



Engagement Policy Statement

As of June 2021

Executive Summary

GMO believes strongly in stewardship. This extends across our business – from how we manage our clients' capital to how we relate to our employees, our communities, and the environment. These values are reflected in this Engagement Policy Statement.

GMO provides clients with investment strategies across equities, fixed income, alternatives and asset allocation with the primary aim of generating attractive long-term risk-adjusted returns. As described in our Responsible Investment Policy Statement, GMO believes that Environmental, Social and Governance (“ESG”) factors can have a meaningful impact on the long-term success of companies and countries. As stewards of our clients' capital we are committed to continuously improving our understanding of the drivers of investment results, including ESG factors. In furtherance of that objective, GMO's ESG Oversight Committee has established and oversees our thematic engagement program, which seeks to engage issuers of equity and debt securities to better understand and assess key ESG risks and opportunities facing such issuers and how these matters support long term investment results.

GMO's program consists of (i) one-on-one engagements where we may directly engage with issuers, (ii) collaborative engagements where we may engage issuers jointly with other like-minded investors, and (iii) broader collective initiatives that we support through our membership and actions in organizations pursuing better ESG practices and disclosure.

Issuer Engagements

As described below, our ESG Oversight Committee has identified thematic topics for engagements with issuers, and from time to time, the Committee more specifically highlights engagement priorities among such topics. These topics are not exclusive, and our investment teams may regularly engage with issuers on different matters of interest that are aligned with the investment thesis of specific portfolios or that otherwise arise during the investment process.

Engagement Topics

Thematic topics on which we may engage issuers, include, among others:

- Management of climate change-related and other environmental risks;
- Potential ESG-related risks and controversies;
- Management of natural capital;
- Governance structures and board matters, including diversity, equity and inclusion;
- Human rights, corruption, transparency and rule of law;

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- Supply chain oversight and management;
- Improving the quality and transparency of issuer disclosures on the above and other matters; and
- Promoting alignment of incentive structures with relevant thematic engagement topics.

From time to time, GMO's ESG Oversight Committee, in conjunction with various investment teams, identifies priority topics for its thematic engagement efforts. Beginning in 2021 and following GMO's long history of research and thought leadership on climate change and environmental related matters, we have elected to prioritize these areas, including engagements with issuers on one or more of the following: (1) adoption of reporting standards from the Sustainability Accounting Standards Board and Task Force on Climate related Financial Disclosures, (2) identification and transparent discussion of plans for managing and mitigating climate change risks, (3) improvement of performance in environmental areas/metrics where such issuers are identified, either by industry data sources or GMO's scoring, as materially underperforming relevant peers or industry best practices, and (4) specific identification and disclosure of other sustainability and ESG topics that are material to an issuer's long-term success.

Issuer Selection

For our thematic topics, we generally seek to engage with key issuers across our investment strategies. GMO uses a variety of industry data sources as well as proprietary rating methods to identify issuers that may score poorly in our priority areas and where further engagement would lead to increased understanding of the causes of such performance and opportunities for improvement. Among identified engagement targets, in general, we seek to engage with issuers where GMO can have greater influence, such as through substantial ownership, though we also may engage in other instances, such as where a particular topic presents an outsized risk to an issuer.

Manner of Engagement

We generally seek to engage issuers in an open and constructive dialogue regarding the topics we identify. The manner and intensity of our engagement may range from written (including electronic) communications, meetings with company personnel and senior management and/or discussions with board members. Our approach is informed by several factors, such as the engagement topic, the issuer's responsiveness and the size of our investment holdings. Depending on an issuer's response, we may escalate our engagement, and if our concerns have not been adequately addressed via our engagement process, we may take additional action over time, including through proxy votes, shareholder resolutions or divestiture.

Collective Initiatives

We believe that initiatives that bring together like-minded asset owners and asset managers can magnify the impact any single industry participant might otherwise achieve on its own. Our ESG Oversight Committee continuously monitors and evaluates opportunities for collective action. Notably, GMO has been a signatory to the Principles for Responsible Investment since 2017, and we are participants in the Climate Action 100+, a multi-year initiative to engage systematically important greenhouse gas emitters

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and other companies across the global economy that have significant opportunities to drive clean energy transition. [Appendix A](#) includes a list of other groups that share our views regarding the importance of ESG factors where we have added our voice as a member, supporter, or signatory.

Proxy Voting

GMO views proxy voting as an integral aspect of active security ownership that is a critical compliment to engagement. We conduct proxy voting with the same degree of prudence and loyalty accorded any fiduciary or other obligation of an investment manager. We believe the alignment of company management's goals with those of its shareholders and other stakeholders is the strongest route to protect our clients' investments as minority stakeholders. We seek to vote proxies in a manner that encourages and rewards behavior that supports the creation of sustainable long-term growth, and in a manner that is consistent with the investment mandate of the assets we manage for our clients.

Oversight, Reporting and Compliance

GMO's ESG Oversight Committee has constituted a Stewardship and Corporate Leadership Sub-Committee and delegated to it responsibility for the implementation of this policy. The Sub-Committee regularly reports to the ESG Oversight Committee and relevant investment teams on potential engagement topics, collective action initiatives, information and results of engagements completed, and other matters related to the policy. GMO undertakes to publish an annual report regarding its engagements and other stewardship activities.

It is our policy that engagement activities, including those with issuers on a one-on-one basis and collaborative engagements with other investors, be conducted in accordance with internal compliance policies and applicable laws. It is not the intent or purpose of our engagement activities to receive material non-public information ("MNPI"), and at the beginning of any engagement, we instruct the issuer that communications should not include MNPI. GMO has also adopted a detailed Insider Trading Policy that requires, among other items, the logging of interactions by GMO personnel with issuer representatives, notification to the Compliance Department in the event of any inadvertent receipt of MNPI and limitations on use of such inadvertently received MNPI.



Appendix A – Collective Initiatives

<i>Initiative</i>	<i>GMO Status</i>	<i>Additional Information</i>
Principles for Responsible Investment	Signatory since May 2017	https://www.unpri.org/
CDP (formerly Carbon Disclosure Project)	Investor member since 2017	https://www.cdp.net/en
Japan Stewardship Code	Signatory since 2017	https://www.fsa.go.jp/en/refer/councils/stewardship/index.html
Climate Action 100+	Joined in 2018	http://www.climateaction100.org/
Singapore Stewardship Principles	Signatory since October 2018	https://www.stewardshipasia.com.sg/enable/investors
U.K. Stewardship Code	Signatory since September 2018	https://www.frc.org.uk/investors/uk-stewardship-code
Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD)	Supporter since December 2019	https://www.fsb-tcfd.org/
CDP Science-Based Targets collaborative	Joined in October 2020	https://www.cdp.net/en/investor/engage-with-companies/cdp-science-based-targets-campaign

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engagement campaign		
Investors Alliance Against Slavery and Trafficking, Asia Pacific	Joined in October 2020	https://iast.fastinitiative.org/
Transition Pathway Initiative	Joined in December 2020	https://transitionpathwayinitiative.org/
ACT Accelerator	Supporter and signatory since February 2021	https://www.who.int/initiatives/act-accelerator
SASB Alliance	Member since February 2021	https://www.sasb.org/