Definition of Humankind Value

A company’s Humankind Value is defined as its impact on humanity, including investors, customers, employees, and society. Is the company making a profit for its investors, or are the investors being defrauded? Is the company providing an inexpensive service with great value for its customers, or is it selling a toxic product? Is the company paying its employees well and treating them fairly, or is it engaging in discrimination or wage theft? Is the company helping society by providing a free service, or is it polluting the air that we breathe? We work to put a dollar value on each of these impacts and add them up to arrive at a company’s **direct Humankind Value**. Then, we try to account for all the direct Humankind Values associated with each company’s supply chain partners, or the **indirect Humankind Value**. Finally, we combine the direct and indirect values into a single total Humankind Value for each company.



Examples of Specific Factors Considered in Calculating Humankind Value of a Company

Our research process involves accounting for the traditional economic impacts that companies have on investors, customers, and employees, alongside the human impact issues that our researchers work to identify and quantify and to then assign to companies based on their contribution (positive or negative) to, and responsibility for, each issue. The issues that we have covered in our research so far include the following:

- | | | |
|----------------------------------|--------------------------|---------------------|
| food production and distribution | consumer data harvesting | overincarceration |
| water and sanitation access | discrimination | plastic pollution |
| healthcare benefits | food addiction | shelter |
| greenhouse gas emissions | for-profit healthcare | slave labor |
| free digital services | gambling | travel-injuries |
| air pollution | internet addiction | war |
| tobacco | noise pollution | water pollution |
| alcohol production | nuclear power generation | workplace injuries |
| breastmilk substitute production | opioid production | adult entertainment |
| firearms manufacturing | predatory lending | among others |

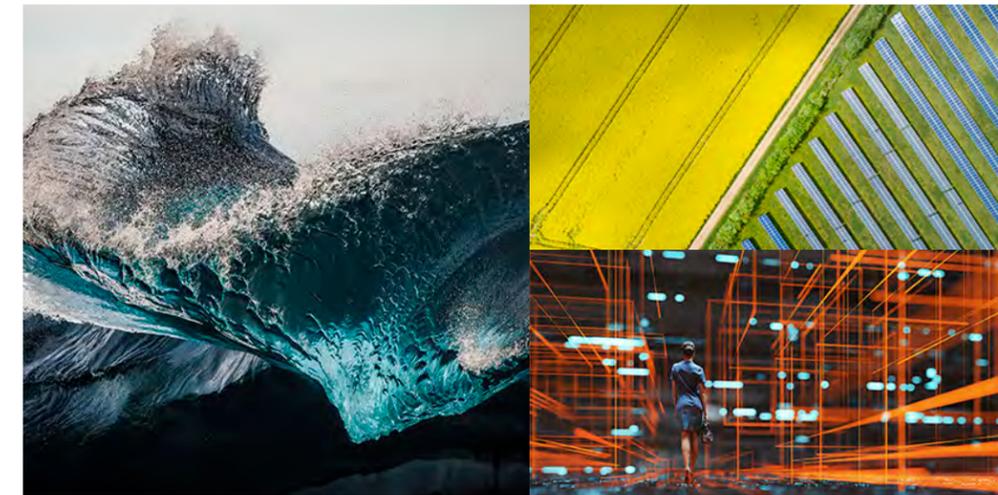
Each of these factors is quantified in terms of a dollar value such that the economic impacts of all factors can be meaningfully compared with one another. That enables us to say which issues have larger economic impacts on people's lives and to weight these issues in our analysis accordingly.

In addition to making different issues comparable, this quantitative approach allows us to make a statement about when certain companies become uninvestable from the perspective of humanity. We can provide an estimate as to whether the positive impacts the company is creating outweigh the negative ones. **We ask — if a company, as a whole, is destroying value for humanity year after year, why would we, as humans, ever invest in it?** A net negative Humankind Value result for a company in our view naturally precludes it from being considered for investment.

Of course, there's no such thing as a perfect company. Companies that are responsible for some negative impact can still make it into the HKND portfolio if they are, on balance, providing enough positive value so

that it dwarfs the negative value. Nevertheless, there are some general themes that come out of our analysis. Our approach tends to favor companies for HKND's portfolio of holdings that are contributing positively by, for example, providing access to food, clean water, healthcare, or free digital services. Meanwhile, companies that hurt people, for example by contributing significantly to climate change or selling toxic products, tend to not make it into HKND's portfolio of holdings.

Our humanity-first approach broadens the perspective of the investor from "what is good for me as an investor" to "what is good for me as a human being." We believe that more investors taking this approach to investing can lead to more people being better off economically. Practically speaking, different people are impacted by different companies in different ways. However, by working together, we can accomplish something that would be impossible to do alone. One can imagine investors globally making billions of variations of the following agreement: "I won't let my company pollute the river near your town if you won't let your company pollute the air in mine."



HKND's Impact on Humanity

At Humankind, we believe that money has power, and therefore, those that invest it bear responsibility for how their investments impact people.

HKND was constructed by intentionally aiming to optimize its Humankind Value — companies with higher Humankind Values were typically given greater weights in the Humankind US Equity Index, the proprietary index that HKND tracks. It should be no surprise then that HKND has done well when it comes to the impact that it has on humanity, according to our estimates. Each \$1 invested in HKND represents fractional ownership in the underlying companies held by the ETF and consequently shares in the responsibility for the positive social value that these companies create.

HKND had approximately \$111,485,000 in assets on December 31, 2021. The breakdown of HKND's assets by company issuer, security type, and amounts held are disclosed in HKND's Annual Shareholder Report dated December 31, 2021.¹ On HKND's webpage at www.humankindfunds.com/topcompanies, we disclose the Humankind Values of the issuer companies that comprise large percentages of HKND's portfolio, including our analysis of how these issuer companies contribute, positively and negatively, to economic and social issues that impact human beings. These Humankind Values, which were calculated from data generated on June 10, 2021, are considered good faith estimates of the Humankind Values of such issuer companies as of December 31, 2021. As we publish this report, these issuer companies include **Verizon Communications, Corteva, Google, Microsoft, Apple, Bunge, Johnson & Johnson, Pfizer, American Water Works, HCA Healthcare, General Electric, Procter & Gamble and Deere & Co.** By HKND investing in these issuer companies, and other issuer companies, in their various weights, we have strived to maximize the responsibility that HKND investors have in creating positive Humankind Value in their investment holdings. Therefore, we believe our investment framework clearly meets the UNPRI standard of incorporating socially responsible investing into our investment analysis and decision-making processes.

02. Engagement

Another way for HKND through its adviser, Humankind Investments, to make an impact is by engaging with companies to let them know how they can improve their impact on humanity and encouraging them to make those changes. We can also try to push companies to improve their disclosures of metrics that are relevant for our analysis so that we can better estimate their impact on humanity.

As of December 31, 2021, Humankind Investments worked to engage companies in the following ways to encourage them to improve their Humankind Values and make improvements to related disclosures:



Writing letters to companies



Speaking at industry round tables



Meeting individually with company representatives

We believe it is important to engage both companies that are in HKND's portfolio as well as companies that are not in the portfolio. One of the criticisms of a selective investment approach is that by divesting from certain companies you lose the ability to vote your shares and therefore lose your voice in the company's decisions. But we think this criticism misses the mark. If you let companies know why they missed inclusion in your portfolio, they stand to benefit from listening to you. If they want to make their shares more attractive as an investment, they may indeed make the changes you recommend, regardless of whether you happen to currently hold any shares at the moment or not.

In addition to direct communication, Humankind Investments has engaged the services of a third-party proxy voting firm to help vote the shares of the companies that HKND owns in a socially responsible way. In doing so, we are working to vote the shares of HKND in a way that will hopefully improve the Humankind Value of the companies that it is invested in.

Another key part of the Humankind Benefit Corporation's specific public benefit mission is that companies' actions will be evaluated with the goal of supporting socially optimal outcomes. Given the actions taken as described above, we have honored this aspect of our mission as well.

03. UNPRI Citizenship

The Humankind Benefit Corporation chose the UNPRI's Principles as its third-party standard against which it will judge itself in this annual benefit report. By doing so, it bestows additional legitimacy on the Principles. Additionally, it helps to promote the Principles, given that anyone who reads this report will also be exposed to the Principles themselves. All in all, the Humankind Benefit Corporation is clearly a strong proponent of the UNPRI.

Generally, HKND, by providing a fund vehicle for others to invest in that is aligned with the UNPRI, is holding itself out as a way for people to invest in accordance with the UNPRI. A variety of investors are shareholders of HKND. By simply providing this investment option for others to use, and by having them use it, we are, by definition, working with others to implement the UNPRI, which fulfills the fifth of the UNPRI's Principles.

Lastly, we expect that this annual benefit report satisfies the UNPRI's final Principle of reporting on the degree to which we are fulfilling the Principles. HKND's adviser, Humankind Investments, is also organized as a benefit company under Delaware law. This annual benefit report documents how Humankind Investments' investment advisory services to the Humankind Benefit Corporation fulfilled the general benefit mission of Humankind Investments by measuring up to its elected third-party standard, which, like that of the Humankind Benefit Corporation, is the UNPRI's Principles.



Conclusion

This is the first annual benefit report of the Humankind Benefit Corporation — the first registered investment company to be structured as a benefit corporation. The Humankind Benefit Corporation’s ETF, HKND, is composed of investments that, according to our research, provide greater exposure to companies that create more value for humanity. HKND’s investment advisor works to engage with companies to encourage them to improve on the value that they provide humanity, as well as to vote the shares owned by HKND in a socially responsible way. In addition, HKND works to promote, implement, and report on its progress in living up to the UNPRI’s Principles. We believe that all the activities mentioned here serve to promote the Humankind Benefit Corporation’s specific benefit purpose of supporting socially optimal economic outcomes as a member of the investment world. **But this is only the beginning.**

We are continuously in the process of developing our research further. We are working to launch new funds and expand our engagement with companies. We are excited to report on our progress in next year’s annual benefit report. We look forward to continuing to report on the steps we are taking to fulfill our public benefit mission to support socially optimal economic outcomes for years to come.



Notes

- ¹ The Humankind US Stock ETF’s Annual Shareholder Report, containing information about assets as of December 31, 2021, can be downloaded from www.humankindfunds.com.
- ² The Humankind Benefit Corporation’s Articles of Incorporation have been filed with the SEC and are publicly available here: https://www.sec.gov/Archives/edgar/data/1821080/000114036120018566/brhc10014470_ex99-a1.htm.
- ³ More information about the UNPRI’s six principles can be found here: <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>.
- ⁴ HKND is a passively managed ETF that seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the Humankind US Equity Index. The Index’s methodology is proprietary, owned and compiled by Humankind Investments, LLC, HKND’s investment adviser, which is wholly-owned by Humankind USA, LLC, and utilizes an independent index calculation agent, Solactive AG, to calculate, publish and maintain the index market value on a daily basis. The Humankind US Equity Index’s Methodology can be downloaded from www.humankindfunds.com.
- ⁵ See www.sciencedirect.com/science/article/abs/pii/S0169500215300490. Medical bills can vary significantly from the cited figure, depending on the patient and their unique circumstances. This example is intended to be illustrative.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Humankind US Stock ETF. This and other important information about the Humankind US Stock ETF is contained in the prospectus, which can be obtained by calling 888-557-6692. The prospectus should be read carefully before investing. The Humankind US Stock ETF is distributed by Northern Lights Distributors, LLC member FINRA/SIPC. Humankind Investments LLC and Northern Lights Distributors, LLC are not affiliated.

Investment Objective: The Humankind US Stock ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the Humankind US Equity Index (the “Index”). The Fund’s investment objective may be changed without the consent of the shareholders of the Fund.

Important Risk Information: The Fund is a recently organized, diversified management investment company with limited operating history.

There is no assurance that the Fund will achieve its investment objective, and you can lose money investing in this Fund. The Fund’s principal risks include Socially Responsible Investment (“SRI”) risk, which is the chance that stocks screened by the Index Sponsor for SRI criteria generally will underperform the stock market as a whole or that the particular stocks selected for the Index will, in the aggregate, trail returns of other mutual funds or ETFs screened for SRI criteria. In tracking the Index, the Fund may, from time to time, invest more heavily in companies in a particular economic sector or sectors, which would subject the Fund to proportionately higher exposure to the risks of that sector. The profitability of companies in the healthcare sector, as traditionally defined, including healthcare equipment and services companies, may be affected by government regulations and government healthcare programs, increases or decreases in the cost of medical products and services, an increased emphasis on outpatient services, demand for medical products and services and product liability claims, among other factors.

The value of your investment in the Fund is based on the values of the Fund’s investments, which may change due to economic and other events that affect markets generally, as well as those that affect particular regions, countries, industries, companies or governments. Although the Fund’s shares are approved for listing on the NYSE Arca (the “Exchange”), there can be no assurance that an active trading market will develop and be maintained for Fund shares. Although Fund shares are listed for trading on the Exchange, there can be no assurance that an active trading market for such shares will develop or be maintained. The Fund is not actively managed and therefore would not sell an equity security due to current or projected underperformance of a security, industry or sector, unless that security is removed from the Index.

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Humankind

US STOCK ETF

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