GMO

TCFD REPORT | 2025

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TCFD REPORT

Introduction

Global warming has surpassed the 1.5°C threshold set by the Paris Agreement. Despite progress in renewable energy adoption, fossil fuels continue to dominate energy production, and greenhouse gas emissions have not decreased at a sufficient pace. Meanwhile, recent extreme weather events have highlighted the immediate impacts of climate change. 2024 recorded the highest average global temperature, leading to widespread wildfires, floods, and other natural disasters. These events have resulted in significant economic losses and displacement, underscoring the need for urgent action.

GMO recognizes the paramount importance of addressing climate-related risks and opportunities to the long-term performance of our investment portfolios. This report presents an analysis of the climate risks and opportunities that impact our investments. We are committed to integrating climate considerations into our decision-making processes, enhancing transparency, and fostering long-term value for our stakeholders. The report outlines our strategic approach to managing climate-related risks, including governance, strategy, risk management, and metrics and targets, reflecting our dedication to responsible and sustainable investment practices in a rapidly evolving global landscape.

Governance

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.

The Board supports GMO's commitment to achieving net zero carbon emissions by 2050 and our participation in the Net Zero Asset Managers (NZAM) initiative, which we joined in 2021. In 2022, the Board approved our initial targets to reduce GMO's portfolio carbon footprint by 65% between 2019 and 2030, and to increase the assets subject to this commitment from 50% to 60% by 2025. We are on track to meet our reduction target with a net zero portfolio carbon footprint that is 70% lower than its 2019 baseline measure.

GMO CEO Scott Hayward established the ESG Oversight Committee, which comprises members of the senior management team, to create an executive leadership group focused on advancing our consideration of ESG and climate-related risks. 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 sub-committees to help fulfill its responsibilities. The relevant sub-committees for our climate change work include:

Investments Sub-committee: Led by the Head of Investment Teams and the Head of Investment Risk and Trading, this sub-committee includes senior representatives from GMO's investment teams. The group governs progress on our net zero commitment and climate change-related strategy, and monitors GMO's fund-level ESG exposures.

Stewardship Sub-committee: Led by the General Counsel and the Head of ESG and Sustainability, this sub-committee oversees GMO's proxy voting and engagement activities. It also monitors the firm's thematic engagement areas, such as climate change.

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. We invest on behalf of our clients for the long term. "Long term" means different time periods for different investment teams at GMO based on the dynamics of various investment theses and markets. For the purposes of this report, we consider the short term to be 1–3 years, the medium term to be 5–7 years, and the long term to be 7+ years.

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 a number of 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 to financial and economic growth do not capture potential outcomes with the accuracy or reliability that we believe is necessary for investment decision-making processes. For this reason, we opt for qualitative assessment.

Global temperatures in 2024 reached an alarming new high, exceeding the critical 1.5°C threshold above pre-industrial

levels for the first time on record.[1] While a single year above +1.5°C doesn't mean we've permanently breached the Paris Agreement target, it underscores the urgency for both aggressive emissions reductions to stabilize temperatures and robust adaptation measures to cope with the heightened physical impacts expected in the years to come.

Notably, 2025 has continued the streak of extreme heat so far. By July 2025, Earth experienced its third-warmest July on record.[2] Other key climate indicators that broke records during 2024–2025 included record-high ocean heat, with sea surface temperatures surpassing unprecedented levels in many regions. The global mean sea level also reached an all-time high amid rapidly melting glaciers and polar ice.

2025 is on track to be one of the costliest years ever for climate and weather disasters, continuing a worrying trend of escalating losses. Preliminary data from the Swiss Re Institute show that first-half 2025 disasters caused about $135 billion in economic losses worldwide. Of this, approximately $80 billion, or 60%, was paid out in insurance claims, while the remaining $55 billion represented uninsured losses borne by governments and individuals. This is nearly double the 10-year average for insured losses in the first half of the year.

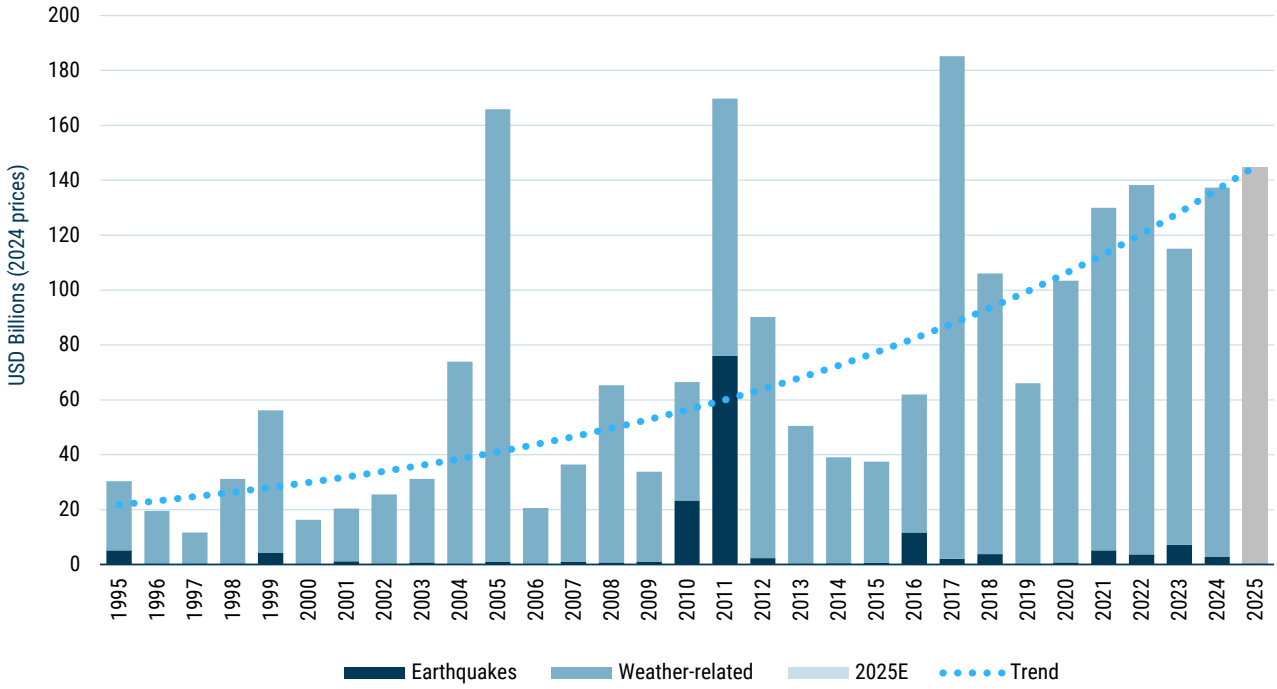
GROWING PHYSICAL RISKS INCREASE TRANSITION RISK

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

GROWTH IN GLOBAL NATURAL CATASTROPHE INSURED LOSSES



Source: Swiss Re Institute

1 According to the World Meteorological Organization (WMO), the planet's average near-surface temperature in 2024 was about 1.55°C (±0.13°C) warmer than the 1850–1900 baseline. This made 2024 the hottest year ever observed, breaking the previous record set just a year earlier in 2023 (which was +1.45°C).

2 About 16.68°C global average, which is +0.45°C above the 1991–2020 norm for July. Copernicus. (2025, August 7). *Third-warmest July marks slight respite from record global temperatures* [Press Release]. https://climate.copernicus.eu/copernicus-third-warmest-july-marks-slight-respite-record-global-temperatures

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 that 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 and disruptive policymaking leads to a disorderly transition.

CLIMATE RISK AND OPPORTUNITY

Short and Medium Term (1–7 Years)

As previously mentioned, 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

FIVE DRIVERS OF THE ENERGY TRANSITION

Where do we need to be and how fast are we getting there?

Policy and Regulations	State of Technology	Consumer Demand	Investor Capital Flows	Physical risks
Climate policy can support improved capital allocation and consumption decisions by companies and households	**Technology needs to be scalable and commercial to allow businesses and households to decarbonize**	**Consumers need to shift purchasing patterns toward low- and zero-carbon alternatives**	**Providers of capital can help commercialize and scale technologies, which in turn enhances adoption by consumers**	**As physical risks mount in terms of socioeconomic impacts, the urgency to decarbonize grows**
What do we look for?				
▪ How much of global emissions are covered by a net zero policy? ▪ What is the global average price on carbon?	▪ Do low-carbon alternatives exist? ▪ How do their cost and quality compare to emissions-intensive alternatives? ▪ How much does it cost to remove emissions?	▪ What progress has been made in low-carbon alternatives? ▪ What is the EV penetration rate?	▪ Where are investors putting their capital to work? ▪ How much capital is being managed to net zero commitments?	▪ What is the trend in financial losses due to climate change factors?
Where are we today?				
87% of annual greenhouse gas (GHG) emissions under national net zero targets (2024) of which 73% are embedded in law or policy **148** National jurisdictions (incl. EU) have net zero goals, up from 124 in 2020 **~8–10%** of worldwide GHG emissions directly taxed for carbon	▪ In 2024, 40% of global power generation came from renewables ▪ While promising technologies exist for hard-to-abate sectors, progress has been slow ▪ Decarbonization of scrap-based steelmaking is advancing, including fossil fuel replacement and substituting charge and injection carbon for alternatives	▪ EV sales exceeded 17 million globally, 20% of total sales ▪ Announced battery manufacturing capacity for 2030 would more than fulfill demand for EV batteries in the IEA's net zero scenario ▪ After two consecutive years of double-digit growth, heat pump sales decreased globally by 3%; notably, China experienced a robust 12% growth in health pump sales	▪ Major U.S. institutions like Vanguard and BlackRock have exited or scaled back participation in net zero alliances ▪ Despite the backlash, investor commitment to net zero remains broad with >$130 trillion in AUM still pledged to net zero ▪ In the U.S., many investors remain engaged in climate action, but political pressure has led to more cautious approaches	▪ Global insured losses have been trending upward at around 5–7% per year, outpacing inflation and economic growth ▪ 2020–2023 saw over $100B/year in insured losses; economic losses have frequently exceeded $200B annually ▪ 2025 is on pace to continue this streak and possibly set a new record if the second half is severe

Sources: Net Zero Stocktake 2024, zerotracker.net; World Bank Group, 2025 State and Trends of Carbon Pricing; Graham, Euan and Fulghum, Nicolas, Global Electricity Review 2025, Ember, 2025; International Energy Agency; Swiss Re.

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 physical impacts over the short term is incorporated in 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.[3] 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.[4] 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 sectors such as steel, cement, long-range transportation, and petrochemicals, scalable and commercially viable solutions to decarbonize these sectors remain distant. Climate solutions for these critical sectors of the economy can present investment opportunities while also 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. We are also developing an energy transition strategy that aims to invest in transition-ready sovereign and quasi-sovereign fixed income.

Importantly, 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 plunging valuations. Backlash against many of the tools that 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 and value-enhancing changes, presents another significant headwind for asset managers. The Net Zero Asset Managers initiative (NZAM) came under scrutiny by the U.S. House Judiciary Committee in 2024. This prompted a voluntary suspension of NZAM activities at the beginning of 2025, allowing the organization to undertake a comprehensive review of how it can best support its members in managing the systemic risks posed by climate change. As the political environment surrounding ESG and climate change evolved through 2024, GMO undertook regular reviews to underwrite our continued support for Climate Action 100+ and NZAM.

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 the global warming that results from carbon emissions, GMO has committed to supporting the transition to a net zero economy by 2050. We set an initial target of reducing our net zero portfolio carbon footprint by 65% by 2030, in line with global efforts to limit global warming to 1.5°C. We also aim to increase our assets covered by net zero from ~50% to ~60% by 2025. Our net zero portfolio does not include separately managed account assets unless the client directs us to do so.

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 build energy storage, in order to keep global warming to less than 2°C. Combined with the industrialization of developing

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

4 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/

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 price dynamics across a diversified portfolio of energy, metals, agriculture, and water.

Hard-to-abate sectors will face increasing transition risk as technological solutions reach commercial viability and new technologies emerge.

Risk Management

Our ESG Oversight Committee discusses and prioritizes how we respond to the investment risk implications of climate change. One way that GMO is acting is through our commitment to achieve net zero emissions by 2050. In line with this, we joined NZAM in 2021, and in 2022, we developed and announced our interim net zero targets and plan.

Achieving our net zero goal will not come through divestment, but rather by working with companies to support their decarbonization efforts. Our net zero strategy includes:

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

We continue to believe that achieving these targets will enable us to deliver the best long-term investment returns for our clients. The Network for the Greening of the Financial System has developed a set of scenario pathways going out to 2100. In its net zero scenario, emissions need to decline by 32% from 2019 levels. As such, we are confident that our 65% reduction target aligns with a net zero pathway.

We also aim to address climate risk through active engagement at the international, regional, and industry levels, encouraging clear, stable, and long-term policymaking and regulations.

For example, we support the International Financial Reporting Standards (IFRS) Foundation, which has set standards for climate disclosure, as we believe this will help support global decarbonization.

While our ESG Oversight Committee oversees the integration of ESG factors into GMO investment processes, portfolio managers are ultimately accountable for implementing ESG policies within their strategies if appropriate. In practice, they've worked with their investment team colleagues to integrate ESG factors into various portfolio construction processes.

Broadly speaking, sector analysts for fundamental strategies handle corporate engagement within their respective coverage areas, although portfolio managers may assign specific engagement responsibilities to team members. The teams continue to evolve and enhance their approaches by conducting focused research within their respective areas of expertise. They coordinate and collaborate across the firm to share insights on an ad-hoc, project, and committee basis. In some cases, products have specific climate-related constraints.

ESG MONITORING

Our Investments Sub-committee is charged with overseeing ESG risks at the portfolio level. The sub-committee also evaluates severe and developing ESG controversies within our public equity and fixed income holdings, manages our Heightened Review process (which monitors portfolios for emerging ESG risks at our portfolio companies), and ensures we are making progress on our overall climate strategy.

The sub-committee is co-chaired by George Sakoulis, Head of Investment Teams and Systematic Equity, and Roy Henriksson, Head of Investment Risk and Trading. Members include leaders from our investment and ESG teams. The Investments Sub-committee oversees and monitors fund-level ESG exposures and progress toward our interim portfolio carbon footprint reduction target.

We have developed an internal-use, central ESG dashboard for investment teams to monitor their ESG Score metrics and climate-related exposures relative to specific indexes and GMO targets over time. Designed to track portfolio carbon footprints and intensities, our "Carbon Dashboard" measures

the weighted average carbon intensity of company revenues against market benchmarks, as well as our portfolio carbon footprint reduction targets. It provides attribution capabilities enabling portfolio managers to better understand the drivers of carbon footprint performance.

Many portfolio management teams have systematized parameters around ESG factors within their portfolio construction processes, which capture material climate risk factors. 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. Our EM Sovereign ESG framework considers freshwater availability, protection of natural resources, pollution, renewable energy share, physical risk, and emissions.

INCORPORATING TOTAL INDIRECT EMISSIONS

Value chain or "indirect" emissions make up an estimated 70% to 90% of a company's total emissions footprint.[5] Yet investors seeking to mitigate their exposure to emissions and achieve net zero targets tend to focus on direct ("scope 1") emissions and indirect emissions from purchased heat and electricity ("scope 2" emissions).

We attribute this outcome to several factors. First, the global standard for measuring indirect emissions beyond scope 2 (i.e., "scope 3" emissions) provides a lot of flexibility in terms of which indirect emissions to measure, rendering data incomparable across companies. Second, measuring indirect emissions is challenging because it requires companies to obtain emissions data from each of their suppliers, their suppliers' suppliers, and so on. As a result, reported emissions data is often incomplete. Meanwhile, third-party data providers largely rely on reported emissions, supplementing them with simple models when emissions are not reported, thus inheriting the same biases as company-reported data. Due to these challenges, most net zero groups consider reporting and managing scope 3 indirect emissions to be aspirational.

By focusing narrowly on scope 1 and 2 emissions, investors may underestimate the carbon exposure and transition risks of portfolio companies. Many key supply chain or customer emission sources remain off the books, potentially misleading risk assessments. For example, a technology or retail company that outsources manufacturing might report minimal direct emissions, yet its outsourced suppliers and product logistics generate a huge carbon footprint.

Climate transition risks (e.g., carbon pricing, regulation, shifting demand) extend across entire value chains, raising costs or destroying demand for companies with significant value chain emissions.

GMO cannot effectively manage climate change risks to a portfolio without having a complete picture of our exposures. Ignoring 80% of emissions risk would mean omitting most of the risk we seek to manage from our assessment.

Given the challenges inherent in scope 3 data, in 2022, we developed the GMO Indirect Emissions Model (IEM) to estimate direct emission flows between companies within value chains. It leverages economic input-output models to map economic activity and emissions in a global sector model, which we then augment using bottom-up company-provided data on revenue streams and supply chains. The result is a consistent and comprehensive allocation of global emissions across sectors and companies within those sectors, enabling comparison and allowing portfolio companies to distinguish themselves based on their supply chain choices.

The IEM 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.

SOVEREIGN EMISSIONS

Investors face multiple objectives when managing sovereign emissions, including mitigating systemic risk, managing transition risks, meeting net zero commitments, and supporting the decarbonization of portfolio investments. Countries with high emissions may present elevated transition risks but also offer significant opportunities for emissions reduction.

Achieving net zero targets requires active support from policymakers. GMO's net zero modeling explicitly incorporated regional decarbonization pathways, recognizing the critical role sovereigns play in enacting policies and regulations that enable a just and orderly transition.

An important element of our approach to managing systemic climate risk involves using our influence as sovereign bond investors to encourage governments to adopt a proactive approach to transitioning to a low-carbon energy system.

The first step is to measure and report our sovereign emissions exposure. We then engage with emerging market sovereigns on their growth and transition plans.

5 Carbon Trust (2023). *An Introductory Guide to Scope 3 Emissions,* March 2023, https://www.carbontrust.com/our-work-and-impact/guides-reports-and-tools/an-introductory-guide-to-scope-3-emissions.

Challenges in Measuring and Managing Sovereign Emissions

Measurement Complexity

There is no universally accepted method for measuring sovereign emissions. Key considerations include:

- Whether sovereigns are treated as economic agents or regulators
- Whether emissions are measured from production or consumption
- How to account for emissions embedded in imports and exports
- How emissions are allocated to debt holders

The lack of standardized methodologies and timely, reliable data further complicates measurement efforts.

Management Limitations

Engaging with sovereign issuers presents unique challenges:

- Limited avenues for direct engagement
- Complexity in identifying appropriate counterparts within sovereign structures
- Divestment is often impractical in sovereign debt due to its limited investment universe and role in liability hedging

Sovereign Emissions Accounting Approaches

Two primary frameworks are used to conceptualize sovereign emissions:

- **Government as Economic Agent:** Emissions are attributed to public service and defense activities in a manner similar to corporate emissions accounting.
- **Government as Regulator:** Emissions are measured across the entire economy within territorial boundaries, including both direct and indirect emissions.

Investors' main motivation for measuring and managing sovereign emissions is to mitigate systemic climate risks. As such, we are primarily interested in the government's role as a policymaker and regulator of a given country's emissions.

Country emissions can be categorized as:

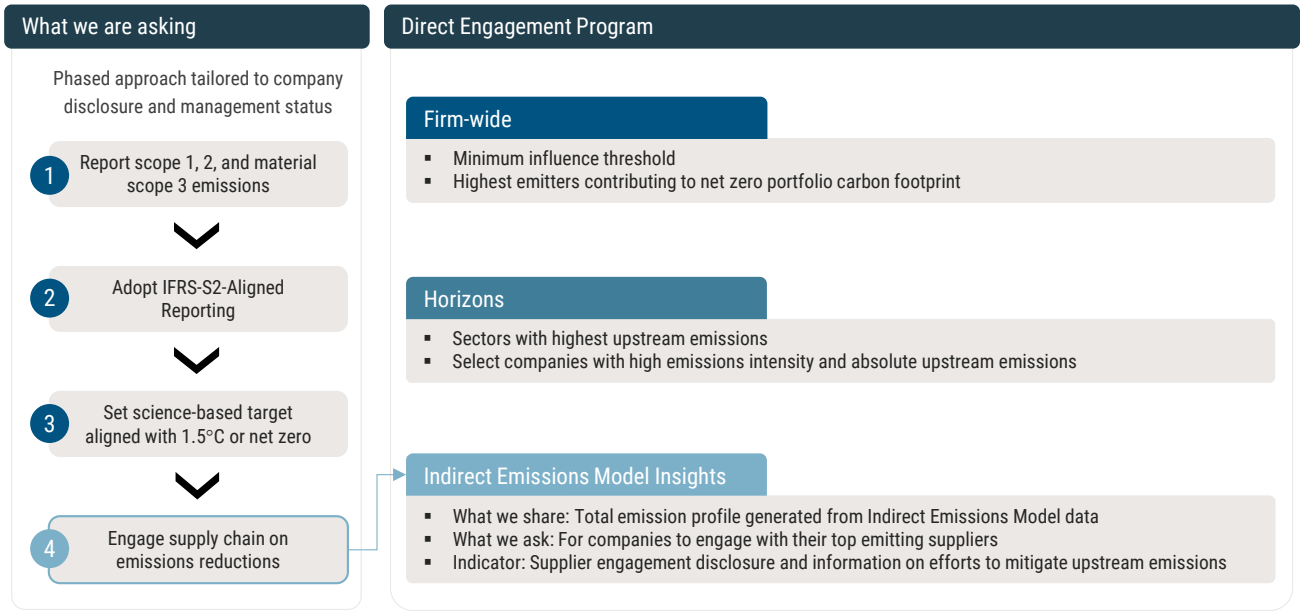
- Territorial emissions from domestic consumption
- Territorial emissions from exported goods and services
- Emissions embedded in imported goods and services

Measurement approaches include:

- **Production-based:** Domestic consumption + exported emissions. This may lead to carbon leakage if high-emitting industries relocate to less-regulated regions.
- **Consumption-based:** Domestic consumption + imported emissions. This can disproportionately affect net importers, typically developed economies.
- **Hybrid Approach:** Combines domestic consumption, exports, and imports.

While our preference would be to use a hybrid approach, the lack of data on consumption emissions and emissions flows between countries means that we begin by measuring and reporting on production-based emissions.

GMO DIRECT ENGAGEMENTS: CLIMATE CHANGE



ENGAGING WITH COMPANIES AND POLICYMAKERS

The Stewardship Sub-committee 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.

Some examples of our climate-related direct engagements are outlined below.

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

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

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

GMO collaborates with peers to further our climate change engagement. In 2017, we signed on to the CDP Non-Disclosure Campaign (NDC), an initiative that enables investment managers to drive corporate transparency around companies' management of climate change-related exposures.

TRAINING AND EDUCATION

GMO conducts ESG training on an as-needed basis. In 2024, the ESG team held training sessions for various teams and sub-committees on a range of topics, including biodiversity and nature-related risks, physical risks, sovereign emissions, and the GMO Indirect Emissions Model. Aside from these formal interactions, much of GMO's ESG learning comes from peer-to-peer interactions as one investment team adapts the practical knowledge acquired by another.

CORPORATE SUSTAINABILITY

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.

Summary details of each of our global offices are below:

BOSTON
LEED Gold Certified

Energy Star Certified

Fitwel Certified

LONDON
100% Renewable Energy Guarantee of Origin (REGO), with backed renewable energy certificates

AMSTERDAM
Netherlands Sustainability Certificate

A+ Energy Efficiency Label

SYDNEY
Certified CARBON NEUTRAL via NABERS* Climate Active Certification

4.0 star NABERS Water Rating

5.0 star NABERS Energy Rating

6.0 star NABERS Waste Rating and the third highest waste rating in Australia

SINGAPORE
Certified Building and Construction Authority Green Mark Platinum Development

*National Australian Built Environment Rating System

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 rating by the Energy Star Certification Program.

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 identifying ways to reduce our footprint first, then purchase 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.

Community Efforts
Our employee-led Green Initiatives Working Group is committed to finding new ways to make GMO's workplace more sustainable and to help educate GMO employees on ways to reduce their environmental impact at work and at home. Over the years, the group has introduced initiatives such as recycling and composting, replacing single-use plastics, celebrating environmental days, and publishing the "Green Tips" newsletter to the GMO workplace. Occasionally, the group organizes local community-based volunteer events.

- In 2024, we sent out an Earth Day email to educate GMO employees on the harmful impact of microplastics and share simple tips to reduce plastic waste.
- In Spring 2025, our Boston employees participated in the Cathleen Stone Island Outward Bound Corporate Volunteer Program, a program that engages partner companies in and around Boston for days of impactful service on the island. GMO volunteers helped clear a stone structure built in 1833 for storing vegetables, prepared multiple seeding beds, and cleared the route for the upcoming 4k Trail Run. Cathleen Stone Island is one of the largest, most accessible, and most ecologically diverse islands in the Boston Harbor Islands National and State Park. Spanning 204 acres, the island has mature forests, meadows, freshwater and marine wetlands, salt marshes, and a variety of important geological features.

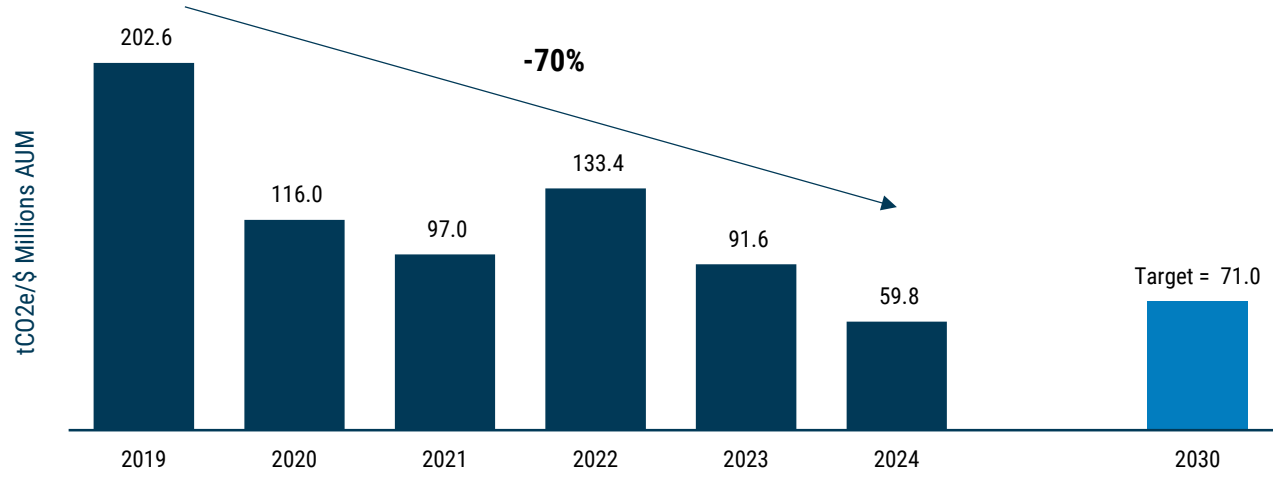
Metrics and Targets
GMO'S NET ZERO PORTFOLIO CARBON FOOTPRINT
GMO is on track to meet our 2030 target of a 65% reduction in our portfolio carbon footprint (PCF) versus our 2019 baseline, with an observed 71% reduction from 2019 to 2024. In absolute terms, we have reduced financed scope 1 and scope 2 emissions by 69%, while the weighted average carbon intensity of our portfolio companies also declined by 69%. The AUM covered by a net zero target declined slightly from 53% to 49%.

	2019 Baseline	2024	Change
Financed Scope 1 and 2 Emissions (tCO_2e)	6,296,516	1,978,713	-68.6%
Portfolio Carbon Footprint (tCO_2e/$ Millions AUM)	202.6	59.8	-70.5%
Weighted Average Carbon Intensity (tCO_2e/$ Millions Revenue)	295.9	92.8	-68.6%

	2019	2024
Proportion of net zero portfolio committed to, or certified by, SBTi	3.4%	63.8%
Proportion of financed emissions committed to, or certified by, SBTi	0.3%	29.7%

Sources: S&P Trucost, MSCI

GMO'S PORTFOLIO CARBON FOOTPRINT



The PCF reduction was driven by inflows into strategies with lower emission intensities, such as the Quality Strategy, and outflows from higher emission strategies, such as the Emerging Markets Equity Strategy. This was partly offset by inflows into the higher intensity Resources Strategy. Other impacts include reduced exposure to Russian materials and energy companies, as well as carbon reduction strategies implemented in some of our equity portfolios. The decline in AUM coverage was mainly driven by outflows from our Benchmark-Free Allocation Strategy, as well as from the Emerging Markets Equity and U.S. Equity Strategies, which were only partially offset by inflows into the Climate Change and Quality Strategies.

GMO'S SOVEREIGN PORTFOLIO CARBON FOOTPRINT

The table below shows the evolution of our sovereign PCF using production-based 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.[6]

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

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

GMO'S OPERATIONAL CARBON FOOTPRINT

Emission Category	Source	2019	2020	2021	2022	2023	2024
Scope 1 (tCO_2e)	Stationary Combustion	0.9	17.0	25.1	21.2	15.7	12.6
Scope 2 (tCO_2e)	Purchased Electricity	1,278.8	1,172.3	1,106.7	1,013.5	576.5	420.0
Scope 3 (tCO_2e)	Business Travel	2,278.2	324.6	108.4	1,246.8	2,124.7	2,478.2
	Data Centre	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 (tCO_2e)		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

Appendix

PORTFOLIO CARBON FOOTPRINT (PCF) METHODOLOGY

GMO's 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 to use 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 portfolio carbon footprint covers scope 1 and scope 2 emissions of 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 eliminated from the calculations and the AUM coverage.

Emissions data are sourced from S&P Global Sustainable 1,[7] which covers approximately 86.6% of our AUM. We use emissions data from MSCI[8] to fill any gaps, which brings AUM coverage to 99.9%. Any investments without data are excluded from the calculation of both the PCF and the AUM coverage.

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

SOVEREIGN PORTFOLIO CARBON FOOTPRINT (PCF) METHODOLOGY

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) Community GHG Database, a collaboration between the European Commission, Joint Research Centre (JRC), the International Energy Agency (IEA), and comprising IEA-EDGAR CO2, EDGAR CH4, EDGAR N2O, EDGAR F-GASES version EDGAR_2024_GHG (2024) European Commission. GDP is sourced from the World Bank through EDGAR and is in constant 2017 international dollars, expressed as 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 (Emissions Database for Global Atmospheric Research) Community GHG Database, a collaboration between the European Commission, Joint Research Centre (JRC), the International Energy Agency (IEA), and comprising IEA-EDGAR CO2, EDGAR CH4, EDGAR N2O, EDGAR F-GASES version EDGAR_2024_GHG (2024) European Commission.

7 S&P Trucost Limited (2024).

8 MSCI Solutions LLC (2024).

OPERATIONAL CARBON FOOTPRINT (OCF) METHODOLOGY

GMO's OCF covers scope 1, scope 2, and material scope 3 emissions of our offices in Boston, London, Amsterdam, Singapore, and Sydney using the guidelines provided by the Greenhouse Gas Protocol, as well as 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.

In calculating our flight emissions, the largest contributor to our operational carbon footprint, we utilize the atmosfair[9] flight emissions calculator. It is one of the online tools selected in the 2021 Business Travel GHG Emission Analysis[10] by WRI based on its well-documented methodological practices and regular updates to the latest scientific findings.

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

10 McCain, M., Dowd, A., Salzer, D., Toothaker, E. and Xu, S (2021). *Business Travel GHG Emissions Analysis* [Working Paper]. World Resources Institute. https://doi.org/10.46830/wriwp.20.00086