



North America | Europe | Asia-Pacific

**Grantham, Mayo, Van Otterloo & Co. LLC (GMO) is a private partnership whose sole business is investment management. We are committed to delivering superior investment performance and advice to our clients.**

We believe the best way to meet our commitment to excellence for our clients is to focus upon the long-term valuation of asset classes and of companies. Our approach incorporates an assessment of a company's fundamental drivers of growth; combined with the ability to generate sustainable profits and willingness to share the economic return with minority interest shareholders. We look to incorporate measures of the health and stability of investee companies, including measures of accounting integrity and strong corporate governance.

We strive to offer our clients good, honest advice under all circumstances, regardless of the potential impact to our bottom line. We believe that our patience – taking a longer-term view, even if it is out of line with market consensus – provides tremendous advantages for our investors. Our ownership structure as a private partnership allows us to maintain our conviction and to stand by our beliefs, even when they are out of favor, and provides complete alignment with our clients' interests.

We believe the alignment of company management's goals with those of its shareholders and other stakeholders is the strongest route to protect our clients' investments as minority stakeholders. We therefore support the Japan Stewardship Code as it encourages communication and transparency between corporations, investment managers and their clients.

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

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

GMO has been recognized as an industry leader in both quantitative and fundamental research since its inception. We are organized as a series of discrete investment teams, each with its own investment philosophy and process, tied together by the belief that securities and markets on occasion become mispriced and this mispricing can be exploited in a systematic and disciplined way.

For all companies in which we invest, we look to identify key drivers for the creation or destruction of shareholder value, and understand the actions taken by company management which may influence these drivers. Aggressive accounting, management behavior and shareholder friendliness are examples of factors which can influence our assessment. For companies in which we invest, we seek to vote proxies in a manner that encourages and rewards behavior that supports the creation of sustainable long-term growth, and in a way consistent with the investment mandate of the assets we manage for our clients.

Within our more quantitatively-oriented investment teams, we collect information about companies primarily through a variety of data sources such as MSCI, Worldscope, Compustat, Markit, and Capital IQ, as well as specialized sources for data such as Environmental, Social and Governance (“ESG”) and corporate governance. For investment teams that engage directly with company management, the degree to which they do so varies, from simply meeting to confirm impressions gleaned from in depth research to including conversations with management and on-site visits as an integral part of their investment process. Our team focused upon Japanese equities meets with Japanese management teams continuously throughout the year, both in our offices and on research trips to Japan. While there is variation, in general, the teams that use company engagement as a key part of their process, carefully consider situations in which they believe (1) management is undertaking positive change and there is an opportunity to capture the upside potential associated with the change, or (2) the value of strong management has been recognized and is already priced in to the stock. Ultimately, the process centers upon assessing whether management’s decisions and corporate resources are sufficient to execute in a manner that will have a positive or negative impact on the company’s value.

While each of our investment teams may fulfill its stewardship responsibilities in a different way, whether through voting proxies in a way that we believe increases the long-term value of the company, leveraging data collected indirectly regarding corporate performance, or through direct engagement with the company management, we believe that strong corporate governance can be identified and rewarded.

**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.**

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

We seek to manage conflicts that arise in the normal course of our business, and our material conflicts of interest are discussed in our currently effective Form ADV. We have engaged a third party service provider as our proxy voting agent. Our Policies and Procedures describe the proxy voting guidelines, the administration of the proxy voting process, how conflicts of interest will be addressed, and recordkeeping requirements. Our Proxy Voting Policy and Procedures are attached as an appendix.

**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.**

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

Whether we collect information about companies indirectly, through corporate filings and other data collected through third-parties, or directly through meetings with company management, we look for and evaluate information which may provide insight into an investee company's ability to generate sustainable long-term returns for its shareholders. Factors such as profit warnings, excessive growth, equity dilution, significant merger and acquisition activity, failure to meet regulatory requirements, or rapid changes in a balance sheet or income statement may all assist in our assessment of a company. We collect and incorporate new information on a company throughout the year, as it becomes available.

We also collect information regarding investee companies through the third-party service provider we have engaged as our proxy voting agent. The proxy voting agent provides us with analysis and vote recommendations in accordance with our Proxy Voting Guidelines. Although we may consider the proxy voting recommendations, we remain ultimately responsible for all proxy voting decisions and may vote against the recommendation if we believe it's in the best interest of our clients and the long term returns of the company.

**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.**

For the majority of our investments, our primary method of engagement is through our proxy voting agent's discussions with investee companies, or through adding our voice as a member or signatory to groups which share our views regarding best practices in corporate governance. In the Japanese market, our fundamental team has welcomed outreach from Japanese management teams that wish to provide more background or to clarify information on any particular proxy item prior to a general shareholder meeting.

When one or more of our investment team chooses to engage directly with company management, or participate in stakeholder dialogues, such engagement is guided by our Issuer Engagement Policy and Procedures, which underscores the importance of constructive, collaborative discussions as the best

way to enhance shareholder value. In rare cases where an investment team may discover undisclosed material information through company engagement or other research, the use of such information is controlled and monitored through adherence to other GMO Policies and Procedures, such as our Code of Ethics and our Ethical Screen Procedures, as well as applicable regulatory rules.

**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.**

GMO provides investment management services to institutional investors and understands that proxy voting is an integral aspect of security ownership. Accordingly, in cases where we have been delegated authority to vote proxies, the function must be conducted with the same degree of prudence and loyalty accorded any fiduciary or other obligation of an investment manager.

Our Proxy Voting Policy permits our clients to: (1) delegate to us the responsibility and authority to vote proxies on their behalf according to our Proxy Voting Policies and Procedures; (2) delegate to us the responsibility and authority to vote proxies on their behalf according to the particular client's own proxy voting policies and guidelines; or (3) elect to vote proxies themselves.

Where we have been granted full responsibility and authority to vote proxies according to our Proxy Voting Policies and Procedures, we do so through the third-party service provider we have engaged as our proxy voting agent. The proxy voting agent provides us with analysis and vote recommendations in accordance with our Proxy Voting Guidelines. Although we may consider the proxy voting recommendations, we remain ultimately responsible for all proxy voting decisions and may vote against the recommendation if we believe it is in the best interest of our clients and the long term returns of the company, with especial emphasis on voting in favor of those actions which seek to improve the long-term sustainable growth of the company.

For those portfolios which mandate public disclosure of proxy votes cast, such as the GMO Trust mutual funds, we file reports on how we voted proxies annually through regulatory channels and provide links on our website to these filings. For clients for whom we vote proxies not subject to public disclosure, including those cast according to proxy voting policies and guidelines which may be different from ours, upon request we report proxy votes cast directly to the client.

A copy of our Proxy Voting Policy and Procedures is attached as an appendix, and links to our most recent regulatory filings may be found [here](#).

**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.**

As highlighted in our discussion of Principle 5, GMO understands that proxy voting is an integral aspect of security ownership. Accordingly, in cases where we have been delegated authority to vote proxies,

that function must be conducted with the same degree of prudence and loyalty accorded any fiduciary or other obligation of an investment manager. The GMO Trust mutual funds publicly disclose all proxy voting activity annually. In addition, upon request we provide clients summary reporting as requested on the proxy voting activity for their particular investment.

A copy of our Proxy Voting Policy and Procedures is attached as an appendix, and links to our most recent regulatory filings may be found [here](#).

**Principle 7: To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgements in fulfilling their stewardship activities.**

As true long term investors, with a strong commitment to research, we have developed the knowledge, the people and the process to build in-depth knowledge and insight about the companies and markets in which we invest, both by using quantitative and fundamental approaches.

We collect financial and non-financial data about the companies and markets in which we invest from a broad spectrum of sources, including information regarding corporate governance and best practices for sustainable investing. We continually look to incorporate new information into our analysis as it becomes available.

In addition to the stewardship activities described above, we recognize the importance of ESG factors in today's investment environment and acknowledges that ESG factors may have direct and indirect impacts on investment returns and risk. Building on the experience and on-going research of our individual investment teams, we have also formed a firm-wide ESG working group of representatives from investment teams, client relationship teams and dedicated specialists, in order to augment the inclusion of both third-party and proprietary ESG factors alongside more traditional investment factors across asset classes.

We are known for candor in sharing our views with clients and the market regarding valuation levels and market drivers. We also look to amplify our voice by joining, as signatory or through membership, with groups who share our views on sustainable business practices.

## APPENDIX

**GRANTHAM, MAYO, VAN OTTERLOO & CO. LLC  
GMO AUSTRALIA LTD.  
GMO EUROPE LLC  
GMO SINGAPORE PTE LTD.  
(TOGETHER “GMO”)**

### PROXY VOTING POLICIES AND PROCEDURES

**Amended and Restated as of May 12, 2011  
Amended as of December 12, 2011, October 22, 2013, and June 25, 2014**

#### **I. Introduction and General Principles**

GMO provides investment advisory services primarily to institutional, including both ERISA and non-ERISA clients, and commercial clients. GMO understands that proxy voting is an integral aspect of security ownership. Accordingly, in cases where GMO has been delegated authority to vote proxies, that function must be conducted with the same degree of prudence and loyalty accorded any fiduciary or other obligation of an investment manager.

This policy permits clients of GMO to: (1) delegate to GMO the responsibility and authority to vote proxies on their behalf according to GMO’s proxy voting policies and guidelines; (2) delegate to GMO the responsibility and authority to vote proxies on their behalf according to the particular client’s own proxy voting policies and guidelines; or (3) elect to vote proxies themselves. In instances where clients elect to vote their own proxies, GMO shall not be responsible for voting proxies on behalf of such clients.

GMO believes that the following policies and procedures are reasonably designed to ensure that proxy matters are conducted in the best interest of its clients, in accordance with GMO’s fiduciary duties, applicable rules under the Investment Advisers Act of 1940 and fiduciary standards and responsibilities for ERISA clients set out in the Department of Labor interpretations.

#### **II. Proxy Voting Guidelines**

GMO has engaged Institutional Shareholder Services Group, Inc. (“ISS”) as its proxy voting agent to:

- (1) research and make voting recommendations or, for matters for which GMO has so delegated, to make the voting determinations;
- (2) ensure that proxies are voted and submitted in a timely manner;
- (3) handle other administrative functions of proxy voting;
- (4) maintain records of proxy statements received in connection with proxy votes and provide copies of such proxy statements promptly upon request;

- (5) maintain records of votes cast; and
- (6) provide recommendations with respect to proxy voting matters in general.

Proxies generally will be voted in accordance with the voting recommendations contained in the applicable ISS Regional Proxy Voting Policy, as in effect from time to time, subject to such modifications as may be determined by GMO (as described below). Copies of concise summaries of the current ISS regional proxy voting guidelines are available through ISS' "Policy Gateway" at <http://www.issgovernance.com>. To the extent GMO determines to adopt proxy voting guidelines that differ from the ISS proxy voting recommendations, such guidelines will be set forth on Exhibit A and proxies with respect to such matters will be voted in accordance with the guidelines set forth on Exhibit A. GMO reserves the right to modify any of the recommendations set forth in the ISS Proxy Voting Manual in the future. If any such changes are made, an amended Exhibit A to these Proxy Voting Policies and Procedures will be made available for clients.

Except in instances where a GMO client retains voting authority, GMO will instruct custodians of client accounts to forward all proxy statements and materials received in respect of client accounts to ISS.

In certain non-U.S. markets, shareholders who vote proxies of a non-U.S. issuer may not be able to trade in the issuer's stock for a period of time around the shareholder meeting date. In addition, there may be other costs or impediments to voting proxies in certain non-U.S. markets (e.g., receiving adequate notice, arranging for a proxy, and re-registration requirements). In non-U.S. markets with the foregoing attributes, GMO generally will determine to not vote proxies unless it believes that the potential benefits to the client of voting outweigh the impairment of portfolio management flexibility and the expected costs/impediments associated with voting. In addition, if a portfolio security is out on loan, GMO generally will not arrange to have the security recalled or to exercise voting rights associated with the security unless GMO both (1) receives adequate notice of a proposal upon which shareholders are being asked to vote (which GMO often does not receive, particularly in the case of non-U.S. issuers) and (2) GMO believes that the benefits to the client of voting on such proposal outweigh the benefits to the client of having the security remain out on loan. GMO may use third-party service providers to assist it in identifying and evaluating proposals, and to assist it in recalling loaned securities for proxy voting purposes.

### **III. Proxy Voting Procedures**

GMO has a Corporate Actions Group with responsibility for administering the proxy voting process, including:

1. Implementing and updating the applicable ISS regional proxy voting guidelines set forth in the ISS Proxy Voting Manual, as modified from time to time by Exhibit A hereto;
2. Overseeing the proxy voting process; and
3. Providing periodic reports to GMO's Compliance Department and clients as requested.

There may be circumstances under which a portfolio manager or other GMO investment professional ("GMO Investment Professional") believes that it is in the best interest of a client or clients to vote proxies in a manner inconsistent with the proxy voting guidelines described in Section II. In such an

event, the GMO Investment Professional will inform GMO's Corporate Actions Group of its decision to vote such proxy in a manner inconsistent with the proxy voting guidelines described in Section II.

#### **IV. Conflicts of Interest**

As ISS will vote proxies in accordance with the proxy voting guidelines described in Section II, GMO believes that this process is reasonably designed to address conflicts of interest that may arise between GMO and a client as to how proxies are voted.

In addition, if GMO is aware that one of the following conditions exists with respect to a proxy, GMO shall consider such event a potential material conflict of interest:

1. GMO has a business relationship or potential relationship with the issuer;
2. GMO has a business relationship with the proponent of the proxy proposal; or
3. GMO members, employees or consultants have a personal or other business relationship with the participants in the proxy contest, such as corporate directors or director candidates.

In the event of a potential material conflict of interest, GMO will (i) vote such proxy according to Exhibit A (if applicable) or the specific recommendation of ISS; (ii) seek instructions from the client or request that the client votes such proxy, or (iii) abstain. All such instances shall be reported to GMO's Compliance Department at least quarterly.

#### **V. Special Procedures for Voting Shares of GMO Trust**

GMO's responsibility and authority to vote proxies on behalf of its clients for shares of GMO Trust, a family of registered mutual funds for which GMO serves as the investment adviser, may give rise to conflicts of interest. Accordingly, GMO will (i) vote such proxies in the best interests of its clients with respect to routine matters, including proxies relating to the election of Trustees; and (ii) with respect to matters where a conflict of interest exists between GMO and GMO Trust, such as proxies relating to a new or amended investment management contract between GMO Trust and GMO, or a re-organization of a series of GMO Trust, GMO will either (a) vote such proxies in the same proportion as the votes cast with respect to that proxy, (b) seek instructions from its clients and vote on accordance with those instructions, or (c) take such other action as GMO deems appropriate in consultation with the Trust's Chief Compliance Officer.

#### **VI. Special Procedures for Voting Shares of GMO Series Trust**

GMO also serves as investment adviser for the GMO Series Trust family of registered mutual funds. Each series of GMO Series Trust is a "Feeder Fund" investing substantially of its assets in shares of a corresponding series of GMO Trust (each a "Master Fund") in reliance on Section 12(d)(1)(E) of the Investment Company Act of 1940 (the "1940 Act"). In accordance with Section 12(d)(1)(E) of the 1940 Act, GMO will either (i) seek instructions from a Feeder Fund's holders with regard to the voting of all proxies with respect to the Feeder Fund's shares in the corresponding Master Fund and vote such proxies only in accordance with such instructions, or (ii) vote the shares of the corresponding Master Fund held by a Feeder Fund in the same proportion as the vote of all other holders of the Master Fund.



## **VII. Recordkeeping**

GMO will maintain records relating to the implementation of these proxy voting policies and procedures, including:

- (1) a copy of these policies and procedures which shall be made available to clients, upon request;
- (2) a record of each vote cast (which ISS maintains on GMO's behalf); and
- (3) each written client request for proxy records and GMO's written response to any client request for such records.

Such proxy voting records shall be maintained for a period of five years.

## **VIII. Disclosure**

Except as otherwise required by law, GMO has a general policy of not disclosing to any issuer or third party how GMO or its voting delegate voted a client's proxy.

### **Exhibit A (as amended February 2, 2009)**

#### Modifications to recommendations set forth in the ISS Proxy Voting Manual

##### **Shareholder Ability to Act by Written Consent**

Vote FOR proposals to restrict or prohibit shareholder activity to take action by written consent.

Vote AGAINST proposals to allow or make easier shareholder action by written consent.

##### **Cumulative Voting**

Vote FOR proposals to eliminate cumulative voting.

Vote AGAINST proposals to restore or provide for cumulative voting.

##### **Incumbent Director Nominees**

Vote WITH management's recommendations regarding incumbent director nominees.