

The logo consists of the letters 'GMO' in a white, serif font, centered within a white square border. The background of the entire page is a photograph of a community garden with several wooden raised beds filled with various plants and flowers, including yellow daisies and green leafy plants. A large tree with green leaves is visible in the upper left corner, and a blue semi-transparent geometric shape is overlaid on the right side of the image.

GMO

# UK STEWARDSHIP CODE REPORT

2025



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# FOREWORD

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## ***I am pleased to introduce GMO's UK Stewardship Code report.***

GMO believes strongly in stewardship. To achieve our purpose requires an unwavering focus on responsibly managing our clients' assets and investing with conviction. We take a strong view about what matters most and have the courage to pursue it. These principles guide us daily as we strive to achieve our mission of providing superior investment outcomes and advice, benefiting the millions of people our clients represent.

This report outlines our current stewardship beliefs and the conviction with which we implement them. It highlights our 2024 activity and outcomes, detailing the steps we take to act as effective stewards of our clients' investments. Key topics include integrating material Environmental, Social, and Governance (ESG) factors into our investment processes, engaging with companies, countries, and industry peers to influence sustainable change and address systemic risk, supporting global efforts to combat climate change, and transparently communicating with our clients.

I am proud of our achievements in ESG and stewardship. However, it is critical that our efforts continue to progress and evolve. I look forward to sharing details about GMO's priorities and advancements in the future.

In closing, I extend my sincere thanks to our clients for their trust in GMO.



A handwritten signature in black ink that reads 'Scott Hayward'.

Scott Hayward  
*Chief Executive Officer*

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# PRINCIPLE 1

## PURPOSE, STRATEGY, AND CULTURE

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society

### *GMO's Purpose*

Our purpose is to deliver investment outcomes and advice that help our clients meet their financial goals and fulfill their objectives, in service of millions of people who are beneficiaries of these organizations. We partner with a broad range of sophisticated investors, including leading endowments, foundations, corporate and public retirement plans, sovereign wealth funds, financial intermediaries, and philanthropic family offices. Our sole business is investment management, and we are privately owned, which allows us to maintain a singular focus on achieving outstanding long-term outcomes for our clients.

At GMO, investment stewardship encompasses how we engage with the companies and countries in which we invest. Utilizing our stewardship tools, such as engagement and proxy voting, to promote high standards of corporate governance and effective management of environmental and social factors, we believe we can support the creation of long-term value to enhance the risk-adjusted returns we seek to deliver for our clients.

We will discuss our emphasis on stewardship throughout the Principles in this report.

### *Culture*

We have consciously built and nurtured a culture that emphasizes commitment to clients, transparency, and responsibility, while also encouraging intellectual curiosity and open, respectful debate.

This approach has been a pillar of our organization over the past 45-plus years. We know that we can achieve better results for our clients and higher levels of employee engagement by bringing together people with complementary skillsets who see things differently and have had a variety of experiences. We have a long-standing commitment to fostering a culture that celebrates and respects differences and embraces and values what each of us brings to our work.

In addition to the values highlighted above, another key pillar of GMO's value system has always been the pursuit of academically rigorous market research – and candidly

communicating resulting advice to our clients. We are known for our willingness to challenge the status quo and our creative approach to addressing investment problems, and we take bold, differentiated portfolio positions when conditions warrant them. Outcomes related to these values show up throughout the Principles in this report where we highlight investment research and the ways we publish and communicate our views.

## CORPORATE GOVERNANCE, AN INDICATOR OF QUALITY

In the 1980s, GMO pioneered ways to systematically assess company quality, including evaluating governance. We found that well-governed, high-quality companies with effective management teams are likely to provide better shareholder returns, and emphasizing quality became a core tenet of our investment philosophy. We believe ESG factors can have a meaningful impact on the long-term success of the companies and countries in which we invest, and companies with strong governance tend to manage ESG risks and opportunities well.

Working to improve our abilities to measure and influence governance quality in investments continues to be a high priority across our investment and ESG team efforts.

## CLIMATE CHANGE

In 2024, the world continued to face unprecedented climate challenges. The World Meteorological Organization confirmed that global warming had exceeded the critical 1.5°C threshold, marking 2024 as the warmest year on record. Dangerous temperatures, extreme weather, devastating storms, and severe flooding have become common, and the damage caused is costing hundreds of billions of dollars per year to mitigate.

A core focus of our stewardship practices is taking a proactive investment approach to managing physical and transition risks stemming from climate change. We aim to mitigate the impact of systemic climate risk on a majority of our portfolios by supporting global efforts to decarbonize. We are doing this through industry dialogue, collaborations with companies and countries in which we invest, and research to better understand and assess climate change risk and its impact on the long-term value of our investments.

The influence of GMO Co-Founder Jeremy Grantham, a recognized global advocate for climate change action and investment, has kept climate issues at the forefront of GMO's values. Jeremy serves as our Long-Term Investment Strategist and Chairman of our Board of Directors.

In 1997, Jeremy founded the Grantham Foundation for the Protection of the Environment, with a mission to protect and



conserve the natural environment. He regularly publishes articles articulating the existential environmental and social challenges we face and frequently speaks to activists and allocators at industry events to educate and encourage action. As a result of Jeremy's influence, GMO was an early investor in both energy transition and climate change mitigation and adaptation investment solutions, as discussed in Principle 4. Influencing company behavior in ways that better mitigate environmental risks via engagement is also an important consideration for GMO, as we detail in Principle 9.

## INCLUSION

Another core value that underpins our culture and stewardship approach is our belief that a diversity of perspectives achieves better results for our clients, while an inclusive culture that celebrates and respects differences results in higher levels of employee engagement and maximizes the benefits of diversity. Our focused attention in this area allows GMO to forge deeper relationships with globally diverse groups, including prospective employees, clients, and business partners. We believe that by leveraging varied perspectives across these dimensions we can more effectively tackle business and investment challenges with higher levels of innovation and productivity. Plus, inclusive workforce benefits, such as flexible work arrangements, open paid time-off policies, parental leave, back-up dependent care, a charitable gift matching program, and more, support all our employees and increase retention and new talent attraction. We provide transparency on certain measures of our employee demographics and related outcomes in Principle 2.

Through our efforts, we believe we can help to improve the overall investment industry's diversity, inclusivity, and social awareness. In previous years, some GMO investment teams have used engagement to encourage inclusive behaviors supporting all employees and management, which these teams believe can help companies achieve stronger results as discussed in Principle 9.

## Business Model

Investing on behalf of our clients is GMO's sole business. Across asset classes and around the world, our investment teams identify and capitalize on long-term opportunities and develop strategies that both anticipate and respond to client needs. We offer investment solutions where we believe we are advantaged and positioned to add the greatest value, including multi-asset class, equity, fixed income, and alternative strategies.

We are privately owned, which enables our teams to truly focus on long-term outcomes and avoid being overly influenced by short-term market dynamics. This ownership structure also allows us to make certain that our clients' interests always come first. When we articulate this business model to clients, we also emphasize our belief that ESG factors can have a meaningful

impact on the long-term success of companies and countries and that our investment teams seek to incorporate them where we believe doing so will improve investment results.

## Strategy and Investment Beliefs

A long-term, valuation-based investment philosophy permeates GMO's investment teams. It is our investment belief that securities and markets become mispriced – sometimes meaningfully so – because markets are inherently inefficient. Investment processes used by GMO are aimed at first identifying these mispricing opportunities and then using disciplined, rigorous analysis to capitalize on them.

The general rationale behind our philosophy is that investor behavior often overrides rational consideration of fundamentals, causing securities and markets to overshoot (or undershoot) fair value, resulting in some securities becoming attractively "cheap" because they are currently out of favor, with others becoming "expensive" because they are popular and in demand. We believe economic reality drives reversion to the mean and behavior-driven pricing corrects, but that the timing of this reversion is uncertain. Our overall strategy is designed to identify when these mispricings occur and tilt our portfolios toward cheap securities and away from those that are expensive.

We broadly aim to invest in countries and companies that are well-governed but underappreciated because we believe we will earn superior returns for our clients when markets realize this mispricing. Our teams may take contrarian, unpopular positions when we believe those are the best, most attractive valuation-based opportunities, and our ownership structure allows teams to hold these exposures with conviction, even in the face of significant volatility.

Practical application of our overall philosophy varies by investment team. Successfully applying our approach across asset classes requires an understanding of the unique challenges and opportunities of different markets, and each of our teams has focused expertise and employs its own active investment process best suited to generating superior performance.

As stated above, we believe ESG factors can have a meaningful impact on the long-term success of companies and countries, and as such integrating ESG considerations into our investment processes provides a more comprehensive view of potential investment risks supporting our efforts to deliver outstanding long-term, risk-adjusted client returns. Ensuring companies have effective governance and robust ESG practices is inextricably linked to this process, and we believe that we can influence behavior through constructive engagements as well. Details on our teams' integration of ESG factors are provided in Principle 7.

## Guiding Our Priorities

Our purpose and investment beliefs have guided our stewardship, investment strategy, and decision-making. We believe that all the factors discussed above enable us to provide better investment outcomes and advice to our clients. For this reason, expanding and accelerating our responsible investment and stewardship practices are among GMO's key priorities. To support our drive to continuously evolve and grow, every year we establish key ESG priorities, which are focused on the areas where we think improvement will have the most meaningfully positive impact on our clients' outcomes. Each reinforces the importance of considerations discussed throughout our report.

## 2025 ESG PRIORITIES

- Develop a nature and biodiversity integration framework and review key performance indicators to effectively capture biodiversity-related investment risks
- Publish GMO's Corporate Governance Principles
- Launch an issuer engagement theme using insights from GMO's Indirect Emissions Model
- Build attribution reporting to highlight the primary drivers of GMO's ESG score results
- Incorporate sovereign emissions into our net zero framework and client reporting

## 2024 Activity and Outcomes

We undertake significant efforts each year across the organization to ensure we are effectively stewarding our clients' assets. In GMO's 2024 report, we highlighted six areas of focus for the year. Provided below is a report on relevant outcomes related to five of the six areas where we made meaningful progress, plus an updated timeline that showcases stewardship activity highlights during 2024 and the prior several years.

**OUTCOME:** We did not accomplish a fifth 2024 goal, "Reevaluate ISS Policies, consider and potentially define a change" and have included that in our 2025 ESG priority around establishing Corporate Governance Principles.

## INVESTMENT RESEARCH

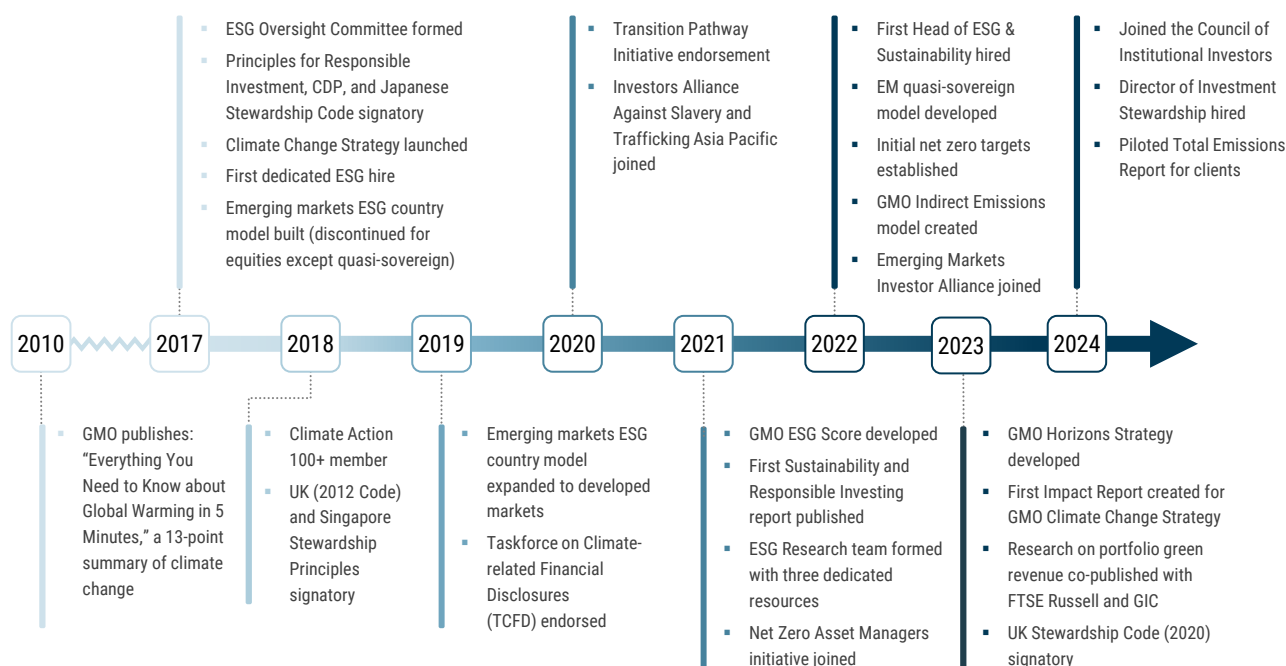
GMO's culture of open debate and collaboration stimulates new investment research, which often results in the development of new methods to tackle investment challenges to better achieve our clients' goals and act as more effective stewards of their capital. Notable research activity in 2024 that furthered stewardship-related objectives included:

- GMO's Focused Equity team published their perspective on the future of the Inflation Reduction Act under a Republican White House, Senate, and House of Representatives. The team has been seeing signs of improvement in business conditions for clean energy companies and expectations for growth are strong over

2024 ESG Priority	Outcome	More Detail
Incorporate GMO Indirect Emissions model in our investment teams' standard ESG toolkit	We have been educating investment teams on the Indirect Emissions model and are starting to incorporate it in our corporate engagements. Indirect emissions have been added to internal ESG dashboards and new client ESG reporting. We have launched pilot Indirect Emissions Reporting to provide select clients with insights on their total emissions exposures.	Principle 6
Redesign and improve ESG collateral for client communications	We published our new client ESG reports in Q1 2025. Previously, we have not had regular ESG reporting and our optional ESG reporting has been dated. It is important that we evolve to continually meet and anticipate client needs. These new reports will be posted to our client portal along with other regular reporting.	Principle 6
Research UN SDGs and determine if appropriate to consider in the context of managing any GMO strategies	Understanding SDGs is an important step toward developing holistic sustainability strategies. We have narrowed down our research efforts to evaluate natural capital and biodiversity impacts, which touches on several development goals. Research will commence in 2025.	Principle 7
Hire a dedicated Corporate Engagement Lead to manage GMO's engagement program	We are pleased to share that GMO hired Miekela Singh as our first Director of Investment Stewardship.	Principle 2

The timeline below shows the significant strides GMO has made in the past several years to ensure our investment strategy enables effective stewardship.

## EVOLUTION OF RESPONSIBLE INVESTMENT



the next few years, but dire scenarios have been priced by the market, leading to what we consider to be an uncommon investment opportunity.

- The ESG team partnered with the Systematic Equity team to develop a Total Emissions Report, which aims to provide investors with a differentiated perspective on their portfolio emissions exposure. The report leverages our proprietary Indirect Emissions Model to estimate companies' full, end-to-end value chain emissions. Our report suggests that incorporating a total emissions perspective may lead to improved portfolio construction and more insightful engagement discussions with portfolio companies.
- At the 2024 GMO Conference, the ESG team conducted a session on how measuring indirect emissions can provide valuable insights on corporate transition risk exposures.
- The GMO Systematic Equity team partnered with the ESG team to publish a [paper](#) on how investors can identify and measure "green" business activities across the global equity universe in a transparent and systematic way. With trillions of dollars required to transition to a sustainable economy, asset owners will inevitably need to deploy more

capital into climate solutions to achieve their net zero goals, and exposure to green revenue can help them do it.

**OUTCOME:** Our primary purpose is to deliver strong investment outcomes and advice for our clients. We also acknowledge that our responsibility as stewards of their capital extends beyond that. We believe that clear and regular communication with clients – as discussed in Principle 6 – ensures they remain informed about decisions being taken by GMO on their behalf and confident that any questions or concerns will be respected and resolved.

In our view, an additional key element of our purpose is to provide candid, useful investment advice about topics we believe are of interest to our clients. Much of this is achieved via the high-quality research produced by our investment teams, which generates considerable interest from clients and prospects, industry participants, the media, and others. In 2024, we published research or held GMO events discussing topics such as clean energy investments and government policy, high-quality equities, Japan market valuations, green revenue exposure in portfolios, risks and opportunities related to global supply chains shifting from China, energy transition in emerging markets, and long-term risks to humans. As a

result, GMO's research following continued to grow, with current details presented in the table below. Compared to 2023, in 2024 our LinkedIn followers grew by 20%, X followers by 5%, and our GMO event attendance expanded by 35%, showcasing how more audiences are finding GMO insights relevant and useful.

## 2024 Research Following Results



## PRIORITIZING PEOPLE, ENHANCING CULTURE

We have also taken steps to ensure our culture supports a focus on putting our clients' needs first. We encourage this by ensuring employees around the firm feel connected with client issues and outcomes. In 2024, actions related to this objective included the following:

1. Since the Covid-19 pandemic began, we have held a firm-wide weekly Markets Call, during which investment and client-facing teams share current perspectives. Frequently on these calls, we dedicate an agenda item to hearing from one of our client relationship team leaders about challenges clients are facing and how we are engaging with our clients to help solve them. Calls are held more frequently during significant market events to ensure coordination across the firm during times of uncertainty.
2. In quarterly firm-wide Town Hall meetings, our CEO, Scott Hayward, and Head of Global Client Relations, Alex Bark, provide updates on key client feedback we have received. This venue provides an opportunity for all employees to hear first-hand how we are helping our clients achieve their missions, engendering firm-wide support for effective stewardship of client assets.

**OUTCOME:** In 2024, we shifted the weekly Markets Call to a bi-weekly cadence. We had recognized that preparing for a weekly call was becoming burdensome for our investment teams, and we wanted to ensure they are able to devote maximum focus to their portfolios. We also initiated a monthly Investment Team Heads meeting, in which leaders of GMO's investment strategies convene to trade insights and ideas. This new forum has resulted in greater cross-firm communication and collaboration, which has benefited our investment teams and client outcomes.

**OUTCOME:** Throughout 2024, GMO continued to participate in a program where GMO purchased lunch for employees on a recurring basis, and every lunch purchased was matched with a donation of a lunch to feed children facing food insecurity in Boston. Over the course of the program, GMO has donated over 10,000 meals. Most importantly, this has enabled GMO to make a positive impact on the community around our headquarters. These delivered lunches have also tended to spur colleagues to eat together, an important outcome as we recognize the value of informal engagement among colleagues in building and maintaining culture.

The valuing of inclusivity and a diversity of perspectives is another key element of our culture, and for several years our efforts have been led by our employees through a formal Diversity, Equity, and Inclusion Group across three areas of focus: Outreach, Inclusion, and Communications. The group includes individuals from all global offices and areas of the firm and is led by our Engagement and Talent Acquisition Lead, Melissa Gallagher.

**OUTCOME:** GMO was one of the first asset managers to become a signatory of the U.S. and Canada CFA DEI Code in early 2022. Through our commitment to the Code, we believe we can further amplify our efforts to continue to improve diversity, inclusivity, and social awareness. Over the course of 2023 and 2024, Cindy Tan, CEO of GMO Singapore, represented GMO in partnering with the CFA Institute to launch the CFA DEI Code in Singapore, which GMO signed at the Code's launch in 2024. GMO has had an office in Singapore since 2003, and it continues to serve as a key presence to deepen our commitment to the APAC region. One of GMO's key cultural hallmarks is valuing a diversity of perspectives and backgrounds. We know that using multiple lenses to solve investment problems creates better results for our clients, and our CFA DEI Code commitments reflect this belief. We share more about our first response below, while our joining the Code is detailed further in Principle 10.



# SPOTLIGHT: *GMO's Net Zero Plan*

## ADDRESSING CLIMATE CHANGE RISK HAS BECOME EVEN MORE CHALLENGING IN 2024.

Global warming has accelerated beyond 1.5 degrees, surpassing our initial temperature increase target. Despite progress in renewable energy adoption, fossil fuels still dominate energy production and greenhouse gas emissions have not decreased at the necessary pace.

Meanwhile, recent extreme weather events have highlighted the immediate impacts of climate change. 2024 recorded the highest average global temperature, leading to widespread wildfires, floods, and other natural disasters. These events have caused significant economic losses and displacement, emphasizing the need for urgent action.

However, the political environment is significantly impacting climate action. The new U.S. administration's rollback of environmental policies has led to declining support for climate initiatives and investments. The most significant impact of this has been on clean technologies and other climate-friendly investment opportunities, where despite strong fundamentals and growing cash flows, companies have seen plunging valuations.

Another significant headwind for asset managers has been backlash against many of the tools that we as an industry have developed to manage climate risk in portfolios. This includes collaborating with our peers to engage with companies and using our rights to vote as shareholders to foster positive, value-enhancing changes at companies.

The Net Zero Asset Managers initiative (NZAM) came under scrutiny by the U.S. House Judiciary in 2024, leading to a voluntary suspension of the NZAM at the beginning of 2025, so the organization can undertake a comprehensive review of how it can best support its members to manage the systemic risks posed by climate change.

As the political environment around ESG and climate change changed through 2024, GMO undertook regular reviews to underwrite our continued support for Climate Action 100+ and the NZAM.

GMO remains committed to reducing net emissions by 65% for our net zero portfolio (described below) by 2030, and to zero by 2050 or sooner, in line with global efforts to limit global warming. Our net zero portfolio does not include assets held in separately managed accounts unless we have been directed by the client to do so, nor does it include all GMO investment strategies.

Achieving our net zero ambition will not come through divestment – we cannot divest our way there – but rather by working with companies to support their decarbonization. Our net zero strategy includes:

- Engaging with companies to set credible transition plans,
- Increasing investments in companies contributing to the clean energy transition,
- Increasing the proportion of emissions covered by a Science-Based Target (SBTi), and
- Broadening the scope of our net zero strategy to include Scope 3 emissions and government bonds.

We continue to believe that achieving these targets will help us achieve the best long-term investment returns for our clients.

The Investments sub-committee, introduced in Principle 2, oversees GMO's net zero portfolio carbon footprint and reviews it on a quarterly basis. GMO's ESG Oversight Committee and Board of Directors receive annual updates on progress made.

Our initial targets, which we released in 2022, and the progress we made in 2024 are presented below.

# SPOTLIGHT: *GMO's Net Zero Plan (con't)*

## OUR COMMITMENT TO NET ZERO

*Climate change poses critical risks for the companies and countries in which we invest*

### GMO'S NET ZERO Targets\*

#### Targets

65% Reduction<sup>1</sup>

of Net Zero Portfolio<sup>3</sup> Carbon Footprint by 2030

60% of GMO's AUM<sup>2</sup>

included in Net Zero Portfolio<sup>3</sup> by 2025

#### Overall progress on Net Zero strategy through end of 2024

70% Reduction

of Net Zero Portfolio Carbon Footprint<sup>1</sup>

49% of GMO's AUM

included in Net Zero Portfolio

59% of Portfolio

covered by an SBTi<sup>5</sup>

\$1.5B of GMO's AUM

invested in the Climate Change Strategy and Horizons Strategy

## NET ZERO ROADMAP



- Engage at national, industry and company levels to promote proactive management of climate change risks: In 2024, we had 52 climate-related engagements.



- Increase proportion of portfolio that have set a science-based targets: In 2024 this increased to 59%
- Increase AUM covered by our Net Zero Target: In 2024, AUM coverage was 49% vs. target of 60% by 2024



- Increase assets that are invested in climate solutions: launched Horizons in 2023, developed the Energy Transition Strategy.



- Continually enhance our measurement and management of climate-related risks and opportunities: indirect emissions model, founding member of the avoided emissions factor database initiative

Our initial Net Zero target disclosure can be found [here](#).

\* As of 12/31/2024

<sup>1</sup> From 202.6 tCO<sub>2</sub>e/\$M in 2019.

<sup>2</sup> From 53.5% in 2019.

<sup>3</sup> Net Zero Portfolio consists of GMO's equity and corporate fixed income strategies. It excludes certain assets classes, strategies, and separately managed accounts.

<sup>4</sup> The GMO portfolio carbon footprint (PCF) reduction between 2023 and 2019 was driven by inflows into strategies with lower emission intensities, such as the Quality Strategy, and outflows from higher emission strategies, such as the Emerging Markets Strategy. This was partly offset by inflows into the higher intensity Resources Strategy. Other impacts include lower exposure to Russian materials and energy companies, and carbon reduction strategies in some of our equity strategies.

<sup>5</sup> Proportion of Net Zero Portfolio emissions that have, or commit to have, a science-based target as defined by the Science-based Targets initiative.



# PRINCIPLE 2

## GOVERNANCE, RESOURCES, AND INCENTIVES

Signatories' governance, resources, and incentives support stewardship.

GMO's emphasis on collaboration in our firm's culture forms the basis of our governance philosophy. A broad range of areas around the company participate in and contribute to ESG strategy development and application. This approach enhances awareness among employees, fosters support for ESG as a strategic objective, and makes for rigorous, consistent ESG integration across most investment teams.

### ESG Governance Structures, Processes, and Resources

GMO has dedicated committees and teams that focus on supporting different areas of our stewardship activities, as discussed below. We continuously evolve and enhance our approaches and structures to meet our ESG-related objectives.

#### ESG OVERSIGHT COMMITTEE

GMO has an established ESG Oversight Committee that is responsible for centrally governing the implementation of our overall ESG and stewardship approach and ensuring firm-wide alignment around ESG priorities. It also acts as a conduit for ESG information flow throughout the firm, including amongst our investment teams, and centrally ensuring GMO has the ESG resources we need to accomplish our objectives. The Committee was initially formed in 2017, restructured and expanded in 2021, and reorganized in 2023, each time shifting to meet GMO's evolving ESG governance needs and to enable better oversight, engagement, and accountability across the firm.

The Committee includes members of GMO's management team and other senior stakeholders. Chaired by our Head of ESG and Sustainability, Deborah Ng, all Committee members are senior GMO staff empowered by the CEO to make decisions around the firm's ESG strategy. Areas represented include Investment Teams, ESG, Risk, Investment Product Strategy, Global Client Relations, Technology, Operations, Global Finance, Legal, Compliance, Human Resources, and Facilities. The Committee reports to our CEO and provides regular updates to GMO's Board of Directors.

This structure has served us well in improving oversight of ESG integration, stewardship, and product and communications strategy. It has also supported the breadth of our ESG and sustainability efforts, helping to make ESG a firm-wide priority and enabling seamless integration of efforts and sharing of ideas, knowledge, and resources across teams.

The ESG Oversight Committee is shown below.

#### 2024 Review Outcomes

Among the greatest strengths of our governance approach are our ongoing self-assessment and willingness to change and improve. The ESG Oversight Committee undertook a review of its effectiveness at the end of 2024. A number of opportunities for amendment or improvement were uncovered, including:

- Reviewing the Committee's mandate considering the current political landscape
- Clarifying the Committee's goals
- Increasing member engagement

The Committee plans to discuss the findings and consider options to address issues identified in 2025.

## ESG AND SUSTAINABILITY STRUCTURE





## ESG SUB-COMMITTEES

Within the GMO ESG Oversight Committee there are three sub-committees – Investments, Stewardship, and Stakeholder Strategy and Communications – which include another 20+ GMO employees spanning many levels and functions from around the firm. This broad membership further ensures strong engagement on ESG across the firm and an aligned and coordinated approach at every level.

The ESG sub-committees are described and shown below.

### 1. Investments Sub-Committee

Our Investments sub-committee is charged with overseeing ESG risks at the firm level. It has three main mandates: 1) govern the Responsible Investment Policy, 2) oversee ESG risk, and 3) oversee and enhance our climate change approach in investments. As part of its mandate, the sub-committee evaluates severe and developing ESG controversies within our public equity and fixed income holdings, manages the execution and management of our internal heightened review process, and ensures we are progressing on our net zero commitments.

The sub-committee is co-chaired by Head of Investment Teams, George Sakoulis, and Head of Investment Risk, Roy Henriksson. Membership includes leaders from our investment, ESG, and risk teams. By gathering our investment team leaders, we believe we can most effectively address these material ESG risks in a centralized, coordinated way.

### 2. Stewardship Sub-Committee

Our Stewardship sub-committee oversees investment-related stewardship and is co-chaired by General Counsel Phil Zachos and Deborah Ng, Head of ESG and Sustainability. The Stewardship sub-committee is charged with overseeing proxy voting and engagement activities at a firm level and overseeing GMO's external stewardship commitments. Members include representatives from GMO's Focused Equity, Usonian Japan Equity, and Systematic Equity teams as well as from ESG, Global Client Relations, and Proxy Voting teams.

### 3. Stakeholder Strategy and Communications Sub-Committee

The Stakeholder Strategy and Communications sub-committee is co-chaired by George Sakoulis and Head of North American Consultant Relations, Holly Carson. The sub-committee is made up of representatives from Investment Teams, Investment Data Solutions, Investment Product Strategy, Regulatory Reporting, and Global Client Relations. The sub-committee forges a strong link between investment activities and stakeholder expectations as relates to advancing our ESG and sustainability practices.

## Investment Integration

Integration of ESG factors into GMO investment processes is overseen by our ESG Oversight Committee, but portfolio managers are ultimately accountable for implementing ESG policies within their strategies as applicable. This is in line with our investment-led approach described in Principle 1. In practice,

## ESG SUB-COMMITTEES

Investments	Stewardship	Stakeholder Strategy and Communications
<b>CHAIRS</b>	<b>CHAIRS</b>	<b>CHAIRS</b>
<ul style="list-style-type: none"> <li>George Sakoulis</li> <li>Roy Henriksson</li> </ul>	<ul style="list-style-type: none"> <li>Phil Zachos</li> <li>Deborah Ng</li> </ul>	<ul style="list-style-type: none"> <li>George Sakoulis</li> <li>Holly Carson</li> </ul>
<b>MEMBERS</b>	<b>MEMBERS</b>	<b>MEMBERS</b>
<ul style="list-style-type: none"> <li>Joe Auth</li> <li>Anna Chetoukhina</li> <li>Warren Chiang</li> <li>Drew Edwards</li> <li>Jason Halliwell</li> <li>Tom Hancock</li> <li>Steve Nazzaro</li> <li>John Thorndike</li> <li>Deborah Ng</li> <li>Tina Vandersteel</li> <li>Lucas White</li> </ul>	<ul style="list-style-type: none"> <li>Brian Buoniconti</li> <li>Holly Carson</li> <li>Drew Edwards</li> <li>Jason Harrison</li> <li>John Mann</li> <li>Michelle Morphew</li> <li>Dina Santoro</li> <li>Miekela Singh</li> </ul>	<ul style="list-style-type: none"> <li>Catherine Despujols</li> <li>Tommy Garvey</li> <li>Mandy Leung</li> <li>Michelle Morphew</li> <li>Deborah Ng</li> <li>Tara Pari</li> <li>Steven Peck</li> <li>Melanie Rudoy</li> <li>Vineta Salale</li> <li>Cindy Tan</li> <li>Mina Tomovska</li> </ul>
<b>MANDATE</b>	<b>MANDATE</b>	<b>MANDATE</b>
<ul style="list-style-type: none"> <li>Responsible Investment Policy</li> <li>ESG Risk Exposures</li> <li>Heightened Review</li> <li>Net Zero Progress</li> </ul>	<ul style="list-style-type: none"> <li>Proxy Voting Policy</li> <li>Engagement Policy</li> <li>Firm-level Engagement</li> <li>Stewardship-related Commitments</li> </ul>	<ul style="list-style-type: none"> <li>Client Reporting</li> <li>External Reporting</li> <li>Regulatory Reporting</li> </ul>
<b>2025 WORKING GROUPS</b>	<b>2025 WORKING GROUPS</b>	<b>2025 WORKING GROUPS</b>
<ul style="list-style-type: none"> <li>Sovereign Debt Emissions</li> </ul>	<ul style="list-style-type: none"> <li>Significant Votes</li> <li>Corporate Governance Principles</li> </ul>	<ul style="list-style-type: none"> <li>Nature and Biodiversity</li> </ul>

portfolio managers and their investment team colleagues have integrated ESG factors into various investment processes, which are detailed in Principle 7. Broadly speaking, sector analysts handle corporate engagement within their coverage areas, although portfolio managers may assign team members specific engagement responsibilities. The teams continue to evolve and enhance their approaches by conducting focused research within their respective areas of expertise, and they coordinate and collaborate across the firm to share insights on ad-hoc, project, or committee bases. In some cases, products have specific ESG constraints. Likewise, many portfolio management teams have systematized parameters around ESG principles built into their portfolio construction processes.

### ***Training and Education***

GMO conducts ESG training on an as-needed basis. In 2024, the Systematic Equity and ESG teams held training sessions on Indirect Emissions and GMO Horizons. Aside from these formal interactions, much of GMO's ESG learning comes from peer-to-peer interactions as one investment team adapts the practical knowledge acquired by another.

All new employees – senior and junior – undergo a year-long orientation program organized by our Human Resources team that introduces our purpose, investment philosophy, and functional areas, and is designed to onboard joiners into the GMO culture. This includes a module on GMO's investment and ESG approaches. Generally, these modules are recorded for future use and to accommodate different time zones. In addition, all GMO employees must undergo annual virtual training on topics such as cybersecurity, anti-bribery, corruption, GMO's Code of Ethics, and anti-discrimination.

GMO's Human Resources team regularly conducts firm-wide surveys to measure employee engagement and inform programming that supports our culture and our people's well-being. In recent years, for example, we have coordinated opportunities to join a wellness expert for meditation and self-care sessions and to engage with external speakers on topics such as implicit bias and different intelligence types.

GMO employees are encouraged to attend external ESG-focused seminars and events as well in an effort to build our overall ESG knowledge. In addition to foundational ESG events such as the PRI, notice of events are communicated via email or through the various ESG committees and sub-committees. More formally, GMO financially sponsors employee participation in ESG educational opportunities like the CFA Institute's Certificate in ESG Investing program and SASB's Fundamentals of Sustainable Accounting credential.

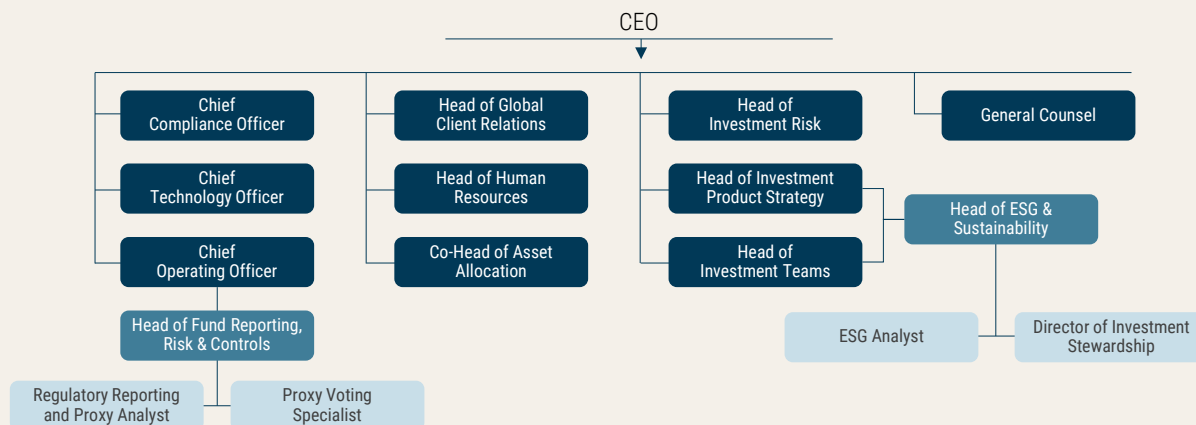
### ***Compensation and Incentive Structure***

ESG considerations are included in the evaluation of our dedicated ESG team's successes and can have a direct impact on their compensation. GMO employees, including those on the ESG team, receive a variable annual bonus amount that depends on their individual performance, their contributions to and their team's performance, and GMO's overall success. In this way, ESG advancement – which is the core mission of the ESG team – is directly factored into the compensation of the ESG team members as their success will contribute to GMO's ESG progress.

Our purpose at GMO is to achieve superior performance for our clients and we have high conviction that ESG integration leads to better risk-adjusted returns, which naturally puts ESG at the heart of our operations. In this way, all employees are indirectly evaluated and compensated based on their contributions to GMO's ESG efforts.

Stewardship of our clients' assets and putting our clients' interests ahead of our own thus factor significantly into compensation and incentive decisions around the firm.

## ORGANIZATIONAL CHART



### ESG AND SUSTAINABILITY TEAM

GMO's ESG and Sustainability team partners with the ESG Oversight Committee to formulate and oversee the firm's overarching ESG, stewardship, and sustainability strategy and activities. It delivers support to our investment teams through subject-matter expertise, tools, and resources to aid their assessment of ESG. This team shares responsibilities with the investment teams on engagements, which may be conducted jointly or separately.



**DEBORAH NG**

*Head of ESG and Sustainability*

Deborah Ng is the Head of ESG and Sustainability at GMO and leads the firm's sustainability and climate change strategy.

She is responsible for key deliverables including research and thought leadership, integration frameworks, and corporate engagement. Deborah is chair of the ESG Oversight Committee and co-chair of the Stewardship sub-committee.

Prior to joining GMO in 2022, she was the Head of Responsible Investing at Ontario Teachers' Pension Plan (OTPP) and was part of its Strategy & Asset Mix team, where she focused on the research, evaluation, and introduction of asset allocation strategies. She is a member of the Global Reporting Initiative (GRI) Standards Board, sits on the Research Advisory Council of Institute of Sustainable Finance at Smith School of Business, Queens University, and the Financial Sector Advisory Committee of Business Future Pathways. She is a CFA charterholder.

Since joining GMO, Deborah has brought her significant asset owner and industry ESG experience to bear on evaluating GMO's ESG programs, and she has successfully accelerated many of them, including leading the development of our net zero targets and program, discussed in Principle 1, and improving our overall engagement program, discussed in Principle 9.



**MIEKELA SINGH**

*Director of Investment Stewardship*

Miekela Singh joined GMO in 2024 as the Director of Investment Stewardship. She works across teams and portfolios to support the enhancement of the firm-wide stewardship effort, which includes corporate engagements and proxy voting. She contributes to both collaborative and direct engagements as well as governance assessments. Prior to joining GMO in 2024, she was at the Ontario Teachers' Pension Plan (OTPP) on the Sustainable Investing Team where she oversaw the Stewardship and Corporate Governance team.

Ms. Singh regularly contributes to relevant industry bodies, having sat on the Human Capital Committee of the International Corporate Governance Network and the Corporate Governance Advisory Council of the Council of Institutional Investors. Ms. Singh earned her bachelor's degree from McMaster University, her MSc in Global Politics from the London School of Economics, and her JD from the University of Ottawa.



**MANDY LEUNG**

*ESG Analyst*

Mandy Leung joined GMO's ESG and Sustainability team as an ESG Analyst in 2023. Mandy is involved in assessing ESG factors in support of our integration and corporate engagement efforts and she contributes to the bi-weekly monitoring of GMO holdings for emerging ESG risks and controversies, preparing analysis for the Investments sub-committee.

She has worked at GMO since 2015. Before joining the ESG and Sustainability team, she served as an Accounting and Finance Associate in GMO's Sydney office. Prior to joining GMO, she held roles at Capella Capital and AMP Capital Investors. Mandy earned her Bachelor of Commerce in Finance and Accountancy from the University of Sydney. She is a licensed Certified Public Accountant and CFA ESG Investing Certificate holder.



## ESG SUB-COMMITTEE CHAIRS

Our ESG sub-committees are chaired by the following individuals, as discussed above, in addition to Deborah Ng.



### GEORGE SAKOULIS

George Sakoulis is the Head of Investment Teams at GMO and a partner of the firm. He is a member of GMO's ESG Oversight Committee and co-chair of the Investments and Stakeholder

Strategy and Communication sub-committees. He rejoined GMO in 2020 having previously worked at the firm from 2009 to 2014 leading quantitative research for GMO's Emerging Markets Equity team. He has also held several leadership roles at other investment firms during his career and earned his MA in Economics and PhD in Financial Econometrics from the University of Washington.



### ROY HENRIKSSON

Roy Henriksson is the Head of Investment Risk at GMO and a partner of the firm. He is a member of GMO's ESG Oversight Committee and co-chair of the Investments sub-committee. He

has decades of experience combining quantitative research with its practical applications within investment portfolios across a wide range of equity, fixed income, and multi-asset strategies. He has served as the co-chair of the Liquidity Risk Committee and as a member of the advisory board of the International Association for Quantitative Finance, has been a recipient of the Graham and Dodd Award from *Financial Analysts Journal*, and previously was a Professor of Finance at the University of California, Berkeley. He earned his MS in Management and PhD in Finance from the Massachusetts Institute of Technology.



### PHIL ZACHOS

Phil Zachos is GMO's General Counsel and a partner of the firm. He is a member of GMO's ESG Oversight Committee and co-chair of the Stewardship sub-committee. Previously

at GMO, he has served as Legal Counsel and Company Secretary, Chairman of the GMO UK Board, and Chief Counsel for GMO Renewable Resources.



### HOLLY CARSON

Holly Carson leads consultant relations efforts and strategic new market segment initiatives for the GMO Global Client Relations team. She is a partner of the firm and a member of the GMO ESG

Oversight Committee, in addition to co-chairing the Stakeholder Strategy and Communications sub-committee.

## PROXY VOTING TEAM

GMO's proxy voting efforts are overseen by the Stewardship sub-committee and executed by a three-person Proxy Voting team, each of whom has extensive experience and long GMO tenure. The Proxy Voting team serves as a liaison between our ESG and investment teams and our proxy voting advisor, ISS, to ensure GMO is voting its shares in a thoughtful manner consistent with our Proxy Voting Policy.



### TARA PARI

Tara Pari joined GMO in 2004 and is the Head of Risk and Controls, Fund Reporting, and Proxy Voting. Prior to joining, she worked at PricewaterhouseCoopers for several

years, most recently as a manager within assurance and business advisory services. Ms. Pari earned her bachelor's degree in Accounting from Boston College. She is a Certified Public Accountant.



### BRIAN BUONICONTI

Brian Buoniconti is a member of GMO's Risk and Controls, Fund Reporting, and Proxy Voting teams and serves as the lead proxy voting specialist. He joined GMO in 2012 as a member of the

Portfolio Operations team, working in corporate actions and pricing roles.



### MEGHAN PANTELEAKOS

Meghan Panteleakos is a member of GMO's Risk and Controls, Fund Reporting, and Proxy Voting teams and currently serves as a proxy voting specialist. Previously at GMO, which

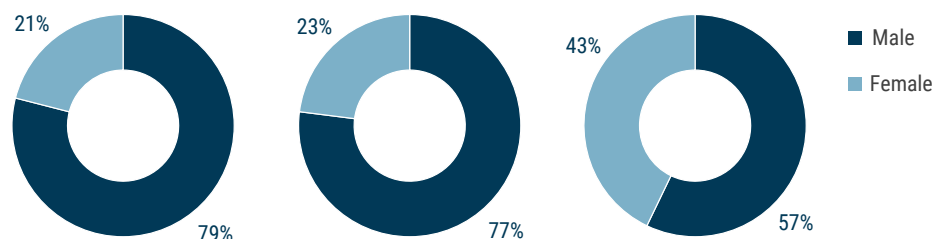
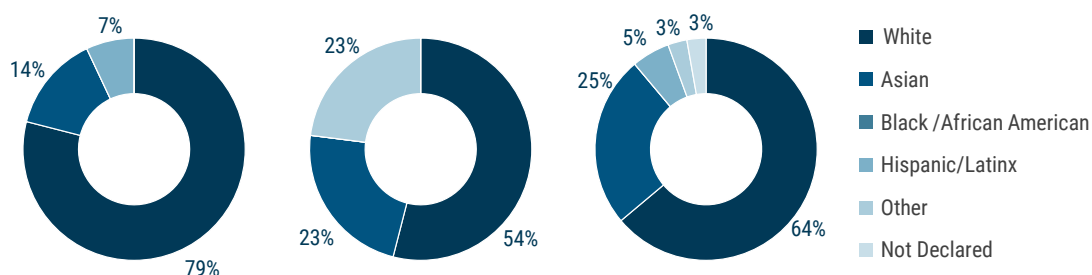
she joined in 2008, she was supervisor of the Pricing and Collateral team.

## ANNUAL U.S. HIRING STATS

2024: 14 NEW HIRES

2022: 13 NEW HIRES

2022: 36 NEW HIRES

*Gender Diversity**Racial/Ethnic Diversity*

As of 31 December 2024

These statistics are self-reported by our US-based employees and provision of these details is not compulsory. Where individuals have not specified race/ethnicity/gender, we have included that data under the category of "Not Declared." Figures may not sum to 100% due to rounding.

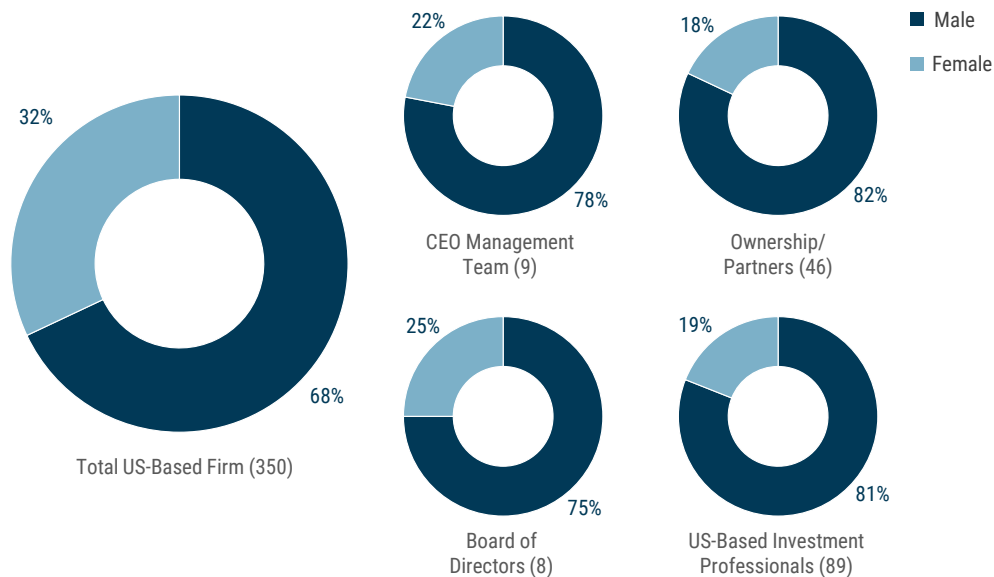
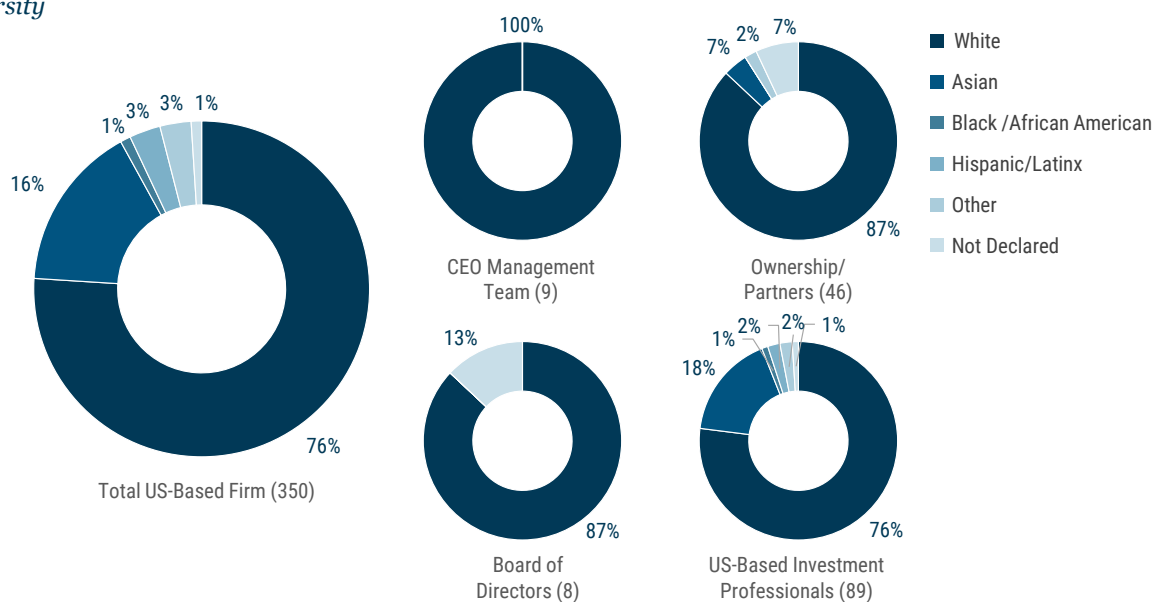
**Diversity at GMO**

We believe diversity of thought, knowledge, experience, and background leads to better results for our firm and our clients. We have programs in place to generate diverse pools of candidates in our talent acquisition searches – including partnering with organizations that source and foster talent from a variety of backgrounds, offering interview training that emphasizes the creation of an inclusive community, and utilizing interview teams with a diversity of perspectives – and have established processes to ensure fairness in compensation and development opportunities.

We measure the results of these practices as well as our employee engagement. To the extent possible given privacy laws in different jurisdictions and each employee's willingness to self-identify, we report on certain demographic measures of our employees.

**OUTCOME:** As mentioned above, GMO regularly conducts employee surveys to measure and respond to the state of our culture and engagement around the firm. In early 2024, we conducted an in-depth firm-wide survey. The results showed that we continue to embody a culture of caring and that employees enjoy working with their colleagues. There is continued appreciation for the work/life flexibility and comprehensive benefits that GMO provides to employees. Our commitment to diversity, equity, and inclusion initiatives also scored highly, slightly outperforming an industry benchmark and indicating that employees feel supported.

## GMO U.S. DIVERSITY MEASUREMENT

*Gender Diversity**Racial/Ethnic Diversity*

As of 31 December 2024

These statistics are self-reported by our US-based employees and provision of these details is not compulsory. Where individuals have not specified race/ethnicity/gender, we have included that data under the category of "Not Declared." Figures may not sum to 100% due to rounding. Ownership/Partner statistics are full global counts and include data for both our US and Non-US-based owners/partners





# PRINCIPLE 3

## CONFLICTS OF INTEREST

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

We are committed to treating our clients ethically, with the utmost care, transparency, and fairness. In practice, we recognize that conflicts of interest may arise as we conduct our business, including potential or actual conflicts between GMO and our clients, as well as conflicts between different clients. We have a range of robust policies and procedures in place to ensure that such conflicts of interest are identified, mitigated, and, where necessary, disclosed to clients.

All GMO compliance policies and related procedures are reviewed annually to confirm they continue to be reasonably designed and effectively implemented. GMO's Conflicts of Interest Committee, which meets at least quarterly, oversees the implementation of our Code of Ethics, Code of Conduct, and Gifts and Entertainment Policy, and additional practices and controls provide further ongoing assessments of potential conflicts. All GMO personnel receive appropriate training to ensure they are aware of their responsibilities and obligations.

These policies and procedures ensure that all GMO employees are aware of their obligations when it comes to underpinning our responsibility to act as good stewards of clients' capital.

In addition to the above, our approach to identifying, managing, and mitigating other potential stewardship-related conflicts includes the following:

- **Trade Allocation:** GMO's trade allocation procedures are designed to provide reasonable assurance that, over time, accounts pursuing the same trading strategy are not likely to be systematically advantaged or disadvantaged due to the order placement/execution process. These procedures may include blocking/aggregating orders or limiting the volume of subsequent orders. While there is a centralized trading function, certain instruments (e.g., fixed income securities) may be traded by the respective investment teams. We avoid or minimize conflicts of interest and place our clients' interests before our own so that we ensure we are treating all clients fairly and in their best interests. To accomplish this, our procedures provide that we seek to use block trades where practicable, allocate block trades according to procedures established prior to the trade, and allocate trades in accordance with disclosure provided to clients.

- **Proxy Voting:** Proxy voting is an integral right of security ownership. In cases where GMO has been delegated authority to vote proxies, we conduct the function with the degree of prudence and duty expected of us as a fiduciary. In these instances, in the event of a material conflict of interest (e.g., GMO has a material business relationship with an issuer), GMO will 1) vote such proxy according to the recommendation of GMO's proxy advisor, ISS, or pre-determined modifications to those recommendations as set forth in GMO's proxy voting policy; 2) seek instructions from the relevant client or request that the client votes such proxy; or 3) abstain. Additionally, GMO requires ISS to identify and provide information regarding any material business changes or conflicts of interest on an ongoing basis. Where a conflict of interest may exist, GMO requires information on how said conflict is being addressed. Our proxy voting approach and monitoring of ISS as our proxy advisor are discussed in greater detail in Principles 8 and 12.

- **Code of Ethics/Proprietary Trading:** GMO has adopted a Code of Ethics that establishes personal trading procedures, including certain pre-clearance and reporting obligations. GMO's Code of Ethics is designed to prevent employees and access persons (as defined in our Code of Ethics) from engaging in personal securities transactions that may compete or interfere with the trading of client accounts. Additionally, we do not engage in proprietary trading for GMO's own account except in limited circumstances (e.g., investment of operational cash in U.S. Treasury securities).

- **Pricing:** The appropriate valuation of securities held in client portfolios is critical not only for purposes of client transactions but also for the determination of fees paid to GMO and the performance records of funds under management. All GMO Funds are valued pursuant to the applicable, approved pricing policy for each GMO Fund. GMO's Operations team has adopted processes and procedures designed to verify the recording of correct GMO Fund valuations by their external service providers. Those internal controls are, to the extent determined relevant to GMO control objectives, subject to an external review and audit by an independent service auditor pursuant to the Service Organization Controls Report (SOC 1).

- **Management of Multiple Accounts:** Potential conflicts of interest can arise from the simultaneous management of multiple client accounts. For example, GMO's and/or an investment professional's economic interests

may conflict with our fiduciary duty based on differing management fee structures (e.g., where GMO manages one account for which GMO's management fee consists solely of an asset-based fee and another for which GMO's management fee may include a performance fee) or ownership interests (e.g., where GMO or an investment professional has a significant personal investment in one account but not another). GMO has implemented policies and procedures that seek to ensure that no client account is given inappropriate preferential treatment over another client account. This includes a periodic review of performance dispersion among accounts employing similar investment strategies to ensure that any material divergence in expected performance across accounts is adequately understood.

- **Interactions with Issuers:** When an analyst meets with representatives of an issuer, GMO's Insider Trading Policy requires the logging of those interactions. Personal trading by the analyst in the issuer's securities is then prohibited for a period of time to avoid the potential that information learned in these interactions may be used for personal gain.

## 2024 Review Actions

In support of monitoring the above policies and procedures, we offer several examples of how we have sought to identify and mitigate conflicts during 2024.

- We conducted a performance dispersion review as part of our adherence to GIPS.
- GMO's most recent SOC1 Type II internal controls report was reviewed and issued with an unqualified opinion by PricewaterhouseCoopers, GMO's independent auditor.
- All GMO employees had to complete an annual training course on our Code of Ethics, Code of Conduct, Gifts and Entertainment Policy, and Whistleblower Policy.
- All GMO employees reported relevant personal transactions and holdings on a quarterly basis, in addition to outside business activities, gifts and entertainment, and political contributions deemed reportable under GMO's policies.

## Conflict of Interest Examples

Pre-2024 and hypothetical examples that show similar oversight functions include:

**Board Seat:** When Head of ESG and Sustainability Deborah Ng joined GMO in 2022, she had an existing commitment to the board of a pension plan that would continue during her employment at GMO. While the pension plan is not currently

a GMO client, in accordance with our conflicts of interest policies and approach, Deborah disclosed the position to GMO. All employees must submit quarterly Code of Conduct confirmations and make certain off-cycle disclosures when circumstances change and trigger a disclosure. Deborah's board role will be monitored in this way going forward. In the event GMO were being evaluated as an investment manager for this pension plan in the future, Deborah is required to notify GMO's compliance team and recuse herself from the pension plan's discussion and approval process.

**Proxy Voting:** GMO once had a business relationship with a company in which we also owned shares, and the relevant investment team's voting preference was inconsistent with the ISS voting recommendation. As per GMO's Proxy Voting Policy, the investment team was not permitted to override the ISS voting recommendation due to the existence of a material conflict and thus abstained from exercising a vote.

**Board Seat:** GMO personnel are occasionally identified as potential candidates for the boards of directors of public companies. Consistent with GMO's Code of Conduct, such requests are subject to a rigorous review process by GMO's Conflicts of Interest Committee, a management committee tasked with ensuring no conflict exists between the offered position and GMO's trading activity.

**Gifts and Entertainment:** GMO's Gifts and Entertainment Policy is designed to minimize and manage conflicts of interest that may arise from the giving or receiving of gifts or entertainment, including in situations where GMO personnel's objectivity could be perceived to be impaired due to such gift or entertainment. GMO personnel are occasionally offered items of value by service providers to GMO and are required to report the details of such gifts or entertainment, which are acceptable only within prescribed limits.



# PRINCIPLE 4

## PROMOTING WELL-FUNCTIONING MARKETS

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

GMO considers and addresses numerous market-wide risks within the context of the investment strategies. We also endeavor to bring attention to and address systemic risks facing the investment industry.

### *Investment Risk Management*

GMO has a dedicated Risk Monitoring team led by our Head of Investment Risk, Roy Henriksson, who is a direct report of our CEO. This team leads our top-down oversight of investment risk.

Roy and the Risk Monitoring team continually assess potential macro and asymmetric sources of investment risk. As part of this process, the team monitors exposures and positions of all GMO portfolios, focusing on major changes within a strategy, and has ongoing conversations with the portfolio managers related to their exposures. Portfolios are evaluated across a wide range of risk metrics related to both absolute and relative performance, as well as liquidity and counterparty risk.

GMO has a regularly scheduled Risk Insights Forum (RIF), which brings together senior managers of the firm, including from each of our investment teams, to discuss market risks and longer-term macro trends that may lead to areas of future concern. Part of the RIF discussions includes a review of GMO strategy positioning, liquidity, and counterparty risks. When significant risks are identified, the Risk Monitoring team works closely with the relevant portfolio manager to ensure that the appropriate risk controls and limits are in place.

The Investment Sub-Committee, which is co-chaired by Roy and George Sakoulis, Head of Investment Teams and Head of Systematic Equity, oversees the firm's management of ESG risks.

Importantly they oversee the progress on our management of climate change risk. The sub-committee also reviews GMO's aggregate ESG exposures to identify significant deteriorations or concentrations in E, S, or G risks as highlighted by MSCI. As detailed below, in 2025 we will begin incorporating GMO's ESG Score as part of this process.

Finally, the sub-committee also oversees our exposures to severe controversies through the Heightened Review process. This ongoing review of high ESG-risk companies is designed to

address 1) severe ESG risks that arise in systematic portfolios where our ability to influence is low and the cost of engaging with companies is high, and 2) ESG risks where the potential impact to the firm may be greater than the impact to any one portfolio. Once a company is placed on Heightened Review, all trades must be pre-approved by the Investments Sub-committee.

**OUTCOME:** In 2024, we reviewed 50 issuers for severe or very severe controversies and placed two on the Heightened Review List.

This centralized top-down approach complements the bottom-up risk management conducted by our investment teams in managing their portfolios. A key advantage of having this monitoring function is the ability to uncover concentrated or systemic risks that may have significant, organization-wide impacts to GMO across strategies and asset classes.

GMO investment team heads and portfolio managers have the primary responsibility for the bottom-up assessment of all potential and material investment risks in their portfolios, including ESG considerations. Generally, the teams undertake the following types of analysis:

- Valuation-based security analysis considering systematic, systemic, and idiosyncratic return opportunities and risks, using both quantitative and fundamental inputs, and
- Utilization of advanced portfolio construction methods that factor in expected return opportunities after accounting for material risks, systematic and systemic sources of absolute and relative risk, estimates of diversification and correlation, leverage, and liquidity.

### *Firm-Wide Risk Management*

The GMO Board of Directors oversees firm-wide enterprise risk management. The Board is responsible for overseeing GMO's risk control environment, financial risk, operational control, legal and regulatory risk, investment risk, and compliance. The Board also has an Audit Committee, which is responsible for recommending to the Board the selection of GMO's independent auditor and overseeing such auditor's work with respect to the audit of GMO's financials and control environment. The Audit Committee reports periodically to the Board regarding such audit-related matters.

Below is a snapshot from the ESG risk register as an example of how we monitor ESG-related risks at the firm level, not specific to any one specific portfolio.

### *Monitoring of Risk Controls*

GMO also has a Risk and Controls team that assesses operational risk and helps maintain and enhance the internal



## NON-INVESTMENT ESG RISKS

Threat	Risk	Management	Status
<b>Polarized regulatory environment:</b>	<ul style="list-style-type: none"> <li>Reputation risk arising from potential confusion due to constraints in how we articulate GMO's ESG approach</li> </ul>	<ul style="list-style-type: none"> <li>Clear and consistent messaging on how ESG risk management is part of fiduciary duty</li> </ul>	+
<ul style="list-style-type: none"> <li>Deregulation and opposition to ESG considerations in investment process</li> </ul>	<ul style="list-style-type: none"> <li>Reduced ability to effectively integrate and manage ESG risk and opportunity</li> <li>Headwinds to ability to improve investment processes through the advancement of ESG knowledge and practices</li> <li>Legal and reputational scrutiny of our activities</li> <li>Difficulty attracting and retaining clients</li> <li>Attention diverted from investment business to responding to ESG opposition</li> </ul>	<ul style="list-style-type: none"> <li>Concerted focus on fiduciary duty</li> <li>Nuanced investment decision-making</li> <li>Clear and consistent messaging on how ESG risk management is part of fiduciary duty</li> <li>Well-developed process for vetting external ESG communications</li> </ul>	
<ul style="list-style-type: none"> <li>Tightening and prescriptive regulation in UK, Europe, and APAC</li> </ul>	<ul style="list-style-type: none"> <li>Loss of clients or outflows or inability to attract inflows</li> <li>Poor ESG ratings from consultants</li> <li>Difficulty attracting and retaining talent</li> </ul>	<ul style="list-style-type: none"> <li>Newly established formalized monitoring of evolving ESG regulations</li> <li>Respond to policy and regulatory consultations and other avenues to express views and inform/educate policy and regulation</li> <li>Build knowledge and sharing across firm on ESG</li> </ul>	
<b>Rising stakeholder expectations on ESG</b>	<ul style="list-style-type: none"> <li>Loss of clients or outflows</li> <li>Reduced ability to effectively integrate and manage ESG risk and opportunity</li> <li>Legal and reputational scrutiny</li> </ul>	<ul style="list-style-type: none"> <li>Continually evolve practices and communications with clients</li> <li>Ensure sufficiently resourced: people, time, data</li> <li>Increase transparency in external reporting</li> </ul>	

■ Low risk
 ■ Medium risk
 ■ High risk

+ Risk has increased
 - Risk has decreased

control environment at GMO. The primary responsibilities of the Risk and Controls team include:

- Coordination and preparation of GMO's Type II AT-C 320/ ISAE 3402 Report summarizing our internal controls,
- Training and educating GMO teams on internal controls,
- Providing support on projects and initiatives to monitor operational risk and to enhance the internal control environment,
- Monitoring implementation of steps taken to prevent recurrence of errors,
- Overseeing vendor due diligence, and
- Management and coordination of certain regulatory report filings and related responsibilities.

The team is led by Tara Pari (who also leads our Fund Administration and Proxy Voting teams) and is overseen by GMO's Chief Operating Officer, Dina Santoro.

### Internal and External Communication

Our Risk and Controls team meets regularly with teams that manage controls related to GMO's operational risk. In these meetings, managers discuss process improvements, errors, and changes to perceived risk levels since the last meeting. There is also a focus on new products, strategies, technology, and regulation to address new risks to the environment. These results

are summarized and communicated upward at the RIF by the Risk and Controls team. The issues discussed at GMO's RIF are then cascaded back down throughout the organization as deemed relevant by the members in attendance.

As market and systemic risks emerge, we mobilize quickly and thoroughly, as necessary, in a variety of formal and informal forums. At times of extreme uncertainty, such as during Russia's initial invasion of Ukraine in 2022, we assemble crisis management teams that meet regularly to discuss potential impacts and mitigation strategies, including relevant senior leaders from around the firm. In such times we also might increase the frequency of our Investment Team Heads meetings to gather investment professionals to discuss the increased risks. We also dedicate time to discuss such risks during our bi-weekly Markets Call, which provides a forum for risk, trading, and investment professionals to share and debate viewpoints. The frequency of this call increases as needed based on market events. We hold external conversations with our clients in forums such as portfolio review meetings, GMO investor webcasts, and our annual GMO Conferences. Our client communication methods are described in Principle 6.

To communicate our views more broadly and raise awareness of systemic risks we believe are important (to both investors and other industry participants), we regularly publish research papers, speak at industry events, and conduct media interviews.

## Identifying and Responding to Market-Wide and Systemic Risks in 2024

All of the groups mentioned above plus our investment and trading teams collaborate to monitor and respond to market-wide and systematic risks. These teams are constantly assessing market conditions to measure how well financial markets are functioning and to spot potential risks to our investment portfolios.

In assessing GMO's 2024 results related to identifying and responding to market-wide and systemic risks, we believe that we effectively identified, addressed, and responded to the short- and long-term risks most relevant to our portfolios and clients.

**OUTCOME:** Reflecting our ongoing belief that the current market environment has a heightened level of uncertainty, the 2024 GMO Conference – which often best represents our views about current investment opportunities and risks – had a theme of “Contemplate the macro. Concentrate on fundamentals.” As the world grapples with risks related to interest rates, recession, geopolitics, concentrated and growth-oriented exposures, and climate change, we advised our clients to look beyond headlines and focus on what really matters. Each of these risks and how we've responded are discussed below.

We believe there are numerous pockets of value that are being largely overlooked, and we examined in Conference sessions how we are positioning portfolios to respond to them. For example, our fixed income teams discussed rates and the state of credit markets. GMO's Asset Allocation team looked at the impact of concentration risk in equity markets. Others presented on topics such as indirect emissions, the investment implications of deglobalization, and risks in commodity markets.

### INTEREST RATES

“Higher for longer” interest rates have resulted in increased volatility in equity and bond markets, with general declines in 2022 followed by rising markets in 2023 and 2024. We have analyzed interest rate scenarios and risks thoroughly and discussed developments with our clients in meetings and portfolio reviews.

For example, on our bi-weekly GMO Markets Call, our Trading team and various investment teams have frequently reviewed how ongoing elevated rates filter through to various markets. In these collaborative discussions, our teams ask each other questions, often helping other teams test assumptions.

At GMO's 2024 Conference, as discussed above and in Principle 6, we explored the impact of higher interest rates in several sessions, including one led by Joe Auth, Head of

Developed Fixed Income. Joe examined why so many rate cuts were priced into the Fed Funds market at the start of the current easing cycle and whether that's likely to persist. He argued that we are in a credit bull market, even after adjusting for yield-based demand. Finally, he highlighted how effective mortgage rates are disconnected from prevailing rates, indicating that Fed tightening has not meaningfully impacted American homeowner cash flows as much as one might expect. In his view, homeowners could become a driving force of the U.S. economy if the Fed brings down mortgage rates.

### RECESSION

The potential for recession was once again an oft-discussed risk in 2024. While a recession did not materialize, we still felt the risk deserved our attention. For that reason, we have examined and re-examined a variety of recession scenarios as part of our investment analysis over the past couple of years. We evaluated how our broadest multi-asset portfolios' various exposures would fare in the case of a recession and adjusted some exposures to strengthen resiliency; we reconfirmed why high-quality equities including in small cap tend to outperform in down markets; and, given our continued preference for historically cheap value stocks versus growth stocks, we researched how value stocks typically perform in recessionary environments (they “do just fine,” Ben Inker, Co-Head of Asset Allocation, concluded).

We have published research and discussed our findings on all these topics with our clients to help them understand the potential recession risk in their portfolios and better safeguard against it, should they decide to do so. In 2024, this included a client webcast about the benefits of alternatives for portfolios in different environments.

### GEOPOLITICS

A major geopolitical risk GMO has addressed in recent years is exposure to China in client portfolios. We made the case in 2021 that investors should tailor their China exposure specifically rather than relying on broad-based emerging markets index weights to guide overall China exposure. We created an Emerging Markets ex-China Strategy as a way for investors do this.

In 2024, we identified another growing China-related theme, namely that global companies are shifting their supply chains to other countries as a result of geopolitical risk, including the U.S.'s ongoing trade war with China and China's stagnating economic growth in recent years. We believe China faces significant structural challenges beyond typical economic cycles and that is creating heightened risk for investors. Investors can capture this global supply chain transformation by investing in countries, sectors, and companies positioned to

benefit from this capital reallocation. In 2024, we held a client webcast, published a paper, offered a special session at GMO's Conference, and launched at ETF (in February 2025), all of which were designed to educate about and help investors access this opportunity – and mitigate geopolitical, China-oriented risk.

## CONCENTRATION AND GROWTH EQUITY BUBBLE

In our 2023 and 2024 reports, we identified a growth equity bubble within the U.S. and described our efforts to educate clients and industry practitioners about it as well as how we created an investment solution (GMO's Equity Dislocation Strategy) dedicated to trying to profit from this bubble deflating. When bubbles like this burst, markets tend to decline rapidly, and investors suffer significant capital impairments.

We continue to estimate that value still needs to globally outperform growth by 50-60% for relative valuations to return to long-term averages. In our view, this creates continued risk for investors with large allocations to growth equity, and opportunities for those interested in taking advantage of the mispricing. We continue to manage our long value/short growth Equity Dislocation Strategy as a way for clients to invest around this theme. In addition, we have launched long-only investment strategies, including via ETFs, to broaden access to the value opportunity. This theme continues to be GMO Asset Allocation's highest conviction investment idea.

In 2024, we took our analysis a step further to examine the increase in concentration in equity portfolios, specifically around the "Magnificent Seven" stocks and whether such widely held stocks are overvalued as a result. Our Asset Allocation team published a GMO Quarterly Letter to answer some of our clients' most frequently asked questions about concentration risk caused by passive investing and why it may have pushed mega-cap valuations beyond reasonable levels. Our Focused Equity team then wrote a paper taking the other side, examining whether these Magnificent Seven companies are high-quality and worth holding. Each team concluded that investors need to examine fundamental growth drivers and opportunities to determine if the stocks are overvalued. GMO Asset Allocation prefers underappreciated value stocks, while GMO Focused Equity invests in several of those companies today, believing them to be of high-quality and therefore worth a premium. In both cases, though, we advise clients to think about the exposures within the context of their overall portfolios.

## CLIMATE RISK

GMO's position and approach to climate change is grounded in science and servicing the risk and return objectives of our clients. The impact of a rising temperature poses long-term systemic risks to our planet and civilization – and to investment markets.

Our ESG Oversight Committee discusses and prioritizes how we can respond to climate change. To manage the risks posed by climate change requires system change. One way that GMO has decided to act is by committing to achieve net zero emissions by 2050. In line with this, we joined the Net Zero Asset Managers initiative and, in 2022, developed and announced our net zero targets and plan. Our progress since 2019 is discussed in Principle 1.

We also aim to address climate risk through active engagement at an international, regional, and industry level to encourage clear, stable, and long-term policymaking and regulations. Our support is detailed in Principles 1 and 10. We have also prioritized climate change-focused issuer engagements within our investment processes for a number of years, as detailed in Principle 9.

Finally, as an asset manager, we've oriented several investment portfolios around climate change risks and opportunities:

- We manage the GMO Resources Strategy, which we designed to invest in companies that stand to benefit from the economic outcomes of resource scarcity. In 2022, we partnered with a client to develop a variation of this portfolio that excludes fossil fuels. The resulting Resource Transition Strategy launched in 2023.
- The GMO Climate Change Strategy, launched in 2017, invests in companies helping the world to directly or indirectly mitigate or adapt to the impacts of climate change.
- The GMO Horizons Strategy, launched in 2023, reflects our view that the world economy is transitioning to a lower carbon future and that this process will create secular opportunities for investors. This systematic and diversified solution is fossil-free, provides materially lower total emissions, and has high levels of exposure to companies that sell green products and services.

## Industry Collaboration to Manage Market-Wide and Systemic Risks

GMO engages across the industry to share and improve on best practices. We work to address climate and ESG risk by participating in industry group discussions with the goal of improving data disclosure, quality, and standards. Examples of industry groups with which we collaborate on climate are listed below. GMO's industry memberships more broadly are described in Principle 10.

### International Financial Reporting Standards (IFRS) SASB Alliance

- **What:** The IFRS Sustainability Alliance works to develop global standards for the reporting of industry-specific sustainability metrics. Its materiality matrix is an input in our GMO ESG Score.



- **How we work with them:** GMO is a member of the IFRS Sustainability Alliance, a group of asset managers and owners working together to further develop standards and encourage adoption of the standards in corporate reporting.

#### Emerging Markets Investors Alliance (EMIA)

- **What:** The EMIA brings investors together with government and corporate leaders in emerging markets to jointly tackle global challenges.
- **How we work with them:** The GMO Emerging Country Debt and ESG teams partner with the EMIA to facilitate engagements with emerging country sovereign and corporate issuers, share best practices, and discuss common challenges to ESG integration in emerging markets. GMO is a member of EMIA's Human Capital and Gender Equity working group engaging with sovereign issuers, as well as the Materials Working Group, engaging with corporate issuers.

#### Principles for Responsible Investing (PRI)

- **What:** GMO is a signatory to the PRI, a UN-supported network of investors who work to promote sustainable investment through the incorporation of ESG.
  - **How we work with them:** GMO is a member of the PRI's Global Policy Reference Group.
-



# PRINCIPLE 5

## REVIEW AND ASSURANCE

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

Effective stewardship practices begin with our Board of Directors and CEO and flow through the organization.

GMO's Board of Directors oversees the integration of ESG, stewardship and climate change in our investment strategy, risk management processes, and decision making. At every quarterly Board meeting, senior management and the Head of ESG and Sustainability provide updates on our responsible investing activities including discussion of climate change. The Board also gets specific updates or education on topical ESG issues. For example, throughout 2024 the Board discussed the implications of the political landscape on our ESG practices, external commitments, and involvements.

The Board reviews GMO's annual reporting, including the UK Stewardship Report, our PRI Assessment response, the Sustainability and Responsible Investing Report, and our TCFD-aligned Climate Change Report. The Board supports GMO's commitment to achieve net zero carbon emissions by 2050 and our joining the Net Zero Asset Managers initiative in 2021.

Scott Hayward, GMO's CEO, established the ESG Oversight Committee, which includes members of the senior management team, to create an executive leadership group with the aim of advancing our consideration of ESG and climate-related risks. Chaired by the Head of ESG and Sustainability, the ESG Oversight Committee is responsible for setting the firm's ESG and climate change priorities, developing strategies to meet those priorities, and overseeing the responsible investing program.

Our ESG Oversight Committee reports to our CEO and is accountable for ensuring the firm has the appropriate processes and resources to effectively fulfill our stewardship responsibilities. The Committee's mandate was reviewed in 2022, which resulted in changes to the structure, responsibilities, and practices of the Committee and its sub-committees as discussed in Principle 2. The Committee's mandate is designed to support GMO's ability to meet our annual ESG priorities, which are included in Principle 1, and following a review in 2024, the Committee is working to address opportunities to improve its effectiveness.

Among other responsibilities, the ESG Oversight Committee sets and steers firm-level ESG priorities, reviews, approves, and oversees the ESG-related policies discussed below and governs GMO's ESG commitments and communication. As detailed in Principle 2, the 2025 review and 2022 changes are examples of GMO's ongoing commitment to reassessing our ESG processes and updating them where appropriate.

## Internal Reviews of Policies and Processes

GMO has established an extensive committee structure to oversee our ESG and stewardship activities. As introduced in Principle 2, our ESG sub-committees split responsibilities to maximize efficiency and ensure relevant cross-sections of firm employees are included appropriately in discussions. One of the key responsibilities of our sub-committees is to review policies and processes related to stewardship activities in each focus area.

## INVESTMENTS

The Investments sub-committee has a broad range of responsibilities, including:

1. Governing GMO's Responsible Investment Policy (detailed below),
2. Providing important input into our ESG research agenda and tool development,
3. Coordinating with the Stakeholder Strategy and Communications sub-committee to evolve ESG integration frameworks, KPIs, and product strategies,
4. Overseeing GMO's consideration of ESG-related risks,
5. Managing our Heightened Review process,
6. Monitoring progress on GMO's initial net zero targets, and
7. Providing perspective to help refine our firm-wide stance on topical ESG issues.

### Investments

#### CHAIRS

- George Sakoulis
- Roy Henriksson

#### MEMBERS

- Joe Auth
- Anna Chetoukhina
- Warren Chiang
- Drew Edwards
- Jason Halliwell
- Tom Hancock
- Steve Nazzaro
- John Thorndike
- Deborah Ng
- Tina Vandersteel
- Lucas White

#### MANDATE

- Responsible Investment Policy
- ESG Risk Exposures
- Heightened Review
- Net Zero Progress

#### 2025 WORKING GROUPS

- Sovereign Debt Emissions

## STEWARDSHIP

The Stewardship sub-committee is responsible for overseeing proxy voting and engagement activities, which include reviewing and updating our Proxy Voting Policy and Engagement Policy, both discussed below. In addition to evaluating GMO's proxy voting advisor, the sub-committee reviews and approves GMO's annual Engagement Plan, stewardship-related commitments, and reporting. As discussed in Principle 10, the sub-committee also recommends to the ESG Oversight Committee new stewardship-related industry collaboration initiatives and endorsements of relevant stewardship standards, including, but not limited to, the UK Stewardship Code.

### Stewardship

#### CHAIRS

- Phil Zachos
- Deborah Ng

#### MEMBERS

- Brian Buoniconti
- John Mann
- Holly Carson
- Michelle Morpew
- Drew Edwards
- Dina Santoro
- Jason Harrison
- Miekela Singh

#### MANDATE

- Proxy Voting Policy
- Engagement Policy
- Firm-level Engagement
- Stewardship-related Commitments

#### 2025 WORKING GROUPS

- Significant Votes
- Corporate Governance Principles

## STAKEHOLDER STRATEGY AND COMMUNICATIONS

The Stakeholder Strategy and Communications sub-committee develops strategic, forward-looking responses to stakeholder reporting needs, evaluates new ESG-related KPIs and enhancements to ESG scoring and attribution, and provides input into new reporting processes. It reviews and helps to evolve existing reporting, such as the GMO Sustainability and Responsible Investing Report and ESG-related client reporting.

## STEWARDSHIP-RELATED POLICIES

The policies most directly relevant to stewardship are maintained by the ESG Oversight Committee and include the Responsible Investment Policy, Engagement Policy, and Proxy Voting Policy. These were each reviewed in 2023, and the changes we made are described below. The Investment and

### Stakeholder Strategy and Communications

#### CHAIRS

- George Sakoulis
- Holly Carson

#### MEMBERS

- Catherine Despujols
- Steven Peck
- Tommy Garvey
- Melanie Rudoy
- Mandy Leung
- Vineta Salale
- Michelle Morpew
- Cindy Tan
- Deborah Ng
- Mina Tomovska
- Tara Pari

#### MANDATE

- Client Reporting
- External Reporting
- Regulatory Reporting

#### 2025 WORKING GROUPS

- Nature and Biodiversity

Stewardship sub-committees, in partnership with our ESG team, are responsible for ensuring the policies remain updated and relevant as our ESG approach evolves over time. When updates are recommended, the ESG Oversight Committee reviews and, where appropriate, approves the policies. These are also subject to final approval by CEO Scott Hayward.

Our [Responsible Investment Policy](#) outlines how we include ESG factors in many of our investment processes, engage with companies, vote security proxies, collaborate across the investment industry, and manage climate-related risk. Our 2023 review included updates to the policy to outline the governance structure and processes around our ESG approach, describes our three-pillar approach of integration, influence, and investment as outlined in Principle 7, and discusses how integration manifests across different asset classes at GMO. There were no changes to the policy in 2024.

We also adhere to an [Engagement Policy](#), which provides detail on our direct and collective engagements, and proxy voting activities. This policy was updated in 2024. The updates outline our governance and oversight structure for proxy voting and engagement activities and define our engagement framework, including principles, governance, prioritization, objective-setting process, progress milestones, and escalations. This framework and our 2025 engagement plan are discussed further in Principle 9. The Engagement Policy will be reviewed in 2025 in conjunction with our Proxy Voting and Corporate Governance Principles work introduced in Principle 1.

Our proxy voting activities are governed by GMO's [Proxy Voting Policy](#), which outlines our corporate governance principles

and proxy voting guidelines. The Policy establishes ISS as our current proxy voting advisor and adopts the ISS Sustainability Policy as our default recommendation. It also outlines our proxy voting procedures and how we identify and manage potential conflicts of interest in our proxy voting. On an ongoing basis, the Stewardship sub-committee reviews all updates to the ISS Sustainability Policy, reflecting any changes required to our Proxy Voting Policy. We established the ISS Sustainability Policy as our default policy in 2017 among other non-material changes. The last update of our Proxy Voting Policy was in February 2025, which comprised a minor change. The Proxy Voting Policy will undergo a full review later in 2025 in conjunction with the Engagement and Corporate Governance Principles work introduced in Principle 1 and a review of the ISS Sustainability Policy. Proxy Voting, including this policy, is discussed further in Principle 12.

We post voting outcomes for our mutual funds and funds that fall under the EU Shareholder Rights Directive II on our [website](#). We enhanced GMO's vote disclosure in 2024 to cover all firm-wide votes. Our external reporting mirrors both U.S. (N-PX) and international (SRD II) requirements of disclosing 1) meeting details (company name, meeting date), 2) a description of the individual proposals voted on, 3) the issuer's management recommendation, and 4) our vote instruction. We provide additional reporting on our voting activities in this report as well as our [Sustainability and Responsible Investing Report](#).

### ***Ensuring Complete, Fair, and Balanced Reporting***

We actively engage our clients and consultant partners with regards to stewardship reporting, and we use their feedback to improve our communications in a manner that supports their needs and objectives. We share this information via numerous reporting methods, including responses to due diligence questionnaires, client meetings, reports created to address client requests, standard periodic client reporting, and responses to individual inquiries regarding client-specific interests and concerns. In 2024, we responded to over 750 due diligence questionnaires on general or specific investment and client issues, which often included stewardship-related topics.

In regular client engagements, we work to understand and meet reporting requirements, input that feeds the continual development and evolution of our stewardship and other reporting. We aim to provide reporting that is easily understandable. In 2025, we launched publication of an enhanced quarterly client ESG report, an example of which is provided in Principle 6. The new and improved quarterly ESG Reports include information on our engagement and voting activities, alongside other ESG and climate change KPIs. Our client reporting is discussed in full in Principle 6.

Our stewardship activities are externally assessed through reporting to the PRI and to the FRC in this UK Stewardship Code report. We also engage with institutional consultants to share our ESG practices, as many incorporate these factors into their strategy and firm-level rating processes. We use any feedback received in these external assessments as an opportunity to review and enhance our practices. We value listening to our clients and consultants and working to evolve our approaches to meet their expectations, as discussed in Principle 6.

As a signatory to the PRI since 2017, GMO provides annual information on how we have implemented the PRI principles. GMO's PRI reporting process incorporates input from across the organization. Responses to each item are assigned to specific GMO teams – including members of Investment, Legal, Compliance, ESG, Regulatory Reporting, and Operations teams – who are responsible for ensuring responses are accurate. Reviewers receive a revised version of the report that includes their comments, and the report is then reviewed in its entirety by GMO's ESG, Legal, and Compliance teams. Following that review, the report is presented to the ESG Oversight Committee for their review and comment. After incorporating any comments from the Committee, the final draft report is discussed with submitted to GMO's CEO for final approval. The PRI Assessment is shared internally with relevant groups to consider how we can improve our best practices.

We have followed a similar process to develop and review this UK Stewardship Code report. Our response to each Principle was developed and reviewed by relevant teams within GMO. The final draft was reviewed and approved by the ESG Oversight Committee, Stewardship sub-committee, and members of GMO's Legal team, and ultimately approved by GMO's CEO.

In these cases, we believe our review process ensured our reporting is complete and fairly presented.





# PRINCIPLE 6

## CLIENT AND BENEFICIARY NEEDS

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Since our founding in 1977, our client base has evolved from primarily institutional investors in the U.S. to a global mix of institutional clients (e.g., endowments, foundations, employee benefit, pension, and defined contribution plans, and governmental and supranational entities), financial intermediaries (e.g., private banks and Registered Investment Advisors), sub-advisory relationships, and private individuals. While the majority of our clients are still based in North America, we have seen considerable growth from the UK, Europe, and Australia and are increasingly building new relationships in markets such as Asia and the Middle East.

We serve our clients from our headquarters in Boston and local offices around the globe as noted below. GMO assures consistency in the administration of client accounts by

centralizing the management and oversight of all operational, reporting, legal, compliance, and client relationship management (CRM) functions in Boston. Our local offices include client relationship professionals who service clients within their respective local markets and liaise with our Boston-based teams on all client-related matters. In addition, GMO has CRM and proprietary performance databases that are shared across offices, ensuring consistency of reporting, communication, and overall client experience and account administration.

### Breakdown of Assets under Management

GMO's assets under management are detailed in the charts provided below, broken down by asset class and investment geography, as well as by client type and client geography.

Broadly speaking, most GMO assets are invested in equities (about 64%, including equities held within multi-asset class strategies), in both developed and emerging markets. Based on this, for reporting in other relevant Principles, such as integration and proxy voting details and examples, we have focused primarily on equity activity.

## KEY STATISTICS

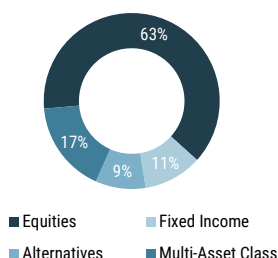
### Headquartered in Boston

With offices in London, Amsterdam, Sydney, Singapore, San Francisco,<sup>1</sup> and Tokyo<sup>2</sup>

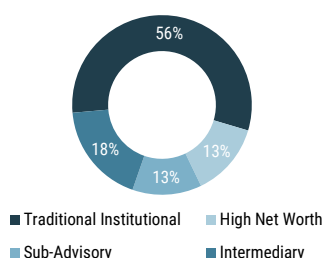
427 Employees 107 Investment professionals

### ASSETS UNDER MANAGEMENT: \$65 BILLION

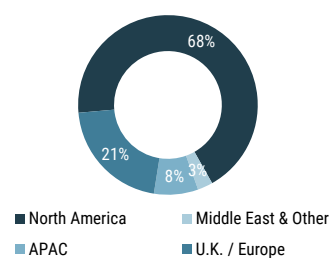
#### BY ASSET CLASS



#### BY CLIENT TYPE



#### BY GEOGRAPHY



As of 31 December 2024 | Source: GMO | Assets: USD

AUM may not sum to Firm Total due to rounding. The AUM figures shown here represent all data available as of the reporting date. Please know that early AUM figures may change throughout the reporting period due to custodian reporting schedules. Final AUM figures are posted on GMO's website.

<sup>1</sup> GMO's West Coast Hub is comprised of members of Investment, Global Client Relations, and other teams located in and around the Greater San Francisco area.

<sup>2</sup> Representative office.

## Investment Time Horizon

We invest for our clients over the long term. “Long term” means different time periods for different investment teams at GMO based on the dynamics of their investment theses and markets. Our investment philosophy across the firm centers on using valuation to find securities that we believe are mispriced and undervalued by the market, as discussed in Principle 1. However, it is uncertain exactly how long correction of misvaluations will take. We communicate clearly with our clients that we are long-term investors, and we listen to their feedback to make sure our time horizons are aligned.

For example, our Asset Allocation team’s strategies are grounded in the concept of mean reversion – that asset prices fluctuate over time but tend to revert to a stable, long-term fair value. This approach is anchored by our 7-year Asset Class Forecasts (example below), a framework we use to assess the return opportunity embedded in different asset classes, which we have been modeling and providing to our clients in various formats since the early 1990s. The basic assumption behind our Forecasts, which we produce monthly, is that an asset class will mean revert toward its fair value one seventh of the way each year, a reasonable timeframe based on our empirical analysis.

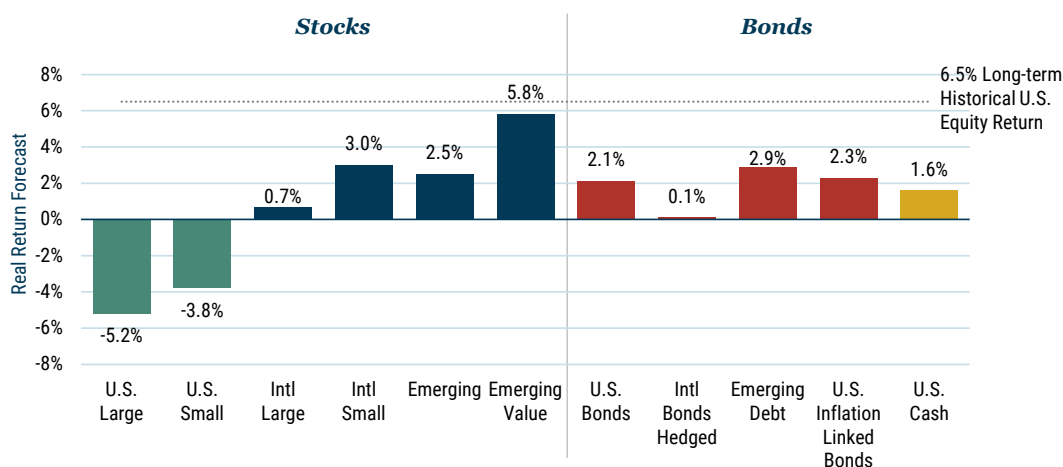
Other investment teams evaluate specific factors that we believe drive returns, sometimes over shorter time periods and sometimes longer. We use both quantitative methods and fundamental analysis to analyze considerations such

as financial condition, governance and management quality, strength of institutions within countries, ability to adapt to environmental challenges, sector growth prospects, competitive positioning, and much more. We understand that these types of mis-pricings do not correct overnight, and so our teams invest with patience, holding securities with conviction. Details of how this is communicated to GMO’s different client groups are outlined in the Client Communication section below.

One example of using a shorter time period is GMO’s Opportunistic Income Strategy, which invests in structured products. In this strategy, we maintain a long-term perspective, but these investments can occasionally exhibit relatively short-term market dislocations that correct over a period of months rather than years. The team has encountered such opportunities during the volatility in fixed income markets in 2023 and 2022. The GMO Resources Strategy, on the other hand, seeks to benefit from long-term increases in resource prices as demand exceeds finite supply. These imbalances could reach inflection points over the short to medium term or could take many years in certain cases.

GMO’s private ownership structure is an important factor supporting our investment teams’ focus on long-term investment horizons, as we are free from the short-term pressures that can result from public ownership. This independence allows our investment teams to hold high-conviction, long-term positions – even in the face of short-term market volatility.

## 7-YEAR ASSET CLASS REAL RETURN FORECASTS\*



As of 31 December 2024 | Source: GMO

\*The chart represents local, real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. U.S. inflation is assumed to mean revert to long-term inflation of 2.3% over 15 years.

## Client Communication

GMO's Global Client Relations team is responsible for engaging and cultivating long-term relationships with our clients and consultant partners. They provide investment and client account review meetings on a periodic basis, along with appropriate members of relevant investment and ESG teams and product strategists.

Client and consultant meetings typically include a summary of market conditions, investment objectives, investment process, and a portfolio and performance review. We may also meet with clients for ad hoc reviews, which could be triggered by changes in market or economic conditions, changes in information regarding particular issuers, new purchases and sales of securities, changes in the investment process or investment team personnel, and where changes in a client's needs have been communicated to GMO. We also discuss stewardship topics in these meetings, such as client expectations with respect to disclosures, for example.

Clients receive regular written and data reporting on their GMO investments, as described in the table below. Reports are made available in our password-protected client portal on GMO.com.

Reporting Frequency	Types of Reports Available
Daily	Direct account holdings with market values and transactions for fund investors.
Monthly	Account performance reports versus relevant benchmarks.  Direct account holdings with market values and transactions.
Quarterly	Standard report containing account performance versus relevant benchmarks, portfolio exposures and characteristics, and performance attribution.  Performance commentary describing markets and portfolio outcomes.  Direct account holdings with market values and transactions.  Report showing ESG, climate, voting and engagement metrics.
Annually	Year-end letters from investment teams summarizing the prior year's performance, market context, exposure changes, and outlook.

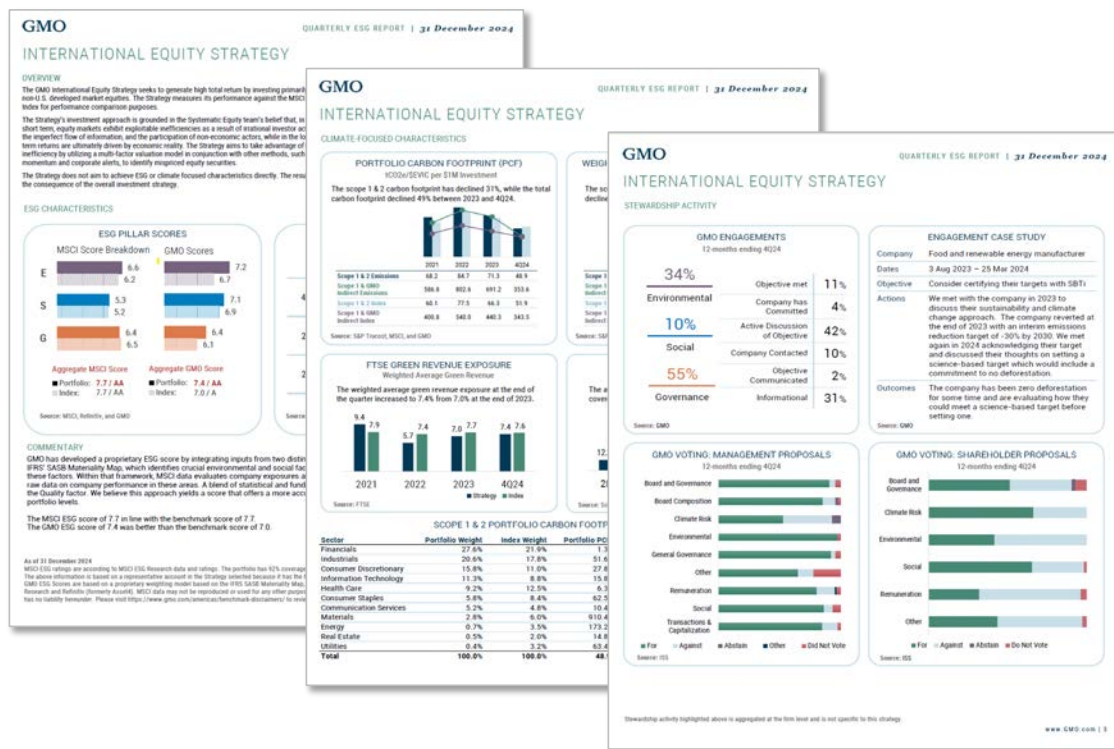
Previously, GMO provided clients with quarterly ESG

Dashboards upon request. The dashboards utilized third-party ESG data to profile GMO strategies against benchmarks on several appropriate dimensions. Details of how GMO selects and uses third-party data are discussed in Principle 8. In 2024, the Stakeholder Strategy and Communications sub-committee worked on expanding this report in response to client demand for enhanced ESG reporting. A working group was established to review and enhance our ESG reporting to capture client demand as well as evolving ESG trends.

**OUTCOME:** In early 2025, GMO launched a new Quarterly Client ESG report. The revised report was informed by discussions with clients, a review of frequently asked topics and metrics from RFP and due diligence questionnaires from clients, as well as a landscape survey of peer strategy-level ESG reports. The final report, shown below, encompasses overarching ESG metrics using MSCI and our proprietary GMO ESG scores, climate change-related metrics such as carbon footprint, green revenues and science-based targets, and summary reports of our engagement and voting activities on a 12-month rolling basis.



# GMO ESG REPORT: INTERNATIONAL EQUITY STRATEGY



**OUTCOME:** In 2024, we piloted an Indirect Emissions report in partnership with one of our clients.

## CASE STUDY: GMO INDIRECT EMISSIONS REPORT

One of our large clients, determined to find a better way to capture their portfolio's emissions exposure, faced a significant hurdle – emissions data. Recognizing that indirect emissions accounted for 60-80% of a company's total carbon footprint on average, they knew that measuring their total emissions exposure was essential to effectively evaluate and manage their emissions risk. But the poor quality, lack of timeliness, and incompleteness of indirect emissions data made it challenging to accurately measure indirect emissions. To facilitate their efforts, GMO partnered with the client in an iterative process to produce a Total Emissions Report powered by the GMO Indirect Emissions Model data. Through this collaboration, we demonstrated how Indirect Emissions data could catalyze tangible outputs to manage the client's emissions risk and exposure through:

1. Capturing total emissions for all companies in a way that enables apples-to-apples comparison, critical for portfolio construction and engagement,

2. Identifying the largest sources of emissions risk to prioritize engagement with the companies that have the greatest impact on real world emissions and the portfolio, and

3. Deepening their understanding of companies' complete value chain by uncovering the sectors and companies that contribute to upstream and downstream emissions.

The client was equipped with enhanced visibility, enabling data-driven insights to support improved portfolio resilience. This collaboration continues to generate opportunities for unique stewardship outcomes. The success of this pilot project has led GMO to offer similar reports to other large asset owners to help them understand their portfolio's total emissions risk.

## Stewardship Reporting

We report on our investment, voting, and engagement activities in our Sustainability and Responsible Investing Report, which is publicly available on [GMO.com](https://www.gmo.com). We also provide quarterly updates in our new ESG Client Reports. Upon client request, we can prepare more tailored reports depending on their requirements.



## Addressing Client Input

We always endeavor to incorporate feedback from our clients into our stewardship approach and reporting.

One of the driving factors for creating the Stakeholder Strategy and Communications sub-committee, as discussed in Principle 2, was to convene investment and client relations team members to share external best practices on client ESG expectations and reporting. It is through this forum that we drive awareness and education on emerging ESG topics, discuss potential new metrics, and aim to report on metrics that investment teams use in their own investment processes if relevant.

When we receive requests for metrics that we do not currently report, we strive to understand what insights clients are seeking and how the requested metrics help them fulfill their objectives or if there are other metrics that would be more relevant:

1. What question is the client trying to answer?
2. How do we manage the topic in our investment processes?
3. What is the metric's relevance, quality, and coverage?

For example, a client requested that we evaluate climate scenario analyses. We examined the methodology and assumptions that went into vendors' scenario analyses and found a wide range of approaches, assumptions, scenarios, time horizons, and asset class and issuer coverage. We also evaluated them in the context of our own understanding of markets and their behaviors, our decision-making and investment horizon, as well as how physical risks could impact assets. Because there was so much variability in this area, we were unable to gain confidence that we could select the most reliable and robust vendor as it would be improper to undertake a less than comprehensive analysis that could potentially influence investment decisions.

We were able to discern that the client effectively wanted to understand how robust the investment strategy was to the transition and physical risks of climate change. Given the state of climate scenario analysis, the first step was to understand GMO's exposure to physical and transition risks. The Indirect Emissions model, developed through a multi-year period and released in 2023 to address challenges we identified in the standard of measuring scope 3 emissions, was a step toward understanding transition risk through the lens of total emissions exposure. We plan to undertake two initiatives in 2025 to expand our understanding of physical and transition risk.

## GMO ANNUAL CONFERENCE

GMO hosts annual Conferences to which we invite clients from around the world to share our research and market perspectives as well as garner feedback. We have one

Conference in Boston and one in London, supplemented throughout the year with regional client events in key geographic areas.

Our Conferences are well attended (we had 178 in-person and 392 virtual attendees in 2024) and we make the content available to all clients after the event. The 2024 Conference showcased research related to topical geopolitical, economic, and market issues, including presentations relating specifically to ESG and stewardship. Examples of our 2024 Conference sessions included:

- China and Beyond China
- The Rising Tides of Real Assets
- Elevating Engagement: Using GMO Indirect Emissions for Greater Impact
- A New Cold (Trade) War? The Investment Implications of Deglobalization
- Commodities: Opportunities and Risks
- Views from the Outside: A Conversation with Leading Asset Owners and Allocators

## Rationale for Communication Framework and Measuring Effectiveness

The way in which we communicate with clients has evolved over the years as we respond to growing requests for insights from the changing make-up of GMO's client base. It is an ongoing process to balance what we can realistically and robustly provide to meet client expectations and demands. We have chosen the methods of communication discussed here – individual client meetings, standard reporting, and client events – because they balance multiple goals in support of our client partnerships.

Standard reporting provides the information and data our clients need to stay current on the status of their GMO investments. In the one-on-one meetings, we have focused, specialized discussions to truly understand a client's objectives and challenges. Meanwhile, GMO events provide opportunities to present research from a broad swath of GMO experts to multiple clients at once, allowing us to gauge client interest in a variety of topics and efficiently use our investment team resources.

At events, we ask clients to respond to formal surveys about the content and event experience. We discuss all feedback internally to determine how best to improve our client communication in the future.



# PRINCIPLE 7

## STEWARDSHIP, INVESTMENT, AND ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material environmental, social, and governance issues, and climate change, to fulfill their responsibilities.

We believe that material ESG issues are crucial influences on long-term success that demand consideration in our investment strategy and process. As such, we do not have any single team exclusively dedicated to ESG investing, but we instead boast a multi-disciplinary framework that promotes responsible investing, stewardship, and accountability across all areas of the firm.

There are three main pillars to how we manage ESG considerations in our clients' best financial interest. We aim to:

1. Integrate ESG factors in our investment processes where material,
2. Influence companies to provide transparency on how they are addressing material ESG factors in the business and partner with industry, policymakers, and regulators to foster a better environment for our investments, and
3. Invest in opportunities for long-term growth identified through an ESG lens, in addition to other means.

As noted in Principle 2, our ESG Oversight Committee sets our overall vision and strategy for responsible investing; ensures that GMO investment teams are giving due consideration to ESG risks and opportunities and that they have the data, reporting, and tools needed to support those efforts; and continually enhances our practices by encouraging rigorous research, innovation, and thought leadership.

Each of our individual investment teams is responsible for identifying and managing how ESG factors are included in its asset class and market-specific analysis. The ways in which any team integrates ESG factors will inherently vary, and as such we take a differentiated approach to ESG integration that is tailored to each team's strategy and process. GMO's ESG team supports all investment teams through the provision of subject-matter expertise, centralized ESG issue monitoring, and engagement support. GMO's Proxy Voting team provides voting and guidance.

There are some GMO strategies that do not systematically integrate ESG, including those that are primarily invested through long/short strategies, foreign exchange, and rates.

While ESG could be implemented in long/short portfolios, the holdings tend to be short-term and opportunistic and the benefits outweighed by the cost of integration. The concept of stewardship is also difficult to apply in foreign exchange and rates markets. However, we continue to assess this conclusion and will integrate ESG considerations if deemed appropriate in the future.

GMO employs a variety of investment strategies, which can be categorized by equity, fixed income, multi-asset and alternative asset classes as shown in Principle 6.

Teams use quantitative tools, fundamental analysis, and often a combination of quantitative and fundamental approaches in their investment processes. Each team may apply different approaches to capturing, assessing, and weighing ESG risks in integration processes. They may use different selection, retention, realization, and engagement strategies. Below are examples of how we have integrated ESG into our investment processes in each asset class.

### Equity

Equity-oriented investment teams that primarily use fundamental tools to analyze investment opportunities – including GMO's Focused Equity and Usonian Japan Equity teams – employ a long-term investment horizon and deep bottom-up assessments of companies' expected financial performance using relevant accounting and ESG measures.

### FOCUSED EQUITY

ESG considerations naturally play a role in investment vetting. Unsustainable practices represent a real risk to the level and duration of future profitability, both from the perspective of tangible impact (e.g., regulatory impact on underlying economics) and in terms of perception (e.g., reputation risk on end-customer demand). These teams also generally employ quantitative screens to aid their analysis that may include proprietary ESG scoring to uncover material risks. The GMO ESG Score can be employed as an additional measure for evaluating ESG considerations.

Key drivers of valuation are growth, margins, and the duration of competitive advantages. ESG factors can determine how far into the future we will project further growth and profitability. The effect can be either positive or negative; for example, we incorporate secular growth as a tailwind behind vehicle electrification or as a headwind to fossil fuel consumption. Engagement with issuers can also be a tool for these teams. Our ESG team assists with facilitating company engagement and monitoring portfolios for emerging risks.

Once companies have passed the vetting and valuation stages and made it into the portfolio, ESG issues may arise for us as active owners of the stock. We meet with company

management as part of our investment approach and will engage on ESG issues that we believe will have a material long-term impact on the business. Our ESG team assists with facilitating company engagement and monitoring portfolios for emerging risks. We actively vote proxies and may diverge from advisor recommendations on a case-by-case basis.

## USONIAN

Usonian subscribes to a third-party vendor of ESG data for purposes of supplementing our internal analysis. ESG ratings and data from third-party data providers are not utilized in isolation for screening purposes. Rather, we combine the third-party data with Usonian's proprietary models to make our own ESG assessments.

In addition to third party ESG data, Usonian has a qualitative ranking for every portfolio company. Where an investment candidate has a low ESG rating from a third-party provider, the research team will make two investment case determinations. First, if we believe the vendor's low ESG assessment is unfair, we will consider engaging to educate the rating agency and potentially revise the company's ESG score. Second, if we believe the candidate company's low ESG rating is justified, we will assess the possibility of remedying the ESG shortcoming(s) through a management engagement strategy.

## SYSTEMATIC EQUITY

We also have a Systematic Equity team that primarily leverages quantitative investment approaches, and ESG is incorporated in this team's risk analysis and portfolio construction processes.

Corporate governance has always been at the forefront of the team's analysis, and we utilize an Alerts model that combines market- and financial-based metrics to indicate potential red flags. Factors such as profit warnings, excessive growth, equity dilution, significant merger and acquisition activity, failure to meet regulatory requirements, and rapid changes in a balance sheet or income statement may all assist in the assessment of a company.

The team may also incorporate material, non-financial data to reduce our exposure to uncompensated risk not reflected in our alpha models, leveraging the GMO ESG Score to systematically capture risk factors across companies in our investment universe. We believe the risk factors we are identifying may materially impact companies' future profitability and therefore warrant careful consideration.

Portfolio weighted average carbon intensity may also be considered as we believe there are likely future costs to companies not reflected in their historical data, though the timing and magnitude of impacts remain uncertain.

The Horizons Strategy case study below showcases ESG integration in GMO equity products.

## EQUITY CASE STUDY: HORIZONS STRATEGY

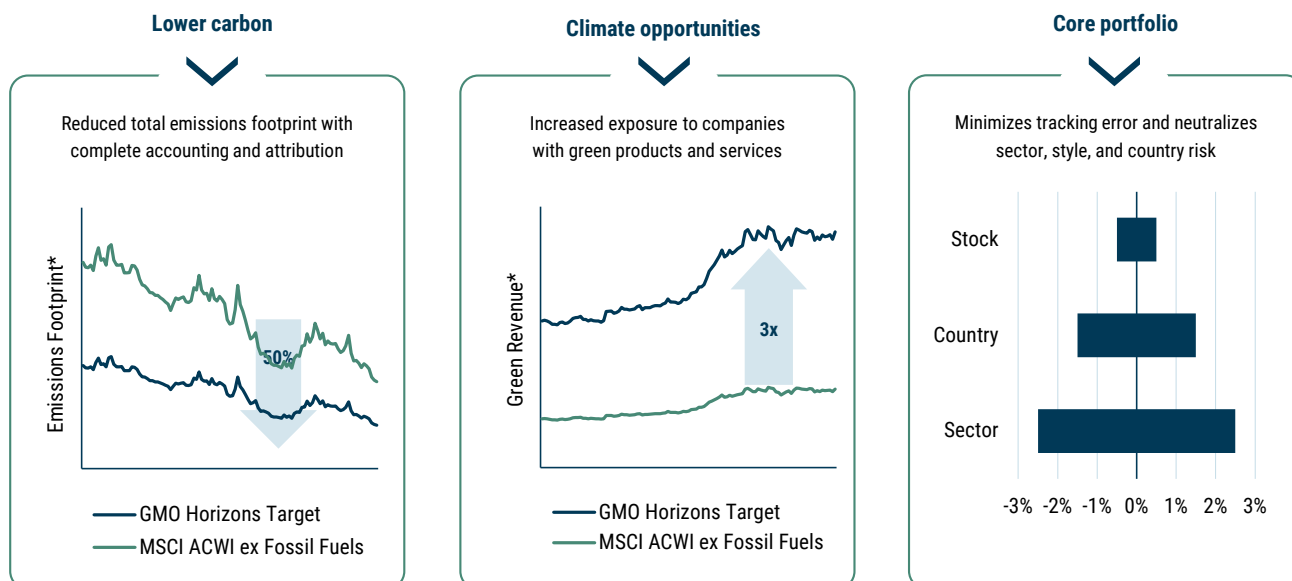
In 2024, GMO launched our Horizons Strategy, a global equity portfolio reflecting the view that the world economy is transitioning to a lower carbon future and that this process will create secular growth opportunities for investors to seek excess returns. We believe the strategy is well suited to clients looking to increase their exposure to sustainable investments and to make progress on net zero goals, delivering higher-than-benchmark (MSCI ACWI ex-Fossil Fuels Index, though the strategy can be managed to a client-specified benchmark in a separate account) exposure to climate solutions as well as lower-than-benchmark carbon emissions by using a rigorous, style-neutral approach that incorporates both direct and indirect emissions.

GMO Horizons manages total emissions risk using the GMO Indirect Emissions model. Other available sustainable solutions focus on managing risk from only scope 1 and scope 2 emissions, which misses emissions risks embodied in company value chains that account for approximately 80% of total emissions. This is particularly critical when constructing portfolios on the basis of emissions. Without considering the total emissions footprint, investors may end up selecting companies that have lower scope 1 and scope 2 footprints but higher total emissions footprints, as could be the case with a company that outsources all its production. The GMO Indirect Emissions model integrates bottom-up and top-down data in a global company supply chain network to estimate flows between companies based on specific combinations of reported revenue segments. This enables us to distinguish company value chains from peers using reported supply chain relationships.

Strategies that focus on just one facet of climate change, such as emissions, may miss out on opportunities among "green" business activities – for example, companies that enable emissions reductions. Climate solutions are often thought of as pureplay renewable energy and electric vehicles. In reality, however, sustainable opportunities span a diverse range of activities across value chains. For instance, energy management and efficiency have constituted at least a third of the green economy since 2016, driven by building and industry energy efficiency measures. The green revenues in Horizons are derived from activities such as renewable and low-carbon energy, energy storage, material inputs for climate technologies, energy efficiency, and climate technologies, as well as in industries such as sustainable agriculture, water, and the circular economy. To measure our portfolio's exposure to green revenues, we aggregate them by multiplying the proportion of a company's green revenues by its portfolio weight. (We chose to define green companies

## CONSTRAIN YOUR CARBON, NOT YOUR OPPORTUNITY

*GMO Horizons considers emissions, secular growth opportunities, and risks*



Source: GMO, MSCI, FTSE Russell, Trucost

GMO Horizons Targets represented for the period from March 2015 to September 2024. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. Please see important disclosures at the end of the presentation. Please visit <https://www.gmo.com/americas/benchmark-disclaimers/> to review the complete benchmark disclaimer notice.

using weighted average green revenue, or “WAGR,” rather than an arbitrary green revenue threshold.)

Traditional climate strategies may suffer from a number of other shortcomings as well. There is an inherent tradeoff between maximizing green opportunities and minimizing emissions risks. Tracking error, style biases (e.g., growth), and sector concentrations (e.g., IT), tend to get traded off from the magnitude of climate impact. Through our Systematic Equity team’s optimization program, we are able to achieve very high exposure to green revenues and very low exposure to total emissions, while limiting country, sector, and style exposures to deliver a solution that has diversified holdings, low turnover, and low tracking error.

Another significant drawback of other strategies is that they often do not have a significant impact on real world emissions. Horizons aims to achieve impact through a dedicated engagement program. The engagement program mirrors our firm-wide engagement plan, focusing on mitigating systemic climate change risks.

Leading up to the launch of Horizons we introduced our research related to weighted average green revenue and the development of GMO’s Indirect Emissions model. During

2024, we also published two papers discussing how we are applying this research in our Horizons Strategy. The first discussed measurement of emissions, titled Tackling Indirect Emissions to Reach Net Zero Targets, while the second examined how investors Employing Green Revenues in the Pursuit of Net Zero Objectives.

### Fixed Income

GMO’s Emerging Country Debt team integrates ESG factors in both its sovereign and quasi-sovereign assessments. The team includes ESG factors in its models to evaluate creditworthiness and assess risk, alongside more traditional financial measures of economic structure, financial stability, and liquidity.

Our Structured Products team includes ESG factors in its overall risk assessments. For example, material environmental risks are considered in our commercial mortgage-backed security risk evaluation process. Some properties that serve as underlying collateral in structured asset-backed security pools may have exposure to environmental risks such as earthquakes and flooding. We work to ensure buildings have proper insurance or a specific exemption and look at the energy efficiency measures and/or green building certifications.



## FIXED INCOME CASE STUDY: EMERGING COUNTRY DEBT STRATEGY

GMO's Emerging Country Debt team has integrated ESG analysis in both its sovereign and quasi-sovereign assessments. The team launched its proprietary ESG sovereign integration process in 2021 and quasi-sovereign process in 2022. Today, the team includes ESG factors in its models to evaluate creditworthiness and assess risk, alongside more traditional financial measures of economic structure, financial stability, and liquidity. The ESG factors our team considers are laid out at the bottom of this page.

### Multi-Asset Class

GMO's Asset Allocation team has integrated bottom-up GMO ESG Scores into its 7-Year Asset Class Forecast methodology. The Forecasts form the foundation of how the team allocates capital within its multi-asset strategies. To integrate the Score, the team uses quantitative methods to allow the required rates of return for various equity groups to dynamically change in lockstep with their relative ESG Scores. More information on the Asset Allocation process and our Forecasts is provided in Principle 6.

When creating its multi-asset portfolios, the team invests in market-specific GMO strategies that implement exposures directly. These strategies incorporate ESG in their own ways, as discussed above.

### Alternatives

GMO teams who manage alternative strategies include those managing merger arbitrage, systematic global macro, and

long-short equity portfolios. In these strategies, we have not generally found significant value for our clients in incorporating ESG factors.

### New Integration Research

As we have gathered information about ESG integration through our various research projects, we have continued to prioritize work to further advance our progress. Positive client discussions reinforce our commitment, and we believe this work is in the best interests of our investors. GMO is committed to continuing to prioritize ESG research, especially as improvements are made in ESG data availability, consistency, constancy, and accuracy.

### GMO Indirect Emissions Model

The GMO Indirect Emissions model calculates total GHG emissions embodied in company value chains by modeling the value chains of individual companies and quantifying emissions for suppliers and customers within those value chains.

We begin by directly estimating a global supply chain network. We leverage the OECD Inter-Country Input-Output (ICIO)<sup>1</sup> model, an institutional long-term project that covers 93% of GDP, 92% of exports, and 90% of imports of the world economy.<sup>2</sup> Our approach disaggregates this global closed input-output (IO) model by using company-reported supply chain relationships and segment revenue data, allowing us to estimate individual company value chains.

By integrating bottom-up company data directly with the IO model, we can efficiently estimate all direct and indirect effects of company production on both upstream and downstream companies across the value chain. For a given company, we can estimate all upstream production from

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

### Environmental

#### Natural Resources

- Availability of fresh water
- Protection of natural resources
- Exposure to pollution

#### Environmental Vulnerability

- Renewable energy share
- Severity of climate-related risk
- CO<sub>2</sub> emissions
- Exposure to pollution

### Social

#### Standard of Living

- Food security
- Access to electricity and water

#### Social Empowerment

- Education quality and reach
- Health outcomes and availability of care
- Income inequality
- Women's labor force participation

### Governance

#### Political Governance

- Government effectiveness and rule of law
- Freedom of expression/press
- Corruption
- Political risk

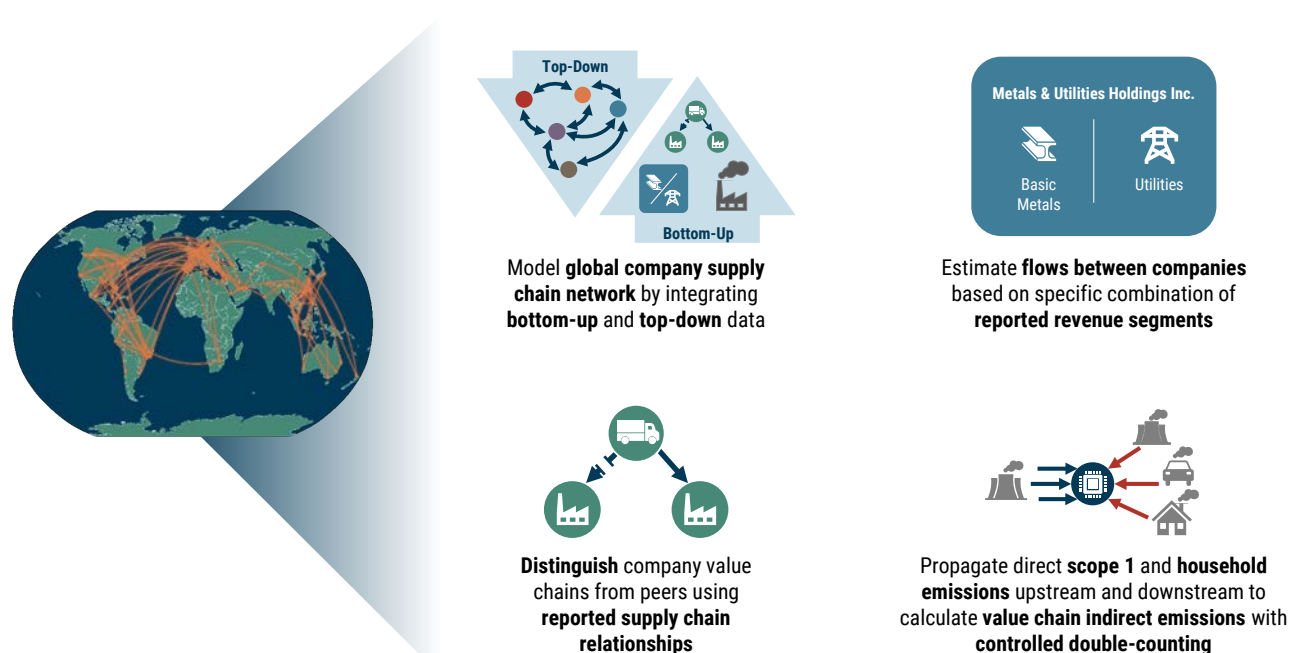
#### Economic Governance

- Regulatory quality
- Labor freedom
- Trade logistics

1 The Organisation for Economic Co-operation and Development (OECD), "OECD Inter-Country Input-Output Database," 2021.

2 J. J. Guilhoto, "OECD Global Inter-Country Input-Output Tables," 2021.

## GMO INDIRECT EMISSIONS MODEL



direct suppliers and indirect suppliers-of-suppliers used as inputs in the company's operations. We can also estimate all downstream production of direct customers and indirect customers-of-customers that use the company's outputs in their processes. We convert these indirect production exposures into indirect emissions using scope 1 emissions of the upstream suppliers and downstream customers. To account for emissions generated by households, we incorporate household emissions data from the OECD Trade Embodied CO<sub>2</sub><sup>3</sup> and International Energy Agency (IEA) Energy Efficiency Indicators<sup>4</sup> datasets into the downstream indirect emissions component. We find that household emissions from transportation and residential energy use contribute significantly to company indirect emissions.

In this way, the GMO Indirect Emissions model estimates indirect emissions in company value chains using a primarily bottom-up process that propagates direct scope 1 and household emissions through our supply chain model. This approach has many benefits. It allows us to consistently control double counting of emissions, making our estimates comparable across all companies. This consistency is critical for asset managers because it ensures fair comparisons of companies during portfolio construction. Our approach emphasizes bottom-up data more than other available solutions, distinguishing companies from their peers based on

characteristics of their specific value chains. It also provides complete transparency into model estimates, allowing us to trace indirect emissions back to their origins.

In 2025, we commenced research to enhance our understanding of physical and transitional climate risks and biodiversity. We are also developing frameworks to facilitate the analysis and management of our exposures to these risks.

### External Data Usage and Service Providers

GMO is a data-driven investment manager. We rely on third-party service providers for the data that serves as the foundation of our investment analysis, and we use proprietary tools and techniques to interpret and augment the data for inclusion in our processes. We fully detail in Principle 8 how we monitor data service providers and the importance of why we do not just rely on one data provider.

<sup>3</sup> OECD, "Trade in embodied CO<sub>2</sub> (TECO<sub>2</sub>) Database," 2021.

<sup>4</sup> International Energy Agency (IEA), "Energy Efficiency Indicators Highlights," 2022



# PRINCIPLE 8

## MONITORING MANAGERS AND SERVICE PROVIDERS

Signatories monitor and hold to account managers and/or service providers.

GMO relies on both quantitative tools and fundamental analysis in our investment processes, as discussed in Principle 7. Data is key to success in both areas because our techniques are only as good as the data they are designed to analyze. For that reason, our investment teams undertake rigorous analysis and testing of potential new data sources, including vetting data service providers and leveraging GMO's vendor risk management process, which is described below. We evaluate not only data quality, but data coverage and potential gaps. This is important so that we can understand all the aspects of the data (e.g., what it is measuring, how it is measured and/or calculated, etc.) before making a procurement decision.

### ***Monitoring Service Providers***

GMO has a comprehensive vendor risk management program that provides oversight of critical external service providers. Critical vendors are defined as having a material impact on GMO's overall operations and/or access to sensitive data. We communicate and meet regularly with many of them and review their relevant internal controls reports (if available). A variety of teams at GMO perform oversight procedures on external service providers.

We conduct due diligence reviews, which focus on security, data privacy, business continuity, disaster recovery practices, and operational controls established at the vendor. We utilize a third-party vendor management system that allows cross-functional collaboration and central information management related to each vendor's assessment.

The Information Security, Business Continuity, Risk and Controls, and Compliance teams hold regular meetings to review, categorize, and discuss critical vendors. Finance, Legal, and Compliance teams globally have also been incorporated into the vendor risk management process utilizing vendor information from Finance and integrating with anti-money laundering oversight and contract management in Legal. GMO seeks to include data privacy and cybersecurity risk requirements in contracts with vendors and business partners based on the criticality and perceived vulnerabilities of the vendor relationship.

## CASE STUDY: HYPOTHETICAL PROXY ADVISOR RE-EVALUATION AND SELECTION

GMO's Proxy Voting Policy outlines the considerations we use to evaluate and select a third-party proxy advisor. We have not recently undertaken a search, but any future search would assess candidates based on the considerations below. Results would be discussed and approved by the Stewardship sub-committee.

As discussed in Principle 12, ISS is our current proxy advisor. If we were to re-evaluate our advisor, GMO would consider the following factors. ISS currently meets all of the criteria below.

- The capacity and competency of the advisor to adequately analyze the matters up for a vote,
- Information from the advisor supporting its recommendations, provided in a timely manner,
- The advisor's ability to respond to ad hoc requests from GMO,
- Whether the advisor has an effective process for obtaining current and accurate information including from issuers and clients (e.g., engagement with issuers, efforts to correct deficiencies, disclosure about sources of information and methodologies, etc.),
- How the advisor incorporates appropriate input in formulating its methodologies and construction of issuer peer groups, including unique characteristics regarding an issuer,
- Whether the advisor has adequately disclosed its methodologies and application in formulating specific voting recommendations,
- The nature of third-party information sources used as a basis for voting recommendations,
- When and how the advisor would expect to engage with issuers and other third parties,
- Whether the advisor has established adequate policies and procedures on how it identifies, discloses, and addresses conflicts of interest that arise from providing proxy voting recommendations and related services from activities other than providing proxy voting recommendations and services, and from its affiliations,
- Information regarding any errors, deficiencies, or weaknesses that may materially affect the advisor's research or ultimate recommendations,

- Whether the advisor appropriately and regularly updates methodologies, guidelines, and recommendations, including in response to feedback from issuers and their shareholders, and
- Whether the advisor adequately discloses any material business changes taking into account any potential conflicts of interests that may arise from such changes.

We would discuss the above in interviews with the advisor and ask for written responses and supporting data about these issues.

GMO's Proxy Voting team undertakes periodic sampling of proxy votes as part of its assessment of ISS's current performance and to reasonably determine that proxy votes are being cast on behalf of our clients consistent with our Policy. This is discussed in Principle 12.

### ***ESG Data, Systems, and Providers***

GMO leverages a variety of ESG service, data, and systems providers to inform our investment research and analysis. Through our due diligence, we have found incomplete reporting of ESG information across companies and vendors, which results in significant raw data gaps. A more significant challenge is disagreement among data providers. There has been no shortage of ESG-oriented data vendors, each comes with its own methodology, taxonomy, metrics, and measurements. Thus, we seek to use multiple data sources and build our own data tools to leverage and analyze combined data. In the chart below, we describe how we utilize several data sources.

Other non-subscription or public datasets used include Transition Pathway Initiative, Science-based Targets initiative, IEA and NGFS for scenario analysis; OECD and World Bank for indirect emissions, scenario analysis, and company, industry, and NGO reports for engagement; and EPA and other datasets for impact measurement.

We continually evaluate our existing data sources for relevance, accuracy, quality, and coverage. As new vendors emerge and the available ESG information and data expands across asset classes, we will enhance our ability to differentiate across asset classes based on existing and new measures.

### **CASE STUDY: MOVING INTERNAL AND CLIENT ESG REPORTING INTO ALADDIN**

In 2024, we made the strategic decision to report ESG metrics out of Aladdin, Blackrock Solutions' (BRS) Investment Book of Record system. This decision was made in line with the Technology team's overall strategic vision of having one single source of truth for each data set that is easily accessible to all areas of the firm. This also aligns with the firmwide strategic vision to optimize the usage of Aladdin.

#### **Single Source of Truth for ESG Data**

As stated above, having a single source of truth for all data in GMO is one of the Technology team's main strategic goals. In doing the analysis on data usage, it was evident that there were multiple sources of ESG data in the firm. We set out to change that. In Aladdin, there are two ways the ESG data is populated:

#### ***ESG Data Source***

#### ***GMO Use***

MSCI ESG Manager	<ul style="list-style-type: none"> <li>■ Input into GMO ESG Score and assessments of severe ESG risks for portfolio monitoring, engagement, and exclusions</li> <li>■ Fundamental ESG research, ESG scores, and data used in risk assessments and engagement</li> </ul>
LSEG Data & Analytics	<ul style="list-style-type: none"> <li>■ Raw unscored ESG data used as input into the GMO ESG Score</li> </ul>
S&P Trucost	<ul style="list-style-type: none"> <li>■ Primary provider of carbon emissions data for use in measuring portfolio carbon footprint and weighted average carbon intensity used for net zero commitment and Indirect Emissions model</li> </ul>
FTSE Green Revenue	<ul style="list-style-type: none"> <li>■ Data on companies' exposure to green revenues as defined by the FTSE Green Revenue Taxonomy, which is aligned to the EU Taxonomy</li> <li>■ Used in our research to build a sustainable investment strategy</li> <li>■ Aids our understanding and reporting on portfolios' exposure to green revenue</li> </ul>
CDP	<ul style="list-style-type: none"> <li>■ Data from CDP is used as input into assessing companies' management of climate change risks and opportunities, to help us identify targets, and conduct research for engagement</li> </ul>
Sustainalytics	<ul style="list-style-type: none"> <li>■ Support for assessing ESG controversies for portfolio monitoring, engagement, and exclusions</li> </ul>



1. Direct partnerships with vendors – BRS has direct partnerships with many ESG data providers. We view and utilize this data directly in Aladdin while sometimes adding logic on top of that directly in the user interface for ESG metric calculations.
2. Pushing our proprietary GMO ESG model data into Aladdin – Examples of these metrics include GMO's ESG Score and Indirect Emissions model. For this data we do extensive data quality checks on the process to ensure accuracy. These checks include extensive code review, "safety features" in the code that ensure data is loaded for the current date only, new unit tests, and working with BRS to fix known problems with historical data.

### Widespread Availability and Accessibility of Clean, Approved Data

Prior to this effort, the data was mostly gated by different user interfaces and access patterns that varied in terms of technical ability. Once Aladdin had been adopted by many users across the firm for day-to-day processes and became the source of all portfolio-level reporting, it became a natural path to providing a consistent, user-friendly way to access this data for all Aladdin users. We also have the ability to export the data and dashboards from Aladdin for users that do not have Aladdin licenses.

We continue to improve the ESG dashboard in Aladdin and plan to add new data quality checks and processes over time to ensure we maintain a robust ESG reporting platform..



# PRINCIPLE 9

## ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

GMO believes that engagement with issuers can be a primary tool to protect, add, and create value in investments. As outlined in Principle 1, we believe countries and companies that are well governed make sound decisions and are better equipped to address risks, including environmental and societal risks, and achieve stable, long-term profitability. Thus, we often engage on governance, environmental, and social issues.

We have established the following seven principles that guide our overall engagement approach.



We take a collaborative approach to engagements and seek to include all relevant (impacted) GMO stakeholders in the conversation.



We generally prefer to keep our engagements with companies confidential.



We weigh the cost of engagement and likelihood of success against the expected benefits to our clients considering the size of our holdings and the nature and magnitude of the risks.



We aim to engage at the board level as engagements will be more effective if conducted at a senior level.



We set clearly defined, specific, measurable, achievable, relevant, and timebound objectives and track achievement of milestones.



We align our voting decisions with engagement outcomes.



We measure and report on the effectiveness of our engagements.

## Engagement Governance

In 2024 Miekela Singh joined GMO as the newly created Director of Investment Stewardship to spearhead our engagement efforts, liaise with the investment and proxy voting teams, engage collaboratively with like-minded peers, and participate in the Stewardship sub-committee.

As discussed in Principles 2 and 5, the Stewardship sub-committee is responsible for overseeing GMO's stewardship activities, including engagement. The sub-committee maintains GMO's **Engagement Policy**, which was established in 2021 and last updated in 2024. The Policy describes our engagement philosophies and practices.

The sub-committee updates the ESG Oversight Committee and relevant investment teams on our firm-wide engagement progress, participation in collective action initiatives, and other matters related to our investment stewardship.

The Director of Investment Stewardship sets an annual Engagement Plan that sets out GMO's focus areas and objectives for firm-wide engagement, which complements and supports the efforts made by our investment teams.

With respect to our firm-wide engagement program, the sub-committee:

- Approves engagement objectives,
- Receives and reviews progress reports,
- Approves and facilitates escalations (in consultation with investment teams), and
- Resolves conflicts of interest.

## Selecting and Prioritizing Engagements

In keeping with our investment-driven ESG approach, GMO investment teams undertake their own engagements on a case-by-case basis with equity or debt issuers to address ESG issues in their portfolios. Most of our assets are invested in equities, referenced in Principle 6, consequently the majority of our engagements have been conducted with company management or the board as an equity shareholder (approximately 85% of engagements in 2024).

Unmanaged issues that are potentially material to investments may initiate an engagement. Investment teams select and prioritize engagement based on factors such as severity of the risk, likely impact on company's valuations, their ability to influence, and size of their holdings. In doing so, they consider their own fundamental analysis, GMO's ESG Scores at the country and company level, and/or controversial events that arise. Additional factors that teams may consider are listed under "Engagement Catalysts" in this Principle.

In addition, investment teams emphasize issues that align with strategically important themes identified by our annual Engagement Plan, introduced below. The Stewardship sub-committee has currently set a firm-wide engagement theme of systemic climate issues, which is further explained in the “Climate Change-Focused Engagement” section in this

Principle. The annual Engagement Plan does not preclude the firm from engaging on other topics.

The below describes in more detail how our investment teams select and prioritize equity and debt engagements within the three catalysts for engagements.

## ENGAGEMENT CATALYSTS

	1 <i>Issuer-driven</i>	2 <i>Event-driven</i>	3 <i>Theme-driven</i>
<b>WHAT</b>	<ul style="list-style-type: none"> <li>Tailored engagement aimed at addressing risks and value creation opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Engagement aimed at addressing material events that pose financial and / or reputation risks</li> </ul>	<ul style="list-style-type: none"> <li>Engagement on thematic issues prioritized by GMO aimed at promoting specific strategic outcomes</li> </ul>
<b>WHEN</b>	<ul style="list-style-type: none"> <li>Identified by investment teams as part of investment strategy and / or process</li> <li>Low GMO ESG Score</li> <li>Material findings uncovered during due diligence or arising during ownership</li> <li>Part of strategy to improve issuer decision-making and practices</li> </ul>	<ul style="list-style-type: none"> <li>Controversies arising during ownership</li> <li>Potential Global Compact and OECD Multinational Enterprise Guidelines violation flags</li> </ul>	<ul style="list-style-type: none"> <li>Climate change</li> <li>Cross shareholdings (cross shareholdings occur when listed companies have significant holdings of other listed companies)</li> </ul>
<b>WHO</b>	<ul style="list-style-type: none"> <li>Investment team led with support from ESG team</li> </ul>	<ul style="list-style-type: none"> <li>ESG team monitors entire GMO portfolio and advises investment teams when material issues arise</li> <li>Engagement conducted by investment teams or jointly with investment and ESG teams</li> </ul>	<ul style="list-style-type: none"> <li>ESG team identifies targets based on materiality of issue, size of holdings, and ability to influence</li> <li>Engagement conducted by investment teams or jointly with investment and ESG teams</li> </ul>
<b>EXAMPLE</b>	<ul style="list-style-type: none"> <li>We have initiated an engagement with an emerging country issuer to get concrete details on its long-term plan to industrialize the economy and shift away from fossil fuel-based power.</li> </ul>	<ul style="list-style-type: none"> <li>A company was put on the Global Compact Watchlist by a vendor due to a reassessment of the scales of impact resulting from an alleged failure to obtain free and prior informed consent for a mining project. The company maintains dialogue with the NGO that brought the allegation and confirmed that there are no uncontacted groups.</li> </ul>	<ul style="list-style-type: none"> <li>We met with a company to discuss the newly released Science-Based Target initiative (SBTi) guidance for forest, land, and agriculture. The company explained that they are still working on this issue. In our follow-up a year later, the company announced initial emissions reduction targets.</li> </ul>

## Engagement Objectives and Tracking Progress

Core to our process is the establishment of engagement objectives and the tracking of company progress against those objectives. We aim to establish goals that are specific, measurable, achievable, relevant, and timebound. We believe effective engagement is an iterative, potentially years-long process, so it is important to track our progress and thus track our achievement of engagement milestones in a centralized database.

## Methods of Engagement

We prefer to take a constructive approach to our engagements. We aim to build long-term relationships with issuers of equity and debt, working with, not against, them to address key risks and create long-term value for all stakeholders – a key tenet of being an active and engaged steward of our investments.

We engage 1) directly with issuers, 2) collectively with peers, or 3) through advocacy at the industry level. Our teams engage in open and constructive dialogue utilizing written communications as well as virtual and in-person meetings.

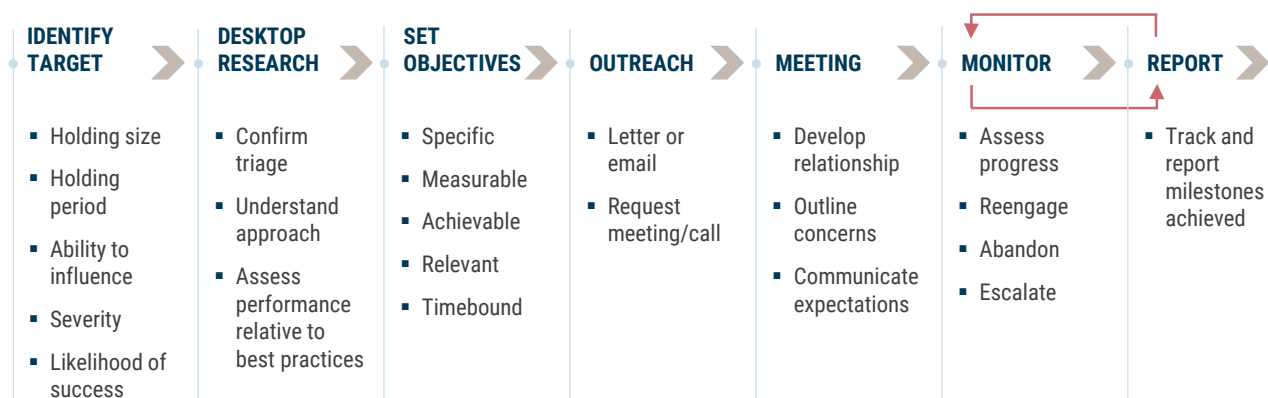
When engaging with equity issuers, we seek to communicate with senior management or members of the board. In the case of engagements with fixed income issuers, we have dealt with both government officials representing sovereign debt issuers and investor relations teams at the corporate level.

The diagram below details our typical method of engagement – an approach we apply consistently across asset classes and geography.



## CONDUCTING ENGAGEMENTS

*Engagement is an iterative process that may last years*





# SPOTLIGHT: *GMO Usonian Japan Equity Engagement Approach*

## CORPORATE ENGAGEMENT TOOL KIT

We think about our engagement in four categories of objectives, each of which we believe enhances our investment returns over the long term.

### UNDERSTANDING

Early engagement to understand how management thinks about specific strategic issues

### RELATING

Constructive, value-added engagement to deepen relationships and trust with management teams, which can be critical in Japan and important in influencing management later

### SUPPORTING

Providing value-added support initiatives to companies, which can include:

- providing global competitive benchmarking
- helping with IR activities
- introducing potential director and/or corporate allegiance candidates
- explaining "the investor perspective"

### INFLUENCING OUTCOME

Spurring performance improvement by submitting formal written suggestions to corporate boards highlighting corporate governance shortcomings, leveraging relationships with other market participants and lobbying proxy advisors

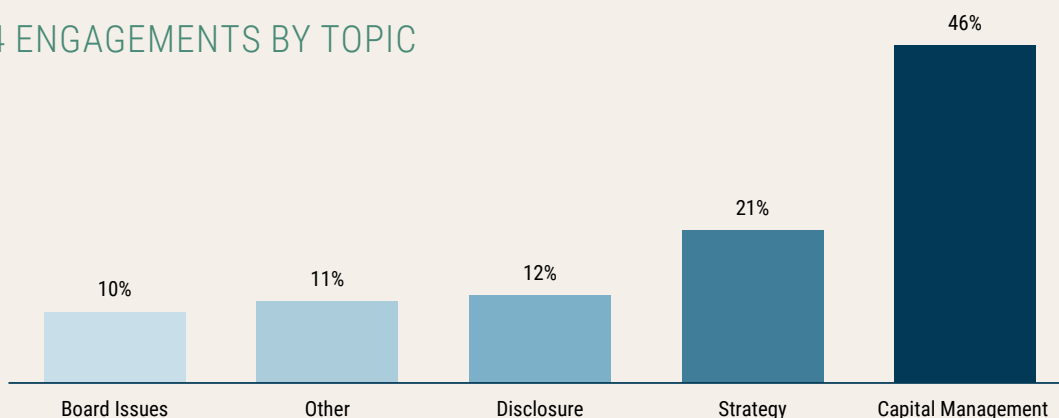
Influencing positive outcomes through engagement has always been an integral facet of the GMO Usonian Japan Equity team's investment approach. The team believes there are significant engagement opportunities in Japan, where management teams tend to be receptive to collaborative and constructive feedback.

As long-term investors, the team works as collaboratively as is practical with Japanese companies to unlock value. With each company, the team identifies several ways they think management can increase the value of the firm. The below chart summarizes Usonian's 2024 engagements by topic. As shown,

capital management, which encompasses cross or policy shareholdings, Treasury share cancellations and shareholder distributions, has been and continues to be a high focus area for the team. More recently, we have increased our focus on strategy-related topics such as mergers and acquisitions, management buyouts, and parent-subsidiary issues.

Usonian continues to be at the forefront of GMO's engagement activities. Accounting for about 53% of total engagements in this reporting period, Usonian epitomizes engagement best practices at GMO.

## 2024 ENGAGEMENTS BY TOPIC

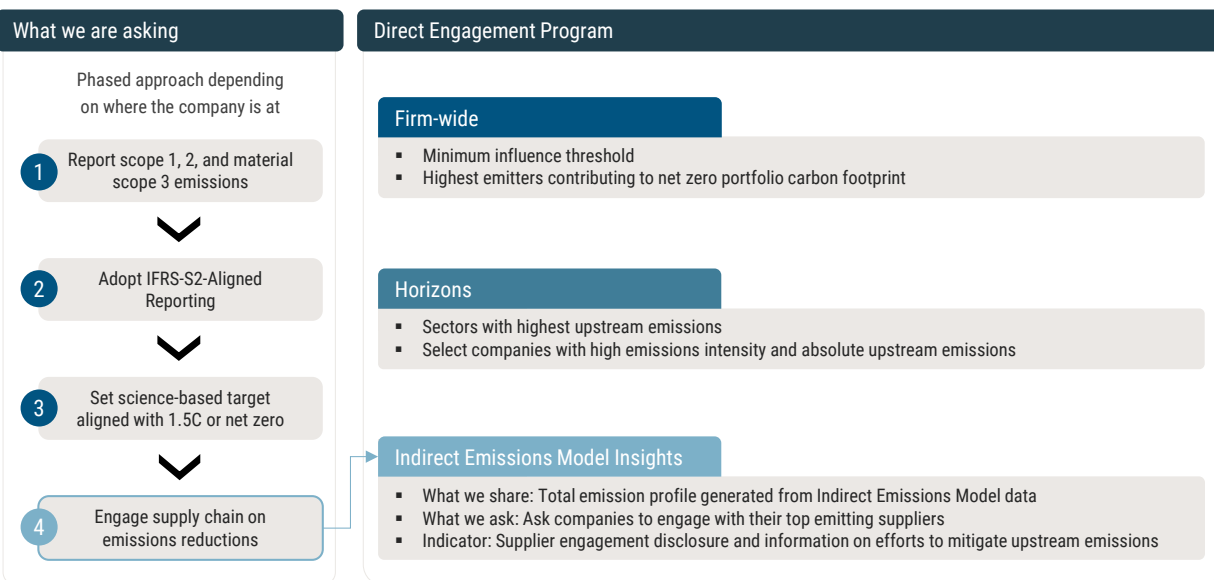


## Climate Change-Focused Engagement

Our 2025 Engagement Plan incorporates insights from the GMO Indirect Emissions Model (IEM) as outlined in Principle 7 to enhance our climate-focused work that started in 2022. We are focused on the largest contributors to our total emissions exposure to take a phased approach tailored to each issuer's climate change disclosure and management status. Specifically, we encourage them to report scope 1, scope 2, and material

scope 3 greenhouse gas emissions, adopt climate change risk reporting following the recommendations of the International Financial Reporting Standards (IFRS) S2 Climate Reporting Standards, consider setting science-based targets to strengthen their commitment to manage climate change risk, and conduct supplier engagements to address their sources of material indirect emissions.

For more on our net zero commitment, please refer to Principle 1.

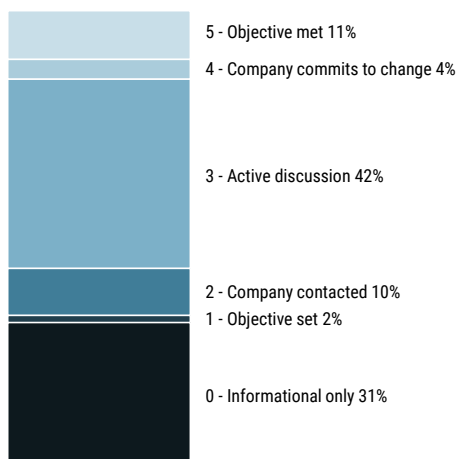


## 2024 Engagement Outcomes and Case Studies

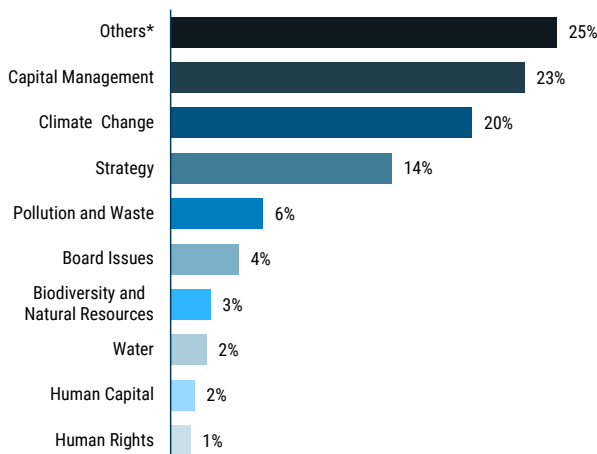
In 2024, investment teams had 171 interactions with 109 issuers. At the end of 2024, 141 engagements remained open or escalated,

including engagements in previous years. The breakdown below shows the number of 2024 and open engagements by milestone and by topic. The charts are case studies of equity and fixed income engagements that had activity in 2024.

Engagements by Milestone



Engagements on Select Topics



\*Others category includes deforestation and other environmental, supply chain, community relations, product safety, other social, shareholder rights, other governance, disclosure, corruption, and political stability.

## EQUITY CASE STUDIES

Company	<i>Graphite electrodes and petroleum coke manufacturer</i>
Initiation Date	5 Dec 2023
Last Contact Date	12 Dec 2023
Issue	ESG and climate disclosures
Format	Video call
Company Attendees	Vice President, Investor Relations and Corporate Communications
GMO Attendees	ESG Team (Deborah Ng, Mandy Leung)
Objective	Provide more comprehensive disclosures to CDP
Actions	Discussed the company's climate-related disclosures, conferred about fossil-fuel based raw material and stranded asset risks, and encouraged more comprehensive reporting, including articulating the board's oversight on climate risks and publicly disclosing emission reduction targets.
Outcomes	In 2024, the company submitted its first CDP report.
Status and Next Steps	Closed.

Company	<i>Renewable natural gas company</i>
Initiation Date	7 May 2024
Last Contact Date	9 Dec 2024
Issue	Compensation alignment
Format	Video call
Company Attendees	VP Strategic Development
GMO Attendees	Alex Hébert, Miekela Singh
Objective	Align compensation metrics with shareholder interests
Actions	We shared with the company that we are supportive of its compensation plan and improvements could focus on aligning it closer to shareholder experience. We encouraged the use of performance-linked equity, and a mix of absolute and relative total shareholder returns in its long-term incentive plan. We recommended the company not use outside-of-plan awards unless there is an executive transition and suggested improved disclosure regarding a rationale for using only time-based options.
Outcomes	The company said that it will consider our recommendation.
Status and Next Steps	We will evaluate the changes made in the company's 2024 proxy.

Company	<i>Large machine manufacturer</i>
Initiation Date	8 February 2021
Last Contact Date	4 June 2024
Issue	Cross shareholdings
Format	In person meetings and calls
Company Attendees	IR
GMO Attendees	Takeo Asahara
Objective	Reduce and eliminate cross shareholdings
Actions	We have been engaging with the company regularly on a number of governance issues, including cross shareholdings. The emergence of a data scandal at the organization prompted us to publicly express our concern. We believe that cross shareholdings were one of the root causes as they effectively shield management from general shareholders.
Outcomes	In May 2024, the company announced its plan to unwind cross shareholdings and began to do so over the remainder of 2024.
Status and Next Steps	We view this as a success and will continue to pressure the company until the unwind is complete.

## EQUITY ENGAGEMENTS (CON'T)

Company	<i>Food and renewable energy company</i>
Initiation Date	8 March 2023
Last Contact Date	25 March 2024
Issue	Deforestation
Format	Video call
Company Attendees	IR manager
GMO Attendees	Alex Hébert, Deborah Ng
Objective	Commitment to no deforestation and set science-based target
Actions	We met with the company a few times to discuss its climate change approach. The company already had a no-deforestation commitment and had set interim emission reduction targets following our first conversation. We encouraged the company to consider setting a science-based target to solidify their climate commitment.
Outcomes	The company advised that they were considering it but have not made a decision.
Status and Next Steps	Continue to meet with company and monitor its progress.

Company	<i>Small equipment manufacturer</i>
Initiation Date	9 February 2024
Last Contact Date	2 August 2024
Issue	Low price-to-book (P/B) value
Format	Letter
Company Attendees	IR
GMO Attendees	Takeo Asahara, Fumie Kikuchi
Objective	Improve P/B ratio
Actions	We sent a letter to the company given its price to book was below 1.
Outcomes	The company announced an 8.5% share buyback in August.
Status and Next Steps	We will continue to monitor progress.

Company	<i>Healthcare equipment</i>
Initiation Date	23 June 2023
Last Contact Date	10 April 2024
Issue	Succession Planning
Format	In person meetings and calls
Company Attendees	CEO, CFO, outside directors and IR
GMO Attendees	Drew Edwards, Takeo Asahara and Fumie Kikuchi
Objective	Develop succession plan for CEO, who is a member of the founding family and has been on the board for 23 years
Actions	We have engaged the company regularly on a number of governance issues, including succession planning. The CEO had served as a director for more than 20 years and it was clear that the board lacked healthy discussion on corporate strategy. We've communicated with all directors to encourage succession planning.
Outcomes	In April 2024, the company announced a new CEO and the former CEO completely stepped down from the company despite it being common practice for Japanese companies to retain such person as a director or an advisor.
Status and Next Steps	We view this as a success and will continue to discuss corporate strategy with the new board members.



## EQUITY ENGAGEMENTS (CON'T)

Company	Construction Engineering
Initiation Date	15 September 2022
Last Contact Date	11 November 2024
Issue	Cross shareholdings
Format	In-person meetings
Company Attendees	Member of the board
GMO Attendees	Takafumi Atsuta
Objective	Reduce cross shareholdings
Actions	We have met with the company on several occasions over the years to discuss its capital management, Treasury share cancellation and improvements in ESG. In March 2024 we advised them that while we would support the president, we expected them to reduce their cross shareholdings below 10% this year.
Outcomes	In November 2024, the company sold down its cross shareholding to 9.4% with a commitment to reducing it further.
Status and Next Steps	We view this as a success and will continue to monitor for further cross-shareholding reduction opportunities.

## FIXED INCOME ENGAGEMENTS

Issuer	Sri Lanka
Initiation Date	30 September 2024
Last Contact Date	24 November 2024
Issue	Governance Improvements
Format	In-person meetings
Government Attendees	Ministry of Finance
GMO Attendees	Carl Ross
Objective	Address tax evasion and governance standards in budgetary process
Actions	GMO, along with a few other managers, proposed a governance-linked bond as part of the debt restructuring package. The bond's coupon would be reduced if the government meets certain KPIs related to corruption reduction and tax governance by 2028.
Outcomes	Sri Lanka agreed to issue a governance-linked bond (GLB) that will provide debt service relief by reducing the coupon by 75 bps upon achievement of KPIs related to reducing tax evasion and governance standards in the budgetary process.
Status and Next Steps	None. The KPIs have been enshrined in the bond documentation.

Issuer	Ghana
Initiation Date	15 May 2024
Last Contact Date	15 May 2024
Issue	Climate Transition
Format	Letter
Company Attendees	Minister of Finance, Minister of Energy
GMO Attendees	Carl Ross, Mina Tomovska, Deborah Ng
Objective	Formalize Nationally Determined Contributions (NDC) into law
Actions	Sent a letter to Ghana acknowledging their commitment and encouraging them to enact policies to support NDC as other nations such as Nigeria, Ethiopia and Tunisia have done.
Outcomes	None
Status and Next Steps	We will continue to try and reach country officials.



# PRINCIPLE 10

## COLLABORATION

Signatories, where necessary, participate in collaborative engagement to influence issuers.

GMO believes that having meaningful dialogue about ESG issues between asset owners, investment managers, and companies can help to reduce systemic and company-specific risks. We have added our voice as a member, supporter, and/or signatory to many groups that share our views regarding the importance of ESG factors to businesses and investments. To magnify the impact of our engagement efforts, we participate in collaborative initiatives that bring together like-minded asset owners and asset managers. We seek to collaborate with peers where objectives are aligned with ours and we can increase our likelihood of effecting change. Collaborations are particularly effective in jurisdictions where proximity, language, and culture may be at a distance from ours, and in asset classes, such as sovereign and corporate fixed income, where it has been traditionally difficult to engage with issuers.

Collaborations can be highly beneficial to GMO, allowing us to leverage our influence combined with the influence of others to achieve greater impact than we would by engaging one-on-one. Professionals across GMO are encouraged to seek new opportunities to participate in initiatives to further our stewardship objectives.

### *Role of ESG Oversight Committee*

Our ESG Oversight Committee evaluates collaborative opportunities that are brought to the committee and must approve joining collaborative, or industry initiatives. With myriad opportunities and limited resources to collaborate, we weigh the benefits and costs of joining any initiative. The ESG Oversight Committee considers such factors as:

- The initiative's goals and their alignment to GMO's priorities,
- Consideration of and comparison against other initiatives with a similar expected outcome,
- The scope of impact or influence to change,
- GMO's expected commitment and our ability to meet that commitment, and
- Legal, operational, and reputational implications.

In 2024, the Committee initiated an annual review process to reevaluate our continued involvement in collaborative initiatives, as well as any external commitments that we have made.

Reevaluations assesses the investment and business considerations to ensure our involvement continues to deliver benefits that outweigh its costs and risks.

**OUTCOME:** In light of the 2024 U.S. political and legal environment, the Committee regularly reassessed our participation in Climate Action 100+ and the Net Zero Asset Managers initiative. Based on the assessments we remain committed to both initiatives. The assessments and recommendations were also discussed with the GMO Board of Directors at each meeting in 2024.

### *2024 Collaborative Initiative Highlights*

GMO participates in a wide range of collaborative initiatives, which are summarized at the end of this section. Some of our collaborative focus areas in 2024 included the following examples.



## COLLABORATING FOR SUSTAINABILITY

<i>Initiative</i>	<i>CDP Non-Disclosure Campaign (NDC)</i>
Issue	Transparency around companies' management of climate change-related exposures
GMO Participants	Systematic Equity: Michelle Morphew; ESG: Deborah Ng; Usonian Japan Equity: Fumie Kikuchi
Objective	GMO participates in the NDC, a collaborative initiative that enables investment managers to drive corporate transparency around companies' management of climate change-related exposures. This complements our involvement in the CDP Science-Based Targets Initiative. Through our participation, GMO investment teams encourage improved ESG risk disclosure from companies held in our portfolios.
Action	In 2024, via letters and meetings, we led engagements with 9 non-disclosing companies.
Outcome	As of 31 December 2024, three companies had submitted their CDP questionnaires. Two additional companies from previous years' campaigns also began reporting to CDP.

<i>Initiative</i>	<i>Emerging Markets Investor Alliance (EMIA)</i>
Issue	Human capital, education, and gender equity
GMO Participants	Emerging Country Debt: Mina Tomovska; ESG: Deborah Ng
Objective	To improve disclosure on education, health and gender equity metrics.
Action	GMO 2024, we sent letters to five emerging countries to invite them to meet with the human capital, education and gender equity working group to discuss improvements in disclosures of key performance indicators for education, health and gender equity issues.
Outcome	We have not received a response to our letters and continue to identify different channels to teach out to the countries

## POLICY AND REGULATORY ADVOCACY

When advocating for policy change, we recognize that it is unusual to achieve immediate concrete outcomes in a particular year. Our collaborations focus on joining others in advocating for long-term change that takes time to realize.

<i>Initiative</i>	<i>Asian Corporate Governance Association (ACGA)</i>
Issue	Yuho disclosure rules
GMO Participants	Usonian Japan Equity: Fumie Kikuchi, Drew Edwards
Objective	To improve the timing of Yuho reports
Action	In September 2024, GMO was part of a delegation that met with Japanese regulators on a number of governance issues, including the disclosure of Yuho Reports. Currently, 80% of Japanese companies publish Yuho reports the day of or after the AGM. The ACGA pushed for disclosure, with relevant sections available in English at least four weeks before the AGM to allow for informed voting decisions. This discussion was followed with a letter to the Financial Services Agency prioritizing Yuho disclosure before AGMs, and realignment of record dates closer to the AGM date.
Outcome	We have not received a response to our letter and sent another letter on 19 March 2025.








## GMO Participation in Collaborative Initiatives

Below is additional detail on GMO's participation in collaborative ESG-related initiatives.

	<i>Initiative</i>	<i>Purpose</i>	<i>How GMO Participates</i>
<b>MEMBERSHIPS</b>			
	UN-supported Principles for Responsible Investment  Signatory since May 2017	To incorporate ESG issues into investment practice	Report annually on responsible investing activities; member of the PRI Global Policy Reference Group, which promotes engagement and alignment of public policy with the goals of signatories
	IFRS Sustainability Alliance  Member since February 2021	To promote standardized sustainability reporting by companies	Attend the annual Sustainability Alliance meeting; IFRS materiality matrix is an input in GMO ESG Score
	Asian Corporate Governance Association  Member since August 2021	To promote effective corporate governance practices throughout Asia	Member of the Japan Working Group
	Council of Institutional Investors  Member since January 2025	To promote effective corporate governance, strong shareowner rights and sensible financial regulations that foster fair, vibrant capital markets; to promote policies that enhance long-term value for U.S. institutional asset owners and their beneficiaries.	Attend CII events
	Emerging Markets Investors Alliance  Member since February 2022	To work with other investors to tackle ESG challenges in emerging markets	Participate in working groups, collaborative engagements, and webinars; participate on the Materials Working Group to engage with companies on toxic chemical use and nature and biodiversity risks; member of the Human Capital and Gender Equity working group
<b>COMMITMENTS</b>			
	UK Stewardship Code  Signatory since October 2023	To promote stewardship activities that meet the needs of clients and beneficiaries	Annually report on how we meet the Stewardship Principles through our actions and outcomes
	Japan Stewardship Code  Endorsed 2017	To promote sustainable growth of companies and enhance the medium- and long-term investment return of beneficiaries	Maintain an updated statement of disclosure items based on the principles
	Singapore Stewardship Principles for Responsible Investors  Endorsed 2018	To foster good stewardship in discharging our responsibilities and creating sustainable long-term value for all investors	Apply the principles in our stewardship activities
	Net Zero Asset Managers initiative  Signatory since October 2021	To manage portfolio risk and support the global goal of net zero greenhouse gas emissions by 2050	Set initial emission reduction and AUM coverage targets of -65% and 60%, respectively; report annually on our progress
	CFA Diversity, Equity, and Inclusion Code (USA and Canada)  Joined 2022	To encourage greater diversity, equity, and inclusion within the investment industry, given the recognition that a diversity of perspectives will lead to better outcomes.	GMO commits to implement the DEI Code by adopting a policy and statement relating to diversity and inclusion, establishing oversight governance practices, and implementing processes to facilitate a diversity of perspectives and backgrounds at GMO



## GMO Participation in Collaborative Initiatives (Con't)

	Initiative	Purpose	How GMO Participates
<b>ENDORSEMENTS</b>			
	Taskforce on Climate-related Financial Disclosures  Endorsed December 2019	To foster good stewardship in discharging our responsibilities and creating sustainable long-term value for all investors; to provide relevant, complete, comparable disclosures on management of climate-related financial risks	In engagements, recommended that companies adopt TCFD disclosure; report on our management of climate-related financial risk and opportunity following the TCFD Recommendations; initial report prepared in 2023
	Transition Pathway Initiative  Endorsed December 2020	To assess companies' management of climate-related risks	Committed to support TPI; TPI tool was one input into the 2022 prioritization and objective setting of our corporate engagements
	Global Investor Statement to Governments on the Climate Crisis  Signed 2022, 2024	Joint statement to all world governments urging them to implement policies consistent with a just transition that limits global temperature rise to no more than 1.5C	Signed the statement along with 534 other institutional investors representing US\$32 trillion in AUM
<b>COLLABORATIVE ENGAGEMENTS</b>			
	CDP (formerly Carbon Disclosure Project)  Signatory and member since January 2017	To manage climate risk by providing a platform for companies to report their practices in three core areas: climate, water, and forests; provides opportunities for us to influence companies to disclose to CDP	Lead or participate in CDP collaborative engagement campaigns, such as Non-Disclosure and Science-Based Targets 2024 NDC examples detailed above
	Climate Action 100+  Joined January 2018	To engage with public companies that are the largest emitters of greenhouse gases	We signed onto Phase 2 in 2024
	Investors Alliance Against Slavery and Trafficking, Asia Pacific  Joined in October 2020	To influence Asia-Pacific companies on effective action in finding, fixing, and preventing modern slavery in operations and supply chains	Involved in one on-going collaborative engagement as support investor, provided research input on engagement topics to be raised with the company
	Climate Change Engagement Canada  Joined September 2024	To promote a just transition to a net zero economy through dialogue between finance and industry	International Supporter Participate in 2-3 engagements



# PRINCIPLE 11

## ESCALATION

Signatories, where necessary, escalate stewardship activities to influence issuers.

We undertake engagements for many reasons, including building trust and maintaining good relationships with investee companies, asking questions and obtaining information from management, and encouraging better practices. We believe that holding companies and boards to account through engagement and possible escalation is a key component of our stewardship of client investments.

Where we are seeking change through better disclosure or practices, we aim to establish objectives that are specific, measurable, achievable, relevant, and timebound. We believe that creating an objective-oriented framework will lead to more meaningful and impactful engagements, more opportunities for our teams to escalate activity for a defined purpose, and better measurements of success. For these engagements, we track our progress through a milestone system, which looks at engagement from initiation and objective-setting through to a

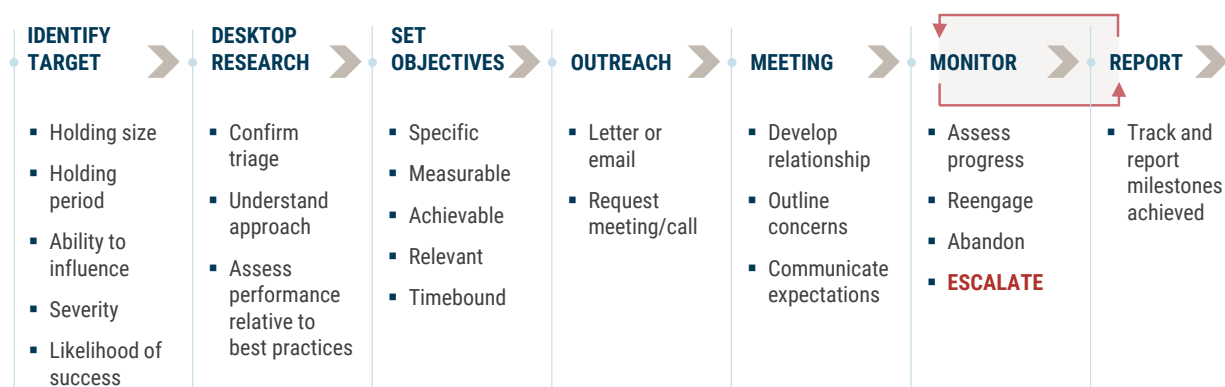
successful or unsuccessful close. If the issuer's response is unsatisfactory, we may escalate our engagement in a number of ways, including attending sell-side events, collaborating with peers, voting proxies, advocating for policy and regulation, attending annual general meetings, writing open letters, or deciding to disinvest, potentially fully.

## ESCALATION TACTICS

- **Voting Proxies:** We may use our vote to convey a message to the board or management on topics we have raised that have not gained traction or when they have been unresponsive to our communications. Our engagement and proxy voting activities are linked within our more fundamental process-oriented equity approaches used by GMO's Focused Equity and Usonian Japan Equity teams. To strengthen these links for the benefit of our top-down engagement framework, our proxy voting decisions are made available on our engagement database.
- **Advocating for Policy and Regulation:** For systemic ESG issues, such as climate change, biodiversity, and shareholder rights, advocating for change at the policy or regulatory level is a slower but potentially more effective route to impact. For example, GMO has been involved with the Sustainability Standards Board for a number of

## CONDUCTING ENGAGEMENTS

*Engagement is an iterative process that may last years*



### Potential Escalations

(as discussed with investments and Committee)

- **Include** Investment Head or CEO in engagement
- **Publish** public comment or letter
- **Vote against** director, committee, or board
- **Collaborate** with peers
- **Advocate** at industry, regulatory, or policy levels
- **Attend Sell-side events or AGM**
- File **shareholder proposals**
- **Litigate**
- **Exit** holding

years and has seen it evolve from a small, investor-driven initiative into today's International Sustainability Standards Board (ISSB). The ISSB issued global standards for sustainability and climate change reporting in 2023 that are being considered by regulators for mandatory reporting. As of March 2025, over 30 jurisdictions have ongoing or completed jurisdictional consultations on sustainability-related disclosures.

- **Attending Annual General Meetings (AGMs):** With their focus on a relatively small region, the Usonian Japan Equity team attends the AGMs of investee companies as an integral part of their engagement escalation process.
- **Writing Open Letters:** In early 2024, GMO made its first use of this escalation tactic with an individual company when the Usonian Japan Equity team wrote an open letter expressing our position and actions regarding a long-held portfolio company.
- **Deciding to divest:** In some cases, GMO decided to reduce our position or divest our position entirely as a result of escalation. This is rarely the outcome of a single engagement activity. More often, it occurs after considering a number of factors, including the cost of engagement relative to its benefit and whether there are other ways to gain the desired exposure. For example, in 2024 we divested from companies due to a lack of progress on engagement objectives.

GMO has not launched any shareholder proposals nor litigation, but those options may be used by our teams if warranted.

We do not have a defined escalation policy. Our escalations are done on a case-by-case basis and our responses may be impacted by asset class or geography. For example, company management in certain jurisdictions (e.g., China and India) are often non-responsive to engagement requests even when conducted in the local language, so we may choose to escalate more quickly in those situations. On the other hand, when we engage as an investor in a country's sovereign debt, their critical need for investor capital typically results in greater access to government officials and more influence. In these situations, escalation may not be needed as actively.

We typically allow engagement targets some time to implement changes before we escalate. That said, we use our judgment about whether we think a target is likely to respond, which may (or may not) cause us to accelerate our escalation.



## ESCALATION CASE STUDIES

<i>Company</i>	<i>Carbon and Graphite Products</i>
Initiation Date	13 June 2023
Last Contact Date	20 March 2024
Issue	Capital Allocation
Format	Meetings and letters
Company Attendees	Board, IR
GMO Attendees	Takeo Asahara, Yoshitomo Yamamura
Objective	Improve capital allocation
Actions	Through meetings and written correspondence, we encouraged the company to improve its capital allocation. The company asked shareholders to approve a change in the articles of incorporation to allow them to issue corporate bonds, which we felt was not accretive to shareholder value.
Outcomes	We wrote a letter to the board advising them that we would vote against the change in articles.
Status and Next Steps	This engagement has been escalated, and we continue to press the company.

## ESCALATION CASE STUDIES (CON'T)

<i>Company</i>	<i>Financial Services Company</i>
Initiation Date	23 Jun 2023
Last Contact Date	19 Jun 2024
Issue	Combined chair and CEO
Format	Meetings and calls
Company Attendees	Directors, CEO, CFO
GMO Attendees	Takeo Asahara, Fumie Kikuchi
Objective	Improve board effectiveness
Actions	We have held numerous meetings with the company and worked to get an independent director on the board. The CEO of the company has been there more than 20 years, and the company lacks the governance structure to ensure a balance of power on the board. The fact that the Nomination and Compensation Committee is chaired by an internal employee also raises questions as to the effectiveness of the checks and balances provided by outside directors.
Outcomes	23 Jun 2023
Status and Next Steps	19 Jun 2024

<i>Company</i>	<i>Industrial Company</i>
Initiation Date	08 February 2021
Last Contact Date	25 Jun 2024
Issue	Lack of accountability, conflicts of interest
Format	Various
Company Attendees	Directors
GMO Attendees	Takeo Asahara
Objective	Maruichi to unwind cross shareholdings
Actions	We have been corresponding and meeting with the company on a range of issues, such as cross shareholdings, capital management, shareholder distributions, and a lack of an independent auditor. In particular, we advised the company in 2021 of our policy to withhold votes if the cross-shareholding ratio exceeds 10%.
Outcomes	We voted against two directors as the cross-shareholding ratio exceeded 10%
Status and Next Steps	We will continue to press the company for improvements.



## ESCALATION CASE STUDIES (CON'T)

<i>Company</i>	<i>Security Company</i>
Initiation Date	08 February 2021
Last Contact Date	February 2024
Issue	Shareholder value
Format	Various
Company Attendees	Various
GMO Attendees	Takafumi Atsuta
Objective	Reduce cross shareholdings, improve capital management and diversity
Actions	Through letters, meetings and attendance at the AGM, we encouraged the company to take steps to improve shareholder value.
Outcomes	The company was not responsive, and we decided to divest.
Status and Next Steps	Closed.

<i>Company</i>	<i>Retail Company</i>
Initiation Date	08 January 2020
Last Contact Date	04 February 2024
Issue	Capital Allocation
Format	Meetings and letters
Company Attendees	IR
GMO Attendees	Fumie Kikuchi, Colin Bekemeyer
Objective	Improve capital allocation
Actions	Through meetings and written correspondence, we encouraged the company to improve its capital allocation and sought to meet with management. After receiving no response from the company, we wrote a letter to the board advising them to take steps to improve shareholder value.
Outcomes	Both management and the board have been non-responsive, and we decided to divest.
Status and Next Steps	Closed.



# PRINCIPLE 12

## EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

### **Proxy Voting Program Overview**

GMO views proxy voting as an integral aspect of security ownership, and we conduct the function with the prudence and duty expected of us as a fiduciary. We believe aligning management's goals with those of its shareholders and other stakeholders provides the strongest protection for our clients' investments as minority stakeholders. We seek to vote proxies in a manner that encourages and rewards effective governance structures and practices, supporting the creation of sustainable long-term growth in a way consistent with our clients' investment mandates.

We aim to encourage sustainable practices at portfolio companies, which include promoting environmental protection, human rights, and fair labor and anti-discrimination practices. To guide us, we consider globally accepted frameworks such as those defined by the United Nations Global Compact Principles and Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the International Labour Organization.

GMO's [Proxy Voting Policy](#) and [voting records](#) are publicly accessible on GMO's [website](#).

### **Proxy Voting Policy, Advisor, and Default Recommendations**

Our proxy voting activities are governed by GMO's Proxy Voting Policy, which outlines GMO's corporate governance principles and proxy voting guidelines. The Policy establishes ISS as our proxy voting advisor and adopts ISS Sustainability Policy recommendations as our default position. It also outlines our proxy voting procedures, as well as how we identify and manage potential conflicts of interest in proxy voting.

On an annual basis, the Stewardship sub-committee reviews all updates to the ISS Sustainability Policy to ensure continued alignment with our views, reflecting any changes required in our Proxy Voting Policy. We also undertake a regular review of ISS policy options to ensure we are voting in a manner that is most closely aligned with GMO's view on good governance. These updates are also provided to all GMO investment teams and the ESG Oversight Committee.

Proxy voting might differ slightly across geographies due to differences in regulation, board structures, measurement standards, and other regional distinctions.

### **Proxy Voting Process**

GMO's proxy voting process relies on analysis from both ISS and our investment teams. In certain instances (e.g., when voting against management, for U.S. director elections, or when investment teams specifically request additional information) proxy research and recommendations for each agenda item are provided to the investment teams prior to votes being cast. Investment teams consider the ISS-recommended vote and will make decisions in the best interest of our clients. Deviations from the ISS policy recommendations totaled less than one percent of GMO's votes cast in 2024.

An annual summary of our proxy voting activities is provided to the Stewardship sub-committee, including details of any investment team-instructed votes.

We do not provide clients with the ability to direct voting in our pooled vehicles. In separately managed accounts, we do not vote on behalf of the client unless the client has expressly delegated voting to GMO. Currently, about 33% of our SMAs vote for themselves. The other SMA clients who have delegated voting to GMO have done so relying on the GMO Proxy Voting Policy.



## Monitoring of Proxy Voting Advisor

GMO has a robust oversight process to ensure our Proxy Voting Policy is adhered to. Among the controls in place are: 1) a daily review of any upcoming and unvoted meetings, 2) weekly updates of relevant holdings lists, 3) a monthly review of opened and closed reports and a master account list, 4) a quarterly review of all ballots for accuracy and completeness, and 5) an annual review of the details included in the SEC N-PX filing for accuracy and completeness.

We undertake periodic sampling of proxy votes as part of our assessment of ISS to determine that proxy votes are being cast on behalf of our clients consistent with our Proxy Voting Policy. We also receive a quarterly certification from ISS that speaks to the accuracy of their application of the policy, controls around conflicts of interest, and other relevant topics.

When an investment professional at GMO deems it appropriate to vote contrary to a policy recommendation, GMO's Proxy Voting team ensures that the vote is cast by ISS based on our instruction. The team reviews a daily Vote Against Policy report, which shows all active cases where votes other than the ISS recommendation are set to be instructed, to confirm that all votes against recommendation are being conducted properly. Any discrepancies are raised to ISS. In addition to this daily review, the team receives quarterly certifications from ISS that all votes have been cast in accordance with GMO's instructions. The investment professional is also required to provide a certification confirming that they are not aware of any potential material conflict of interest with respect to the vote.

## 2024 Equity Proxy Voting Outcomes

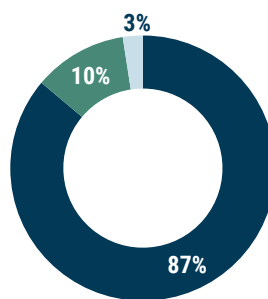
In 2024, GMO voted 97% of votable proposals (28,117 of 28,395).

We voted with management 87% of the time and did not vote on 3% of votable proposals. GMO aims to vote on 100% of proposals, but in a small number of situations we did not vote because of market- and meeting-specific restrictions (e.g., share-blocking or power of attorney requirements) or legal restrictions (e.g., sanctions on countries). Regionally, our votes were roughly split equally across the Americas, Asia-Pacific, and Europe, Middle East, and Africa (EMEA).

Among votes against management, more than half (60%) were cast on Board Composition and Board and Governance items, followed Remuneration (19%) and Transaction & Capitalization (11%) proposals. Other topics (including Climate Risk and Environmental, Social and General Governance proposals) made up the remaining 10%.

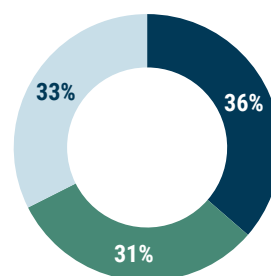
## 2024 PROXY VOTING

### Votes with/against management



■ With Management ■ Against Management ■ Did Not Vote

### Votes by region



■ Americas ■ Asia-Pacific ■ EMEA

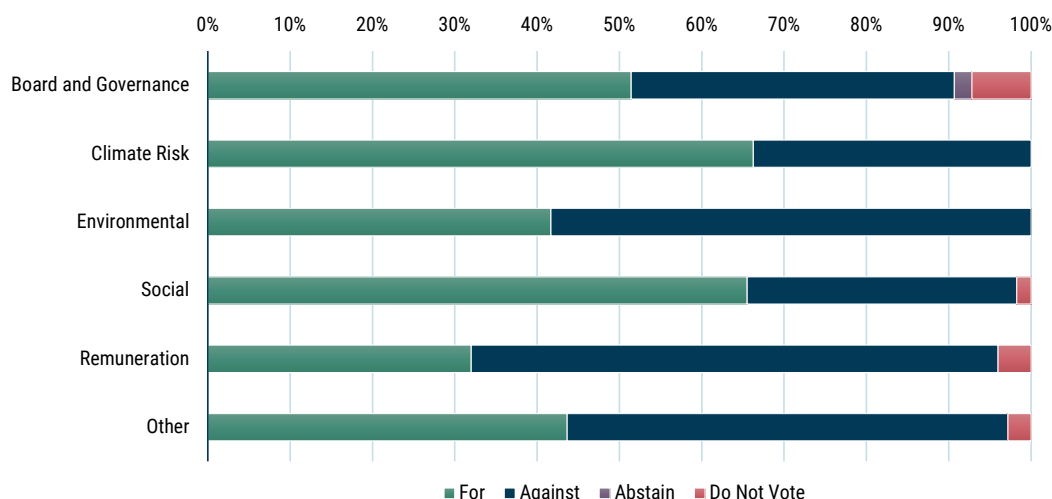
## SHAREHOLDER AND MANAGEMENT PROPOSALS

Shareholder and management proposals in 2024 continued to be dominated by governance-related matters. Climate Risk, Environmental, and Social topics represented 1% of total proposals, of which 59% were from shareholder proposals.

## Shareholder proposals

The majority of shareholder proposals were related to Board and Governance issues, where we supported 51% of the proposals and voted against 39%. About 15% of the proposals related to social issues, while climate made up almost 11%. GMO supported 66% of these proposals.

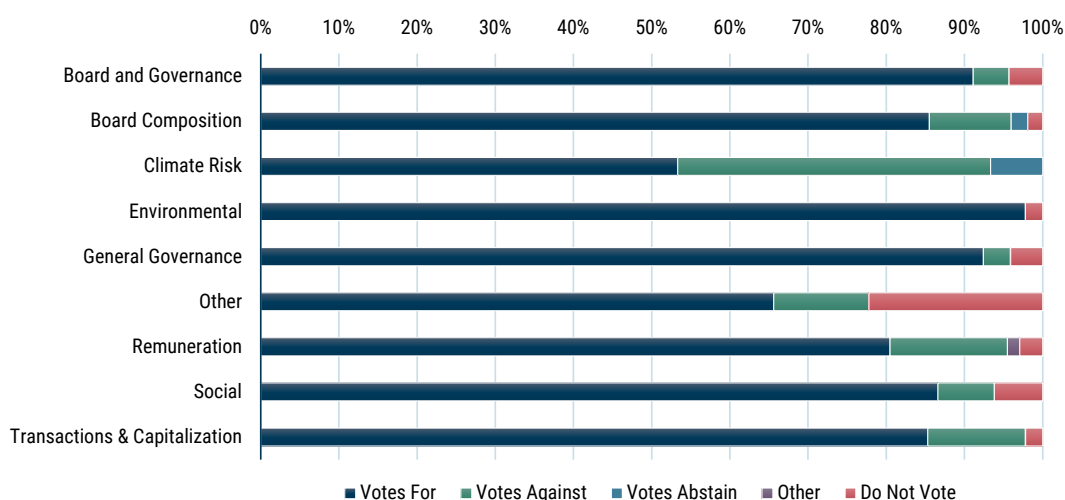
Overall, we supported a majority of shareholder proposals (53%) including 63% of votes on Climate Risk, Environmental, and Social topics combined.



## Management Proposals

In 2024, the majority of management proposals were related to Board Composition, followed by Board and Governance, and Executive Remuneration, where we voted against 11%, 5%, and 15% of the proposals, respectively.

Across all categories, we supported 86% of management proposals and cast votes against management about 10% of the time. We supported 87% of management proposals on Climate Risk, Environmental, and Social topics in aggregate.



## Meeting Outcomes

We currently do not track meeting outcomes, though investment teams may discuss relevant outcomes with management as part of our engagement process.

## PROXY VOTING CASE STUDIES

<i>Company</i>	<i>Oil, Gas, &amp; Consumable Fuels Company</i>
Issue	Executive Compensation
Best Practice	CEO pay should be aligned with performance
Voting Decision	GMO supported the Say-On-Pay proposal given alignment with performance. CEO compensation was 45% below the median of peers. Vote recommendations focused on year-over-year changes and not along the arc of the strategy or on the plan's structure which differed from our proprietary assessment. The company has been receptive to our engagements on how to improve elements of the plan design and support was warranted.
Outcome	Shareholder support for executive compensation plan was 74%.

<i>Company</i>	<i>Financial Company</i>
Issue	Cross shareholdings
Best Practice	Companies should have less than 10% cross-shareholding ratio.
Voting Decision	Company has a zero target for the policy holdings. The reduction of policy shareholdings has accelerated, and more than half of the three-year reduction plan announced last year has been reduced in the first year. Therefore, regardless of ISS's recommendation, we did not oppose the appointment of the top management to the Board of Directors.
Outcome	The management directors received 70% and 71% support.

<i>Company</i>	<i>Information Technology Company</i>
Issue	Multi-class share structure
Best Practice	One share, one vote principle
Voting Decision	Voted against five governance committee members for maintaining a multi-class structure that is not subject to a reasonable time-based sunset provision.
Outcome	Committee members received support levels of 94-99%.

<i>Company</i>	<i>Oil, Gas, &amp; Consumable Fuels Company</i>
Issue	Approve 2024-2026 Climate Action Transition Plan
Best Practice	Climate transition plans should align with best practices
Voting Decision	Supported company's Energy Transition Plan that covers scope 1, 2, and 3 emissions and encompass short-, medium-, and long-term timeframes for all areas of the business. The company has made progress in the reduction of operational emissions and the introduction of an absolute scope 3 target for 2030 adds further accountability and rigor.
Outcome	The plan received 78% support.



## PROXY VOTING CASE STUDIES (CON'T)

<i>Company</i>	<i>Financial Services Company</i>
Issue	Combined Chair & CEO
Best Practice	An independent board chair provides a more effective counterbalance to executive management.
Voting Decision	Voted against Chair as he has been CEO of the company for more than 20 years and the company lacks the governance structure to ensure a balance of power on the Board. The fact that the Nomination and Compensation Committee is chaired by an internal person also raises questions as to how effective the checks and balances provided by the outside directors are.
Outcome	The CEO remained supported by shareholders.

<i>Company</i>	<i>Information Technology Company</i>
Issue	Increase transparency on use of AI and machine learning tools for oil and gas development and production
Best Practice	Shareholder proposals should aim to address material issues that may detract from long-term shareholder value without being overly prescriptive or duplicative of management efforts.
Voting Decision	We did not agree with the rationale provided by the proponent and believe the company is an industry leader providing sufficient disclosure at this time.
Outcome	The proposal received 9.7% support.

<i>Company</i>	<i>Financial Company</i>
Issue	Issue audited report on climate transition policies
Best Practice	Shareholder proposals should aim to address material issues that may detract from long-term shareholder value without being overly prescriptive or duplicative of management efforts.
Voting Decision	We did not support the shareholder proposal as we believe the company provides sufficient disclosure around the risks and opportunities associated with its policies and practices related to the energy transition.
Outcome	The proposal received 2.6% support.

### Securities Lending

Some of GMO's pooled vehicles may participate in a securities lending program. GMO has set up its securities lending program with control over the selection of securities that are placed out on loan, transparency into the lending rates associated with those loaned securities, and the ability to terminate a loan at any time. Additionally, certain funds that engage in short sales may enter securities loans pursuant to prime broker arrangements or enhanced custody arrangements with the fund's custodian. GMO does not engage in securities lending on behalf of our separately managed account clients.

GMO will only loan portfolio securities pursuant to securities lending arrangements that permit GMO to recall a loaned security or to exercise voting rights associated with the

security. However, we generally will not arrange to have a security recalled or to exercise voting rights associated with a security unless GMO both 1) receives adequate notice of a proposal upon which shareholders are being asked to vote (which we often do not receive, particularly in the case of non-U.S. issuers), and 2) believes that the benefits to our pooled vehicle of voting on such a proposal outweigh the benefits of having the security remain out on loan. GMO may use third-party service providers to assist in identifying and evaluating proposals, and to assist it in recalling loaned securities for proxy voting purposes.

Investment teams also have the option to restrict certain securities from being loaned where they are planning to engage proactively with the issuer.

As a practical matter, GMO tends to loan securities in relatively low volume and at rates that are particularly attractive, so during 2024 we did not recall any loaned securities for the purpose of exercising voting rights.

### **Fixed Income**

GMO fixed income teams have exercised their rights with respect to sovereign debt, quasi-sovereign debt, and securitized credit investments.

In the context of our Emerging Country Debt strategies, amendments to terms and conditions often happen as part of a debt restructuring with an issuer. In these cases, GMO often serves on bondholder committees, either as part of steering sub-committees or broader, so-called ad hoc committees. In most cases, the goal is to maximize our recovery by working with the issuer and avoiding litigation whenever possible, especially against sovereign issuers.

In 2024, GMO served on creditor committees facing Ghana, Sri Lanka, and Venezuela, as well as Evergrande (China). We successfully concluded debt restructurings with the Zambian, Ghanaian, and Sri Lankan governments during the year, with Venezuela expected to take longer. It is notable that U.S. government sanctions on secondary market trading of Venezuelan global bond issues were suspended in late 2023, enhancing the liquidity of these bond issues.

In the case of Sri Lanka, specifically, GMO also served on a small working group of investor firms being organized by the Emerging Markets Investors Alliance (EMIA) that advocated for transparency clauses in the bond contracts coming out of the current debt restructuring. An initial restructuring agreement was reached with bondholders in September 2024 and an integral part of the agreement (which was completed in December that year) was the issuance of a governance-linked bond (GLB) that will give Sri Lanka some further debt servicing relief upon achievement of KPIs related to reducing tax evasion and increasing governance standards in the budgetary process.

In the case of quasi-sovereign debt, GMO extensively reviews prospectuses and transaction documents both in the primary and secondary markets. Every year, GMO's quasi-sovereign team reviews close to 100 documents to catalogue their relative investor protection. GMO also seeks amendments to terms and conditions in indentures and contracts in a debt restructuring.

Finally, in our Opportunistic Income securitized credit strategy, GMO invests across commercial and residential mortgage-backed securities (CMBS and RMBS), asset-backed securities (ABS), and student loans. Our team focuses on reviewing transaction documents and performing due diligence on the

specifics of each contract. While in most cases we have limited amendment or impairment rights, there are situations on a case-by-case basis where we can become more involved. For example, last year we considered calling a vote to replace the special servicer in a CMBS trust if they failed to resolve a proposed loan modification that we did not agree with. In another instance, we worked with the trustee in an RMBS deal to request court guidance regarding how to apply the proceeds of a settlement to the trust. Similar in spirit to how our Emerging Country Debt team approaches sovereign investments, we are focused on using our access to enhance creditor rights and as such serve as a steward of capital.

### **Alternatives and Multi-Asset Class**

Proxy voting is centralized, so voting for equities that are held in alternative strategies such as merger arbitrage or long/short portfolios are included in our equity voting processes, discussed above. GMO's global macro strategy is implemented through forwards and futures on equity and bond indices, currencies, and commodities, so we do not have ownership rights for the underlying securities.

As introduced in Principle 7, our multi-asset class portfolios invest in "underlying" GMO strategies to implement equity and fixed income exposures. As such, we execute our stewardship and proxy voting activities for these underlying equity and fixed income strategies as described above.



# CONCLUSION

GMO is committed to being an effective steward of our clients' investments. We hope that our report has provided a comprehensive overview of our stewardship-related 2024 activity and outcomes and how they align with the UK Stewardship Code. We recognize that we must continue to evolve and advance our practices, and we look forward to receiving feedback to inform our future endeavors.



GMO

# GMO CONTACT INFORMATION

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