



# GMO AUSTRALIA LIMITED MODERN SLAVERY STATEMENT

For the Financial Year ended 31 December 2023

## OUR BUSINESS

This statement is made by GMO Australia Limited ABN 30 071 502 639 ("GMO Australia"), the reporting entity for the purposes of the Modern Slavery Act 2018 (the "Act"). This Statement also covers GMO Systematic Global Macro Trust (the "SGM Trust") a registered managed investment scheme for which GMO Australia acts as responsible entity and investment manager and GMO Allegro Trust (the "Allegro Trust"), an unregistered managed investment scheme for which GMO Australia acts as the trustee and investment manager. GMO Australia first became a reporting entity for the year ended 31 December 2020, the Allegro Trust first became a reporting entity for the year ended 30 June 2021 and the SGM Trust first became a reporting entity for the year ended 30 June 2023.

We aim to build upon our arrangements over time as part of a continuous improvement approach.

### **1. GMO Australia's Structure**

GMO Australia is a public company, incorporated in Australia. GMO Australia is part of the GMO group of companies ultimately owned by Grantham, Mayo, Van Otterloo & Co. LLC ("GMO"), a Boston-based global fund manager. GMO Australia does not own or control any other entity and is not listed.

GMO Australia has 20 staff all located in one office in Sydney, Australia.

GMO Australia's registered office address is Suite 43.02, 225 George Street, Sydney NSW 2000 Australia.

Founded in 1977, GMO is a private partnership. GMO has over 450 staff located in its global offices which include its headquarters in Boston, Massachusetts and a representative office in Tokyo, Japan. The offices of GMO's affiliates are located in Amsterdam, London, Singapore, and Sydney.

### **2. GMO Australia's business operations**

GMO Australia's staff support its funds management business in Australia and service its Australian clients as well as GMO's Asian client base. The GMO Australia office is generally divided among teams that support Information Technology, Client Relations, Operations, Finance, Human Resources and Administrative Support, Legal and Compliance and one Portfolio Management and Implementation team (which manages GMO's Systematic Global Macro investment strategy). These teams are part of global teams supporting the same functions, generally headquartered in Boston, USA. The GMO Australia business also leverages the support of other teams based in Boston who cover all of GMO's affiliates globally, including Trading, Tax, global Operations teams, Risk and Controls, Client Reporting and Human Resources.

#### GMO Australia's products and services

GMO Australia is the responsible entity and investment manager for Australian managed investment schemes (the "GMO Australia Funds") offered to the Australian and New Zealand

client base. The GMO Australia Funds are managed by investment teams located, in the case of the Systematic Global Macro strategy, in Australia and, in the case of other strategies, in GMO's offices in Boston, Berkeley and Singapore.

The GMO Australia Funds invest in global and emerging equities, commodities, bonds and currencies. The SGM Trust and Allegro Trust (together, the "Covered Trusts") both implement GMO Australia's Systematic Global Macro strategy.

Only the Covered Trusts are reporting entities – none of the other GMO Australia Funds is a reporting entity.

GMO Australia also provides investment management services to clients on an individual basis (i.e. separately managed accounts not pooled with other GMO Australia clients). In addition, GMO Australia provides access to GMO's global product range to local clients.

GMO Australia holds an Australian Financial Services License (AFSL number 236656) that authorizes it to provide these financial services.

GMO is a global investment management firm that offers investment strategies in many of the major asset classes (e.g. U.S., non-U.S., emerging and global equities, and fixed income), as well as multi-asset class, absolute return, and alternative strategies. The investment strategies of GMO are implemented through pooled vehicles (e.g., mutual funds or Australian managed investment schemes), non-discretionary accounts, and/or through discretionary advice provided to separately managed account clients.

Neither GMO nor GMO Australia delegate management of their strategies to external fund managers.

### Our Clients

GMO and GMO Australia have a wide variety of clients, including, but not limited to, endowments and foundations; employee benefit, pension and contribution plans, including superannuation funds; governmental and supranational entities; family offices; high net worth individuals; taxable entities, investment companies, pooled investment vehicles, trusts, other institutions (including financial intermediaries) and individuals (including individual retirement accounts).

The GMO Australia Funds are generally only available to Australian and New Zealand investors.

### ***3. GMO Australia's supply chain***

GMO Australia obtains products and services from over 200 service providers.

GMO Australia's service providers include:

- Those who support the operation of the GMO Australia Funds. The primary external service providers to the GMO Australia Funds are the administrator and custodian and the independent auditor.

Other service providers to the GMO Australia Funds include brokers and other trading counterparties, research houses, consultants and ratings agencies, market data providers and the proxy voting service provider.

- Those who support GMO Australia's general business operations, including banks, insurers and insurance brokers, payroll provider, IT equipment and services, software and IT equipment maintenance, utilities providers (telephone, internet, etc), professional services (lawyers, auditors, accountants, tax advisors), real estate management (landlord, cleaners, etc) marketing support services (public relations, website hosting, etc), travel reservations, hotels and catering, stationery and other office supplies.
- Group companies that provide or procure services to all GMO group affiliates, including the following GMO global services: back office support such as IT infrastructure, software and security, telecommunications, market data and other information services, insurance, tax and accounting services and facilities and human resources management.

The majority of our service providers are located in Australia and the United States of America. However, some of the service providers to the GMO Australia Funds have offices in various other offshore locations. Notably, our trading counterparties may have offices in the U.S., Asia (primarily Singapore and Hong Kong), the United Kingdom and other European locations while the administrator and custodian of the GMO Australia Funds has affiliates with offices in various global locations, including Europe, Asia and the United States.

The terms of our agreements with each of our service providers varies. In the case of larger service providers, we have fixed term agreements that include provisions for renewal of the term. In some cases, such as our engagement of professional advisors, the agreement might be for a fixed term such that each engagement is the subject of a new agreement, each of which expires once the service is completed.

Some of our service providers are engaged by GMO Australia Operating Partnership<sup>1</sup>, an affiliate of GMO Australia, which procures services for GMO Australia under a shared services arrangement. In most cases, GMO Australia engages its service providers in its corporate capacity. However, GMO Australia also engages service providers in its capacity as responsible entity of the GMO Australia Funds. We have identified the primary service providers to the GMO Australia Funds in this Statement and included them in our risk assessments as part of our supply chain.

The portfolio holdings of the Covered Trusts are considered to be part of their respective supply chains. These portfolio holdings comprise:

- cash and cash-like investments (such as Treasury bills issued by the United States Government and bonds issued by Australian state and federal governments); and
- derivatives (futures and swaps contracts over commodities and equities indices and forward foreign exchange contracts) that provide long and short exposure to a range of equity, bond, commodity and currency markets.

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<sup>1</sup> GMO Australia Operating Partnership is not a reporting entity for the year ended 30 June 2023.

The portfolio holdings of the other GMO Australia Funds are not within the scope of this Statement as none of those other GMO Australia Funds are reporting entities.

## GMO AUSTRALIA'S MODERN SLAVERY RISKS

### **4. *Risks of Modern Slavery practices in GMO Australia's operations and supply chain***

As GMO Australia operates in a highly regulated financial services industry and its operations are primarily located in Australia, we do not consider there to be any modern slavery risks present within GMO Australia and its internal business operations. Also, GMO Australia does not consider there to be any risk that it contributes to modern slavery practices through the manner in which it engages with its service providers. Accordingly, GMO Australia has focused on the risk that it is otherwise linked to modern slavery practices through its use of service providers which may themselves have a higher modern slavery risk profile.

The risk that modern slavery practices are present in GMO Australia's supply chain can be determined by assessing service providers against relevant risk factors, including the sectors, types of products and services, geographic location and governance arrangements and track records of particular entities.

#### Risk Assessment of GMO Australia service providers

GMO Australia collected information on its supply chain for the year to 31 December 2023 and conducted a risk assessment of those service providers. Information on our supply chain was obtained from financial records and our vendor management databases and we selected service providers for our risk assessment exercise based on the value and criticality of the service.

The list of service providers was assessed against the following criteria:

- A: Is the product or service at risk of forced labor?
- B: Is the country of operation listed as a high-risk country for that product?
- C: How does the service provider rank in the Know the Chain benchmark<sup>2</sup>?
- D: Any severe labor or human resource controversy (with reference to MSCI data)?

We produced a risk rating based on the outcome of this assessment.

The majority of our service providers were assessed as low risk, there were a small proportion that we assessed as having a moderate risk profile and we did not assess any service providers as high risk or identify any instances of modern slavery practices in our supply chain.

Where we assess any service providers as higher than low or moderate risk, our approach would generally be to issue them with a questionnaire to more accurately assess modern slavery risk. Further engagement with the service provider may also occur to better understand their modern slavery risk profile.

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<sup>2</sup> <https://knowthechain.org/benchmark/>

In the event a service provider maintains a high risk rating, demonstrates it is engaged in modern slavery practices or we otherwise consider their risk monitoring and management approach to be unsatisfactory, we would monitor for improvement and, if no improvement is seen within a reasonable period, seek to employ appropriate remediation steps such as those outlined in section 5 below.

In relation to the portfolio holdings of the Covered Trusts, assessing the risk of modern slavery is a more difficult task. This is because the Covered Trusts do not take delivery of commodities or currencies or have direct equity investments such as shares. Rather, the Covered Trusts invest in financial futures and swaps, which are not tied to an individual commodity or company, but rather represent a long or short exposure to the market overall as defined by relevant market indices. Similarly, in the case of bonds and currencies, the derivative positions taken by the Covered Trusts provide exposure to the movement of those bonds and currencies rather than any direct interest in them. Accordingly, the Covered Trusts do not have any direct link to modern slavery practices that might be present in the constituents of these commodity and equity indices or the issuers of the bonds and currencies. In relation to the cash holdings of the Covered Trusts, the issuers are the US and Australian governments which are considered to have a low modern slavery risk profile.

For these reasons, it is not feasible to assess modern slavery risk for the Covered Trusts' portfolio holdings. Also, even if such information were available, the Covered Trusts would have limited or no leverage with which to engage with relevant companies because they do not hold any direct interest in those companies. Accordingly, the section below on management and remediation efforts in relation to modern slavery risks focus on the operations and supply chains of GMO Australia.

However, we would like to draw attention to GMO's firm-wide management efforts outlined in section 5 below which cover a broad range of markets. Also, to the extent that some of GMO Australia's suppliers can be considered part of the Covered Trusts' supply chain (for example, trading counterparties and data providers), these are covered by GMO Australia's modern slavery arrangements as outlined in this Statement.

#### Regular review of the risk assessment

The risk assessment of our supply chain will be reviewed on an ongoing basis as new information comes to hand or as we engage new service providers and also on a regular/periodic basis. This will be achieved through:

- Annual questionnaires issued to service providers with the ones identified as medium or high risk taken through a more detailed engagement process.
- Alert service set up using MSCI data for tracking item D in our risk assessment.
- Items A, B & C reviewed on an annual basis for existing service providers.

### **5. Management of Modern Slavery risks**

GMO Australia's Modern Slavery Statement was prepared at the direction of a working group which comprised members of Finance, Operations, Risk and Controls, Legal and Compliance functions as well as GMO's ESG and Sustainability team. This group assisted with mapping GMO

Australia's business operations and supply chains using information obtained from financial records and the vendor database. Various other GMO departments were also consulted to provide input on the scope of GMO Australia's supply chain and the risk management practices relevant to modern slavery outlined in this statement.

GMO Australia has established processes and controls to support this Modern Slavery Statement.

### Firm-wide management efforts

The following firm-wide processes support GMO's management of modern slavery risks in its business operations, supply chains and investment activities:

- **GMO participation in Investors Against Slavery and Trafficking (IAST) APAC**

[IAST APAC](#) is an investors coalition with AU\$8.2 trillion in assets under management who are calling on companies to pursue real action to combat modern slavery, human trafficking, and labor exploitation. GMO is one of early asset managers to actively participate in this initiative (since October 2020). This initiative is influenced by the Find It, Fix It, Prevent It project being run by CCLA in the UK – but is focused on companies in Australia as well as the APAC region which account for most of the modern slavery risks in supply chains in the region.

- **GMO Responsible Investment Policy**

GMO believes that Environmental, Social and Governance ("ESG") factors can have a meaningful impact on the long-term success of companies and countries. It is therefore our policy to incorporate ESG factors into investment decision-making and issuer engagement activities. From a research perspective, our focus is on continuously improving our understanding of how integrating ESG factors into security analysis can improve risk-adjusted investment results.

The integration of ESG factors into GMO's investment processes is overseen by our ESG Oversight Committee, which consists of senior investment, risk, and business professionals. This Committee reports to GMO's CEO, with regular updates to the GMO Board.

By partnering with investors and other organizations, we believe we can help encourage the incorporation of ESG factors into decision-making around the globe. To this end, we have added our voice as a member, supporter, or signatory to the following:

- United Nations-sponsored Principles for Responsible Investing (PRI)
- Net Zero Asset Managers Initiative
- Climate Action 100+
- the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)
- Member of the SASB Alliance
- Asian Corporate Governance Association (ACGA)
- Emerging Markets Investors Alliance (EMIA)
- CDP Science-Based Targets Campaign
- CDP Non-Discloser Campaign

- Transition Pathway Initiative
- Investors Against Slavery and Trafficking APAC

GMO completes the PRI reporting process on an annual basis. Our PRI Transparency and Assessment Reports, which highlight GMO's activities and progress made towards implementing the six principles of the PRI, are available upon request.

For more information, please refer to the GMO Responsible Investment Policy (available at <https://www.gmo.com/australia/about-gmo/esg-capabilities/>).

#### ▪ **GMO implementation of Stewardship Codes**

Various investment teams at GMO engage directly with companies. In some cases, the team may meet with company management to confirm impressions gleaned from our in-depth research or to encourage the systematic reporting of non-financial information to improve transparency on ESG metrics. In other cases, the team may utilize conversations with management and on-site visits as an integral part of the investment process.

In addition, GMO views proxy voting as an integral aspect of security ownership. We seek to vote proxies in a manner that encourages and rewards behavior that supports the creation of sustainable long-term growth, and in a way consistent with the investment mandate of the assets we manage for our clients. We believe that strong corporate governance as well as prudent management of environmental and social issues can be identified and rewarded.

By way of formal commitments, GMO is a signatory to the following Stewardship Codes:

- Japan Stewardship Code<sup>3</sup>
- Singapore Stewardship Principles<sup>4</sup>

#### Due diligence of GMO Australia's supply chain

GMO has established a Vendor Risk Management Program under which GMO conducts initial and ongoing due diligence of its critical vendors/service providers mainly through the use of an online third-party vendor management system. This system enables GMO to generate and send questionnaires, record key data to support due diligence reviews of its vendors and manage the due diligence workflow. The vendor due diligence review covers security, data privacy, business continuity, disaster recovery practices, and operational controls in place at the vendor as well as modern slavery risks.

Due diligence for new and existing vendors is performed, which culminates in a risk rating for each vendor, and identified risks are communicated to business stakeholders for their evaluation. GMO Australia oversees these engagements and the outcomes of them.

In addition, the risk profiles of some critical vendors may be monitored through reviews of KPI reports and/or periodic audits of compliance with service standards.

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<sup>3</sup> Read our statement of support (<https://www.gmo.com/globalassets/documents—manually-loaded/documents/esg-investing/japan-stewardship-code-statement-with-proxy.pdf>)

<sup>4</sup> Read our statement of support ([https://www.gmo.com/globalassets/documents—manually-loaded/documents/esg-investing/singapore-stewardship-code\\_gmolc.pdf](https://www.gmo.com/globalassets/documents—manually-loaded/documents/esg-investing/singapore-stewardship-code_gmolc.pdf))



In addition to the questionnaires, and depending on the services provided, or the results of the comprehensive due diligence review, a meeting may be held with a vendor to further discuss risks identified during the review.

GMO Australia also seeks to include supplier standards designed to address potential risks in its contracts with vendors/business partners based on the criticality and perceived vulnerabilities of the vendor relationship.

In addition, GMO Australia has a compliance program in place that covers its regulatory obligations and includes policies that assist generally in the management of the risk that modern slavery is present in our supply chain. For example, our compliance program covers our management of outsourced service providers, compliance with anti-bribery and corruption obligations and general ethical standards for our employees, partners, consultants and other officers.

#### Reporting and grievance processes

GMO has established processes to enable suspected, actual or potential modern slavery practices to be reported. Reports of these practices may be made via the GMO Australia complaints handling and whistle-blower procedures.

#### Remediation processes

GMO Australia has not caused or contributed to modern slavery practices as a result of the manner in which it engages with its service providers. However, should GMO Australia detect a connection to modern slavery risks through the presence of modern slavery practices within its supply chain, it may take a variety of steps aimed at mitigating the potential for harm. Depending on the nature of the adverse behaviour of a service provider and the relationship GMO Australia has with them, the processes GMO Australia will consider using may include:

- The reporting and grievance processes outlined in the section above;
- Monitoring for improvement of relevant controls and business practices;
- Dispute resolution processes included in agreements with relevant service providers;
- Direct communication with the service provider to investigate the issue and collaborate on mitigation steps;
- Altering the nature of GMO Australia's business relationship with the service provider, including by seeking to impose conditions or reduce the scope of our engagement;
- Ending the business relationship;
- Engagement in the Find It, Fix It, Prevent It initiative outlined above.

#### Training of GMO Australia staff

GMO Australia staff receive training on a periodic basis of GMO Australia's obligations under the Modern Slavery Act. The aim of the training is to impart an understanding of what modern slavery actually is, what circumstances may be a risk, how to report any potential issues and what GMO Australia does to address those risks.

## **6. Assessing the effectiveness of GMO Australia's management actions**

In the event modern slavery practices or higher level risks are detected in GMO Australia's supply chain, appropriate responsive actions will be undertaken in consultation with the owners of the relevant service provider relationship and other relevant stakeholders. GMO Australia will review the outcomes of the actions taken to address the matter to assess their effectiveness and whether any actions requested by GMO Australia have been implemented by the relevant service provider.

In order to ensure it can track changes in the risk profile of its service providers, GMO Australia will re-perform the risk assessment of its supply chain on a regular basis and re-issue questionnaires administered using the vendor risk management platform.

GMO Australia also conducts a regular review of its Modern Slavery Framework, including a review of the validity of the risk criteria used in the service provider risk assessments and any updates to this Statement that are needed to reflect changes in the risk profile of our supply chain that occur in each new reporting period.

## ONGOING DEVELOPMENT OF OUR MODERN SLAVERY MANAGEMENT ARRANGEMENTS

GMO Australia takes a continuous improvement approach to its management of modern slavery risks. For example, we regularly review our vendor risk management platform for opportunities to enhance its functionality, including whether there are data sources that could assist in the risk assessments we perform of our vendors.

### GMO's hybrid working practices

GMO Australia staff have been working part of the week in the office and part of the week remotely. These working arrangements did not meaningfully hamper our efforts to establish our modern slavery governance framework and conduct risk assessments of our vendors. In addition, given the nature of our business, we don't think hybrid working arrangements have materially increased the risk of modern slavery in our supply chain. However, we continue to monitor the situation and the way in which our vendors manage their workplace routines.

## APPROVAL OF OUR MODERN SLAVERY STATEMENT

The GMO Australia board of directors reviewed and approved this Modern Slavery Statement on 27 June 2024.



Andrew Walker  
Director, GMO Australia Limited