GMO

Statement Regarding Support of The Japan Stewardship Code

Grantham, Mayo, Van Otterloo & Co. LLC and its related entities[1](collectively, "GMO") are privately owned companies whose sole business is investment management. We are committed to delivering superior investment performance and advice to our clients.

Our mission is to deliver investment outcomes and advice that help our clients achieve their financial goals and fulfill their objectives, benefiting millions of people who rely on these organizations. We partner with a diverse range of sophisticated investors, including leading endowments, foundations, corporate and public retirement plans, sovereign wealth funds, financial intermediaries, and philanthropic family offices. As a privately owned firm focused solely on investment management, we are dedicated to achieving outstanding long-term outcomes for our clients.

At GMO, investment stewardship involves engaging with the companies, countries, and regulators that impact our investments. By utilizing our stewardship tools, such as engagement and proxy voting, we promote high standards of corporate governance and effective management of environmental and social factors. We believe this approach supports the creation of long-term value and enhances the risk-adjusted returns we aim to deliver for our clients.

We are committed to excellence by focusing on the long-term valuation of asset classes and of companies. Our approach includes assessing a company's fundamental growth drivers, its ability to generate sustainable profits, and its willingness to share economic return with minority shareholders. We incorporate measures of the health and stability of investee companies, including accounting integrity and strong corporate governance.

We strive to offer our clients honest advice under all circumstances, regardless of the potential impact on our bottom line. Our patience and long-term perspective, even when it diverges from market consensus, provide significant advantages for our investors. Our private partnership structure allows us to maintain our conviction and align completely with our clients' interests.

We believe that aligning company management's goals with those of its shareholders and other stakeholders is the best way to protect our clients' investments as minority stakeholders. We support the Japan Stewardship Code, which encourages communication and transparency between corporations, investment managers, and their clients.

This document outlines our acceptance of the Code and our approach to each of the core principles presented by the Japan Stewardship Code.

Principle 1: Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities and publicly disclose it.

At GMO, we are committed to fulfilling our stewardship responsibilities by actively engaging with the companies, countries, and regulators that impact our investments. Together, our responsible investment, engagement, and proxy voting policies are designed to promote high standards of corporate governance and effective management of environmental and social factors, which we believe are essential for creating long-term sustainable value and enhancing risk-adjusted returns for our clients.

Our stewardship activities include:

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[1]GMO Singapore Pte. Ltd, GMO Europe LLC, and GMO Australia Limited.

1. **Engagement**: We engage with company management and boards to discuss issues related to corporate governance, environmental sustainability, and social responsibility. Through these dialogues, we aim to influence positive changes that align with our clients' interests. Our engagement principles are centered around transparency, collaboration, and accountability. We believe that open communication and constructive dialogue are key to driving meaningful change and fostering long-term relationships with the companies we invest in.
2. **Proxy Voting**: We exercise our voting rights to support proposals that we believe will enhance shareholder value and promote responsible business practices. Our proxy voting guidelines are publicly disclosed and reflect our commitment to transparency and accountability. We link our engagement activities to voting.
3. **Monitoring**: We continuously monitor the performance and practices of the companies in our investment portfolio. This includes assessing their adherence to corporate governance standards, environmental sustainability, and social responsibility.
4. **Advocacy and Collaboration**: We collaborate with other institutional investors and industry organizations to advocate for best practices in stewardship and corporate governance. By working together, we can amplify our impact and drive meaningful change.

Our engagement policy is publicly disclosed on our website, ensuring transparency and accountability to our clients and stakeholders. We believe that by clearly articulating our approach to stewardship, we can build trust and demonstrate our commitment to responsible investment practices. We have also been accepted as signatories to the U.K. Stewardship Code from 2023 to 2025 and have been a signatory to the PRI since 2017.

Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

At GMO, we recognize the importance of managing conflicts of interest to maintain the integrity and trust of our stewardship activities.

GMO is an independent company owned by its founders and active members, with the management of client monies as its only business. We are not affiliated with any bank, broker-dealer, insurance company, or other related business. We strive to offer our clients good, honest advice under all circumstances, regardless of the potential impact on our bottom line. We believe that our patience—taking a longer-term view, even if it is out of line with market consensus—provides tremendous advantages for our investors. Our ownership structure as a private partnership allows us to maintain our conviction and stand by our beliefs—even at times when they are out of favor—and aligns with our clients' interests.

This is supported by having a strong governance structure that begins at the board level and flows through the organization.

GMO's Board of Directors oversees our stewardship practices, including the integration of material ESG factors into our overall strategy, risk management processes, and decision-making. On a regular basis, senior management and the Head of ESG and Sustainability provide updates to the Board on our overarching responsible investing progress, including discussions on climate change.

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. The ESG

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Oversight Committee is responsible for governing the implementation of our overall ESG and stewardship approach and ensuring firm-wide alignment with ESG priorities. It also acts as a conduit for ESG information flow throughout the firm, including amongst our investment teams, and ensures GMO has the ESG resources we need to accomplish our objectives.

The ESG Oversight Committee uses a few sub-committees to help with the discharge of its responsibilities.

Our Investments sub-committee oversees ESG risks at the firm level. It has three main mandates: 1) govern the Responsible Investment Policy, 2) oversee ESG risk exposures, 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 implementation of our internal "Heightened Review" process, and ensures we are making progress on our net zero commitments.

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 as well as GMO's external stewardship commitments.

GMO's Stewardship governance structures are supported by policies. Our policy on managing conflicts of interest is designed to ensure that our decisions are made in the best interests of our clients and are free from any undue influence.

Our approach includes:

1. **Identification:** We proactively identify potential conflicts of interest that may arise in our investment and stewardship activities.
2. **Management:** We implement robust procedures to manage and mitigate identified conflicts of interest. This includes establishing clear guidelines and protocols to ensure that our actions are aligned with our clients' interests. All GMO personnel receive appropriate training to ensure they are aware of their responsibilities and obligations.
3. **Proxy Voting:** In our proxy voting process, we are vigilant in identifying and managing conflicts of interest. We ensure that our voting decisions are based solely on the best interests of our clients. 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, 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 that conflict is being addressed.

By adhering to these principles, we aim to uphold the highest standards of integrity and accountability in our stewardship responsibilities.

Principle 3: Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

Our approach to managing ESG considerations in our clients' best financial interest is built on three main pillars:

1. **Integration**: We integrate ESG factors into our investment processes where relevant.

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2. **Influence**: We influence companies to provide transparency on how they address material ESG factors and partner with industry, policymakers, and regulators to foster a better environment for our investments.
3. **Investment**: We invest in opportunities for long-term growth identified through an ESG lens, in addition to other means.

At GMO, we aim to monitor all companies in which we invest to identify key drivers for the creation or destruction of shareholder value. We seek to understand the actions taken by company management that may influence these drivers. Aggressive accounting, management behavior, and shareholder friendliness are examples of factors that can impact our assessment.

Each of our individual investment teams is responsible for monitoring ESG and sustainability factors that could materially impact their investments. The ways in which any investment team integrates ESG issues will inherently vary, and as such, we take a differentiated approach to ESG integration that is tailored to each team's process. Investment teams may use quantitative tools, fundamental analysis, and often a combination of quantitative and fundamental approaches in their investment processes.

Equity-oriented investment teams, 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 are integral to our investment vetting process. Unsustainable practices pose risks to future profitability, both from tangible impacts (e.g., regulatory changes) and perception (e.g., reputation risk). Our teams use quantitative screens, including proprietary ESG scoring, to identify material risks. Key drivers of valuation include growth, margins, and competitive advantages. ESG factors influence projections of future growth and profitability, either positively or negatively.

Once companies are included in the portfolio, ESG issues may arise. We engage with company management on ESG issues that we believe will have a material long-term impact on the business. Our ESG team facilitates 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 Japan Equity

The Usonian team manages our Japan equity strategies. The team firmly believes that a robust foundation of governance is essential for addressing environmental and social issues; therefore, it continuously monitors the long-term governance structures of its Japanese portfolio companies.

Usonian acts as a proactive steward of client capital by engaging directly with investee companies to unlock long-term shareholder value. The team's engagement process begins before investment, aiming to understand management motivations and corporate priorities, and continues through building trust, supporting management with global benchmarking and best practices, and, when necessary, influencing outcomes through formal suggestions and proxy voting.

The team's approach is collaborative and constructive, leveraging both local presence and global perspectives, and is underpinned by a disciplined, bottom-up investment process that integrates ESG considerations and seeks to drive positive change in governance, capital allocation, and corporate strategy.

Usonian identifies and manages ESG risks and opportunities at both the individual holding and portfolio levels. For individual holdings, they combine third-party ESG data with their own internal assessments, relying heavily on direct analysis and engagement with companies. Each portfolio company is assigned a Lead Analyst responsible for evaluating ESG factors and collaborating with the ESG and Engagement Leads. Before initiating new positions, the ESG Team Lead conducts a pre-trade assessment that summarizes third-party ratings, internal perspectives, and engagement priorities.

At the portfolio level, ESG dashboards and reporting use MSCI ESG Research data to monitor overall ratings and highlight leaders and laggards. The team may invest in companies with lower ESG scores, aiming to improve them through active engagement, with a target of achieving at least a BBB MSCI rating for all holdings. Portfolio ESG ratings are compared to relevant benchmarks, and a proprietary GMO ESG rating system tracks progress.

Systematic Equity

Our Systematic Equity team primarily leverages quantitative investment approaches, incorporating ESG into risk analysis and portfolio construction processes. Corporate governance is at the forefront of the team's analysis, utilizing 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 assist in the assessment of a company.

The team also incorporates material ESG factors to reduce 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.

GMO employs a combination of top-down and bottom-up investment approaches that blend traditional fundamental insights with innovative quantitative methods to identify undervalued asset classes and securities. Our valuation-based approach relies on several key factors, including a long-term investment horizon, conviction, and a commitment to research. Our research emphasizes not only identifying and exploiting pricing dislocations, but also understanding the long-term drivers of return in the markets and the companies in which we invest.

Firm-level Monitoring

GMO oversees ESG risks at the firm level through the Investments sub-committee. The Investments sub-committee:

- Monitors ESG exposures (as measured by external and proprietary measures, such as the GMO ESG Score),
- Reviews emerging severe controversies at portfolio companies, particularly where Global Compact or other international norms and standards are potentially being breached, and
- Monitors our portfolio carbon footprint progress towards our target 65% reduction.

The Heightened Review process aims to identify and address emerging ESG controversies at portfolio companies as needed.

Engagement with companies is the primary way to mitigate investment risks arising from material controversies at a portfolio company. In some cases, the cost of conducting the engagement exceeds the benefits derived from it. This is often the case for systematic strategies where the positions are smaller and more numerous, and the holding period is uncertain.

The ESG team regularly monitors the portfolio for companies involved in incidents that may negatively impact shareholders and other stakeholders, the environment, or the company's own operations. The ESG team assesses United Nations Global Compact and OECD Multi-National Enterprise Guidelines watchlist and violations, severe and very severe controversy ratings from MSCI and Morningstar Sustainalytics, and continued occurrences of moderate controversies.

Following the review, the ESG team may add the issuer to a proxy voting watchlist, recommend engagement, or place the issuer on the Heightened Review list. The Investment sub-committee must approve additions to the Heightened Review list. Any portfolios holding the issuer must exit their positions in a reasonable timeframe, considering market impact and trading costs. Once positions are exited, the issuer will then be placed on the list and cannot be traded until removed. Once removed from the Heightened Review List, investment teams may trade the security.

Principle 4: Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

GMO believes that using our influence to engage with issuers can be a useful tool to protect, add, and create value in our investments. We prefer to take a constructive approach to our engagements. We aim to build long-term relationships with equity and debt issuers, working with and not against them, to address key risks and create long-term value for all stakeholders. This is a key tenet of being an active and engaged steward of our investments.

In general, the teams that use company engagement as a key part of their process carefully consider situations in which they believe 1) management is undertaking positive change and there is an opportunity to capture the upside potential associated with that change, or 2) the value of strong management has been recognized and is already priced into the security. Ultimately, the process centers upon assessing whether management's decisions and corporate resources are sufficient to execute in a manner that will have a positive or negative impact on the company's value.

At GMO, our investment teams prioritize key issues for engagement that are material to our investments. This selection process often involves fundamental analysis, discussions with management teams and/or board members, GMO's ESG scores, and controversial events. Additionally, our teams emphasize issues related to systemic risks prioritized in our annual Engagement Plan.

We categorize our engagements into three types:

1. **Issuer-driven**: Tailored engagement aimed at value creation opportunities and addressing risks, identified by investment teams as part of their strategy and process. This includes material findings from due diligence, strategies to improve issuer decision-making and practices, promotion of better corporate governance practices, and addressing low GMO ESG scores.
2. **Event-driven**: Engagement aimed at addressing material events posing financial and/or reputational risks, such as severe controversies during ownership and potential violations of Global Compact and OECD Guidelines.
3. **Theme-driven**: Engagement on thematic, often systemic issues prioritized by GMO, such as climate change and diversity, equity, and inclusion. These engagements are identified based on the materiality of the issue, size of holdings, and our ability to influence.

Our methods of engagement are constructive, aiming to build long-term relationships with issuers of equity and debt. We engage directly with issuers, collectively with peers, or through advocacy at the industry level, utilizing written communications and virtual or in-person meetings. When engaging with equity issuers, we communicate with senior

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management or board members. For fixed income issuers, we engage with government officials or investor relations teams.

We distinguish between two main types of engagements: those aimed at obtaining information without specific objectives and those with defined objectives. For the latter, investment teams set measurable, achievable, relevant, and timebound targets. Progress is tracked through a milestone system, and if the issuer's response is unsatisfactory, we may escalate the engagement in a number of ways, including collaborating with peers, voting proxies, advocating for policy and regulation, attending annual general meetings, writing open letters, or deciding to disinvest, potentially fully.

Usonian Team

The Usonian team, which specializes in Japanese equities, considers value enhancement of portfolio companies through engagement to be one of their most important sources of alpha. Even before investing, the team conducts in-depth analyses of businesses and the strengths and weaknesses of target companies through meetings with company management, industry analysts, and sector specialists. After investment, the team continues to provide deep insights and aims to actively share these with portfolio companies in a continuous cycle. In addition, the team collaborates with GMO's ESG team on the latest ESG trends, and regularly meets with regulatory authorities and industry groups about developments in Japanese corporate governance. Through these efforts, the team gathers and examines a wide range of information to help portfolio companies make the best possible decisions.

We believe that holding companies to account through engagement and possible escalation further supplements our ability to steward our clients' investments.

Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.

At GMO, we view proxy voting as an integral aspect of security ownership, conducted with the prudence and duty expected of us as fiduciaries. 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. Our proxy voting aims to encourage and reward effective governance structures and practices, supporting sustainable long-term growth in line with our clients' investment mandates.

We endeavor to promote sustainable practices at portfolio companies, and consider a wide range of topics, including consumer and product safety, environmental and energy issuers, labor and human rights standards, workplace and board diversity, and corporate political issues. While a variety of factors go into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short term or long term on a case-by-case basis.

Our Proxy Voting Policy allows clients to:

1. Delegate to us the responsibility and authority to vote proxies on their behalf according to our Proxy Voting Policy;
2. Delegate to us the responsibility and authority to vote proxies on their behalf according to the particular client's own proxy voting policies and guidelines; or
3. Elect to vote proxies themselves.

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Although we may consider the proxy voting recommendations of our proxy advisor, we remain ultimately responsible for all proxy voting decisions and may vote against the recommendation if we believe it is in the best interest of our clients and the long-term returns of the company, with an emphasis on actions that improve sustainable growth.

GMO's Proxy Voting Policy and voting records are publicly accessible on GMO's website.

Principle 6: Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

At GMO, we employ multiple channels to report on our stewardship practices to clients and other stakeholders. We publish quarterly ESG Reports for select GMO investment strategies and funds, providing summaries of our engagement and voting activities on a 12-month rolling basis. All our proxy voting decisions are updated quarterly and published on https://vds.issgovernance.com/vds/#/MTcz.

For portfolios that mandate public disclosure of proxy votes cast, such as the GMO Trust mutual funds, we file annual reports through regulatory channels, providing disclosure of proxy votes by investee company on an individual agenda item basis.

Annually, we publish our U.K. Stewardship Report summarizing our stewardship activities over the year, including voting and engagement. We have an annual TCFD report that outlines our approach to climate-related financial risk. We also publish our PRI Transparency and Assessment reports. Additionally, our stewardship-related policies, including Responsible Investment, Engagement, and Proxy Voting, are available on our website.

Principle 7: To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgements in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

The integration of ESG factors into GMO investment processes is overseen by our ESG Oversight Committee; however, portfolio managers are ultimately accountable for implementing ESG policies within their strategies. This aligns with our investment-led approach. ESG risks are best managed by the investment teams who are closest to the investments. As such, investment teams are responsible for the integration of ESG risks and opportunities in their investment process and for engagement with issuers as part of the ESG value creation and risk management process.

To oversee, augment, and support these efforts, GMO has six dedicated ESG professionals, split across two key areas: firm-wide ESG & Sustainability and Proxy Voting.

ESG and Sustainability Team

GMO has a Head of ESG and Sustainability, responsible for managing all of GMO's ESG and sustainability-related initiatives. The team also includes an ESG Analyst. The ESG and Sustainability team supports our investment teams by providing 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. The team currently comprises two professionals with over 20 years of combined experience.

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Proxy Voting Team

Our 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 team liaises between investment teams and our Proxy Voting advisor, ISS, to ensure GMO is voting its shares in a thoughtful manner that incorporates GMO's insights and is consistent with our voting policy.

GMO conducts ESG training on an as-needed basis. Aside from 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 employees are encouraged to attend external ESG-focused seminars and events as well 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 Sustainable Investing Certificate and International Financial Reporting Standards (IFRS) Fundamentals of Sustainable Accounting credential.