








# GMO

## ***Engagement Policy*** as of March 2024

GMO believes that engagement with issuers is a useful tool to protect, add, and create value in our investments. 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.

### ***Engagement Principles***

	We take a collaborative approach to engagements and seek to include all relevant (impacted) GMO stakeholders in the conversation. Portfolio managers should 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 GMO considering the size of our holding and the nature and magnitude of the risk.
	We will aim to engage at the board level as engagements will be more effective if conducted at a senior level.
	We will set clearly defined, specific, measurable, achievable relevant and timebound objectives for the engagement target before starting an engagement and track achievement of milestones.
	We will align our voting decisions with engagement outcomes.
	We will measure and report on the effectiveness of our engagements.



## *Governance*

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.

The Stewardship sub-committee of our ESG Oversight Committee is responsible for overseeing GMO's firm-wide stewardship activities, including engagements. Firm-level engagements **complement and support the individual efforts** made by our investment teams. The Stewardship 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 this Engagement Policy, the Stewardship sub-committee establishes an annual Engagement Plan that sets out focus areas for engagement at a firm level and complements and supports the individual efforts made by our investment teams.

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

- Approves engagement objectives;
- Receives and reviews progress reports;
- Approves and facilitates escalations (in consultation with investment teams);
- Resolves certain conflicts of interest; and
- Approves categorization of successful engagements.

## *Compliance*

All engagement activities (including those with issuers on an one-on-one basis and collaborative engagements with other investors) are conducted in accordance with GMO's internal compliance policies and applicable laws. It is not the intent or purpose of our engagement activities to receive material non-public information ("MNPI"), and we instruct issuers that communications should not include MNPI. GMO has also adopted a detailed Insider Trading Policy that requires, among other items, the logging of interactions by GMO personnel with issuer representatives, notification to the Compliance Department in the event of any inadvertent receipt of MNPI and limitations on use of such inadvertently received MNPI.



### ***Selecting and Prioritizing Engagements***

GMO's investment teams may select, and prioritize for engagement, key issues that they believe are material to their investments. In doing so, they often consider their own fundamental analysis, GMO's ESG scores at the country and company level, and/or controversial events that may trigger a review.

In addition, teams regularly emphasize issues that align with strategically important themes identified by our annual Engagement Plan. The annual Engagement Plan does not preclude the firm or investment teams 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<sup>1</sup>***

	Issuer-driven	Event-driven	Theme-driven
WHAT	Tailored engagement aimed at addressing risks and value creation opportunities	Engagement aimed at addressing material events that pose financial and/or reputational risks	Engagement on thematic, often systemic 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	Severe controversies arising during ownership  Potential Global Compact and OECD Guideline violation flags	Climate change  Diversity, equity and inclusion
HOW	Investment team led with ESG team support	ESG team monitors entire GMO portfolio and advises investment teams when material issues arise  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

<sup>1</sup> While these are primary engagement catalysts they are not exclusive to other potential drivers for engagement, nor do they imply that engagements always result from the occurrence of these or other specified events.



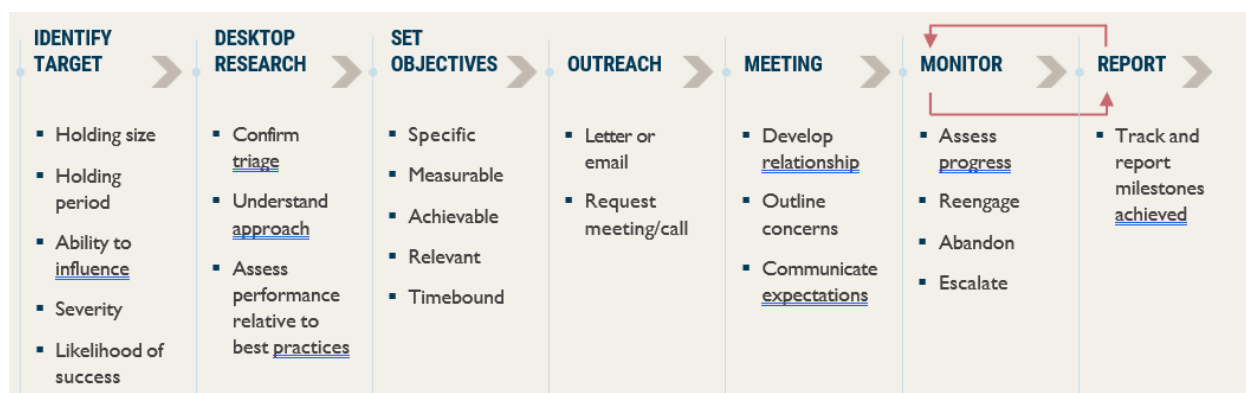
## Methods of Engagement

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.

Though engagements may vary, the diagram below details a typical method of engagement.



## Engagement Objectives and Tracking Progress

We distinguish between two main types of engagements: (a) those where the purpose of the engagement is to obtain information from the company without any specific objective and (b) those with an objective in mind. For each, the investment team seeks to define target-specific objectives that are measurable, achievable, relevant, and timebound, where possible. For engagements where our objective is to seek change, this can be an iterative process and meeting our objective may take many years. Progress is tracked through a milestone system, which evaluates engagements from initiation to determine progress and whether we have met our objectives. If the issuer's response is unsatisfactory, we may escalate our engagement by including senior members of GMO in the discussion, using our

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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.

## *Closing Engagements*

Engagements can be closed at any milestone, and the outcome of the engagement documented.

## *Proxy Voting*

GMO views proxy voting as an integral aspect of active security ownership that is a critical complement to engagement. We conduct proxy voting with the same degree of prudence and loyalty accorded any fiduciary or other obligation of an investment manager. We believe the alignment of company management's goals with those of its shareholders and other stakeholders is the strongest route to protect our clients' investments as minority stakeholders. We seek to vote proxies in a manner that encourages and rewards behavior that supports the creation of sustainable long-term growth, and in a manner that is consistent with the investment mandate of the assets we manage for our clients.

Our Investments and Stewardship sub-committees 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 further supplements our ability to steward our clients' investments.