GMO

UK STEWARDSHIP CODE 2023 REPORT

April 2023

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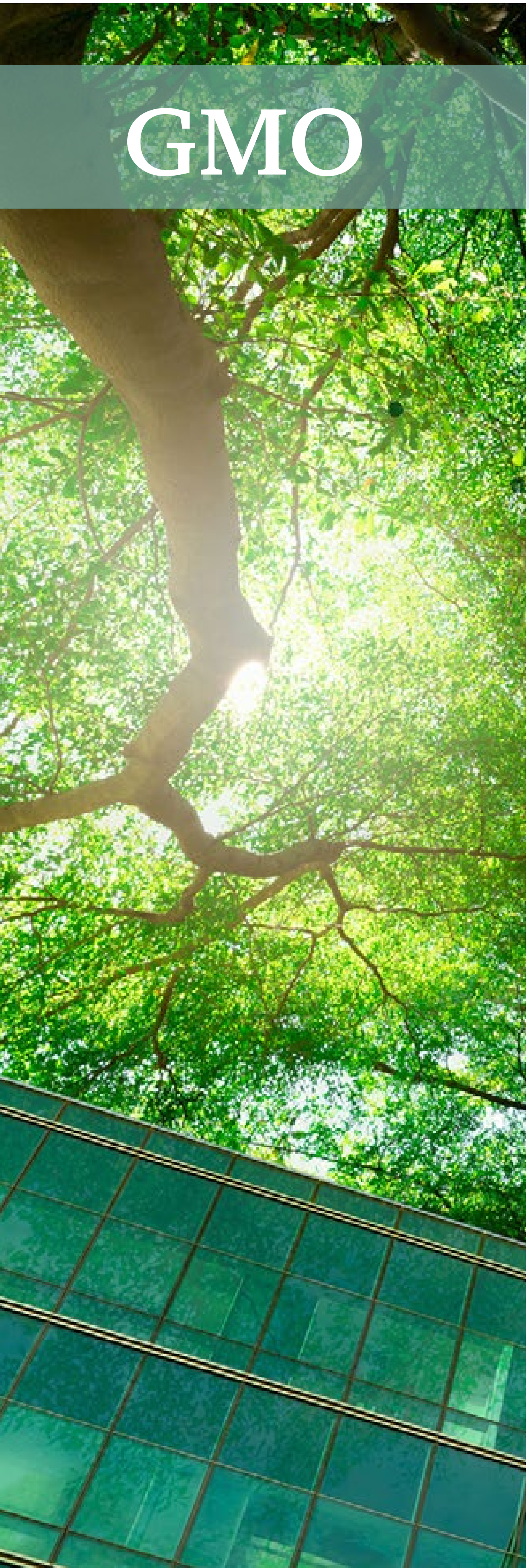


FOREWORD

I am pleased to introduce GMO's 2023 UK Stewardship Code report.

GMO believes strongly in stewardship. Since our founding more than 45 years ago, effectively stewarding our clients' investments has remained our top priority. As an investment-led company, we are focused on providing superior investment outcomes to our clients to benefit the millions of people they represent.

Our work in support of this priority includes having open discussions with our clients about their needs and the results we are delivering. It encompasses transparently integrating material Environmental, Social, and Governance (ESG) factors into our investment processes to identify those companies and other issuers that are working to address ESG issues and, in turn, enhance their long-term profitability and contribute towards the needs of their constituents. It inspires how we engage with companies and countries and the ways we collaborate with others in our industry to influence change and address systemic risk. And it encourages how we support global efforts to address climate change and improve our own, as well as our industry's, diversity and social awareness.

Over the years, the ways GMO has progressed toward this objective have evolved and gathered pace, and we believe it is critical that they continue to build into the future to meet the shifting challenges of the time. This report describes the state of our 2022 beliefs, activity, and outcomes, outlining the steps we are taking in these crucial areas.

In closing, as ever, I thank our clients for their trust in GMO.

Scott Hayward
Chief Executive Officer

PRINCIPLE 1

PURPOSE, STRATEGY, AND CULTURE

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

GMO's Purpose

Stewardship has been ingrained at GMO since our founding in 1977. Our purpose is to deliver investment outcomes and advice that help our clients meet their financial goals and fulfill their objectives, in service of millions of people who are beneficiaries of these organizations.

We will discuss our emphasis on stewardship throughout the Principles in this report. As an asset manager, we believe that when we are successful, we can both help our clients achieve their investment goals and serve as authentic contributors to society and our financial markets, working toward a more resilient and sustainable planet.

Culture

We have consciously built and nurtured a company-wide culture that emphasizes commitment to clients, transparency, and responsibility. This approach has been a pillar of our client engagement over the past 45-plus years, during which time we have partnered with a broad range of investors; including endowments, foundations, corporate and public retirement plans, sovereign wealth funds, financial intermediaries, and philanthropic family offices.

Our focus on stewardship is not confined to senior managers but permeates throughout GMO. It is critically important in how we manage our clients' capital and how we relate to our colleagues, our communities, and the environment. We encourage a culture of intellectual curiosity and open debate, and we seek to balance being highly responsive to our clients' desire for long-term financial growth and positive impact, with delivering straightforward and candid advice.

We know we can achieve both better results for our clients and higher levels of employee engagement by bringing together people with complementary skillsets, who see things in different ways and have a variety of experiences. We have a long-standing commitment to celebrating and respecting differences, while embracing and valuing what each of us brings to our work.

These features of culture extend to and strengthen all our efforts, including in ESG and sustainability.

Values

A natural extension of our early commitment to stewardship was GMO's decision to focus our ESG investing efforts on governance and climate issues, considerations that we believe help us meet our investment objectives. We believe ESG factors can have a meaningful impact on the long-term success of the companies and countries in which we invest, and so by integrating ESG considerations and activity into our investment processes, we seek to improve our clients' long-term, risk-adjusted returns. These focus areas also align with our corporate values.

GOVERNANCE

In the 1980s, GMO pioneered ways to systematically assess company quality, including evaluating governance. We found that high-quality companies with stronger management teams – those that meet the environmental and social needs of our changing world – are also likely to provide better shareholder returns. Ethical behavior is one measure of the real quality of a company, and (counterintuitively, given their lower risk) over the history of the stock market, quality companies have outperformed.

Today, most of our strategies include some evaluation of governance as an indicator to help us find high-quality investments. Extending this work, we have also endeavored to collaborate with companies and countries in which we invest to improve governance practices across a variety of dimensions. For example, our Usonian Japan Equity team leverages its significant experience investing in Japan to engage with company management to help enhance corporate governance and create long-term, risk-adjusted shareholder value. More detail on their engagement process is covered in Principle 9. Another example is the GMO Emerging Country Debt team, which incorporates ESG-related factors into its systematic sovereign and quasi-sovereign risk assessment processes and engages in discussions on ESG-related matters in due diligence meetings with sovereign creditors, multilaterals, and other organizations. We discuss the team's ESG integration in Principle 7.

Working to improve corporate governance continues to be a high priority across our investment and ESG team efforts.

CLIMATE CHANGE

We believe in the science of climate change, and we think it is critical to our future investment success to support efforts to address it, since a warming world is likely to present real and impactful challenges to our investments.

Another factor keeping action on climate issues at the forefront of GMO's values is co-founder Jeremy Grantham, a recognized global advocate for climate change efforts and investment. Jeremy serves as our Long-Term Investment Strategist and Chairman of our Board of Directors.

In 1997, Jeremy founded the Grantham Foundation for the Protection of the Environment, with a mission to protect and conserve the natural environment. He regularly publishes articles articulating the existential environmental and social challenges we face and frequently speaks to activists and allocators at industry events to educate and encourage action. As a result of Jeremy's influence, GMO was an early investor in both energy transition and climate change mitigation and adaptation investment solutions, as discussed in Principle 7. Influencing company behavior in ways that better the environment via engagement is also an important consideration for GMO, as we detail in Principle 9.

DIVERSITY, EQUITY, AND INCLUSION

Another core value of GMO is our organizational belief that diverse perspectives achieve better results for our clients, while an inclusive culture that celebrates and respects differences results in higher levels of employee engagement. 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. We believe that by leveraging varied perspectives across these dimensions we can more effectively tackle business and investment challenges with higher levels of innovation and productivity. Plus, inclusive workforce benefits, such as flexible work arrangements, open paid time-off policies, parental leave, back-up dependent care, a charitable gift matching program, and more, support our diverse employees and increase retention and new talent attraction. We present our diversity statistics and related outcomes in Principle 2.

Through our efforts, we believe we can help to improve the overall investment industry's diversity and social awareness, and our commitment to industry collaboration is presented in Principle 10. We also extend this to the companies in which we invest. Our investment teams believe that companies with diverse employees and management and inclusive policies can achieve stronger results, and certain teams use engagement to encourage these behaviors, as discussed in Principle 9.

Business Model

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

We are privately owned, which enables our teams to truly focus on long-term outcomes and not be influenced by short-term market dynamics. Our clients' interests come first – and we strive to remain in strong alignment with them. When we articulate this business model to clients, we also emphasize our belief that ESG factors can have a meaningful impact on the long-term success of companies and countries, and our investment teams seek to incorporate them where we believe doing so will improve investment results.

Strategy and Investment Beliefs

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

The rationale behind our philosophy is that investor behavior often overrides rational consideration of fundamentals, causing securities and markets to overshoot (or undershoot) their fair values, resulting in some securities becoming "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, that behavior-driven pricing corrects but the timing of this reversion is uncertain. Our strategy is designed to identify when these mis-pricings occur and tilt our portfolios towards cheap securities and away from those that are expensive.

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

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

As stated above, we believe ESG factors can have a meaningful impact on the long-term success of companies and countries, and as such integrating ESG into our investment processes is included in our efforts to deliver outstanding long-term, risk-adjusted client returns. Ensuring companies have effective governance, robust ESG practices, and organizational cultures that promote DEI is inextricably linked to this process, and we believe that we can influence behavior through constructive engagements as well.

Guiding Our Priorities

Our purpose and investment beliefs have guided our stewardship, investment strategy, and decision-making. We believe that all the factors discussed above enable us to provide better investment outcomes and advice to our clients. For this reason, expanding and accelerating our responsible investment and stewardship practices are among the firm's key strategic priorities every year. To illustrate, presented below are our key 2023 ESG priorities, which were determined at the end of 2022, each of which reinforces the importance of a consideration discussed here or in other Principles throughout our report. We look forward to reporting on our progress next year.

2023 ESG PRIORITIES

- Progress on Net Zero Roadmap
- Develop Impact Measures
- Advance Corporate Engagement Program
- Create New ESG-oriented and Sustainable Investment Strategies
- Implement Top-Down ESG Risk Management and Exclusion Framework
- Enhance ESG Client Reporting

2022 Activity

We undertake significant efforts each year across the organization to ensure we are effectively stewarding our clients' assets.

RESPONSIBLE INVESTING

2022 was particularly notable for GMO's ESG efforts given our hiring of Deborah Ng as our Head of ESG and Sustainability. We created this new role to guide and better coordinate our stewardship activity. Deborah came to GMO from one of Canada's largest institutional investors, where she spent the last 18 years on the asset mix and strategy team, most recently as the Head of Responsible Investing. Deborah has brought a unique combination of ESG expertise and asset owner perspective to her analysis of GMO's progress to date, as well as to the development of our future strategy. Deborah's hiring and its impact on our ESG governance is discussed more thoroughly in Principle 2.

One area we identified for improvement in 2022 was our engagement program. During the year we worked to improve our corporate engagement strategy, prioritizing climate change and outlining a new engagement framework for tracking progress and success, as discussed in Principle 9. We plan to extend this work in 2023 to continue improving our overall engagement program and, in particular, our reporting, responding to client feedback we heard in 2022, as discussed in Principle 6.

OUTCOME: Creating our Head of ESG and Sustainability role was a pivotal step in GMO's journey to enhance our focus on climate-related risks, bolster our in-house expertise, and craft a strategy to ensure a company-wide commitment to stewardship. Deborah's joining GMO, with her significant asset owner experience, strengthens our ability to understand and serve our clients' best interests in this area.

SPOTLIGHT: *GMO's Net Zero Plan*

There are stark differences between how the world will be impacted by warming of 1.5 degrees Celsius and warming of 2 degrees Celsius or more (as compared to the pre-industrial era). Aside from having profound, concerning effects on the world, the impact of this variation is also likely to pose challenges to our ability to help our clients achieve their financial goals. For this reason, GMO has committed to reducing net emissions by 65% for our Net Zero Portfolio (described below) by 2030, and to zero by 2050 or sooner, in line with global efforts to limit global warming to 1.5 degrees Celsius. Our Net Zero Portfolio does not include assets held in separately managed accounts, unless we have been directed by the client to include.

Affirming our commitment, GMO became a signatory to the Net Zero Asset Managers initiative (NZAM) in October 2021. As part of our pledge, we were required to submit our initial net zero targets within one year of joining NZAM. During 2022, a Net Zero Task Force, made up of senior investors and others from around the organization and led by Deborah Ng, our Head of ESG and Sustainability, guided the creation of our targets and plan, which are backed by rigorous analytics. All members of the Task Force have extensive experience working on ESG data and were thus well suited to carrying out the measurement, modeling, and scenario analysis work to underpin our portfolio carbon footprint forecast and reduction target.

The Task Force spent three months defining the metrics to be used and running realistic and quantitative analyses to support a recommendation. Throughout the process, the Task Force consulted with individuals across the firm and held meetings with investment teams, first to further educate them on climate risks and portfolio carbon measurements, then to gather feedback on our research and analytical conclusions. This process of seeking continuous feedback meant that once we reached the recommendation stage, relevant colleagues were already well-informed on the process and proposed targets.

The Task Force's recommendations were presented to the ESG Oversight Committee, the CEO, and finally the Board of Directors. As with many other members of NZAM, GMO had never previously established and communicated firm-wide quantitative and timebound targets, and so arriving at our initial targets was a milestone in the firm's history.

Our net zero targets and plan, which were released in late 2022, are detailed below.

In support of our pledge, GMO also signed the 2022 Global Investor Statement to Governments on the Climate Crisis, a joint statement addressed to all world governments urging them to implement policies that limit global temperature rise to no more than 1.5 degrees Celsius and to act consistently with a just transition.

Furthermore, in March 2022 GMO signed on to the CDP Non-Disclosure Campaign (NDC), a collaborative initiative that enables investment managers to drive corporate transparency around companies' management of climate change-related exposures. We previously signed on to the CDP Science-based Targets Initiative in 2021 and continued to support it in 2022. Through our participation in the NDC, GMO investment teams have encouraged improved environmental risk disclosure from companies held in our portfolios.

More detail on our collaborative initiatives, especially as relates to engagement, are detailed in Principle 10.

GMO'S NET ZERO TARGETS AND TRANSITION PLAN

Initial Targets

65% Reduction

of Net Zero Portfolio Carbon Intensity by 2030[1]

60% of GMO's AUM

included in Net Zero Portfolio by 2025[2]

Actions we will take

- Engage with companies to set credible net zero targets and transition plans
- Grow the proportion of portfolio emissions covered by a science-based net zero target
- Grow investments in companies contributing to the clean energy transition
- Broaden the scope of our net zero strategy to include Scope 3 emissions and government bonds

Our initial Net Zero target disclosure can be found here.

1 From 202.6 tCO2e/$M in 2019
2 From 53.5% in 2019. Net Zero Portfolio excludes certain asset classes, strategies, and separately managed accounts.

The timeline below shows the significant strides GMO has made in the past few years to ensure our investment beliefs and strategy enable effective stewardship.

EVOLUTION OF RESPONSIBLE INVESTMENT

2010
- GMO publishes: "Everything You Need to Know about Global Warming in 5 Minutes," a 13-point summary of climate change

2017
- ESG Oversight Committee formed
- Principles for Responsible Investment, CDP, and Japanese Stewardship Code signatory
- Climate Change Strategy launched
- First dedicated ESG hire
- Emerging markets ESG country model built

2018
- Climate Action 100+ member
- UK (2012 Code) and Singapore Stewardship Principles signatory

2019
- Emerging markets ESG country model expanded to developed markets
- Taskforce on Climate-related Financial Disclosures (TCFD) endorsement

2020
- Transition Pathway Initiative endorsement
- Investors Alliance Against Slavery and Trafficking Asia Pacific joined

2021
- GMO proprietary ESG Score developed
- First Sustainability and Responsible Investing report published
- ESG Research team formed with three dedicated resources
- Emerging Markets Investor Alliance joined
- Net Zero Asset Managers initiative joined

2022
- First Head of ESG & Sustainability hired
- EM quasi-sovereign model developed
- Initial net zero targets established

INVESTMENT RESEARCH

GMO's culture of open debate and collaboration stimulates new investment research, which often results in the development of new methods to tackle investment challenges to better achieve our clients' goals and act as more effective stewards of their capital. Notable research activity in 2022 that furthered stewardship-related objectives included:

- The ESG Research team completed building a GMO Indirect Emissions model, which we can now use to estimate all direct and indirect emission flows between companies within value chains. This new model gives our investment teams insights into which companies are most and least exposed to climate transition risks.
- Our Emerging Country Debt team created a new ESG assessment framework for quasi-sovereign debt, complementing the sovereign debt ESG framework they implemented in 2021. Both methodologies incorporate the most relevant E, S, and G factors at the country and corporate levels to help us evaluate credit risk alongside more traditional financial measures.
- The Emerging Country Debt team also partnered with a client to develop a distressed emerging debt strategy that focuses on achieving strong returns while also improving key national ESG factors such as emissions intensity, primary education enrollment, and democracy.
- We finished version 2.0 of the GMO ESG Score, a bottom-up proprietary ESG scoring methodology that we originally developed in 2021. In this new version, we added enhancements to existing key performance indicators and reviewed a potential new data source.
- The GMO Emerging Markets Select Equity team revamped their investment strategy, placing a greater emphasis on climate change and sustainability, and including a focus on engagement with companies on water management. This strategy is detailed in Principle 7.

OUTCOME: Our primary purpose is to deliver strong investment returns for our clients. 2022 was a year when almost all equity and debt markets were down significantly, but GMO's contrarian, value-oriented investment philosophy thrived. 85% of GMO strategies outperformed their benchmarks in 2022, returns that directly benefitted our clients, who rely on us for strong relative performance in these types of challenging years. A key example is the GMO Equity Dislocation Strategy – as outlined in Principle 4 – which helped clients safeguard their assets against a market bubble in U.S. growth equity, as identified by our proprietary research.

Investment returns are a key measure of GMO's success in delivering for clients, but we acknowledge that our responsibility as stewards of their capital extends beyond just that. We believe that clear and regular communication with clients – as discussed in Principle 6 – ensures they remain informed about decisions being taken by GMO on their behalf and confident that any questions or concerns will be respected and resolved.

OUTCOME: Another key element of our purpose is to provide candid, useful investment advice. Much of this is done via the high-quality research produced by our investment teams, which generates considerable interest from clients and prospects, industry participants, and the media and others.

Large and Growing Research Following

26,000+
thought leadership subscribers

30,000+
average readers of GMO Quarterly Letter

1,800+
event attendees (2022)

17,500+
LinkedIn followers

3,500+
Twitter followers

900+
media mentions (2022)

PRIORITIZING PEOPLE, ENHANCING CULTURE

We have also taken steps to ensure our culture supports a focus on putting our clients' needs first. We encourage this by ensuring employees around the firm feel connected with client issues and outcomes. In 2022, we did this in a couple of ways.

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

DEI is another important element of our culture, and for several years our efforts have been led by our employees through a formal Diversity, Equity, and Inclusion Group across three areas of focus: Outreach, Inclusion, and Communications. The group includes individuals from all our global offices and areas of the firm. During 2022, we recognized that we wanted more dedicated leadership on diversity initiatives, and so we created a new role, Engagement and Talent Acquisition Lead, which includes strategic oversight of DEI activity as a focus. Melissa Gallagher, a long-time GMO Human Resources professional, stepped into the role. Melissa has worked at GMO for over 7 years and has 23 years of industry HR experience, and she uses this perspective to evaluate our DEI activity and design best practices.

GMO was one of the first asset managers to become a signatory of the new CFA DEI Code in early 2022. Through our commitment to the Code, we believe we can further amplify our efforts to continue to improve diversity and social awareness. Our joining the Code is detailed in Principle 10.

OUTCOME: Recognizing the important physical, as well as psychological, role a person's environment can play, we have recently moved our Boston headquarters to a different Boston office building. Among other objectives, we designed the new office to better enable our cultural aspects of collaboration and honest debate through open floor spaces that foster greater interaction and engagement among colleagues. The space and installed technology also support our hybrid "work from anywhere" approach.

Given our focus on sustainability, we have ensured that the new office space supports our efforts to mitigate climate change. We moved to a LEED certified Gold building that is also Fitwel certified (a rating of the health-affecting aspects of the building environment designed to improve occupant wellbeing). The building is more efficient than 75% of similar buildings nationwide, according to its rating by the Energy Star Certification Program. In addition, throughout our office design process, we have prioritized choices that are good for our planet, for example using Forest Stewardship Council certified woodwork, carbon neutral carpets, and LED lighting with room vacancy sensors throughout.

PRINCIPLE 2

GOVERNANCE, RESOURCES, AND INCENTIVES

Signatories' governance, resources, and incentives support stewardship.

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

ESG Governance Structures, Processes, and Resources

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

ESG OVERSIGHT COMMITTEE

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

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

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

The ESG Oversight Committee is shown below.

ESG AND SUSTAINABILITY STRUCTURE

Board of Directors

↓

Scott Hayward | *Chief Executive Officer*

↓

Oversight Committee

- Deborah Ng | *ESG & Sustainability (Chair)*
- Holly Carson | *Consultant Relations*
- Anna Chetoukhina | *Asset Allocation*
- Roy Henriksson | *Investment Risk & Trading*
- 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 & Sustainability Team
Deborah Ng

Hardik Shah

- Strategy and overarching approach
  - Net zero and climate change
  - Sustainability and impact
- Thought leadership and innovation
- Top-down ESG monitoring
- Education, frameworks, and tools for investment teams
- Subject-matter expertise
- Coordination and execution of corporate engagements

ESG Research Team
George Sakoulis

Chris Heelan
Ken Hsu
Tim Wheeler

- Quantitative research on ESG topics, such as Indirect Emissions
- Development of new investment strategies and products

Proxy Voting Team
Tara Pari

Brian Buoniconti
Meghan Panteleakos

- Stewardship-related policies
- Proxy voting

ESG SUB-COMMITTEES

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

The ESG sub-committees are described and shown below.

2022 Review Outcomes

The most significant actions and outcomes related to stewardship governance during the reporting period were the hiring of Deborah Ng, as detailed in Principle 1, and a subsequent review and reorganization of the ESG Oversight Committee and its sub-committees.

Among the greatest strengths of our governance approach are our ongoing self-assessment and willingness to change and improve, as evidenced by the ESG Oversight Committee's 2021 reorganization and 2022 shifts, during which we reviewed our existing structures, processes, and resources. The outcome of this review was the determination that we could better serve GMO's evolving ESG governance needs by restructuring the Committee and its three sub-committees.

At the ESG Oversight Committee level, Deborah Ng was named chair, membership was streamlined to those named in the chart on the previous page, and processes were put in place to support more efficient Committee activity. For example, to make Committee meetings more productive, we now prepare an extensive set of materials in advance of the meeting previewing decisions to be made. Each Committee member is expected to review before attending the meeting.

Another key outcome from the 2022 review was the revamping of our three ESG sub-committees that report into and support the ESG Oversight Committee. The drivers behind the changes and a description of the sub-committees' renewed focus areas are outlined below.

We believe the new resources, structures, and processes will better enable us to progress our stewardship strategy. The efficacy of these changes is monitored on an ongoing basis to ensure we are achieving our goals.

1. **Investments Sub-Committee**

   Our newly created Investments sub-committee is charged with overseeing ESG risks at the portfolio level, taking over the ESG risk exposure monitoring function from our "Risk Insights Forum" introduced in Principle 4. The sub-committee also evaluates severe and developing ESG controversies within our public equity and fixed income holdings, manages development of our internal exclusion policy, and ensures we are progressing on climate strategy.

   The sub-committee is co-chaired by Head of Investment Teams, George Sakoulis, and Head of Investment Risk and Trading, Roy Henriksson. Membership includes leaders from our investment teams in addition to

ESG SUB-COMMITTEES

Investments	Stewardship	Stakeholder Strategy and Communications
CHAIRS	**CHAIRS**	**CHAIRS**
George Sakoulis; Roy Henriksson	Phil Zachos; Deborah Ng	George Sakoulis; Holly Carson
MEMBERS	**MEMBERS**	**MEMBERS**
Joe Auth; Simon Harris; Anna Chetoukhina; John Thorndike; Warren Chiang; Deborah Ng; Drew Edwards; Tina Vandersteel; Jason Halliwell; Lucas White; Tom Hancock	Brian Buoniconti; Jason Harrison; Holly Carson; Michelle Morphew; Drew Edwards; Dina Santoro; Tom Hancock; Hardik Shah	Tommy Garvey; Steven Peck; Binu George; Melanie Rudoy; Mandy Leung; Vineta Salale; Andy Martin; Riti Samanta; Michelle Morphew; Hardik Shah; Deborah Ng; Cindy Tan
MANDATE	**MANDATE**	**MANDATE**
Govern the Responsible Investment Policy; Oversee ESG Risk	Proxy voting and engagement, including governing related policies; Stewardship-related commitments	Stakeholder reporting; GMO ESG-related commitments
2023 WORKING GROUPS	**2023 WORKING GROUPS**	**2023 WORKING GROUPS**
ESG Research; Net Zero Task Force	Engagement Database	SFDR Reporting; Impact Reporting

Deborah Ng. By gathering our investment team leaders, we believe we can more effectively address these important topics in a centralized, coordinated way.

2. **Stewardship Sub-Committee**

   Our Stewardship sub-committee oversees investment-related Stewardship and is co-chaired by Phil Zachos, General Counsel, and Deborah Ng.

   As we have advanced our engagement efforts, discussed in Principle 9, we now require a more focused sub-committee to continue accelerating progress. This sub-committee also provides a new forum in which we can hold more meaningful discussions on proxy voting decisions, which we identified as an area of improvement in our prior structure.

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

   The previous Product Strategy and Client Reporting sub-committee has been reformed as the Stakeholder Strategy and Communications sub-committee and is co-chaired by George Sakoulis and Head of North American Consultant Relations, Holly Carson.

   The new sub-committee is made up of representatives from investment teams, Investment Product Strategy, and Global Client Relations. We believe the updated membership can help better integrate our clients' priorities with our investment strategies and improve how we share ESG outcomes with our clients. Importantly, it creates a stronger link between investment activities and stakeholder expectations as relates to ESG and sustainability.

ESG AND SUSTAINABILITY TEAM

GMO's ESG and Sustainability team supports our investment teams by providing subject-matter expertise, tools, and resources to aid their assessment of ESG. This team shares responsibilities with the investment teams on engagements, which may be conducted jointly or separately. The team includes two senior professionals with 20+ combined years of experience, whose roles and backgrounds are described below. Their work is supported by a dedicated quantitative ESG Research team, as well as a wide array of GMO colleagues who devote part of their time to GMO's ESG efforts. With respect to stewardship-related service providers, we rely on a variety of ESG data providers and a proxy voting advisor, as discussed in Principle 8.

DEBORAH NG | *Head of ESG and Sustainability*

Deborah Ng joined GMO in May 2022 from one of Canada's largest asset owners, where she spent the previous 18 years, most recently as Head of Responsible Investing. She joined GMO to oversee and accelerate our ESG and sustainability-related initiatives. In this new senior role, she chairs the ESG Oversight Committee, works closely with GMO investment teams on understanding and integrating ESG factors, co-chairs GMO's Stewardship sub-committee to oversee voting and advance our engagement efforts, and educates teams around the firm.

She is a past board member of the Global Real Estate Sustainability Benchmark (GRESB, BV) and a former member of the Sustainability Accounting Standards Board (SASB) Investor Advisory Group and Bloomberg ESG Advisory Board. She regularly collaborates with the CFA Institute on ESG-related issues and curriculum, including with the CFA Toronto Society ESG Bootcamp. She is a CFA charterholder.

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

HARDIK SHAH | *ESG Practice Lead*

Hardik Shah joined GMO in 2017 as ESG Practice Lead. In this role, he works directly with investment teams to support the integration of ESG factors in investment processes. He undertakes in-depth analyses (e.g., depth, breadth, quality, etc.) of data provided by third-party ESG providers as well as from public sources to help create proprietary country- and company-level ESG scores that are leveraged by various investment teams.

Prior to joining GMO, Hardik led a global team of ESG analysts at Sustainalytics. He holds the Fundamentals of Sustainability Accounting credential issued by SASB and the Sustainability and Climate Risk credential by the Global Association of Risk Professionals (GARP). On an ongoing basis, he collaborates with the CFA Institute on ESG issues, and is a CFA charterholder.

ESG SUB-COMMITTEE CHAIRS

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

GEORGE SAKOULIS

George Sakoulis is the Head of Investment Teams at GMO and a partner of the firm. He is a member of GMO's ESG Oversight Committee and co-chair of the Investments and Stakeholder Strategy and Communication sub-committees. He rejoined GMO in 2020 having previously worked at the firm from 2009 to 2014 leading quantitative research for GMO's Emerging Markets Equity team. He has also held several leadership roles at other investment firms during his career, and he earned his MA in Economics and PhD in Financial Econometrics from the University of Washington.

ROY HENRIKSSON

Roy Henriksson is the Head of Investment Risk and Trading at GMO and a partner of the firm. He is a member of GMO's ESG Oversight Committee and co-chair of the Investments sub-committee. He has decades of experience combining quantitative research with its practical applications within investment portfolios across a wide range of equity, fixed income, and multi-asset strategies. He has served as the Co-Chairman of the Liquidity Risk Committee and as a member of the advisory board of the International Association for Quantitative Finance, has been a recipient of the Graham and Dodd Award from The Financial Analysts Journal, and previously was a Professor of Finance at the University of California, Berkeley. He earned his MS in Management and PhD in Finance from the Massachusetts Institute of Technology.

PHIL ZACHOS

Phil Zachos is GMO's General Counsel and a partner of the firm. He is a member of GMO's ESG Oversight Committee and co-chair of the Stewardship sub-committee. Previously at GMO, he has served as Legal Counsel and Company Secretary, Chairman of the GMO UK Board, and Chief Counsel for GMO Renewable Resources.

HOLLY CARSON

Holly Carson leads consultant relations efforts and strategic new market segment initiatives for the GMO Global Client Relations team. She is a partner of the firm and a member of the GMO ESG Oversight Committee, in addition to co-chairing the Stakeholder Strategy and Communications sub-committee.

ESG RESEARCH TEAM

In November 2021, GMO created a dedicated ESG Research team whose mission is to undertake ESG research and modeling in collaboration with our investment teams. The team focuses on helping GMO keep pace with the quickly evolving field of ESG through thoughtful and innovative research. They helped to develop the GMO ESG Score in 2021, built a GMO Indirect Emissions Model in 2022, and are currently creating a sustainable investment portfolio focused on green revenue. The ESG Research Team consists of the three dedicated professionals described below.

CHRIS HEELAN

Chris Heelan has been with GMO since 2020. Prior to joining the ESG Research team in 2021 when it was created, he was the Machine Learning Development Lead for the Investment Data Solutions team. Chris has an MS in Innovation Management and Entrepreneurship and Electrical Engineering and a PhD in Electrical Engineering from Brown University.

KENNETH HSU

Kenneth Hsu joined the GMO ESG Research team when it was created in 2021. His prior experience includes working as a quantitative researcher on GMO's Emerging Markets Equity team. Kenneth has a PhD in Mechanical Engineering from the University of California, Berkeley, majoring in control theory with minors in mathematics and financial engineering.

TIMOTHY WHEELER

Timothy Wheeler joined the GMO ESG Research team in 2021 when it was created. His prior experience also includes working as a quantitative researcher on GMO's Emerging Markets Equity team. Timothy has a PhD in Mechanical Engineering with a Designated Emphasis in Computational Science and Engineering from the University of California, Berkeley.

PROXY VOTING TEAM

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

TARA PARI

Ms. Pari joined GMO in 2004 and is the Head of Risk and Controls, Fund Reporting, and Proxy Voting.

BRIAN BUONICONTI

Mr. Buoniconti is a member of GMO's Risk and Controls, Fund Reporting, and Proxy Voting teams and serves as the lead proxy voting specialist. He joined GMO in 2012 as a member of the Portfolio Operations team, working in corporate actions and pricing roles.

MEGHAN PANTELEAKOS

Ms. Panteleakos is a member of GMO's Risk and Controls, Fund Reporting, and Proxy Voting teams and currently serves as a proxy voting specialist. Previously at GMO, which she joined in 2008, she was supervisor on the Pricing and Collateral Team.

Investment Integration Processes

Integration of ESG factors into GMO investment processes is overseen by our ESG Oversight Committee, but portfolio managers are ultimately accountable for implementing ESG policies within their strategies. This is in line with our investment-led approach described in Principle 1. In practice, they and their investment team colleagues have integrated ESG factors into various portfolio construction processes, which are detailed in Principle 7. Broadly speaking, sector analysts handle corporate engagement within their coverage areas, although portfolio managers may assign team members specific engagement responsibilities. The teams continue to evolve and enhance their approaches by conducting focused research within their respective areas of expertise, and they coordinate and collaborate across the firm to share insights on an ad-hoc, project, or committee basis. In some cases, products have specific ESG constraints. Likewise, many portfolio management teams have systematized parameters around ESG principles built into their portfolio construction processes.

Training and Education

GMO's investment teams convene in monthly ESG Research meetings to learn about, discuss, and debate the latest ESG research. Topics covered have included ESG scoring, accounting for direct and indirect emissions, and top-down ESG approaches. There are approximately 35 participants from various investment teams. In 2022 our ESG team added targeted training sessions with our investment teams on portfolio carbon footprint and net zero approaches. 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. For instance, our Systematic Equity team leveraged the extensive knowledge of our Emerging Markets Select Equity and Emerging Country Debt teams to effectively integrate a new country ESG framework into its investment process. To cite another recent example, our Systematic Global Macro team tested new ESG data and shared the results with several other teams for quicker understanding and adoption around the firm.

ESG learning extends beyond the investment teams and throughout the firm via internal presentations to relevant functional areas such as marketing, client relations, and data management. These are often coordinated by our ESG and Sustainability team. All new employees – senior and junior – undergo a year-long orientation program organized by our Human Resources team that introduces our purpose, investment philosophy, and functional areas, designed to onboard joiners into the GMO culture. This includes a module on GMO's overarching investment and ESG approaches. Generally, these modules are recorded for future use and to accommodate different time zones. In addition, all GMO employees are required to undergo annual virtual training on topics such as cybersecurity, anti-bribery, corruption, GMO's Code of Ethics, and anti-discrimination.

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

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

Compensation and Incentive Structure

ESG considerations are included in the evaluation of our dedicated ESG teams' successes and can have a direct impact on their compensation. For employees who are not on dedicated ESG functions, these metrics do not factor explicitly into compensation decisions. However, employees at GMO are evaluated and compensated based on both their ability to contribute and their actual contributions toward GMO's strategic priorities, and ESG factors into two of these priorities. ESG and stewardship progress has been a standing strategic priority for the firm for the past several years.

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

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

Diversity at GMO

We believe diversity of thought, knowledge, experience, and background leads to better results for our firm and clients. We also recognize that the investment industry has historically not been particularly diverse. We are committed to doing our part to ensure our industry and communities experience diversity, equity, and inclusion. We have programs in place to generate diversity in our talent acquisition practices – including partnering with organizations that source and foster diverse talent, offering interview training emphasizing selection from diverse candidate pools, and utilizing diverse interview teams – and have established processes to ensure equity in compensation and development opportunities. We measure the results of these practices as well as our employee engagement. To the extent possible, given privacy laws in different jurisdictions and each employee's willingness to self-identify, we report on the diversity of our employees. Ultimately, we focus on encouraging and rewarding diversity, equity, and inclusion among teams in as many ways as possible.

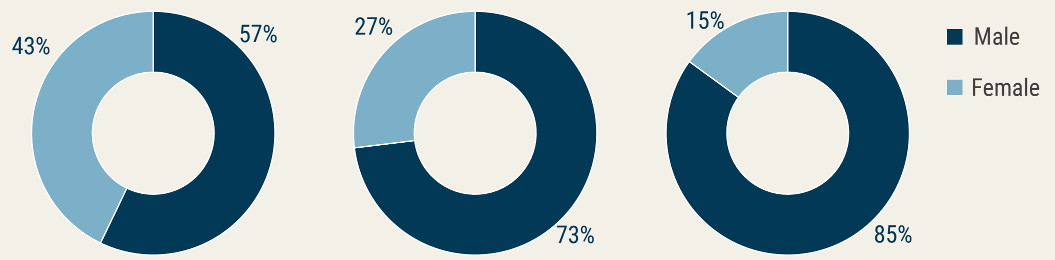
OUTCOME: We emphasize the importance of diversity internally, as well as seeking it in the companies in which we invest. In 2022, we realized a 16% increase in the proportion of new female hires as compared with 2021, shown below. We firmly believe that it is in our clients' best interests that we have an employee base with diverse perspectives, and we recognize more progress will be needed in the future.

OUTCOME: GMO was named a Best Place to Work For LGBTQ+ Equality in the Human Rights Campaign Foundation's 2022 Corporate Equality Index, one of 842 U.S. companies from nearly every industry that met all the criteria to earn this designation.

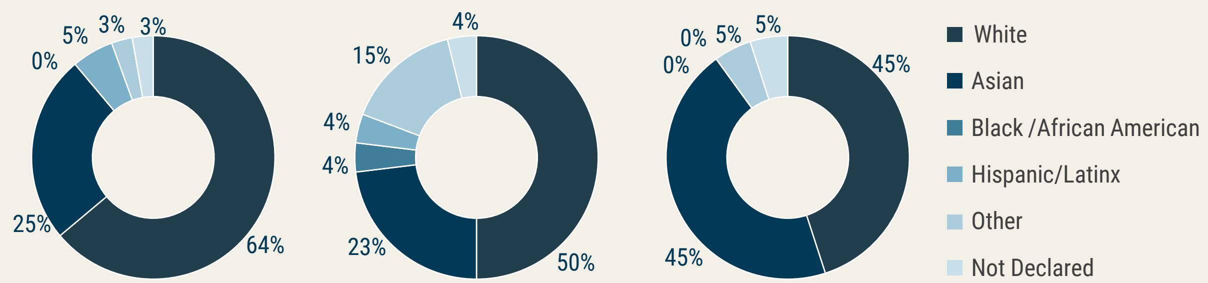
ANNUAL U.S. HIRING STATS

2022: 36 NEW HIRES 2021: 26 NEW HIRES 2020: 20 NEW HIRES

Gender Diversity



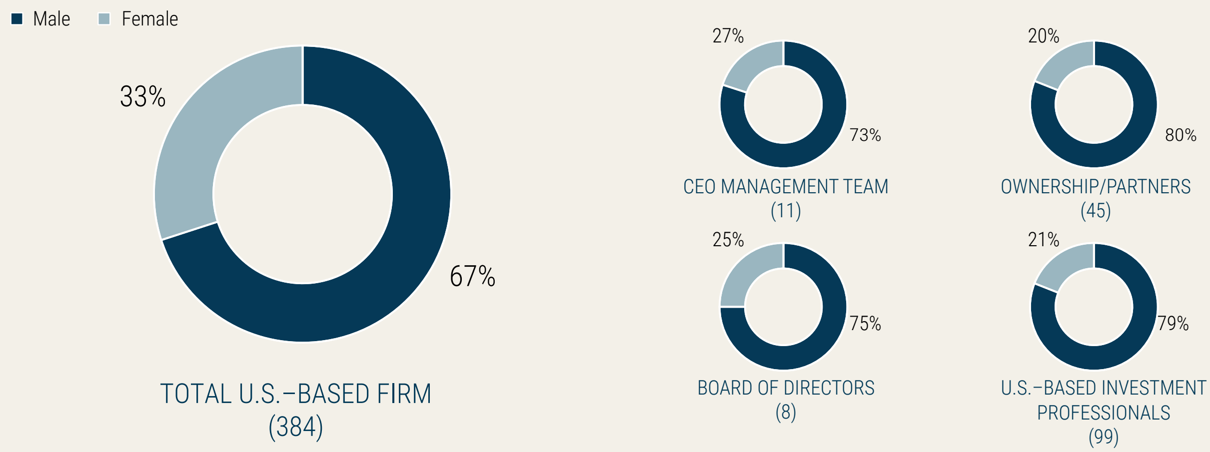
Racial/Ethnic Diversity



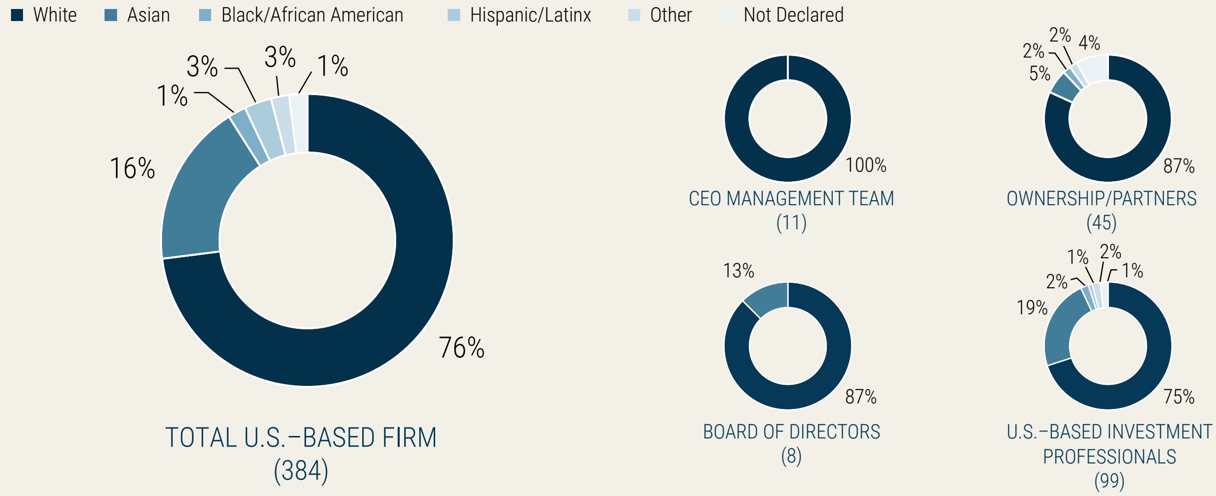
As of 31 December 2022
These statistics are self-reported by our U.S.-based employees and provision of these details is not compulsory. Where individuals have not specified race/ethnicity/gender, we have included that data under the category of "Not Declared." Figures may not sum to 100% due to rounding.

GMO U.S. DIVERSITY MEASUREMENT

Gender Diversity



Racial/Ethnic Diversity



As of 31 December 2022
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

PRINCIPLE 3

CONFLICTS OF INTEREST

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

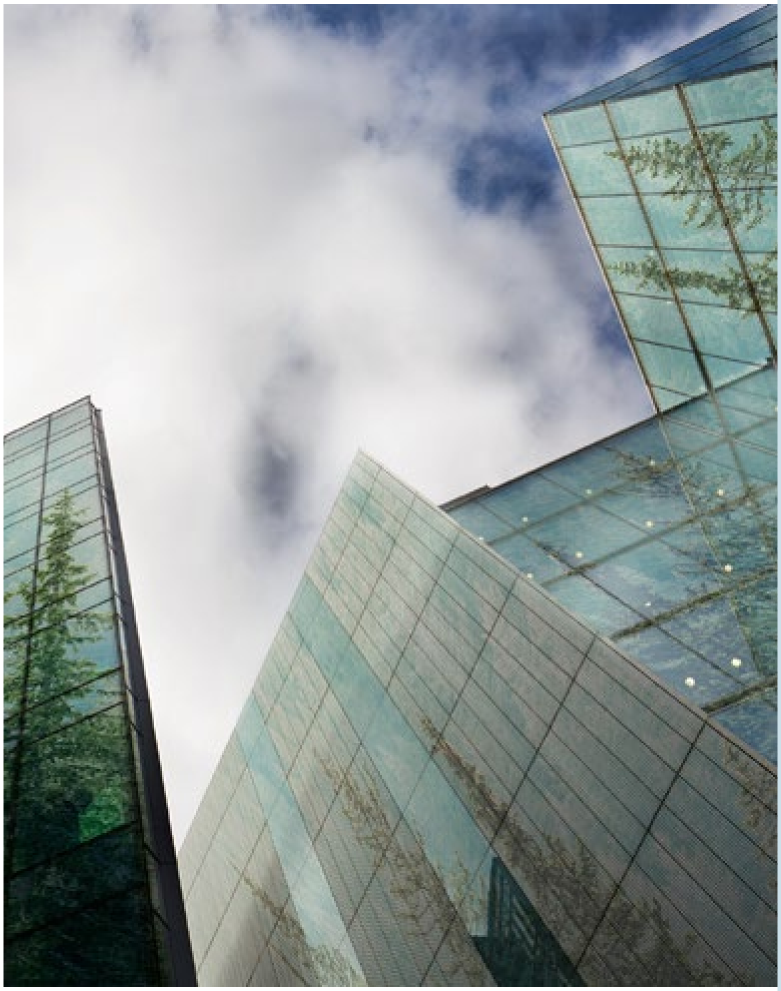
We are committed to treating our clients ethically, with the utmost care, transparency, and fairness. In practice, we recognize that conflicts of interest may arise as we conduct our business. We have a range of robust policies and procedures in place to ensure that such conflicts of interest are identified,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

Several examples include the following:

- **Trade Allocation:** GMO's trade allocation procedures are designed to provide reasonable assurance that, over time, accounts pursuing the same trading strategy are not likely to be systematically advantaged or disadvantaged due to the order placement/execution process. These procedures may include blocking/aggregating orders or limiting the volume of subsequent orders. While there is a centralized trading function, certain instruments (e.g., fixed income securities) may be traded by the respective investment teams. We avoid or minimize conflicts of interest and place our clients' interests before our own so that we ensure we are treating all clients fairly and in their best interests. To accomplish this, our procedures provide that we seek to use block trades where practicable, allocate block trades according to procedures established prior to the trade, and allocate trades in accordance with disclosure provided to clients.
- **Proxy Voting:** Proxy voting is an integral right of security ownership. In cases where GMO has been delegated authority to vote proxies, we conduct the function with the degree of prudence and duty expected of us as a fiduciary. In these instances, in the event of a material conflict of interest (e.g., GMO has a material business relationship with an issuer), GMO will 1) vote such proxy according to the recommendation of GMO's proxy advisor, ISS, or pre-determined modifications to those recommendations as set forth in GMO's policy; 2) seek instructions from the relevant client or request that the client votes such proxy; or 3) abstain. Additionally, GMO requires ISS to identify and provide information regarding any material business changes or conflicts of interest on an ongoing basis. Where a conflict of interest may exist, GMO requires information on how said conflict is being addressed. Our proxy voting approach and monitoring of ISS as our proxy advisor are discussed in greater detail in Principles 8 and 12.
- **Code of Ethics/Proprietary Trading:** GMO has adopted a Code of Ethics that establishes personal trading procedures, including certain pre-clearance and reporting obligations. GMO's Code of Ethics is designed to prevent employees and access persons (as defined in our Code of Ethics) from engaging in personal securities transactions that may compete or interfere with the trading of client accounts. Additionally, we do not engage in proprietary trading for our own account except in limited circumstances (e.g., investment of operational cash in U.S. treasury securities).
- **Pricing:** The appropriate valuation of securities held in client portfolios is critical not only for purposes of client transactions but also for the determination of fees paid to GMO and the performance records of funds under management. All GMO Funds are valued pursuant to the applicable, approved, pricing policy for each GMO Fund. GMO's Operations team has adopted processes and procedures designed to verify the recording of correct GMO Fund valuations by their external service providers. Those internal controls are, to the extent determined relevant to GMO control objectives, subject to an external review and audit by an independent service auditor pursuant to the Service Organization Controls Report (SOC 1).
- **Account Performance Reviews:** To manage the potential conflicts of interest associated with the side-by-side management of accounts, including funds with performance fees and those that have solely asset-based fees, performance dispersion among accounts employing similar investment strategies is periodically reviewed to ensure that any material divergence in expected performance is adequately understood. In this regard, GMO maintains performance dispersion review procedures that are designed to help highlight and explain variances between portfolios within the same Global Investment Performance Standards (GIPS) composite as well as variations within a broader universe (i.e., strategies managed by the same investment team) to ensure that a portfolio is not unfairly favored or disfavored relative to another portfolio.

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

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



Conflict of Interest Examples

Board Seat: During the reporting period, when our Head of ESG and Sustainability, Deborah Ng, joined GMO, she already had a previous commitment to the board of a pension plan, which would continue during Deborah's 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 her board position to GMO. All employees submit quarterly Code of Conduct confirmations and must also make certain off-cycle disclosures when their circumstances change and trigger a disclosure. Deborah's board role will be monitored in this way going forward, and in the future if GMO were being evaluated as a manager for the pension plan, Deborah would be required to notify GMO's compliance team and be recused from the pension plan's discussion and approval process.

Pre-2022 and hypothetical examples to show similar oversight functions include the following:

Proxy Voting: We previously had a situation where GMO 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, due to the existence of a material conflict, the investment team was not permitted to override ISS' voting recommendation in this instance and abstained from exercising a vote.

Board Seat: Occasionally, GMO personnel are identified as potential candidates for the board of directors of public companies. Consistent with GMO's Code of Conduct, such personnel have not been permitted to pursue such opportunities where securities issued by the relevant public company are, or are likely to be, held by a GMO-managed account.

Gifts and Entertainment: GMO has implemented a Gifts and Entertainment Policy that is designed to minimize and manage the conflicts of interest that may arise from the giving or receiving of potential gifts or entertainment, including in situations where GMO personnel's objectivity could be perceived to be impaired as a result of such gift or entertainment. Occasionally, GMO personnel are offered items of value by service providers to GMO and have been required to reject or return those items of value to the extent inconsistent with GMO's policies.

PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

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

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

Investment Risk Management

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

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

GMO has a regularly scheduled Risk Insights Forum (RIF), which brings together senior managers of the firm, including from each of our investment teams, to discuss market risks and longer-term macro trends that may lead to areas of future concern. Part of the RIF discussions includes a review of GMO strategy positioning, liquidity, and counterparty risks. A review of ESG exposures has also historically been undertaken at each RIF meeting. This review has now moved to the new Investments ESG sub-committee, of which Roy Henriksson is a co-chair, as discussed in Principle 2. 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.

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

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

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

Monitoring of Risk Controls

GMO also has a Risk and Controls team that assesses operational risk and helps maintain and enhance the internal control environment at GMO. The primary responsibilities of the Risk and Controls team include:

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

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

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

Internal and External Communication

The issues discussed at GMO's RIF are cascaded throughout the organization as deemed relevant by the members in attendance. In addition, as market and systemic risks emerge, we dedicate time for discussion of these risks on our weekly Markets Call, introduced in Principle 1, providing frequent opportunities for risk, trading, and investment professionals to share and debate viewpoints.

Our Risk and Controls team meets regularly with teams that manage controls related to GMO's operational risk. In these meetings, managers discuss process improvements, errors, and changes to perceived risk levels since the last meeting. These results are summarized and communicated upward at the RIF by the Risk and Controls team.

Externally, we hold conversations with our clients in forums such as portfolio review meetings, GMO investor webcasts, and our Fall Conference. Our client communication methods are described in Principle 6.

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

U.S. Growth Equity Bubble Risk

GMO is renowned for spotting – and avoiding – investment bubbles, including Japan in the 1980s, the tech bubble in the late 1990s, and the 2008-09 Global Financial Crisis.

In early 2021, we identified that the long bull market across asset classes since 2009 had become a fully-fledged bubble, most dramatically in growth equity within the U.S. This extreme overvaluation, in our view, was presenting our clients and the market more generally with a high level of systemic risk, which we believed was underappreciated. When bubbles like this burst, markets tend to decline rapidly and investors suffer significant capital impairments.

In 2022, we published 13 research papers and held 8 client events either quantifying the risks investors were facing or encouraging investment in areas that we believed would offer some protection from the growth bubble bursting. Our investment professionals spoke at industry events hosted by organizations such as the CFA, Morningstar, and industry consultants and were interviewed in mainstream media outlets such as Bloomberg and CNBC. Our goal was to raise awareness of the bubble with both investors and industry practitioners alike to try and influence investment decisions to reduce systemic risk levels.

For GMO clients, echoing a similar approach we took on behalf of clients in 2008 and 2009, we launched a new investment strategy designed to avoid the impact of – and in fact profit from – the bubble bursting, as detailed in the case study below.

INFLATION AND INTEREST RATES

2022 saw significant interest rate hikes and persistently high inflation, resulting in equity and bond markets declining throughout the year. We analyzed these market risks thoroughly and discussed developments with our clients in meetings and portfolio reviews.

For example, on our GMO Markets Calls, our Trading team and various investment teams reviewed rate increases and subsequent impacts on relevant markets. In these collaborative discussions, our teams asked each other

CASE STUDY: GMO EQUITY DISLOCATION STRATEGY

We launched our Equity Dislocation Strategy in October 2020, after a decade of low rates and tepid growth led investors to aggressively bid up the relative valuations of Growth stocks. The Covid-19 environment stoked investor frenzy around fast-growing companies, catapulting them to "bubble" levels. The scale of the opportunity was initially similar to the one created by the Tech bubble and continues to be compelling. We believe this strategy can enhance return and reduce risk for our clients in a diversified investment program. While Value outperformed Growth in 2022, the valuation spread between the two investment styles remained wide at the end of the year.

Equity Dislocation is an active long Value, short Growth portfolio. While we cannot predict the timing, spreads can close quickly. If the rebound in Value is as extreme as after the Tech bubble, our expectation is that we would close the Strategy and return capital to investors.

VALUE IS STILL VERY CHEAP

After a good run, value looks anyting but exhausted

As of 31 December 2022
Composite valuation measure is composed of Price/Sales, Prices/Gross Profit, Price/Book, and Price/Economic Book.

Our Strategy grew to $6 billion in assets by the end of 2022 and delivered strong positive returns in both 2021 and 2022 in the face of otherwise challenging market conditions, resulting in positive outcomes for our clients.

questions, often helping other teams test assumptions. At our 2022 Fall Conference, as discussed in Principle 6, we devoted six sessions to discussing how we would advise our clients to invest in these conditions.

CLIMATE RISK

As stated throughout our report, GMO acknowledges the science of climate change, that climate issues pose long-term systemic risk to our planet, civilization, and investment markets.

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

We also aim to address climate risk through active engagement at an international, regional, and industry level to encourage clear, stable, and long-term policy making and regulations. Our support is detailed in Principles 1 and 10. Further, in our investment processes, our 2022 issuer engagement focus was on climate change, and so we prioritized engagements in this area, which is detailed in Principle 9.

Finally, as an asset manager, we orient investment portfolios around these risks and opportunities. Since 2011, we have managed a Resources Strategy, designed to invest in companies that stand to benefit from the economic outcomes of resource scarcity. In 2022, we developed a variation of this portfolio, in partnership with a client, that excludes fossil fuels, called the Resource Transition Strategy, officially launched in early 2023. We also have managed a Climate Change Strategy since 2017 that invests in companies helping the world to mitigate or adapt to the impacts of climate change. Similarly in 2022 we launched, in partnership with a client, a version of the strategy that excludes companies that violate Global Compact principles.

INDUSTRY COLLABORATION TO MANAGE MARKET-WIDE AND SYSTEMIC RISKS

GMO engages across the industry to share and improve on best practices. In 2022, we worked to address climate and ESG risk by joining industry groups with the goal of improving data disclosure, quality, and standards. Examples of recent collaborations are listed below, and GMO's industry collaborations generally are described more in Principle 10.

International Financial Reporting Standards (IFRS) SASB Alliance

- What: The IFRS 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 do we work with them: GMO is a member of the Alliance, a group of asset managers and owners working together to further develop standards and encourage adoption of the standards in corporate reporting. Following a public consultation, the International Sustainability Standards Board (ISSB) is set to issue its first reporting standards for ESG and climate change at the end of the second quarter in 2023.

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 team partners with the EMIA to facilitate engagements with emerging country sovereign issuers, share best practices, and discuss common challenges in ESG integration in emerging markets among its members. In 2022, our Emerging Markets Select Equity team joined as EMIA members. The ESG team recently also joined the newly formed Materials working group, which will share knowledge, promote best practices, and engage with companies on the use of 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 though the incorporation of ESG.
- How we work with them: GMO is a member of the PRI's Global Policy Reference Group. We regularly provide feedback to the PRI on various topics, such as measuring emissions in sovereign debt as part of ASCOR.

CASE STUDY: EMERGING COUNTRY DEBT TEAM ON SANCTIONS

GMO's Emerging Country Debt team has participated as part of an investor group that has tried to educate U.S. government officials on the detrimental effects of sanctions on secondary market trading of sovereign bonds, especially as regards the sovereign and state-owned bonds of Venezuela. It is our team's view that these sanctions artificially lower the value of the securities, unintentionally damaging U.S.-domiciled mutual fund shareholders. In these efforts, members of our team met with officials of the U.S. State Department, Treasury, and Congressional and Senate staff.

PRINCIPLE 5

REVIEW AND ASSURANCE

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

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

Our ESG Oversight Committee reports to our CEO and is accountable for ensuring the firm has the appropriate processes and resources to effectively fulfill our stewardship responsibilities. The Committee's mandate was reviewed internally in 2022, resulting in changes to the structure and responsibilities of the ESG Oversight Committee and the sub-committees reporting into it, as discussed in Principle 2. The revised mandate reflects the establishment of the role of Head of ESG and Sustainability, changes to the Committee's roles, responsibilities, and practices, and the restructuring of the ESG sub-committees to better meet GMO's 2023 ESG priorities, which are included in Principle 1.

Among other responsibilities, the ESG Oversight Committee sets and steers firm-level ESG priorities, has responsibility for reviewing, approving, and overseeing the ESG-related policies discussed below, and governs GMO's ESG commitments and communication. As detailed in Principle 2, the changes to the Committee are an example of GMO's continual commitment to reviewing our existing ESG processes and updating them where appropriate.

Internal Reviews of Policies and Processes

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

INVESTMENTS

The Investments sub-committee has a broad range of responsibilities, which includes governance of our Responsible Investment Policy, detailed below. It also 1) provides important input into our ESG research agenda and tool development, 2) coordinates with the Stakeholder Strategy and Communications sub-committee to evolve our ESG integration frameworks, KPIs, and product strategies, 3) oversees GMO's consideration of ESG-related risk, 4) manages our exclusion framework and policy, including oversight of issuer ESG engagements and escalations, 5) is responsible for governing GMO's initial net zero targets, and 6) provides perspective to help refine our firm-wide stance on topical ESG issues. The sub-committee also oversees several working groups, including the ESG Research group and Net Zero Task Force. These groups provide input into new research initiatives, share ESG research findings, develop tools for the monitoring of net zero and other commitments, and manage measurement of portfolio emissions.

Investments

CHAIRS

- George Sakoulis
- Roy Henriksson

MEMBERS

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

MANDATE

- Govern the Responsible Investment Policy
- Oversee ESG Risk

2023 WORKING GROUPS

- ESG Research
- Net Zero Task Force

STEWARDSHIP

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

Stewardship

CHAIRS

- Phil Zachos
- Deborah Ng

MEMBERS

- Brian Buoniconti
- Holly Carson
- Drew Edwards
- Tom Hancock
- Jason Harrison
- Michelle Morphew
- Dina Santoro
- Hardik Shah

MANDATE

- Proxy voting and engagement
- Stewardship–related commitments

2023 WORKING GROUPS

- Engagement Database

STAKEHOLDER STRATEGY AND COMMUNICATIONS

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

Stakeholder Strategy and Communications

CHAIRS

- George Sakoulis
- Holly Carson

MEMBERS

- Tommy Garvey
- Binu George
- Mandy Leung
- Andy Martin
- Michelle Morphew
- Deborah Ng
- Steven Peck
- Melanie Rudoy
- Vineta Salale
- Riti Samanta
- Hardik Shah
- Cindy Tan

MANDATE

- Stakeholder reporting
- GMO ESG-related commitments

2023 WORKING GROUPS

- SFDR Reporting
- Impact Reporting

Stewardship Policies

The policies we believe to be most directly relevant to stewardship are maintained by the ESG Oversight Committee and include the Responsible Investment Policy, Engagement Policy Statement, and Proxy Voting Policy. These were each reviewed in 2022, and changes were made as described below. The Investment and Stewardship sub-committees, in partnership with our ESG team, are responsible for ensuring the policies remain updated and relevant as our ESG approach evolves over time. When updates are recommended, the ESG Oversight Committee then reviews and approves (if appropriate) the policies, which are ultimately also approved by the CEO, Scott Hayward. This process was informally put in place prior to Deborah Ng joining GMO as the Head of ESG and Sustainability but has been refined and streamlined since Deborah joined.

Our Responsible Investment Policy outlines how we include ESG factors in our investment processes, engage with companies, vote security proxies, collaborate across the investment industry, and manage climate-related risk. In our 2022 review, we updated the policy to reflect the integration of our proprietary ESG Score into our investment processes, the creation of the firm-wide thematic engagement program, and our commitment to protect our assets by supporting global net zero efforts, as discussed in Principle 1.

We also adhere to an Engagement Policy Statement, which provides greater detail on our engagement, proxy voting, and collective engagement activities. This policy was last updated in 2021, with no further updates deemed necessary after the 2022 review. The Engagement Policy Statement is supported by our newly developed engagement framework, which was formalized in 2022 and outlines our engagement principles, governance, prioritization, objective setting process, progress milestones, and escalations. As part of our framework, we establish an annual Engagement Plan that outlines engagement focus areas. This framework and our new Plan are discussed further in Principle 9.

Our proxy voting activities are governed by GMO's Proxy Voting Policy, which outlines our corporate governance principles and proxy voting guidelines. The Policy establishes ISS as our current proxy voting advisor and adopts ISS' Sustainability Policy as our default recommendations. It also outlines our proxy voting procedures and how we identify and manage potential conflicts of interest in our proxy voting. On an ongoing basis, the Stewardship sub-committee reviews all updates to the ISS Sustainability Policy and reflects any changes required to our Proxy Voting Policy. We established the ISS Sustainability Policy as our default policy in 2017, among other non-material changes. The last update of our

Proxy Voting Policy was in January 2022, when we removed legacy custom voting items, one of which (a direction to vote with management on incumbent director elections) had been putting some votes at odds with the ISS Sustainability Policy. The Policy is currently undergoing its regular, annual review process. Proxy voting, including this policy, is discussed further in Principle 12.

We post voting outcomes for our Mutual Funds and Funds that fall under the EU Shareholder Rights Directive II on our website. We are currently working on additional disclosure to cover all firm-wide votes, which we expect to complete in 2023. Our external reporting mirrors both US (N-PX) and international (SRD II) requirements of disclosing 1) meeting details (company name, meeting date), 2) a description of the individual proposals voted on, 3) the issuer's management recommendation, and 4) our vote instruction. We provide additional reporting on our voting activities in our annual Sustainability and Responsible Investing Report.

Ensuring Complete, Fair, and Balanced Reporting

We actively engage our clients and consultant partners with regards to stewardship, and we use their feedback to ensure we continually improve our communications in a manner that supports their needs and objectives. We share this information via numerous reporting methods, including responses to due diligence questionnaires, client meetings, reports created to address client requests, standard periodic client reporting, and responses to individual inquiries regarding client-specific interests and concerns. In 2022, we responded to 671 due diligence questionnaires on general or specific investment and client issues, which often included stewardship-related topics.

In regular client engagements, we work to understand and meet reporting requirements, input that feeds the continual development and evolution of our stewardship and other reporting. We aim to provide reporting that is easily understandable. In 2022, for example, we determined through client conversations that a useful type of communication with financial intermediaries and investment advisors would be accessible quarterly review videos. As a result, we began offering video content updating viewers on performance, exposures, risks, and market outlooks for relevant GMO investment strategies.

Our client reporting is discussed in full in Principle 6.

Our stewardship activities are externally assessed through reporting to the PRI and to the FRC in this, our UK Stewardship Code report. We use any feedback received 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 members of investment, legal, compliance, ESG, regulatory reporting, and operations teams – who are responsible for ensuring responses are true and correct. Reviewers receive a revised version of the report that includes their comments, and then the report is reviewed in its entirety by GMO's ESG, Legal, and Compliance teams. Following that review, the report is presented to the ESG Oversight Committee for their review and comment. After incorporating any comments from the Committee, the final draft report is submitted to GMO's CEO for final approval. Any feedback received is shared internally with relevant groups to consider how we can improve our best practices.

We have followed a similar process to develop and review this UK Stewardship Code report. Our response to each Principle was constructed and reviewed by relevant teams within GMO. We also consulted with industry experts outside of GMO to ensure our report aligns with FRC best practices. The final draft was reviewed and approved by the ESG Oversight Committee, Stewardship sub-committee, and members of GMO's Legal team, and the full report was also approved by GMO's CEO.

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

PRINCIPLE 6

CLIENT AND BENEFICIARY NEEDS

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

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

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

Breakdown of Assets under Management

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

Broadly speaking, most GMO assets are invested in equities (about 60%, including equities held within Multi-Asset Class strategies), in both developed and emerging markets. Based on this, for reporting in other relevant Principles, such as integration and proxy voting details and examples, we have focused primarily on equity activity.

Headquartered in Boston

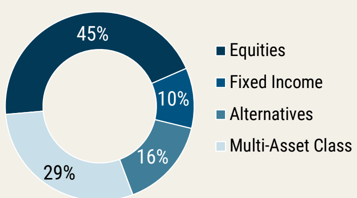
With offices in San Francisco, London, Amsterdam, Sydney, Singapore, and Tokyo*

450+ Employees

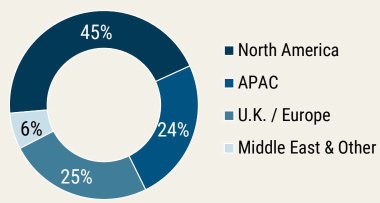
125+ Investment professionals

Assets Under Management: $58 Billion

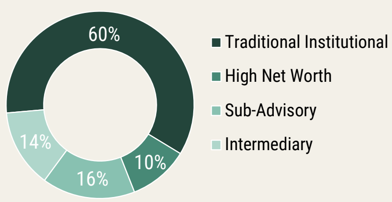
BY INVESTMENT ASSET CLASS



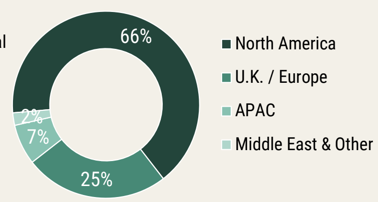
BY INVESTMENT GEOGRAPHY



BY CLIENT TYPE



BY CLIENT GEOGRAPHY



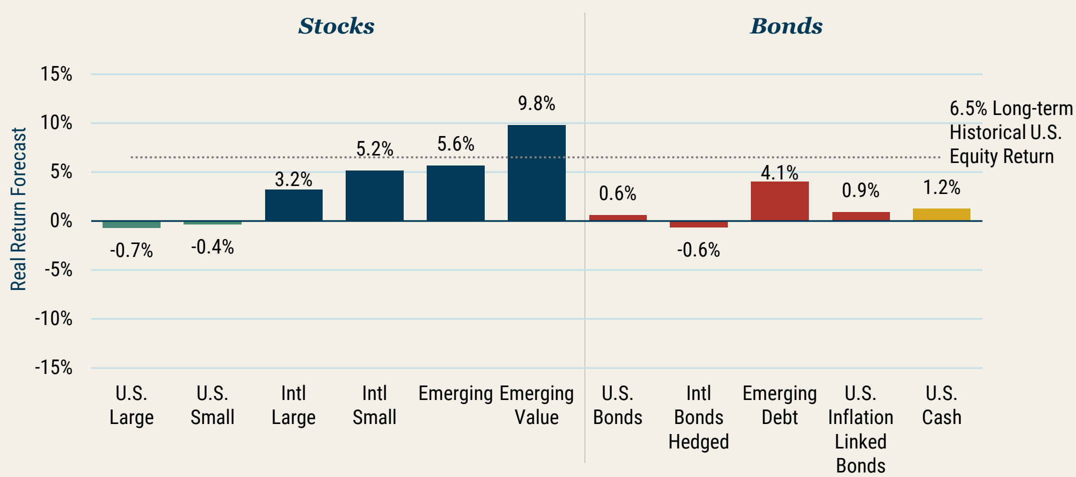
As of 31 December 2022 | Source: GMO | Assets: USD
*Representative office.

Investment Time Horizon

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

For example, our Asset Allocation team's strategies are grounded in the concept of mean reversion – that asset prices fluctuate over time but tend to revert to a stable, long-term fair value. This approach is anchored by our 7-year Asset Class Forecasts (example below), a framework we use to assess the return opportunity embedded in different asset classes, which we have been modeling and providing to our clients in various formats since the early 1990s. The basic assumption behind our Forecasts, which we produce monthly, is that an asset class will mean revert toward its fair value 1/7th of the way each year, a reasonable timeframe based on our empirical analysis.

7-YEAR ASSET CLASS REAL RETURN FORECASTS*



As of 31 December 2022 | Source: GMO

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

Other investment teams evaluate specific factors that we believe drive returns, sometimes over shorter time periods and sometimes longer. We use both quantitative methods and fundamental analysis to analyze considerations such as financial condition, governance and management quality, strength of institutions within countries, ability to adapt to environmental challenges, sector growth prospects, competitive positioning, and much more. We understand that these types of mis-pricings do not correct overnight, and so our teams invest with patience, holding securities with conviction. Details of how this is communicated to GMO's different client groups are outlined in the Client Communication section below.

One example of a using shorter time period is our Opportunistic Income Strategy, which invests with a long-term horizon in structured products. These investments can exhibit relatively short-term market dislocations, though, that correct over a period of months rather than years. The team encountered such opportunities during the volatility in 2022. GMO's Resources Strategy, on the other hand, seeks to benefit from long-term increasing resource prices as demand exceeds finite supply. These imbalances could reach inflection points over the short to medium term or could take many years in the case of certain resources.

GMO's private ownership is important in connection with investment timelines, as we are free from short-term pressures that can result from public ownership. This independence allows our investment teams to hold high-conviction, long-term positions – even in the face of short-term market volatility.

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 teams and product strategists.

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

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

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

QUARTERLY REPORT EXAMPLE

GMO QUALITY STRATEGY

Portfolio characteristics

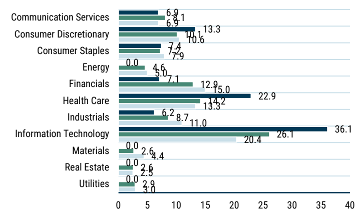
CHARACTERISTICS

	Strategy	*S&P 500*	*MSCI World*
Price/Earnings - Forecast 1 Yr Wtd Mdn	21.8x	21.0x	19.4x
Return on Equity - Forecast 1 Yr Wtd Mdn	26.9%	23.3%	19.9%
Market Cap - Wtd Mdn Bil	189.6 USD	158.0 USD	91.0 USD
Net Debt/EBITDA - Hist 1 Yr Wtd Mdn	0.4x	0.5x	0.7x
Dividend Yield - Hist 1 Yr Wtd Avg	1.5%	1.6%	2.1%
Free Cash Flow Yield - Hist 1 Yr Wtd Avg	3.8%	3.7%	4.3%
Number of Equity Holdings	41	500	1491

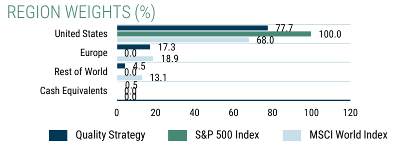
TOP HOLDINGS

Company	*Sector*	*% of Equity*
Microsoft Corp	Information Technology	7.4
UnitedHealth Group Inc	Health Care	4.2
Apple Inc	Information Technology	4.0
Amazon.com Inc	Consumer Discretionary	3.8
Safran SA	Industrials	3.5

SECTOR WEIGHTS (%)



REGION WEIGHTS (%)

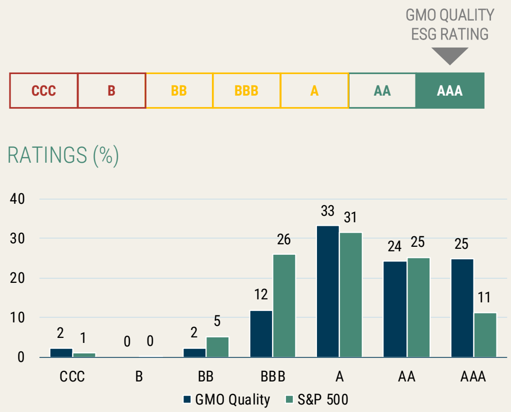


As of 3/31/23 | Source: GICS Sector Report

The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. Please visit https://www.gmo.com/americas/benchmark-disclaimers/ to review the complete benchmark disclaimer notice. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third-party licensors. Please visit https://www.gmo.com/americas/benchmark-disclaimers/ to review the complete benchmark disclaimer notice.

We have also created ESG dashboards to share related data with clients. The dashboards utilize third-party ESG data to profile GMO strategies against benchmarks on several appropriate dimensions. Details of how GMO selects and uses third-party data are discussed in Principle 8. Provided below is an example of a GMO ESG dashboard – also for our Quality Strategy.

GMO ESG DASHBOARD: QUALITY STRATEGY



TOP WEIGHTED ESG LEADERS

Name	*Rating*	*Weight (%)*
Microsoft Corp	AAA	6.4
Unitedhealth Group Inc	AA	4.5
Coca-Cola Co/The	AAA	3.0
Texas Instruments Inc	AAA	2.9
SAP SE	AAA	2.8

TOP WEIGHTED ESG LAGGARDS

Name	*Rating*	*Weight (%)*
Meta Platforms Inc	CCC	2.1

As of December 2022
ESG ratings are according to MSCI ESG Research data and ratings. The portfolio has 99.2% coverage as of December 2022. ESG Leaders have MSCI ESG Rating of AAA or AA, ESG Laggards have MSCI ESG Rating of B or CCC. Methodology for leaders and laggards represents the five largest holdings by weight in the portfolio. The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.
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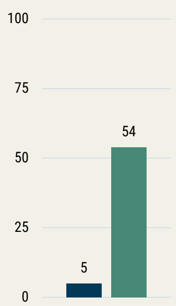
Topical ESG Metrics

Carbon Footprint



Weighted average carbon emissions of the portfolio per USD dollars invested.

UNGC Violation (%)

0.0%

Combined weight of holdings that are in violation of UN Global Compact principles covering the environment, customers, human rights, labor rights or governance. This % represents 0 fund holdings.

Controversial Weapons (%)

0.0%

Combined weight of holdings that have any involvement in landmines, cluster munitions or biological, chemical, depleted uranium, blinding laser weapons, incendiary weapons, and/or non-detectable fragments.

Tobacco (%)

0.0%

Combined weight of holdings that manufacture and supply key products necessary for the production of tobacco products and electronic cigarettes.

Alcohol (%)

2.6%

Combined weight of holdings that manufacture, distill alcohol or supply materials used specifically for manufacturing of alcoholic products.

Gambling (%)

0.0%

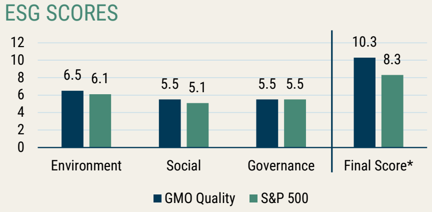
Combined weight of holdings that operate gambling facilities, betting establishments or provide key products and services fundamental to gambling operations.

Nuclear (%)

0.0%

Combined weight of holdings that have an industry tie to nuclear power.

ESG SCORES



As of December 2022
All data provided by MSCI. In accordance with MSCI methodology, the final ESG score is derived from the industry-adjusted weighted-average key indicator scores, along with a set of portfolio adjustments that account for ratings momentum (percent companies trending positive/negative) and overall ratings quality (percent laggards in the portfolio). The above information is based on a representative account in the Strategy selected because it has the fewest restrictions and best represents the implementation of the Strategy.
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Stewardship Reporting

We report annually on our investment, voting, and engagement activities in our Sustainability and Responsible Investing Report, which is publicly available on GMO.com.

We also prepare detailed reports on voting and engagements, which may provide interim reporting at greater depth than what is shared in our broad Sustainability Report. These reports are reviewed by the Legal team.

Addressing Client Input

We always endeavor to listen to feedback from our clients.

The lead time to introducing new stewardship reporting standards can be significant, as we seek to identify and qualify the ESG data being used in the investment process and reported to our clients. One of the driving factors of our creating the Stakeholder Strategy and Communications sub-committee, as discussed in Principle 2, was that it convenes investment and client relations team members to share external best practices on ESG reporting. We plan to co-develop our ESG communications strategy and be more proactive in evolving our client communications. The sub-committee will meet monthly or more frequently to gauge progress and re-align plans when necessary.

Based on recent client input and the evolving nature of GMO's overall ESG efforts, we are currently looking to improve our client communication outcomes in a couple areas.

A specific reporting area where we have struggled to meet our client needs is providing impact reporting for our Climate Change Strategy. Reporting on impacts such as emissions avoided, energy saved, or farmland managed under sustainable practices is challenging given the lack of data from companies. Even where data is provided, it is not always comparable. External data providers also do not yet provide this level of data, as it is challenging to obtain and requires very specific inputs to be credible. For example, to provide a reasonable estimate of "avoided emissions" requires data on:

- The amount of energy that was saved, produced, or enabled, taking into consideration the intermittency of renewables.
- The emissions produced by what the technology replaced, which depends on the regional grid intensity, which is often only available at the country level.

Given the lack of publicly available data, we have decided to begin to measure impact ourselves, leveraging our deep research capabilities, and in 2023 we have commenced a project to measure the positive impacts stemming from our investments. This impact reporting is included in our list of ESG priorities (as noted in Principle 1).

Another area we are looking to evolve is reporting on our engagement activity. Historically, we have provided clients with annual summarized reporting across all GMO engagements and used case studies to highlight some examples. However, clients have requested more frequent reporting and more details on engagement success and failure.

Our investment teams have traditionally tracked their own engagements. Two years ago, an effort was made to collate this data and combine all engagements on a centralized spreadsheet. This format made it difficult to 1) monitor progress of a single engagement over time because every interaction was recorded as a separate row, 2) track engagement topics, as often engagements had more than one topic associated with them, creating challenges for sorting and tracking success, and 3) compare data across teams, as different teams tracked different metrics. As a result, it was difficult to provide useful reporting to clients in a timely and accurate way.

In 2022, recognizing the importance of engagement reporting, the ESG team developed a new engagement framework, which we describe in Principle 9. The framework standardizes how engagement objectives are defined and tracked. We are also building out an engagement database to facilitate the tracking and reporting of engagements. Moreover, our plans are to link this to our portfolio holdings and proxy voting results. We expect to launch this system before the end of 2023, another ESG priority mentioned in Principle 1. Once complete, this should enable us to provide more relevant engagement reporting.

OUTCOME: In our client meetings we frequently ask for feedback on our standard reporting. Over the past few years, we have worked to hasten delivery of our quarterly reporting based on feedback that clients appreciate receiving data faster following quarter ends. Based on internal production data, we found that finalizing quarterly commentary was delaying our quarterly reports. As a result, we removed quarterly commentary from our standard quarterly reports, and we now deliver the standard data quickly after quarter end and follow up with the commentary once available.

GMO ANNUAL FALL CONFERENCE

GMO holds an annual Fall Conference, where we invite global clients to visit us so that we can share our research and market perspectives and garner feedback. Our annual Conference is supplemented throughout the year with regional client events in key geographic areas.

Our Fall Conferences are well attended (in 2022, we had 123 in-person and 535 virtual attendees) and the content is made available to all clients after the event. The 2022 Conference showcased research related to topical geopolitical, economic, and market issues, including presentations relating specifically to ESG and stewardship themes. Examples of 2022 Fall Conference sessions were:

- The U.S. Superbubble and the End of the Growth Cycle
- Inflation, Rates, and Recession Risks
- Energy Transition Opportunities
- Climate Risk: Hype, Hope, and Headway
- Emerging Markets: Quality, Growth, and Sustainability
- ESG Integration in Emerging Debt Markets – The Challenges and the Rewards
- Overview of The Grantham Foundation for the Protection of the Environment

OUTCOME: Historically, we have only held our Conference in person. At the height of the Covid-19 pandemic, we adopted a virtual format. In 2022, we offered a hybrid virtual and in-person Conference, and we plan to do so going forward. Feedback from clients about the hybrid event was positive – some enjoyed the opportunity to visit our offices, while others appreciated being able to watch from afar. To us, after listening to their input, providing this flexibility to our clients is well worth the extra cost and complexity of operating a hybrid event. It also allows more clients to attend and hear our insights because a virtual option does not have capacity limitations.

Rationale for Communication Framework and Measuring Effectiveness

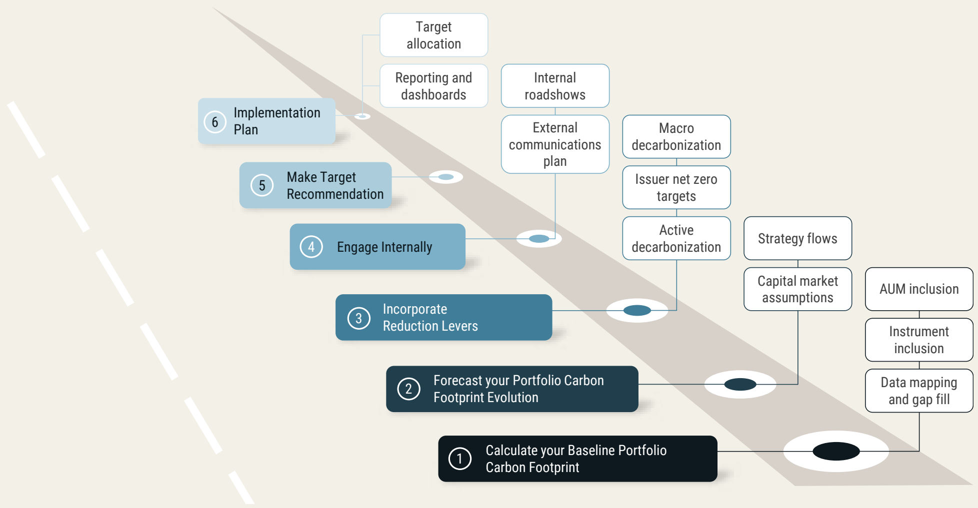
The way in which we communicate with clients has evolved over the years, as we respond to growing requests for insights from the changing make-up of GMO's client base. It is an ongoing process to balance what we can realistically and robustly provide to meet client expectations and demands.

We have chosen the methods of communication discussed here – individual client meetings, standard reporting, and client events – because they balance multiple goals in support of our client partnerships. Standard reporting provides the information and data our clients need to stay current on the status of their GMO investments. In the one-on-one meetings, we have focused, specialized discussions to truly understand a client's objectives and challenges. Meanwhile, the GMO events provide opportunities to present research across a broad swath of GMO expertise to multiple clients at once, allowing us to gauge client interest in a variety of topics and efficiently use our investment team resources.

At events, we ask clients to respond to formal surveys about the content and event experience. We discuss all feedback internally to determine how best to evolve our client communication in the future. For instance, in 2022 clients told us they especially appreciated our session on China (titled "Ubiquitous China: Latest Views and Impacts of the Aspirant Superpower on EM Debt and Equity Markets"). This is consistent with feedback from prior years, and so we plan to ensure we have China on our agenda in 2023.

OUTCOME: We offer insights to add value to clients beyond the numerical value of their investment portfolios. In 2022, many clients sought advice as to how they should approach coordinating their own net zero plans. After aggregating this feedback, we realized we had an opportunity to assist and created a Net Zero Guidebook. The Guidebook advises on the primary steps and decision points that clients should take to establish a portfolio emission reduction target. The summary page is shown below.

ROAD MAP TO SETTING AN INTERIM NET ZERO TARGET



Collaborating with Clients on Tailored Investment Solutions

Most GMO clients are invested in pooled vehicles, where they do not receive custom portfolios based on their own stewardship and investment policies.

We offer custom portfolios to clients in separately managed accounts, where we have flexibility to agree with the specific client on account parameters to meet their investment policy needs, such as bespoke exclusion lists, for example. In these portfolios, contractual investment guideline restrictions are actively monitored (systematically or otherwise, including on a pre-trade basis where practicable) to ensure that assets are managed in line with the client's expectations. Approximately one-third of GMO's assets are managed in separately managed accounts.

In 2022, GMO implemented BlackRock's Aladdin operating system for investment managers. It has replaced several applications previously used by GMO, combining those workflows and controls into a single platform, harmonizing the portfolio management and trading process, and allowing us to provide enhanced customizations of our investment solutions.

CASE STUDY: BUILDING A NEW INVESTMENT STRATEGY TO MEET CLIENT IMPACT ASPIRATIONS

In 2022, our Emerging Country Debt team held several discussions with a client about their desire to earn strong risk-adjusted returns while aiming for positive impact. Team members worked with the client and conducted focused research and analytics to build a custom engagement-driven strategy investing in emerging country distressed debt. This new strategy focuses on achieving strong risk-adjusted returns, while also seeking improvements in one or more of key ESG topics that we believe drive long-term country success.

These include:

- CO_2 emissions and renewable energy share
- Women's share of the labor force
- Infant mortality and primary education rates
- Voice and accountability levels
- Corruption perception index

The Strategy is currently in the process of being launched for a client.

PRINCIPLE 7

STEWARDSHIP, INVESTMENT, AND ESG INTEGRATION

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

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

There are three main pillars to how we approach integrating ESG considerations. We aim to:

1. Integrate ESG factors in all our investment processes where we see benefit in doing so,
2. Influence companies to adopt sound ESG practices, and partner with industry, policymakers, and regulators to foster a better environment for our investments, and
3. Invest in opportunities for long-term growth through an ESG lens.

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

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

As GMO teams identify and apply ESG in their processes, these changes are communicated to clients as described in Principle 6 and then continually monitored.

There are some GMO strategies that do not systematically integrate ESG, including those invested in long-short portfolios, foreign exchange, and rates. While long-short portfolios may benefit from some responsible investing practices on the long side, we do not find material benefit from managing ESG factors in these other areas. However, we continue to assess that conclusion and will integrate ESG considerations if deemed appropriate in the future.

GMO employs a variety of investment strategies, which can be categorized by asset class, as shown in Principle 6.

- Equity
- Fixed Income
- Multi-Asset Class
- Alternatives

Teams use quantitative tools, fundamental analysis, and often a combination of quantitative and fundamental approaches in their investment processes. Below are examples of how we have integrated ESG into our investment processes in each asset class.

Equity

ESG IN FUNDAMENTAL ANALYSIS

Equity-oriented investment teams that primarily use fundamental tools to analyze investment opportunities – including GMO's Focused Equity, Usonian Japan Equity, and Emerging Markets Select Equity teams – employ deep bottom-up assessments of companies' financial performance, including ESG measures. The GMO ESG Score (introduced in Principle 8) can be employed as an additional measure for evaluating ESG considerations.

Engagement with issuers can also be a powerful tool for these teams. Our ESG team assists with facilitating company engagement and monitoring portfolios for emerging risks.

These teams also generally employ quantitative screens to aid their analysis, and they may include proprietary ESG scoring in those tools as well to uncover material risks.

The Climate Change Strategy and Emerging Markets Select Equity Strategy case studies on the following pages showcase examples of ESG in these types of strategies.

OUTCOME: Our fundamentally oriented Focused Equity team had been following a company connected with groundwater contamination as a result of one of its products. The company has also had other incidences around product safety. Through analysis of publicly available information and multiple discussions with the company, the team determined that the company was not acknowledging the problem and was unable to provide evidence that robust practices were in place to mitigate these issues. We ultimately exited our position because we were not comfortable with the risks presented by these ESG-related issues.

ESG IN QUANTITATIVE ANALYSIS

GMO's Systematic Equity team primarily leverages quantitative investment approaches, and ESG is incorporated in the risk analysis and portfolio construction processes.

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

The team also incorporates material, non-financial data to reduce our exposure to uncompensated risk not reflected in our alpha models, leveraging both a proprietary ESG model the team built with the ESG Research team to assess industries and the GMO ESG Score to systematically capture risk factors across all companies in our investment universe. We believe the risk factors we are identifying will materially impact companies' future profitability and therefore warrant careful consideration.

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

In emerging markets, where we believe country selection is very important in driving equity returns, we saw the need for a tool to meet differentiated needs in assessing country risk. Consequently, our Systematic Equity team built an emerging markets ESG country model in partnership with the ESG team to conduct top-down emerging market country quality evaluations to complement bottom-up stock valuation methodologies. The Emerging Markets Strategy case study below showcases ESG integration in a quantitative process.

EQUITY CASE STUDY: CLIMATE CHANGE STRATEGY

The Climate Change Strategy was launched in 2017, designed to capitalize on opportunities relating to climate change mitigation and adaptation efforts. The Strategy invests in sectors such as renewable and low-carbon energy, energy storage, material inputs for climate technologies, energy efficiency, and climate technologies, as well as in industries such as sustainable agriculture, water, and circular economy.

Our Focused Equity team uses both quantitative screens and deep fundamental analysis to manage the Strategy, primarily relying on a valuation approach to identify high-quality, underpriced companies with robust management of ESG risks. Many of the technologies and materials that are vitally needed to support the transition are in high-impact sectors, and careful ESG assessment and engagement with companies are core to the investment process.

The Climate Change Strategy invests in companies that we expect to benefit significantly in a world increasingly impacted by climate change.

MITIGATION	ADAPTATION
Clean Energy	Agriculture
Batteries & Storage	Water Treatment, Efficiency & Recycling
Electric Grid	Energy-efficient Air Conditioning
Energy Efficiency	
Technology & Materials	

EQUITY CASE STUDY: EMERGING MARKETS SELECT EQUITY STRATEGY

GMO's Emerging Markets Select Equity team believes that climate change threatens to severely impact the trajectory of emerging countries and that sustainability is an essential element of quality. In 2022, we revamped an investment strategy to place greater focus on integrating sustainability at all levels of analysis – country, sector, and company – with emphasis on climate change considerations. We have also implemented a focused, thematic engagement approach to target climate-related issues such as water scarcity. ESG-related considerations are outlined below.

Exclusions

- Fossil Fuels
- Tobacco
- Weapons
- UNGC Violators

Evaluations

- Proprietary top-down country ESG score
- Proprietary bottom-up company ESG score; scorecard

Emissions

- Carbon intensity upper limit of 50% of MSCI EM
- Tilt toward lower carbon emissions across and within sectors

Engagement

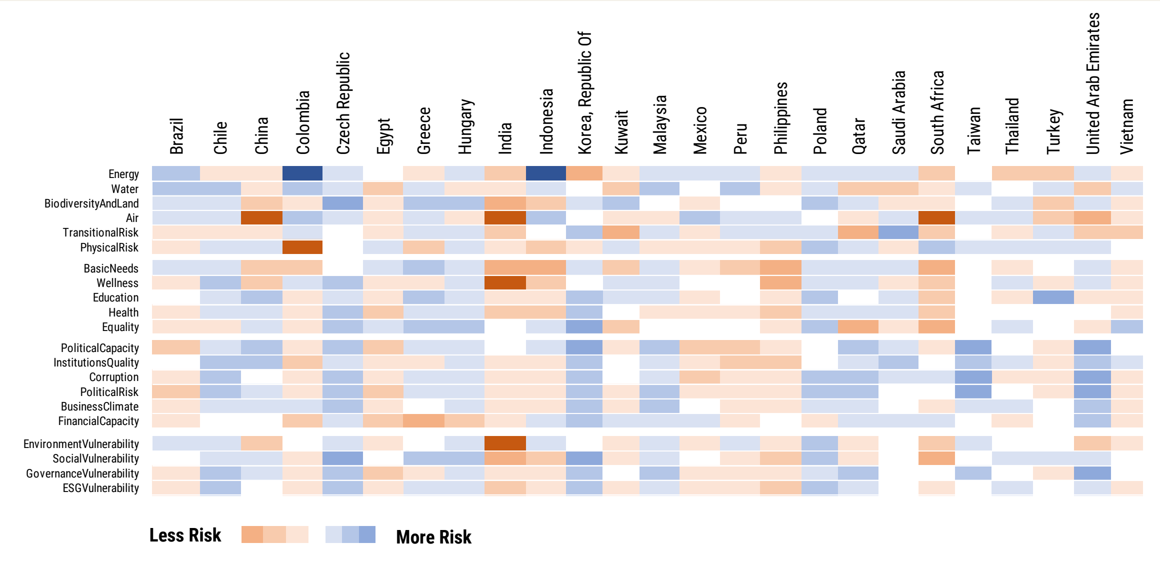
- GMO Engagement Philosophy alignment and resources
- Thematic links between country, sector and company

The Strategy seeks to identify secular growth trends and invest in quality businesses with pricing power we think will benefit from them. It is designed to capitalize on sustainable growth in emerging markets and focuses primarily on evaluating quality and growth across a broad spectrum of opportunities.

We view ESG issues as potential material risks that will affect a company's future profitability. For example, since 2018 the Strategy has evaluated country level ESG factors by incorporating over 50 indicators across 17 themes, as shown below. We utilize high ESG requirements for portfolio inclusion, guardrails, and exclusion lists, and we target at least 50% lower emissions intensity (on a revenue basis) compared to the Strategy's benchmark, the MSCI Emerging Markets Index.

LONG-TERM FRAMEWORK: COUNTRY ESG SCORES

Over 50 material ESG indicators across 17 themes



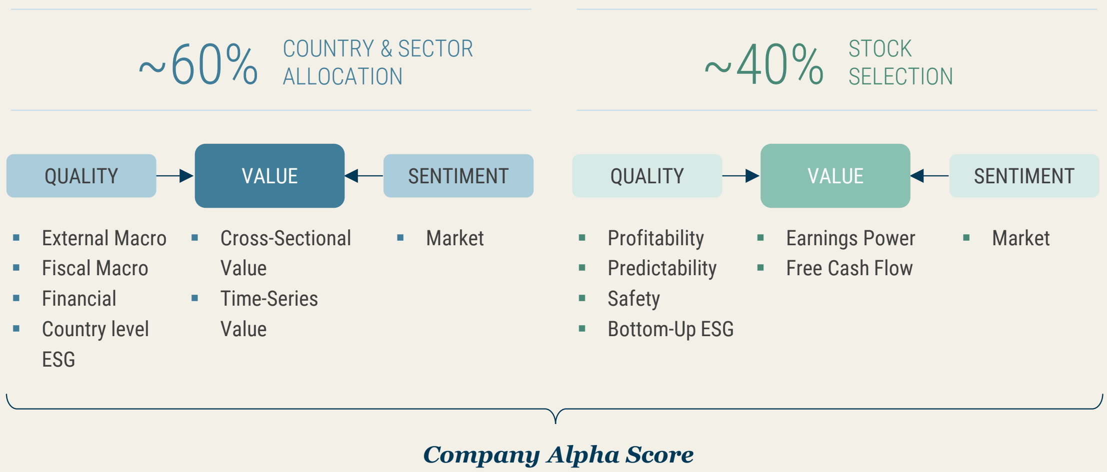
As of 31 December 2022 | Source: Worldbank, WEF, Germanwatch Climate, Factset, GMO

EQUITY CASE STUDY: EMERGING MARKETS STRATEGY

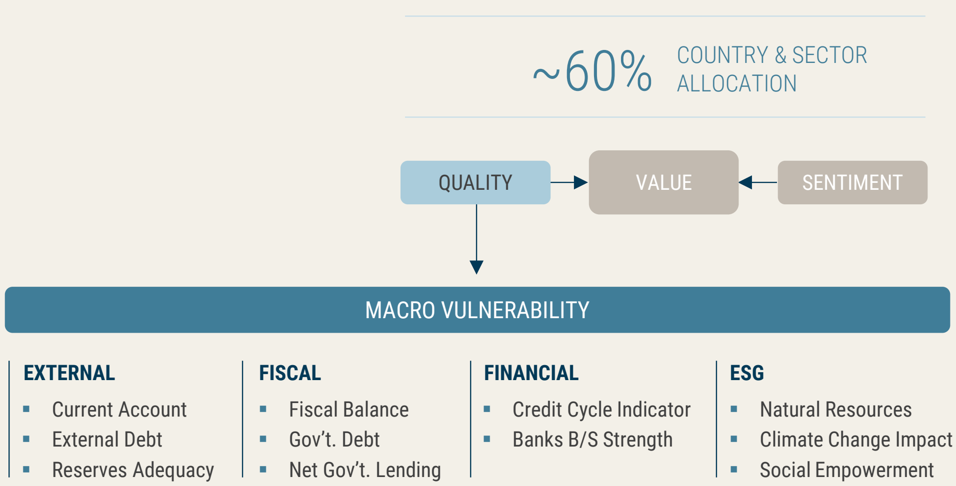
GMO's Systematic Equity team manages our Emerging Markets Strategy, which is centered around the philosophy that, in the long run, superior top-down insights provide the greatest benefit to an EM equity portfolio. We combine three quantitative models to evaluate countries from the top-down: Value, Quality, and Sentiment.

The top-down Quality model is designed to identify macroeconomic vulnerability at the country level. The model has four pillars, with the first three capturing the vulnerability of a country across external, fiscal, and financial dimensions. The fourth pillar is dedicated to identifying the vulnerability of a country from an ESG perspective using a proprietary assessment framework. The framework sources a variety of preparedness and performance signals across six categories: natural resources, climate change, standard of living, social empowerment, political governance, and economic governance. Signals include air quality, GHG emissions, education, wellness, equality, quality of institutions, business climate, and corruption. These ESG signals are integrated into the overall country and sector evaluation structure as demonstrated in the graphics below.

Quantitative Alpha Models



Country & Sector Allocation: Quality



Fixed Income

GMO's Emerging Country Debt team has integrated ESG considerations into its investment process, as presented in the case study below.

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

Other GMO fixed income teams manage foreign exchange and rates strategies, where – as mentioned above – we have not yet found benefits from integrating ESG considerations.

CASE STUDY: EMERGING COUNTRY DEBT STRATEGY

GMO's Emerging Country Debt team has integrated ESG analysis in both its sovereign and quasi-sovereign assessments. They adapted the quantitative model created by the Systematic Equity team to help them with their analysis and launched ESG sovereign integration in 2021 and quasi-sovereign integration in 2022. Today, the team includes ESG factors in its models to evaluate creditworthiness and assess risk, alongside more traditional financial measures of economic structure, financial stability, and liquidity. The factors our team considers, including ESG, are laid out below.

RISK ASSESSMENT PROCESS: SOVEREIGN

Our econometric sovereign risk assessment process is enhanced with ESG factors and engagement

SYSTEMATIC RISK FACTORS ("PILLARS")

ECONOMIC STRUCTURE
- Strength of Economic Institutions
- Economic Volatility
- Human Capital and Development

FISCAL SUSTAINABILITY
- Fiscal Trends
- Debt Burden
- Fiscal Flexibility

EXTERNAL LIQUIDITY
- Balance of Payments
- External Debt
- Foreign Reserves

ESG
- Environmental
- Social
- Governance

QUALITATIVE FACTORS
- Willingness to Pay
- Quality of Policymakers
- Political Regime Shifts
- ESG Engagement Insights

RISK ASSESSMENT PROCESS: QUASI-SOVEREIGN

We assess quasi-sovereign companies based on financials, strategic role, and issue-specific documentation

FINANCIAL & STRATEGIC FACTORS

STANDALONE CREDIT QUALITY
- Solvency
- Liquidity
- ESG

SOVEREIGN'S WILLINGNESS TO SUPPORT
- Ownership Structure
- Role in the Economy

SOVEREIGN'S ABILITY TO SUPPORT
- Economic Structure
- Fiscal Sustainability
- External Liquidity
- ESG

ISSUE CHARACTERISTICS
- Issuer Ability to Change Terms
- Creditor Rights and Enforcement Features
- Additional Support, If Any
- ESG Elements (labeled/linked issues)

OUTCOME: We leverage our interactions with clients and investment consultants to inform our ESG integration practices, as discussed in Principle 6. Often as we are developing new ESG integration techniques, we will present our research and findings to client and consultant partners, seeking their feedback. We will also publish research papers communicating our new methodologies. For example, the Emerging Country Debt team published a paper in 2021 called "Sovereign ESG Integration" and another in 2022 titled "EM Corporate Debt ESG Integration." These papers are publicly available on GMO.com and are also sent to clients to inspire investment discussions.

Multi-Asset Class

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

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

Alternatives

GMO teams who manage alternative strategies include those managing merger arbitrage, global macro, and long-short portfolios. In these strategies, we have not generally found significant value for our clients in incorporating ESG factors.

New Integration Research

As we have gathered information about ESG integration through our various research projects, we have continued to prioritize work to further advance our progress.

Positive client discussions reinforce our commitment, and we believe this work is in the best interests of our investors. Examples of new, ongoing integration projects include:

- Our Asset Allocation, Systematic Equity, and ESG teams are collaborating to build a top-down industry ESG model.
- The ESG Research team and ESG team are evaluating green revenue exposures for the basis of a new green revenue strategy.
- The ESG Research team and ESG team are also working with GMO fixed income teams to assess emissions associated with sovereign debt.

GMO is committed to continuing to prioritize ESG research, especially as improvements are made in ESG data availability, consistency, constancy, and accuracy.

Monitoring ESG Risks

Prior to 2023, central oversight of ESG risks was done at GMO's Risk Insights Forum, described in Principle 4, but we desired to have a forum that is more targeted to such risks. As a result, and as outlined in Principle 2, we decided to create a new Investments sub-committee to our ESG Oversight Committee that is tasked with:

- Monitoring ESG exposures as measured by the GMO ESG Score (outlined in Principle 8),
- Developing and implementing our exclusion list framework,
- Reviewing emerging severe controversies at portfolio companies, particularly where Global Compact or other international norms and standards are potentially being breached, and
- Monitoring our portfolio carbon footprint progress towards our target 65% reduction.

External Data Usage and Service Providers

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

PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

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

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

Monitoring Service Providers

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

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

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

OUTCOME: GMO's ESG Research team engaged in discussion with a provider of emissions data when we noticed significant year-to-year differences in some companies' Scope 2 emissions. We discovered that the vendor was reporting Scope 2 emissions inconsistently. Some years the provider would use market-based emissions, which net the impact of purchased renewable energy certificates, and other years they would use location-based emissions, which are the emissions generated from purchased electricity.

Below is an example of Alphabet's own reported emissions data, which includes both market-based and location-based Scope 2 emissions. In the vendor's data, however, there is only one row for Scope 2 emissions, and in 2018 the vendor reported Alphabet Scope 2 emissions as 1,518,643 and in 2019 as 3,301,392 – a big discrepancy. We realized the vendor recorded location-based data from the company in one year and market-based data in another.

We pointed this out to the vendor, who acknowledged that they were aware of the issue but offered no resolution. This is one of the reasons why we have chosen to use a different vendor for our emissions data.

Key performance indicator	Assured for 2020[17]	Unit	2016	2017	Fiscal year[18] 2018	2019	2020
OUR OPERATIONS							
GHG EMISSIONS							
Emissions inventory[19,20]							
Scope 1	●	tCO_2e[21]	66,218	66,549	63,521	66,686	38,694
Scope 2 (market-based)[22]	●	tCO_2e	1,518,643	509,334	684,236	794,267	911,415
Scope 2 (location-based)	●	tCO_2e	2,902,554	3,301,392	4,344,686	5,116,949	5,865,096
Scope 3 (total)[23]		tCO_2e	1,292,268	2,719,024	12,900,467[24,25]	11,669,000	9,376,000

Source: Google Environmental Report 2021

CASE STUDY: HYPOTHETICAL PROXY ADVISOR RE-EVALUATION AND SELECTION

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

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

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

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

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

Our next fulsome re-evaluation of ISS proxy advisor services will be in 2025. Until then, we will conduct annual due diligence on ISS as part of our vendor risk management process described earlier.

ESG Data, Systems, and Providers

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

Other datasets used include: IEA and NGFS for scenario analysis; OECD and World Bank for indirect emissions, scenario analysis, and company, industry, and NGO reports for engagement; and EPA and other datasets for impact measurement.

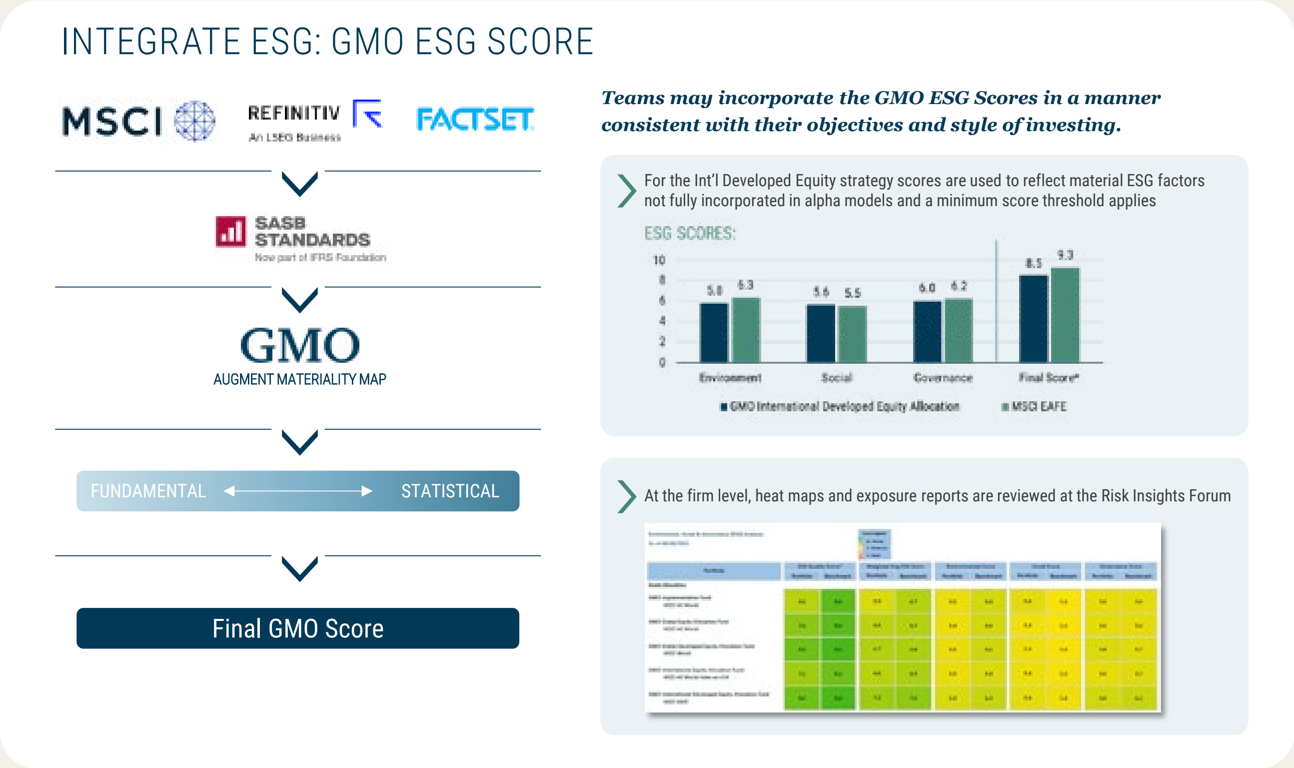
We continually evaluate our existing data sources for relevance, accuracy, quality, and coverage. As new vendors emerge and the available ESG information and data expands across asset classes, we will enhance our ability to differentiate across asset classes based on existing and new measures.

ESG Data Source	*GMO Use*
MSCI ESG Manager	▪ 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
Refinitiv's Asset4	▪ Raw unscored ESG data used as input into the GMO ESG Score and research for GMO's industry ESG model
Factset's TruValue Labs	▪ Input into GMO ESG Score ▪ ESG database driven by artificial intelligence and natural language processing captures emerging ESG trends
S&P Trucost	▪ Primary provider of carbon emissions data for use in measuring portfolio carbon footprint and weighted average carbon intensity used for net zero commitment and indirect emissions model ▪ Currently evaluating other Trucost metrics, such as Earning at Risk and Temperature Alignment
FTSE Green Revenue	▪ Data on companies' exposure to green revenues as defined by the FTSE Green Revenue Taxonomy, which is aligned to the EU Taxonomy ▪ Used in our research to build a sustainable investment strategy ▪ Aids our understanding and reporting on portfolios' exposure to green revenue
1) Transition Pathway Initiative 2) Science-based Targets 3) CDP	▪ Data from all three support assessing companies' management of climate change risks to help us identify targets and conduct research for engagement
Sustainalytics	▪ Support for assessing severe ESG risks for portfolio monitoring, engagement, and exclusions

CASE STUDY: DATA PROVIDERS FOR THE GMO ESG SCORE

Early in our experience with using ESG factors, we found that relying strictly on any one third-party ESG score was insufficient, so we developed a proprietary GMO ESG Score in 2021 that is used across our investment teams. In 2022 we finished a version 2.0 of the ESG Score that enhanced certain features, mentioned in Principle 1.

Our framework currently combines data from three primary ESG data vendors: MSCI, Refinitiv, and Factset's Truvalue Labs. MSCI and Refinitiv provide us with fundamental data, while Truvalue Labs uses artificial intelligence and natural language processing to assess large quantities of unstructured data to provide ESG insights and analytics. The inclusion of multiple vendors delivers a multi-faceted picture of companies' exposures to ESG risks that considers the historical management of ESG, outcomes, and real-time trends.



The GMO 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 materiality of an ESG issue for an industry is determined by SASB and augmented through the following insights:

- GMO's subject matter expertise – our own industry research and judgment,
- Current and upcoming regulations (e.g., Modern Slavery Act, Paris Climate Agreement, G7 tax deal),
- Assessment of impact due to ESG controversies (e.g., data breaches, dam collapses, physical climate risks), and
- Third-party ESG research (e.g., insights from MSCI, Sustainalytics, etc.).

For each SASB industry, we give more weight to ESG issues that relate to Quality:

- For each industry we quantify the relationship between each material issue and the Quality of companies.
- We shrink the statistical materiality towards the fundamental materiality to obtain a more robust, but still dynamic, materiality.

PRINCIPLE 9

ENGAGEMENT

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

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

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

- We take a collaborative approach to engagements and seek to include all relevant (impacted) GMO stakeholders in the conversation. Portfolio managers should always be consulted before any engagement.
- We generally prefer to keep our engagements with companies confidential unless it is a public collaborative engagement, e.g., Climate Action 100+.
- Engagement has a cost, so we must weigh the cost and likelihood of success against the expected benefits to our clients considering the size of our holding and the nature and magnitude of the risk.
- We aim to engage at the board level as engagements will be more effective if conducted at a senior level.
- We set clearly defined, specific, measurable, achievable, relevant, and timebound objectives for the engagement target before starting an engagement and track achievement of milestones.
- We align our voting decisions with engagement outcomes.
- We measure and report on the effectiveness of our engagements.

Oversight by Stewardship Sub-Committee

As discussed in Principle 5, the Stewardship sub-committee is responsible for overseeing GMO's stewardship activities, including engagement. The sub-committee maintains GMO's Engagement Policy Statement, which was established in 2021 and describes our engagement philosophies and practices. This policy statement was reviewed in 2022, and no material updates were made.

The sub-committee regularly updates the ESG Oversight Committee and relevant investment teams on our firm-wide engagement progress, participation in collective action initiatives, and other matters related to our investment stewardship. To support the Engagement Policy Statement, the sub-committee establishes an annual Engagement Plan that sets out GMO's focus areas for engagement and complements and supports the individual efforts made by our investment teams.

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

- Approves engagement objectives,
- Receives and reviews progress reports,
- Approves and facilitates escalations (in consultation with investment teams),
- Resolves conflicts of interest, and
- Approves categorization of successful engagements ("Milestone 5" engagements, as defined later), whereby the sub-committee must agree that objectives were met successfully.

Selecting and Prioritizing Engagements

In keeping with our investment-driven ESG approach, GMO investment teams undertake their own engagements on a case-by-case basis with equity or debt issuers to address ESG issues in their portfolios. Most of our assets are invested in equities, referenced in Principle 6, consequently the majority of our engagements have been conducted with company management or the board as an equity shareholder (approximately 85% of engagements in 2022).

Teams select and prioritize key issues that they believe are material to their investments. In doing so, they consider their own fundamental analysis, GMO's ESG scores at the country and company level, and/or controversial events that may trigger a review. Additional factors that teams may consider are listed under "Methods of Engagement" in this Principle.

In addition, teams emphasize issues that align with strategically important themes identified by our annual Engagement Plan. In previous years thematic focus areas were broad, covering eight topics: climate change; natural capital; diversity, equity, and inclusion; board effectiveness; human rights; supply chain; transparency; and compensation. In light of having too many priorities, we found it difficult to initiate focused engagements, conduct meaningful conversations with companies, or impact the portfolio. As part of our engagement program revamp, the sub-committee narrowed its focus and set specific objectives, which are outlined in the "Climate Change-Focused Engagement" section in this Principle. The annual Engagement Plan does not preclude the firm from engaging on other topics.

The below describes in more detail how our teams select and prioritize equity and debt engagements in three categories of engagements.

ENGAGEMENT CATALYSTS

	1 *Issuer-driven*	2 *Event-driven*	3 *Theme-driven*
WHAT	▪ Tailored engagement aimed at addressing risks and value creation opportunities	▪ Engagement aimed at addressing material events that pose financial and / or reputation risks	▪ Engagement on thematic issues prioritized by GMO aimed at promoting specific strategic outcomes
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 violation flags	▪ Climate Change ▪ Diversity, equity, and inclusion
WHO	▪ Investment team led with support from ESG team	▪ ESG team monitors entire GMO portfolio and advises investment teams when material issues arise ▪ Engagement conducted by investment teams or jointly with investment and ESG teams	▪ ESG team identifies targets based on materiality of issue, size of holdings, and ability to influence ▪ Engagement conducted by investment teams or jointly with investment, Stewardship, and ESG teams
EXAMPLE	▪ We have engaged with a company on the benefits of adopting a diverse hiring approach in securing talent in a people business.	▪ A company was put on the Global Compact Watchlist by a vendor due to a reassessment of the scope of injury resulting from chloroprene emissions. We have been engaging with this company for a couple years on this issue and will use the downgrade to prompt another conversation.	▪ We met with a company to encourage faster adoption of science-based targets. The company explained that they are still working on getting a good baseline and assessing how they plan to achieve the reduction.

Engagement Objectives and Tracking Progress

As described above, for each engagement, the investment team defines engagement objectives specific to the target. Core to our process is the establishment of engagement objectives and the tracking of company progress against those objectives. We aim to establish goals that are specific, measurable, achievable, relevant, and timebound. We believe engagement is an iterative process that can sometimes take years to achieve an objective, so it is important to track our progress, and we track the achievement of engagement milestones in a centralized database.

In 2022 we worked to improve our engagement program. We aimed to add structure and enhance our objective setting and progress tracking processes. Improvements included launching the centralized progress tracking database mentioned above.

Three important aspects of this revamped strategy include:

1. An annual Engagement Plan cycle,
2. Established thematic engagement objectives, and
3. Centralized, bi-weekly portfolio monitoring for emerging issues, events, and downgrades.

The priority theme selected for 2022 and 2023 is climate change issues, aligning with GMO's net zero commitment and overall focus on environmental issues, as discussed in Principle 1.

In addition to engaging to influence behavior, GMO also works to improve our understanding of what contributes to the long-term success of the companies and countries in which we invest. We believe that active engagement with issuers of equity and debt securities helps us to better understand and assess key ESG risks and opportunities and, critically, how these matters support – or risk hurting – long-term investment results.

Methods of Engagement

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

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

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

The diagram below details our typical method of engagement. This approach does not vary across asset class or geography.

CONDUCTING ENGAGEMENTS

Engagement is an iterative process that may last years

IDENTIFY TARGET	DESKTOP RESEARCH	SET OBJECTIVES	OUTREACH	MEETING	MONITOR	REPORT
▪ Holding size ▪ Holding period ▪ Ability to influence ▪ Severity ▪ Likelihood of success	▪ Confirm triage ▪ Understand approach ▪ Assess performance relative to best practices	▪ Specific ▪ Measurable ▪ Achievable ▪ Relevant ▪ Timebound	▪ Letter or email ▪ Request meeting/call	▪ Develop relationship ▪ Outline concerns ▪ Communicate expectations	▪ Assess progress ▪ Reengage ▪ Abandon ▪ Escalate	▪ Track and report milestones achieved

SPOTLIGHT: *GMO Usonian Japan Equity Engagement Approach*

GMO acquired the Usonian Japan Equity team in 2020, and they brought with them a strong stewardship and engagement heritage. Influencing positive outcomes through management engagement has always been a core tenet of their investment approach. The team believes there are significant opportunities in Japan where management teams are receptive to collaborative and constructive feedback.

Usonian continues to be at the forefront of our engagement activities, accounting for about 60% of total engagements in this reporting period. They epitomize engagement best practice at GMO.

How Usonian Engages

As long-term investors, the team works as collaboratively as practical with Japanese companies to unlock value. With each company, they identify several ways in which they think management can increase the value of the firm. Value-enhancing issues on which Usonian will engage include:

- Capital allocation and management changes,
- Strategic assessment of underperforming subsidiaries,
- ESG policy, practice, and transparency,
- Operational improvements,
- Board composition,
- Global competitive benchmarking,
- Investor relations activities, and
- Sales and distribution strategies.

Well-Informed and Precise Objectives

The Usonian team's engagement activity can be categorized into the following groups of defined objectives.

CORPORATE ENGAGEMENT TOOL KIT

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

UNDERSTANDING

Early engagement to understand how management thinks about specific strategic issues

RELATING

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

SUPPORTING

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

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

INFLUENCING OUTCOME

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

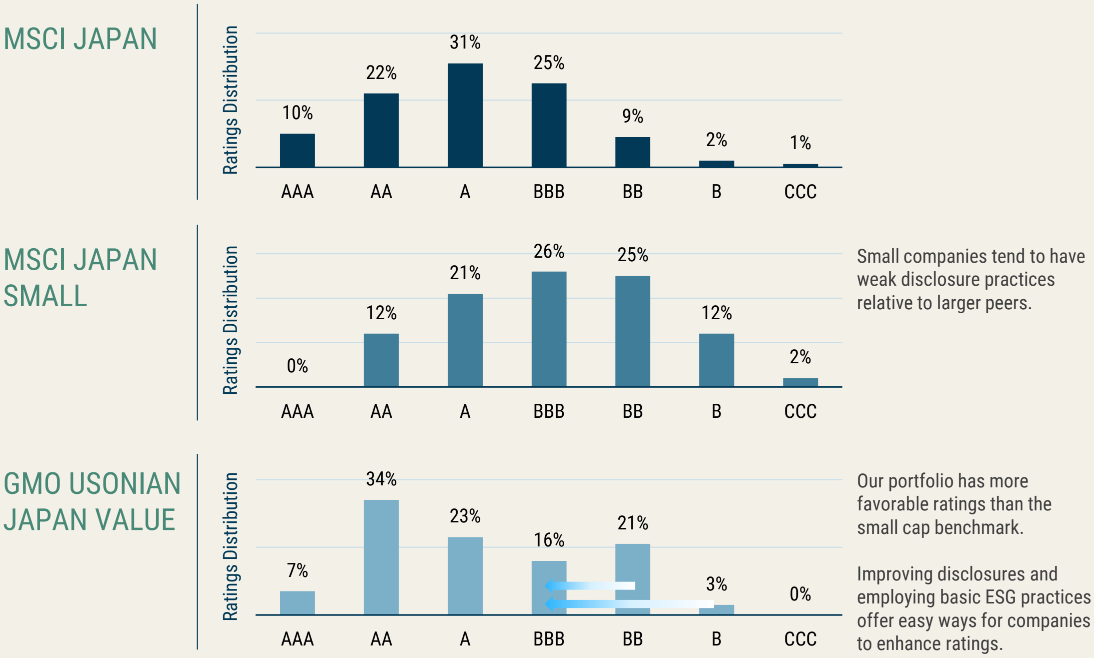
Outcomes – Measuring Success

The success of Usonian engagements is measured in two ways:

1. The Usonian team believes that engagement activity improves overall long-term risk-adjusted returns. However, they also acknowledge that they cannot specifically attribute performance results to engagement.
2. Therefore, to quantify an outcome, they evaluate the rating levels of the Usonian portfolio companies versus that of comparable indices. As shown on the following page, as of December 2022, the Usonian Japan Value Strategy had more favorable rankings versus the Japan Small Cap benchmark, our preferred universe.

ALPHA POTENTIAL THROUGH ESG ENGAGEMENT

We seek to engage with management to achieve at least BBB rating for all companies



As of 31 December 2022 | Source: GMO
MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. Please visit https://www.gmo.com/americas/benchmark-disclaimers/ to review the complete benchmark disclaimer notice.

Usonian Engagement Case Study

Company	*Japanese Electronics Company*
Initiation Date	July 1, 2021
Last Contact Date	March 4, 2022
Issue	ESG disclosure, cross shareholdings
Format	Meetings
Company Attendees	Sustainability Committee
GMO Attendees	Usonian Japan Equity Team: Fumie Kikuchi, Takeo Asahara
Objective	Improve ESG disclosure
Actions	ESG rating was below average (BB by MSCI) because of poor disclosure. We had a series of meetings educating the firm on what to disclose.
Outcomes	The company improved the disclosure in August, and that resulted in an upgrade by MSCI to BBB in October 2022.
Status and Next Steps	Closed

Climate Change-Focused Engagement

As discussed, our 2023 Engagement Plan continues our climate-focused work from 2022. We are focused on the largest contributors to our net zero portfolio carbon footprint to encourage them to report Scope 1, Scope 2, and Scope 3 greenhouse gas emissions, adopt climate change risk reporting following the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), and set science-based targets that are aligned with keeping global warming to 1.5 degrees Celsius at most.

In general, we vote against the board chair or responsible incumbent director of high-risk companies where we feel the company is not taking minimum steps toward managing climate risks. In 2022, we voted against the directors of 24 such companies. For more on our net zero commitment, please refer to Principle 1.

OVERVIEW OF GMO APPROACH TO CLIMATE CHANGE-FOCUSED ENGAGEMENT

WHAT ARE WE ASKING?

Phased approach depending on where the company is at

1. Report Scope 1, 2, and material Scope 3 emissions
2. Adopt TCFD-Aligned Reporting
3. Set science-based target aligned with 1.5C or net zero

WHY WOULD WE DO THIS?

- Addresses systemic risk from physical impacts
- Regulations are moving in this direction, increasing transition risk
- Supports GMO's net zero commitment
- Supports GMO Proxy Voting Guidelines

Voting Policy on Climate Accountability

Vote against the board chair, or the responsible incumbent director(s), where company is not taking the minimum steps:

- Detailed disclosure of climate-related risks, such as TCFD
- Well-defined GHG emissions reduction targets

INDICATORS

1. Comprehensive CDP- or TCFD-aligned disclosures
2. Science-based or net-zero targets set

METRICS

1. Scope 1, 2, and material 3 emissions

OUTCOMES

1. Science-based Targets Initiative certification
2. Reduction in emissions in line with sector decarbonization pathways
3. Level 4 Transition Pathway Initiative assessment of management

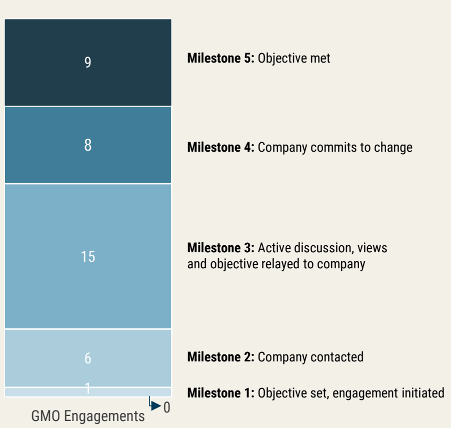
2022 Engagement Case Studies

In 2022 we conducted 182 engagements across our investment teams. The breakdown below shows the number of engagements by milestone and by E, S, and G relevance.

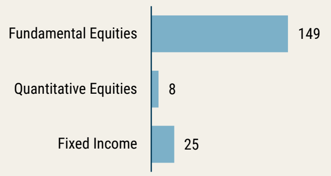
We aim to be a constructive engagement partner. With that in mind, we prefer to keep the names of the companies with whom we are engaging confidential.

2022 ANNUAL SNAPSHOT

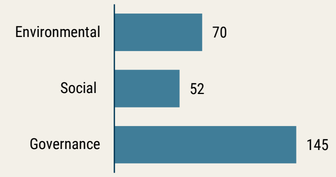
Engagement Progress in 2022



Engagements by Strategy



Engagements by Category



Engagements may cover any number of E, S, or G topics. As such they will not add up to the total engagements.

EQUITY ENGAGEMENTS

Company	*German Industrial Company*
Initiation Date	March 2022
Last Contact Date	September 2022
Issue	Governance and stability of board and management team and role of majority shareholder
Format	Virtual conversation
Company Attendees	CFO (and acting CEO) and Investor Relations
GMO Attendees	Focused Equity Team: Tom Hancock
Objective	To gain comfort that the company had acceptable governance and to advocate for a strong and independent board. This was of note because the company had an unusual high level of CEO turnover (4 in 5 years), a new board chair, and the existence of a non-active majority shareholder.
Actions	Multiple calls and emails with management
Outcomes	We gained confidence in the new board chair (who is a former respected CEO from another big company) and learned the reason for some departures. However, we were not convinced about the new CEO. We have maintained our position rather than add despite a valuation that looks attractive aside from this issue.
Status and Next Steps	Continued ongoing monitoring of management, expected in-person meeting within the next year

Company	*Vertically Integrated Provider of Solar PV Power and Battery Services*
Initiation Date	October 12, 2021
Last Contact Date	September 28, 2022
Issue	Forced labor in supply chain
Format	Video call
Company Attendees	President and Investor Relations team
GMO Attendees	Focused Equity Team: Alex Hébert, Noah Mellon
Objective	To ensure that the company does not source from suppliers using forced labor and has robust policies and practices in place to manage this
Actions	The company confirmed in a call that it requires all suppliers to sign a legal statement that they will abide by the company's detailed and specific supplier code of conduct. It further conducts announced and unannounced spot checks on suppliers to ensure compliance with the code.
Outcomes	The company confirmed that they do not currently source nor have plans to source any materials from the Xinjiang region in China, an area where there are concerns of forced labor use.
Status and Next Steps	Closed

EQUITY ENGAGEMENTS (CON'T)

Company	*Clean Energy Integrator*
Initiation Date	March 17, 2021
Last Contact Date	December 19, 2022
Issue	Governance and reporting
Format	Virtual and in-person meetings
Company Attendees	CEO and CFO
GMO Attendees	Focused Equity Team: Alex Hébert, ESG Team: Deborah Ng
Objective	Reduce founder class B holdings that have 5x voting power and commit to setting a science-based target
Actions	We conducted management and ESG team meetings, discussed a timeline on setting a target, and confirmed best practices to quantify Scope 3 emissions and measure avoided emissions.
Outcomes	The company committed to setting a formal science-based target by 2025.
Status and Next Steps	Tracking company disclosures to make sure target is set, monitoring the founder's class B holdings to look for a decrease

Company	*Metal and Mining Company*
Initiation Date	January 26, 2019
Last Contact Date	March 23, 2022
Issue	Tailings management
Format	Meetings, calls
Company Attendees	Board Director, CEO, CFO, Investor Relations officer
GMO Attendees	Focused Equity Team: Alex Fak
Objective	To ensure a robust and effective process is in place to minimize the likelihood of future tailings dam failures
Actions	Following a tailings dam collapse, the company came under intense pressure from investors (including GMO) to ensure that such a disaster never happens again. The company's head at the time had to resign.
Outcomes	Over the past few years, the company has undertaken a multi-billion-dollar program to completely refurbish its tailings dams and remove the population that could be affected by another collapse. By 2022, it achieved a 90% adherence to the Global Industry Standard on Tailings Management (GISTM). Structures where the risk of collapse was considered material went from 4 in 2020 to 2 in 2022.
Status and Next Steps	The company has committed to remediate all the structures where the risk of collapse is considered material (2 left as of 2022) by 2025. We will continue to monitor.

FIXED INCOME ENGAGEMENTS

Issuer	*Suriname*
Initiation Date	March 31, 2022
Last Contact Date	July 13, 2022
Issue	Corruption
Format	Meetings
Government Attendees	Minister of Finance, Minister of Foreign Affairs
GMO Attendees	Emerging Country Debt Team: Eamon Aghdasi
Objective	Restructure debt using value recovery mechanism linked to oil production that would reduce the opportunity for corruption and improve governance
Actions	Over multiple interactions via the bondholders restructuring committee, we recognized Suriname's status as a negative net carbon emitter. We proposed a governance structure that would allow maximum financial resources for social welfare and development objectives, reducing corruption and improving governance.
Outcomes	Bondholders, including GMO, remain engaged with the Surinamese authorities on an eventual restructuring agreement that will focus on ensuring stable social outcomes and reinforcing governance and transparency in the oil sector.
Status and Next Steps	Monitoring

Company	*Property Management Company*
Initiation Date	March 24, 2021
Last Contact Date	July 27, 2022
Issue	Environmental impact, shareholder rights, property sale
Format	Phone and video calls
Company Attendees	Investor Relations team
GMO Attendees	Credit Team: Sean Farley
Objective	To receive assurance that the company considered environmental and societal impacts in its property redevelopment plans
Actions	The team met with the company seven times in 2021 and 2022 to discuss its redevelopment of two properties and the potential impact on the environment and community. We encouraged the company to tailor the project to minimize its impact on the local environment both on its own merits and because it increases the likelihood of approval and maximizing the value of our investment.
Outcomes	The company received preliminary approval to redevelop the property after meeting economic and environmental tests.
Status and Next Steps	Closed

PRINCIPLE 10

COLLABORATION

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

GMO believes in the power of meaningful dialogue about ESG issues between asset owners, investment managers, and companies. We have added our voice as a member, supporter, and/or signatory to many groups that share our views regarding the importance of ESG factors. We participate in collective action through initiatives that bring together like-minded asset owners and asset managers that have the potential to magnify the impact of our engagement efforts. We seek to collaborate where objectives are aligned with ours and we can increase our likelihood of effecting change. Our approach to collaboration does not differ across asset classes or geographies.

Collaborations can be highly beneficial to GMO, allowing us to leverage our influence combined with others' to achieve greater impact than we would by engaging one-on-one. Professionals across GMO are encouraged to seek new opportunities to engage in initiatives to further our stewardship objectives, and indeed many of the groups we have joined to date have been as a result of a suggestion from a member of a GMO investment team (as opposed to from our ESG team). We believe this model encourages buy-in from our teams to participate actively with the initiatives.

Role of ESG Oversight Committee

While suggestions can come from any GMO employee, our ESG Oversight Committee evaluates opportunities and must approve joining collective action initiatives. With myriad opportunities and limited resources to collaborate, we weigh the benefits and costs of joining any initiative. The ESG Oversight Committee considers such factors as:

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

2022 Collaborative Initiative Highlights

GMO participates in a wide range of collaborative initiatives, which are summarized at the end of this section. Some of our collaborative focus areas in 2022 included the following examples.

COLLABORATING TO ACHIEVE A NET ZERO ECONOMY

Initiative	*CDP Non-Disclosure Campaign (NDC)*
Issue	Transparency around companies' management of climate change-related exposures
GMO Participants	Systematic Equity Team: Michelle Morphew, ESG Team: Hardik Shah, Usonian Japan Equity Team: 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 environmental risk disclosure from companies held in our portfolios.
Action	In 2022, via letters and phone calls, we led engagements with 11 non-disclosing companies in which we held shares and reached out to another 4 non-disclosing companies that were not included in the CDP campaign.
Outcome	As of January 2023, 5 of those companies had submitted data through the CDP Platform, we had a call with 1 other company to discuss further, and we are still awaiting responses from the others.

POLICY AND REGULATORY ADVOCACY

When advocating for policy change, we recognize that it is not usual to achieve immediate concrete outcomes in a particular year. Our collaborations focus on joining others in advocating for long-term change that takes time to realize.

Initiative	*Asian Corporate Governance Association (ACGA)*
Issue	Corporate governance in Japan
GMO Participants	Usonian Japan Equity Team: Fumie Kikuchi
Objective	We promoted issues we believe would improve corporate governance.
Action	GMO joined an ACGA delegation to meet with two Japanese officials from the Japan Ministry of Economy, Trade, and Industry (METI). We discussed why Japan maintains three core systems instead of one and asked about METI's view on allowing investors to serve on boards in order to increase the number of independent directors. We also questioned METI on the timing for guidelines around the role of the board.
Outcome	On core systems, METI responded that this was a matter for the Companies Act. On investors standing as directors, METI communicated concerns over potential conflicts of interest. On board guidelines, no guidance was given. We look forward to another opportunity to discuss and promote these issues.

Initiative	*ACGA*
Issue	Board diversity, director independence, cross shareholdings
GMO Participants	Usonian Japan Equity Team: Fumie Kikuchi
Objective	We promoted issues we believe would improve corporate governance.
Action	We joined another ACGA delegation to meet with an official from the Financial Services Agency (FSA). We requested feedback on a letter we sent encouraging board diversity, asked for assistance on reducing cross shareholdings, and noted the issue that a board could appoint ineffective "independent" directors who are actually friendly to the board.
Outcome	On board diversity, the FSA only provided platitudes. On cross shareholdings, they declared there was nothing the FSA could do. On independent directors, they pointed to board education as a way to improve the effectiveness of boards. We look forward to another opportunity to discuss and promote these issues.

POLICY AND REGULATORY ADVOCACY (CON'T)

Initiative	*Emerging Markets Investors Alliance (EMIA)*
Issue	Governance reforms
GMO Participants	Emerging Country Debt Team: Eamon Aghdasi
Objective	We sought more transparency in budget communications, better engagement with the public on the budget process, further development of the online procurement system, greater transparency from the sovereign wealth fund, and other fiscal governance reforms highlighted by the IMF.
Action	We wrote a letter to Naif Gattan, Investor Relations Manager at the National Debt Management Center of Saudi Arabia, focusing on matters of fiscal governance. We acknowledged the progress that Saudi Arabia has made but encouraged further progress on the issues mentioned above.
Outcome	We were not able to achieve an outcome yet.

Initiative	*Assessing Sovereign Climate-related Opportunities and Risk (ASCOR)*
Issue	Sovereign exposure to climate risk
GMO Participants	Emerging Country Debt team: Eamon Aghdasi, ESG Team: Deborah Ng
Objective	We aimed to influence a framework being created to assess sovereign credit risk exposure.
Action	The ASCOR project, of the PRI, is led by investors and supported by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics. We provided feedback to ASCOR during its public consultation on the framework being developed to give investors a common tool to understand sovereign climate risk exposure and how governments plan to transition to a low-carbon economy.
Outcome	All feedback will be reviewed and considered as ASCOR finalizes the framework.

Diversity, Equity, and Inclusion

Consistent with our focus on DEI, as outlined in Principle 1, in 2022 GMO became one of 15 early signatories of the CFA Institute's new Diversity, Equity, and Inclusion Code. Signatories of the Code must demonstrate ongoing commitment to six key Principles in the areas of Pipeline, Talent Acquisition, Promotion and Retention, Leadership, Influence, and Measurement. Through our commitment to the Code, we believe we can further amplify our efforts to continue to improve diversity and social awareness both within GMO's walls and more broadly in our industry, as well as across our clients, partners, portfolio companies (in the context of our risk/return objectives), and suppliers. We will report annually on our progress to the CFA Institute and look forward to sharing more detail in future reports.

GMO Participation in Collaborative Initiatives

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

	Initiative	*Purpose*	*How GMO Participates*
MEMBERSHIPS			
	UN-supported Principles for Responsible Investment Signatory since May 2017	To incorporate ESG issues into investment practice	Report annually on responsible investing activities Member of the PRI Global Policy Reference Group, which promotes engagement and alignment of public policy with the goals of signatories In 2022-2023, reviewed and provided feedback on ASCOR framework, detailed in previous section
	IFRS Sustainability Alliance Member since February 2021	To improve disclosures to help manage risks	IFRS materiality matrix is an input in GMO ESG Score
	Asian Corporate Governance Association Member since August 2021	To promote effective corporate governance practices throughout Asia	Member of the Japan Working Group, see above section for 2022 activity details
	Net Zero Asset Managers initiative Signatory since October 2021	To support the global goal of net zero greenhouse gas emissions by 2050	Set initial portfolio carbon footprint reduction targets in 2022, covering 53.5% of our AUM, see Principle 1 for details
	Emerging Markets Investors Alliance Member	To tackle ESG challenges in emerging markets	Participate in working groups, collaborative engagements, and webinars In 2022, the Emerging Markets Select Equity team joined the EMIA (the Emerging Country Debt team was already a member) Joined the newly formed Materials working group to engage with emerging markets companies on toxic chemical use
PUBLIC ENDORSEMENTS			
	Japan Stewardship Code Endorsed 2017	To promote sustainable growth of companies and enhance the medium- and long-term investment return of beneficiaries	Apply the principles in our stewardship activities
	Singapore Stewardship Principles for Responsible Investors Endorsed October 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
	Taskforce on Climate-related Financial Disclosures Endorsed December 2019	To provide relevant, complete, comparable disclosures on management of climate-related financial risks	In 2022 engagements, recommended that companies adopt TCFD disclosure Working to adopt TCFD recommendations for our own disclosure

GMO Participation in Collaborative Initiatives (Con't)

	Initiative	Purpose	How GMO Participates
PUBLIC ENDOREMSENTS (CON'T)			
	Transition Pathway Initiative Endorsed December 2020	To assess companies' management of climate-related risks	Committed to support TPI TPI tool was one input into the 2022 prioritization and objective setting of our corporate engagements TPI led the work on ASCOR (see above)
	2022 Global Investor Statement to Governments on the Climate Crisis	Joint statement to all world governments urging them to implement policies consistent with a just transition that limits global temperature rise to no more than 1.5C	Signed the statement along with 531 other institutional investors representing US$39 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 Provides opportunities for us to influence companies to disclose to CDP	Lead or participate in CDP collaborative engagement campaigns, such as Non-Disclosure and Science-Based Targets, 2022 NDC examples detailed above
	Climate Action 100+ Joined January 2018	To engage with public companies that are the largest emitters of greenhouse gases	No activity in 2022
	Investors Alliance Against Slavery and Trafficking, Asia Pacific Joined in October 2020	To influence Asia-Pacific companies on effective action in finding, fixing, and preventing modern slavery in operations and supply chains	Involved in engagements with two companies. In 2022 GMO had meetings with one company but has struggled to get a meeting with the second (though we finally did in 2023).
	Diversity, Equity, and Inclusion Code (USA and Canada) Joined 2022	To commit to improving DEI programs within the organization and across the investment industry	GMO commits to implement the DEI Code by adopting a DEI policy and statement, have senior leadership ownership, establish oversight governance practices, and implement a plan to integrate DEI in our people processes and policies.

PRINCIPLE 11

ESCALATION

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

Prior to 2022, GMO did not explicitly define or track progress toward objectives in our engagement and escalation activity. As part of our work to improve our engagement program in 2022, we outlined a more structured process to initiate and conduct future engagements, as discussed in Principle 9.

While we will continue to have engagements for the purpose of information gathering and relationship building, where we are seeking change, we have started to articulate explicit objectives when we initiate an engagement. We seek to establish objectives that are specific, measurable, achievable, relevant, and time limited. 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 engagements where we do seek a change, we are now tracking our progress through a milestone system, which looks at engagement from initiation and objective-setting through to a successful or unsuccessful close. If the issuer's response is unsatisfactory, we may escalate our engagement by including senior members of GMO in the discussion, using our proxy votes, or deciding to disinvest, potentially fully. To date, GMO has not launched any shareholder proposals nor litigation, but those options remain available to our investment teams if needed.

We do not have a defined escalation policy as all escalations are currently on a case-by-case basis.

The escalation tools we may use are outlined at the top of the next column and vary across asset classes and geographies as appropriate (e.g., as equity shareholders we have opportunities to vote against a director, versus more limited options as a bondholder).

POTENTIAL ESCALATIONS

- **Elevate** within to Investment Head or CEO
- **Public** comment or letter
- **Vote** against committee or director
- **Vote** against board
- File **shareholder proposals**
- **Litigate**
- **Exit** holding

Note: Escalations are not by order of use or priority, nor do they represent a pathway. Any number or none may be used, subject to portfolio manager and/or Stewardship sub-committee discretion.

Our engagement and proxy voting activities are linked within our fundamentally managed equities (e.g., Focused Equity and Usonian Japan Equity). We are trying to strengthen these links for the benefit of our top-down engagement framework. We expect that our updated centralized engagement tracking database will improve our ability to monitor engagement progress, including escalations.

Our Investments and Stewardship sub-committees will serve as a governance foundation for monitoring top-down thematic engagements and overseeing and facilitating escalations that go beyond simple voting decisions, primarily through considering divestment.

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

2022 ESCALATION CASE STUDIES

Company	*Leading Multi-national Industrial*
Initiation Date	May 2019
Last Contact Date	October 2021
Issue	Environmental and product safety litigation
Format	In-person and virtual conversations including at industry conferences
Company Attendees	Various executives, including CEO, CFO, and Investor Relations team
GMO Attendees	Focused Equity Team: Ty Cobb
Objective	We encouraged the company to be transparent with shareholders about their litigation exposure and take the necessary steps to mitigate it and move past the issue.
Actions	Management response was generic, including statements like “we are working with regulators to mitigate the issue,” “we are being diligent,” and “the outcome is unknowable.”
Outcomes	Our lack of confidence in management’s response led us to decrease our position initially, and then we exited the stock in 2022.
Status and Next Steps	Closed

Company	*Six Japanese Companies*
Initiation Date	March 23, 2022
Last Contact Date	March 23, 2022
Issue	Cross shareholdings
Format	Video calls, meetings
Company Attendees	Various
GMO Attendees	Usonian Japan Equity Team
Objective	When a public company holds shares of other public companies, this can be an issue, not only because it is an inefficient use of corporate capital but also because it hinders effective corporate governance. We sought to convince these six companies to set targets to reduce cross shareholdings.
Actions	Our team identified cross shareholdings among a number of Japanese companies and engaged with six on this issue.
Outcomes	We voted against management in all instances and advised the companies of our decision and rationale. We will continue to engage with management on these topics.
Status and Next Steps	Escalated, ongoing

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

Proxy Voting Program Overview

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

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

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

Proxy Voting Policy, Advisor, and Default Recommendations

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

On an ongoing basis, the Stewardship sub-committee reviews all updates to the ISS Sustainability Policy to ensure continued alignment with our views and reflects any changes required to our Proxy Voting Policy. These updates are also provided to all GMO investment teams and the ESG Oversight Committee.

In addition to our governance-focused policies, some of the voting policies under the Sustainability Policy include:

- We generally vote against directors of significant emitters if they do not take at least minimal steps to align with net zero. This is supportive of our strategy around climate change to work with portfolio companies to contribute to the transition to net zero, as detailed in Principle 1.
- We generally support shareholder proposals calling for:
    - *Reduction of GHG emissions and goals on GHG emissions from operations and/or products,*
    - *Company investment in renewable energy,*
    - *Adoption of comprehensive recycling strategies,*
    - *Reporting in accordance with the Global Reporting Initiative,*
    - *Linking executive compensation to environmental and social criteria,*
    - *Implementing ILO codes of conduct, SA8000, or Global Sullivan Principles,*
    - *Adopting principles or codes relating to countries in which there are systemic violations of human rights,*
    - *Independent programs to monitor supplier compliance with codes, and*
    - *Adoption of labor standards for foreign and domestic suppliers.*

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

Proxy Voting Process

GMO's proxy voting process relies on analysis from both ISS and our investment teams. In certain instances (e.g., when voting against management and for U.S. director elections, or when investment teams specifically request additional information) proxy research and recommendations for each agenda item are provided to the investment teams prior to votes being cast. GMO's investment team may deviate from the ISS Sustainability Policy recommended vote if they believe it to be in the best interest of our clients. Overrides of ISS Sustainability Policy recommendations totaled less than 1% of GMO's votes cast in 2022.

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

We do not provide clients with the ability to direct voting in our pooled vehicles. In separately managed accounts, we do not vote on behalf of the client unless the client has expressly delegated voting to GMO. Currently, about 25% of our SMAs vote for themselves. The other SMA clients who have delegated voting to GMO have done so relying on the GMO Proxy Voting Policy.

Monitoring of Proxy Voting Advisor

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

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

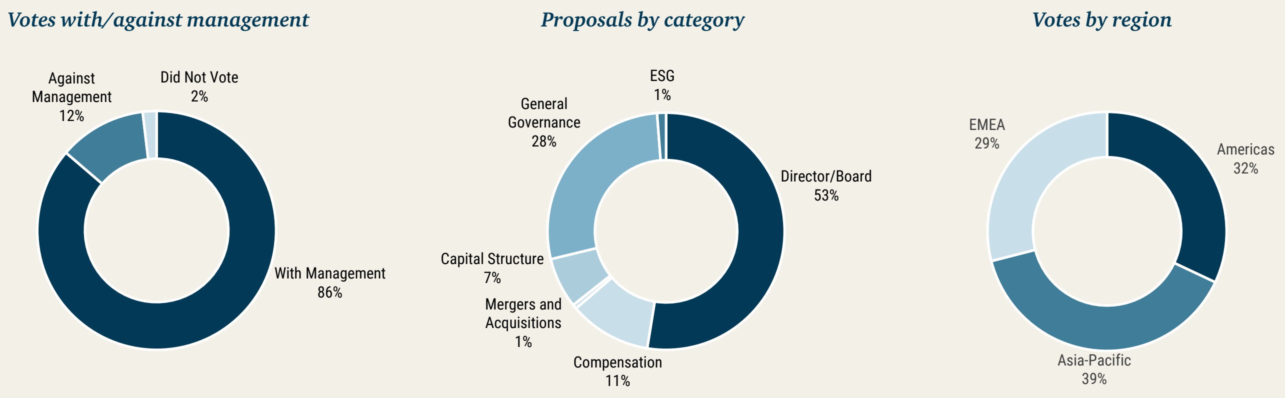
When an investment professional at GMO deems it appropriate to vote contrary to a policy recommendation, GMO's Proxy Voting team ensures that the vote is cast by ISS based on our instruction. The team reviews a daily Vote Against Policy report, which shows all active cases where votes other than the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

2022 Equity Proxy Voting Outcomes

In 2022, GMO voted 98% of votable proposals (32,197 of 32,814).

We voted with management 86% of the time and did not vote on 2%. We supported a majority of shareholder proposals (60%) and cast votes against management about 12% of the time on ballot measure topics ranging from environmental and social issues to corporate governance and compensation. We currently do not track meeting outcomes, though investment teams may discuss relevant outcomes with management as part of our engagement process.

2022 PROXY VOTING



PROXY VOTING CASE STUDIES

Company	***Real Estate Company***
Issue	Lack of board diversity
Best Practice	Board should be comprised of at least 30% under-represented gender identities
Voting Decision	We met with the company twice in 2022 to discuss ESG, diversity, and organizational structure. We voted against ISS' recommendation and supported a board member despite the lack of board diversity because the company was actively seeking to address this and we wanted to give the company time to implement.

Company	***Real Estate Company***
Issue	Lack of independent directors on board
Best Practice	Have at least 50% of the board members be independent from management
Voting Decision	We believe the company should have a board composition and structure that minimizes the potential for conflicts of interest and protects minority shareholders' interests. We voted against two directors for failing to achieve a 50% independent director ratio.

Company	***Medical Device Company***
Issue	Over-boarding and conflict of interest
Best Practice	Board members should not sit on more than two active boards
Voting Decision	One of the directors was concurrently serving on the boards of three other major health-related public companies, including Moderna. We were concerned about the amount of time the director could devote to overseeing company management and the inherent conflict from serving on three other boards in the same sector.

Company	***Software Company***
Issue	Redundancy/irrelevance
Best Practice	Shareholder proposals should not be duplicative of what the company already does or provides
Voting Decision	We voted against a shareholder proposal to require more reporting on tax transparency. Our investment team determined that the company in question was compliant with tax laws in every jurisdiction where it operates and so we did not feel there was a need for additional disclosure.

Company	***Chemicals Company***
Issue	Strategy
Best Practice	Companies should maximize stakeholder value
Voting Decision	The strategic shareholding ratio exceeds 10% of the company's net assets when holdings of a particular portfolio company are included. The investment team did not see business synergies between the company and this portfolio company, and the company did not have a plan to reduce the strategic holdings. As a result, we voted against two directors.

Company	*Chemical Products Company*
Issue	Operational performance and corporate governance
Best Practice	Companies should maximize stakeholder value
Voting Decision	We voted against a shareholder proposal, supporting two dissident nominees, as they made a compelling case for change.

Company	*Human Resources Management and Development Services Company*
Issue	Lack of board independence
Best Practice	Board should be majority independent from management
Voting Decision	We voted against the recommended election of a new non-independent nominee, as the election of the new director would reduce the level of independence within the board to 20%.

Company	*Technology Company*
Issue	Amend articles of incorporation to become a Social Purpose Corporation
Best Practice	Companies should maximize stakeholder value
Voting Decision	We voted against this recommended shareholder proposal, as the request for the board to amend the company's incorporating documents to become a Social Purpose Corporation did not appear to be necessary for the company to act in a responsible and sustainable way.

Company	*Grocery Stores Company*
Issue	Lack of board independence
Best Practice	Board should be majority independent from management
Voting Decision	We voted against recommendation of a non-independent director nominee, as the company lacked a formal nominating committee and failed to establish a board on which a majority of the directors were independent. The board had 43% independent members at the time of the vote.

Company	*Banking Company*
Issue	Failure to uphold board fiduciary duty
Best Practice	Board should establish procedures to manage risk and oversee the internal control framework
Voting Decision	We voted against four incumbent director candidates, who took no action to remove a sanctioned director from the board despite an announcement from financial regulators. The court's (ultimate) ruling may exempt the sanctioned director from charges. However, that decision does not exempt the incumbent directors from performing fiduciary duties.

Company	*Electronics Company*
Issue	Board diversity
Best Practice	Board should be comprised of at least 30% underrepresented gender identities
Voting Decision	We voted to withhold votes for incumbent nominating committee chair for lack of diversity on the board.

Securities Lending

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

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

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

As a practical matter, GMO tends to loan securities in relatively low volume and at rates that are particularly attractive, so during 2022 we did not recall any loaned securities for the purpose of exercising voting rights.

Fixed Income

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

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

In 2022, GMO served on creditor committees facing Chad, Suriname, Sri Lanka, Venezuela, as well as Eskom (South Africa), Naftogaz (Ukraine), and Evergrande (China). All of these are ongoing, except for Chad and Naftogaz.

In the case of Chad, GMO and the steering committee worked with all stakeholders to provide moderate debt relief to Chad while preserving, and even strengthening, our claim relative to other stakeholders.

GMO seeks to insert language into bond documents that enhance creditor rights, such as information obligations (done in the case of Belize, for example) and bondholder committee recognition (Belize, Grenada, among others).

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

Some examples of more specific interactions include International Bank of Azerbaijan, Eskom, and Naftogaz. The team interacted with the management teams and government officials, as relevant, to express how taking the long view benefits the borrowers in the long term. For example, as a part of the bondholder committee, we relayed to the Eskom management that we would be supportive of funding the company's goal to transition to green energy. In the case of Naftogaz, we accepted the company's request to suspend interest payments until the war ends, but in return asked for increased transparency in disclosures.

Finally, in our Opportunistic Income securitized credit strategy, GMO invests across Commercial and Residential Mortgage-Backed Securities (CMBS, 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, we might be called to vote on the appointment of a special servicer in a CMBS trust. In another instance, we worked with the trustee in an RMBS deal to request court guidance regarding how to apply to the trust the proceeds of a settlement. Similar in spirit to how our Emerging Country Debt team approaches the sovereign investments, we are focused on using our access to enhance creditor rights and as such serve as a steward of capital.

CONCLUSION

GMO is committed to being an effective steward of our clients' investments. We strongly believe that our focus on the areas detailed in each of the Principles in this report serves our clients' best interests, contributes to a healthy financial system, and positively impacts global sustainability efforts.

We hope that our report has provided a comprehensive overview of our 2022 activity and outcomes and how they align with the UK Stewardship Code. We recognize that we must continue to evolve and advance our practices, and we look forward to receiving feedback to inform our future endeavors.

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