

**GMO FUNDS PLC**  
**GMO INVESTMENT MANAGEMENT COMPANY (IRELAND) LIMITED (in its capacity as manager of GMO Investments ICAV)**

**(together the “Companies” and each a “Company”)**

**Annual report on the implementation of the Shareholder Rights Directive Engagement Policy of the Company (the “Policy”) for the year to [ ● ] 2020 (the “Period”) pursuant to Chapter 8B 1110G(4) of the European Union (Shareholders Rights) Regulations 2020 (the “Regulations”)**

---

**1. Introduction**

The Policy was adopted by the Company on 25 July 2019 following the enactment of the Revised Shareholder Rights Directive (“SRD II”) which required asset managers to develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement in their investment strategy. SRD II and the Regulations require that the Company discloses on an annual basis how the Policy has been implemented. Defined terms have the meaning given to them in the Policy, which is available at [www.gmo.com](http://www.gmo.com) (the “Company Website”).

**2. Implementation of the Policy during the Period**

The Company’s activities (including those conducted by Grantham, Mayo, Van Otterloo & Co. LLC (the “Investment Manager”) acting as investment manager / adviser, as applicable, on behalf of the Company) during the Period were conducted in line with the Policy. In particular, the Company has monitored investee companies’ approach towards matters such as:

- business strategy;
- financial and non-financial performance and risk;
- capital structure; and
- social, environmental impact and corporate governance

having regard to, among other things, the investment strategy of the sub-funds of GMO Funds plc and GMO Investments ICAV (the “Funds” and each a “Fund”) and the nature and size of the Fund’s exposure to investee companies.

**3. Exercise of voting rights and other rights attached to shares<sup>1</sup>**

The Company has adopted a policy in relation to the exercise of voting rights (the “Voting Rights Policy”), and this policy was adhered to during the Period. The Investment Manager exercises voting rights on behalf of the Company in accordance with the Voting Rights Policy. The Company has hired Institutional Shareholder Services Inc. (“ISS”) to: (i) research and make voting recommendations or, for matters for which it has been delegated, to make the voting determinations; (ii) ensure that proxies are voted and submitted in a timely manner; (iii) handle other administrative functions of proxy voting; (iv) maintain records of proxy statements received in connection with proxy votes and provide copies of such proxy statements promptly upon request; (v) maintain records of votes cast; and (vi) provide recommendations with respect to proxy voting matters in general.

Details regarding each vote taken by the Company in connection with shares held by the Funds are available on the Company Website.

Proxies generally are voted in accordance with the voting recommendations contained in the applicable ISS Sustainability Proxy Voting Guidelines, as in effect from time to time, subject to such modifications as may be determined by the Investment Manager (as described in Appendix A). Copies of summaries of the current ISS

---

<sup>1</sup> Chapter 8B 1110(G)(3)(d) and 1110(G)(4) of the Regulations.

Sustainability Proxy Voting Guidelines are available through ISS' "Policy Gateway" at <http://www.issgovernance.com>.

#### 4. Disclosure to institutional investors<sup>2</sup>

In order to comply with its obligations under the Regulations, the Investment Manager is disclosing the following details in respect of the investment arrangements in place with institutional investors during the Period. For the purposes of SRD II, institutional investors are life assurance companies authorised under the EU's Solvency II Directive<sup>3</sup> and occupational pension schemes falling within the scope of the EU's Directive on Institutions for Occupational Retirement Provision<sup>4</sup> (the "Institutional Investors").

##### 4.1 ***How the investment strategy and its implementation complies with the investment arrangement and contributes to the medium to long-term performance of the assets of the Institutional Investor or of the Fund***

The assets of each Institutional Investor that invests in the Fund are represented by a direct or indirect interest in shares of the Fund. The net asset value of the shares of the Fund is determined by the performance of the investment strategy of the Fund.

The investment strategies of the Funds are set out in the relevant prospectus for the Funds (the "Prospectus"), and are suitable for the following investors:

##### GMO Funds plc

- (a) GMO Global Equity Allocation Investment Fund is considered to be suitable for institutional investors seeking capital growth over a 5 to 10 year period with fluctuating levels of volatility typically associated with global markets.
- (b) GMO Quality Investment Fund and GMO Global Real Return (UCITS) Fund are considered to be suitable for institutional investors seeking capital growth over a 5 to 10 year period with a moderate level of volatility.
- (c) GMO Emerging Markets Equity Fund and GMO Emerging Domestic Opportunities Equity Fund are considered to be suitable for institutional investors seeking capital growth over a 5 to 10 year period with fluctuating levels of volatility typically associated with emerging markets.

##### GMO Investments ICAV

- (a) Each of GMO SGM Major Markets Investment Fund, GMO Climate Change Investment Fund, GMO Equity Market Neutral Investment Fund, GMO Emerging Country Debt UCITS Fund is considered to be suitable for institutional investors seeking capital growth over a medium to long-term period with a moderate level of volatility.

Details of the performance of the Funds are available at the Company Website.

##### 4.2 ***Key material medium to long-term risks associated with the investments, portfolio composition, turnover and turnover costs, and the Company's policy on securities lending and how it is applied to fulfil engagement activities, if applicable, particularly at the time of the general meeting of the investee companies***

---

<sup>2</sup> Chapter 8B 1110(I) and 1110(J) of the Regulations.

<sup>3</sup> Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

<sup>4</sup> Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs).

### ***Key material medium to long-term risks associated with the investments***

The Funds may invest in a wide range of assets, which may include equity securities (shares), debt securities (bonds) and financial instruments that derive their value from other underlying instruments ("FDI"), as applicable. The Fund's investments may be located anywhere in the world or be restricted to specific jurisdictions, and may have any market capitalization and may belong to any industry sector in accordance with the investment objective and policies disclosed in the relevant prospectus. The Fund may use FDI for hedging purposes (e.g., to reduce risk or generate additional income) and for investment or non-hedging purposes. For full investment objective and policy details, see the "Investment Objectives and Policies" section in the Prospectus.

In the normal course of business, the Fund may engage in investment activity that is subject to certain inherent risks, such as market price risk, interest rate risk, credit and counterparty risk, foreign investment risk, and liquidity risk. Further information on these risks, as well as additional risks associated with each type of investment, are described within the Prospectus and in the annual report and financial statements (the "Periodic Reports") of the Fund. Copies of the foregoing documents are available on the Company Website.

### ***Portfolio composition, turnover and turnover costs***

Details of the portfolio composition together with a summary of the material portfolio changes and associated costs are available in the Periodic Reports and monthly fact cards of the Fund available on the Company Website.

### ***Policy on securities lending and how it is applied to fulfil engagement activities, if applicable, particularly at the time of the general meeting of the investee companies***

Details of the Fund's use of securities lending are set out in the Prospectus. Any engagement activities undertaken by the Fund relating to securities lending during the Period were conducted in accordance with the Policy, including, where relevant, in relation to voting activity of the Fund at general meetings of the investee companies.

#### ***4.3 Whether investment decisions have been made based on evaluation of medium to long-term performance of the investee company, including non-financial performance***

Investment decisions by the Company during the Period were based on a variety of factors as described in the Prospectus and the Policy which may include an evaluation of the medium to long-term performance of an investee company, including an evaluation of the non-financial performance of the investee company.

#### ***4.4 Whether conflicts of interests have arisen in connection with engagements activities and how the Company has dealt with them***

Disclosures in relation to conflicts of issues relevant to the Fund (including in connection with any engagement activities pursuant to the Policy) are set out in the Prospectus and the Periodic Reports which are available on the Fund Website and, where relevant, the Form ADV of the Investment Manager which is available at <https://adviserinfo.sec.gov>.

## **Appendix A**

### **Custom Modifications**

#### **1. Shareholder Action by Written Consent**

- 1.1 Vote AGAINST proposals to restrict or prohibit shareholder ability to take action by written consent, and vote FOR proposals to allow or make easier shareholder action by written consent; unless GMO believes that restricting/prohibiting the ability of shareholders to act by written consent would be beneficial to all shareholders. The following non-exclusive examples are situations where GMO may vote FOR proposals to restrict/prohibit the ability of shareholders to act by written consent:
- (a) The company has provisions in its bylaws giving shareholders the right to call a special meeting; or
  - (b) The company allows shareholders the right to call a special meeting and the current ownership threshold to call for a special meeting is not above local market standards; or
  - (c) The ability to act by written consent is not deemed necessary for the protection of shareholders' interests.

#### **2. Cumulative Voting**

- 2.1 Vote FOR proposals to eliminate cumulative voting, and vote AGAINST proposals to restore or provide for cumulative voting. For companies domiciled outside of the United States and in instances where cumulative voting is in place, vote FOR proposals that address the rules governing cumulative voting to the benefit of shareholders, such as the formulation of implementation rules for cumulative voting systems.

#### **3. Incumbent Director Elections**

- 3.1 Generally vote WITH management's recommendations regarding incumbent director nominees, except where GMO believes that a nominee has failed to meet listing or local market standards for service on the company's board or has voted to approve actions that in GMO's judgment are materially detrimental to the company or its shareholders. The following non-exclusive examples may form the basis for GMO's determination to vote AGAINST management's recommendations regarding incumbent director nominees:
- (a) Nominee does not satisfy relevant listing or local market practice standards for independence and serves on a committee required to be fully independent by local market standards; 2 As amended October 1, 2018
  - (b) Nominee has not attended a sufficient percentage (generally 75%) of board meetings and committees on which the nominee served during the prior year without providing an appropriate explanation;
  - (c) Nominee serves on an uncommonly high (relative to the company's peers) number of other public company boards;
  - (d) Nominee or his/her committee has not been responsive to a shareholder proposal supported by GMO (including proposals regarding ESG issues) that received approval of at least a majority of the company's outstanding shares;

- (e) Nominee has voted to adopt or amend company bylaws in a way that materially and adversely affects GMO's shareholder rights without putting such bylaw amendment to a shareholder vote; and
- (f) Nominees who have been remiss in the performance of their duties.