GMO Statement regarding ESG [Environmental, Social and Governance] Principles
As of September 2015

For more than 35 years, GMO has been a premier provider of investment management solutions to our global client base, consisting of some of the most prestigious institutional investors from the ranks of corporate and public defined benefit and defined contribution plans, foundations, endowments and sovereign wealth funds, among others. Our expertise covers a broad spectrum of capital markets, including developed and emerging equities, developed and emerging fixed income, asset allocation, forestry, agriculture and a full complement of absolute return-oriented strategies.

In terms of delivering on our objectives to clients, GMO's various investment teams utilize a number of approaches in seeking to identify attractively-valued assets. We were one of the early innovators in quantitative investing and continue to use systematic disciplines today. In addition, we have a deep pool of talented fundamental investment professionals in our ranks.

GMO's primary objective is to deliver the best risk-adjusted returns for each of the strategies that the firm offers. In executing on that objective we remain focused on delivering superior investment results, always mindful of the fiduciary duty we have to each of our clients.

GMO recognizes that views vary among investors as to the importance and relevance of ESG factors to their investment strategies and we presently manage several client accounts that incorporate ESG-related factors, such as social screens. In such cases, our clients have established separately managed portfolios (subject to our asset-level requirements which may vary for each strategy) and we adhere to the clearly proscribed guidelines and/or objective screening criteria provided by our clients. At this time, GMO is able to provide limited assistance in the design and ongoing maintenance of such screens. Clients should make their own assessment of the potential impact ESG screening could have on risk-adjusted returns.

In what follows, we describe in more detail the extent to which our investment processes are consistent with key ESG-related principles.

Do we consider ESG issues in our investment analysis and decision-making processes?

Delivering the best risk-adjusted returns is our primary objective. We do not incorporate ESG issues as a secondary objective and our current research shows that incorporating ESG factors into our investment processes could not be relied upon to consistently produce excess returns or reduce risk for our clients.

For example, the investment processes for the strategies managed by our equity teams (Emerging Markets Equity, Focused Equity, Global Equity and International Active) rely on our evaluation of companies' published financial information, securities' prices, equity and bond markets, and the overall economy. In order to provide as broad an opportunity set as possible, we try not to constrain the universes to which we apply our stock selection disciplines and thus generally do not incorporate ESG or other potentially restrictive screens. ESG continues to be an area of research, but currently is applied on a portfolio-by-portfolio basis and not embedded in the core of our investment philosophy or process.

In the rare instances where our equity teams formally incorporate ESG considerations into a strategy's investment process, the primary impetus for doing so is a belief that ESG considerations will not negatively impact return prospects. For example, the investment universe for GMO's Resources Strategy, managed by our Focused Equity team, has firms with particularly poor ESG histories. Our research in this narrow universe suggested that screening these companies out would not have a material impact on returns.

Within our core investment processes, there are certain measures of profitability we do evaluate that may correlate with good governance and a sustainable business. For example, many of our equity strategies incorporate an evaluation of a company's "quality," defined by GMO as high and stable levels of profitability and relatively low levels of debt. While not an explicit objective of our quality factor, we have observed over time that there is a correlation between companies that rank high on our quality measure and those that rank high on social and governance criteria. This relationship could, of course, change at any time.

In our fundamental equity strategies managed by the International Active team, we often consider issues that have ESG elements in the normal course of evaluating a company's valuation level and future prospects. ESG elements will be included where we believe they have a significant impact on the expected return or risk of an investment. It is generally the International Active team's belief that good corporate governance will affect a firm's valuation positively, and we prioritize company efficiency and waste minimization, which we believe leads to higher profitability over time. In addition, we believe that companies that collaborate with the communities in which they do business are more likely to be successful in the long run. Beyond this, the team considers social and environmental issues from a risk management perspective and screens companies regarding potentially significant reputational risk issues (including but not limited to social or environmental issues) and will tend to penalize those companies relative to their industry peers in its analysis.

Our fixed income strategy mix contains both traditional (Core Plus, and Global) and specialty (Emerging Debt and asset-backed securities) strategies. None of GMO's fixed income strategy universes has been narrowed based on ESG-related principles, and none of those investment processes has been designed with such principles in mind. Given that the universes from which we select securities and our value-added processes generally relate to sovereign, quasi-sovereign, and asset-backed debt markets, it is unlikely that we will explicitly factor environmental, social or governance factors into our fixed income strategies.

To what extent will we be active owners and incorporate ESG issues into our ownership policies and practices?

As long-term investors, we seek to defend the interests of our clients not only at the time of initial purchase of securities, but also over the full period these securities are held in the portfolios. Therefore, GMO votes on the equity investments it manages in pooled funds and separately managed accounts unless – in the case of separately managed accounts – clients direct otherwise.

In our pooled funds and where separate account clients have delegated proxy voting to us, GMO has engaged Institutional Shareholder Services (ISS) to act as its proxy voting agent. ISS undertakes research, makes voting recommendations and ensures votes are submitted in a timely manner. In the majority of cases, GMO acts in accordance with those recommendations. Full details of GMO's voting policy, including default positions on matters of corporate governance, are set out in the document entitled "Proxy Voting Policies and Procedures" as of June 25, 2014. A copy of GMO's Proxy Voting Policy is available upon request or may be found on the SEC's website, www.sec.gov, as part of GMO Trust's registration statement. Proxy voting reports are also available upon request. As with the fundamental analysis performed by our International Active investment team, we may incorporate a variety of factors (which may include ESG issues if we determine they are relevant) when deciding to vote proxies in a particular manner.

To what extent will GMO seek appropriate disclosure on ESG issues by the entities in which we invest?

As described in our proxy voting policy, we have been supportive of initiatives that lead firms to disclose all aspects that could materially impact the value of a firm, including – where we consider it relevant – ESG issues. For example, we generally vote in favor of independent board directors if the majority of the current board members are not independent. In terms of our fundamental research, where applicable, our portfolio managers will similarly push/probe firms to disclose all aspects that could materially impact the value of a firm, including – where we consider it relevant – ESG issues.

Why hasn't GMO signed the UN Principles for Responsible Investing (UN PRI)?

GMO has carefully reviewed the UNPRI and determined not to sign the Principles at this stage. The main rationale for this decision is that we believe that certain of the Principles would conflict with and/or distract GMO from its primary objective of delivering the best risk-adjusted returns to each of its clients. While ESG issues, as such, are not formally part of our investment objectives, certain elements of our security analysis and investment processes may be consistent with managing ESG issues (as described above).

GMO Renewable Resources has separately signed up to UN PRI

GMO Renewable Resources, LLC (GMORR), a majority-owned joint venture of GMO LLC, has separately become a signatory of the UN PRI. GMORR is a separately registered investment adviser specializing in direct forestry, farmland and other land-related investments and from its beginning has believed that, in light of its focus on forestry, agriculture and other land-related investments, careful consideration of environmental, social and governance issues is critical to minimizing risk and maximizing returns to its investors. Consequently, ESG principles are integral to the team's investment process as GMORR strives to operate responsibly and sustainably in all aspects of its business.

GMORR typically invests in regions where land ownership rights are well developed. GMORR strives to make choices that improve the long-term sustainability of their activities including (1) enhancing and promoting environmental sustainability; (2) respecting land, resources and human rights; (3) social sustainability, including maintaining consistent safety standards; and (4) good governance, including close supervision of financial and operating activities. In addition to being a signatory of the UN PRI, GMORR typically seeks certification for its timberland assets under a national or international standard except in (1) situations where it does not have full control and in (2) Greenfield projects which do not yet have cash flow to support the costs of certification. GMORR is also exploring the development of metrics and monitoring processes to measure factors that contribute to sustainability on agricultural properties.

Summary

In conclusion, our primary mission as an investment management firm is to deliver the best risk-adjusted returns for our clients. As described more fully above, there are certainly instances where ESG-related factors are considered, but only to the extent that we believe they lead to better risk-adjusted returns for our clients.