



ClearBridge

A Franklin Templeton Company

Innovation Advancing Sustainability and Investment Outcomes

2024 Stewardship Report



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Welcome Letter from Terrence Murphy



ClearBridge has seen long-term success by investing in companies committed to ongoing improvement and innovation of their business models, capital allocation practices and operational execution. Our portfolio managers and analysts take a similar approach to the two core elements of the firm's stewardship practices: ESG integration and company engagement. Our 2024 Stewardship Report examines how we are applying the unique risks and opportunities of critical sustainability issues like biodiversity into our sustainability considerations and policies as well as explaining advances in our engagement practices to better quantify and achieve impact.

One area of constant innovation involves improving our ability to monitor and track engagements over time. This has included developing the ClearBridge Materiality Framework™ — industry-specific factors, broadly categorized under environmental, social and governance rubrics, that we use to guide our company engagements.

Engagement to drive positive change in public equities is another longstanding part of ClearBridge's investment decision making and active ownership. Leveraging our long-term focus on strong and lasting relationships with company managements, we launched an enhanced engagement initiative, Engage for Impact (EFI), in 2022 designed to better structure, measure and communicate the progress and outcomes of key engagements. The initiative prioritizes topics closely aligned with value creation and encourages targeted engagements with a strong likelihood of creating positive impact.

The report offers several case studies of the EFl framework in action. It also contains a total of 14 engagement examples, which we believe reflects the vital importance of the long-term partnerships we have formed with our portfolio companies in pursuit of sustainability initiatives.

In addition to our own internal efforts to enhance the efficacy of sustainability initiatives, the report highlights key trends we are monitoring across the global landscape to keep all stakeholders informed about areas of emphasis and emerging topics garnering attention. Despite clean energy stocks being pressured in 2023 by higher interest rates, reducing carbon emissions remains a major global priority and growth trends and fundamentals remain strong. As long-term investors and stewards of our client's capital, we expect the momentum of the clean energy transition to accelerate and we continue to engage with portfolio companies to quantify their progress and contributions in addressing climate change.

Artificial intelligence (AI), meanwhile, is transforming the investment landscape, bringing with it enormous potential for helping sustainability goals, with better data to improve energy efficiency, optimize renewable energy, make agriculture more sustainable and improve human health. We are closely watching these opportunities as we also observe AI's energy intensity and social dimensions as the phenomenon plays out in our companies across sectors.

Biodiversity is another area expected to gain more prominence as the financial industry makes progress in understanding nature-related risks. At ClearBridge, we are seeing the potential for new investment opportunities addressing nature-related risks, with new business models reducing demand for high-impact

commodities, responsibly managing land and sea ecosystems, reducing pollution or enabling decarbonization. Biodiversity has become a firmwide focus area for engagements, and we are pleased to see company managements improving and becoming better versed on the topic.

An effective way for us active managers to guide our portfolio companies is through leading by example. Diversity, equity and inclusion issues have gained greater prominence in the last several years. In addition to encouraging portfolio companies on DEI goals such as improving social data disclosure, we are also proud of the efforts we have made at ClearBridge to develop and maintain a diverse workforce, increasing the percentage of people of color in investment roles for three years in a row.

We acknowledged in last year's report the greater scrutiny being placed on sustainable investing. While that pressure has not abated, our commitment to partnerships and progress with our portfolio companies and the harnessing of innovation to advance sustainability priorities has only grown stronger. As always, we appreciate your long-term partnership and support and look forward to reporting on further progress in our stewardship efforts going forward.

Sincerely,



Terrence Murphy
Chief Executive Officer

Firm Overview

ClearBridge Investments is a leading global equity manager with \$177 billion in assets under management as of December 31, 2023. A Franklin Templeton company, ClearBridge operates with investment independence from headquarters in New York and offices in Baltimore, Calgary, Fort Lauderdale, London, San Mateo and Sydney.

We believe actively managed, high-conviction portfolios that emphasize differentiated, bottom-up stock selection provide clients the best opportunities to earn superior investment results over the long term. Our active approach combines the market knowledge of long-tenured portfolio managers with the original research of a specialized group of sector and portfolio analysts and the deep diligence of a dedicated risk management team. The firm offers global strategies focused on three primary client objectives in our areas of proven expertise: high active share, income solutions and low volatility. We integrate ESG considerations into our fundamental research process across all strategies. As part of this integration, we assign ESG ratings to companies across our coverage universe and use those ratings to drive company engagement.

ClearBridge strategies are available in separately managed accounts, mutual funds, exchange-traded and collective investment funds as well as custom solutions, commingled vehicles and offshore funds.

ClearBridge's 35-year legacy of ESG integration offers a powerful example of long-term thinking, and ClearBridge remains at the forefront among asset managers in promoting and communicating the benefits of including ESG factors when selecting investments and building portfolios.

214

Companies where we are a top 20 shareholder

1000+

Companies with proprietary ESG ratings

\$177

Billion in assets under management

5

Average years we own a company

12

Years explicitly incorporating ESG analysis in analyst compensation

1000+

Company meetings per year

35+

Years integrating ESG analysis in investment process

100%

Proxy voting record

600+

Total ESG engagements in 2023

ClearBridge ESG Milestones

1987

ClearBridge opens first client account using socially responsible investment approach

1997

Joins U.N. Environment Program Finance Initiative (UNEP FI)

1990

Joins Interfaith Center on Corporate Responsibility (ICCR)

2005

Becomes an inaugural Investor Signatory to the Carbon Disclosure Project (CDP)

Participates in launch of the Principles for Responsible Investment (PRI) with Kofi Annan at the NYSE

Establishes central research platform and begins integrating ESG factors by sector

2004

Co-publishes first "ESG" report with the UNEP FI's Asset Management Working Group, which coined "ESG" for institutional investment

2009

Becomes a member of the Responsible Investment Association

2008

Signs U.N.-supported Principles for Responsible Investment (PRI)

2011

Joins Investor Network on Climate Risk (INCR)

Joins Ceres

2012

Joins Global Impact Investing Network (GIIN)

2013

- Forms corporate partnership with WaterAid

2015

- Launches ClearBridge Sustainability Leaders Strategy, ClearBridge's marquis ESG strategy investing in high-quality companies with outstanding ESG characteristics

2017

- ClearBridge assets where ESG factors are integrated and ESG ratings assigned surpasses \$100 billion

2020

- ClearBridge assets where ESG factors are integrated and ESG ratings assigned surpasses \$150 billion
- Signs onto the CDP Science-Based Targets (SBTs) Investor Initiative
- Becomes a member of the FAIRR Initiative

2022

- Joins PRI's Advance as a collaborating investor

2014

- Formally introduces proprietary ESG ratings

2016

- Signs the Access to Medicine Index (ATMI) Investor Statement

2018

- Becomes a signatory to Climate Action 100+ and a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD)

2021

- ClearBridge assets where ESG factors are integrated and ESG ratings assigned surpasses \$200 billion
- Becomes a signatory to Net Zero Asset Managers Initiative (NZAM)
- Becomes a member of the Responsible Investors Association Australasia (RIAA)

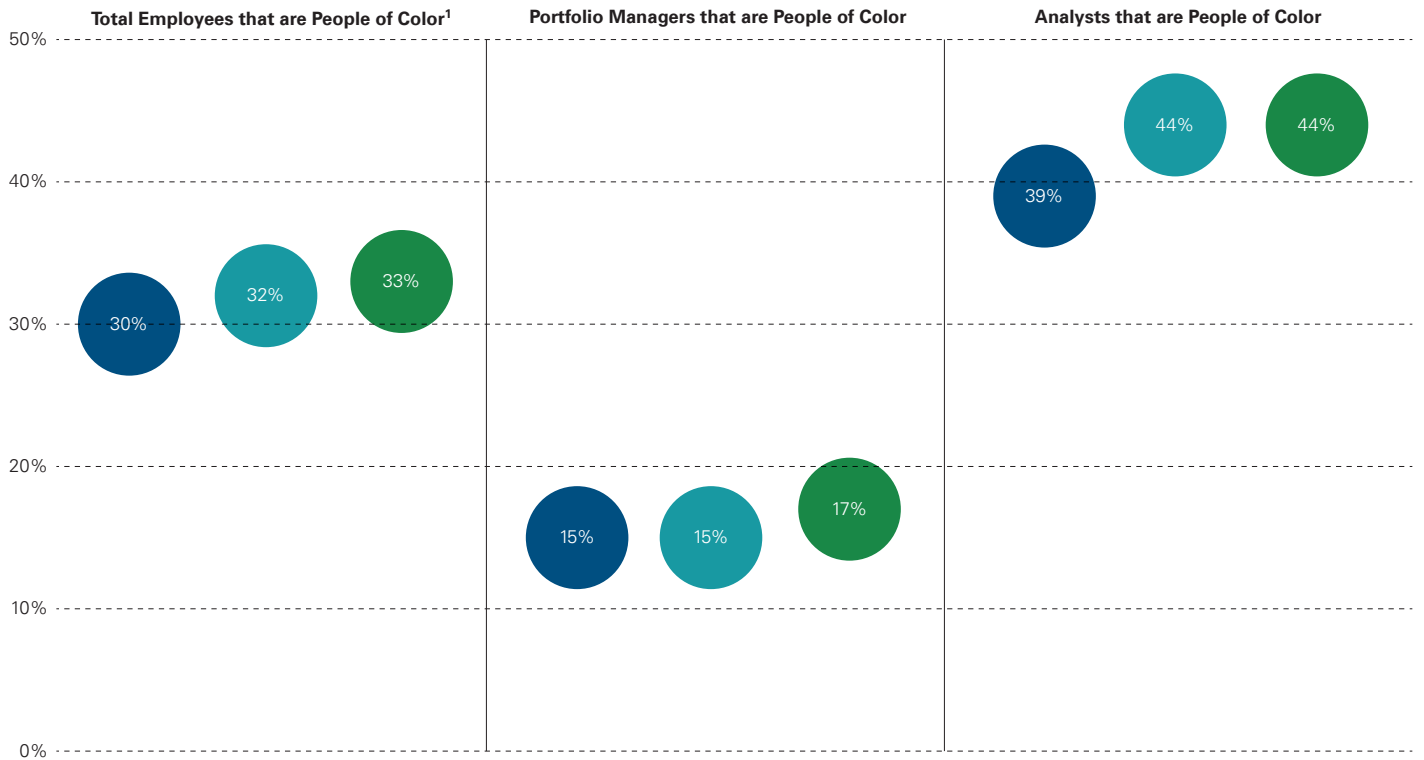
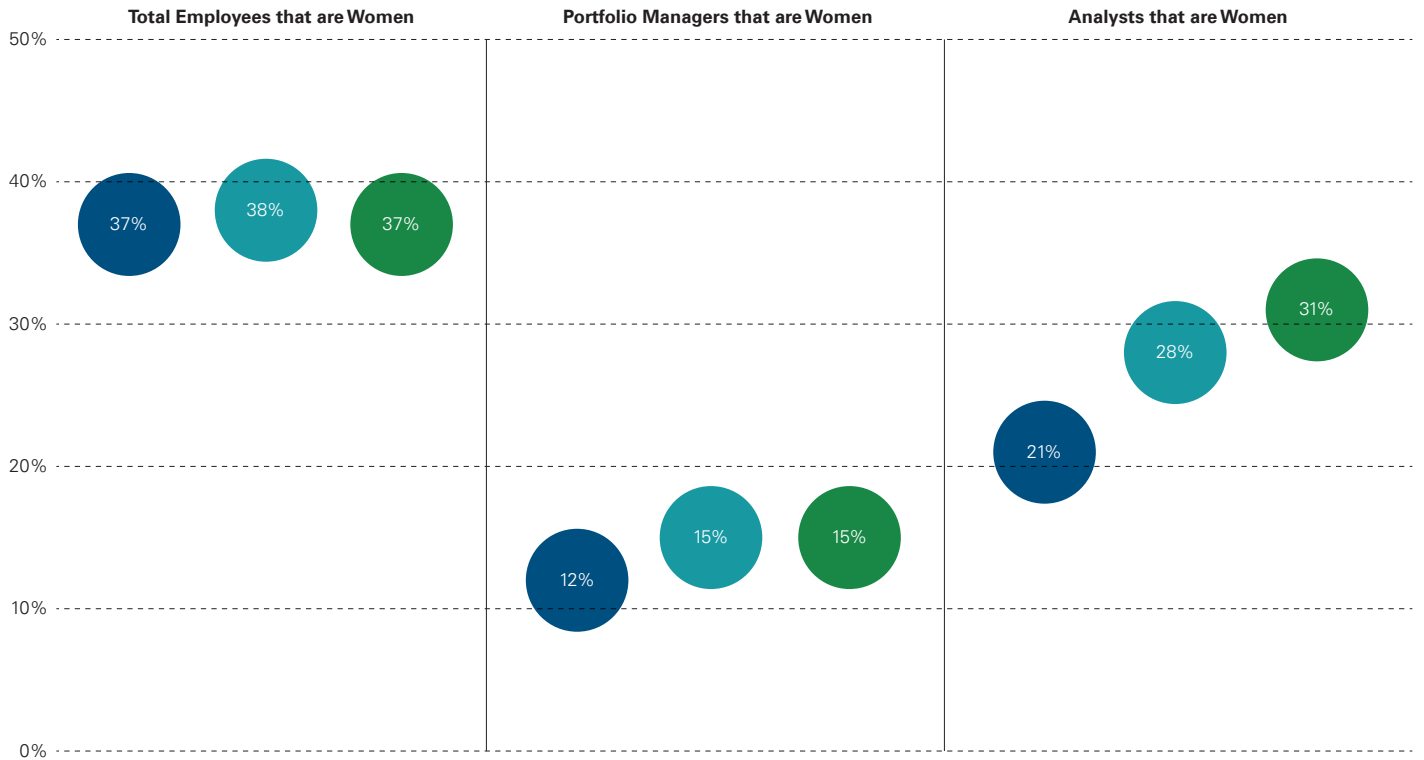
Building a Diverse and Inclusive Culture at ClearBridge

ClearBridge is proud to be a diverse company that promotes respect, integrity and teamwork and encourages new ideas and perspectives. We believe diversity, equity and inclusion (DEI) is essential to our success as an organization since our business benefits from the breadth of our experiences and the diverse sources of ideas and perspectives they offer.

To ensure our employees can always share their unique capabilities and perspectives to benefit our clients, ClearBridge is committed to providing a diverse and inclusive culture. For every employee, this means the opportunity to contribute in an environment that promotes mutual respect and acceptance regardless of differences that are unrelated to one's job function.

ClearBridge believes strongly in pay equity and compensating people based on the work they do and the value they bring to the company, regardless of gender, race, ethnicity, nationality, age, sexual orientation, gender identity, disability or veteran status, or any other type of identifier. Commitment to pay equality is part of our DEI strategy. We will continue to promote equality through our total reward, talent acquisition and management processes.

Over the last 11 years we have supported and sponsored pipeline recruitment efforts through organizations that focus on developing career connections, training and support to diverse undergraduate and graduate students looking to launch careers in financial services including: the Toigo Foundation, SEO Career, Cornell Women in Investing Conference, Big Brothers Big Sisters of New York and Historically Black College or University events and outreach.



● = 2021 ● = 2022 ● = 2023

¹ Excludes employees who do not report this information.

An Annual Update with Mary Jane McQuillen Head of ESG, Portfolio Manager



Since 1996 Mary Jane McQuillen has helped steer ClearBridge’s pioneering approach to sustainable investing and has been central to ClearBridge achieving milestones such as co-publishing the first “ESG” report with the UNEP FI’s Asset Management Working Group, which further coined “ESG” for institutional investment in 2004.

Mary Jane has led ClearBridge’s pioneering ESG integration efforts such as establishing a central research platform that integrates ESG factors by sector in fundamental analysis.

Here Mary Jane discusses the most important trends facing sustainable investing today and what topics are coming up most frequently in ClearBridge’s ongoing engagements with portfolio companies’ CEOs and CFOs.

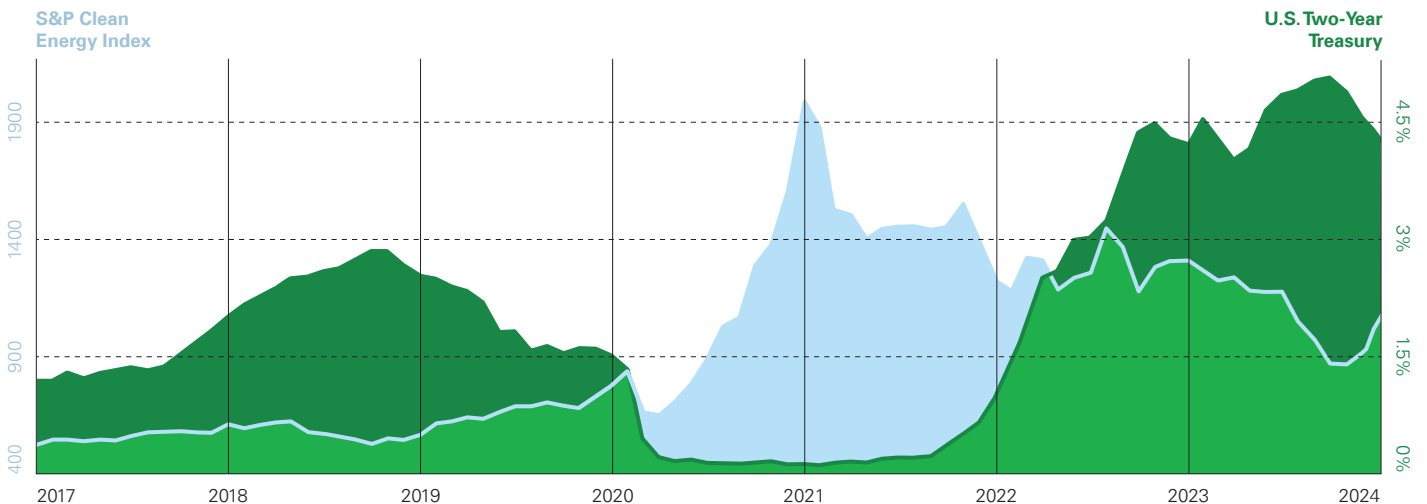
Market Forces a Clear Tailwind for Clean Energy

Entering 2023, we anticipated inflation and rising interest rates would keep pressure on equities. It turned out to be a lopsided market, with challenges for sustainability-focused investors in particular, as a host of clean energy stocks sold off while a very few AI-related stocks drove most of the market's returns. Higher interest rates pressured valuations for clean energy stocks, many of which are long-duration growth companies (Exhibit 1), and competed with income-oriented utilities, where there are

several renewables developers. Higher rates also raised costs for renewables projects and crimped consumer spending on a variety of green purchases, such as residential solar and electric vehicles (EVs).

Reducing carbon emissions remains a major global priority, however, and growth trends and fundamentals remain strong. Solar, wind, batteries and electrolyzers should enjoy an estimated 10%–30% compound annual growth rate for the next 30 years, with costs for solar and batteries falling as scale increases and select valuations undemanding.²

Exhibit 1: Rate Sensitivity of Clean Energy Stocks
As of Dec. 31, 2023.
Source: ClearBridge Investments, Bloomberg Finance.



A stable or declining yield environment in 2024 could offer a macro tailwind for clean energy. The timing could be fortuitous, as it would occur just as significant delayed cash flows from the Inflation Reduction Act (IRA) begin to fill balance sheets.

Importantly, the IRA's guidance for billions of dollars of subsidies for hydrogen production, as well as details on investment tax credits for energy storage technology, is just becoming clear, with more details to come in 2024.

While policy will continue to drive the energy transition broadly, clean energy is becoming more economically attractive fundamentally, as evidenced by the growth in market-driven procurement of solar photovoltaics (PV) and wind. Seventeen percent of the world's utility solar and wind growth is through market-driven structures such as purchase power agreements (PPA), where the U.S. leads, and most of this is corporates (Exhibit 2). Excluding China, this percentage is much higher.

² Bernstein Energy & Power: What goes down must come up? Clean energy investing in 2024. December 8, 2023.

Takeaways from COP28

The location of COP28—in the UAE, a large oil producer—was the source of some skepticism about the conference's intentionality this year. But results look to be more positive than expected. The agreement to transition away from fossil fuels in a just, orderly and equitable manner entails cutting back on all fossil fuels and should further spur spending on clean energy, which continues to outgrow spending on fossil fuels (Exhibit 3). More members from the Middle East have joined alliances for net zero, which are building best practices for global financial institutions still developing transition plans.

The conference also brought about a climate finance deal, in the form of the Loss and Damage Fund intended to help the world's poorest and most vulnerable countries cope with the impacts of climate change, with \$800 million committed. An additional \$330 million was committed to other adaptation and mitigation funds. The addition of new members to the Powering Past Coal Alliance, notably the U.S. and the Czech Republic, could also be considered a success.

Carbon markets found additional support through new public and private initiatives, but they still lack proper implementation guidance. Several carbon market NGOs and initiatives made major announcements to strengthen the governance behind carbon markets, but COP28 ultimately did not advance decisions on how to trade carbon credits between countries, hampering their usefulness for decarbonization efforts.

But the energy transition received deepening commitments. Through a series of initiatives called the "Global Decarbonization Accelerator," countries and energy companies committed to scale green energy systems, abate emissions from legacy systems and address non-CO2 greenhouse gases (GHGs).

- \$85 billion was mobilized for climate finance transformation and climate investment
- 130 countries committed to tripling renewable energy capacity by 2030
- 20+ countries committed to tripling nuclear generation by 2050
- 52 oil and gas companies, including several large national oil companies, committed to decarbonize operations by 2050 and near-zero methane by 2030
- 37 countries agreed to pursue mutual recognition of hydrogen certifications, aiming to unlock a key trade barrier for low-carbon hydrogen

Human Rights and a Just Transition

That the energy transition should happen in a "just, orderly and equitable manner," as the COP28 agreement puts it, speaks to the impacts of climate change and decarbonization on society, with biodiversity a key component. To this end, corporate disclosure regulations are increasingly integrating social topics like human rights. We expect more regulatory focus on human rights and supply chain due diligence, such as the International Sustainability Standards Board's public consultation on human capital and human rights, the EU's Corporate Sustainability Due Diligence Directive (CSDDD), and Canada's Bill S-211 on forced labor and child labor, will heighten awareness around social supply chain risks.

Exhibit 2: Market Forces Driving Solar and Wind Growth

As of June 2023.

Source: IEA (2023), Renewable Energy Market Update–June 2023.

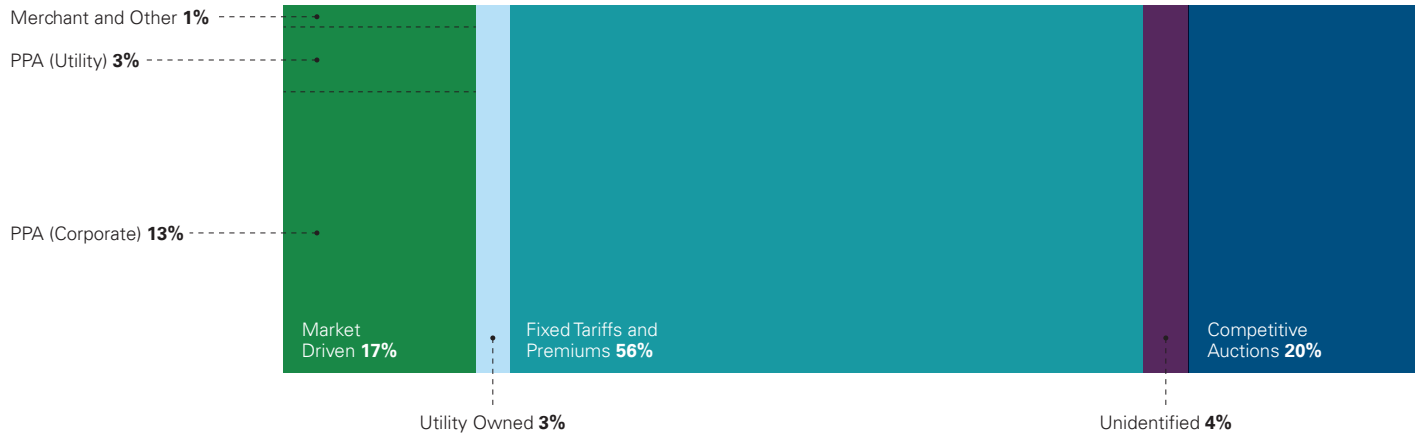


Exhibit 3: Annual Investment in Fossil Fuels and Clean Energy, 2015-2023

As of Oct. 20, 2023.

Source: IEA, Annual investment in fossil fuels and clean energy, 2015-2023.

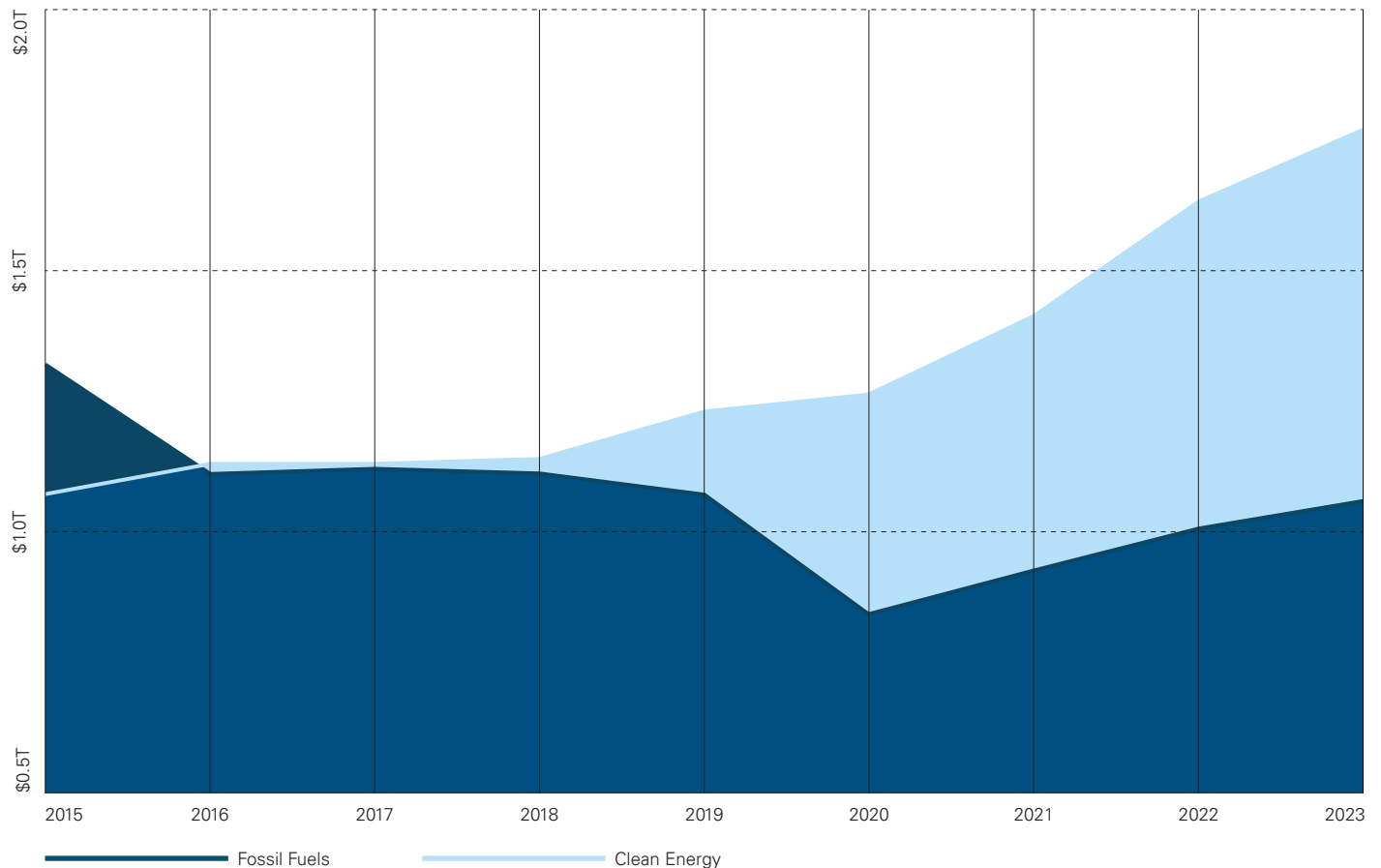
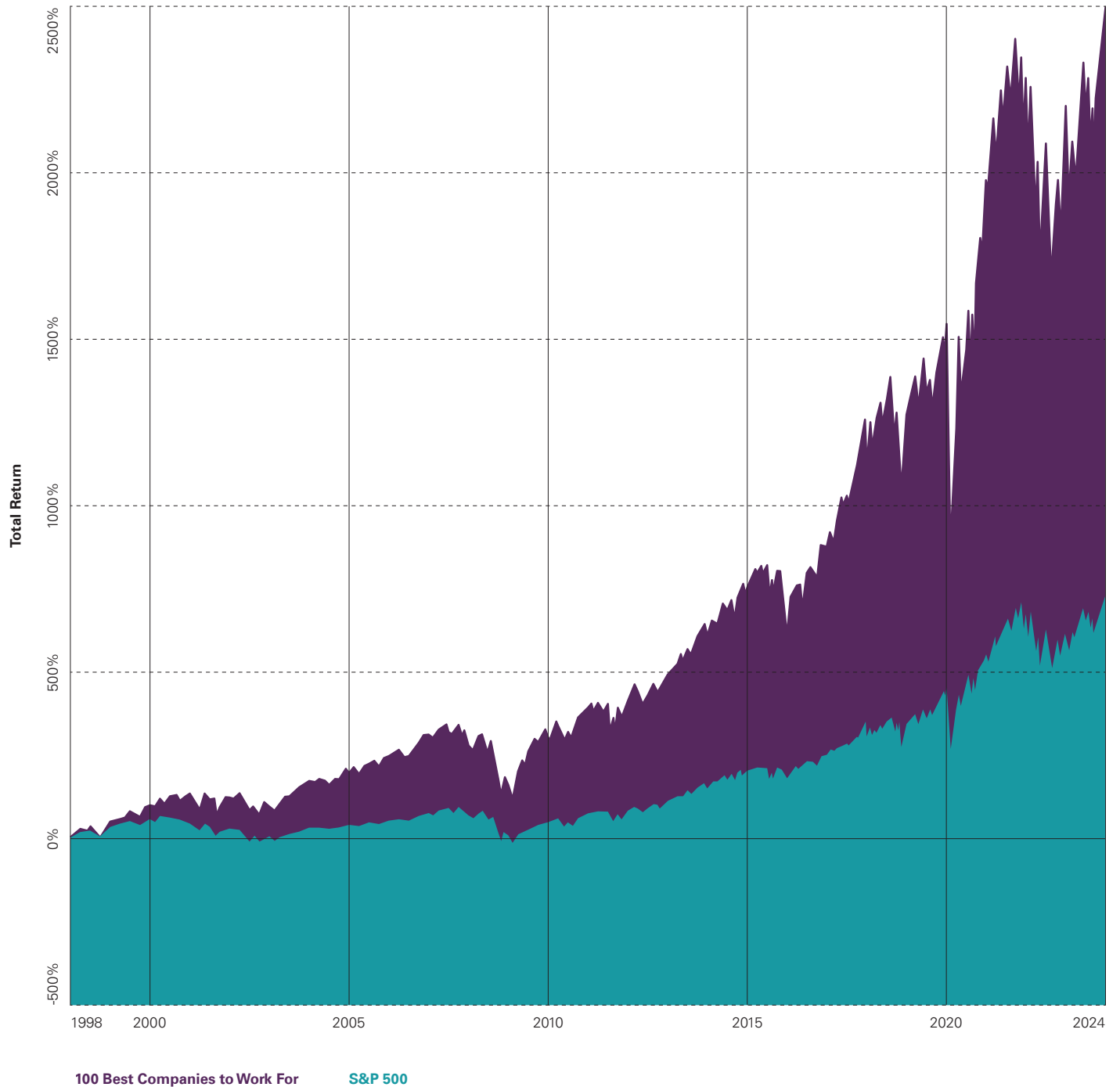


Exhibit 4: The Best Companies to Work For Tend to Do Well
As of Dec. 19, 2023.

Source: Jefferies.



This focus should bolster the ESG data available to investors to help solve social data and disclosure challenges. The case for social data and disclosure is also connected to company performance, as effective human capital management factors—such as diversity, equity and inclusion, recruitment and retention, supply chain labor management and union relations—can suggest how likely they are to perform well (Exhibit 4). We expect Indigenous rights to be a focus for 2024, as well as the role of responsible AI, which will factor more into human capital management-related engagements and shareholder proposals.

AI Potential Comes with Responsibility

The rapid ascension of large-language model AI in 2023 has made the technology central to companies' futures in nearly every sector. AI offers social and environmental benefits, including potential efficiencies in simple repetitive tasks, helping health care broadly, and in AI's ability to address areas such as improving monitoring of carbon emissions, even deforestation, and the development of decarbonization strategies for businesses.

AI has also sparked many debates. Potential social harms include discrimination, misinformation, harmful content, cybersecurity risks and copyright and intellectual property theft (among many others). AI may be contentious from a labor standpoint as companies craft automation strategies. AI is also energy intensive, creating environmental risks. Technology companies have typically been perceived as asset-light, lower-emission investment options, but this could change. Similar to cryptocurrency, AI requires immense compute power, which means more demand for data centers, which are already responsible for 2%–3% of global GHG emissions. A generative AI query could use 5x the amount

of computing power as a search engine query. The 1.5 million AI server units Nvidia expects to ship by 2027, running at full capacity, would consume more electricity than what many small companies use in a year. AI's safety and energy efficiency will dominate discussions with our holdings across sectors in the coming quarters and years.

A Role for Both Leaders and Improvers

There are several ways for investors to seek attractive returns while building a better and more sustainable world, and we are pleased to see more practical approaches to investing in sustainability improvers alongside sustainability leaders. Improvers, such as companies in heavier-emitting yet generally indispensable sectors (e.g., utilities, transportation fuel and materials) that are genuinely making efforts to lower emissions, can have an outsize impact if the improvement targets are credible with ties to portfolio actions. Both leaders and improvers are needed and can be complementary—leaders offer best practices, provide solutions and often have large-scale impact, while growth in improver strategies deepens the bench, helps progress toward climate objectives by tackling the most challenging industries, and could even be more forward-looking, focusing on green capex rather than revenue, for example.

One major improvers category might be oil and gas companies. While there are legitimate concerns about these companies from sustainability investors, they are delivering credible improvements in methane emissions—a relatively easy but powerful fix—and are the biggest scalars in terms of carbon capture, whose infrastructure one way or another will be crucial in global decarbonization efforts.

Innovation Is Crucial to Sustaining Sustainability

It is important to reflect on how essential public companies are to the innovation that improves life on earth. Three-quarters of emission reductions needed for net zero will be from technology that is not yet commercial (Exhibit 5).

Innovation is, of course, central to improving health care outcomes around the world. Malaria mortality rates have dropped by 50% worldwide since 2000, with an estimated 11.7 million malaria deaths averted between 2000 and 2021, with insecticide-treated malaria nets a seemingly simple yet powerful driver of this progress and Exxon Mobil and Sumitomo Chemical were early innovators in their development and distribution.³ Refrigeration of insulin also poses a challenge in many regions. In engagements with pharmaceutical company Novo Nordisk, which is part of the Access to Medicine Index, we have discussed how the company allocates capital to R&D to fund innovation to one day expand the shelf life of insulin by four weeks, helping to overcome refrigeration challenges and save lives. Likewise, innovation from Trane Technologies in its Thermo King unit helped supply the pharma cold chain—including cold storage, air, ocean, road and last mile ultra-cold temperature controls—and enable it to deliver the largest product launch in history as it distributed Pfizer-BioNTech's COVID-19 vaccine.⁴

Innovation can happen in business models too. Prologis operates logistics real estate benefiting from e-commerce growth (its largest customer is Amazon.com); it is also developing a clean energy business as it works closely to implement efficiency improvements with its customers, for example with onsite solar energy. Prologis is the second-largest private owner of rooftop solar in the U.S. Its energy business also includes battery storage and EV charging infrastructure, which it sells as a service to tenants. Given its current development pipeline, Prologis's investments in its renewable energy portfolio should increase its renewable capacity from 0.5 GW currently to 7 GW by 2030, with growth of recurring revenue from ~\$50 million to ~\$1.4 billion a year.

Eastman Chemical is another example of a company whose evolving business model is addressing the world's urgent decarbonization needs. Once a subsidiary of Kodak, Eastman Chemical makes a variety of coatings, bioplastics and plastics for packaging, and is a heavy emitter. But it is also building out the circular economy by developing two advanced recycling facilities that will reduce its own emissions and eventually provide recycling services to other chemical companies, reducing theirs. Its innovations in molecular recycling could account for almost 30% of its current EBITDA by 2026 as it targets recycling more than 250 million pounds of plastic waste annually by 2025 and 500 million pounds annually by 2030.

³ "World Malaria Report 2022," World Health Organization.

⁴ Guaranteeing integrity: Pharma cold chains and Covid-19 vaccine rollouts, Thermo King, April 2021.

Biodiversity Among 2024 Priorities

While responsible investors have always valued the environment, the financial industry is making fresh progress understanding nature-related risks and valuing biodiversity from an investment perspective. With the launch of the Task Force on Nature-Related Financial Disclosures (TNFD) in 2023, we will look toward the 16th meeting of the Conference of the Parties (COP) to the Convention on Biological Diversity (CBD), which will convene in November 2024 in Colombia.

ClearBridge, meanwhile, is seeing the potential for new investment opportunities addressing nature-related risks, with new business models reducing demand for high-impact commodities, responsibly managing land and sea ecosystems, reducing pollution or enabling decarbonization. Biodiversity is a firmwide focus area for ClearBridge engagements, and we are pleased to see company managements improving and becoming better versed on the topic.

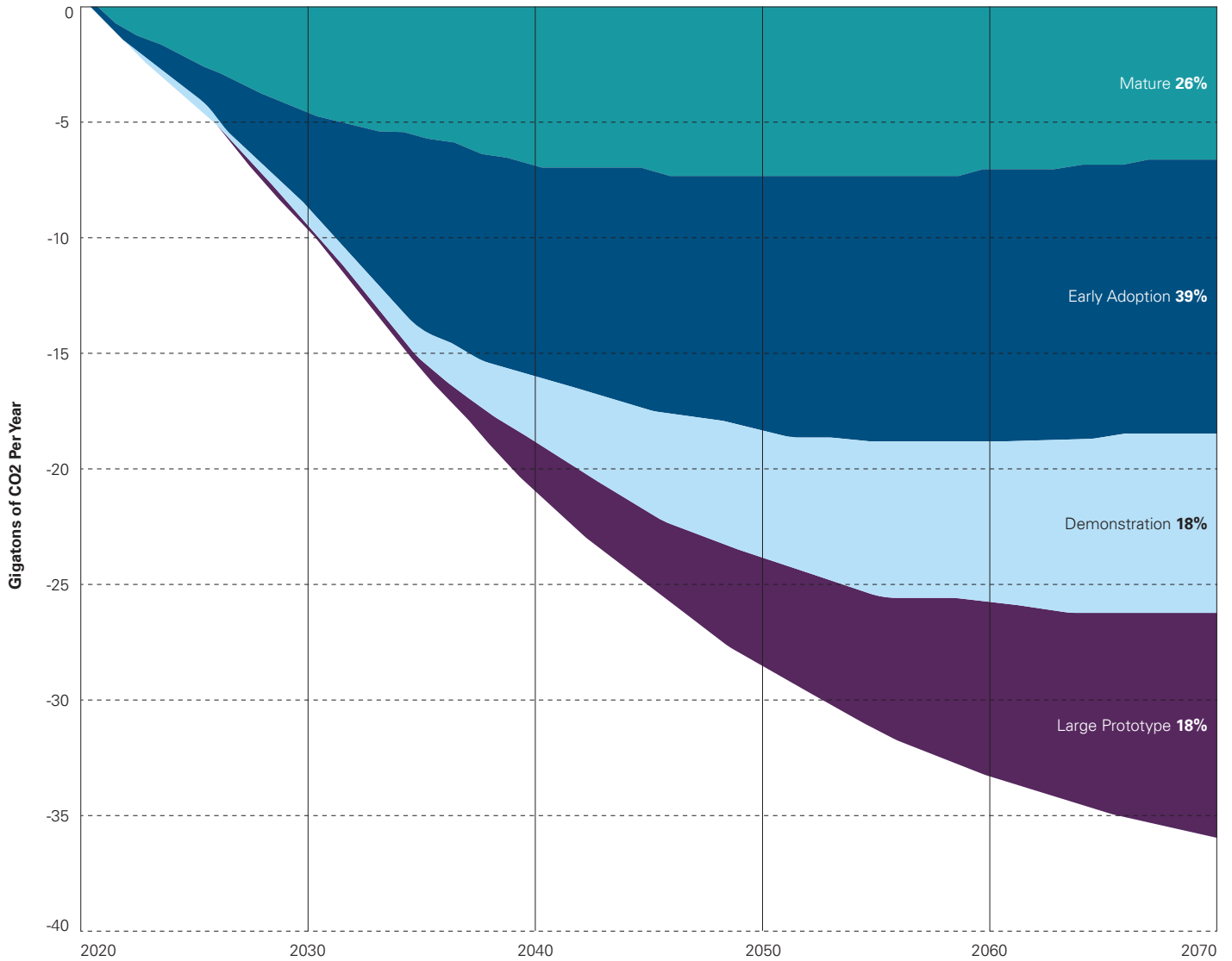


Exhibit 5: Net Zero Will Depend on R&D

As of Sept. 2020.

Source: IEA, Global energy sector CO2 emissions reductions by current technology maturity category in the Sustainable Development Scenario relative to the Stated Policies Scenario, 2019-2070.



Forward thinking fosters growth.

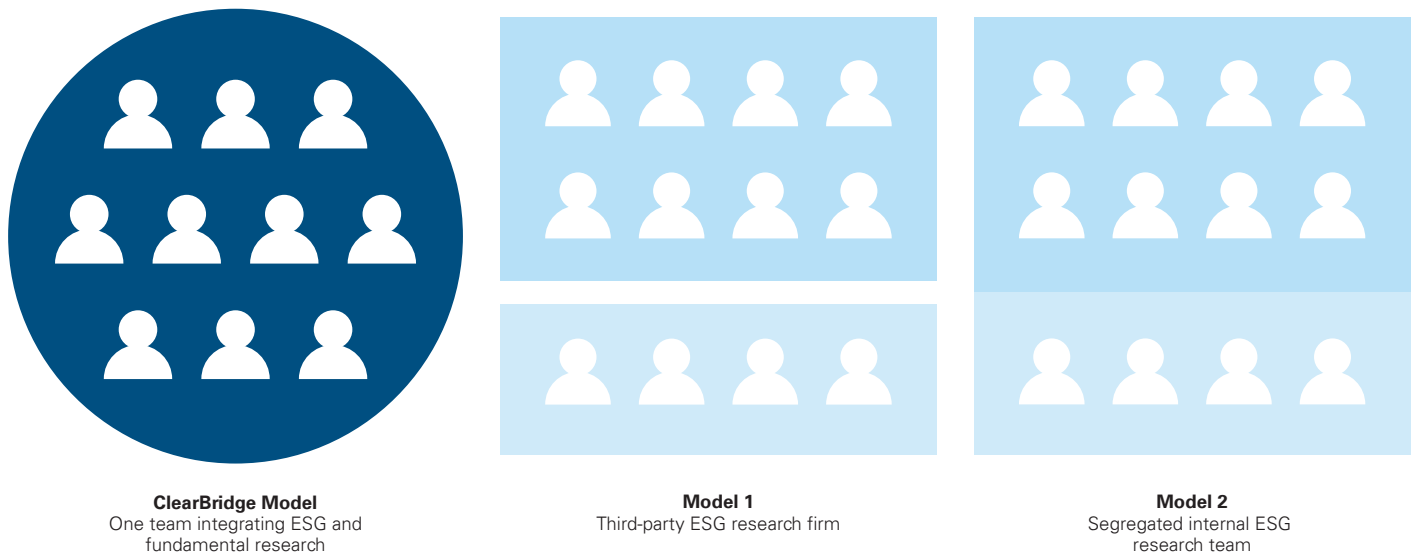
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Extending a Long History in ESG Integration

	Example of Strong ESG Performance	Example of Weak ESG Performance
Product Demand	Products made sustainably (e.g., with transparent, lower-impact manufacturing practices) can attract new customers and increase customer loyalty	Poor product safety or quality, and poor manufacturing practices (e.g., supply chain labor controversies) can damage brand reputation and reduce product demand
Operating Efficiency	Efficient use of resources such as energy, raw materials and water can reduce operating costs and increase profitability	Lack of environmental management systems can indicate inefficient use of resources and unnecessary costs
Regulation	Products with positive externalities may receive regulatory support over time (e.g., subsidies, grants, less regulation)	Products with negative externalities may face increased regulatory scrutiny over time (e.g., taxes, advertising restrictions, bans, fines, legal liabilities)
Human Capital	Companies that treat employees well can have higher employee engagement and lower employee turnover, which can increase productivity, reduce HR costs and increase customer loyalty	Companies that treat employees poorly can experience strikes, lower employee engagement and higher employee turnover, which can reduce productivity, increase HR costs and decrease customer loyalty
Social License to Operate	Companies with strong track records on ESG can experience better community relations, making it easier to operate and receive support and incentives to expand	Companies with poor track records on ESG can experience disruptions to existing operations and expansion plans (e.g., protests, boycotts, blocked M&A)
Capital Allocation	A robust capital allocation framework with well-aligned incentives can enable management to take the right amount of risk in setting strategy and allocating capital	A poorly defined capital allocation framework with misaligned incentives can result in under- or overinvestment in the business and misallocation of capital
Investment	Effective investment in R&D drives product innovation and process innovation, which can increase long-term sales and profitability	Underinvestment in R&D (e.g., to improve short-term profitability) can lead to less competitive products and processes over the long term

Exhibit 6: ESG Performance and Value Creation
Source: ClearBridge Investments.

Exhibit 7: ClearBridge Model of ESG Integration
Source: ClearBridge Investments.



The ClearBridge Model of ESG Integration

A Key Part of Active Investing

ClearBridge integrates environmental, social and governance (ESG) considerations into our fundamental research process across industry sectors and in all our investment strategies. Our 35-year experience of developing innovative and more effective ways of doing this tells us this is a powerful example of long-term thinking and an essential part of active investing.

Our long legacy of ESG integration is supported by abundant academic evidence that strong ESG performance can result in lower costs of capital and better operational performance for companies.⁵

Underlying ESG investing as ClearBridge practices it are the many ways a company's performance on material ESG issues can affect value creation ([Exhibit 6](#)).

⁵McKinsey & Company, "Why ESG Is Here to Stay," May 2020.

How ESG Integration Works

ClearBridge "integrates" ESG research by explicitly including it in fundamental company research performed by analysts on ClearBridge's sector research team, analysts dedicated to specific portfolios, and portfolio managers, who include ClearBridge's proprietary ESG ratings and analysis in their investment decision making.

This is a key point—ClearBridge ESG research is not done by separate non-financial analysts or as an overlay of packaged research from a third party ([Exhibit 7](#)). For every stock recommendation, each analyst presents the investment thesis, risk/reward profile, valuation, target price and proprietary ESG rating ([Exhibit 8](#)).

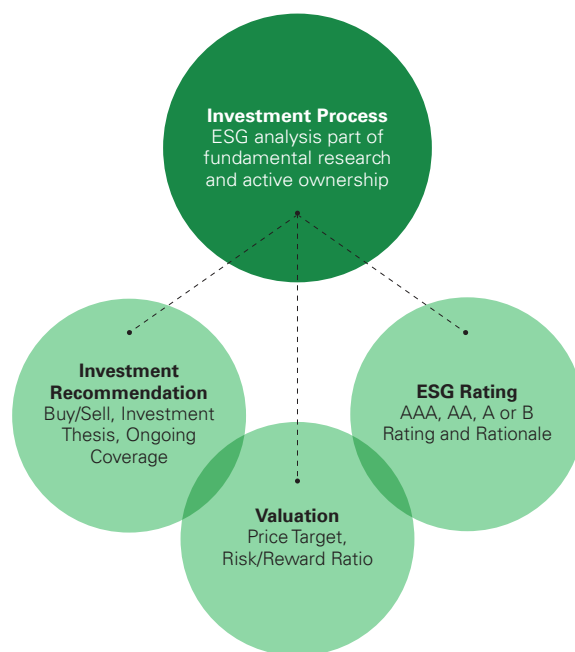
Proprietary ESG Ratings

Given our experience integrating ESG and fundamental analysis and engaging with companies, as well as the breadth of our analysts' expertise across industries, ClearBridge is well-positioned to develop formal ESG ratings that technically apply environmental, social and governance standards. As part of our fundamental research process, we assign proprietary ESG ratings to companies and use those internal assessments to track progress and drive engagement with company managements.

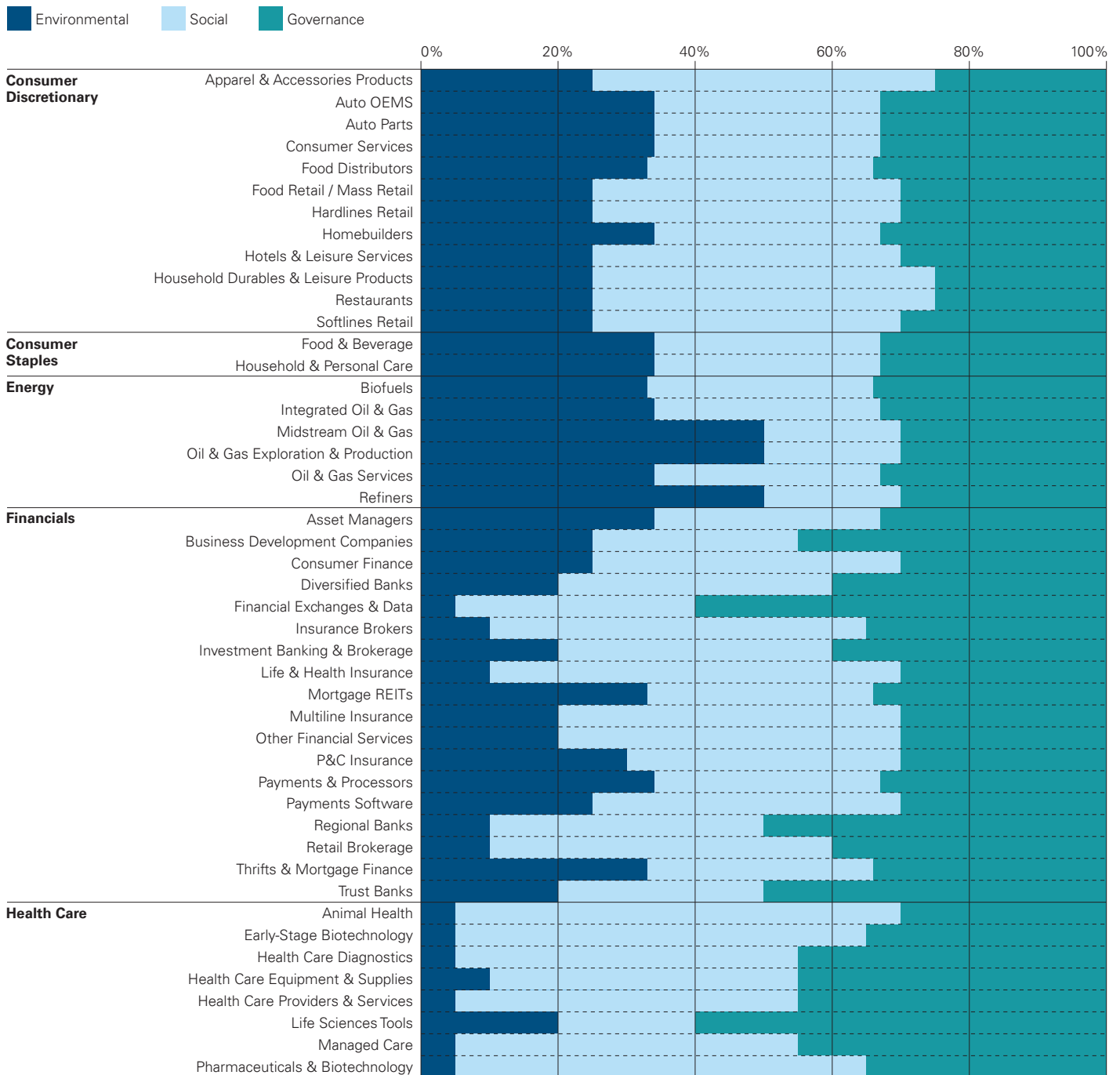
ClearBridge analysts have integrated ESG factors into their processes for generating investment recommendations for more than 35 years; we began formally incorporating ESG analysis in analyst compensation and performance reviews in 2012 and introduced our proprietary ESG ratings in 2014.

Exhibit 8: ESG Analysis in the Investment Process

Source: ClearBridge Investments.

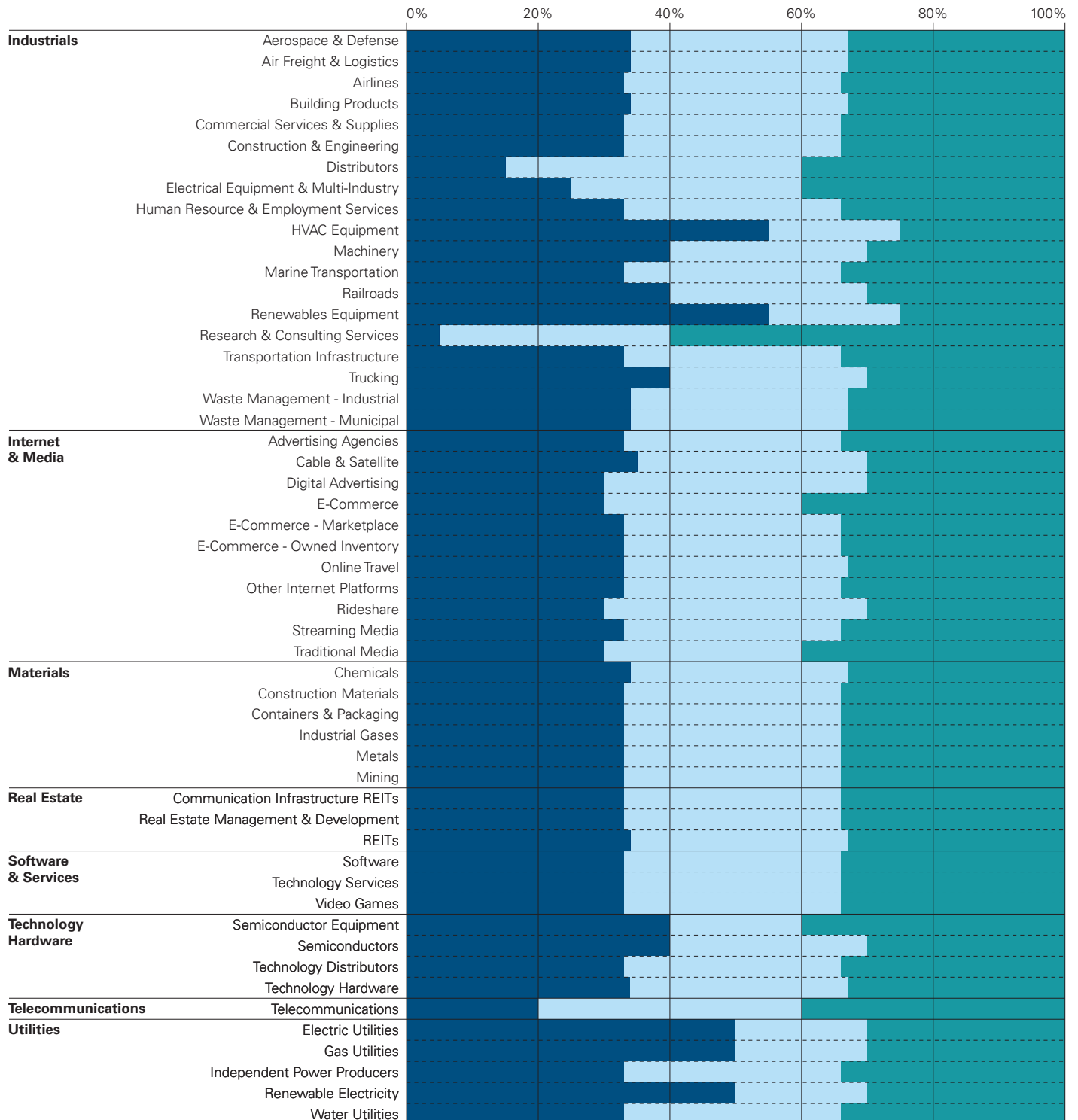


ClearBridge Materiality Framework™



ClearBridge uses a proprietary materiality framework that identifies the key ESG considerations for each sector and subsector under analyst coverage. The ClearBridge ESG Materiality Framework™ focuses on the ESG issues that

truly matter for each company. It leverages our analysts' many years of experience and supports and complements the research performed by portfolio analysts and portfolio managers who focus on particular strategies, often collaborating on company coverage.

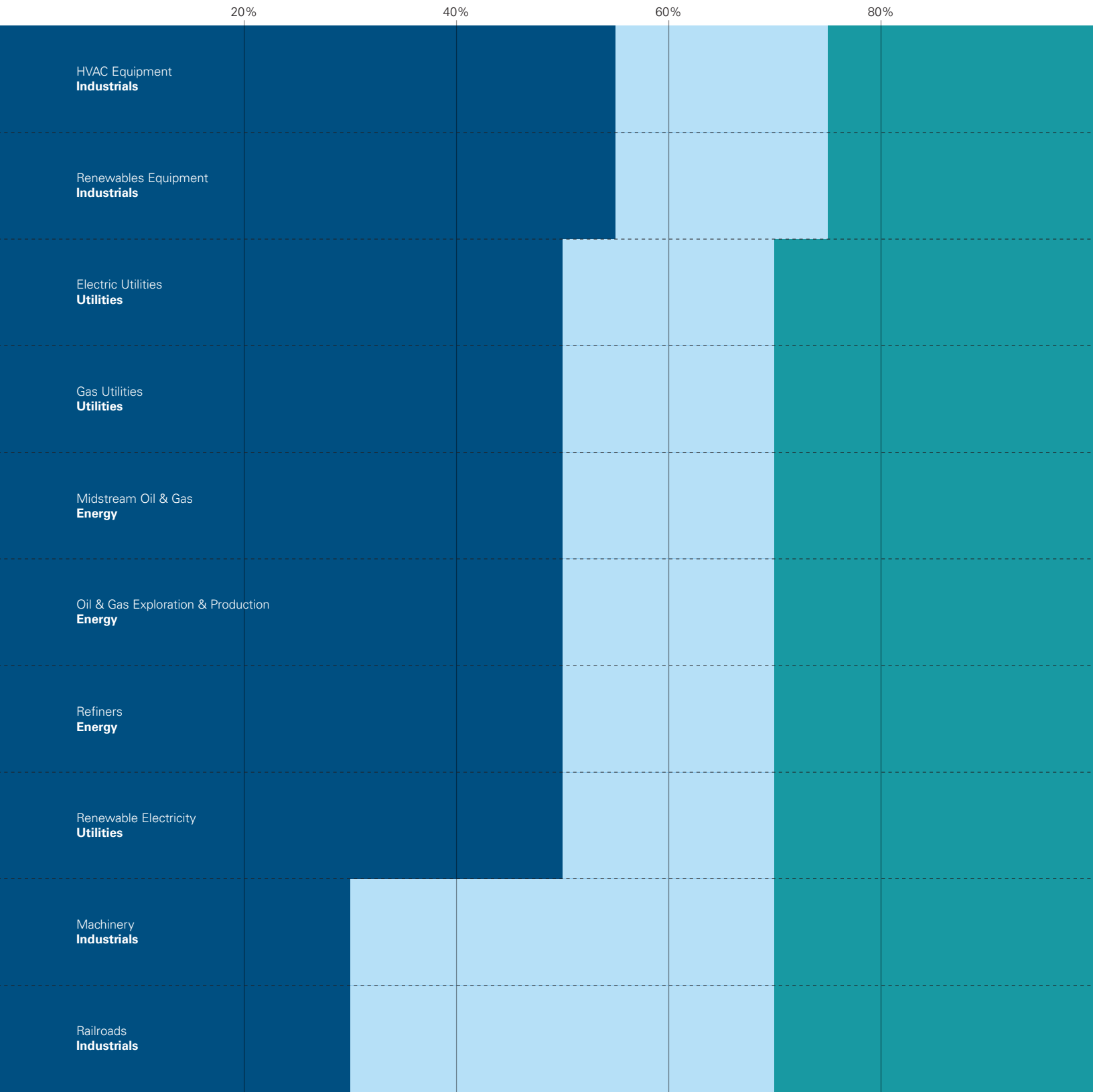


Harnessing innovation to advance sustainability priorities and partnering with portfolio companies to drive progress for shareholders remain central to what we do.

Terrence Murphy
Chief Executive Officer

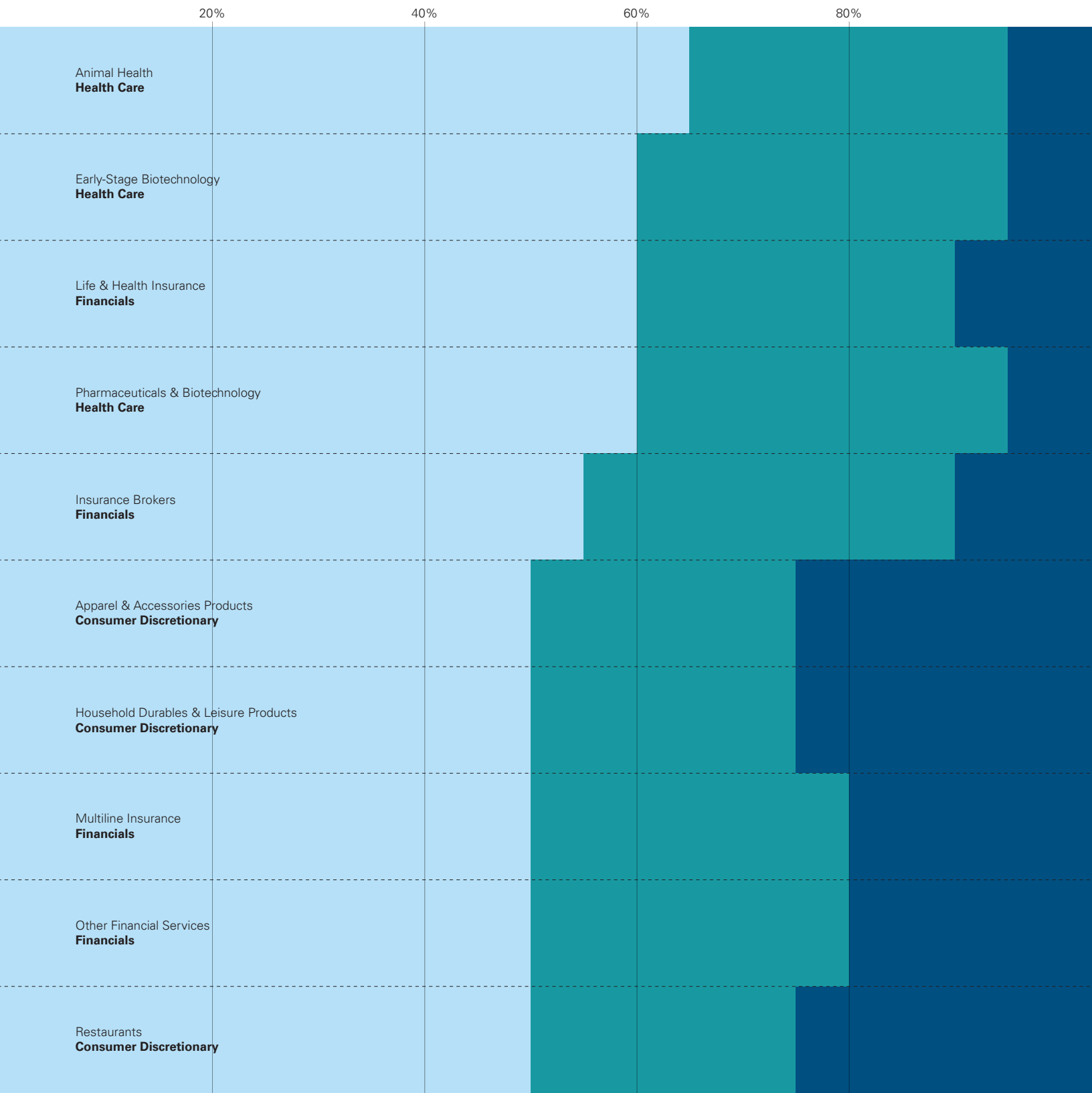
Top 10 Environmental Subsectors

Environmental Social Governance



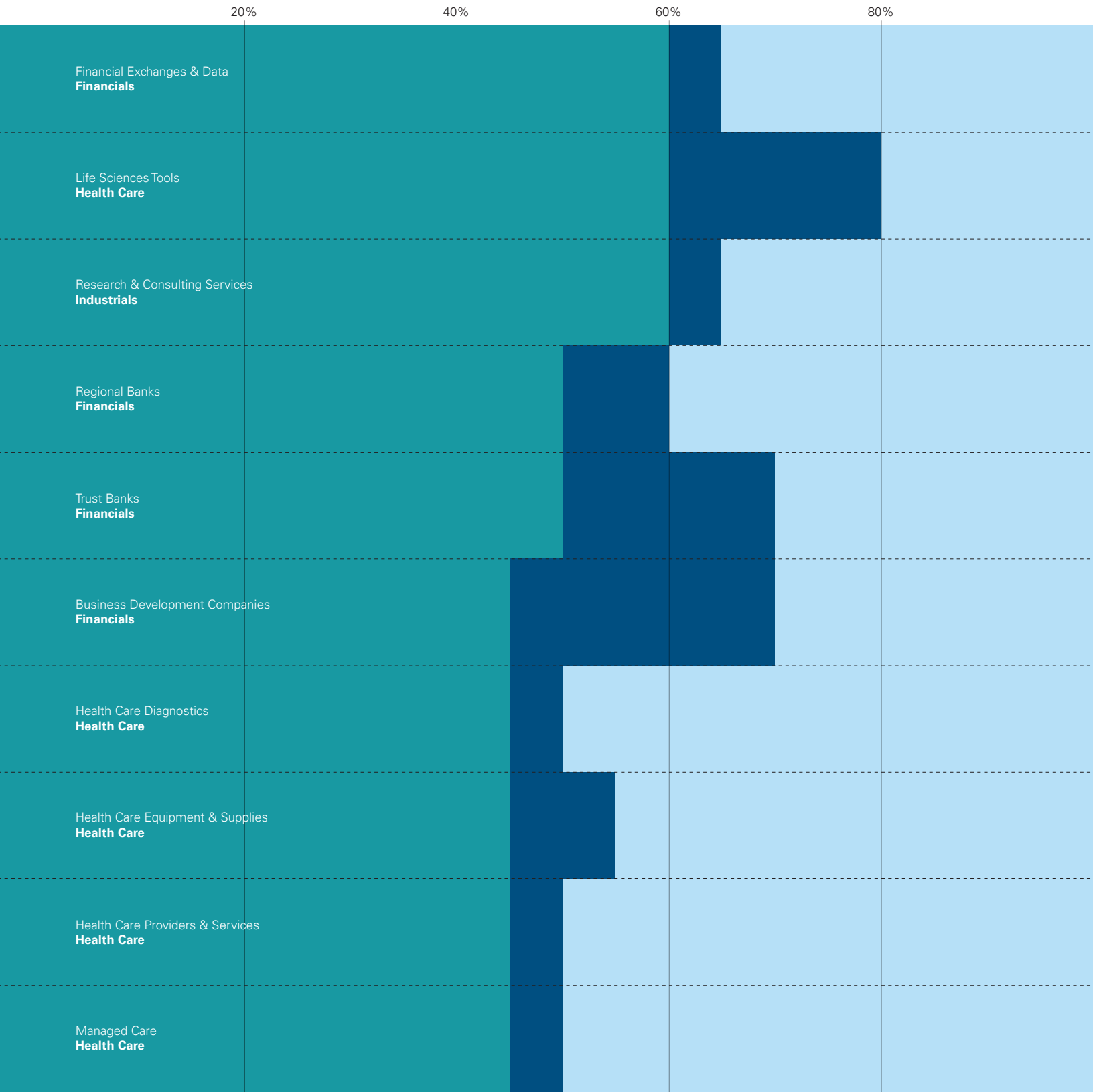
Top 10 Social Subsectors

Environmental Social Governance



Top 10 Governance Subsectors

Environmental Social Governance



New at ClearBridge in 2023

ClearBridge Earns Top Scores at U.N. PRI

ClearBridge earned top scores (5 stars) across all three categories of the U.N.-supported Principles for Responsible Investment (PRI) reporting assessment in 2023, scoring well above the median of the PRI universe, which includes over 3,000 asset managers (Exhibit 9). ClearBridge has been a PRI signatory since 2008.

ClearBridge Signs ICCR Living Wage Statement

In November 2023, investors including ClearBridge representing \$4.5 trillion in assets under management and advisement signed a statement calling on U.S. companies to take steps toward paying a living wage to both direct and contract workers in line with international human rights standards. Long-term investment in a company's workforce can have positive outcomes for a business, for example, by increasing job satisfaction, increasing productivity and helping to attract and retain talent. Further, wage increases for the economy's lowest earners can help address broader systemic risks such as income inequality, gender and racial disparities in the U.S. labor market that can have social and economic impacts over the long term.

Updates to ClearBridge's ESG Policy

In 2023 ClearBridge updated its ESG Policy to increase our focus on several material ESG topics and to bolster ESG oversight:

Biodiversity and Nature-Related Risks and Opportunities

Biodiversity has long been overlooked as climate concerns have taken center stage. In recent years, we have realized just how linked nature loss and climate change are. ClearBridge has long considered nature-related risks within sectors highly dependent or with substantial impacts on nature; in 2023 the formal articulation of a biodiversity policy within our ESG Policy further substantiates our efforts, especially with its connection to our net-zero goal.

Climate Change and Net-Zero Escalation

We further bolstered our climate change policy in 2023 to expand upon where we see climate risk and opportunities

present within our business and how we address them in our investment process. We also developed a net-zero escalation policy in line with our 2050 net-zero target, laying out our minimum expectations for companies in-scope of our target or as part of Climate Action 100+.

Human Rights Due Diligence

While human rights due diligence has been a longstanding part of ClearBridge's ESG integration, in 2023 we formalized our human rights policy to signal to the market we are committed to advancing and respecting human rights standards in our investments. We formally endorsed internationally recognized human rights standards and frameworks, including the U.N. Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises and the U.N. Global Compact.

ESG in Risk Reviews

To better manage and oversee ESG-related risks across our portfolios, ClearBridge's Head of Investment Risk Management began incorporating portfolio-level ESG analysis in quarterly investment risk reviews.

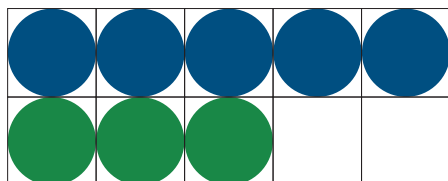
Compliance Oversight of ESG Research and Ratings

To have more formal ESG oversight, in 2023 ClearBridge initiated a daily Compliance review of all analysts' ESG research to ensure each proprietary ESG rating has been entered accurately and remains consistent on an ongoing basis.

2023 Reporting Period



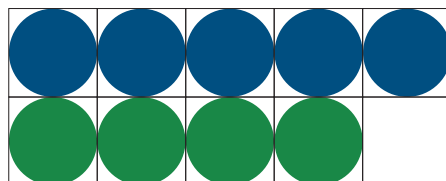
Policy Governance and Strategy



Individual Score

93

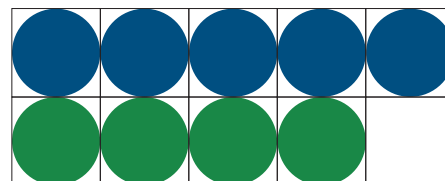
Direct-Listed Equity-Active Fundamental



Individual Score

96

Confidence Building Measures



Individual Score

100

The PRI is an investor initiative in partnership with the UNEP Finance Initiative and the U.N. Global Compact. The Principles provide a voluntary framework for investment professionals who commit to integrate environmental, social, and governance (ESG) factors into their investment analysis and decision-making practices.

Scores have been calculated based on signatories' self-assessment and using the scoring methodology approved by the PRI Assessment Group. Although a limited

verification exercise was undertaken with a proportion of signatories, responses have not been independently audited by the PRI Secretariat, PRI Assessment Group, or any other third party. Individual results including comparisons to the overall results (quartiles) are indicative and do not imply an endorsement of signatory activity. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of information presented, and no responsibility or liability can be accepted for any error, omission or inaccuracy in this information.

Updates to the 2023 ClearBridge Proxy Voting Guidelines

The ClearBridge Proxy Committee made several updates to the ClearBridge Proxy Voting Guidelines in 2023:

Directors of Significant GHG Emitters

We added two case-by-case guidelines to proposals on election of directors: 1) we will generally vote against the chair of the board and the chair of the responsible committee for companies that are significant GHG emitters and have not taken the minimum steps needed to understand, assess and mitigate risks related to climate change, and 2) in line with our net-zero commitment, and as an escalation, we may decide to vote against the chair and relevant directors if we determine insufficient progress has been made toward addressing emissions over time after extensive direct engagements with the company.

Dual-Class Stock

We updated guidelines for proposals concerning dual-class stock, such that we vote for proposals to eliminate dual-class structures, unless a company has a stated policy that stipulates that the dual-class structure will be eliminated in five years or less following its initial public offering.

Human Capital Management

We also added guidelines on environmental and social proposals concerning: 1) talent acquisition and retention policies such that we generally support proposals on a case-by-case basis that enable a company to recruit, support and retain talent in a globally competitive world, and 2) proposals asking a company to conduct an independent racial equity and/or civil rights audit, which we generally support but vote on a case-by-case basis given the variability in proposal wording.

Net Zero Asset Managers Initiative: 2023 Update

In 2021 ClearBridge joined the Net Zero Asset Managers initiative, a group of more than 300 asset managers with nearly \$60 trillion in assets under management that are committed to playing their part in getting the world to net-zero carbon emissions by 2050.

As part of the initiative we committed to the following goals:

By 2050:

Achieve net-zero emissions across all ClearBridge portfolios

By 2040:

Align 100% of assets with the pathway to net zero by 2050

By 2030:

Achieve at least 66% of current in-scope assets net zero aligned or subject to engagement

Through our net-zero assessment, we group portfolio companies into one of four categories (Exhibit 10). The focus of our approach is to conduct focused engagements with companies to move them toward “Net Zero Aligned” until 100% of our assets are on a net-zero pathway.

ClearBridge’s Net-Zero Alignment: 2023 Highlights

55% Of in-scope assets are net zero aligned

51% Increase of net-zero-aligned assets from 2021 baseline

27% Increase of net-zero-aligned assets year over year

27% Ahead of schedule on our target pathway

Exhibit 10: ClearBridge Assessment for Net-Zero Alignment of Portfolio Companies

01

No Target

Company has not set a decarbonization target

02

Target, Not Aligned to Net Zero

Company has set a target, but it is not aligned to a net-zero pathway

03

Committed to Set Net-Zero-Aligned Target

Company has committed to setting a verified science-based target within two years

04

Net Zero Aligned

Company has set a verified science-based target
or
Considered a pure-play climate solutions provider

Measuring the alignment of our in-scope assets as of December 31, 2023, we find 55% to be “Net Zero Aligned” (Exhibit 11).⁶ This represents a 51% increase from our baseline and 27% over our target pathway (Exhibit 12).

⁶ As of December 31, 2023, in-scope assets account for 27% of our total AUM and represent core, value and growth exposures with a diverse range of sector allocations, and thus varying portfolio-level emissions.

Exhibit 11: Alignment of ClearBridge In-Scope Assets
As of Dec. 31, 2023. Numbers may not add to 100% due to rounding.
Source: ClearBridge Investments.

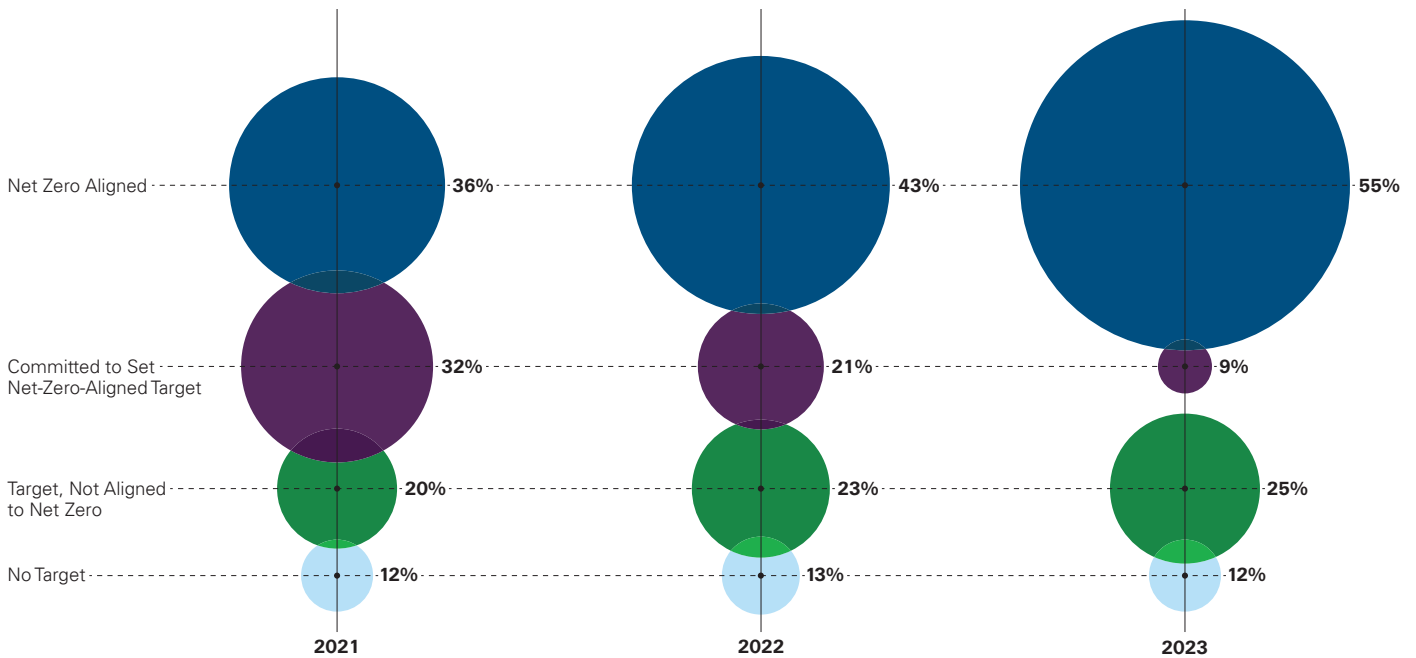
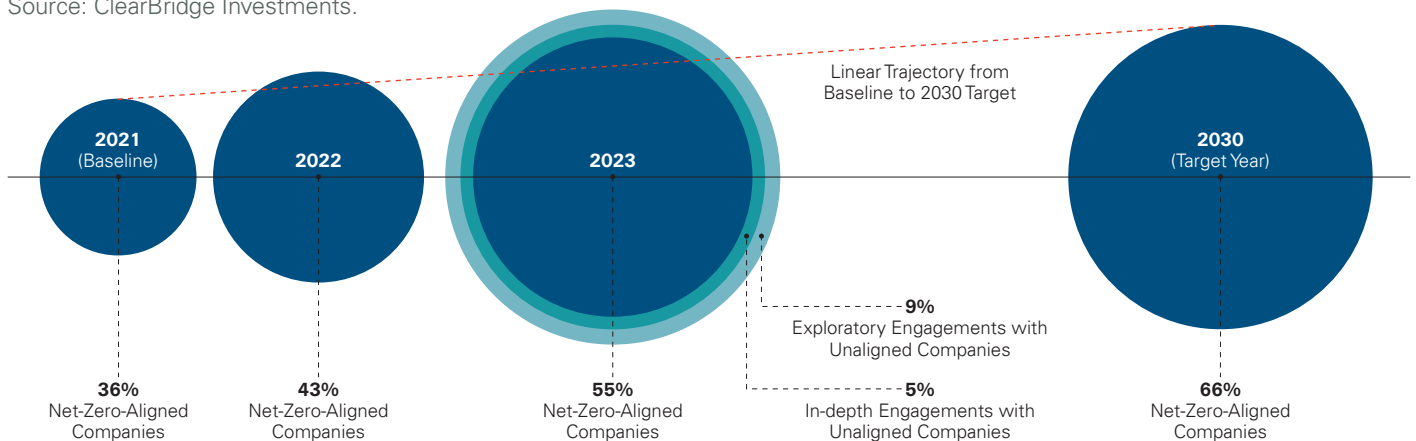


Exhibit 12: Tracking Progress Toward Targets
As of Dec. 31, 2023.
Source: ClearBridge Investments.



Seeking impact with a partnership approach.



02

Engagements: A Key Stewardship Tool

ClearBridge pursues a partnership approach to active ownership, seeking to act as responsible stewards of our clients' capital. Engagements are thus a key stewardship tool, consisting of ongoing conversations with leaders at portfolio companies about factors that could materially affect value creation. These include environmental, social and governance issues.

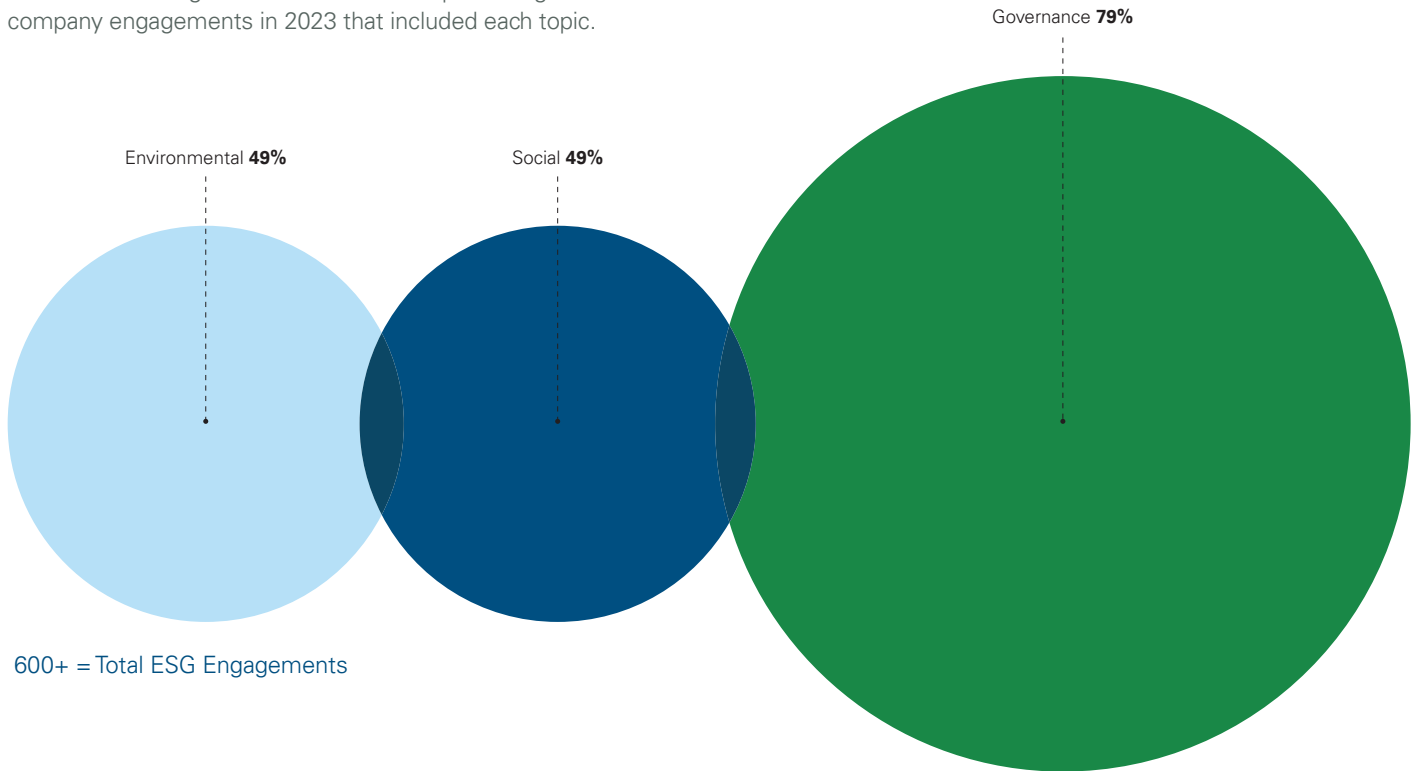
ESG engagements take place between ClearBridge investment teams—portfolio managers and research analysts—and target company representatives such as CEOs, CFOs and other firm decision makers, as well as investor relations and sustainability representatives. They take place as part of regular meetings on company fundamentals, as well as part of dedicated meetings on urgent sustainability topics or ongoing annual meetings on proxy topics.

During these ESG engagements, ClearBridge shares our philosophy and expectations on relevant and fundamental ESG topics, inquires about ESG-related goals, checks up on progress from prior discussions, and collects best practices to guide our thinking as well as that of other holdings. As a large owner of many of our companies and a leader in ESG investing for decades, ClearBridge has earned a valued seat at the table. Often companies will proactively reach out to us for guidance on sustainability matters as they begin to address pressing ESG issues in their operations and scale up their contribution to building a more sustainable future.

One area of constant innovation that extends the 35-year legacy of ClearBridge's ESG integration approach involves improving our ability to monitor and track engagements over time. This has included developing the ClearBridge Materiality Framework™—industry-specific factors, broadly categorized under environmental, social and governance rubrics, that we use to build our proprietary ESG ratings and to guide our company engagements. Here we show what environmental, social and governance topics and subtopics within our ClearBridge Materiality Framework™ mattered the most in our company engagements in 2023 ([Exhibits 13–14](#)).

Exhibit 13: 2023 ClearBridge Engagement Themes:
Environmental, Social and Governance
As of Dec. 31, 2023.

Source: ClearBridge Investments. Shows percentage of company engagements in 2023 that included each topic.



600+ = Total ESG Engagements

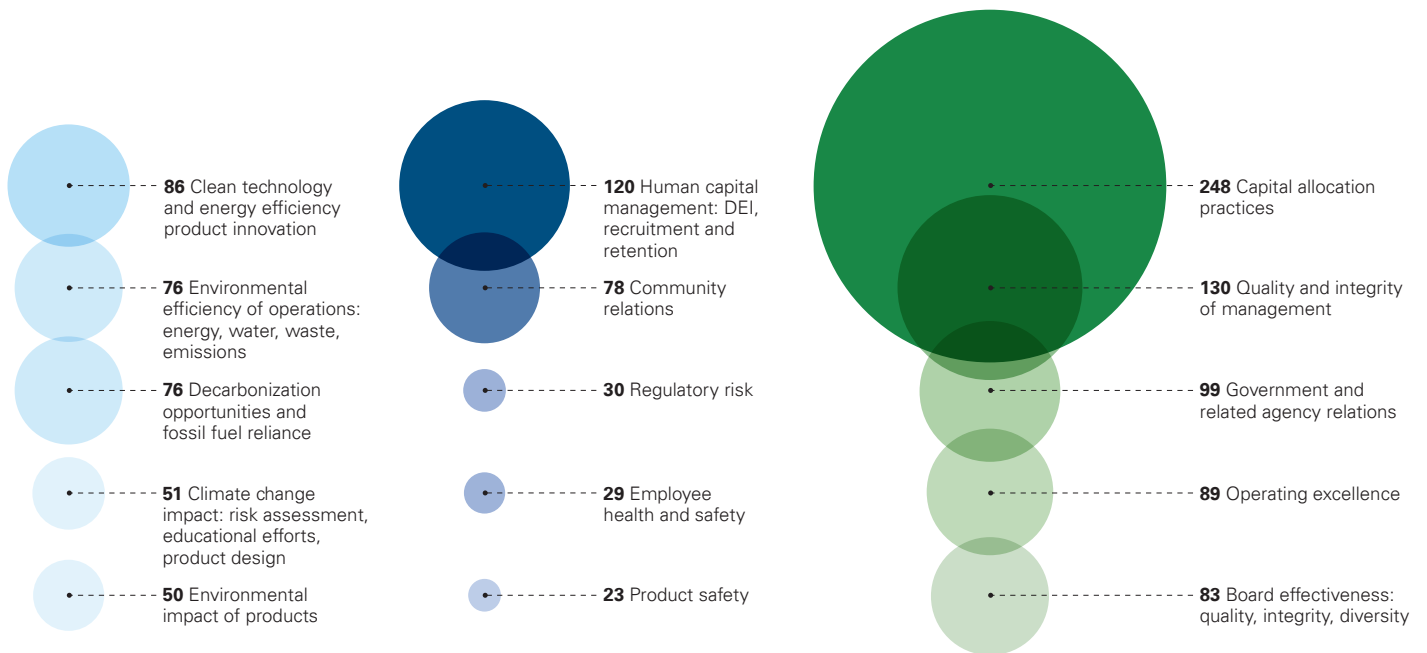


Exhibit 14: 2023 Top Factors Engaged Upon
As of Dec. 31, 2023.

Source: ClearBridge Investments. Shows number of engagements in 2023 that included each topic.

Engage for Impact: A ClearBridge Internal Initiative

Engagement to drive positive change in public equities has been a longstanding part of ClearBridge’s investment decision making and active ownership. As a long-term shareholder with an average stock holding period of five years, ClearBridge has cultivated strong and lasting relationships with company management teams. With this unique position and decades of industry experience, we’ve taken steps to better structure, measure and communicate the progress and outcomes of key engagements, and in 2022 we launched an enhanced internal engagement initiative, Engage for Impact (EFI).

The initiative encourages targeted engagements that we believe have a strong likelihood of creating positive impact, which we define as the creation of long-term positive environmental or social outcomes for the benefit of all stakeholders in public companies: their investors—our clients—and their employees, customers, suppliers and communities.

While we believe our work can often influence significant improvement at the company level, we also recognize we are one of many shareholders working to create change. In many cases this collective voice is what ultimately leads to positive, real-world impact.

As a part of this new initiative, investment team members develop specific “asks” or areas of improvement for priority target companies. Progress against these “asks” is then monitored and reported on over time.

As long-term investors, our company engagements can take place over a multiyear period. Therefore, throughout the course of the engagement, we track and categorize company progress by stages ([Exhibit 15](#)).

Exhibit 15: Engage for Impact Progress Framework
Source: ClearBridge Investments.

01

Stage 1

Plan of action developed and approved

02

Stage 2

Ask raised and acknowledged

03

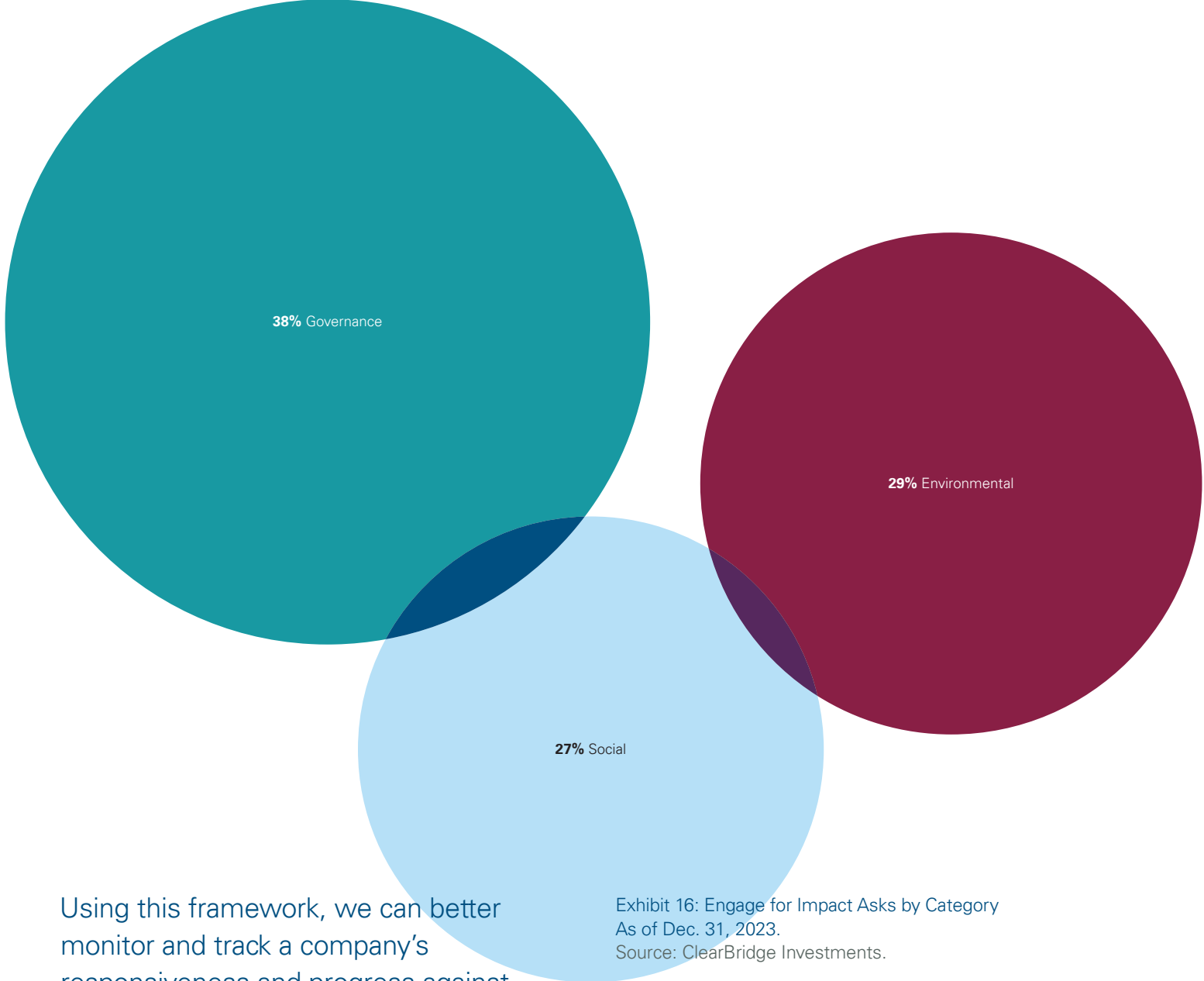
Stage 3

Credible strategy to address ask developed

04

Stage 4

Strategy to address ask implemented



Using this framework, we can better monitor and track a company’s responsiveness and progress against key performance indicators and report on these outcomes over time. EFI engagements follow a consistent structure, prioritize topics closely aligned with value creation, represent a wide variety of sustainability topics (Exhibit 16), and are often rooted in firmwide focus areas like net zero, biodiversity, human rights, as well as diversity, equity and inclusion.

Exhibit 16: Engage for Impact Asks by Category
As of Dec. 31, 2023.
Source: ClearBridge Investments.

Exhibit 17: ClearBridge Engage for Impact Asks by Stage
As of Dec. 31, 2023.

Source: ClearBridge Investments. Stage 1 is not captured in the data because all EFI asks in the initiative have progressed past that stage.

Given this enhanced initiative is still in the early stages, most of our EFI company asks are currently categorized as early in the process, or Stage 2 (Exhibit 17). The majority of asks are for companies in the health care, industrials, IT and consumer staples sectors (Exhibit 18). Completed asks are at present concentrated in the industrials, IT and communication services sectors (Exhibit 19).

0% Stage 1

63% Stage 2

17% Stage 3

21% Stage 4

Exhibit 18: ClearBridge Ongoing EFI Asks by Sector
As of Dec. 31, 2023.

Source: ClearBridge Investments.

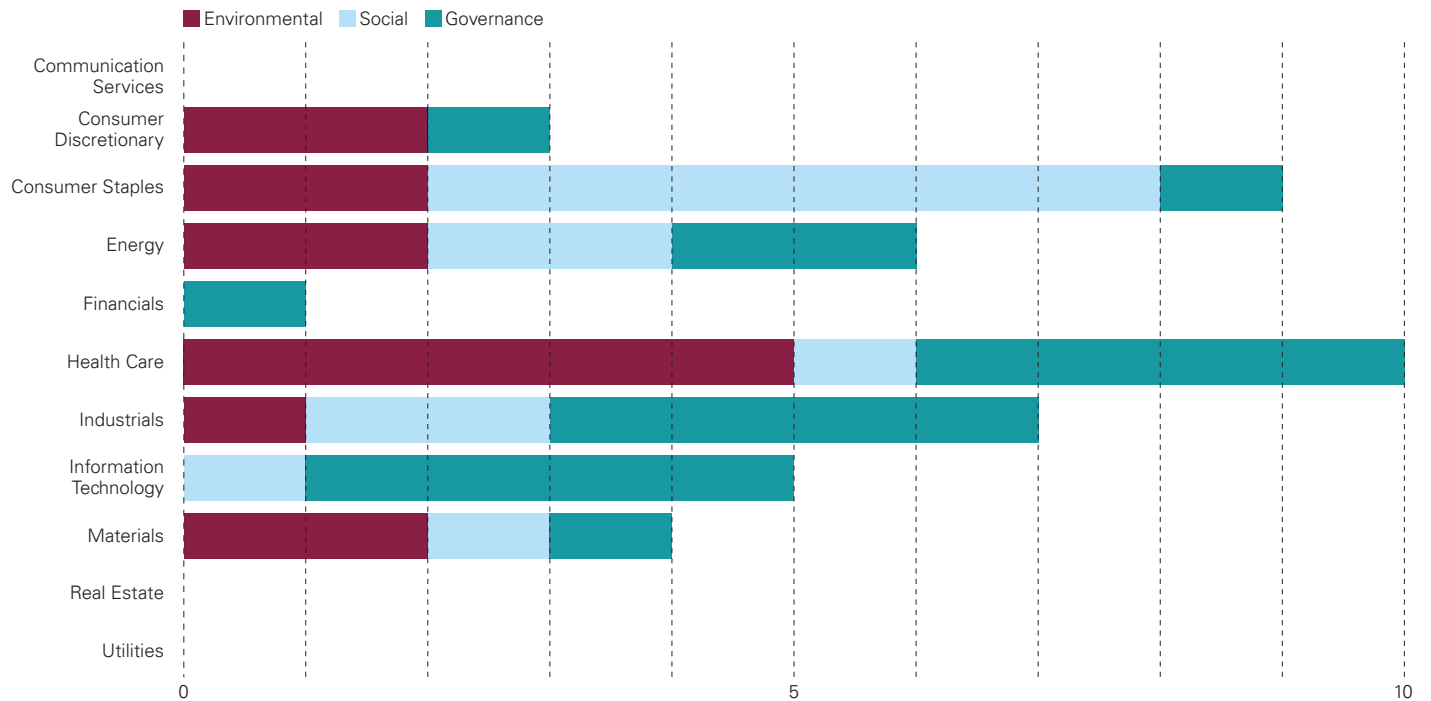
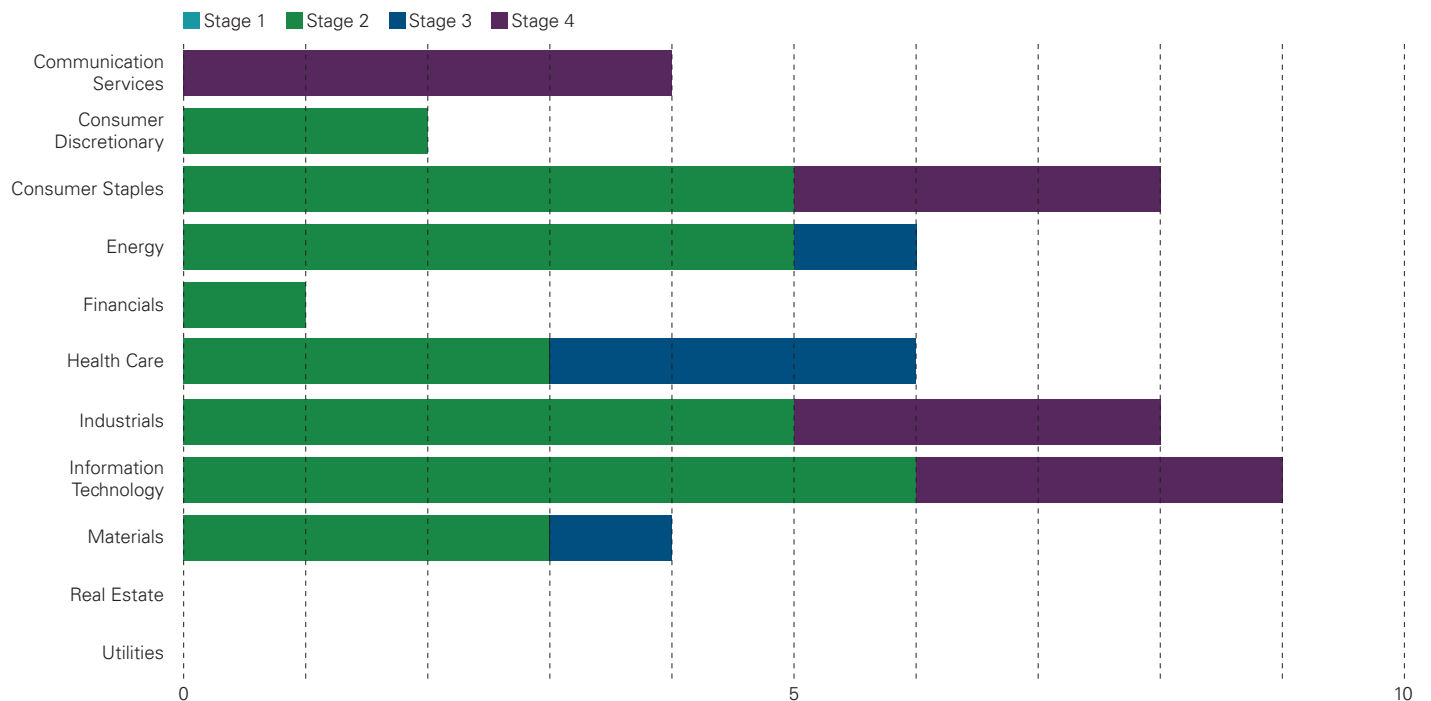


Exhibit 19: ClearBridge EFI Ask Stages by Sector
As of Dec. 31, 2023.

Source: ClearBridge Investments.



ClearBridge EFI Case Studies

ClearBridge's deep experience at fundamental analysis and our intimate knowledge of how our portfolio companies operate allow us to align EFI engagements with long-term value creation for shareholders.

Scott Glasser

Chief Investment Officer

Stage 2

American Tower:

American Tower, in the real estate sector, is one of the largest global real estate investment trusts (REITs) and a leading independent owner, operator and developer of wireless and broadcast communications real estate.

ClearBridge Lead Engager(s):

Bradley Fraser, Portfolio Analyst, ClearBridge Infrastructure Strategies

ClearBridge Ask(s)	Key ESG Consideration	Best Practice
1. Commit to a net-zero-emissions target	Environmental: Environmental efficiency of operations (energy, water, waste, emissions)	Interim targets (short, medium and long term)
2. Disclose commitment to community relations and remediation through policy statement	Social: Community relations Governance: Disclosure	Evidence of engagement with community and other stakeholders through policy disclosure, including information on access to remedy and remediation for affected stakeholders

	Interaction	EFI Progress
November 2023	<p>Coinciding with a meeting at American Tower’s headquarters, ClearBridge determined American Tower is underperforming in two key areas: 1) its carbon reduction target is aligned with the Paris Agreement, but it has not yet committed to net zero, and 2) it has not publicly committed to engaging community stakeholders nor provided supporting evidence for remediation efforts.</p> <p>ClearBridge developed specific asks, or areas of improvement to engage on, and completed a plan of action document.</p>	Stage 1: Plan of action developed and approved
January 2024	<p>ClearBridge notified the company of our asks and requested an engagement date. The company agreed to schedule a meeting to discuss further.</p>	Stage 2: Ask raised and acknowledged
February 2024	<p>ClearBridge followed up, and American Tower responded, agreeing to a meeting later in the first quarter of 2024. The company requested a list of topics/questions for the call.</p>	

Stage 3

Ecolab:

Ecolab is a global leader in water, hygiene and infection prevention solutions and services for customers in food, health care, hospitality, industrial and oil and gas markets. Its services include food safety, sanitation, optimization of water and energy use and improvement of operational efficiency and sustainability.

ClearBridge Lead Engager(s):

Stephen Rigo, CFA, Portfolio Manager, ClearBridge Appreciation Strategy

Benedict Buckley, CFA, Portfolio Analyst, ClearBridge Sustainability Leaders Strategy

ClearBridge Ask(s)	Key ESG Consideration	Best Practice
Reduce air pollution from Ecolab's Texas facility given its ranking on the Toxic 100 Air Polluters Index	Environmental: Harmful air emissions	Zero incineration of waste solvents

	Interaction	EFI Progress
April 2022	ClearBridge became aware that Ecolab was listed on the Toxic 100 Air Polluters Index, a ranking developed by the Political Economy Research Institute (PERI) at the University of Massachusetts Amherst. After reviewing the data ClearBridge determined that one facility in Texas was driving the vast majority of emissions that led to Ecolab's inclusion in the index, so ClearBridge developed specific asks related to reducing emissions at this facility and completed a plan of action document.	Stage 1: Plan of action developed and approved
May 2022	ClearBridge first reached out to Ecolab Investor Relations inquiring about Ecolab's ranking in the index and the emissions from the facility. The company acknowledged the request and began to investigate it. ClearBridge also communicated with PERI to learn more about the methodology behind the index.	Stage 2: Ask raised and acknowledged
August 2022	After several follow ups over the summer, ClearBridge hosted a call with Ecolab's Chief Sustainability Officer to discuss the issue. The company identified two causes of the high emissions from the Texas facility. The primary cause was the incineration of certain waste solvents that was carried out offsite by a third party on Ecolab's behalf. The company also found an error in the data reported to the EPA, on which the index was based (the reported emissions were too high). The company said it would work on a remediation plan for the waste and update us once this had been established.	
November 2022	ClearBridge met with the CEO of Ecolab at our offices in New York for a broad discussion of the business. As part of this meeting, we raised the topic of Ecolab's position on the Toxic 100 Air Polluters Index and the remediation plan that was in development but not yet revealed.	
January 2023	ClearBridge hosted a follow-up call with the company on the remediation plan. The update was positive, with Ecolab sharing a plan that would largely address the issue. The company was establishing relationships with third parties to divert the waste solvent for beneficial reuse, largely avoiding the need for incineration. Additionally, Ecolab had worked with the EPA to correct two years of erroneous data.	Stage 3: Credible strategy to address ask developed
December 2023	<p>ClearBridge hosted a call with Ecolab to get an update on execution of the remediation plan. Since our previous engagement, the company executed the plan it had previously described, establishing partnerships with companies to reuse the waste solvent and investing in the facility to enable separation and storage of the waste. Through these actions, Ecolab reduced the volume of waste going for incineration by 50% and had line-of-sight to a further 25%–30% reduction (or ~80% in total) below 2022 levels. Ecolab is looking for additional partners to take the remaining 20% that is currently still being sent for incineration, to get to near-zero incineration over time.</p> <p>This was a positive outcome and we expect it will result in Ecolab's removal from the Toxic 100 Air Polluters Index in time, although due to the reporting lag time, it could take at least two years for the actions taken in 2023 to be reflected in the index. This outcome not only reduces harmful emissions, but also reduces operational and reputational risk for the company.</p>	

Stage 4

Mondelez International:

Mondelez, in the consumer staples sector, is a global snack food and beverage company with a portfolio of brands including Oreo, Ritz, LU, Clif, Cadbury, Milka and Toblerone.

ClearBridge Lead Engager(s):

Robert Buesing, Senior Analyst, Consumer Staples/Durables

ClearBridge Ask(s)	Key ESG Consideration	Best Practice
Perform and publish a racial equity audit	Social: Human capital management (DEI; recruitment and retention)	Conduct thorough racial equity audit, involving interviews with a representative sample of company stakeholders (including employees, customers, business partners and senior management). Publish findings externally for transparency.

	Interaction	EFI Progress
May 2022	<p>ClearBridge engaged Mondelez to discuss a shareholder proposal for a racial equity audit, speaking with Investor Relations and the company's ESG team and weighing benefits and drawbacks of the proposal, including its prescriptiveness and wording.</p> <p>ClearBridge developed specific asks, or areas of improvement to engage on, and completed a plan of action document.</p>	Stage 1: Plan of action developed and approved
September 2022	<p>Mondelez contacted ClearBridge to request a meeting on the racial equity audit, among other topics.</p>	
October 2022	<p>As part of the subsequent meeting, ClearBridge made a formal request for Mondelez to publish a racial equity audit.</p>	Stage 2: Ask raised and acknowledged
May 2023	<p>In a call on proxy matters where there were no discrepant items, ClearBridge followed up on the requested racial equity audit; Mondelez shared it intended to publish an audit by year-end 2023.</p>	Stage 3: Credible strategy to address ask developed
December 2023	<p>Mondelez published a racial equity audit report, satisfying ClearBridge's request.</p>	Stage 4: Strategy to address ask implemented

2023 Engagement Highlights

Biodiversity

Anna Cala

Senior ESG Associate

Biodiversity is the variability of life on Earth, including all plants, animals and microorganisms, as well as the ecosystems they form. Biodiversity is essential for human and animal well-being and for the functioning of the planet. Most basically, it allows for nature to provide a wide range of goods and services, such as food, water, medicine and recreation, that are essential for human societies.

From an investment perspective, public companies—and thus equity markets—require biodiversity and healthy ecosystems to provide their goods and services and create shareholder value. Over half of the world’s GDP (\$44 trillion) is moderately or highly dependent on nature and is threatened by biodiversity and ecosystem declines.⁷ While the three largest industries most dependent on nature are construction (\$4 trillion), agriculture (\$2.5 trillion) and food and beverage (\$1.4 trillion), half of all drugs are derived from natural sources (four billion people rely primarily on natural medicines), making biodiversity crucial to the health care sector as well.

The materiality of biodiversity issues for public equities helps explain why ClearBridge has assessed evolving nature-related dependencies, impacts, risks and opportunities with holdings across sectors for 35+ years. To support our fundamental research and steer capital in a nature-positive way, ClearBridge encourages, among other things, assessment and disclosure of nature-related impacts and dependencies within the value chain, development of biodiversity and deforestation policies, responsible waste and water management, transparency into lending practices, and consideration of local affected communities.

⁷“Half of World’s GDP Moderately or Highly Dependent on Nature, Says New Report.” World Economic Forum, Press Release, Jan. 19, 2020.

Biodiversity and Climate Change

Biodiversity is also highly linked with climate change, as natural systems like forests, wetlands and oceans are the only viable carbon sinks. At the same time, climate change has affected biodiversity, for example through changing migration patterns or warming oceans that alter marine ecosystems. This reinforcing loop means one cannot be solved without addressing the other.

As there are several drivers of biodiversity loss (Exhibit 20), there are several investible themes linked to biodiversity (Exhibit 21) on which ClearBridge regularly engages portfolio holdings.

⁸“69% Average Decline in Wildlife Populations since 1970, Says New WWF Report.” World Wildlife Fund, Press Release, Oct. 13, 2022.

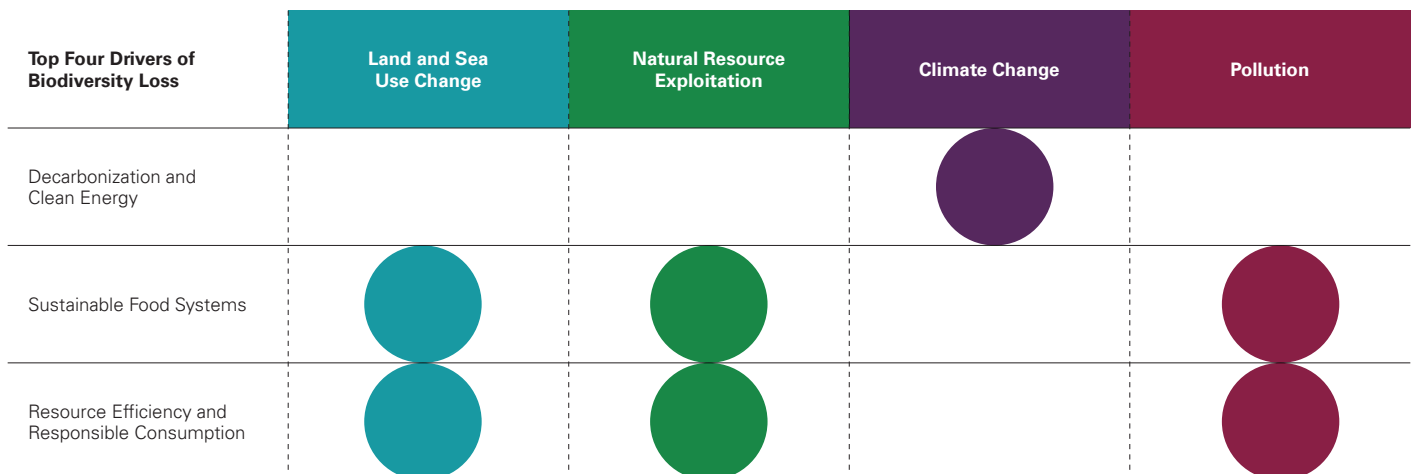
Exhibit 20: Key Drivers of Biodiversity Loss

Source: ClearBridge Investments, IPBES Global Assessment Report on Biodiversity and Ecosystem Services; World Wildlife Fund (WWF).

Driver	Definition	Example/Side-Effect
Land and Sea Use Change	Human influence on habitats, including conversion of land cover	Deforestation, mining, landscape changes from new roads and dams
Natural Resource Exploitation	Intensification of use and extraction of natural resources, including fish, trees and species used for medicinal purposes	Common metrics indicate a 69% average loss in the abundance of mammal, bird, reptile, fish and amphibian species since 1970 ⁸
Climate Change	The long-term shift in average climate and weather patterns caused by rising atmospheric CO2 levels	Changing migration of species; hotter, more acidic oceans with profound effects upon marine ecosystems; increase in wildfires
Pollution	Typically air, water and soil pollution caused by waste, chemical runoff and burning of fossil fuels	Marine plastic pollution has increased 10x since 1980 Nitrogen deposition from fossil fuels and fertilizers have created “dead zones” in the water, supporting no aquatic life
Invasive Species	A non-native species, such as a plant, animal or disease, that harms an ecosystem	Decline in native species as they are forced to compete for food, water and space

Exhibit 21: Linking Investable Themes with Biodiversity

Source: IPBES Global Assessment Report on Biodiversity and Ecosystem Services; Convention on Biological Diversity; The Royal Society.



Unilever

Engagement: Meeting with VP of Finance, Marketing and Sustainability

Key ESG Issue(s): Biodiversity initiatives

Grace Su

Portfolio Manager, ClearBridge International Value Strategy and ClearBridge Global Value Improvers Strategy

Unilever, in the consumer staples sector, is a leading global food, home and personal care company, with a multibillion-dollar, fast-moving consumer goods business, that generates over half its sales from emerging economies.

In September 2023, Grace Su met with the Vice President of Finance, Marketing and Sustainability at Unilever to gain a better understanding of its operations as well as some of the negative factors that have hampered the company's third-party ESG ratings. This was an exploratory engagement in which we also discussed negative perceptions around the company's raw material sourcing for commodities including palm oil, soy, cocoa, pulp paper and sugar, which collectively account for 60% of the land used for Unilever products. The meeting was also structured to give the company a chance to explain what biodiversity initiatives it is currently undertaking.

Unilever shared it is taking a number of steps to address these negative perceptions and improve sustainability in its raw material sourcing. The company is taking direct action to meet industry best standards, and thereby raise its profile with third-party ESG ratings agencies, by adopting and adhering to measures set forth by industry associations including the Roundtable on Sustainable Palm Oil, the Rainforest Alliance and the Round Table on Responsible Soy Association.

Takeaway: Unilever continues to look for ways to improve its biodiversity efforts. Specifically with regard to palm oil, the company is funding research and development initiatives to help develop sustainable palm oil substances as well as efforts to identify and use palm oil substitutes. The engagement offered ClearBridge a better understanding of how material issues related to biodiversity vary per sector and how different companies are addressing them.

Salesforce

Engagement: Call with Investor Relations

Key ESG Issue(s): Biodiversity initiatives

Hilary Frisch, CFA

Senior Analyst, Software Services and Enterprise Technology

Salesforce is a software-as-a-service (SaaS) company that develops software for customer relationship management.

In July 2023, Hilary Frisch met with Salesforce to understand its biodiversity initiatives. In a wide-ranging conversation we discussed topics such as how nature is less material to Salesforce's operations than to those of its customers, given 60% to 70% of its customers in consumer products and materials use and are highly reliant on nature. Salesforce is therefore connected to societal economic needs such as food security. Its customers therefore increasingly incorporate ESG data into their procurement decisions. While it's hard to ascribe a causal relationship with certainty, Salesforce's sustainability focus looks to be a source of competitive advantage: customers will choose Salesforce over competitors due to its values, and 25% of conversations with customers is now spent on ESG topics.

Nature is an inextricable part of Salesforce's strategy, with the company involved in biodiversity since 2012. In 2021 it appointed a Director of Ocean Sustainability, Whitney Johnston, PhD, who previously served as Ocean Policy Adviser to U.S. Congress. It has also appointed an in-house forestry expert who previously worked on the World Economic Forum's biodiversity program. It has also joined the Taskforce on Nature-Related Financial Disclosures and 1t.org, an initiative linked to the World Economic Forum to conserve, restore and grow one trillion trees by 2030.

Takeaway: Salesforce is a leader among software companies in developing a nature-positive business strategy. In addition to its own operational and philanthropic efforts, it is also an enabler of environmental improvements, as its core offering helps customers get data needed to comply with environmental mandates. Waste, water and carbon are already included in this offering, and the company is adding nature-related assessments at present, which we will follow up on in the future.

Severn Trent

Engagement: Virtual meeting with CEO, emails with Investor Relations

Key ESG Issue(s): Environmental practices, pollution, climate change

David Pow, CFA
Portfolio Manager, ClearBridge Infrastructure Strategies

Severn Trent is a regulated U.K. water utility that provides water and wastewater services to the Midlands and Wales, serving over 4.5 million households and businesses.

In 2023, ClearBridge communications with Investor Relations since April culminated with a virtual meeting with the CEO in June to discuss increasing government pressure on the sector relating to highly publicized sewage spills, in which the company was ranked third among all U.K. water companies by a media report. Separately, in light of U.K. water regulator Ofwat's proposed new schemes of transition expenditure, we were interested in Severn Trent's views on the industry's combined sewer overflow (CSO) issue. (CSOs occur in combined sewer systems—in which wastewater and stormwater flow through the same pipes—when wet weather overwhelms the system, forcing discharge into a waterbody).

Severn Trent explained news reports were misleading since the company's network has significantly more CSOs than other companies (the highest in the sector), given the inherited infrastructure with a historically high number of CSOs as a landlocked Midlands region. It was therefore not surprising to have a high number of CSOs in the list of companies' sewage spillage.

The important figure, the company argues, should instead be an average number of spills per combined sewer system, which was the measure Ofwat used in measuring output delivery incentives (ODIs) and likely what Environment Agency would focus on driving down. This measure shows Severn Trent's number was better than the industry average (23.0) at 18.4 in 2022. Further, this figure represented a 28% year-over-year improvement and put it ahead of its target of 20 activations per year by 2025 and in line with the government's target of a maximum of 10 activations

per year by 2050. In terms of financial penalties to polluters, Severn Trent explained they would only be applicable to serious repeated breaches, subject to council guidelines and a lengthy court process.

Takeaway: Severn Trent welcomed Ofwat's £2 billion transition expenditure approved for the industry as accelerated investment, which emphasized fixing CSO issues. While the figure approved for Severn Trent is only £0.1 billion, the company pointed out that CSO-related investments are already a significant part of its 2025-30 investment plan, and it expects the industry to require sizable investments over decades. Severn Trent believes its track record in handling pollution matters is evident in its 4-star Environmental Performance Assessment rating, maintained for consecutive years. Our engagements improved our understanding of the issue and of Severn Trent's action and preparedness for further improvement.

Climate Change and Decarbonization

Anna Cala

Senior ESG Associate

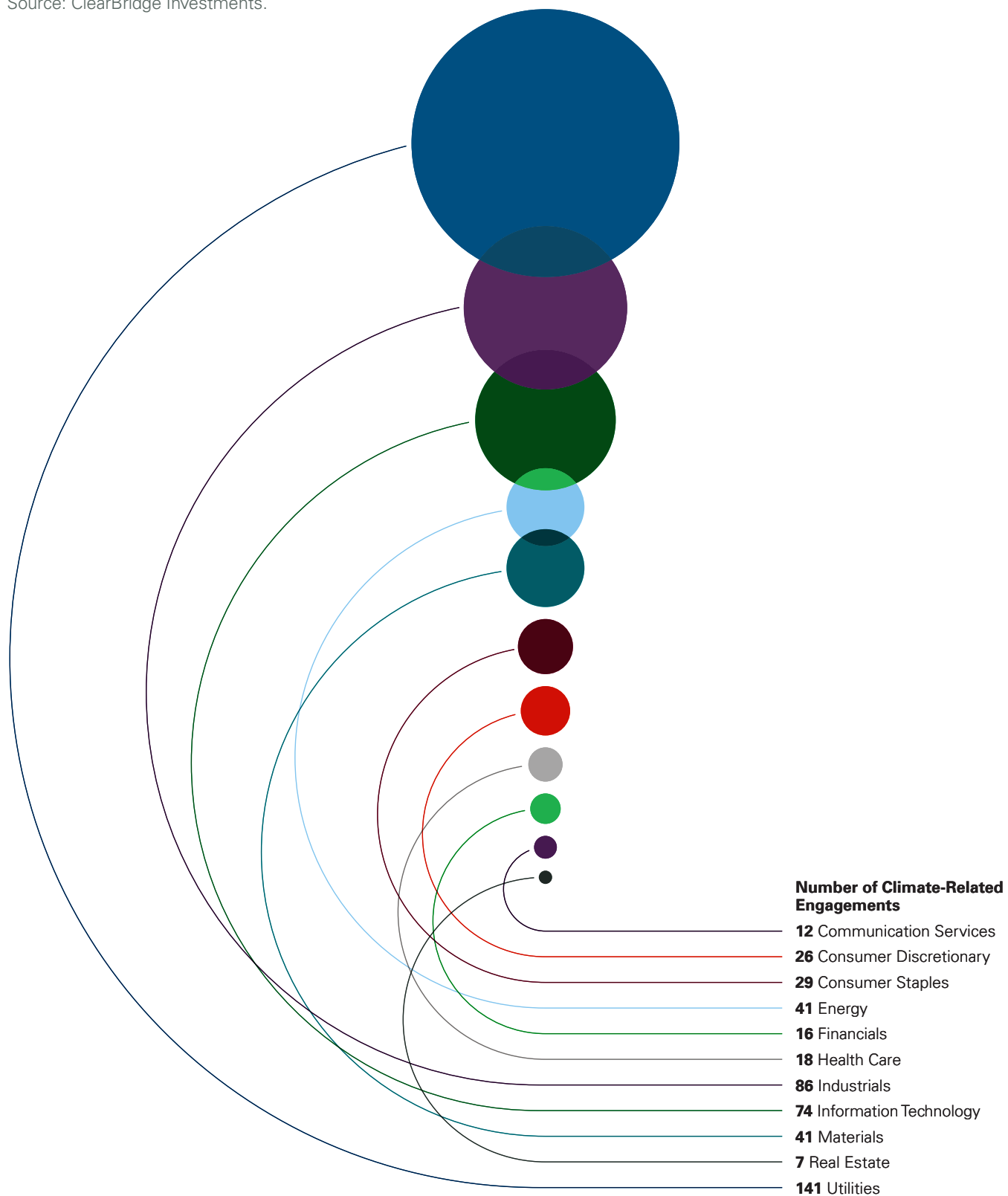
ClearBridge assesses the specific climate-related risks and opportunities faced by individual companies as part of our bottom-up stock selection process. These factors then drive our climate-related engagements with companies.

Our engagements span many different climate-related topics, with environmental impact and efficiency of products, overall environmental efficiency of operations, and clean technology and energy-efficiency product innovation the most frequent topics.

Climate-related engagements also vary by sector, with engagements primarily focused on higher-emitting sectors such as utilities and industrials (Exhibit 22).

As noted elsewhere in this report, ClearBridge also assesses the net-zero alignment of portfolio companies and conducts focused engagements with companies to move them to set verified science-based targets for net zero or, in the case of pure-play climate solutions providers, simply to better understand and assess the opportunity of their product or service.

Exhibit 22: ClearBridge's 2023 Climate-Related Engagements by Sector
 As of Dec. 31, 2023.
 Source: ClearBridge Investments.



Costco

Engagement: Call with Investor Relations

Key ESG Issue(s): Environmental efficiency of operations (energy, water, waste, emissions) and disclosures

Neal Austria

Senior Analyst, Consumer Discretionary

Costco, in the consumer staples sector, operates a chain of membership-only big-box retail stores. In October 2023 Neal Austria held a call with Costco Investor Relations to discuss the company's climate action plan. Consistent with Costco's reluctance to give earnings guidance, the company has been conservative with its climate goals, although cumulative investor engagement from owners like ClearBridge and shareholder proposals are nudging the company along to be more receptive to goals and ESG transparency. The company shared that it uses the Science-Based Targets initiative (SBTi) as a framework but has not formally adopted it. One hurdle it cited is that SBTi does not consider hydro and nuclear energy as clean energy; Costco may have a different view. It shared it had goals of setting Scope 3 targets by year end and of improving on its baseline, but stopped short of committing to the NZAM standard because there is too much it cannot guarantee: 98% of its emissions are Scope 3. It views other retailers' NZAM commitments as unrealistic based on current technology and the state of the grid, both domestically and abroad.

Following the call, in December 2023 Costco updated its Climate Action Plan to include a Scope 3 emissions intensity reduction target of 20% by 2030 from a 2020 baseline, excluding fuel. While not a science-based target aligned to a 1.5° pathway, this represents an ambitious target.

Takeaway: Costco has received several shareholder proposals in recent years on climate goals and transparency, which in our judgment are succeeding in improving the company's receptiveness to disclosing emissions and setting reduction targets, illustrating the power of change by collective engagement.

The energy transition is well underway, and while climate-related engagements are often about companies' long-term commitments, many companies are actively lowering today's emissions and aggressively innovating to capitalize on nascent decarbonization opportunities, making today and tomorrow awfully similar.

Chuck Harris

Director of Research

Orsted

Engagement: In-Person Meeting with Investor Relations

Key ESG Issue(s): Decarbonization opportunities

David Pow, CFA

Portfolio Manager, ClearBridge Infrastructure Strategies

Orsted is a Danish renewables utility and the global industry leader in offshore wind.

In December 2023 we met with Orsted to discuss, among other topics, U.S. policies on renewable generation going into an election year and their alignment with Orsted's objectives for expanding renewable exposure and achieving decarbonization, particularly considering recent challenges in offshore wind.

Orsted remained confident in overcoming offshore wind sector hurdles, citing industry experience and strong relationships with original equipment manufacturers. On the policy front, the company shared that the price cap increase announced in the U.K. for Contracts for Difference Allocation Round 6 should set a positive precedent globally for offshore wind policies. Orsted expressed optimism regarding its strategic positioning across renewable technologies.

We also discussed concerns related to impairments in Orsted's U.S. investment and governance issues stemming from management guidance and communications around those impairments. Given Denmark's majority ownership of the company, we inquired about its influence on company strategy and management appointments following the recent departures of Orsted's CFO and COO. Orsted shared it has not experienced and does not expect any intervention by the Danish state in its strategic direction, board, dividend policy or management appointments. No changes in the governance structure are anticipated after the recent departures of CFO and COO.

Takeaway: As an outcome of our engagement and thorough analysis, we achieved a deeper understanding of the fundamental valuation and potential upside/downside for Orsted. This analysis, coupled with a compelling investment case, led to the recommendation of the stock in ClearBridge portfolios. In addition to a better picture of its commitment to offshore wind, our engagement gave us more clarity on Orsted's corporate governance, management quality and execution, and shareholder rights and controls, enhancing our confidence.

Ball

Engagement: Call with Chief Sustainability Officer

Key ESG Issue(s): Reducing emissions from primary aluminum production, increasing recycling rates and removing chemicals of concern

Benedict Buckley, CFA

Portfolio Analyst, ClearBridge Sustainability Leaders Strategy

Ball is the largest manufacturer of recyclable aluminum beverage cans in North America and one of the largest producers of aluminum packaging for the beverage, food, personal care and household products industries.

In September 2023, Benedict Buckley continued a long-running discussion with Ball on the sustainability profile of aluminum relative to plastic and glass, asking about Ball's views on recycling rates in the U.S., the role of recycling rates in Ball's decarbonization targets, how aluminum recycling compares to that of plastic and glass, chemicals of concern and human rights in the supply chain.

Several points helped deepen our understanding of Ball's sustainability profile and opportunity. Aluminum is the only option that has the potential to deliver true circularity given its infinite recyclability, which makes it structurally less exposed to additional regulations and costs associated with re-engineering plastic packaging.

The biggest challenge for aluminum can makers is getting consumers to actually recycle the cans. Ball is targeting 85% recycled aluminum content by 2030 (it was 66% in 2021), and this is the single largest lever in reaching its climate goals. But this relies in part on increasing recycling rates, something Ball can't control. Recycling in the U.S. seems unlikely to reach the ~65% Ball hopes (from 45% today).

U.S. investments in aluminum recycling plants are, meanwhile, moving in the right direction. There are several promising technologies with real potential to meaningfully decarbonize primary aluminum production, including inert anode technology (Elysis), which eliminates direct CO₂ emissions from the smelting process. Phasing out chemicals of concern (BPA, PFAS,

formaldehyde) is progressing and represents a manageable cost. Interestingly, aluminum is making inroads in the water market; for example, Liquid Death is having success selling water in tallboy cans, indicating consumers may accept non-resealable cans.

Takeaway: The meeting reinforced our view that aluminum has the strongest sustainability profile among beverage can substrates and this should continue to provide a long-term tailwind to growth for Ball. We will continue to discuss recycling rates and will monitor Ball's next sustainability report for news on its chemicals of concern phaseout.



Ball's Recycled Aluminum Content, 2021



Ball's Recycled Aluminum Content Target, 2030

Williams Companies

Engagement: Call with General Counsel, Head of ESG, Investor Relations

Key ESG Issue(s): Decarbonization opportunities, biodiversity

Michael Clarfeld, CFA

Portfolio Manager, ClearBridge Dividend Strategy

ClearBridge is a top 10 owner of Williams Companies, an energy infrastructure company focusing on large natural gas processing and transportation.

In September 2023 Michael Clarfeld met with Williams to discuss several sustainability topics. During the engagement we encouraged Williams to move more quickly to replace old equipment with newer, more energy-efficient equipment, in particular to reduce methane leaks. Related, on the governance front, we also encouraged better disclosure and transparency surrounding the drivers of its emissions reductions, as the company's drop in emissions from 2017 was due more to it divesting high-emitting assets than to equipment upgrades. On the social front, we encouraged Williams to increase diversity in its hiring in general and in its board of directors in particular. Biodiversity was also among topics discussed; ClearBridge shared our view of best practices, including land assessment of local species before drilling, the need for returning land back to its original state once projects are complete and donations to nature conservation projects.

Takeaway: This engagement involved a candid discussion in which ClearBridge expressed clear asks regarding Williams's transparency surrounding emissions reductions, its modernization of equipment and its board diversity, which we will monitor over time.

Diversity, Equity and Inclusion

Hannah Barr

Senior ESG Associate

As a component of human capital management, diversity, equity and inclusion (DEI) is a topic frequently raised during ClearBridge company engagements and a material business factor in our ESG integration approach. As we have noted, companies that treat employees well can have higher employee engagement and lower employee turnover, which can increase productivity, reduce human resources costs and increase customer loyalty. Companies that treat employees poorly can experience strikes, lower employee engagement and higher employee turnover, which can reduce productivity, increase human resources costs and decrease customer loyalty.

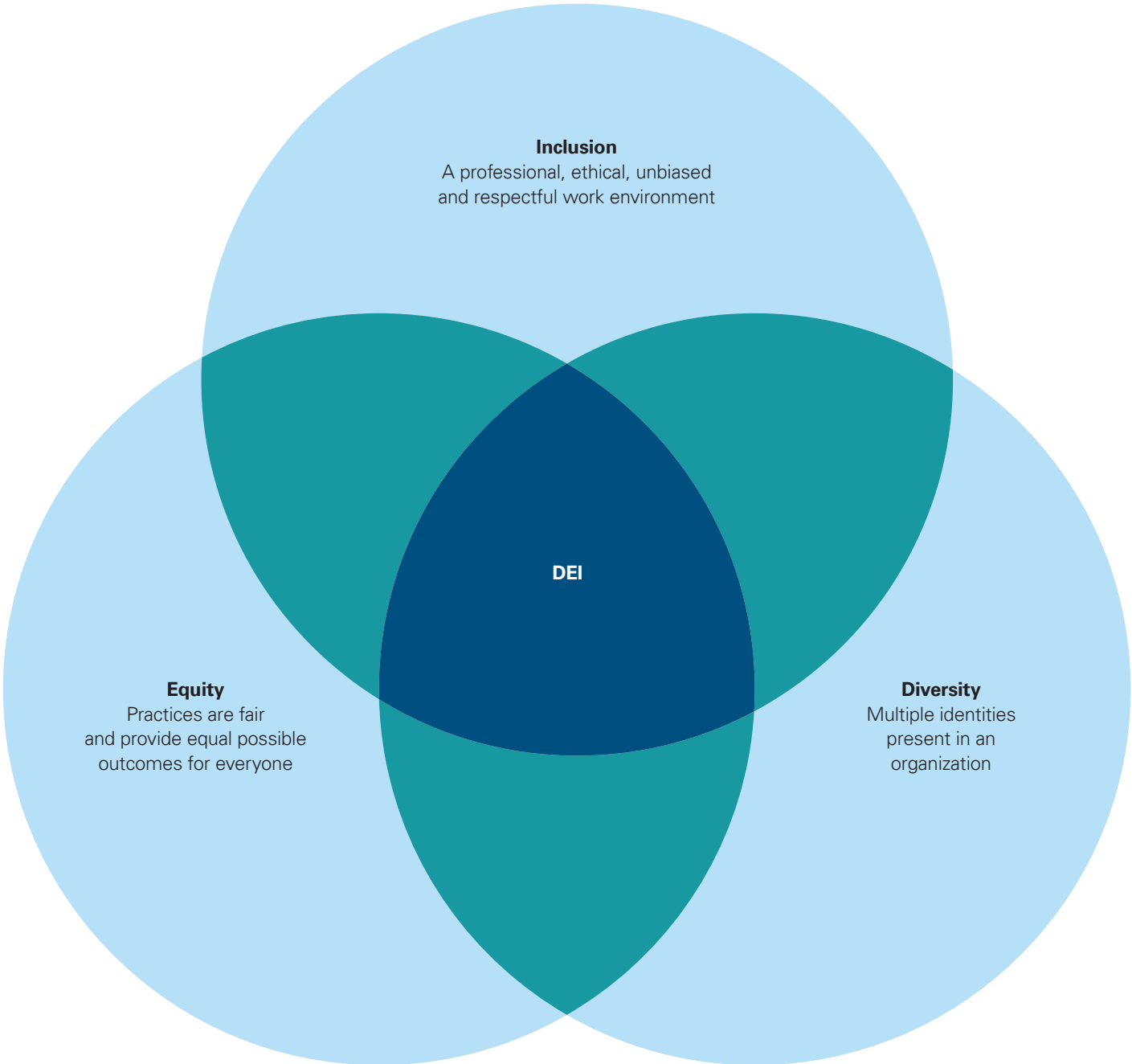
We also firmly believe the companies in which we invest have a role to play in creating a more diverse and inclusive society. By integrating DEI into our investment analysis holistically, we can better understand the culture of our portfolio companies and their human capital management as well as the impact their products and services have on all stakeholders.

Board Diversity and Proxy Voting

DEI is also important in leadership and board composition. As reflected in ClearBridge's Proxy Voting Policy, we will withhold our vote from a director nominee who is a member of the company's nominating committee if there is no gender diversity and no racial/ethnic diversity representation on the board (or those currently proposed for election to the board do not meet those criteria).

DEI and a Just Transition

DEI also overlaps with climate change as an area of analysis for ClearBridge investment teams. As our portfolio companies contribute to the transition to a more sustainable and green economy, it is critical that such a transition include all impacted stakeholders, including workers, communities and businesses so that all benefits and burdens are equally shared as a society.



Waste Management

Engagement: Meeting with Chief Operating Officer and Head of Human Resources

Key ESG Issue(s): Diversity, equity and inclusion

Dimitry Dayen, CFA

Portfolio Analyst, ClearBridge Sustainability Leaders Strategy

Waste Management provides integrated waste services including collection, transfer, recycling, disposal and waste-to-energy services for commercial, industrial, municipal and residential customers.

In May 2023, Dimitry Dayen met with Waste Management's Chief Operating Officer and Head of Human Resources to discuss the company's DEI initiatives, specifically its efforts to improve its female representation in an industry that has been traditionally dominated by males and where those with little education can make compelling incomes.

Waste Management shared it has been actively working to improve female representation in the wake of COVID-19, which resulted in labor shortages and the recognition that more must be done to diversify its workforce. One of the main areas of focus includes the use of new technology in its operations. The company is currently rolling out a new fleet of vehicles designed to be more comfortable for drivers and incorporate greater automation in collecting trash from bins. This has helped to lead to an increase in female representation within the company and greater success in hiring and retention efforts. The company has also reiterated its commitment to greater DEI through competitive compensation. Waste Management's driver compensation can rise to \$85,000 per year or more and includes benefits and full tuition coverage for education up to, and including, law school for those who choose to pursue it.

Takeaway: Waste Management has been actively addressing gender diversity, including female recruitment and retention, through providing more automation, flexible schedules and competitive compensation. This has led to significant improvement in female retention and hiring.

As part of our research, we want to look at companies holistically to identify sources of risk and opportunity. From the social perspective, we find that companies that treat employees well, compensate them fairly and provide opportunities for advancement equitably have lower turnover and provide customers with a better experience. High employee turnover is expensive and inefficient, and satisfied customers tend to be repeat customers.

Derek Deutsch, CFA

Portfolio Manager, ClearBridge Sustainability Leaders Strategy

Amazon.com

Engagement: Calls with Head of ESG Engagement

Key ESG Issue(s): Diversity, equity and inclusion, union relations

Naveen Jayasundaram

Senior Analyst, Media and Internet

Amazon.com operates the leading e-commerce and hybrid cloud services platforms and has a burgeoning advertising business.

In April and May 2023 Naveen Jayasundaram met with Amazon's Head of ESG Engagement to discuss the company's response to recent unionization efforts. Amazon acknowledged rising pro-labor political sentiment and cited a 60% year-over-year increase in unionization election petitions throughout the U.S. At the same time, it dispelled myths around 1) differential treatment of employees at Amazon fulfillment centers (FCs) voting to unionize and 2) its own education efforts on unions, which are ongoing at the company's FCs and are not reactive to unionization efforts, and which address key elements that employees need to understand about a potential vote (i.e., the implications of a representative election). We also discussed worker education, safety and compensation: Amazon believes it is ahead of retail and e-commerce peers considering those three elements in totality, and ahead of all but one retailer on starting wage levels.

Amazon continues to believe it should meet with employees to educate them on unions. The number of employees that have voted in favor of a union is small, less than 1% of its U.S. workforce. It does not treat workers that support a union any differently from those who do not, and it is also undertaking a racial equity audit for its workforce and as part of its supply chain assessments. Amazon shared that it stands by freedom of association in its global human rights principles but is working on creating better structures to support this in smaller international markets.

Takeaway: While there are no strong commitments by Amazon regarding unionization, it conveyed the desire to consider union demands and a thoughtful approach to engaging on the topic with its employees. The company, meanwhile, is improving on human capital management by bringing up wage levels faster than broader inflation and improving benefits and workplace safety. Undertaking a racial equity audit is consistent with responsible human capital management, in our view.

Human Rights

Hannah Barr

Senior ESG Associate

As stated in ClearBridge's ESG Policy, we view human rights as universal and relevant to businesses in all areas of the private sector. Accordingly, human rights, as a focus area, is a key tenet of our ESG integration approach.

We have been using our voice as active shareholders to advance human rights best practices and scale up the implementation of international human rights global norms, conventions and frameworks in corporate business activities. We believe actively engaging the companies we own on their human rights practices is an important part of active management and supports the growing action companies are taking on human rights due diligence. We also believe human rights due diligence on our investments is crucial to identifying and preventing current and future violations and controversies. This includes assessing potential investments and their value chain in high-risk sectors like apparel, metals and mining and renewables, for example.

While our primary method of engagement on these issues is through direct interaction with companies, we are also a collaborating investor in PRI Advance, a PRI-led stewardship initiative on human rights and social issues. As a collaborating investor, we spent 2023 engaging Freeport-McMoRan, a North American mining company, on several human-rights-related issues, including community and stakeholder relations, grievance mechanisms and remediation, and the environmental impact of tailings on local communities. We include further details on both our individual and collaborative engagement work with Freeport-McMoRan below.

As the regulatory landscape and financial industry continue to evolve, we will work to enhance our human rights policies and processes, including building up our expertise around these critical issues and developing a formal human rights due diligence framework to assess salient human rights risks across high-risk industries and sectors.

Constellation Brands

Engagement: Call with Investor Relations

Key ESG Issue(s): Community relations, water stewardship

Robert Buesing

Senior Analyst, Consumer Staples/Durables

Constellation Brands, in the consumer staples sector, is a brewer and distiller of beer, wine and spirits under brands such as Modelo, Corona, Pacifico, Woodbridge, Ruffino and Svedka.

In January 2023 Robert Buesing met with Constellation to discuss community reception of the company's water stewardship efforts in its Mexican breweries. A planned \$1.4 billion brewery in the Mexican city of Mexicali was voted down at a referendum in 2020 due to concerns around water usage in the arid region, revoking water permits for the company, forcing Constellation to cancel construction midway through the project, and causing over \$650 million in write-downs. The vote underscored the need for more responsible water management and engagement with affected local communities.

While in 2020 ClearBridge considered Constellation as lagging peers on water intensity reduction, during the call in 2023 we discussed how the company had undertaken several new water stewardship efforts in Mexico in response to the public backlash in Mexicali. Constellation set a target to restore 1.1 billion gallons of water withdrawals from local watersheds between 2023 and 2025 while improving accessibility and quality of water in the communities where it operates. At its Nava Brewery in Mexico, it began to engage the local community on ecosystem stewardship, with a focus on water. With Pronatura Noroeste, a third-party organization focused on environmental protection, Constellation began restoring water to the Serranías del Burro mountains, from which the brewery's aquifer is naturally replenished, following a fire in 2019.

Takeaway: Constellation has taken positive steps to acknowledge and highlight access to clean water as a basic and fundamental human right and has improved community engagement on this issue. In 2022 Constellation announced a new facility in Veracruz, a less arid state than Mexicali's, which will use a water source independent of the city's. This positive step has eased tensions with local stakeholders, including the communities, which depend on access to clean water. Further, as of June 2023 the company also surpassed its target of restoring 1.1 billion gallons of withdrawals from local watersheds.

Whether they surface in a company's community relations, its employee health and safety, or its data privacy and security, human rights are relevant to businesses across sectors and in every part of the globe. They are therefore an essential part of ClearBridge's company engagements.

Mary Jane McQuillen

Head of ESG and Portfolio Manager,
ClearBridge Sustainability Leaders Strategy

Freeport-McMoRan

Engagement: Call with ESG Relations and General Counsel

Key ESG Issue(s): U.N. Global Compact commitment, disclosure of human rights assessment

Adam Meyers

Research Analyst, Energy/Basic Materials

ClearBridge is a top 20 owner of Freeport-McMoRan (FCX), the world's largest producer of copper, a critical raw material that will be a key component for the energy transition.

In October 2023, a ClearBridge team led by Adam Meyers met with FCX's ESG director and General Counsel to discuss, among other things, an update on its penalization by a third-party ESG controversy data vendor for U.N. Global Compact compliance given historical violence in Indonesia by government security officials at its Grasberg mine facility, which is located in a region faced with social unrest.

FCX shared it has been training local security and military personnel in the avoidance of lethal force and is nearing the completion of a human rights impact assessment, which would include disclosure on several of these issues. To conduct a thorough and comprehensive assessment, the company has outsourced local guidance and support from a human rights expert in Indonesia, and ClearBridge has continued to encourage the company to publish its findings.

In November 2023 we also participated in an introductory call with FCX as part of the PRI's collaborative engagement initiative on human rights and social-related issues, Advance, with a team of other asset manager engagers. The engagement strategy is rooted in discussion of three key issues that have also featured in separate ClearBridge engagements with the company: the human health impact of riverine tailings at its Grasberg facility, community/stakeholder engagement and Grasberg security personnel.

FCX indicated it has a good grasp of two key risks: the impact of riverine tailings and the community's dependence on its operations there, with potential political unrest in the region adding to the complexity.

We noted a significant amount of work and capital going into managing the perceived risks at FCX's Grasberg facility, and into improving group-level stakeholder engagement while navigating a complicated and political conflict.

Takeaway: We came away from both meetings positive about FCX's openness and transparency toward ClearBridge's and the PRI Advance group's objectives and broader ESG strategy. We will continue to engage the company to complete and publish its human rights impact assessment concerning its Indonesian mining operations.



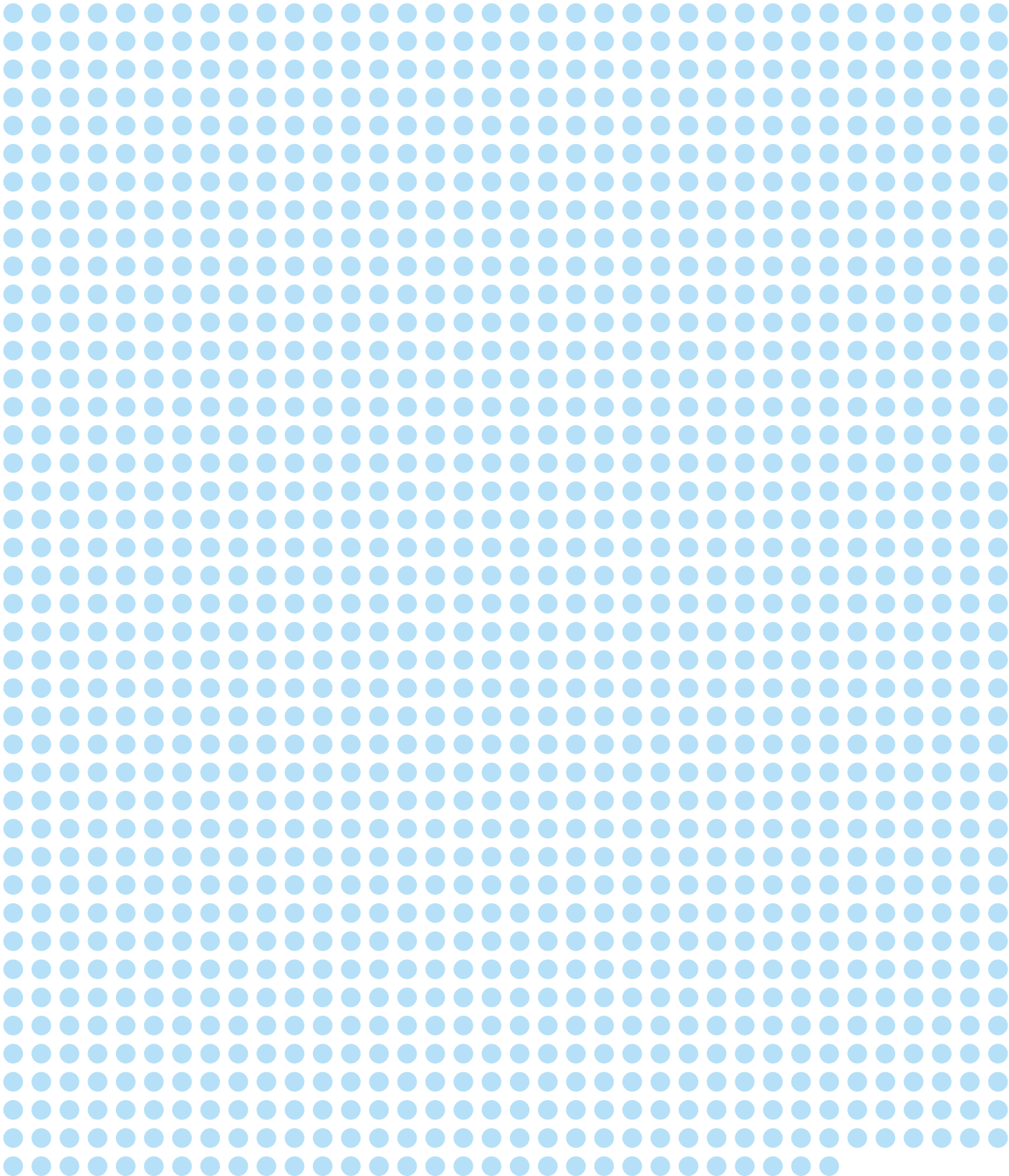
A balanced approach guided by fiduciary principles.

03

A Judicious Approach to Voting Proxies

In 2023, ClearBridge voted on **15,060 proposals**

● = 10 proposals



Of the tools public equity investors may use to advocate for sustainable business practices, proxy voting is one of the more visible and powerful. ClearBridge's commitment to this practice is evidenced by our 100% proxy voting record; we have voted on every eligible shareholder proposal at companies in our client portfolios. In 2023, ClearBridge voted on 15,060 proposals.

Along with direct and ongoing company engagement, proxy voting is an important part of our approach to positively influencing companies through active ownership. ClearBridge's votes on proposals filed by shareholders or by management are an effective way to signal confidence in the companies we own or to suggest the need for a change in policies, disclosures or related aspects of a company's business.

ClearBridge Proxy Voting Process

Proxy votes are cast by the portfolio managers of each ClearBridge strategy. The ClearBridge Proxy Committee oversees the proxy voting process and is responsible for maintaining ClearBridge's Proxy Voting Guidelines. These guidelines set our recommended voting policies across a full range of proposals. In cases where the voting recommendation is not clear cut, the proposal is referred to the specific portfolio managers who own the shares, who will determine the appropriate way to vote on a case-by-case basis, using their knowledge of the company and in some cases speaking directly to the company about the specific proposal.

In voting proxies, we seek a judicious approach and are guided by general fiduciary principles. Our goal is to act prudently and solely in the best interest of the beneficial owners of the accounts we manage. We attempt to provide for the consideration of all factors that could affect the value of the investment and will vote proxies in the manner that we believe will be consistent with efforts to maximize shareholder value. In the case of a proxy issue for which there is a stated position in our Proxy Voting Guidelines, we generally vote in accordance with the stated position.

Updates to the ClearBridge Proxy Voting Guidelines

Extending ClearBridge's long experience as an active manager guided by fiduciary principles, in 2023 the ClearBridge Proxy Committee made several updates to the ClearBridge Proxy Voting Guidelines to allow us to follow those principles in an evolving corporate landscape:

Directors of Significant GHG Emitters

We added two guidelines to proposals on election of directors: 1) that we will generally vote against the chair of the board and the chair of the responsible committee for companies that are significant GHG emitters, and 2) that we may decide to vote against the chair and relevant directors if we determine insufficient progress has been made toward addressing emissions.

Dual-Class Stock

We updated guidelines for proposals concerning dual-class stock, such that we vote for proposals to eliminate dual-class structures, unless a company has a stated policy that stipulates that the dual-class structure will be eliminated in five years or less following its initial public offering.

Human Capital Management

We also added guidelines on environmental and social proposals concerning 1) talent acquisition and retention policies such that we generally support proposals that enable a company to recruit, support and retain talent in a globally competitive world, and 2) proposals asking a company to conduct an independent racial equity and/or civil rights audit, which we generally support but vote on a case-by-case basis given the variability in proposal wording.

All deforestation proposals were withdrawn following engagement, highlighting the willingness of company managements to recognize the importance of biodiversity topics and the efficacy of company engagements such as those forming the core of ClearBridge's active ownership approach.

The 2023 Proxy Season

Trends in shareholder proposals filed in 2023 were consistent with those in 2022, with only a 3% increase in proposals year over year, after 9% and 12% increases the previous two years, respectively. Environmental and social/political proposals together made up 65% of submitted proposals, versus 63% in 2022. The number of companies affected by Rule 14a-8 proposals grew, with 26% more individual companies having at least one environmental and social/political proposal reach a vote. The number of proposals commonly considered counter-ESG rose 65%, reflecting the broader national conversation on ESG-related topics.⁹

Average support for environmental and social/political proposals decreased from 28% in 2022 to 19% in 2023. This partly reflects changes in the SEC's stance on no-action relief, which raised the standard for excluding proposals on the basis of "ordinary business" and thus increased the overall number of proposals filed.

The top five shareholder proposals by voting results in 2023 were: simple majority vote (58%); report on climate lobbying (38%); freedom of association (36%); majority voting for director elections (36%); and workplace health and safety audit (34%).¹⁰

Social proposals were again the largest category, representing 44% of proposals submitted, with 44% of these tied to corporate impact on stakeholders other than employees or shareholders. As Sullivan & Cromwell reports, the total number of submissions as well as shareholder support for racial equity/civil rights audit proposals decreased compared to 2022, partly because many companies have already adopted audits or increased their diversity, equity and inclusion (DEI) disclosures in line with the spirit of these proposals. Counter-ESG proposals on DEI, meanwhile, continued to receive low support.

Environmental proposals accounted for 21% of proposals, 75% of which were related to climate. Major subgroups within climate included setting Scope 3 or science-based emission reduction targets. Proposals requesting a transition plan on how companies align their activities with their GHG emission reduction targets received over 30% average support.¹¹ The average support for environmental proposals was 21%, down from 33% in 2022, partly driven by the increase in prescriptively worded proposals.¹² The primary non-climate topics were plastics/packaging and deforestation, two key biodiversity topics. Interestingly, all deforestation proposals were withdrawn following engagement, highlighting the willingness of company managements to recognize the importance of biodiversity topics and the efficacy of company engagements such as those forming the core of ClearBridge's active ownership approach.

Governance proposals continued to decline in 2023, although a drop in structural governance topics such as special meetings was partially offset by an increase in board composition proposals, in particular an increase in independent chair proposals. Average support for governance proposals declined to 31% from 36% in 2022, with 13% of the proposals receiving less than 5% support.¹³

⁹ Unless otherwise noted, proxy season summary statistics sourced here are from Sullivan & Cromwell, 2023 Proxy Season Review.

¹⁰ Ronald O. Mueller, Elizabeth A. Ising and Thomas J. Kim, "Shareholder Proposal Developments During the 2023 Proxy Season," Harvard Law School Forum on Corporate Governance, April 2023.

¹¹ Russell Reynolds Associates, quoted in The Conference Board Press Release, October 19, 2023.

¹² Mueller, Ising and Kim.

¹³ Mueller, Ising and Kim.

ClearBridge Proxy Voting 2023 Overview

Dimitri Henry
ESG Associate

In 2023 there were over 550 shareholder proposals at companies in which ClearBridge is a shareowner, covering a wide range of ESG issues. Governance-related shareholder proposals continued to decline in terms of their percentage of overall total, accounting for 41% of the total, down from 56% in 2022 and 63% in 2021 (Exhibit 23).

The most common governance proposals concerned board independence and ownership thresholds for calling special meetings (Exhibit 24). As in the previous year, the most common environmental- or social-related shareholder proposal issue was climate change, followed by political activity and human rights (Exhibit 25).

Exhibit 23: 2023 Shareholder Proposals by Category (E/S/G)
Source: ClearBridge Investments. Reflects shareholder proposals at companies in which ClearBridge is a shareholder.

20% Environmental

39% Social

41% Governance

Exhibit 24: Governance-Related Shareholder Proposals 2023

Source: ClearBridge Investments. Reflects governance-related shareholder proposals at companies in which ClearBridge is a shareowner.

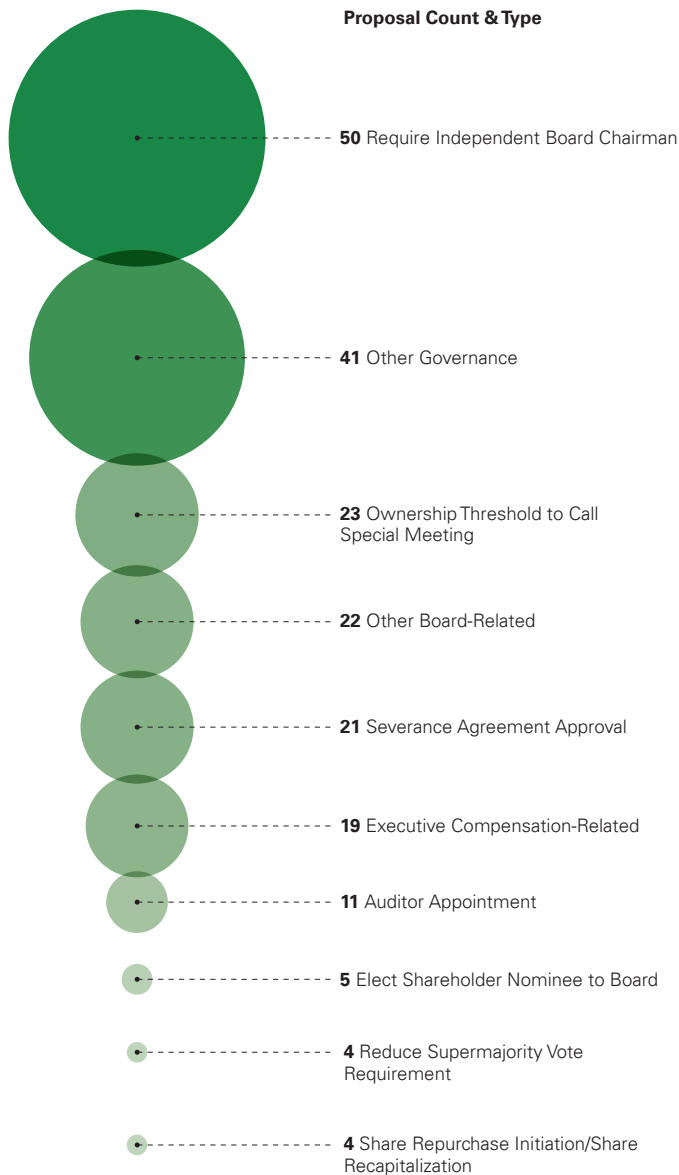
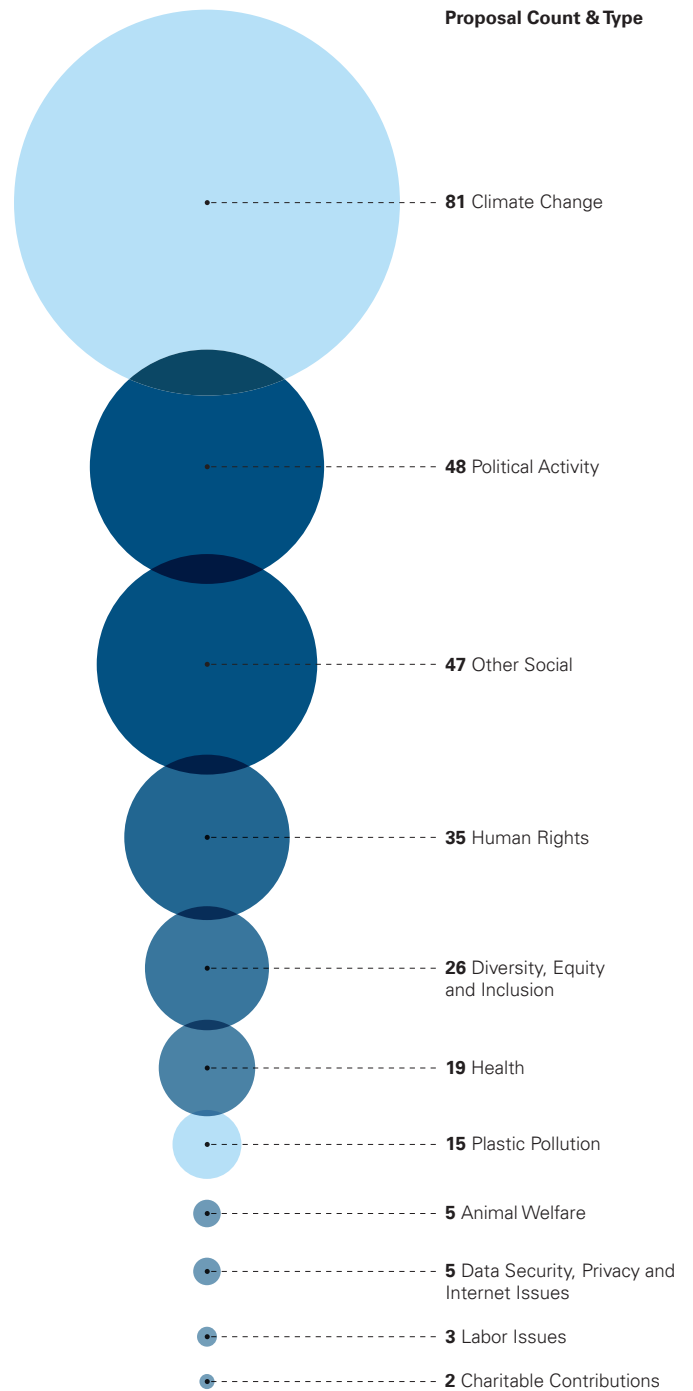


Exhibit 25: Environmental- and Social-Related Shareholder Proposals 2023

Source: ClearBridge Investments. Reflects environmental- and social-related shareholder proposals at companies in which ClearBridge is a shareowner.



Proxy Voting Highlights

As a top shareholder of many companies, we use our voting power and ongoing engagements to suggest improvements for companies we own and provide feedback to express our opinion of proposals we deem inadequate (Exhibit 26).

Here we also highlight proposals we voted on in 2023, both "For" and "Against," and how we continue to engage and monitor progress on critical issues highlighted by the proposals.

Exhibit 26: ClearBridge Proxy Voting Record on Shareholder Proposals 2023

Source: ClearBridge Investments.

5% Voted Majority 'For' Proposal and No Management Recommendation
1% Voted Majority 'Against' Proposal and No Management Recommendation
2% Other

66% Voted Majority 'Against' Proposal and 'With' Management

26% Voted Majority 'For' Proposal and 'Against' Management

Votes “For” Shareholder Proposals

Independent Board Chair

Honeywell International: Require Independent Board Chair

ClearBridge voted For a precatory resolution to request that Honeywell adopt a policy that the chair of the board be an independent director. The company’s advisory vote on executive compensation at the 2022 annual meeting received support from only 62.3% of the votes cast. The compensation committee is deemed to have demonstrated adequate responsiveness to the low support. The proposal is not overly prescriptive and would provide the board with the flexibility to implement it upon the next leadership transition, or after the board has determined that the upcoming CEO transition has been implemented successfully. Some shareholders may have concerns as to whether the independent lead director will be able to serve as an effective counterbalance and provide effective oversight for both a CEO and an executive chairman, which would be the company’s leadership structure as of June 1, 2023. The company has not specified that the chairman’s service will be temporary or transitional in nature. There have been recent concerns with the company’s executive compensation practices that suggest shareholders could benefit from stronger board leadership in the form of an independent board chair going forward.

Workplace Safety

Amazon.com: Commission a Third-Party Audit on Working Conditions

ClearBridge voted For a proposal requesting that Amazon conduct a third-party audit and disclose a report on warehouse working conditions. The company has recently been charged with multiple workplace safety violations. Negative media attention stemming from these violations exposes the company to severe reputational risk. Shareholders would benefit from a third-party review of the company’s working conditions within its facilities.

Reduced Packaging/Plastic Materials

Amazon.com: Report on Efforts to Reduce Plastic Use

ClearBridge voted For a shareholder proposal requesting that Amazon issue a report on pollution from plastic packaging, including an assessment of its efforts to reduce the impacts on the environment. The company does not provide an overall baseline amount of plastic used throughout its supply chain. Although Amazon disputes claims cited in the proposal regarding its plastic use, it does not provide competing data that allows investors to assess its progress. Several of Amazon’s peers have announced goals specifically around single-use plastic reduction. Concern over the environmental damage caused by plastics is rising and regulations that would limit single-use plastic packaging are likely to go into force in several jurisdictions. Such additional disclosure as the proponent requests would help shareholders gauge whether Amazon is appropriately managing risks related to the creation of plastic waste. Amazon claims it is unable to monitor third-party seller plastic use. It knows every item sold on its site and could use its leverage to request that sellers document the plastics used.

Votes “Against” Shareholder Proposals

ClearBridge does not support all shareholder proposals as a fiduciary, and there are several potential reasons why:

- In some cases management has demonstrated it is taking steps to address the issue in question
- Some proposals we deem to be micromanaging a company's day-to-day operations
- Sometimes the resolution language is poorly worded
- Some proposals deal with matters not sufficiently relevant to the business.

The Securities and Exchange Commission has provided guidance on such proposals. In addition, as active managers that incorporate engagement into our ownership strategy, in some cases we deem the best course of action on an issue is to continue to engage. Often, this will occur when we know management is already taking steps to address an issue. Our ongoing and direct engagement continually monitors company fundamentals, including ESG issues, and our deep company knowledge may lead us to judge that in some cases, a company does not warrant a proposal.

Labor Rights

Adobe: Report on Hiring of Persons with Arrest or Incarceration Records

ClearBridge voted Against a proposal requesting that the company report on the alignment of its hiring practices for people with incarceration records with its publicly stated DEI statements and goals. The company states that there is no automatic exclusion that would affect applicants with criminal records. The company also notes its use of a dedicated team that independently reviews each case individually, considering the context, recency and severity of the conviction and its relevance to the role, noting that only 0.2% of hires were not onboarded because of issues with their respective backgrounds. The company response also relies on individual employee stories, including from an employee whose experience in the prison system propelled interest in learning new skills and ultimately success in the tech industry. The company provides some of the desired information in its opposition statement, stating that it does not have any automatic, across-the-board exclusions for criminal convictions that would disqualify or limit employment opportunities. The company has set forth a specific recruitment approach aimed at increasing representation from underrepresented groups and established aspirational goals to increase such representation. Based on its disclosures and partnerships, the company is undertaking sufficient meaningful actions for shareholders to understand its commitment toward its DEI goals.

ClearBridge is guided by fiduciary principles and votes proxies in the manner that we believe will be consistent with efforts to maximize shareholder values, at times voting against management and at times against proposals that are overly prescriptive or unnecessary.

Robin Freeman

Client Portfolio Manager

Board Independence

Salesforce: Require Independent Board Chair

ClearBridge voted Against a shareholder proposal to request that the company adopt a policy that the chair of the board be an independent director. The company has outperformed its four-digit GICS peer group on a five-year basis. The company has made several improvements to the board leadership structure since the 2022 meeting. The governance guidelines were revised to provide that the lead independent director is elected solely by and from the independent directors and to provide enhanced lead independent director duties such that the role is now considered robust. The co-CEO and vice-chair also resigned these positions, reducing the complexity of the leadership structure, and the long-tenured lead independent director has been replaced. Given these positive changes to the board leadership structure, and a lack of concerns about the company's governance structure, a vote Against this proposal was warranted.

Counter-ESG Proposal

Apple: Report on Civil Rights and Non-Discrimination Audit

ClearBridge voted Against a shareholder proposal urging the company to oversee and report on a third-party civil rights and non-discrimination audit of the company's policies and practices. The company provides information on its efforts aimed at driving progress on the issue of racial inequality through its 2022 ESG Report. The report discloses the company's related commitments and progress, such as through inclusive hiring, education networks and diverse representation. The company highlights its Diversity Network Associations aimed at fostering understanding and culture for a diverse range of employee groups. Apple discloses the demographic composition of its workforce and provides updates on its progress toward inclusive hiring. The company discloses its human rights and equal employment opportunity policy. Apple states that its Human Rights Commitment is based on the U.N. Guiding Principles on Business and Human Rights and that it conducts human rights due diligence to identify and mitigate risks. Apple appears to be taking constructive actions to address the issues of racial inequality and injustice. Following a majority-supported proposal in 2022, the company committed to conducting a civil rights audit. It is unclear how an additional audit would provide additive value for shareholders. Although the proponent claims that Apple may be discriminating against "non-diverse" employees, the company provides a range of resources across the spectrum of diverse individuals. The company's relevant commitments, policies and disclosures provide sufficient information for shareholders to be able to assess whether its employee programs and training materials are having a discriminatory effect.

Counter-ESG Proposal

Microsoft: Report on Gender-Based Compensation and Benefits Inequities

ClearBridge voted Against a proposal requesting that the company publish a report on median compensation and benefits gaps across gender as they address reproductive and gender dysphoria care. Microsoft discloses information on its pay equity analysis and data and its median unadjusted pay analysis and data. The company also provides information on the health and wellness benefits it offers employees. These include leave for new parents and family caregiver leave, adoption assistance, parenting classes and family support programs, as well as subsidized and discounted childcare and back-up care for children, adults and elders. The company seems to provide significant support to female employees that opt to have children. The company appears to provide sufficient information for investors to be able to gauge how the company is managing risks related to pay equity and health and wellness benefits.

Voting on Management Proposals

ClearBridge invests in a concentrated number of companies where we have high conviction in the business model and management team. As such, we are generally supportive of the management teams in which we are invested, and this is reflected in our votes on management proposals, including “say on pay” proposals seeking to approve the compensation for named executives.

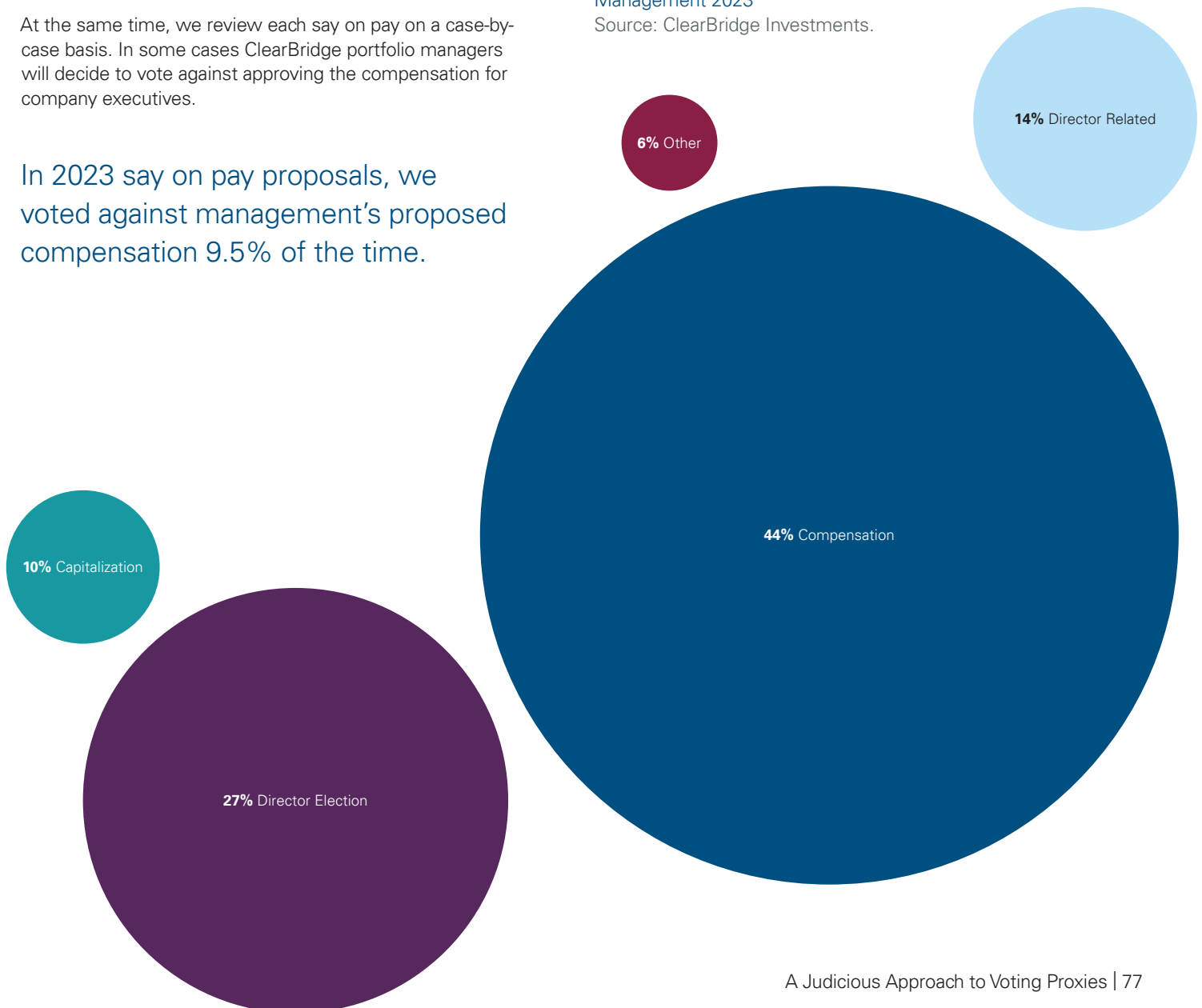
At the same time, we review each say on pay on a case-by-case basis. In some cases ClearBridge portfolio managers will decide to vote against approving the compensation for company executives.

In 2023 say on pay proposals, we voted against management’s proposed compensation 9.5% of the time.

There are also other instances where we will vote against management proposals; most of these proposals concern other compensation topics and director election ([Exhibit 27](#)). In all cases we seek a judicious approach and are guided by general fiduciary principles.

Exhibit 27: Topics of ClearBridge Votes "Against" Management 2023

Source: ClearBridge Investments.



Executive Compensation

Netflix: Advisory Vote to Ratify Named Executive Officers' (NEO) Compensation

ClearBridge voted Against this proposal. As required by the Dodd-Frank Act, the company has provided shareholders with a non-binding advisory vote on the compensation of NEOs; although the vote is non-binding, its outcome will be taken into consideration in determining future executive compensation. One-year total shareholder return (TSR) was sharply negative at -51% and three-year TSRs were slightly negative. The company underperformed the S&P 500 Index over both time frames (performing approximately on par with the S&P 500 over a five-year period). Shareholders may be concerned that planned structural improvements are limited to the co-CEOs and executive chairman, while the pay design for other NEOs was not similarly updated. The issue around outsize base salaries can continue for those NEOs, and the continued lack of performance vesting criteria and long-term vesting schedules for all NEOs remains an ongoing concern. While the new one-year vesting period for the co-CEOs on stock options constitutes an improvement in design, it is still considered a relatively short vesting period. The absence of performance vesting criteria means the overall pay program continues to lack a clear and strong linkage to long-term goals. Overall pay magnitude is relatively high and remains a concern. Both the level of compensation for the new co-CEO and the choice for executives to get paid in cash (despite lower value versus stock options) are not aligned with shareholder interests and best-in-class peers.

ClearBridge takes a fundamental-driven approach to proxies, with portfolio managers bringing company-specific knowledge to bear on environmental, social and governance issues involved in both shareholder and management proposals.

Sam Peters, CFA

Portfolio Manager, ClearBridge Value Strategy

Climate Transition Plan

Canadian Pacific Kansas City: Management Advisory Vote on Climate Change

ClearBridge voted For this proposal. Canadian Pacific Kansas City (CPKC) sought shareholder approval for its approach to climate change. The shareholder support for its non-binding advisory resolution on climate change was 86.7% last year.¹⁴

The company is in the process of integrating Kansas City Southern into Canadian Pacific's operations; the combined company said it plans to develop a CPKC Climate Strategy and a science-based emissions target, which will take approximately two years to complete.

Canadian Pacific has five strategic pillars, which include understanding climate-related risks and opportunities, reducing its carbon footprint, responding to physical risks from climate change, integrating climate factors across its business, and engaging with stakeholders. It has established reduction targets for 2030 and expanded its sustainability reporting practices, aligning them with TCFD recommendations. It has also established two science-based emission reduction targets. One pertains to locomotives, and one to non-locomotives:

- Its locomotive emission reduction target, which addresses 80% of the total carbon footprint from a baseline year of 2019, is approved by SBTi.
- Its non-locomotive target is to reduce absolute Scope 1 and 2 GHG emissions from non-locomotive operations, including emissions associated with Canadian Pacific's facilities by 27.5% by 2030 from a 2019 baseline year. This target is not yet approved by SBTi.

In aggregate, the targets addressed 100% of Canadian Pacific's Scope 1 and 2 emissions, and more than half of Scope 3 emissions. The company's CDP Climate Change score in 2021 and 2022 was A. It also follows Global Reporting Initiative Standards and the Sustainability Accounting Standards Board Rail Transportation framework.

Although CPKC has not committed to net zero by 2050, it indicated it is pursuing technology and other solutions that have the potential to deliver more significant decarbonization beyond its 2030 target.

¹⁴ ISS ProxyExchange.

Board Diversity

Dish Network: Election of Directors

ClearBridge voted to Withhold our vote. Per an update to the 2023 ClearBridge Proxy Voting Guidelines, we will withhold our vote from a director nominee who is a member of the nominating committee and there is no racial/ethnic diversity on the board (or those currently proposed for election to the board do not meet that criterion).



Targeting the world's most pressing challenges.

04

Advancing the U.N. Sustainable Development Goals

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



How Public Equity Ownership Contributes to the SDGs

ClearBridge uses the U.N.'s 17 Sustainable Development Goals (SDGs) to help us assess which companies are contributing to or detracting from addressing some of the world's most pressing challenges.

ClearBridge believes public companies can create impact, both positive and negative, due to their global reach, their deep supply chains and their interaction with the communities in which they operate. In turn, because of their size and influence, this impact, when positive, can drive progress toward the SDGs.

While we believe the SDGs are more thematic than company specific, they help demonstrate how our research framework of sector- and company-specific ESG considerations align with broader societal goals and the impact that investing within this framework can have on people and the planet.

Here we provide three practical examples of how ClearBridge leverages the SDGs framework and contributes to the goals through:

- Using proprietary mapping to assess company operations or products/services
- Sourcing social-related investment opportunities
- Meeting emerging ESG regulatory requirements

Companies Can Address SDGs Via Their Operations or Products/Services

Companies from sectors can contribute to the SDGs through both their operations and the products and services they offer. A company may operate its business in a manner that addresses the SDGs, for example through reducing resource use or using sustainable sourcing. A company's products and services may either directly address the SDGs, for example by providing renewable energy equipment or low-cost access to financial services. Its products and services may also indirectly address the SDGs by enabling its customers to address them, for example by providing software that enables more sustainable design.

Many of the themes targeted by ClearBridge ESG analysis and company engagements—like climate change, sustainable food, diversity, equity and inclusion, and natural resource efficiency—correspond to the SDGs in a variety of ways, and thus we can map how select companies' operations, products and services align with those themes and the underlying targets of the SDGs. Here we offer a sample mapping of two companies—farm and construction equipment maker Deere and herb and spice company McCormick—linked by the contributions their products make to an investable theme of sustainable food as well as food-related SDGs.

2 ZERO HUNGER



Sample Mapping of Companies' Contribution to Sustainability Themes and the SDGs

McCormick

2.1

McCormick's products are generally used as a substitute for unhealthy ingredients like sugar, fat and salt. Its products also encourage home cooking and overall better nutrition.

Deere

2.1, 2.3, 2.4

Deere's precision farming technologies offer substantial opportunity for more productive agriculture.

McCormick is a leader in the herb and spice industry, with verified sustainability standards for its global supply chain that are best among peers.

Deere is a leading manufacturer of farm and construction equipment whose precision farming technologies have positive environmental benefits.

SDG Underlying Targets

2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment

2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

15 LIFE ON LAND



McCormick

McCormick expects its agricultural producers to take steps to minimize soil loss and contamination and to maintain and improve the fertility of the soil to conserve biodiversity.

Deere

Through broad-scale adoption of sustainable agriculture practices and precision farming technologies, Deere has established a more environmentally friendly planting program by reducing chemical fertilizer and applications, therefore conserving the soil and biodiversity.

SDG Underlying Targets

15.9.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems

1 NO POVERTY



Using the SDGs to Source Social-Related Investment Opportunities

Grace Su

Portfolio Manager, ClearBridge International Value Strategy and ClearBridge Global Value Improvers Strategy

Jean Yu, CFA, PhD

Portfolio Manager, ClearBridge International Value Strategy, ClearBridge Global Value Improvers Strategy, ClearBridge Value Strategy

Social-related investment opportunities can often be difficult to identify. Unlike with companies that have responsible environmental practices, and which can show direct environmental impact such as emissions saved, tying social practices to a company's impact on ESG advancement is less straightforward.

The U.N. SDGs provide an innovative way to identify companies with superior or promising social-related practices, and they therefore help ClearBridge to source investment opportunities while simultaneously addressing the world's pressing social-related challenges. This is consistent with ClearBridge's longstanding active management approach, which relies on fundamental research and deep company knowledge.

Social-related SDGs such as SDG 1: No Poverty and SDG 3: Good Health and Well-Being offer useful lenses for sourcing social-related investment opportunities.

Evidence of the effectiveness of the SDGs can be seen in their growing adoption in both the investment community and among the companies we own across our portfolios.

Jean Yu, CFA, PhD

Case Study

Bank Rakyat

Bank Rakyat is one of Indonesia's largest banks and pioneered the country's microlending industry nearly 40 years ago. Given the challenging island geography of Indonesia and the overwhelming dependence on small businesses, distribution and access to capital has long been a priority for the government. However, microlending is also a very specialized segment that requires significant investments in the branch network, digital initiatives and risk controls to ensure steady but profitable growth. Thanks to its early lead and continued buildout of customer relationship channels, Bank Rakyat is now the overwhelming leader in Indonesia, with microlending accounting for almost half of its loan volumes and enabling the bank to generate industry-leading returns.

SDG Underlying Target: 1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

Self-Reporting SDG Alignment

Self-reporting SDG alignment can be indicative of strong social-related practices, and we therefore look at self-reported SDG alignment to better assess companies' sustainability priorities and where they may be looking to improve.

Case Study

Banco Bilbao Vizcaya Argentaria

ClearBridge is a top 20 owner of Banco Bilbao Vizcaya Argentaria (BBVA), a Spanish retail bank with a strong focus on emerging markets and leading franchises in Mexico and Turkey. BBVA has set a significant sustainable finance pledge and provides substantial sustainability disclosures. In 2018, BBVA presented its 2025 goal to progressively align its business activity with the Paris Agreement. In 2021, it announced it will channel €200 billion in sustainable financing to this goal until 2025. This represents a doubling of the €100 billion target initially announced.

BBVA self-reports its contribution to the SDGs and highlights its potential alignment with SDG 8: Decent Work and Economic Growth, among others. We also find BBVA to be aligned with SDG 1: No Poverty, particularly with underlying target 1.4, which focuses on equal access to economic resources, including financial services.

SDG Underlying Target: 1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

1 NO POVERTY



ClearBridge views company best practice as self-reporting not only alignment to one or more SDG, but also alignment to the underlying targets and indicators. Further, companies that self-report should also disclose internal metrics to measure and track progress against the goals.

We also believe companies committed to increasing their percentage of ESG capital and operational expenditures will be better positioned to participate in long-term sustainability trends and, therefore, we may assess companies' allocations to social-related activities. In addition to financial companies addressing SDG 1: No Poverty, other examples include health care companies critical to improving health outcomes (SDG 3: Good Health and Well-Being), and food companies that are integral in promoting downstream (SDG 2: Zero Hunger) as well as upstream (biodiversity) improvements in the food supply chain.

Underpinning the argument for these improvements is a strong investment case: as a company's ESG standing improves, it becomes more acceptable to ESG and values-based investors, gaining access to greater pools of capital and setting the stage for further value creation.

An Innovative SDG-Focused Methodology to Meet Regulatory Requirements

Our approach as public equity investors involves the integration of ESG and fundamental analysis in long-term relationships with companies whose impact can rival that of sovereign states. We can use our investment framework to systematically map out how our portfolio companies can help further the targets of the SDGs. We find this to be an effective approach to connect our investment process with these global sustainability goals.

Benedict Buckley, CFA

Portfolio Analyst, ClearBridge Sustainability Leaders Strategy

ESG regulatory requirements for investment products distributed in Europe have substantially increased over the last few years with the introduction of a transparency framework called the Sustainable Finance Disclosure Regulation (SFDR). Part of this regulation requires asset managers to disclose which portion of a product's assets are considered "sustainable investments," leaving the definition mostly up to investor's interpretation.

Consistent with ClearBridge's 35+ year history of ESG integration and leadership, we want to ensure we meet the categorization requirement adequately and credibly. As a globally accepted framework that aligns well with our pre-existing ESG integration approach, we use mapping to the U.N. SDGs to showcase "sustainable investments" within our portfolio. We have found the SDG framework to be not only credible and scalable, but also useful in demonstrating the legitimacy of our overarching ESG strategy and program.

ClearBridge/WaterAid Partnership: Philanthropic Efforts Promoting SDG 6 in Timor-Leste and Colombia



Since 2013 ClearBridge has partnered with WaterAid to help address water challenges around the world. WaterAid is an international nonprofit organization seeking to make clean water, decent toilets and good hygiene a reality for everyone, everywhere.

In Timor-Leste

Since the inception of ClearBridge's partnership with WaterAid, we have made significant strides in enhancing access to improved water, sanitation and hygiene services (WASH) in Timor-Leste, one of the world's least developed countries.

Initiatives in 2023 focused on the development, testing and application of national standards for WASH in health care facilities, as well as fostering sustainable and inclusive WASH practices for the communities living in the municipalities of Manufahi and Liquiçá.

Universal Access to Water

In 2023, our collaboration with WaterAid facilitated the installation of a water pump serving four villages in the community of Darulete, in rural Liquiçá. This pump, now owned and maintained by the local water collective action group, has transformed the lives of the community members, particularly young girls.

Previously burdened with hours of daily travel to collect water, these girls can now attend school, reflecting the profound impact of our partnership on education and community well-being.



School Work

Darulete's local school received a much-needed upgrade with the installation of a universally accessible toilet block. The previous facilities fell below acceptable standards, particularly for students with disabilities. With the new toilets in place, all students now have access to safe, clean and dignified sanitation, ensuring an uninterrupted focus on their education.

Health Care in Rural Timor-Leste

Health care is highly dependent on access to clean water. The water currently used, often discolored and contaminated, poses risks to both staff and patients. ClearBridge's partnership with WaterAid is actively addressing this issue, working to ensure that health care facilities are equipped with clean and safe water.

In Colombia

Since 2020, ClearBridge has been helping underwrite a critical project to bring water to La Guajira, a mostly arid desert peninsula in northern Colombia and home to several indigenous and afro-descendant communities. With the support of ClearBridge, WaterAid is working in the Tomarrazón community, home to ~2,000 people in the rural southern part of Riohacha Municipality, to deliver life-saving WASH programming.

Highlights of past years' progress have included rehabilitating several facilities with WASH, including the Camilo Torres Primary School and community-based day care center, as well as the Agricultural Technical Educational Institution.

WASH and Education

WaterAid activities in La Guajira have also included training women and girls on menstrual hygiene management and, in 2023, we worked together with schoolteachers in the region to create a "Pathways to WASH" educational toolkit that supports behavioral change education and has the capacity to be replicated worldwide.

Other highlights of our partnership in La Guajira include:

- 1,900 children, youth and adults reached with access to WASH
- Three educational institutions rehabilitated with new WASH infrastructure
- Tomarrazón became the first town in Colombia to ensure menstrual dignity to everyone
- 1,000 girls and women from Tomarrazón provided with access to sanitary equipment for menstruation
- One new sewing workshop to ensure menstrual hygiene dignity

A Partnership with Impact

ClearBridge is honored to share the impact of our ongoing partnership with WaterAid. The projects undertaken in 2023 have brought tangible improvements to everyday life in many communities in Timor-Leste and Colombia.

As we continue our commitment to sustainable development and positive change, we look forward to furthering collaborations like this that make a lasting difference. Together with WaterAid we are fostering a future where access to essential services is universal and all may benefit from health, education and community prosperity.

ESG Organization Affiliations



Access to Medicine Index Analyzes and independently ranks research-based pharmaceutical companies on how they make medicines, vaccines and diagnostics more accessible in low- and middle-income countries.

ClearBridge has been a signatory to the investor statement since 2016.



Advance Initiative The U.N. PRI's Advance is a stewardship initiative where institutional investors work together to take action on human rights and social issues with the aim of driving positive outcomes for workers, communities, and society.

ClearBridge joined as a collaborating investor in 2022.



Carbon Disclosure Project Collects climate change, carbon emissions and water data from more than 2,000 companies worldwide.

ClearBridge has been an investor signatory since CDP's inception in 2003.



Ceres Nonprofit with a mission to integrate sustainability into business practices for the health of the planet and its people.

ClearBridge is a member.



Ceres Investor Network Network of global investors dedicated to advancing opportunities and reducing risks posed by sustainability challenges such as climate change.

ClearBridge is a member.



Climate Action 100+ Investor-led initiative to engage systemically important greenhouse gas emitters in curbing emissions and improving climate-related disclosures.

ClearBridge has been a signatory since March 2018.



FAIRR Initiative (FAIRR) Helps investors drive change in the animal agriculture sector by producing and analyzing data from the world's largest protein producers and manufacturers.

ClearBridge is a member.

The Forum for Sustainable and Responsible Investment U.S. national nonprofit membership association dedicated to advancing the practice and growth of socially responsible investing (SRI).

ClearBridge is an active member.



Global Impact Investing Network (GIIN) Nonprofit organization dedicated to increasing the scale and effectiveness of impact investing.

ClearBridge is a network member.



Interfaith Center on Corporate Responsibility (ICCR) Working towards a more just and sustainable world by integrating social values into investor actions, through the lens of faith.

ClearBridge is an affiliate member.



Net Zero Asset Managers Initiative (NZAM) Signatories are committed to addressing climate change through investment practices aligned with reducing carbon emissions to net zero by 2050 or sooner.

ClearBridge has been a signatory since 2021.



The Principles for Responsible Investment Is an investor initiative in partnership with the UNEP Finance Initiative and the U.N. Global Compact. The Principles provide a voluntary framework for investment professionals who commit to integrate environmental, social and governance (ESG) factors into their investment analysis and decision making practices.

ClearBridge has been a signatory since 2008.



Responsible Investment Association (RIA) Canada's leader on responsible investment.

ClearBridge is a member.



Responsible Investment Association Australasia (RIAA) Is the largest and most active network of people and organizations engaged in responsible, ethical and impact investing across Australia and New Zealand.

ClearBridge is a member.



Task Force on Climate-Related Financial Disclosures (TCFD) Developing consistent metrics for use by companies in disclosing financial risks associated with climate change to investors, lenders and other stakeholders.

ClearBridge is a supporter as of 2018.



WaterAid International nonprofit working to make clean water, decent toilets and good hygiene normal for everyone, everywhere, within a generation.

ClearBridge has been a partner since 2013.

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