GMO

STEWARDSHIP & SUSTAINABILITY REPORT

April 2026

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STEWARDSHIP & SUSTAINABILITY REPORT | 2026

Letter from CEO

As GMO approaches its 50th anniversary, it is worth reflecting on what has endured in our investment approach and why it continues to matter.

From the firm's earliest days, we have believed that good stewardship, sound governance, and a clear focus on quality are central to long-term investment success. Across many market cycles, we have seen that well-governed companies and countries are better positioned to manage risk, adapt to change, and create durable value. That belief remains central to how we invest on behalf of our clients today.

Our primary responsibility is, and always has been, to meet our clients' investment objectives. They entrust us with their capital to meet real-world obligations such as retirements, endowments, and long-term savings. Stewardship and sustainability matter to us because they help us understand long-term risks, assess management quality, and make better capital allocation decisions. They are not pursued for their own sake, nor are they treated as a one-size-fits-all overlay—they are tailored to the objectives and constraints of each strategy.

We operate in a global environment, serving clients with differing perspectives on stewardship and sustainability. Our approach is grounded in materiality, fiduciary duty, and long-term investment outcomes.

This report describes how our focus on stewardship and sustainability is governed and implemented across GMO. It sets out our beliefs, the resources and organizational structures that support them, and our activities and outcomes during 2025. It also reflects our recognition that stewardship continues to evolve, shaped by changing markets, emerging risks such as climate and nature loss, and ongoing dialogue with clients and beneficiaries.

We know these are complex and evolving issues. The challenges facing markets and societies continue to change, and so must the practice of stewardship. We are committed to a disciplined, transparent, and investment-focused approach, grounded in our fiduciary responsibilities and informed by decades of experience as long-term investors.

I thank our clients for the trust they place in us. We take that responsibility seriously, and remain committed to acting as careful, independent stewards of their capital.

Scott Hayward
Chief Executive Officer

ORGANIZATION, INVESTMENT BELIEFS, AND STEWARDSHIP APPROACH

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 the 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.

Culture and Values

We have consciously built and nurtured a culture that emphasizes our commitment to clients, inclusivity, and stewardship, while also promoting collaboration, intellectual curiosity, and open, respectful debate. We know we can achieve better results for our clients and higher levels of employee engagement by bringing together people with complementary skill sets, who see things differently and have diverse experiences. We have a long-standing commitment to celebrate and respect differences, and we embrace and value what each of us brings to our work.

Our focus on clients shapes our investment approach. Core to GMO's value system is the pursuit of academically rigorous market research and the candid communication of the 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.

Stewardship and the promotion of good governance standards are ingrained in our investment approach. In the 1980s, GMO pioneered methods for systematically assessing company quality, including evaluating governance. We found that well-governed, high-quality companies with effective management teams are more likely to deliver better shareholder returns, and we have since made quality 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.

We believe that stewardship tools, such as integration, engagement, and proxy voting, promote high standards of corporate governance and effective management of environmental and social factors. This supports the creation of long-term value and enhances the risk-adjusted returns we seek to deliver to our clients.

GMO's emphasis on collaboration in our firm's culture underpins our stewardship philosophy. Teams throughout the company contribute to ESG strategy development and application. This approach enhances employee awareness, fosters support for ESG as a strategic objective, and enables rigorous, consistent ESG integration across most investment teams.

Clients

At the end of 2025, GMO managed USD 78 billion on behalf of 641 clients worldwide.

Since our founding in 1977, our client base has evolved from primarily U.S.-based institutional investors 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, investors in GMO's Exchange-Traded Funds, and private individuals. While the majority of our clients are still based in North America, we have seen considerable growth in 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. 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 in their respective 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 consistent reporting, communication, and overall client experience and account administration.

Diversity, Equity, and Inclusion

A core value of GMO is our belief that diverse perspectives achieve better results for our clients, supported by an inclusive culture that promotes engagement and collaboration.

DEI APPROACH

Our focused attention on diversity, equity, and inclusion (DEI) allows GMO to forge deeper relationships with globally diverse groups, including prospective employees, clients, and business partners. Inclusive workforce benefits—flexible work arrangements, open paid time-off policies, parental leave, backup dependent care, and a charitable gift-matching program—support our employees, increase retention, and attract new talent.

Consistent with this belief, GMO was one of the early signatories of the CFA Institute's Inclusion Code. Signatories of the Code must demonstrate ongoing commitment to six key principles across the areas of pipeline, talent acquisition, promotion and retention, leadership, influence, and measurement. Our DEI efforts, which span three areas of focus on outreach, inclusion, and communications, are employee-led through GMO's Diversity, Equity, and Inclusion Group. The group includes employees across global offices and from all areas of the firm. Our Engagement and Talent Acquisition Lead, Melissa Gallagher, evaluates our DEI activity overall and helps establish best practices for the firm.

BUILDING A DIVERSE, INCLUSIVE, CARING FIRM

Identifying and hiring candidates from a wide range of backgrounds and perspectives is essential to cultivating a diverse workforce. GMO integrates diversity considerations throughout the recruitment process, including partnering with search firms that demonstrate a commitment to diverse candidate slates. We also train hiring managers and interviewers to ensure the process is conducted professionally and free from unconscious bias. We also partner with organizations that support early-career talent in underrepresented communities and utilize their alumni networks to fill full-time employment opportunities. One program we are particularly proud of is our multi-year rotational associate program, designed to recruit and develop diverse, early-career talent. Associates rotate across Investments, Technology, and Operations and engage regularly with firm leadership. Since its inception in 2019, the program has developed talent from 14 universities, with over 90% of participants converting to permanent roles at GMO.

EMPLOYEE SUPPORT, BENEFITS, AND INCLUSION PROGRAMS

GMO provides benefits that support an inclusive workforce, including flexible work arrangements, open paid time-off policies, parental leave, backup dependent care, and charitable gift matching. We also offer employees financial support for participation in external affinity organizations.

Beyond these benefits, GMO promotes DEI through a combination of employee development, cultural recognition, community engagement, and required training. These efforts include:

- **Employee development and leadership:** Sponsoring employee participation in women's leadership forums, such as the Simmons Leadership Conference, the Massachusetts Conference for Women, and the CFA Institute's Women in Investment Management Conference.
- **Cultural awareness and recognition:** Observing and recognizing key cultural and heritage events throughout the year, including Lunar New Year, Black History Month, Pride Month, International Women's Day, and Veterans/Armistice Day.
- **Community engagement:** Supporting employee-nominated civic, cultural, educational, and healthcare organizations through GMO's Charitable Giving Program, including organizations such as the Food Bank of Australia, the American Foundation for the Prevention of Suicide, Girls on the Run, and Understanding Disabilities.
- **Training and accountability:** Requiring annual training on GMO's policies against harassment and discrimination.

FAIR PLAY AND WORKPLACE EQUITY

Ensuring fairness in compensation is a core component of workplace equity. GMO conducts blind compensation reviews prior to approval to assess outcomes from a gender-equity perspective. To date, these reviews have not identified significant compensation gaps.

RECOGNITION AND INDUSTRY LEADERSHIP

GMO's longstanding commitment to diversity, equity, and inclusion is demonstrated through external recognition from respected organizations focused on advancing inclusive and equitable practices within the investment industry.

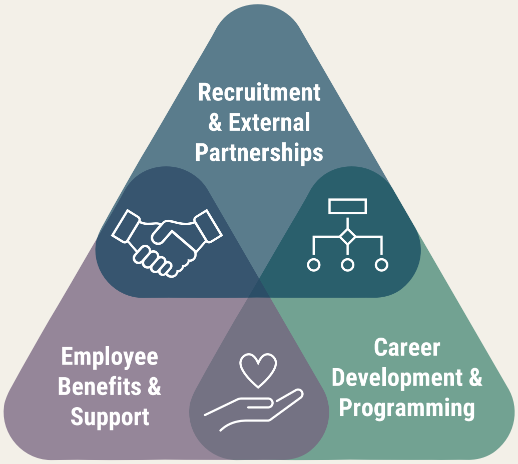
- **Workplace inclusion:** Recognized by the Human Rights Campaign Corporate Equality Index for maintaining policies, benefits, and practices that support LGBTQ+ employees and their families.
- **Gender equity in investment management:** Recognized by 100 Women in Finance through its Americas Industry DEI Awards for advancing opportunities for women in the finance industry.
- **Ongoing commitment:** These recognitions reflect GMO's continued focus on fostering an inclusive workplace that values and respects differences.

DIVERSITY MEASUREMENT AND REPORTING

We believe diversity of thought, knowledge, experience, and background leads to better results for our firm and our clients. As part of our commitment to continuing and improving these practices, we measure outcomes and employee engagement in our DEI programs. Where legally permissible and on a voluntary basis, we collect and report workforce diversity data.

DEI AT GMO

Diverse teams and an inclusive, caring culture achieve higher engagement and better client results



Recruitment & External Partnerships

- Partnerships that source and foster diverse talent
- One of the first 16 signatories to the CFA Institute's Diversity, Equity, and Inclusion Code for the investment profession in the U.S. and Canada
- Internal interview training emphasizing selection from diverse candidate pools and utilizing diverse interview teams
- Rotational associate program aimed at attracting diverse talent to the industry

Employee Benefits & Support

- Comprehensive benefits to support self-care, parents, domestic partners, and caregivers
- Flexible work arrangements, paid leave of absence and open paid time-off practices
- Recognition, celebration, and education of diverse cultural topics and events (e.g., Black History Month, Pride Month, International Women's Day, Social Responsibility, etc.)
- Financial support for participation in professional affinity and industry groups
- 100% GMO match for employee charitable contributions

Career Development & Programming

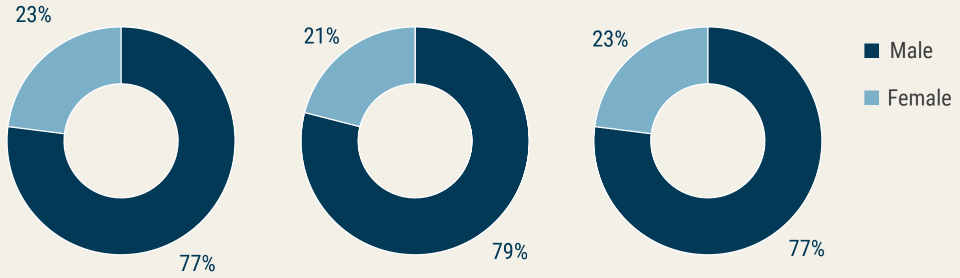
- GMO cross-functional DEI Working Groups
- GMO Mentoring Program
- Sponsorship of employee participation in affinity group conferences (e.g., Simmons Leadership Conference, etc.)
- GMO-sponsored global networking events (GMO Connect), including a series of "Investment Conversations for Women"
- Training sessions focused on DEI (e.g., Implicit Bias, Harassment and Discrimination Policies, DiSC, etc.)

DIVERSITY AT GMO

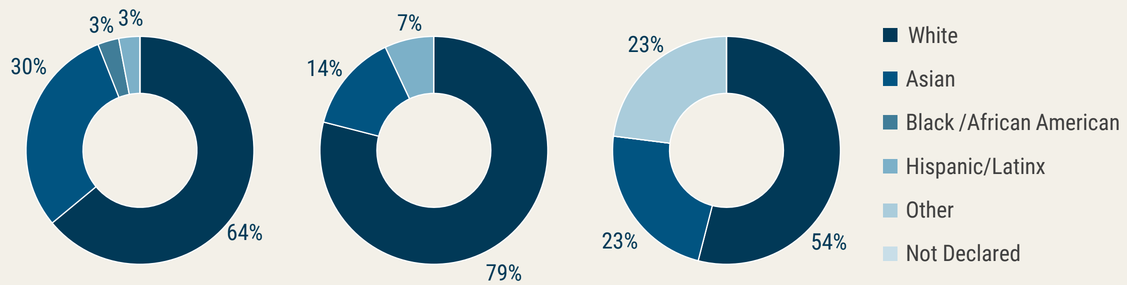
Annual U.S. Hiring Stats

2025: 30 NEW HIRES 2024: 14 NEW HIRES 2023: 13 NEW HIRES

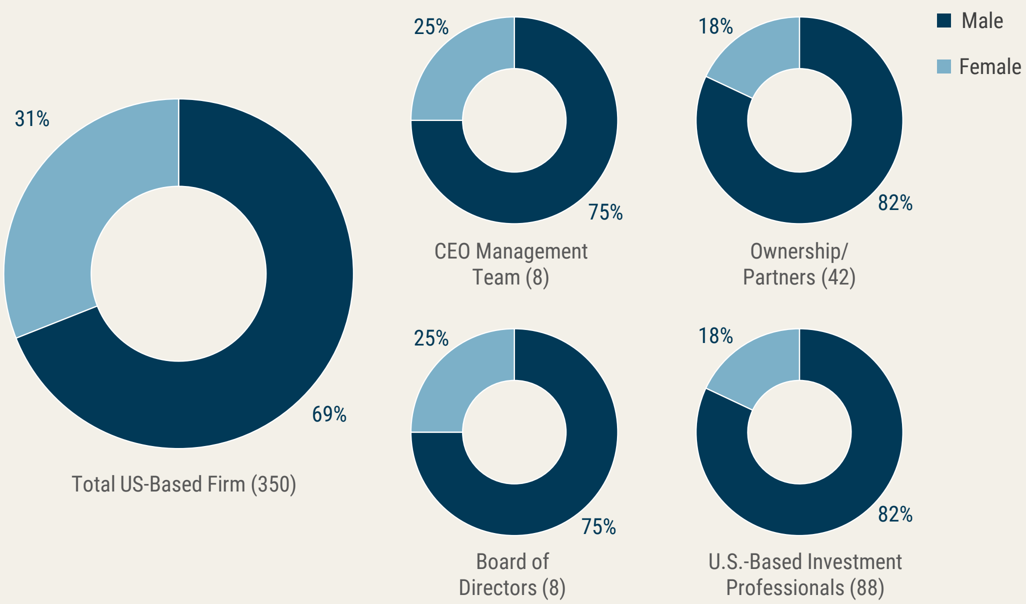
Gender Diversity



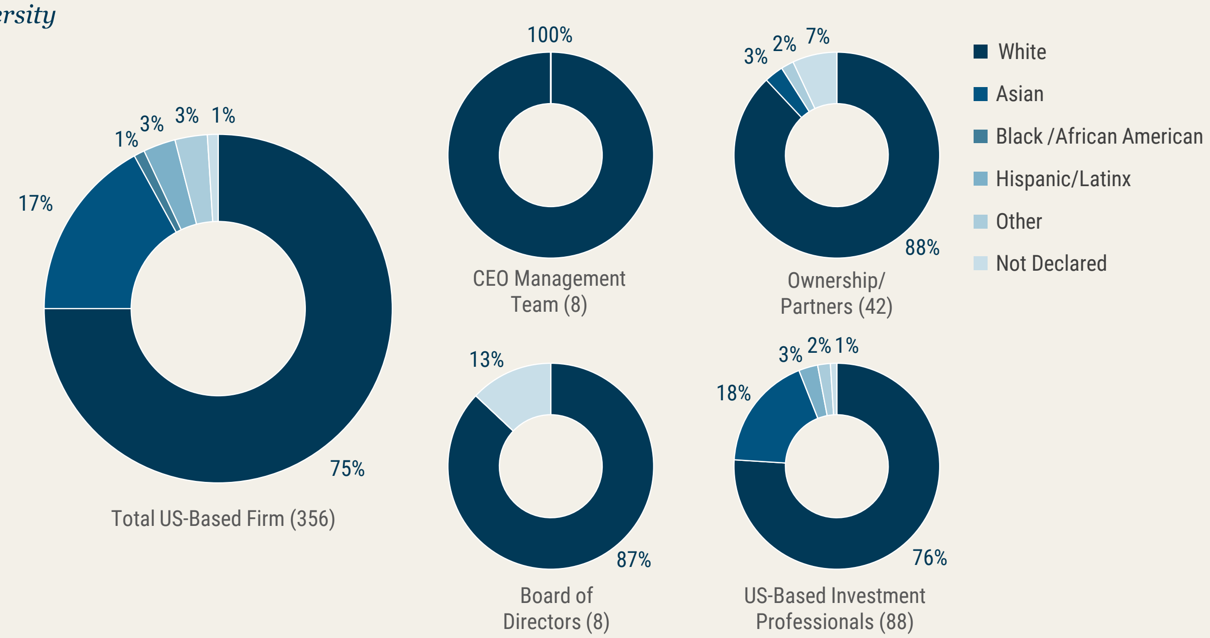
Racial/Ethnic Diversity



Gender Diversity



Racial/Ethnic Diversity



As of 12/31/2025

These statistics are self-reported by our U.S.-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 U.S. and Non-U.S.-based owners/partners

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 65%, including equities held within multi-asset class strategies) in developed and emerging markets. Our stewardship reporting is therefore focused primarily on equity activities.

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 anticipate and respond to client needs. We offer investment solutions in areas where we believe we are well 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.

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. GMO's investment processes 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 expensive ones.

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.

KEY STATISTICS

Headquartered in Boston

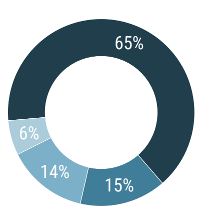
With offices in London, Amsterdam, Sydney, Singapore, San Francisco,* and Tokyo**

434 Employees

104 Investment Professionals

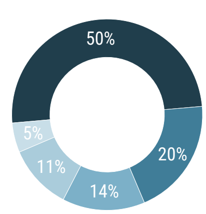
ASSETS UNDER MANAGEMENT: $78 BILLION

BY ASSET CLASS



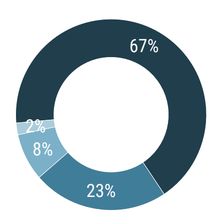
Equities
Multi-Asset Class
Fixed Income
Alternatives

BY CLIENT TYPE



Traditional Institutional
Intermediary
High Net Worth
Sub-Advisory
ETF Investors

BY GEOGRAPHY



North America
UK/Europe
APAC
Middle East & Other

As of 12/31/2025 | 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.

* 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.

** Representative office.

Stewardship Strategy

Our business model and culture shape a stewardship philosophy that is practical, investment-led, and anchored in accountability: we push responsibility for stewardship to the people best placed to manage it. In practice, that means our portfolio managers—who make the buy, sell, and position-sizing decisions—own the full set of risks in their portfolios, including sustainability and stewardship risks, and integrate those considerations alongside fundamental investment analysis. In our fundamentally driven strategies, portfolio managers develop long-standing relationships with the companies in which they invest. This access, combined with a detailed understanding of the business, makes stewardship a natural extension of their investment work rather than a separate overlay. As a result, engagement priorities, escalation decisions, and proxy voting inputs are informed by the same rigorous, long-term perspective that guides capital allocation, reinforcing our aim to protect and enhance value for clients.

We believe ESG factors can have a meaningful impact on the long-term success of companies and countries. 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.

GOVERNANCE & RESOURCES

Stewardship Resources

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

BOARD OF DIRECTORS

GMO's Board of Directors oversees the integration of stewardship and sustainability into our investment strategy, risk management processes, and decision-making. The Head of ESG and Sustainability regularly provides updates to the Board on our overarching responsible investing progress. The Board also gets specific updates and education on topical ESG issues.

The Board reviews GMO's Stewardship and Sustainability Report (which includes reporting requirements under the UK Stewardship Code), our PRI Assessment Response, and our TCFD-aligned Climate Change Report. The Board supports global efforts to achieve net zero carbon emissions across the economy by 2050, and it supports GMO's decision to withdraw from the Net Zero Asset Managers initiative.

ESG OVERSIGHT COMMITTEE

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

The 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, and increasing member engagement.

The Committee took inventory of the firm's ESG activities, policies, commitments, memberships, and reporting, maintaining accountability and delegating responsibilities to the subcommittees and the ESG team. Importantly, it delegated routine annual approvals to the subcommittees, allowing the Committee to focus on directing and overseeing strategic priorities.

The Committee includes members of GMO's management team and other senior stakeholders. Chaired by our Head of ESG and Sustainability, Deborah Ng, the Committee comprises senior GMO staff, empowered by the CEO to make decisions on the firm's ESG strategy. 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 make ESG a firm-wide priority and enabling seamless integration and the sharing of ideas, knowledge, and resources across teams.

The ESG Oversight Committee is shown below.

ESG SUBCOMMITTEES

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

Investments Subcommittee

The Investments subcommittee has a broad range of responsibilities, including:

- Governing Responsible Investment Policy
  - Firm-wide views on topical ESG issues
- Overseeing firm-level ESG risks
  - ESG Score exposures
  - Heightened Review process
- Overseeing climate change action plan
- Progress initial net zero targets

The subcommittee is led by Head of Investment Teams, George Sakoulis, and Head of Investment Risk, Anna Chetoukhina. 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.

Stewardship Subcommittee

Our Stewardship subcommittee oversees investment-related stewardship and is co-chaired by General Counsel Phil Zachos and Head of ESG and Sustainability Deborah Ng. The Stewardship subcommittee is charged with overseeing proxy voting and engagement activities at a firm level, including:

- Governing the Engagement and Proxy Voting policies and overseeing the annual Stewardship Plan
- Overseeing GMO's proxy voting process, and resolving conflicts of interest
- Approving stewardship-related memberships, commitments, endorsements, and collaborative initiatives

Members include representatives from GMO's Focused Equity, Usonian Japan Equity, and Systematic Equity teams as well as from ESG and Sustainability, Global Client Relations, Investment Product Strategy, and Proxy Voting teams.

Stakeholder Strategy and Communications Subcommittee

The Stakeholder Strategy and Communications subcommittee is co-chaired by George Sakoulis, Head of Investment Teams, and Holly Carson, Head of North American Consultant Relations. The subcommittee forges a strong connection between investment practices and stakeholder expectations to advance our ESG and sustainability practices.

The subcommittee 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 approves and helps to evolve existing reporting, such as this Sustainability and Responsible Investing Report, the PRI Assessment, and other ESG-related client reporting.

ESG OVERSIGHT COMMITTEE

Board of Directors

↓

Scott Hayward | *Chief Executive Officer*

↓

Oversight Committee

Deborah Ng | *ESG & Sustainability (Chair)*
Holly Carson | *Consultant Relations*
Anna Chetoukhina | *Investment Risk*
Roy Henriksson | *Investment Risk*
Andy Martin | *Investment Product Strategy*
Greg Pottle | *Chief Compliance Officer*
George Sakoulis | *Investment Teams*
Dina Santoro | *Chief Operating Officer*
Hylton Socher | *Chief Technology Officer*
Phil Zachos | *General Counsel*
Nicole Zimmerman | *Human Resources & Facilities*

ESG AND SUSTAINABILITY TEAM

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

PROXY VOTING TEAM

GMO's proxy voting efforts are overseen by the Stewardship subcommittee and executed by the Proxy Voting team. Each team member 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.

TRAINING AND EDUCATION

GMO provides ESG training across the firm, not only within investment teams. The ESG team coordinates internal training sessions for relevant functions, and all new employees complete an onboarding program that includes an overview of GMO's investment philosophy and ESG approach. Training materials are recorded and reused as appropriate.

ESG training is delivered on an as-needed basis and focuses on practical topics that support investment and stewardship activities, such as ESG integration tools, emissions analysis, engagement, impact reporting, and emerging sustainability risks.

Learning also occurs through regular collaboration across teams as investment professionals share insights and apply ESG knowledge within their own processes. This primarily happens through committee, team, and working group meetings.

Employees are encouraged to attend external ESG-related seminars and events, and GMO supports professional development by financially sponsoring participation in selected ESG education programs, including recognized ESG and sustainability credentials, such as the CFA Sustainable Investing Certificate program and the International Financial Reporting Standard Fundamentals of Sustainable Accounting credential.

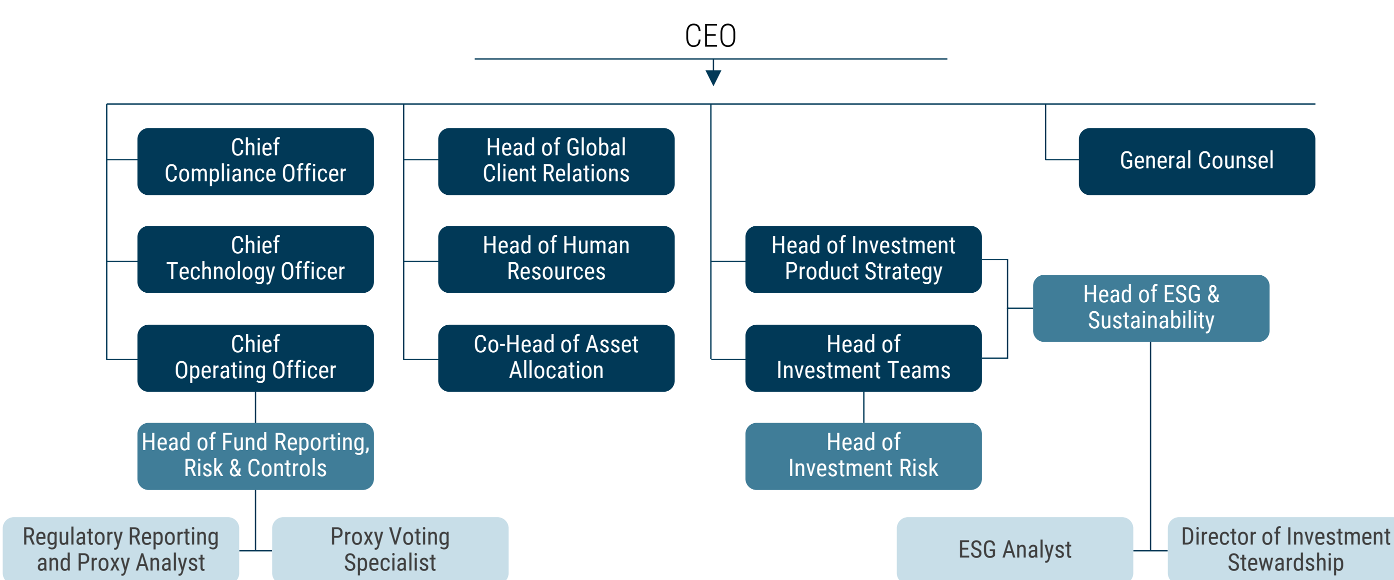
COMPENSATION AND INCENTIVE STRUCTURE

Our primary goal at GMO is to deliver strong long-term investment results for our clients. We believe integrating ESG helps us manage risk and improve outcomes, so ESG considerations are embedded in how we operate and invest. GMO employees are expected to contribute to these efforts as part of their broader responsibilities. Employees, including those on the ESG team, receive a variable annual bonus amount that depends on individual performance, contributions to the team's performance, and GMO's overall success.

Stewardship Tools and Providers

GMO relies on both quantitative and fundamental analysis in our investment processes. Data is key to success in both areas because our techniques are only as good as the data they analyze. For that reason, our investment teams undertake rigorous analysis and testing of potential new data sources,

ORGANIZATIONAL CHART



including vetting data service providers and leveraging GMO's vendor risk management process, described in the next section. We evaluate not only data quality, but data coverage and potential gaps. This is important in understanding 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.

ESG DATA, SYSTEMS, AND PROVIDERS

GMO leverages a variety of ESG services, 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. Thus, we seek to use multiple data sources and build our own data tools to leverage and analyze combined data. We continually evaluate our existing data sources for relevance, accuracy, quality, and coverage.

GMO has also developed proprietary data and tools to support integration and engagement.

GMO ESG SCORE

We developed a GMO ESG Score that our investment teams can use to achieve a multifaceted picture of companies' exposures to ESG risks. We combine data from two ESG data vendors, MSCI and LSEG Data & Analytics, to create our ESG Score. Our framework considers the historical management of ESG, outcomes, and real-time events.

The ESG Score is weighted using the Sustainability Accounting Standards Board's (SASB) materiality weighting and GMO's own expertise to achieve a more well-rounded fundamental and statistical picture of the variables at play. This provides stronger conclusions than could be generated from any individual source.

The ESG Score is recalibrated annually to ensure that the model captures evolving ESG materiality and incorporates insights we have gained from our use of the tool.

This tool can be used in a number of ways by Investment teams:

- In fundamental analysis as additional data points and perspectives for consideration
- In systematic strategies as a portfolio construction tool
- In asset allocation strategies as an input into asset class forecasts
- At the firm level to understand aggregate ESG exposures

INDIRECT EMISSIONS

Value chain or "indirect" emissions make up an estimated 80% of a company's total emissions footprint.[1] Yet investors seeking to mitigate their exposure to emissions and achieve net zero

1 https://www.carbontrust.com/our-work-and-impact/guides-reports-and-tools/what-are-scope-3-emissions-and-why-do-they-matter

ESG Data Source	*GMO Use*
MSCI	▪ Input into GMO ESG Score and assessments of severe ESG risks for portfolio monitoring, engagement, and exclusions ▪ Fundamental ESG research, ESG scores, and data used in risk assessments and engagement ▪ Emissions data for portfolio construction, monitoring, analysis and reporting
LSEG Data & Analytics	▪ Raw unscored ESG data used as input into the GMO ESG Score ▪ Green revenue data for portfolio construction, reporting, and engagement
S&P Trucost	▪ Primary provider of carbon emissions data fused to measure portfolio carbon footprint and weighted average carbon intensity for net zero commitment and Indirect Emissions model, as well as for portfolio monitoring, analysis, and reporting
CDP	▪ Data from CDP used as input into assessing companies' management of climate change risks and opportunities, to help us identify targets, and to conduct research for engagement
Morningstar Sustainalytics	▪ Supports assessment of ESG controversies for portfolio monitoring, engagement, and exclusions
ISS	▪ Proxy voting research ▪ Voting data
EDGAR	▪ Sovereign emissions
Transition Pathway Initiative	▪ For assessing company's transition-readiness supporting integration, engagement, benchmarking, and reporting
OECD	▪ Sovereign social and governance indicators ▪ Input into Indirect Emissions
Science-Based Targets initiative	▪ For assessing company's transition-readiness, supporting integration, engagement, benchmarking, and reporting

targets tend to focus on direct ("scope 1") emissions and indirect emissions from purchased heat and electricity ("scope 2"). GMO cannot effectively manage climate change risks to a portfolio without having a complete picture of our exposures.

Given the challenges inherent in scope 3 data, in 2022, our ESG Research team developed the GMO Indirect Emissions model to estimate direct emission flows between companies within value chains (see Integrating Stewardship and Investment: GMO Indirect Emissions Model).

The GMO Indirect Emissions model provides our investment teams with insight into which companies are most and least exposed to climate transition risks. In portfolio construction, integrating indirect emissions data can fundamentally change security selection, portfolio weights, and engagement candidates.

SYSTEMS

Salesforce

We have leveraged our Global Client Relations team's Salesforce platform to develop a custom application to track issuer interactions across the firm. Proxy data from ISS is loaded into Salesforce so that investment teams have easy access to both engagement and proxy data from a single portal.

Aladdin

The majority of our firm-level data has been ported onto Aladdin, BlackRock Solutions' (BRS) Investment Book of Record system. BRS has direct partnerships with many ESG data providers. We view and utilize this data directly in Aladdin, sometimes adding logic on top in the user interface for ESG metric calculations. We can also push data from other sources onto the Aladdin platform. This includes: 1) other ESG data providers that GMO is licensed to use (and that aren't already partnered with Aladdin); 2) public data sources, such as the EDGAR database for sovereign emissions; and 3) proprietary GMO data, such as the ESG score and Indirect Emissions. For this data, we do extensive data quality checks on the process to ensure accuracy. These checks include extensive code review, safety features that ensure data is loaded for the current date only, new unit tests, and working with BRS to fix known problems with historical data.

ISS

GMO works with ISS STOXX (ISS) to receive proxy voting research, execute votes, and provide proxy voting reporting services. Members of GMO's Investment, Stewardship, and Proxy Voting teams utilize a variety of tools (including automated delivery of proxy voting research and recommendations via ISS Communicator and regular voting operations through ISS's voting platform, ProxyExchange) to assist with the full proxy voting workflow.

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 oversee external service providers.

We conduct due diligence reviews focused on security, data privacy, business continuity, disaster recovery practices, and the vendor's operational controls. We use a third-party vendor management system that enables cross-functional collaboration and centralizes 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 through a combination of interviews, written responses, and requests for supporting information. Results would then be discussed and approved by the Stewardship subcommittee.

ISS is our current proxy advisor. In the event of a re-evaluation, candidates would be assessed against the following criteria, which ISS currently meets:

- Analytical capability to evaluate items on the ballot
- Timely, well-supported research underpinning recommendations
- Responsiveness to GMO's ad hoc requests
- Processes to obtain current, accurate information (including from issuers and clients)
- Use of appropriate inputs in developing methodologies and peer groups (including issuer-specific considerations)
- Transparency of methodologies and how they are applied to specific recommendations

- Third-party information sources used in forming recommendations
- Approach to engagement with issuers and other stakeholders
- Policies to identify, disclose, and manage conflicts of interest (including non-proxy services and affiliations)
- Any errors, deficiencies, or weaknesses that could materially affect research or recommendations
- Whether methodologies and guidelines are updated appropriately, including in response to issuer and shareholder feedback
- Disclosure of material business changes and any related conflicts of interest

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.

POLICIES, PROCESSES, AND REVIEW

Our ESG subcommittees 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 subcommittees is to review policies and processes related to stewardship activities in each focus area.

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. The Investment and Stewardship subcommittees, 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.

RESPONSIBLE INVESTMENT POLICY

Our Responsible Investment Policy outlines how we integrate ESG factors at the firm and strategy levels, how we address systemic risks such as climate change and nature loss, and the tools and processes, such as the GMO ESG Score, Indirect Emissions, and Heightened Review, we use to support our efforts. The policy was last reviewed and updated in 2026.

Key enhancements to the 2026 Responsible Investment Policy include:

- Updated ESG oversight charter and subcommittee mandates
- Expanded definitions of E, S, and G factors and systemic risk factors, such as climate change and nature loss
- Addition of nature-related risks and opportunities section
- Description of ESG integration tools and processes, such as the GMO ESG Score and Heightened Review

ENGAGEMENT POLICY

Our Engagement Policy guides our direct and collaborative engagements at the issuer and industry level. It outlines our governance and oversight structure for proxy voting and engagement activities and defines our engagement framework, including principles, governance, prioritization, objective-setting, progress milestones, and escalations. This policy was last reviewed in 2026. The key change to the policy was the addition of an explicit escalation process.

PROXY VOTING POLICY

Our proxy voting activities are governed by GMO's Proxy Voting Policy. It outlines the selection process for appointing a proxy advisory firm, our proxy voting procedures, and how we identify and manage potential conflicts of interest in proxy voting. The Proxy Voting Policy is reviewed annually to reasonably ensure it has been implemented effectively, including whether it continues to be reasonably designed to ensure that GMO's approach to voting proxies is in its clients' best interests. Our Proxy Voting Policy was last reviewed in January 2026. Key changes to the policy in 2026 were made to incorporate the establishment of the GMO ETF Trust, for which GMO serves as investment advisor, along with GMO Trust.

EXCLUSION APPROACH

Investment guideline compliance includes the implementation and maintenance of exclusion lists where appropriate or required for certain GMO strategies and separately managed accounts. GMO's compliance system tests exclusion lists on a pre-trade basis (i.e., when a particular trade is flagged as being on an exclusion list, the system issues an alert that must be addressed before the trade goes to market). Exclusion lists are also tested post-trade to monitor compliance with existing holdings, as they are updated periodically.

AI POLICY/GOVERNANCE FRAMEWORK

GMO has established a Generative Artificial Intelligence Governance Committee to evaluate and approve AI tools and set policy surrounding their use. AI tools are used in various areas, including software engineering, research, and general productivity. Human oversight and validation are key components of sensitive use cases. Access to unapproved AI tools is systematically restricted, and vendor due diligence is required before onboarding any AI platform to verify data handling practices and information security safeguards.

CYBERSECURITY

GMO's Information Security Policy sets forth administrative, technical, and physical safeguards designed to protect the security and confidentiality of sensitive information in a manner consistent with industry standards, to protect against anticipated threats or hazards to the security or integrity of such information, and to protect against unauthorized access to or use of such information. GMO's Information Security Policy is reviewed no less frequently than annually, taking into account changes to GMO's risk profile.

Complete, Fair, and Balanced Reporting

We actively engage our clients and consultant partners regarding stewardship reporting, and we use their feedback to improve our communications in ways that support their needs and objectives. We share this information through numerous channels, including due diligence questionnaires, client meetings, customized client reporting, standard periodic client reporting, and ad hoc responses to client-specific inquiries. In 2025, we responded to over 750 due diligence questionnaires on general or specific investment and client issues, 35 of which included dedicated or standalone ESG modules.

We post voting outcomes for our mutual funds and funds that fall under the EU Shareholder Rights Directive II on our website. Our external reporting mirrors both U.S. (N-PX) and international (SRD II) requirements of disclosing 1) meeting details (company name and 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 and in our quarterly ESG Client Reports.

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 easy-to-understand reporting. In 2025, we launched an enhanced quarterly ESG Client Report. The new ESG Client Reports include information on our engagement and voting activities, alongside other ESG and climate change KPIs.

Our stewardship activities are externally assessed through reporting to the PRI and to the FRC in this Stewardship and Sustainability 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 feedback from these external assessments as an opportunity to review and enhance our practices.

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 Investment, Legal, Compliance, ESG, Regulatory Reporting, and Operations, which are responsible for ensuring accuracy. 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 review and comment. After incorporating any comments from the Committee, the final draft report is discussed and submitted to GMO's CEO for final approval. The PRI Assessment is shared internally with relevant groups to help us improve our best practices.

CONFLICTS OF INTEREST

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 are 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 understand their responsibilities and obligations.

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

To support monitoring of the above policies and procedures, we offer several examples of our ongoing processes for identifying and mitigating conflicts:

- We conduct a performance dispersion review as part of our adherence to Global Investment Performance Standards (GIPS).
- GMO's SOC1 Type II internal controls report is reviewed by PricewaterhouseCoopers, GMO's independent auditor.
- All GMO employees complete an annual training course on our Code of Ethics, Gifts and Entertainment Policy, Insider Trading Policy and Procedures, and Anti-Bribery and Corruption Policy.
- All GMO employees report 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.

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 or execution process. These procedures may include blocking/aggregating orders or limiting the volume of subsequent orders.
- **Proxy Voting:** 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 detailed in Exercising Rights and Responsibilities: Proxy Voting.
- **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., investing operational cash in U.S. Treasury securities).

- **Management of Multiple Accounts:** GMO has implemented policies and procedures that seek to ensure that no client account receives 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 to avoid the potential that information learned in these interactions may be used for personal gain.

Conflict of Interest Examples

Pre-2026 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 this pension plan were to evaluate GMO as an investment manager, 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 conflicts exist between the offered position and GMO's trading activity.

DIALOGUE WITH CLIENTS AND BENEFICIARIES

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 regarding disclosures.

Clients receive regular written and data reporting on their GMO investments, as described in the table. 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 ▪ 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.

Stewardship Reporting

We report on our investment, voting, and engagement activities in this Stewardship and Sustainability Report, which is publicly available on GMO.com. We also provide quarterly updates to our new ESG Client Reports. We may also prepare more tailored reports upon client request.

Addressing Client Input

We always strive to incorporate client feedback into our stewardship approach and reporting.

One of the driving factors for creating the Stakeholder Strategy and Communications subcommittee 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 the metrics investment teams use in their own investment processes, if relevant.

For example, a client requested that we evaluate climate scenario analyses. We examined the methodology and assumptions that underpinned 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 in selecting 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 over a multi-year period and released in 2023 to address challenges we identified in scope 3 emissions standards, was a step toward understanding transition risk through the lens of total emissions exposure.

GMO ANNUAL CONFERENCE

GMO hosts annual conferences to share our research and market perspectives, and to gather feedback from clients around the world. We host one such conference in Boston and one in London, which we supplement throughout the year with regional client events in key geographic areas.

Our conferences are well attended (we had 144 in-person and 337 virtual attendees in 2025), and we make the content available to all clients after the event. The 2025 GMO Conference, Disciplined amid Disruption, showcased our research on a variety of topical geopolitical, economic, market, and sustainability issues. Some key sessions from the 2025 GMO Conference included:

- Quality Investing: Opportunities in Healthcare
- From Safe Haven to Risk Asset? Rethinking Treasuries in the Age of Deficits
- Hidden Carbon: How Indirect Emissions Reshape Portfolio Construction and Stewardship Strategy
- The Electricity Tipping Point: AI and the Next Energy Boom
- The Great Supply Chain Shuffle: Global Opportunities from Trade Rebalancing

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 makeup 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 communication methods 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 up to date on the status of their GMO investments. In 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 range of GMO experts to multiple clients simultaneously, allowing us to gauge client interest in a variety of topics and use investment team resources efficiently. Attendees are then asked to complete post-event surveys about the content and their experience. We review all feedback internally to identify opportunities to improve our client communications over time.

INTEGRATING STEWARDSHIP AND INVESTMENT

Our approach integrates ESG factors into the investment process to provide a more comprehensive view of risks and opportunities and to support our objective of delivering long-term, risk-adjusted returns for our clients. We do this by:

- Considering systems-level risks and opportunities in line with our fiduciary duty to govern clients' investments,
- Integrating ESG factors through top-down and bottom-up processes, supported by a range of tools across distinct portfolios, and
- Stewarding our assets through engagement, proxy voting, and advocacy.

For systems-level monitoring, see Promoting Well-functioning Markets: Systems-level ESG Considerations.

Each investment team is responsible for identifying, assessing, and managing ESG considerations within their asset class and market-specific analysis. Because approaches vary by team, we tailor our support to each team's process. Teams may use quantitative tools, fundamental analysis, or both, and may apply different weights to ESG factors and different strategies for selection, retention, realization, and engagement.

GMO's ESG team uses top-down approaches to monitor and address systemic and material risks. The team supports investment teams by providing subject-matter expertise on environmental, social, and governance factors, centralized ESG issue monitoring, and proxy voting and engagement activities. GMO's Proxy Voting team provides vote execution, analysis, and reporting.

Integration at the Firm Level

GMO oversees firm-level ESG risks through the Investments Subcommittee. The Investments Subcommittee:

- Monitors ESG exposures (using external and proprietary measures, such as the GMO ESG Score),
- Reviews emerging severe controversies at portfolio companies, particularly where the UN Global Compact or other international norms and standards may be breached, and
- Tracks progress toward our target 65% reduction in portfolio carbon footprint.

This monitoring helps uncover concentrated or systemic risks that could have significant impacts across GMO strategies and asset classes.

MONITORING ESG EXPOSURES

The Risk team monitors and reports the firm's aggregate ESG Scores across all strategies. In 2025, the team began incorporating the GMO ESG Score alongside traditional MSCI ESG Scores to highlight period-over-period changes and differences between GMO and MSCI. The team is working with Technology to develop attribution analytics to support this work. When complete, the tool will help the Risk team identify key drivers and drill down to underlying sources. Through 2025, there were no material changes or differences in overall scores.

HEIGHTENED REVIEW PROCESS

The Heightened Review process aims to identify and, where necessary, address emerging ESG controversies at portfolio companies.

The ESG team regularly monitors the portfolio for incidents that may negatively affect shareholders and other stakeholders, the environment, or a company's operations.

The team assesses new UN Global Compact and OECD Guidelines for Multinational Enterprises watchlist/violation flags, severe and very severe controversy ratings from MSCI and Morningstar Sustainalytics, and continued occurrences of moderate controversies. We assess events based on severity and scale of impact, responsibility for impact, likelihood of repetition, societal sensitivity, and the company's ability to remediate. As part of the review, we consider research from both providers and may meet with their analysts, review company materials, and/or consult external sources.

Following the review, the team may take one of the following actions:

- No action
- Monitor for future developments

- Add to a proxy voting watchlist for review and votes
- If held in a fundamentally managed portfolio, flag and review the risk with the investment team
- If held in any other portfolio, the ESG team may recommend engagement or placement on the Heightened Review List (HRL)
- If not held by GMO, recommend placement on the HRL

The Investments Subcommittee must approve additions to the HRL. Portfolios holding the issuer must exit positions within a reasonable timeframe, taking market impact and trading costs into account. After positions are exited, the issuer is placed on the HRL and cannot be traded until it is removed. Once removed, investment teams may trade the security again. Removal requires an in-depth ESG risk assessment and Investments Subcommittee approval.

OUTCOME: In 2025, we reviewed 134 cases that were flagged by third-party research providers as severe.

	Total	*Held by GMO*
Total	134	52
UNGC or OECD Watchlist	125	49
UNGC or OECD Violations	4	2

CASE STUDY: A quasi-sovereign issuer was flagged for ongoing activities in conflict zones, including providing material support to armed groups. GMO did not have any holdings in this issuer at the time, and the Investments Subcommittee placed the issuer on the HRL following the assessment. However, the issuer was a constituent of the Emerging Country Debt (ECD) benchmark, indicating it was a potential investment.

The ECD team conducted their own investigation and confirmed that the issuer exited operations in the conflict area and maintains a robust human rights due diligence framework aligned with the UN and OECD Guidelines. The ECD team presented their risk assessment and requested that the issuer be removed from the HRL. Following discussions with the ESG team and the Investments Subcommittee, the subcommittee approved removing the issuer from the HRL.

CASE STUDY: An issuer flagged by MSCI as a UNGC and/or OECD violation (no flag from Sustainalytics) was a holding company that held a 3% stake in another company previously flagged as a violator due to a 2015 tailings dam disaster. Given the minimal ownership of the violating company and the lack of consensus between ESG research providers, we decided not to take action.

CASE STUDY: An issuer flagged by MSCI as a UNGC and/or OECD violator was a company linked to forced labor in China. Sustainalytics reviewed and assessed the case as moderate. Given the opposing views from providers, we decided to monitor the situation for corroborating evidence.

This centralized, top-down approach complements the bottom-up risk management that investment teams conduct within their portfolios.

Integration at the Strategy Level

GMO employs a range of investment strategies across equity, fixed income, multi-asset, and alternative asset classes.

Teams use different approaches to capture, assess, and weigh ESG risks within their integration processes, including varying selection, retention, realization, and engagement strategies. The following examples demonstrate how ESG is integrated across investment teams and/or asset classes.

EQUITY

Our equity teams integrate material ESG considerations into their investment research in ways that reflect each strategy's philosophy and toolkit. Fundamentally driven teams—including Focused Equity and Usonian Japan Equity—apply long-term, bottom-up analysis of business quality, valuation, and durability of cash flows, incorporating relevant accounting and ESG measures to assess both opportunity and downside risk. Our Systematic Equity team integrates ESG with data-driven approaches that embed ESG signals into risk analysis and portfolio construction.

Focused Equity

Given our long investment horizon, ESG considerations can be financially material in certain circumstances. We integrate these considerations through our fundamental vetting framework, which incorporates ESG factors into assessments of identifiable high-return assets, long-term relevance, and management's capital discipline. ESG factors also inform valuation work: our standardized discounted cash flow model reflects how sustainability issues may influence margins, growth, and the durability of competitive advantages. Analysts draw on company meetings, industry conferences, and collaboration across GMO's investment teams to ensure material ESG issues are reflected in research and decision-making.

Analysts may also engage with management on a case-by-case basis for stocks under their coverage. We share our views during these conversations. As a relatively small shareholder in many portfolio companies, we are realistic about our ability to influence behavior, but we believe engagement can help management better understand shareholders' priorities and concerns.

A recent example is our engagement with a French industrial company flagged for exposure to controversial weapons. Our objective was to clarify the nature of that exposure and understand whether investor pressure might influence the company's strategy. We reviewed third-party alerts, spoke with investor relations, and discussed the topic directly with the CFO. We confirmed the flag relates only to systems, management's position is consistent with its role as a French defense contractor, and there is no indication the company would divest from this activity. This engagement reduced uncertainty and reaffirmed that the activity does not affect our long-term assessment of the company's quality.

Real Assets

The Real Asset team considers ESG risks across the names in their portfolio and performs in-depth analysis when they deem these risks material and forward-looking. Some securities are ultimately excluded based on ESG risks, others are held in the portfolio, and in some cases, the position size is adjusted. They have an active ESG engagement practice that enables them to address ESG issues directly with the company.

The team may use its own proprietary research and data gleaned from regulatory filings by investee companies, along with other information sources. Security selection is based on an evaluation of issuers' published financial information and corporate behavior (such as profit warnings, share issuance or repurchase, and director dealings in company stock), sustainability and other ESG criteria, security prices, commodity prices, equity and bond markets, the overall global economy, and governmental policies. 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., reputational risk on end-customer demand). The GMO ESG Score can be used as an additional measure to evaluate ESG considerations. When evaluating an investment, the team will assess whether the issuer has strong governance practices. When an investee company demonstrates sustained poor governance practices, the team will evaluate both engagement and divestment, taking into account the potential for engagement to drive corrective action.

CASE STUDY: The Real Asset Team identifies climate mitigation activities as those that contribute to the clean energy transition or lower carbon intensity, including companies in sectors such as clean energy, batteries and storage, electric grids, energy efficiency, and efficiency technology and materials. The team defines climate adaptation activities as those that support the world's ability to adapt to actual and expected climate change and its impacts, including companies in sectors such as agriculture, water treatment, recycling, and energy-efficient air conditioning.

In 2024, one company in the Real Assets portfolios underwent fundamental vetting, with the company's strategic pivot toward clean energy projects forming part of the investment thesis. More recently, an activist investor secured a board seat and drove a strategic and executive reset. The Real Assets team met with the company's new leadership to discuss its shift away from clean energy projects. Following this discussion, the team concluded the company was no longer a good fit for the portfolio and fully liquidated the position in June 2025.

Usonian Japan Equity

The Usonian team's investment strategy is to identify companies trading below intrinsic value and unlock value through engagement with the company. The majority of the team's engagements focus on addressing poor governance issues, which are a significant problem in the Japanese equity market, although some engagements will also incorporate any material environmental or social issues.

Members of the Usonian team are based in both the U.S. and Japan and use a third-party ESG research vendor to supplement their internal analysis. External ESG ratings and data are integrated with Usonian's proprietary models, which involve direct analysis and first-hand interactions with each portfolio company, competitors, and analysts, as well as other sources of information to assess ESG risk and opportunity.

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 lead conducts a pre-trade assessment summarizing third-party ratings, internal perspectives, and engagement priorities.

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 one of two investment case determinations. First, if we believe the vendor's low ESG assessment overstates the company's ESG risk, the team will consider engaging with the ESG provider to discuss why the team feels the score is incorrect. Alternatively, if the team believes the candidate company's low ESG rating is justified, they will assess the possibility of engaging with the candidate company's management or board to address the identified ESG risks.

CASE STUDY: The Usonian team initiated an investment in a company with a low MSCI ESG rating (BB), driven primarily by governance-related weaknesses. As part of its investment and stewardship approach, the team engaged with management in 2022 and 2023, focusing on improving ESG disclosure and strengthening board-level accountability for ESG matters. Following these engagements, the company's MSCI ESG rating improved from BB to BBB in 2024 and to A in 2025.

Systematic Equity

The Systematic Equity (SE) team leverages quantitative investment approaches, and ESG is primarily incorporated into its risk analysis and portfolio construction processes. The team looks for and evaluates information that may provide insight into an investee company's ability to generate sustainable long-term returns for its shareholders. The current process includes heuristics to evaluate corporate governance and the management of ESG-related risk factors and opportunities, using a combination of exclusions and portfolio construction parameters.

The SE team developed a proprietary GMO ESG Score to reduce exposure to uncompensated risk not reflected in their alpha models. The team believes that the ESG factors captured in the model may materially impact companies' future profitability and warrant due consideration. This includes a minimum threshold for overall GMO ESG Score exposure, as well as reducing exposure to transition risks from carbon-intensive companies and industries through portfolio-level constraints and restrictions (for more on the GMO ESG Score, see Governance and Resources: Stewardship Tools and Providers).

From an alpha perspective, corporate governance has always been at the forefront of the team's analysis, and we utilize an "Alerts" suite of signals that combines market- and financial-based governance factors to identify potential value traps. 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 help assess a company's governance quality.

CASE STUDY: In 2022, the SE team developed a proprietary GMO Indirect Emissions model to estimate companies' indirect emissions across their value chains. This research supported the launch of the Horizons Strategy in 2024, which was designed to achieve approximately 50% lower indirect emissions than its benchmark, alongside complementary ESG objectives, including materially higher green revenue exposure and an overall ESG profile that exceeded the benchmark.

FIXED INCOME

Our fixed income strategies seek to deliver resilient risk-adjusted returns by combining disciplined portfolio construction with deep issuer and sector research across global sovereign, quasi-sovereign, corporate, and securitized markets. We focus on identifying where fundamentals, valuations, and liquidity are mispriced, while integrating material ESG considerations into our credit work to better understand downside risks and long-term opportunities.

Emerging Country Debt

GMO's Emerging Country Debt team incorporates ESG factors into its credit analysis of sovereign and quasi-sovereign debt. The team built a proprietary sovereign debt ESG model that weighs and aggregates relevant environmental, social, or governance factors based on their statistical relationships with sovereign credit spreads. The resulting Sovereign ESG Score forms the fourth pillar of their sovereign credit assessment, which includes: economic structure, financial stability, and liquidity. A similar approach is taken from quasi-sovereign debt, which incorporates company-specific ESG alongside country ESG factors. The table below outlines the factors that are considered in the Sovereign ESG model.

Developed Fixed Income

In our quantitative investment-grade corporate modeling, we use the GMO ESG Score as part of the portfolio construction process, enabling us to capture a broad set of ESG risks within the portfolio.

Structured Products

Our Structured Products team incorporates ESG factors into its overall risk assessments. For example, material environmental risks are considered in our commercial mortgage-backed security risk evaluation process, as some properties serving as underlying collateral may be exposed to hazards such as earthquakes and flooding. The team works to confirm buildings have appropriate insurance (or a documented exemption) and to review energy efficiency measures and green building certifications.

MULTI-ASSET CLASS

The 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

COMPONENTS OF OUR SOVEREIGN ESG PILLAR

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS IN SOVEREIGN MODEL

Environmental	Social	Governance
Impact ▪ Renewable Electricity Production ▪ CO_2 Emissions per GDP **Environmental Vulnerability** ▪ Climate Vulnerability and Readiness ▪ Susceptibility to Natural Hazards ▪ Adaptive Capacity	**Empowerment** ▪ Female Literacy Rate ▪ Infant Mortality Rate ▪ Primary School Enrollment	**Political Governance** ▪ Government Effectiveness ▪ Political Risk **Economic Governance** ▪ Regulatory Quality

within its multi-asset strategies. To integrate the GMO ESG Score, the team uses quantitative methods that allow for incremental adjustments in the required rates of return for various equity groups to reflect their relative ESG Scores.

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 previously discussed.

Alternatives

GMO teams that manage alternative strategies include those managing merger arbitrage, systematic global macro, and long/short equity portfolios. Investments in these portfolios may use derivative instruments rather than directly owning equity or bonds. Any direct equity or bond investments held in these portfolios are covered in our firm-level ESG risk monitoring and engagement.

Integration Research

Drawing on insights from our ESG integration research, we have continued to focus on advancing our approach. Positive client discussions reinforce our commitment, and we believe this work is in our investors' best interests. GMO remains committed to ESG research, particularly as ESG data availability, consistency, and accuracy continue to improve.

GMO Indirect Emissions Model

The GMO Indirect Emissions model calculates total greenhouse gas (GHG) emissions embodied in company value chains by modeling individual companies' value chains and quantifying emissions from the suppliers and customers within them.

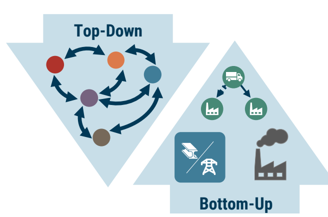
We begin by directly estimating a global supply chain network. We leverage the OECD Inter-Country Input-Output (ICIO)[2] model, an institutional long-term project that covers 93% of gross domestic product, 92% of exports, and 90% of imports of the world economy.[3] Our approach disaggregates this global, 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 into the IO model, we can efficiently estimate the direct and indirect effects of company production on upstream and downstream companies across the value chain. For a given company, we can estimate all upstream production from 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 the scope 1 emissions of the upstream suppliers and downstream customers. We

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

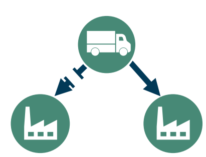
3 J. J. Guilhoto, "OECD Global Inter-Country Input-Output Tables," 2021.

GMO INDIRECT EMISSIONS MODEL

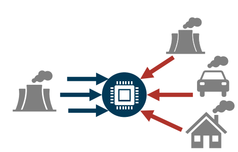


Model **global company supply chain network** by integrating **bottom-up** and **top-down** data

Estimate **flows between companies** based on specific combination of **reported revenue segments**



Distinguish company value chains from peers using **reported supply chain relationships**



Propagate direct **scope 1** and **household emissions** upstream and downstream to calculate **value chain indirect emissions** with **controlled double-counting** incorporate household emissions data from the OECD Trade Embodied CO_2[4] and International Energy Agency (IEA) Energy Efficiency Indicators[5] datasets into the downstream indirect emissions component.

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 for multiplicative emissions counting, 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 solutions, distinguishing companies from their peers based on complete transparency into model estimates, allowing us to trace indirect emissions back to their origins.

Approach to Nature-related Risks and Opportunities

Nature-related risks and opportunities may be identified through bottom-up company analysis, particularly where a company has direct nature impacts. For example, within the GMO Climate Change Strategy, we invest in industries related to clean energy, batteries and storage, electric grids, energy efficiency, recycling and pollution control, agriculture, water, and businesses that service these industries. In addition to deep bottom-up assessment, the team engages with portfolio companies on a range of ESG matters, including nature-related topics such as biologic crop protection, water pollution, deforestation, and seafood farming.

In 2025, we commenced research to enhance our understanding of nature-related risks and opportunities (see Promoting Well-functioning Markets: Systems-level Considerations.). We are also developing frameworks to support the analysis and management of our exposure to these risks.

4 OECD, "Trade in embodied CO_2 (TECO2) Database," 2021.

5 International Energy Agency (IEA), "Energy Efficiency Indicators Highlights," 2022.

PROMOTING WELL-FUNCTIONING MARKETS

Risk Management

GMO has a dedicated Risk Monitoring team led by our Head of Investment Risk, Anna Chetoukhina.

The Risk Monitoring team continually assesses potential macroeconomic and asymmetric sources of investment risk. As part of this process, the team monitors exposures and positions across all GMO portfolios, focusing on major changes within a strategy, and has ongoing conversations with portfolio managers regarding their exposures. Portfolios are evaluated across a wide range of risk metrics based on absolute and relative performance, liquidity, and counterparty risk.

GMO holds a regularly scheduled Risk Insights Forum (RIF), which brings together senior managers of the firm, including representatives from each of our investment teams, to discuss market risks and longer-term macro trends that may lead to future areas of concern. These RIF discussions include 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 Risk Monitoring, Investment, and ESG teams participate in the Investments Subcommittee to discuss ESG, climate change, and other sustainability risks in GMO's investments (see Governance and Resources: Stewardship Resources).

GMO considers and addresses numerous market-wide risks within the context of investment strategies. We also endeavor to raise awareness of and address systemic risks facing the investment industry, as discussed later in this section.

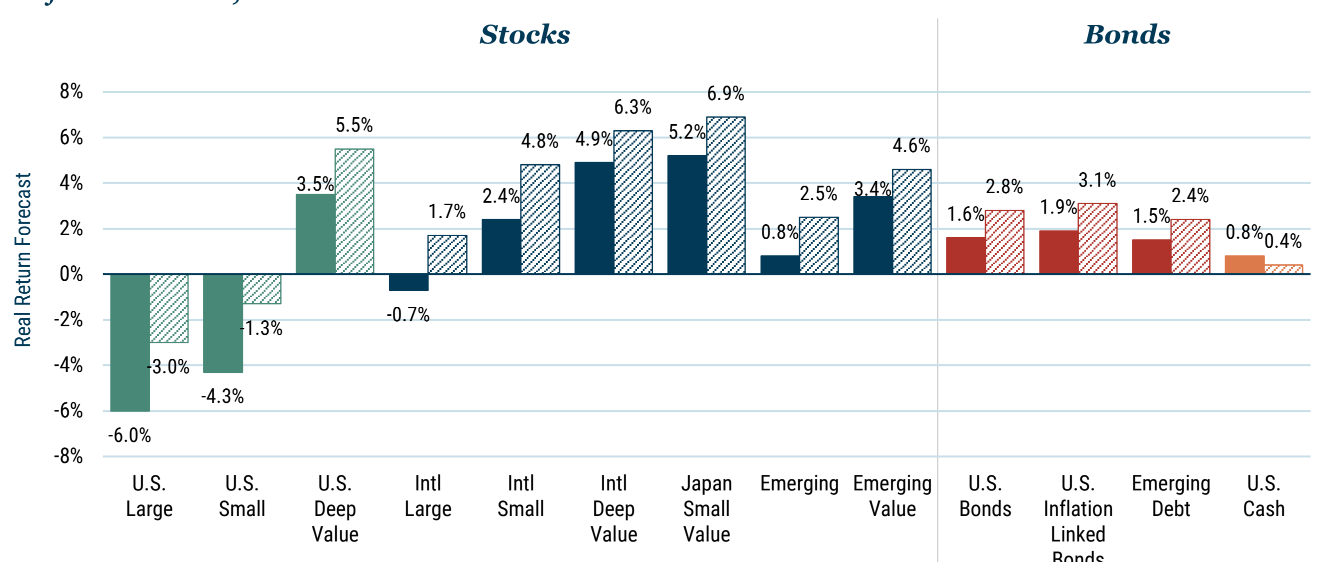
Investment Time Horizon

We invest for our clients over the long term. "Long term" means different time horizons for different investment teams at GMO, depending 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 (see Organization, Investment Beliefs, and Stewardship Approach: Investment Beliefs). However, it is uncertain exactly how long it may take to correct such misvaluations. We communicate clearly to our clients that we are long-term investors, and we listen to their feedback to ensure 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 Forecast, a framework we have used to assess the return opportunity

7-YEAR ASSET CLASS REAL RETURN FORECASTS*

As of December 31, 2025



Source: GMO

*The chart represents 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 forwardlooking statements.

embedded in various asset classes since the early 1990s. The basic assumption behind these monthly forecasts is that an asset class will mean-revert to its fair value one-seventh of the way through each year, a reasonable timeframe based on our empirical analysis.

Other investment teams evaluate specific factors they believe drive returns, sometimes over shorter or longer time periods. 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, so our teams invest patiently, holding securities with conviction.

One example of a strategy that employs a shorter time period is GMO's Opportunistic Income Strategy, which invests in structured products. While we maintain a long-term perspective in this strategy, its investments can occasionally exhibit relatively short-term market dislocations that correct over a period of months rather than years. 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 in certain cases, take many years.

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 often result from public ownership. This independence allows our investment teams to hold high-conviction, long-term positions even amid short-term market volatility.

Identifying and Responding to Market-wide and Systemic Risks

The teams at GMO are constantly assessing market conditions to identify potential opportunities and risks for our investment portfolios. Throughout 2025, we identified and responded to several material market-wide and systemic risks with the potential to affect short- and long-term client outcomes.

GEOPOLITICAL RISK

U.S. trade policy became a central source of geopolitical instability and systemic risk in 2025. Beginning in April, U.S. tariff announcements created a significant supply shock and elevated recession risk. Even the partial tariff reprieves that followed did not remove recession risk as ongoing policy uncertainty discouraged corporate investment and hiring. In our view, tariffs posed a direct threat to equities, currencies, and corporate credit worldwide, with U.S. companies especially exposed through higher input costs, retaliatory measures on exports, and weaker foreign demand.

In our Asset Allocation portfolios, we are allocated away from expensive U.S. growth equities and assets highly sensitive to tariff effects, and toward 1) regions and sectors better positioned for policy uncertainty, and 2) areas where we believe valuations already reflect macro and geopolitical pressures.

While trade tensions, tariffs, and policy uncertainty increased skepticism toward highly valued growth stocks, cheap value stocks had already priced in adverse outcomes, creating opportunities for more valuation-sensitive strategies. Change itself tends to favor value, as expensive stocks become vulnerable when investor confidence in the future is disrupted. Undervalued international equities, in particular, became more attractive as investors over-penalized them relative to fundamentals.

We also increased our use of liquid alternative and market-neutral strategies across asset allocation portfolios. Not only does this reduce our reliance on traditional equity beta, but it also offers much-needed diversification in an environment where both equities and bonds perform poorly. Indeed, stagflation is one potential outcome of a tariff war, capable of causing sustained, elevated inflation while concurrently hampering economic growth. We also believe that the current dislocations in valuations have created fertile ground for alpha generation, resulting in a genuinely exciting return opportunity for liquid alternatives. They can also be an efficient source of dry powder used to redeploy capital to opportunities created by volatile, policy-driven markets.

MACROECONOMIC RISK

The macroeconomic environment in 2025 was shaped by persistent inflationary pressures, sharp regional equity valuation divergences, and tightening financial conditions. For example, U.S. equities trade at extreme valuation premia versus non-U.S. markets, driven in part by U.S. dollar strength and stretched price multiples. These dynamics pose a material downside risk if valuations mean-revert.

We continue to emphasize valuation sensitivity across many of our portfolios, with minimal exposures to assets where prices failed to adequately compensate for risk. Our asset allocation strategies favor cheaper markets, preferring non-U.S. equities, deep value, and currencies offering attractive carry, while avoiding overpriced segments vulnerable to correction.

Decade-wide valuation spreads created compelling opportunities in non-U.S. equities and deep value stocks, which offered superior expected returns relative to overpriced U.S. growth equities.

TECHNOLOGICAL RISK

Enthusiasm for artificial intelligence pushed a significant share of U.S. market capitalization to valuation extremes in 2025, presenting heightened systemic risk for investors. Moreover, AI-linked mega-caps continued to increase capital expenditures at unprecedented levels, shifting from capital-light to capitalintensive models, increasing execution risk, and raising concerns about the sustainability of their valuations.

We believe the near-term risk is less about the promise of AI and more about the pathway: a rapid buildout in training and compute spending that runs ahead of monetization is likely to create boom-bust dynamics across the value chain. That can leave highly leveraged or undifferentiated players exposed if use cases crystallize more slowly than expected, if model progress plateaus and capabilities commoditize, or if a demand slowdown forces hyperscalers to pull back growth capex—an outcome that can cascade into suppliers and other dependent businesses.

The broader use of AI presents challenges for some established business models and may even lead to redundancy. As a result, valuation assessments should consider the extent to which AI could disrupt parts of the company's value chain.

GMO's Asset Allocation team maintains limited exposure to expensive growth companies. With the AI boom pushing valuations to extremes, widened spreads between growth and value have created ample opportunity for value-oriented strategies and market-neutral approaches designed to benefit from mean reversion. The team has found non-U.S. deep value stocks particularly attractive in this environment.

In GMO's Quality portfolios, the Focused Equity team addressed these risks by favoring diversified incumbents—particularly hyperscalers and other cash-rich platforms—over "pure play" exposures that depend on continued external funding or optimistic revenue ramps. The team is finding the best risk-adjusted opportunities across the value chain in 1) applications delivered by incumbent software and services providers, and 2) select suppliers with real differentiation and resilience (diversification and financial strength). More broadly, the opportunity for investors is to separate durable winners—those with repeatable cash generation and defensible positions—from participants whose economics hinge on sustained, cycle-sensitive investment spending.

Systems-level ESG Considerations

GMO's global investment footprint exposes the firm to systemic, non-diversifiable risks, those arising from broad external factors that affect entire markets or economies. These risks are inherently difficult to manage due to several characteristics:

- **Externality:** Systemic risks often originate from factors beyond the control of any single organization.
- **Interconnectedness:** The complexity and interdependence of global markets make it challenging for individual entities to mitigate these risks alone.
- **Policy Dependency:** Effective management of systemic risks frequently requires coordinated action from policymakers, regulators, and industry stakeholders.

Climate change and nature loss are prime examples of systemic risks stemming from negative externalities of human activity as the impacts are not adequately priced by the market. While no single company or sector is solely responsible, the cumulative effect of global activities contributes significantly to these risks. Addressing them requires collective action across sectors and geographies. Importantly, the materiality of climate and nature risks may not be evident at the individual company level. However, when considered in aggregate, their impact becomes profound. As fiduciaries, GMO must navigate these risks with a balanced approach, considering both short-term performance and long-term sustainability.

GMO'S COMMITMENT TO CLIMATE RISK MANAGEMENT AND DECARBONIZATION

We recognize that climate-related risks—both physical (e.g., extreme weather events) and transition-related (e.g., policy shifts, technological disruption)—have the potential to become existential threats. GMO is committed to identifying, monitoring, managing, and reporting these risks and opportunities across our portfolios.

At the firm level, GMO aspires to support global efforts to reduce emissions to net zero by 2050 to limit warming to 1.5°C. To support our aspiration, GMO set a target to reduce our Net Zero portfolio's carbon footprint by 65% by 2030. The Net Zero portfolio is comprised of all equity and corporate fixed income holdings, except those held in long-short strategies and separately managed accounts. It does not include government bonds and other similar securities, foreign exchange, commodities, and structured products. The Net Zero portfolio accounted for approximately 49% of GMO's assets under management at the end of 2025.

To achieve our target, GMO has committed to:

1. **Accelerate investment in climate solutions** by endeavoring to grow the AUM invested in our Climate Change and Horizons strategies.
2. **Engage with portfolio companies** by encouraging proactive management of both transition and physical climate risks.
3. **Advocate for clear and stable policy frameworks** that support equitable carbon reduction across countries.
4. **Integrate material climate risk considerations** into our portfolio management processes.

For more, see Task-Force on Climate-related Financial Disclosures (TCFD) Supplement.

GMO'S APPROACH TO NATURE-RELATED RISKS AND OPPORTUNITIES

The global economy and financial markets depend on nature and biodiversity, yet nature loss is accelerating. The World Wildlife

Fund's Living Planet Report 2024[6] reports that global wildlife populations have declined by an average of 73% over the past 50 years. The Global Risks Report 2026[7] ranks biodiversity loss and ecosystem collapse as the second-most-severe global risk over a 10-year horizon.

Climate change and nature degradation reinforce each other. Warming and extreme weather disrupt ecosystems and the services they provide, while deforestation and water stress weaken resilience and can accelerate both biodiversity loss and climate impacts.

These links can create feedback loops: deforestation can reduce rainfall and increase drought and fire risk; degraded forests can release carbon and lose their ability to regulate local climate and water cycles. Protecting and restoring ecosystems can help mitigate climate change and strengthen water and biodiversity outcomes.

Because the two pillars are interconnected, effective solutions should capture co-benefits (e.g., wetland restoration can sequester carbon, reduce flood risk, and conserve habitat; improving agricultural water efficiency can reduce pressure on ecosystems while lowering energy use and emissions).

Such dynamics can propagate across regions, sectors, and supply chains, with nature impacts posing a systemic, non-diversifiable risk to the portfolio.

As investors, we recognize that nature loss can create material risks and opportunities that affect long-term value creation. While GMO's current approach focuses on nature- and biodiversity-related risks that are material at the individual company level, we are also working to understand firm-wide exposure, with the goal of developing a framework to address systemic risks. To begin this work, we are guided by the LEAP (Locate, Evaluate, Assess, Prepare) approach recommended by the Taskforce on Nature-related Financial Disclosures (TNFD).[8]

In 2025, we conducted an initial nature dependency and impact screening for our equity portfolio using the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure)[9] tool. This analysis produced a heatmap showing which nature themes are most relevant at the firm level and the sectors and economic activities driving our dependencies and impacts.

Our initial findings indicate the highest exposures are in pharmaceutical manufacturing and electronic component manufacturing. The screening also suggests meaningful exposure to water-related dependencies, as well as impacts across pollution, water use, and land use.

Building on these initial findings, we will further assess the most significant exposures and determine priority areas for deeper analysis. This work will inform a systematic framework to identify and assess nature-related risks and opportunities, and to integrate these insights into our investment process and engagement programs.

CASE STUDY: In 2025, we engaged with a forest products company through the Emerging Markets Investor Alliance (EMIA) to encourage stronger disclosure of the company's nature-related exposures and related management processes. We

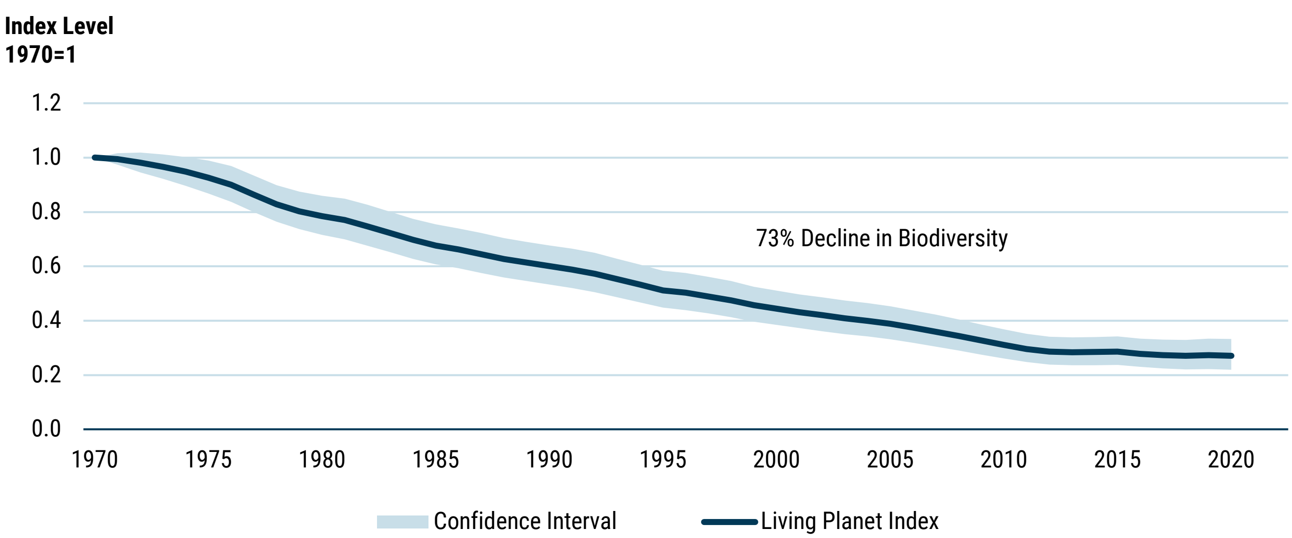
6 https://livingplanet.panda.org/

7 https://reports.weforum.org/docs/WEF_Global_Risks_Report_2026.pdf

8 https://tnfd.global/

9 https://www.encorenature.org/en

GLOBAL LIVING PLANET INDEX



Data as of 12/31/2020 | Source: Living Planet Index LPI 2020. Living Planet Index database. 2020. (www.livingplanetindex.org/). Downloaded on March 20, 2026.

previously asked the company to map its biodiversity corridors (strips of natural habitat that connect otherwise isolated wildlife populations). When the company did not provide this mapping, we requested additional disclosure on progress toward its commitment to aggregate 500,000 hectares by 2030 into a biodiversity corridor.

The company reported that it has aggregated 157,000 hectares to date and that this work contributes to the government's commitment to restore 12 million hectares of land by 2030. They also noted that the company provides satellite imagery to the government and is exploring ways to make this mapping publicly available. In addition, we asked about the company's approach to illegal deforestation and the human rights considerations associated with addressing it. The company stated that it is focused on addressing root causes and has conducted a living-wage study in the communities surrounding its operations.

We plan to re-engage once the study is complete to encourage the company to incorporate the findings into its practices.

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 risks by participating in industry group discussions to improve data disclosure, quality, and standards. Examples of industry groups with which we collaborate on climate are listed below.

International Financial Reporting Standards (IFRS) Sustainability 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 SASB 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 on biodiversity and hazardous chemicals.

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. As a member of this group, GMO contributes to policy and regulatory consultations around the world.

Global Reporting Initiative (GRI)

- **What:** The GRI leads a global multi-stakeholder process to develop and refine rigorous yet practical sustainability reporting. GRI's consistent, comparable, and globally applicable standards have become the world's most widely used sustainability reporting standard.
- **How we work with them:** GMO's Head of ESG and Sustainability is a member of the GRI's Global Sustainability Standards Board, the sole body responsible for setting globally accepted sustainability reporting standards.

Asian Corporate Governance Association (ACGA)

- **What:** The ACGA works with investors, companies, and regulators in the implementation of effective corporate governance practices throughout Asia.
- **How we work with them:** GMO's Usonian Japan Equity team is on the Japan Working Group through which it actively engaged in a constructive dialogue with financial regulators, stock exchanges, institutional investors, and companies on practical issues affecting the regulatory environment and the implementation of better corporate governance practices in Japan.

Business Future Pathways Canada

- **What:** Business Future Pathways Canada was established to help Canadian companies develop climate transition plans that meet the expectations of global investors and drive capital to Canadian industries.
- **How we work with them:** GMO is a member of the Financial Advisory Committee and is represented by the Head of ESG and Sustainability, Deborah Ng. In this role, she is currently advising on the methodological foundation and assessment framework for a Canadian taxonomy for green and transition activities. This framework will ultimately shape the types of activities included within the scope of the Canadian taxonomy, as well as the approaches to developing sector-specific guidance at the activity level. Lastly, the report outlines which sectors will be prioritized in the first phase of the taxonomy's development (i.e., 2026-2027).

Corporate Sustainability

GMO's approach to corporate sustainability is rooted in our purpose, culture, and long standing commitment to stewardship. We seek to operate our business responsibly, manage risks thoughtfully, and contribute positively to our employees and the communities in which we work.

RESPONSIBLE OPERATIONS AND ORGANIZATIONAL RESILIENCE

Maintaining resilient, well-governed operations is an important aspect of our responsibility to clients and employees. GMO operates offices across multiple regions globally, and we recognize that a range of external factors—including environmental, operational, and technological risks—can affect continuity. To support organizational resilience, we maintain and periodically review business continuity plans for all office locations.

Our operational risk exposure is mitigated by our business model. Most office facilities are leased rather than owned, which limits direct physical asset exposure, and we maintain insurance coverage designed to reduce the financial impact of disruptive events.

SUSTAINABLE WORKPLACE PRACTICES

Consistent with our culture of responsibility and continuous improvement, GMO seeks to minimize the environmental footprint of its day-to-day operations by efficiently using resources across the firm. We work collaboratively with landlords and service providers that demonstrate a commitment to sustainable building practices, energy efficiency, and employee well-being.

Our offices are located in buildings that meet recognized sustainability and performance standards, including certifications related to energy efficiency, water and waste management, and healthy indoor environments. These certifications advance our environmental objectives and support safe, healthy, and productive workplaces for employees.

MANAGING OUR OPERATIONAL ENVIRONMENTAL FOOTPRINT

GMO has assessed its operational footprint across global offices and prioritizes reductions and efficiency where feasible. For remaining emissions, we use high-quality, third-party-certified offsets.

From 2019–2025, GMO covered scope 1, scope 2, and material scope 3 emissions through a mix of reductions and offsets. We will continue to evaluate our approach in line with evolving best practices.

CARBON OFFSETTING APPROACH

GMO's voluntary carbon offsetting program launched in 2019 through our employee-led Green Initiatives Working Group. It began by addressing emissions from employee air travel and later expanded as our carbon accounting capabilities matured.

We initially relied on renewable energy credits due to availability and ease of verification, while building internal expertise and evaluating emerging options, including nature-based solutions.

As the voluntary carbon market evolved, we reviewed renewable, nature-based, and community-based projects for quality and alignment with our values, with growing emphasis on higher-integrity nature-based credits and clearer market standards.

In 2025, GMO partnered with Native to purchase nature-based credits supporting the Envira Amazonia Project, a forest conservation initiative in the Brazilian Amazon with community co-benefits.

Envira is a VCS- and CCBS-certified REDD+ project designed to protect up to 200,000 hectares of rainforest and has received CCBS Triple Gold recognition and a BBB rating from BeZero Carbon.

Located in Acre, Brazil, the project operates in a region where local communities depend on forest resources and face economic pressures that can drive deforestation. The Envira Project addresses this challenge by supporting alternative livelihoods and strengthening community resilience. Through agricultural training and sustainable income programs, the project helps families transition away from forest-degrading activities, while creating long-term employment opportunities tied to forest preservation.

These integrated social and environmental benefits reinforce the project's long-term sustainability and align with GMO's belief that durable solutions strengthen both ecological and human systems.

EMPLOYEE ENGAGEMENT AND CULTURE

GMO's culture emphasizes collaboration, inclusivity, and shared responsibility. Our employee-led Green Initiatives Working Group brings together colleagues from across the firm to identify practical ways to improve workplace sustainability and raise awareness of environmental issues.

The group has led initiatives such as recycling and composting programs, reductions in single-use plastics, and internal communications designed to share practical sustainability insights. These efforts are intended not only to reduce GMO's operational footprint but also to build awareness and engagement among employees, reinforcing a culture in which sustainability is integrated into how we work.

COMMUNITY ENGAGEMENT

GMO recognizes the importance of contributing to the communities in which we operate.

Recent activities have included employee education initiatives and hands-on volunteer efforts supporting conservation and restoration projects within the Boston Harbor Islands National and State Park. These activities reflect GMO's broader commitment to stewardship—extending beyond capital markets to include our role as a corporate citizen.

ENGAGEMENT

GMO believes that engagement with issuers can be a primary tool for protecting, adding, and creating value in investments. We believe countries and companies that are well governed make sound decisions, are better equipped to address risks (including environmental and societal risks) and opportunities, and achieve stable, long-term profitability.

In 2025, we formalized the link between progress on engagement objectives and proxy voting decision-making. This strengthened our stewardship approach by enhancing our internal monitoring system and orienting it toward more decision-useful outputs. As a result of our 2024 reassessment of participation in collaborative initiatives, we expanded our collective engagement portfolio to improve our reach on topics including climate change and hazardous chemicals. We have since engaged with the company and peers through Climate Engagement Canada and joined two additional initiatives—Investor Initiative on Hazardous Chemicals (IIHC) and Ceres—both of which are referenced later in this section.

These refinements were intended to strengthen the effectiveness of our engagement activities by ensuring clearer accountability, more consistent follow-through, and stronger integration with our wider stewardship toolkit.

We have established the following seven principles that guide our overall engagement approach. See Policies, Processes, and Review: Stewardship-related Policies for a full description of the policies, processes, and governance around our engagement activities.

Together, these principles are designed to ensure that engagement activity is proportionate, investment-led, and aligned with our objective of protecting and enhancing long-term value for clients and beneficiaries.

- We take an integrated approach to engagements, proactively consulting relevant (impacted) GMO stakeholders and seeking to include portfolio managers in the discussions.
- We generally prefer to keep our engagements with companies confidential, unless it is a public collaborative engagement or when other avenues of engagement have been unsuccessful.
- Our engagement format will take into consideration our ability to maximize the chance of success. We weigh the cost of engagement against the expected benefits to our clients by considering the size of our holdings and the nature and magnitude of the risks.
- We endeavor to conduct constructive, pragmatic, non-adversarial conversations with our portfolio companies and escalate only when an insufficient response warrants it.
- When seeking change, we will set clearly defined, specific, measurable, achievable, relevant, and time-bound objectives and track achievement of milestones.
- We inform our decision-making, whether on investment conviction or proxy voting, with engagement progress and outcomes.
- We measure and report on the effectiveness of our engagements.

Engagement Governance

Governance of our stewardship processes is detailed in Governance & Resources: Stewardship Resources.

Selecting and Prioritizing Engagements

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, if necessary, escalation is a key component of our stewardship of client investments.

Our investment-driven approach to stewardship is anchored by GMO investment teams who undertake their own engagements on a case-by-case basis with equity or debt issuers to address potential and realized risks and opportunities in their portfolios or when they seek to exchange or clarify information pertinent to the investment. Approximately 65% of our assets are invested in equities; consequently, the majority of our engagements have been conducted with company management or the board as an equity shareholder (approximately 80% of engagements in 2025). This distribution reflects both the composition of our assets under management and the relative influence we have as equity holders compared with other asset classes.

Unmanaged issues that are potentially material to investments may initiate an engagement. Investment teams select and prioritize engagements based on factors such as the risk's severity, the likely impact on the company's valuation, the team's ability to influence, and the size of the team's holdings. Our annual stewardship plan, which outlines engagement and voting priorities for the year, does not preclude engagement on other topics.

The following table details how we select and prioritize equity and debt engagements across the three engagement catalysts.

ENGAGEMENT CATALYSTS

	1 *Issuer-driven*	2 *Event-driven*	3 *Theme-driven*
WHAT	▪ Tailored engagement aimed at addressing exposure to risks and value creation opportunities	▪ Engagement aimed at addressing material events that pose financial and/or reputational risks	▪ Engagement centered thematically around systemic risk to markets and/or high exposure in our portfolio.
WHEN	▪ Identified by investment teams as part of investment strategy and/or process ▪ Low GMO ESG Score ▪ Material findings uncovered during due diligence or arising during ownership ▪ Part of strategy to improve issuer decision-making and practices	▪ Controversies arising during ownership ▪ Potential Global Compact and OECD Multinational Enterprise Guidelines violation flags	▪ Thematic issues identified by Stewardship team (e.g., climate change, hazardous chemicals) ▪ Strategy-specific themes identified by Investment teams such as cross-shareholdings (when listed companies have significant holdings of other listed companies)
HOW	▪ Typically, direct one-on-one engagements, or through an industry initiative when assessed as more effective	▪ Typically, direct one-on-one engagements	▪ Resource dependent, direct or through collaborative engagement with like-minded peers or industry initiatives ▪ Advocacy efforts with relevant stakeholders
EXAMPLE	▪ Engaging an emerging country issuer identified as lagging to understand long-term plans to industrialize the economy and shift away from fossil fuel-based power	▪ Engaging a company that was put on the Global Compact Watchlist due to an alleged failure to obtain free and prior informed consent for a mining project	▪ Sharing indirect emissions insights and encouraging a company to engage its suppliers on emissions reductions

Resourcing constraints or our perceived ability to engage meaningfully may contribute to the decision to engage directly or collaboratively.

This prioritization framework helps us direct finite engagement resources toward issues where we believe engagement can most effectively mitigate investment risk, support value creation, or address systemic risks relevant to our portfolios.

Engagement Objectives and Tracking Progress

Where we are seeking change through better disclosure or practices, we aim to establish objectives that are specific, measurable, achievable, relevant, and time-bound. 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 that covers engagement from initiation and objective-setting through to a successful or unsuccessful close.

We believe effective engagement is an iterative, potentially years-long process, so it is important to track our progress and the achievement of engagement milestones in a centralized database.

Engagement Style and Format

Our teams engage in open and constructive dialogue through written communications and virtual and in-person meetings.

When engaging with equity issuers, we seek to communicate with senior management or board members (particularly on governance issues), as we have experienced improved timeliness in outcomes and durable change with these counterparts. We often leverage existing relationships with investor relations or sustainability teams as a liaison. When engaging with fixed income issuers, we have worked with both government officials representing sovereigns and corporate-level investor relations teams.

See *Conducting Engagements*, below, for more on our typical engagement lifecycle, an approach we apply consistently across asset classes and geographies.

DIRECT ENGAGEMENT

Our one-to-one engagement with issuers may be initiated by an engagement catalyst, but we proceed only after thorough desktop research. At this stage, we may also consider whether our resources would be most effectively and efficiently utilized by engaging directly or through another avenue. We prefer to take a patient and constructive approach by building 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 often choose to engage directly when the holding is significant to a portfolio or strategy, or when we believe we can offer a unique insight or guidance.

COLLABORATIVE ENGAGEMENT

Given our principled decision to engage where we can maximize our chance of success, collaborating with peers or through initiatives and advocacy at the industry level may be the most effective format. In doing so, we commit to exercising our independent judgment, participating in a defined capacity, and aligning with the mandates of our beneficiaries.

GMO believes that meaningful dialogue among asset owners, investment managers, and companies on ESG issues can help 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 on 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-

CONDUCTING ENGAGEMENTS

Engagement is an iterative process that may last years

IDENTIFY TARGET
- Holding size
- Holding period
- Ability to influence
- Severity
- Likelihood of success

DESKTOP RESEARCH
- Confirm triage
- Understand approach
- Assess performance relative to best practices

SET OBJECTIVES
- Specific
- Measurable
- Achievable
- Relevant
- Time-bound

OUTREACH
- Letter or email
- Request meeting or call

MEETING
- Develop relationship
- Outline concerns
- Communicate expectations

MONITOR
- Assess progress
- Reengage
- Abandon
- Escalate

REPORT
- Track and report milestones achieved

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.

Collaboration can be highly beneficial to GMO, allowing us to leverage our influence alongside 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 that advance our stewardship objectives.

The ESG Oversight Committee has an annual review process to re-evaluate our continued involvement in collaborative initiatives. Re-evaluations assess investment and business considerations to ensure our involvement continues to deliver benefits that outweigh its costs and risks. Where engagement outcomes are limited, there may be other rationales for continued participation, such as the ongoing exposure to systemic risks that justify our involvement.

In 2025, the Committee approved the decision to join the Investor Initiative on Hazardous Chemicals, a collaborative engagement initiative supported by ChemSec.[10] We plan to engage two companies in the coming year.

10 https://chemsec.org/knowledge/iihc/

In addition, the Committee approved joining the Ceres Investor Network, which brings together institutional investors working to improve long-term portfolio value while building a cleaner, more resilient economy. We are in the process of determining which collaborative engagements to participate in.

Climate Change-focused Engagement

Climate change remains a strategic priority engagement theme due to its potential to create both idiosyncratic and systemic risks across our portfolios. We endeavor to engage 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-Related Disclosures,[11] consider setting science-based targets to strengthen their commitment to managing climate change risk, and conduct supplier engagements to address their sources of material indirect emissions.

For more on our climate change strategy and net zero commitment, please refer to the TCFD Supplement.

11 https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/

GMO DIRECT ENGAGEMENTS: CLIMATE CHANGE

***2026 Plan:** Continue engaging companies on climate using our progressive approach*

What we are asking

Phased approach aligned with the company's progress

1. Report scope 1, 2, and material scope 3 emissions
2. Adopt IFRS-S2-Aligned Reporting
3. Consider setting science-based targets aligned with net zero
4. Engage supply chain on emissions reductions

Firm-wide

- Minimum influence threshold (1% voting shares)
- Highest emitters contributing to net zero portfolio carbon footprint
- Sectors with highest upstream emissions
- Select companies with high emissions intensity and absolute upstream emissions

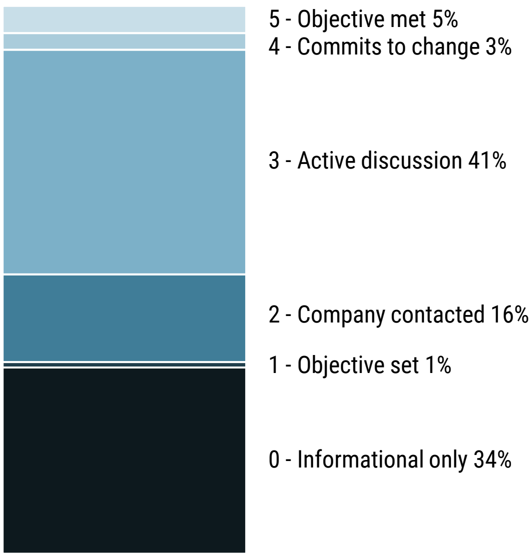
Indirect Emissions Model Insights

- What we share: Total emission profile generated from Indirect Emissions Model data
- What we ask: For companies to engage with their top-emitting suppliers
- Indicator: Supplier engagement disclosure and information on efforts to mitigate upstream emissions

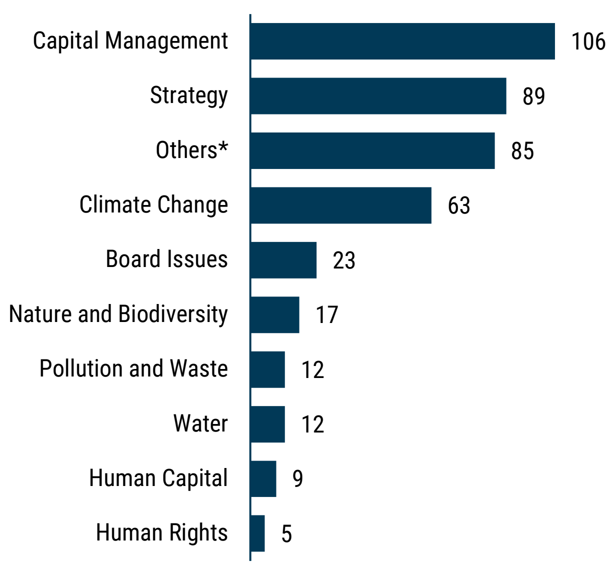
Engagement Outcomes and Case Studies

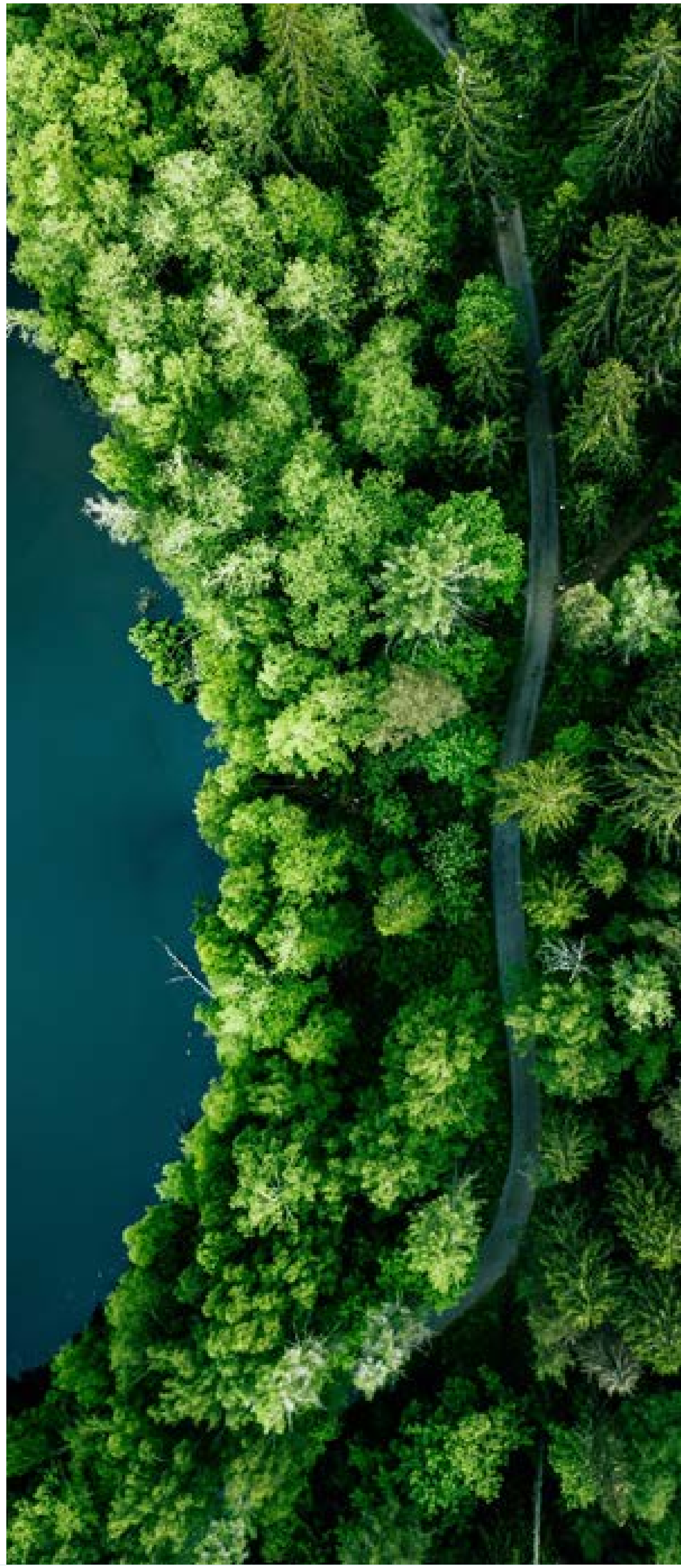
In 2025, investment teams had 231 interactions with 156 issuers. At the end of 2025, 70 engagements remained open or escalated, including engagements in previous years. The breakdown below shows the number of 2025 and open engagements by milestone and by topic.

Engagements by Milestone



Engagements on Select Topics





EQUITY ENGAGEMENTS

Pulp Mills Company

Initiation Date	21 August 2025
Last Contact Date	21 October 2025
Issue	Community Relations and Nature
Format	Video Conference
Company Attendees	IR
GMO Attendees	Deborah Ng
Objective	Company to address concerns regarding contested land, community relations, and nature
Actions	The company detailed its due diligence and engagement processes as it relates to land acquisitions and indigenous communities. The company also provided an update on its progress toward expanding biodiversity corridors, eliminating theft, and reducing deforestation by alleviating poverty within communities.
Outcomes	The company is conducting a study of living wage levels as part of its poverty alleviation initiatives.
Status and Next Steps	We will follow up on how the company uses the results of this study.

Energy Efficiency and Renewable Energy Company

Initiation Date	19 December 2022
Last Contact Date	1 December 2025
Issue	Climate Risk
Format	Various
Company Attendees	CFO, IR
GMO Attendees	Alex Hébert, Deborah Ng
Objective	Company to set science-based target
Actions	We have met with the company several times since 2022 to discuss its decarbonization plans. In 2023, the company committed to setting a certified target by 2025.
Outcomes	Unfortunately, the company has been dealing with more urgent issues and has put science-based targets on the backburner.
Status and Next Steps	We have logged this as an unsuccessful engagement and will revisit it once the company's situation improves.

Industrials Company

Initiation Date	23 June 2025
Last Contact Date	7 July 2025
Issue	Product Safety and Controversy Management
Format	Video Conference
Company Attendees	IR, General Counsel
GMO Attendees	Miekela Singh, Mandy Leung
Objective	Improve controversy risk analysis on safety, risk oversight, and governance updates
Actions	The company decided to retain 25% of a subsidiary linked to a fire at a large residential building, despite a poor safety culture. The company introduced a product compliance team that includes two members of management and reports to the board's Audit and Risk committee. Additional actions were taken to encourage a strong culture of compliance and obligation through unannounced compliance audits.
Outcomes	The board is more attuned to issues of culture in the strategic component of acquisition. No ongoing concern related to the subsidiary, given the sale of the subsidiary and liability retention.
Status and Next Steps	Exchanged article on corporate culture and GC who works closely with the board to share feedback related to culture and acquisition as a strong diligence practice.

Automotive Parts Company

Initiation Date	30 July 2025
Last Contact Date	23 October 2025
Issue	Shareholder Rights
Format	Various
Company Attendees	Board, CEO, Investor Relations
GMO Attendees	Drew Edwards, Takeo Asahara
Objective	Improve transparency and consultation on the terms of a take-private Tender Offer Bid (TOB)
Actions	We engaged directly with the company's management, board, and CEO to express our concerns and seek clarity. We requested transparency on the assumptions underlying the TOB price, including the calculation of the weighted average cost of capital. We are equally concerned that the board has not undertaken a proactive market check. The company's current 30-day TOB period does not provide third-party buyers with a fair opportunity to participate.
Outcomes	On October 23, the company raised its TOB price.
Status and Next Steps	We are pleased with this outcome but continue to address gaps in Japan's tender offer rules.

Musical Instrument and Audio Component Company

Initiation Date	20 May 2024
Last Contact Date	5 February 2025
Issue	Capital Management
Format	In-Person Meetings, Letters
Company Attendees	CEO and others
GMO Attendees	Takeo Asahara, Fumie Kikuchi
Objective	Treasury share cancellation
Actions	We met with the company several times in 2024 to discuss improvements to the investment process, the unwinding of cross-shareholdings, and the cancellation of treasury shares.
Outcomes	In February 2025, the company announced a 6% stock buyback and the cancellation of treasury shares.
Status and Next Steps	We will continue to work with the company on other capital management issues.

Healthcare Company

Initiation Date	14 May 2025
Last Contact Date	15 May 2025
Issue	Board Oversight and Leadership
Format	In-Person Meetings
Company Attendees	Investor Relations
GMO Attendees	Tom Hancock
Objective	Understand the CEO transition and the issues leading up to it
Actions	We met with the company a couple of times to discuss the management change and its driving factors. We also discussed the withdrawal of their earnings guidance.
Outcomes	Improved understanding of leadership transition process.
Status and Next Steps	We will monitor for any changes following the leadership change.

Renewable Oil & Gas Company

Initiation Date	27 September 2023
Last Contact Date	26 March 2025
Issue	Community Concerns Around Carbon Capture, Utilization, and Storage (CCUS)
Format	Video Conference
Company Attendees	CEO, CFO, IR
GMO Attendees	Alex Hébert
Objective	Understand company's approach to concerns over CCUS
Actions	We expressed the importance of community outreach for CCUS projects in meetings and email correspondence with the management team.
Outcomes	The company launched a Community Benefits Program (CBP) with an advisory council made up of community members. The CBP commits 1% of the investment in each Carbon TerraVault I (California's first commercial CCUS project) toward developing or expanding programs, and partnerships with labor, community, and academic organizations that will provide transformative benefits to local communities throughout the region.
Status and Next Steps	Closed

FIXED INCOME ENGAGEMENTS

Country	*Chile*
Initiation Date	5 June 2025
Last Contact Date	12 June 2025
Issue	Human Capital and Gender Equity
Format	Video Conference
Company Attendees	Ministry of Economy, Development, and Tourism
GMO Attendees	Mina Tomovska, Deborah Ng
Objective	Enhance disclosure of human capital, education, and gender equity KPIs and consider issuing sustainability-linked bond (SLB)
Actions	We met with the government to get feedback on social development-oriented KPIs and the possibility of underpinning KPIs with a bond issuance. The government expressed skepticism about using social KPIs in an SLB, stating that KPI selection requires careful consideration. Many of these indicators take a long time to progress, which may not fit within an SLB issuance and could incentivize short-term gains.
Outcomes	The government is focused on biodiversity, but noted that education and health remain key priorities.
Status and Next Steps	We plan to revert to discuss the most effective social KPIs for a linked bond issuance.

Country	Benin
Initiation Date	21 November 2024
Last Contact Date	2 December 2025
Issue	Human Capital and Gender Equity
Format	Video Conference
Company Attendees	Ministère de l'Economie et des Finances, Debt Management Office
GMO Attendees	Mina Tomovska, Deborah Ng
Objective	Increasing women's participation in the workforce and improving infant mortality rate
Actions	We met with a government official from the Debt Management Office to discuss KPIs focused on gender equity, health, and education themes, and the Office's capacity to utilize such indicators to track social progress and in financial planning. We acknowledged the ongoing improvement in child mortality and immunization rates and discussed ways to continue these efforts. The group acknowledged the country's commitment to financing projects aligned with the Sustainable Development Goals (SDGs) framework and suggested aligning future sustainability-linked bond issuance with one of the most relevant social KPIs to Benin's economic and social development. Additionally, we discussed strategies to ensure even economic development across different regions and highlighted the significance of relevant impact reporting for investors.
Outcomes	The government official expressed a strong interest in continuing this conversation and potentially involving dedicated IMF resources.
Status and Next Steps	We are seeking a meeting in 2026 to discuss the potential to issue a social bond that expands funding for the Gbesoke Productive Social Safety Net Program (GPSSNP).

Country	Uruguay
Initiation Date	11 May 2021
Last Contact Date	6 June 2025
Issue	Energy Transition
Format	Video Conference
Company Attendees	Ministry of Finance
GMO Attendees	Eamon Aghdasi
Objective	Update on progress toward renewable energy transition, climate adaptation infrastructure, and regulatory enhancements
Actions	We participated in ongoing discussions to better understand Uruguay's energy transition preparedness, including its efforts to increase renewable electricity production. We also touched on the risk of drought, and government efforts to build new infrastructure for water sanitation in relation to weather events.
Outcomes	Positive outcomes included the country reaching 99% of all renewable electricity production. The information shared contributed to our confidence in the investment.
Status and Next Steps	The information obtained was sufficient to inform our investment view; we have closed the engagement for the time being.

Collaborative Initiative Highlights

GMO participates in a wide range of collaborative initiatives, which are summarized at the end of this section. We continue to find great value for our beneficiaries in exchanging ideas and in leveraging a collective voice for action with the companies we engage. Some of our collaborative focus areas in 2025 are included the following examples.

COLLABORATING FOR SUSTAINABILITY

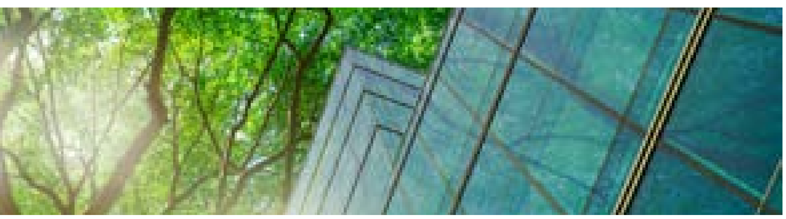
Initiative	***CDP Non-Disclosure Campaign (NDC)***
Issue	Climate-Related Disclosures
GMO Attendees	Focused Equity Team and Director of Investment Stewardship
Objective	GMO participates in the NDC, a collaborative initiative enabling investment managers to drive corporate transparency around companies' management of climate-change-related exposures. This complements our involvement in the CDP Science-Based Targets Initiative. Through our participation, GMO investment teams encourage our portfolio companies to improve their ESG risk disclosures.
Actions	In 2025, via letters, we led engagements with five non-disclosing companies.
Outcomes	As of 31 December 2025, none of the companies had submitted their CDP questionnaires, and companies from previous years did not make any changes. We have communicated with CDP to better understand this year's reporting landscape, as this was the first year none of our portfolio companies participated or engaged further on this request. It is our understanding that many companies have improved their disclosures, and that the true laggards are in a difficult position given the increased geopolitical focus, economic headwinds, and a polarized climate on ESG in the U.S. We will continue to engage to improve transparency of climate-change-related exposures.

Initiative	***Emerging Markets Investor Alliance (EMIA)***
Issue	Human Capital, Education, and Gender Equity
GMO Attendees	Emerging Country Debt team, ESG and Sustainability team
Objective	To improve disclosure on education, health, and gender equity metrics
Actions	The group sent letters to 26 emerging market countries in 2025 to obtain feedback from issuers on the appropriateness of the metrics used to measure social progress, to encourage more timely disclosures of these metrics, and, where appropriate, to consider incorporating some of these indicators into a sustainability-linked bond (SLB) issuance.
Outcomes	The group received positive responses from six countries, and GMO met with three of them in 2025. The group also secured meetings with one other country in early 2026.
	Overall, the countries we spoke to were supportive of the metrics. Some said they would consider inclusion in an SLB, while others acknowledged the importance of the indicators but suggested other issues, such as biodiversity, took precedence.
Issue	Biodiversity and Nature Management at Materials Sector Companies
GMO Attendees	ESG and Sustainability team
Objective	To improve disclosures on nature and biodiversity-related activities
Actions	We engaged a cement company to encourage detailed reporting on indicators assessing impacts and dependencies on nature, the status of key species in areas with operations, improvements in data granularity (such as the provision of maps showing proximity to biodiversity-sensitive areas), and actions taken to preserve and restore ecosystems. We suggested setting plans and targets for short-, medium-, and long-term milestones to improve monitoring of progress. We are encouraged by the company's issuance of labeled debt instruments, which support a disciplined investment process and confirm the long-term sustainability of its business. We also engaged with a pulp and paper company, asking them to investigate and disclose the deep history of the land plots they own and acquire. We also asked the company to publicize maps and baselines for the biodiversity corridors it claims to create, as well as baseline studies of the water table in the areas of its operations. We also encouraged the company to clarify the sources of its biomass.
Outcomes	We will continue to follow up and engage with the company to make progress. We may also consider adding additional focus companies given the thoroughness of this engagement process, based on our holdings and desktop research assessment.

POLICY AND REGULATORY ADVOCACY

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

Initiative	*Asian Corporate Governance Association (ACGA)*
Issue	Corporate Governance Code Revisions
GMO Attendees	Usonian Japan Equity: Fumie Kikuchi, Drew Edwards
Objective	To improve disclosure on key financial metrics
Actions	The Usonian Japan Equity team, through the ACGA, advocated in connection with the Financial Services Agency's planned revision of the Corporate Governance Code in 2025. They advocated clearer articulation of performance-related issues, including disclosure on specific uses of cash. They also used the opportunity to specifically encourage regulators to require companies to improve board quality and effectiveness.
Outcomes	The third revision of Japan's Corporate Governance Code is scheduled to be released in 2026. We eagerly await this disclosure.



GMO PARTICIPATION IN COLLABORATIVE INITIATIVES

Below are additional details on GMO's participation in collaborative ESG-related initiatives.

	Initiative	*Purpose*	*How GMO Participates*
MEMBERSHIP			
	UN-supported Principles for Responsible Investment (PRI) 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 (ACGA) Association Member since August 2021	To promote effective corporate governance practices throughout Asia	Member of the Japan Working Group
	Council of Institutional Investors (CII) Member since January 2025	To promote effective corporate governance, strong shareholder 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

	Initiative	Purpose	How GMO Participates
MEMBERSHIP (CONTINUED)			
	Emerging Markets Investors Alliance (EMIA) Member since February 2022	To work with other investors to tackle ESG challenges in emerging markets	Member of the Debt and Fiscal Governance Working Group to advance fiscal transparency and sustainability; member of the Materials Working Group to engage with companies on toxic chemical use, as well as nature and biodiversity risks
	Ceres Investor Network Member since 2026	To work with other institutional investors to advance responsible Investment practices and policies that improve long-term portfolio value and build a cleaner, more resilient economy	Participate in working groups
	Business Future Pathways Appointed 2025	To provide practical, internationally aligned, and investor-endorsed guidance to Canadian companies, empowering them to develop and report credible climate transition plans	Member of the Financial Advisory Committee
COMMITMENTS			
	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 though 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
	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
ENDORSEMENTS			
	Taskforce on Climate-related Financial Disclosures (TCFD) 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, recommend that companies adopt TCFD disclosures; report on our management of climate-related financial risk and opportunity following TCFD Recommendations; initial report prepared in 2023
	Transition Pathway Initiative (TPI) 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

	Initiative	Purpose	How GMO Participates
ENDORSEMENTS (CONTINUED)			
	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 1.5 °C	Signed the statement along with 534 other institutional investors representing US$32 trillion in AUM
COLLABORATIVE ENGAGEMENTS			
	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; opportunities to influence companies to disclose to CDP	Lead or participate in CDP collaborative engagement campaigns, such as Non- Disclosure Campaign
	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
	Climate Engagement Canada Joined September 2024	To promote a just transition to a net zero economy through dialogue between finance and industry	International supporter; participant in 1-2 engagements
	Investors Alliance Against Slavery and Trafficking, Asia Pacific (IAST APAC) Joined in October 2020	To influence APAC companies on effective action in finding, fixing, and preventing modern slavery in operations and supply chains	Company selection and participation is under revision
	Investor Initiative on Hazardous Chemicals (IIHC) Joined September 2025	To reduce the adverse impacts of hazardous chemicals and thereby members' exposure to related financial risks	GMO is a supporting engager for two companies

Escalation

We consider escalation to be a deliberate increase in the intensity or influence of engagement where progress toward an objective has been insufficient. If the issuer's response is unsatisfactory, we may then escalate our engagement in a number of ways, including collaborating with peers, voting proxies, advocating for policy and regulation, accessing senior management or the board at annual general meetings or sell-side events, writing open letters, or deciding to divest, 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 to 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, nature, 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 several years and has seen it evolve from a small, investor-driven initiative into today's International Sustainability Standards Board (ISSB). The ISSB issued global sustainability and climate change reporting standards in 2023, which are being considered by regulators for mandatory reporting. As of January 2026, 21 jurisdictions have adopted ISSB standards on a voluntary or mandatory basis. Sixteen other jurisdictions are planning to adopt them in the future.[12]
- 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.

12 https://www.spglobal.com/sustainable1/en/insights/research-reports/issb-january-2026

- Writing Open Letters: In mid-2025, GMO escalated a challenging engagement when the Usonian Japan Equity team contributed to a publication by the ACGA that was circulated widely (see Spotlight: Usonian Japan Equity).
- Deciding to divest: In some cases, GMO decided to reduce our position or divest our position entirely because of escalation. This is rarely the outcome of a single engagement activity. More often, it occurs after considering several factors, including the cost of engagement relative to its benefit and whether there are other ways to gain the desired exposure. Again in 2025, we divested from companies due to a lack of progress on engagement objectives.

GMO has not launched any shareholder proposals or litigation, but our teams may use those options 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) is 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, its 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 time to implement changes before we escalate. When outcomes are not immediately evident, continued participation may still be warranted where the underlying risk remains material and additional efforts offer a credible pathway to long-term change. That said, we use our judgment to determine whether a target is likely to respond, which may (or may not) prompt us to accelerate our escalation.

Spotlight: GMO Usonian Japan Equity

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

The team is committed to working collaboratively with Japanese companies as practically possible to unlock value. As long-term investors with enduring relationships, Usonian was invested in and regularly engaged with Toyota Industries Corporation (TICO) for over 14 years. To the team, the investment in TICO was a paradox. It was compelling from a valuation perspective, given its leading global businesses with strong returns despite having poor corporate governance.

In 2025, a leveraged buyout bid for TICO by Akio Toyoda of Toyota Motor's (Toyota) founding family sparked controversy (and outrage), especially among minority shareholders, due to the clear undervaluation of the company and the TICO board's seeming inclination to prioritize Toyota Group relationships over minority shareholders. While Usonian supported this transaction in principle, the tender offer bid (TOB) of JPY16,300 per share failed to reflect the value of TICO's non-operating assets, including the shares of Toyota Group companies. Reforms by the Tokyo Stock Exchange (TSE), intended to curtail highly unfair transactions such as the TOB of TICO, were scheduled to take effect later that year (July 22, 2025). They would have strengthened protections for minority shareholders in transactions such as management buyouts and provided safeguards against the manipulation of existing loopholes.

Given the timing of the TOB announcement, it is highly likely that Toyoda acted deliberately to finalize the transaction before the new TSE regulations took effect. This highlighted how opportunistic actors can exploit gaps in regulatory frameworks and underscored the need for urgent and continued corporate governance reform, particularly around the definition of minority shareholders and the enforceability of independent oversight to restore investor confidence.

Usonian considered the TOB price unjustifiably low and communicated our concerns to the company and the Japan Ministry of Economy, Trade and Industry (METI) in private meetings as well as at the company's annual general meeting and requested a revision.

On August 8, 2025, the Asian Corporate Governance Association, with the support of investors including Head of Usonian Japan Equity Drew Edwards, published an open letter addressing how strategic shareholder interests may differ from minority shareholder interests in maximizing takeover value, as was the case at TICO. The letter urged the TICO board to address its concerns openly and thoroughly, in line with Japan's evolving regulatory standards.

TICO, however, maintained that the price was fair and stated no intention of revising the offer. After assessing the probability and magnitude of price hike, combined with Toyota Group's political influence and the timing of the TOB announcement, we concluded that it would be in our clients' best interests to redeploy their capital elsewhere and exited our position.

Had the Company improved disclosure on how they reached the TOB price, made transactions in good faith based on impending legislative requirements, or revisited the price in a timely way to improve the outcomes and build trust with minority shareholders, there may well have been a different escalation or de-escalation path to follow.

In early 2026, in a turn of events to address shareholder dissatisfaction, insufficient tender participation, and ensure the successful completion of the tender offer, Toyota raised the TOB price twice from its original level. Ultimately, the parties agreed to JPY 20,600 per share (+26.4% premium to the initial offer), resulting in the successful completion of the TOB.

Deep and thorough research, engagement efforts, and escalation through industry and regulatory bodies are sometimes insufficient to make a change in an appropriate timeframe. We remain confident in our decision to exit the name as the increase in stock price at the time of exit to the end of the TOB was less than the return of TOPIX for the same period.

We believe the outlook for Japanese equities remains constructive. The reforms we have highlighted in recent years are accelerating, with stronger shareholder engagement, more competitive dynamics in the market for corporate control, and management teams increasingly focused on capital efficiency and governance.

ESCALATION CASE STUDIES

Automotive Company

Initiation Date	9 February 2024
Last Contact Date	17 June 2025
Issue	Cross-Shareholdings, Transparency, Minority Shareholder Treatment
Format	Meetings and Letters
Company Attendees	Board Directors
GMO Attendees	Drew Edwards, Fumie Kikuchi, Takeo Asahara,
Objective	Obtain clarity around the take-private offer bid; encourage board independence and fairness to minority shareholders
Actions	We met with management and the board at least four times to request clarity around valuation as the take-private offer bid does not reflect the underlying value of the company. They also discussed greater board independence and fairness to minority shareholders in these meetings.
Outcomes	While the company maintains it complied with legal obligations, after a 14-year investment as a minority shareholder, the board and management were unwilling to provide us with an explanation on how it arrived at the offer price and deal structure.
Status and Next Steps	As a result of board and management inaction, GMO exited the position. We continue to press for change through the Asian Corporate Governance Association and, to date, have received no assurances that the offer price may be revised. We will continue to monitor this fundamentally important case for minority rights and governance in the Japanese market.

Healthcare Company

Initiation Date	26 October 2022
Last Contact Date	9 October 2025
Issue	Governance, Succession, and Board Oversight
Format	In-Person Meetings, Letters, and Emails
Company Attendees	Management
GMO Attendees	Drew Edwards, Takeo Asahara, Yoshitomo Yamamura
Objective	Improve governance framework and performance; encourage development of an appropriate succession plan
Actions	We engaged with the company's top management over multiple years regarding its prolonged deterioration in performance, weaknesses in its governance framework, and the absence of an appropriate succession plan. We also submitted a letter to the board of directors.
Outcomes	No meaningful improvements were observed; we ultimately voted against the relevant directors.
Status and Next Steps	We continue to hold a significant portion of outstanding shares and will monitor improvements that result from the voting decision.

EXERCISING RIGHTS AND RESPONSIBILITIES

GMO assets are primarily invested in equities (about 65%, including equities held within multi-asset class strategies), in both developed and emerging markets. We also hold about 17% of our AUM in fixed income.

Proxy Voting

Proxy voting is an integral aspect of security ownership, and we exercise this function 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. We seek to vote proxies in a manner that encourages and rewards effective governance structures and practices, thereby supporting the creation of sustainable, long-term growth consistent with our clients' investment mandates.

Our general approach to proxy voting includes:

- **Integrated Assessment Process:** GMO uses a variety of sources to make informed voting decisions, supported by proxy advisory firm research reports, relevant company filings, third-party research providers, internal fundamental research perspectives (including existing engagements), and portfolio monitoring considerations.
- **Pragmatic Approach:** GMO takes the responsibility of voting proxies seriously and understands that vote outcomes send clear signals to boards, management, and markets about investor expectations.
- **Comprehensive Voting:** GMO views the right to vote at portfolio companies as fundamental to active ownership and aims to vote every share owned at each shareholder meeting.
- **Disclosure of Votes:** Transparency to our clients is important to GMO. Our proxy voting records are publicly accessible on GMO's website, along with the Proxy Voting Policy.

POLICY, ADVISOR, AND DEFAULT RECOMMENDATIONS

Our proxy voting activities are governed by GMO's Proxy Voting Policy, which outlines our proxy voting procedures, as well as how we identify and manage potential conflicts of interest in proxy voting. For more on GMO's Proxy Voting Policy, see Policies, Processes, and Review: Stewardship-related Policies or visit us at www.gmo.com.

PROCESS

While we have access to voting recommendations from multiple providers, we generally leverage proxy advisory services, research, and platform tools from ISS.

On an annual basis, the Stewardship Subcommittee reviews all updates to the ISS policy. We also undertake regular reviews of ISS policy options to ensure we vote in a manner 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.

GMO's proxy voting process relies on analysis from ISS, investment, and stewardship professionals.

In certain instances (e.g., when voting against management, when voting for U.S. director elections, when investment teams specifically request additional information, or when a vote meets criteria defined by our significant vote review process), proxy research and recommendations for each agenda item are provided to the relevant investment and stewardship professionals prior to votes being cast. Teams consider the ISS vote recommendations as well as any internal vote-related research and will make final voting decisions in the best interest of our clients. When proxy advisor recommendations diverge from internal views, we rely on the expertise and judgment of our portfolio managers. On a quarterly basis, we post all of our votes on our website and provide a summary of our voting activities in our ESG Client Reports. Annually, a summary of our proxy voting activities is provided to the Stewardship Subcommittee and included in GMO's UK Stewardship Code and, as of 2026, GMO's Stewardship and Sustainability reports.

We do not provide clients with the ability to direct voting in our pooled vehicles. In separately managed accounts (SMAs), 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 remaining SMA clients who have delegated voting to GMO have done so relying on the GMO Proxy Voting Policy.

MONITORING OF PROXY VOTING ADVISOR

For information on how we monitor our proxy advisor, please review Monitoring Service Providers : Proxy Advisors.

Proxy Voting Outcomes

EQUITIES

GMO aims to vote on 100% of proposals. In a small number of situations, we did not vote because of market- or meeting-specific restrictions (e.g., share-blocking or power of attorney requirements), or legal restrictions (e.g., sanctions on countries). In 2025, GMO voted 97% of the votable proposals (28,510 of 29,511). See *Votes by Region,* below. Regionally, our votes were roughly split equally across the Americas, Asia-Pacific, and Europe, the Middle East, and Africa (EMEA).

Vote outcomes aligned with management 88% of the time, as shown in Votes with/against Management.

Among votes against management, key issues included board composition and board governance items (62%) followed by remuneration (20%) and transaction & capitalization (12%) proposals. Other topics (including climate risk and environmental, social and general governance proposals) made up the remaining 6%.

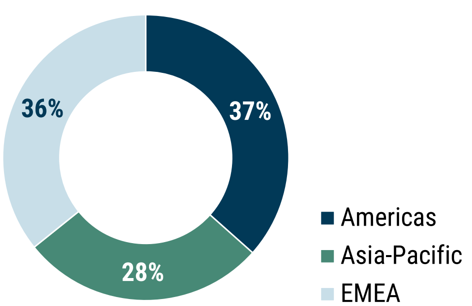
Across both shareholder and management proposals, governance-related matters were the most prevalent type that GMO voted on in 2025. Climate risk, environmental, and social topics represented 1% of total proposals, of which 53% were shareholder proposals. We provide examples of GMO's proxy voting decisions in this section (see *Shareholder Proposal Voting,* below).

SHAREHOLDER PROPOSALS

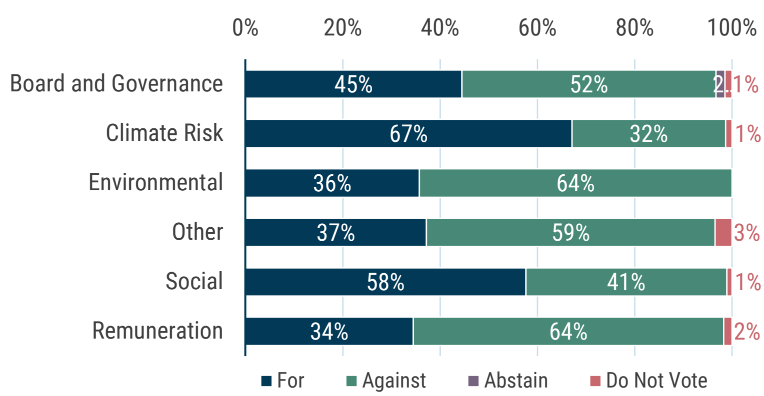
The majority (60%) of shareholder proposals were governance-related, of which we supported 45% and voted against 52%. About 11% of the proposals addressed social issues, while climate matters accounted for just over 9%. Overall, we supported just over 46% of shareholder proposals, including 62% of votes on climate risk, environmental, and social matters combined.

We have generally observed improved drafting in shareholder

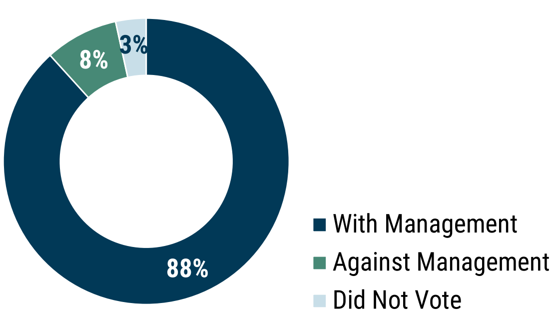
Votes by Region



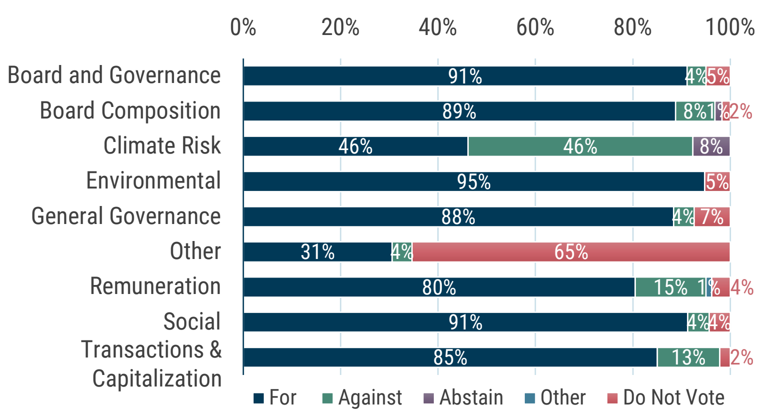
Shareholder Proposal Voting



Votes with/against Management



Management Proposal Voting



proposals, with more specific requests. At the same time, the variation of proposal types, including those categorized as anti-ESG, can camouflage the reporting signal when viewed in aggregate. We continue to track these trends, as they provide a meaningful mechanism for gauging how actively shareholder rights are exercised and which topics draw shareholder attention.

MANAGEMENT PROPOSALS

In 2025, 99% of management proposals were related to governance matters. Over 50% related to board composition, followed by general governance, executive remuneration, and board and governance, where we voted against 8%, 4%, 15% and 4% of proposals, respectively.

Across all categories, we supported 88% of management proposals and cast votes against management about 8% of the time. We supported 89% of management proposals on climate risk, environmental, and social topics in aggregate (see *Management Proposal Voting,* previous page).

MEETING OUTCOMES

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

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 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 us 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 in recalling loaned securities for proxy voting purposes.

Investment teams also have the option to restrict certain securities from being loaned when they plan 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 2025, we did not recall any loaned securities for the purpose of exercising voting rights.

CASE STUDIES

Financial Company

Issue	Indigenous Peoples' Rights
Vote Type	Shareholder Proposal
Voting Decision	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. GMO did not support this proposal. Our investment team determined that the company has implemented policies and practices that address the specific risks referenced in the shareholder request. As a result of engaging with the company, we did not believe additional reporting was beneficial to shareholders.
Outcome	This proposal received approximately 12% support.

Financial Company

Issue	Cross-Shareholdings
Vote Type	Director Vote
Voting Decision	Our Japan equity strategies encourage companies to reduce cross-shareholdings to less than 10%. Given our ongoing discussions with the company and its plan to reduce cross-shareholdings over three years, we supported the director. We considered the company's plan as part of our fundamental research assessment in voting to support the director.
Outcome	All nine directors were re-elected to the company.

CASE STUDIES (CONTINUED)

Mining Company

Issue	Climate Action Plan
Vote Type	Management Strategy
Voting Decision	We supported the company's Climate Action Plan, which covers scope 1 and 2 emissions reductions and encompasses short-, medium-, and long-term timeframes for all areas of the business. While the company does not have a formal long-term scope 3 target, we are supportive of its actionable short-term targets. More importantly, growing their energy transition exposure via copper, lithium, low-carbon aluminum, and higher-grade iron ore further climate-proof the business.
Outcome	Support for this proposal reached 93%.

Retail Company

Issue	Biodiversity Impact and Dependency Assessment
Vote Type	Shareholder Proposal
Voting Decision	We supported this proposal on the rationale that further disclosure would help shareholders assess how the company is managing risks associated with deforestation and biodiversity loss, and to adequately track progress on these issues.
Outcome	This proposal received approximately 16.5% support.

Healthcare Company

Issue	Succession Planning
Vote Type	Director Votes
Voting Decision	We determined the only director worth supporting in the annual meeting was a newly appointed member of the nomination committee who we believe can lead succession planning discussions. We are otherwise dissatisfied with the CEO and board's response on succession planning.
Outcome	All directors were appointed or reappointed.

Banking and Financial Company

Issue	Director Independence/Outside Directors
Vote Type	Shareholder Proposal
Voting Decision	We supported a shareholder proposal that requested the company amend its articles of incorporation to require a majority of outsider board members. At the time, three of the company's seven directors were outside directors, so the company had already made progress toward this practice. We overrode our proxy advisor's recommendation, which suggested that such a request would cause disruption to company management, despite being a positive governance position.
Outcome	The directors from the proponent's slate were approved.

FIXED INCOME

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

In the context of our Emerging Country Debt strategies, amendments to terms and conditions are often part of a debt restructuring with an issuer. GMO frequently participates in bondholder committees, including steering or ad hoc groups. In most cases, the goal is to maximize our recovery by working with the issuer and avoiding litigation whenever possible, especially against sovereign issuers.

GMO serves on the Steering Committee of Lebanon Bondholders and the Venezuela Creditors Committee for the restructuring of each country's external debt. Engagement with the relevant authorities has been established in each instance, but both are at very early stages, due to ongoing political dysfunction in both countries.

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 nearly 100 documents to assess 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 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 the special servicer failed to resolve a proposed loan modification 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 held in alternative strategies, such as merger arbitrage or long/short portfolios, is included in our equity voting processes, as discussed above. GMO's Systematic 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.

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

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 we review their relevant internal control reports (if available). A variety of teams at GMO are involved in overseeing external service providers.

We conduct due diligence reviews that focus on security, data privacy, business continuity, disaster recovery practices, and the operational controls established by the vendor. We use a third-party vendor management system that enables cross-functional collaboration and centralizes information for 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 are actively involved in the vendor risk management process. The approach leverages vendor information from Finance and coordinates anti-money laundering monitoring and contract management through Legal, ensuring comprehensive oversight. 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.

Proxy Advisor

GMO has a robust oversight process to ensure compliance with our Proxy Voting Policy.

In 2025 we undertook: 1) daily reviews of any upcoming and unvoted meetings, 2) quarterly reviews of votes against policy, 3) quarterly updates of relevant holdings lists, 4) monthly reviews of opened and closed reports, and a master account list, 5) quarterly reviews of all ballots for accuracy and completeness, and 6) an annual review of the details included in the SEC N-PX filing for accuracy and completeness.

We did not identify any material discrepancies. For the SEC N-PX filing, we compare the ISS report against our raw data. There are known issues in the report, all of which are readily resolved.

Our proxy advisor provides us with a quarterly certification that speaks to the accuracy of their application of the policy, controls around conflicts of interest, and other relevant topics.

Our proxy voting process serves as a regular review of the quality of our proxy advisor's recommendations. Fundamental teams review recommendations to vote against management, for U.S. director elections, or additional information if specifically requested, and subsequently make the decision to accept or reject the proxy advisor's recommendation.

ESG Data, Systems, and Providers

In analyzing data usage, it was evident that there were multiple sources of ESG data within the firm. We set out to change that. In 2024, we made the strategic decision to load and report all ESG metrics from Aladdin, BlackRock Solutions' (BRS) Investment Book of Record system.

Throughout 2024 and 2025, we moved our ESG data into Aladdin, which populates ESG data in three ways:

- Direct partnerships with vendors—BRS has direct partnerships with many ESG data providers. We view and use this data directly in Aladdin, sometimes adding logic in the user interface to support ESG metric calculations.
- Pushing our proprietary GMO ESG model data into Aladdin—Examples of these metrics include GMO's ESG Score and Indirect Emissions model.
- Loading other third-party data into Aladdin—GMO utilizes licensed data from providers that do not have a partnership with BRS. We also leverage public databases, typically from governmental or non-profit organizations, such as the Emissions Database for Global Atmospheric Research and the Transition Pathway Initiative.

For non-BRS partner data, we undertook 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. 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.

We leverage third-party ESG Research providers for quantitative and qualitative data to help us identify and assess ESG risks.

We maintain ongoing engagement with our data providers throughout the year to investigate and remediate quantitative data issues. By way of example, in 2025, the Risk team observed a pronounced increase in a portfolio's carbon emissions intensity. This increase was materially less evident in our official ESG reports, prompting further review and revealing that the Risk team was sourcing emissions data from an alternative vendor.

Subsequent analysis determined that the increase was driven primarily by a single issuer whose reported year-over-year emissions rose substantially—an increase that was not reflected in the alternate vendor's dataset. Based on a review of the issuer's public disclosures, we confirmed that the issuer is a financial company with minority equity holdings in other companies, including an interest of less than 5% in a mining company. The vendor had attributed the mining company's scope 1 and scope 2 emissions to the financial company, rather than classifying them as scope 3 (financed/investment-related) emissions. This treatment is inconsistent with the GHG Protocol. The vendor acknowledged the error and reverted to its prior methodology, which does not attribute portfolio-company emissions to minority shareholders as scope 1 or scope 2.

TCFD SUPPLEMENT

Governance

GOVERNANCE BODY

GMO's Board of Directors oversees the integration of climate considerations into our overall strategy, risk management processes, and decision-making. At quarterly Board meetings, senior management and the Head of ESG and Sustainability provide updates on our progress on responsible investment initiatives, including a discussion of climate change. The Board also receives periodic updates and educational briefings.

MANAGEMENT

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. Based on corporate priorities and needs, the ESG Oversight Committee uses subcommittees to help fulfill its responsibilities. The relevant subcommittees for our climate change work include:

- Investments Subcommittee: governs progress on our net zero commitment and climate change-related strategy, and monitors GMO's fund-level ESG exposures.
- Stewardship Subcommittee: oversees GMO's proxy voting and engagement activities and the firm's climate change engagements.

STRATEGY

Our approach to climate change is grounded in the recognition that climate-related risks and opportunities can have a profound impact on investment outcomes across all time horizons. GMO focuses on fostering dialogue across investment teams to qualitatively assess the direction of travel for potential climate change pathways. Identifying and analyzing the potential ways the world could change in the future must encompass several plausible scenarios that depart from history and "business-as-usual."

While popular guidance suggests quantitative scenario analysis, current methodologies for modeling transition and physical risk pathways and translating them into financial and economic growth do not capture potential outcomes with the accuracy or reliability we believe is necessary for investment decision-making. For this reason, we opt for qualitative assessment.

Climate Risks and Opportunities

ENERGY TRANSITION

The interaction between physical and transition risks is becoming more visible and complex:

- Transition delays are worsening physical risks. Because global emissions have not declined fast enough, physical risks are intensifying. The longer the transition is delayed, the more severe and frequent physical impacts become, thus forcing more abrupt and costly transition measures later.
- Physical risks are accelerating transition pressure. Record-breaking physical risk events have increased public and investor demand for climate action. The financial implications of transition risk include increased costs due to policies and regulations aimed at curbing emissions, a loss of market share as consumers shift away from high-emissions products and services, and disruption and premature obsolescence of assets due to newer, climate-friendly technologies.

The interaction between transition risk and physical risks presents a challenge for investors like GMO, who must manage short-, medium-, and long-term risks for clients. We must tolerate transition risks to avoid what we expect to be far more damaging physical risks in the future. As physical risks mount, the risk of a delayed, abrupt, and more disruptive transition also rises.

The speed and timing of transition have a direct bearing on the risks and opportunities faced by GMO. To better understand this, we monitor the progress of five key economic characteristics: policy and regulations, technology, consumer demand, capital flows, and physical risks—climate catalysts we believe can indicate the state of climate-related opportunities and risks.

For example, as more countries adopt net zero goals and implement related policies, regulations, and actions to support decarbonization, portfolio companies may face greater financial risks, such as higher input costs needed for compliance. In another example, as the costs of fossil-fuel-free alternatives continue to decline, companies that rely on fossil fuel demand may be left behind, while companies that produce or supply alternative technologies could financially benefit.

Overall, the world has not made sufficient progress toward decarbonization across many areas. This means that our emphasis should tilt toward managing physical risk and seeking adaptation opportunities. It also heightens the risk that abrupt, disruptive policymaking will lead to a disorderly transition.

SHORT AND MEDIUM TERM (1–7 YEARS)

We are already experiencing physical risks from rising temperatures. The twin developments of record planetary heat and soaring disaster losses in 2024 and 2025 carry important implications. For policymakers and businesses, these trends underscore that climate change is not a distant threat—it's here now, and the costs of inaction are mounting fast. Adaptation and resilience planning must accelerate.

Acute risks directly impact physical assets over the short to medium term. For instance, flooding can cause premature or rapid depreciation, increased costs, decreased productivity, and reduced profit margins. Water scarcity and drought can also heighten risks for companies, particularly those engaged in agriculture, food, and mining. Consideration of short-term physical impacts is incorporated into our ESG analysis and may be a topic of engagement with companies.

The costs for wind and solar have dropped 55% and 84%, respectively, since 2009, and have been competitive with conventional power generation in many markets since 2015.[13] Similarly, battery costs continue to decline: lithium-ion battery pack prices have dropped 20% since 2023 to a record low of $115 per kilowatt-hour, according to an analysis by research provider BloombergNEF.[14] The decline in the cost of renewable power generation and storage presents risks to fossil-fuel-based power sources and opportunities for those investing in renewables.

Conversely, while some progress has been made in hard-to-abate industries (e.g., steel, cement, long-range transportation, and petrochemicals), scalable, commercially viable solutions to decarbonize them remain distant. Climate solutions for these critical areas of the economy can create investment opportunities while mitigating emissions-related transition risks.

We have oriented some of our investment portfolios around these short- and medium-term opportunities. In 2017, we launched the Climate Change Strategy, which seeks to achieve total return by investing in companies that help the world mitigate or adapt to the negative impacts of climate change either directly or indirectly. In 2023, we launched the Horizons Strategy, which takes a systematic approach to investing in green revenue opportunities while reducing portfolio carbon emissions.

Investments in climate solutions are critical to transitioning the economy toward a net zero future. These investments help mitigate the longer-term risks associated with a warming climate. The political environment is significantly impacting climate action. The U.S. Trump administration's rollback of environmental policies has led to declining support for climate initiatives and investments, with clean technologies and other climate-friendly investment opportunities bearing the brunt of the impact. Despite strong fundamentals and growing cash flows, these companies have seen their valuations plunge.

Backlash against many of the tools the industry has developed to manage climate risk in portfolios, including collaborating with peers on company engagement and using shareholder voting rights to foster positive value-enhancing changes, presents another significant headwind for asset managers.

To support global efforts to achieve net zero, GMO joined the Net Zero Asset Managers initiative (NZAM) in 2021. GMO submitted its interim targets to NZAM in 2022 and thereafter undertook periodic reviews of its continued involvement.

At the beginning of 2025, NZAM voluntarily suspended its activities to undertake a comprehensive review of how it could best support its members in managing the systemic risks posed by climate change, issuing a revised commitment statement at the end of 2025.

After careful consideration, GMO has decided not to commit to the relaunched NZAM initiative and to continue our efforts to support global decarbonization independently.

LONG TERM (7+ YEARS)

GMO has a Climate Action Plan that incorporates four primary areas for long-term impact: 1) investing in climate solutions (outlined earlier in this section), 2) reducing our portfolio carbon footprint, 3) engaging with companies to disclose and execute on transition plans, and 4) encouraging policymakers and regulators to respond to climate change mitigation in a proactive and orderly way. Given the significant risk stemming from global warming that results from carbon emissions, GMO has committed to supporting the transition to a net zero economy by 2050.

Demand for clean energy materials is expected to grow significantly as energy needs surge with the adoption of AI and electrification, and as the energy transition unfolds. The World Bank estimates that the production of minerals such as graphite, lithium, and cobalt could increase by nearly 500% by 2050.

Over 3 billion tons of minerals and metals will be needed to deploy wind, solar, and geothermal power, as well as to build energy storage to keep global warming below 2°C. Combined with the industrialization of developing economies, population growth, and declining supplies of cheap and readily accessible natural resources, we anticipate a broad rise in resource prices.

GMO's Resources Strategy seeks to identify companies in public equity markets that we believe will benefit from these pricing dynamics across a diversified portfolio of energy, metals, agriculture, and water.

13 Lazard (2025). Levelized Cost of Energy+ (LCOE+) Report, June 2025, https://www.lazard.com/research-insights/levelized-cost-of-energyplus-lcoeplus/

14 BloombergNEF. (2024, December 10). Lithium-ion battery pack prices see largest drop since 2017, falling to $115 per kilowatt-hour [Press Release]. https://about.bnef.com/insights/commodities/lithium-ion-battery-pack-prices-see-largest-drop-since-2017-falling-to-115-per-kilowatt-hour-bloombergnef/

On the other hand, over the longer term, hard-to-abate sectors today, such as steel and cement, will face increasing transition risk as technological solutions reach commercial viability and new technologies emerge.

Climate Resilience

ADAPTATION EFFORTS

GMO has offices located in different parts of the world, and adverse climate events could have a direct impact on our business. GMO has business continuity plans in place for all office locations to cover severe business disruptions, including those resulting from physical climate risks. The financial impact of climate events is limited as most of GMO's office facilities are leased. We also maintain insurance to mitigate the financial impact of extreme weather events.

MITIGATION EFFORTS

GMO aims to mitigate its own climate impact by reducing the environmental footprint of our day-to-day operations. In our global offices, GMO partners with office landlords that actively mitigate the impacts of climate change and demonstrate a commitment to sustainable building practices. Our home office at 53 State Street in Boston is a LEED Gold building and Fitwel certified (a rating of the health-affecting aspects of the building environment designed to improve occupant well-being). The building is also more efficient than 75% of similar buildings nationwide, according to its Energy Star rating.

We have migrated applications, infrastructure, and services from proprietary data centers to Microsoft Azure, enabling GMO to scale dynamically while reducing its overall energy requirements. The energy efficiency achieved with this change has significantly reduced GMO's scope 2 carbon emissions. We have calculated the material components of our operational carbon footprint across our offices and remain committed to reducing our footprint first, then purchasing high-quality offsets for what remains.

In 2024, we purchased more than 3,000 tons of gold-standard certified carbon offsets from a solar farm in India to offset our estimated operational carbon emissions. Combined with previous offset purchases, we have effectively offset GMO's scope 1, scope 2, and material scope 3 emissions from 2019 through 2023. We are currently evaluating options to offset our 2024 operational carbon footprint.

Risk Management

Our ESG Oversight Committee discusses and prioritizes how we respond to the investment risks posed by climate change. One way that GMO is acting is through our commitment to support global efforts to achieve net zero emissions by 2050. Achieving our net zero goal will not come through divestment, but rather through fundamental teams that generally employ quantitative screens to aid in their analysis, which may leverage the GMO ESG Score and other ESG scores to highlight material risks. 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 may incorporate the secular growth tailwind behind vehicle electrification or the headwind to fossil fuel consumption.

The Systematic Equity team applies systematic parameters that capture material climate risk factors within their portfolio construction processes. For example, the GMO ESG Score incorporates energy and greenhouse gas (GHG) emissions management, materials sourcing, product lifecycle management, water and wastewater management, physical impacts, and business model resilience. See Integration, Stewardship, and Investment and Systematic Equity for a discussion on how the team is incorporating indirect emissions in their Horizons portfolio management processes.

Within Emerging Country Debt, our EM Sovereign ESG framework considers freshwater availability, protection of natural resources, pollution, renewable energy share, physical risk, and emissions when assessing sovereign credit risk.

Our Structured Products team also 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 be exposed to environmental risks, such as earthquakes and flooding. The team ensures buildings have proper insurance or a specific exemption and reviews the energy efficiency measures and/or green building certifications.

ENGAGEMENT

The Stewardship Subcommittee oversees progress on GMO's firm-wide engagement plan. Our 2025 Engagement Plan incorporates insights from the GMO Indirect Emissions Model to enhance our climate-focused work, which began in 2022.

We take a phased approach tailored to each issuer's climate change disclosure and management status, focusing on the largest contributors to our total emissions exposure. Specifically, we encourage issuers to report scope 1, scope 2, and material scope 3 greenhouse gas (GHG) emissions, adopt climate change risk reporting aligned with the recommendations of the IFRS S2 Climate Reporting Standards, consider setting science-based targets to strengthen their commitment to managing climate change risk, and conduct supplier engagements to address their sources of material indirect emissions.

Metrics and Targets

GMO'S NET ZERO PORTFOLIO CARBON FOOTPRINT

GMO tracks the progress of its net zero portfolio carbon footprint (PCF). GMO's PCF comprises our enterprise share of the portfolio company's scope 1 and scope 2 GHG emissions. It covers most equity and corporate fixed income investments, excluding certain asset classes (e.g., sovereign bonds, structured products, commodities, and foreign exchange), strategies (e.g., global macro, long/short strategies, and emerging country debt), and separately managed accounts. In total, GMO's PCF covered 49% of GMO's total AUM at the end of 2025—a slight decline from 2019, when it covered 53% of our AUM.

GMO is on track to meet our 2030 target of a 65% reduction in our net zero PCF[15] versus our 2019 baseline, with an observed 78% reduction from 2019 to 2025. In absolute terms, financed scope 1 and scope 2 emissions are 71.1% lower, while the weighted average carbon intensity of our portfolio companies also declined by 72.7%.

The proportion of emissions covered by a science-based target at the end of 2025 was 31%, compared to 0.3% in 2019. By market value, 69% of the net zero portfolio was covered by science-based targets at year-end, up from 3.4% in 2019.

In general, 9 out of 12 sectors contributed just over half of the reduction, led by higher allocations to IT and Healthcare, coupled with lower allocations to Materials and Energy. From a strategy perspective, inflows from lower-emissions strategies (with higher allocations to IT and Healthcare) and outflows from higher-emissions strategies, such as emerging market equities (with higher exposure to the Materials sector).

The remaining 46% came from reductions in emissions across all sectors, with declines in exposure to Chinese and Russian companies in the Materials sector driving the majority of this reduction. The table below shows the evolution of our net zero PCF along with other carbon metrics since 2019.

GMO'S SOVEREIGN PORTFOLIO CARBON FOOTPRINT

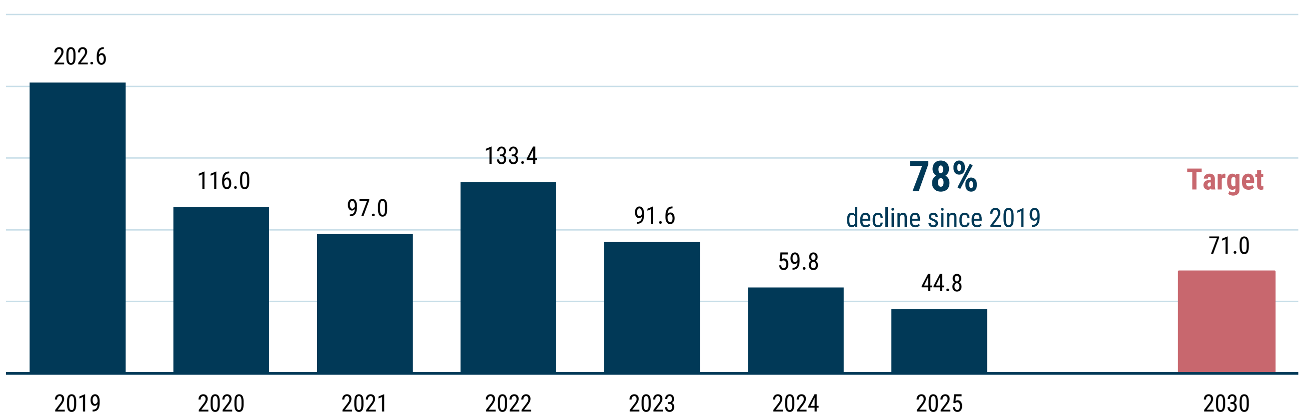
The table below shows the evolution of our sovereign PCF using production-based GHG emissions. GDP intensity at the end of 2024 was 9.6% lower than in 2022, and per capita emissions were 12.8% lower. 72% of the market value of sovereign investments had a net zero target according to the Net Zero Tracker.[16]

15 See Methodology.

16 Net Zero Tracker, Energy and Climate Intelligence Unit, Data-Driven EnviroLab, NewClimate Institute, Oxford Net Zero. 2024.

EVOLUTION OF GMO'S NET ZERO PORTFOLIO CARBON FOOTPRINT

(tCO_2e/$M EVIC)



EVOLUTION OF OUR NET ZERO PCF ALONG WITH OTHER CARBON METRICS

	2019	2020	2021	2022	2023	2024	2025
Portfolio Carbon Footprint (tCO_2e/$M EVIC)	202.6	116.0	97.0	133.4	91.6	59.8	44.8
Financed Emissions (tCO_2e)	6,296,516	1,815,162	2,834,308	3,308,916	2,827,928	1,978,713	1,815,162
Weighted Average Carbon Intensity (tCO_2e/$M Sales)	295.9	207.7	190.5	177.0	112.4	92.8	80.8

EVOLUTION OF OUR SOVEREIGN PCF USING PRODUCTION-BASED GHG EMISSIONS

	2022	2023	2024	2025
GHG Emissions per $ GDP (tCO_2e/$GDP)	327.0	310.3	295.6	304.6
GHG Emissions per Capita (tCO_2e/capita)	7.9	7.4	6.9	7.5

GMO'S OPERATIONAL CARBON FOOTPRINT

All of GMO's OCF emissions since 2019 have been offset through the purchase of certified carbon offsets.

Source (tCO_2e)	2019	2020	2021	2022	2023	2024
Scope 1						
Stationary Combustion	0.9	17.0	25.1	21.2	15.7	12.6
Scope 2						
Purchased Electricity	1,278.8	1,172.3	1,106.7	1,013.5	576.5	420.0
Scope 3						
Business Travel	2,278.2	324.6	108.4	1,246.8	2,124.7	2,478.2
Cloud Usage	20.0	48.7	53.2	140.8	152.1	93.5
Total Scope 3	2,298.1	373.3	161.6	1,387.6	2,276.8	2,571.7
Operational Carbon Footprint	3,577.8	1,562.6	1,293.4	2,422.3	2,869.1	3,004.1
Carbon Intensity (tCO_2e/employee)	7.6	3.3	2.8	5.0	6.6	7.0

GMO'S OPERATIONAL CARBON FOOTPRINT

The table below presents GMO's operational carbon footprint (OCF) between 2019 and 2024.

At the end of 2024, the OCF was 16% lower than in 2019. Direct or scope 1 emissions are higher than in 2019, but have steadily declined since their peak in 2021.

Scope 2 emissions have been significantly reduced by 67% as GMO migrated applications, infrastructure, and services from proprietary data centers to Microsoft Azure. Another factor contributing to the lower emissions relates to the relocation of GMO's Boston office to a LEED Gold and Fitwel certified building. Reductions in scope 2 emissions have been partly offset by higher scope 3 emissions from business travel and migration to Microsoft Azure.

All of GMO's OCF Emissions since 2016 have been offset through the purchase of certified carbon offsets. See: Corporate Sustainability page 33.

METHODOLOGY

Net Zero Portfolio Carbon Footprint

GMO's net zero portfolio carbon footprint (PCF) covers equity and corporate fixed income investments. It excludes certain asset classes (e.g., sovereign bonds, structured products, commodities, and foreign exchange), strategies (e.g., global macro, long/short strategies, and emerging country debt), and separately managed accounts. In total, it covered 53% of GMO's total AUM ("Net Zero AUM") at the end of 2019. We have selected 2019 as a baseline, as it represents a typical pre-COVID year.

In calculating our PCF, we are guided by the Partnership for Carbon Accounting Financials, a widely recognized standard for assessing emissions associated with loans and investments. Our PCF covers scope 1 and scope 2 emissions from our equity and fixed income investments as defined by the Greenhouse Gas Protocol, an international standard for emissions accounting. We include the delta-notional value of derivatives and apply a look-through on index investments where available. Short positions are first netted across the portfolio. Any net short positions at the aggregate level are then eliminated from the calculations and the AUM coverage.

Emissions data are sourced from S&P Global Sustainable1,[17] which covers approximately 86.6% of our AUM. We use emissions data from MSCI[18] to fill any gaps, which brings AUM coverage to 99.9%. Any investments without data are excluded from both the PCF and AUM coverage calculations.

Portfolio company emissions are allocated to GMO based on our ownership share, i.e., GMO's investment divided by the company's enterprise value (EVIC) and normalized by our Net Zero AUM.

Sovereign Portfolio Carbon Footprint

The Sovereign PCF is the sovereign bond portfolio's weighted average sovereign GHG production emissions per dollar of GDP. GHG emissions are sourced from EDGAR (Emissions Database for Global Atmospheric Research).[19] GDP is sourced from the World Bank via EDGAR in constant 2017 international dollars, expressed in U.S. dollars.

Sovereign Emissions per Capita is the sovereign bond portfolio's weighted average of sovereign GHG production emissions per capita. GHG emissions per capita are sourced from EDGAR.

Operational Carbon Footprint

GMO's Operational Carbon Footprint (OCF) covers scope 1, scope 2, and material scope 3 emissions from GMO's offices in Boston, London, Amsterdam, Singapore, and Sydney using the guidelines provided by the Greenhouse Gas Protocol and actual and estimated data. Operational emissions covered include stationary combustion at the offices, purchased electricity and heat, business travel, and data centers. We aim to use the best available emissions factors that consider the energy source and location. Business travel emissions are calculated using a hybrid approach: when travel details are incomplete or difficult to capture, we use a spend-based method to estimate emissions using financial expenditure data; when travel details are readily available and complete, we use the atmosfair[20] flight emissions calculator (one of the online tools in the 2021 Business Travel GHG Emission Analysis by WRI, selected based on its well-documented methodological practices and regular updates to the latest scientific findings).

17 S&P Trucost Limited (2024).

18 MSCI Solutions LLC (2024).

19 https://edgar.jrc.ec.europa.eu/report_2025

20 atmosfair (2023). atmosfair Flight Emissions Calculator: Documentation of the Method and Data. https://www.atmosfair.de/wp-content/uploads/flight-emissionscalculator-documentation-calculationmethodology.pdf

JAPAN STEWARDSHIP CODE (2025)

Statement of Support

Grantham, Mayo, Van Otterloo & Co. LLC and its related entities[21] (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.

GMO recognizes that the effective discharge of stewardship responsibilities is integral to supporting the sustainable growth of investee companies and enhancing medium- to long-term investment returns for the benefit of its clients and beneficiaries. Consistent with this objective, GMO applies an investment-led approach to stewardship grounded in fiduciary duty, materiality, disciplined capital allocation, and long-term value creation.

GMO has publicly expressed its support for the principles of the Japan Stewardship Code (2025) (the "Code"). The firm has established and maintains policies, processes, and governance structures designed to give effect to the intent of the Code, taking into account its global investment philosophy, organizational structure, and the nature of its strategies.

The firm's Stewardship and Sustainability Report sets out, in a comprehensive and transparent manner, how stewardship is embedded across GMO's investment activities. This includes the firm's stewardship strategy, governance and oversight arrangements, integration within investment decision-making processes, approach to engagement with investee companies, proxy voting policies and practices, and reporting to clients and other stakeholders. These disclosures are intended to provide clear and substantive evidence of how GMO fulfills its stewardship responsibilities in practice, consistent with the Code's principles-based and "comply or explain" framework.

In applying the Code, GMO follows a substance-based approach, consistent with its principles-based nature, and does not regard stewardship as a compliance exercise. Rather, the firm seeks to ensure that its policies, processes, and actions align with the Code's underlying objectives. Where appropriate, GMO supplements its formal disclosures with qualitative explanations and case studies to demonstrate the implementation and outcomes of its stewardship activities.

GMO remains committed to the ongoing development and enhancement of its stewardship framework in response to evolving regulatory expectations, market practices, and client needs, and will continue to review and update its disclosures accordingly.

The table on the next page maps the disclosures in this report to the corresponding principles of the Japan Stewardship Code (2025), thereby supporting transparency and facilitating efficient review by clients, beneficiaries, and other stakeholders.

21 GMO Singapore Pte. Ltd, GMO Europe LLC, and GMO Australia Limited.

Principle Mapping

JAPAN STEWARDSHIP CODE (2025)

Principle	*Requirement*	*Relevant GMO Stewardship & Sustainability Report Sections*
Principle 1	Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.	**Organization, Investment Beliefs, and Stewardship Approach (5-11)** Stewardship Strategy (11) **Policies, Processes, and Review (16-17)** Responsible Investment Policy; Engagement Policy (16)
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.	**Policies, Processes, and Review (16-17)** Proxy Voting Policy, *inc. conflict management provisions* (17) **Conflicts of Interest (18)**
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.	**Integrating Stewardship and Investment (22-27)** Integration at the Firm-level; Monitoring ESG Exposures; Heightened Review Process (22) Integration at the Strategy Level (23-27)
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.	**Engagement (34-48)** Engagement Governance (*see Governance & Resources, 11-13*) Selecting and Prioritizing Engagements (35) Engagement Objectives and Tracking Progress (36-37) Policy Advocacy (44-46)
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.	**Policies, Processes, and Review (16-17)** Proxy Voting Policy (17) **Exercising Rights and Responsibilites (49-53)** Proxy Voting (49-50) Proxy Voting Outcomes (50-52)
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.	**Policies, Processes, and Review (16-17)** Complete, Fair, and Balanced Reporting (17) **Dialogue with Clients and Beneficiaries (19-21)** Stewardship Reporting (20) **Engagement (34-38)** Engagement Outcomes and Case Studies (38-41) **Exercising Rights and Responsibilities (49-53)** Proxy Voting Examples (50-52)
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 judgments 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.	**Governance & Resources (11-15)** Stewardship Resources; Board of Directors; ESG Oversight Committee (11-12) Training and Education (13)
Principle 8	Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.	Not applicable

SINGAPORE STEWARDSHIP PRINCIPLES FOR RESPONSIBLE INVESTORS (SSP 2.0)

Statement of Support

GMO recognizes the importance of effective investment stewardship in promoting the sustainable growth of investee companies and enhancing long-term risk-adjusted returns for the benefit of its clients and beneficiaries. Consistent with this objective, GMO applies an investment-led stewardship approach grounded in fiduciary responsibility, disciplined investment processes, and a focus on long-term value creation.

GMO supports the Singapore Stewardship Principles for Responsible Investors (SSP 2.0) (the "Principles"). The firm has established policies, governance structures, and investment practices designed to reflect the intent of the Principles, taking into account its global investment philosophy, multi-asset capabilities, and client mandates.

GMO's Stewardship and Sustainability Report provides a comprehensive description of how stewardship is integrated across the firm's activities. This includes GMO's stewardship framework, governance and oversight arrangements, monitoring of investments, engagement with investee companies, exercise of ownership rights, and reporting to clients and stakeholders. These disclosures are intended to demonstrate both the implementation and outcomes of stewardship activities, consistent with the Principles' outcomes-oriented and principles-based approach.

In particular, GMO:

- **Develops and articulates stewardship responsibilities and governance structures,** including a clearly defined stewardship strategy, ESG integration approach, and oversight framework designed to protect and enhance the interests of clients and beneficiaries;
- **Monitors investments on an ongoing basis,** incorporating both financial and non-financial considerations, including environmental, social, and governance (ESG) factors, to identify risks and opportunities relevant to long-term value creation;
- **Maintains an active approach to constructive and purposeful engagement,** with defined objectives, prioritization processes, and escalation mechanisms, and assesses progress and outcomes to inform investment decisions;
- **Upholds transparency in managing conflicts of interest,** supported by formal policies and governance arrangements that prioritize the interests of clients and beneficiaries;
- **Exercises ownership rights and responsibilities on an informed basis,** including proxy voting, supported by internal research, engagement insights, and independent judgment rather than mechanistic application of guidelines;
- **Reports stewardship activities periodically,** including engagement and voting outcomes, through structured and transparent disclosures to clients and stakeholders; and
- **Participates in collaborative initiatives where appropriate,** including industry and investor-led engagements, to address systemic risks and contribute to the effective functioning of markets.

In applying the Principles, GMO adopts a substance-based approach and does not view stewardship as a compliance exercise. Rather, the firm seeks to ensure that its policies, processes, and activities are aligned with the underlying objectives of responsible investment stewardship. GMO complements formal disclosures with qualitative analysis and engagement case studies to demonstrate how stewardship contributes to investment outcomes.

GMO remains committed to the ongoing development of its stewardship framework in response to evolving market practices, regulatory expectations, and client needs, and will continue to enhance its disclosures accordingly.

The table on the next page maps the disclosures in this report to the corresponding principles of the Singapore Stewardship Principles for Responsible Investors (SSP 2.0), thereby supporting transparency and facilitating efficient review by clients, beneficiaries, and other stakeholders.

Principle Mapping

SINGAPORE STEWARDSHIP PRINCIPLES (SSP 2.0)

Principle	*Requirement*	*Relevant GMO Stewardship & Sustainability Report Sections*
Principle 1	**Develop and articulate stewardship responsibilities and governance structures.** Responsible investors demonstrate how their internal stewardship and governance policies protect and enhance the interests of their clients and beneficiaries.	**Organization, Investment Beliefs, and Stewardship Approach (5-11)** Stewardship Strategy (11) **Governance & Resources (11-15)** **Policies, Processes, and Review (16-17)** Responsible Investment Policy; Engagement Policy (16)
Principle 2	**Monitor investments regularly.** Responsible investors exercise due diligence in overseeing their investment portfolios.	**Governance & Resources (11-15)** Training and Education (13) ESG Data, Systems, and Providers; Monitoring Service Providers (14-15) **Integrating Stewardship and Investment (22-26)** Integration at the Firm Level; Monitoring ESG Exposures; Heightened Review Process (22) Integration at the Strategy Level (23) **Monitoring Service Providers (53-54)**
Principle 3	**Stay active through constructive and purposeful engagement.** Responsible investors conduct regular, effective and fair communication and enhance engagement outcomes.	**Engagement (34-48)** Engagement Governance (*see Governance & Resources, 11-13*) Selecting and Prioritizing Engagements (35) Engagement Objectives and Tracking Progress (36-37) Escalation (46-47)
Principle 4	**Uphold transparency in managing conflicts of interest.** Responsible investors disclose their conflicts of interest and prioritise the interests of clients and beneficiaries.	**Policies, Processes, and Review (16-17)** Proxy Voting Policy, *inc. conflict management provisions* (17) **Conflicts of Interest (18)**
Principle 5	**Exercise rights and responsibilities on an informed basis.** Responsible investors ensure they make informed decisions based on their ownership policies, with the best interests of clients and beneficiaries in mind.	**Policies, Processes, and Review (16-17)** Proxy Voting Policy (17) **Exercising Rights and Responsibilities (49-53)** Proxy Voting; Process; Proxy Voting Outcomes; Case Studies (49-52)
Principle 6	**Report stewardship activities periodically.** Responsible investors document and provide relevant updates on their stewardship activities.	**Policies, Processes, and Review (16-17)** Complete, Fair, and Balanced Reporting (17) **Dialogue with Clients and Beneficiaries (19-21)** Stewardship Reporting (20) **Engagement (34-48)** Engagement Outcomes and Case Studies (38-41) **Exercising Rights and Responsibilities (49-53)** Proxy Voting Examples (50-52)
Principle 7	**Take a collaborative approach in exercising stewardship responsibilities where appropriate.** Responsible investors collaborate, where appropriate, to influence investee companies and issuers.	**Promoting Well-functioning Markets (28-33)** Industry Collaboration to Manage Systemic Risks (32) **Engagement (34-48)** Collaborative Initiative Highlights (42-46)

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