ClearBridge
A Franklin Templeton Company

Rigor. Relevance. Transparency.

Sustainability Factors Driving Business Forward

Stewardship Report 2025

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Welcome Letter from Terrence Murphy

"The principle that a company's performance on material ESG issues can affect value creation underpins ClearBridge's approach to ESG integration."

The critical spotlight on sustainability practices only grew brighter in 2024 as support for diversity, equity and inclusion programs began to be challenged and the rhetoric of a new U.S. administration created potential headwinds to integrating environmental, social and governance (ESG) factors into investment decisions.

As an ESG investor for nearly 40 years, ClearBridge has persevered through the evolution of public perception on the importance of sustainability to successful investment outcomes. Just three years ago, it was industry regulators obliging asset managers to clearly document and disclose how ESG factors were integrated into the equity investment process. While we are not in a position to predict what broader federal government scrutiny will mean to ESG implementation, this year's Stewardship Report aims to validate and strengthen the critical nature of sustainability as a business driver and core component of fundamental equity research.

The principle that a company's performance on material ESG issues can affect value creation underpins our approach to ESG integration. While we have for years highlighted the connection between ESG risk and financial performance, the strength and nature of this relationship varies by industry and the financial metrics used — arguing for the importance of the sector-specific expertise we incorporate into our ESG analysis and the flexibility to adapt our analysis to changing market and economic conditions.

The 2025 Stewardship Report quantifies this adaptability both in enhancements to the ClearBridge ESG Materiality Framework™, which focuses on the ESG issues that truly matter for each company, as well as in how we are addressing sustainability's evolving profile. Through a half dozen "Reality Check" case studies, we offer insights into the shifting landscape of sustainability topics and the often complex perspectives each entails.

Engaging companies as a business owner is how we approach not only ESG considerations but also fundamental goals and benchmarks. This further supports the argument for sustainability factors as a key element of the security analysis that drives our investment decisions and the active management that guides our portfolio construction. Reflecting the global nature of our business, we are proud to share this year engagement examples from Canada, Europe and Asia as well as the U.S. that cover companies up and down the market cap spectrum and across sectors and asset classes including infrastructure.

ClearBridge is committed to remaining on the vanguard among asset managers in offering our thoughts on key sustainability issues. As a result, we welcome the push for enhanced disclosures and vetting of sustainable approaches to avoid greenwashing. Being stewards of client capital, our role is not to take sides in partisan debates but instead to communicate the fundamental drivers supporting our conviction in ESG integration as a core part of both our active management approach and our fiduciary duty. We believe our longtime advocacy of such an approach is consistent with and crucial to creating long-term value for our clients. 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

Terrence Murphy

$190 Billion Assets Under Management

ClearBridge Investments holds $190 billion in assets under management as of December 31, 2024.

Firm Overview

$190 Billion
In Assets Under Management

165 Companies
Where We Are a Top 20 Shareholder

38 Years
Integrating ESG Analysis in Investment Process

4 Years
Average Period We Own a Company

13 Years
Explicitly Incorporating ESG Analysis in Analyst Compensation

500+
Total ESG Engagements in 2024

1,000+ Companies
With Proprietary ESG Ratings

1,000+
Company Meetings Per Year

100%
Proxy Voting Record

ClearBridge Investments is a leading global equity manager with $190 billion in assets under management as of December 31, 2024. 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 nearly 40-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.

ClearBridge ESG Milestones

1987

ClearBridge opens first client account using socially responsible investment approach

1990

Joins Interfaith Center on Corporate Responsibility (ICCR)

1997

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

2004

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

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

2008

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

2009

Becomes a member of the Responsible Investment Association

2011

- Joins Investor Network on Climate Risk (INCR)
- Joins Ceres

2012

Joins Global Impact Investing Network (GIIN)

2013

- Forms corporate partnership with WaterAid

2014

- Formally introduces proprietary ESG ratings

2015

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

2016

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

2017

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

2018

- Becomes a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD)

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

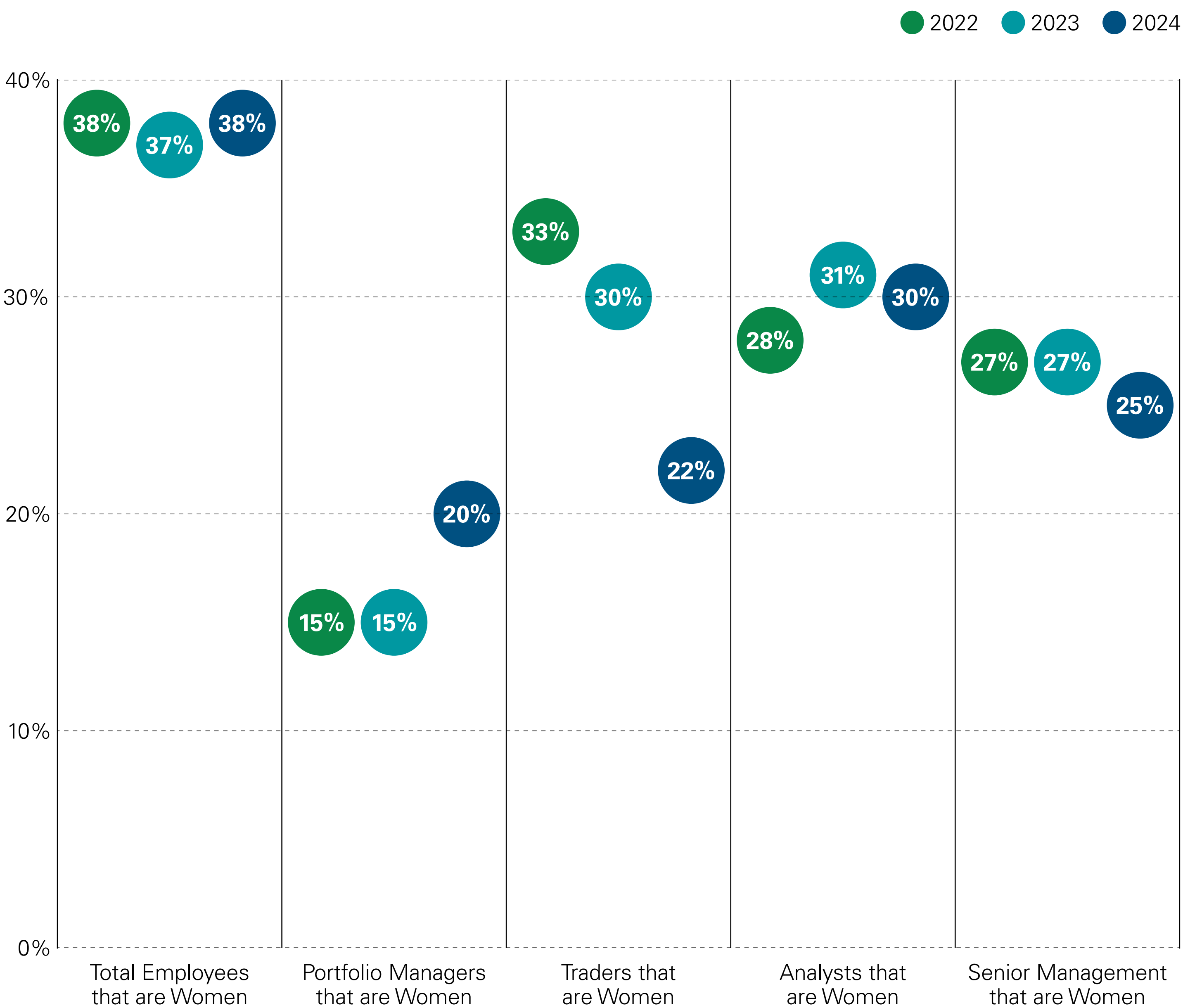
2021

- ClearBridge assets where ESG factors are integrated and ESG ratings assigned surpasses $200 billion
- Becomes a member of the Responsible Investors Association Australasia (RIAA)

2022

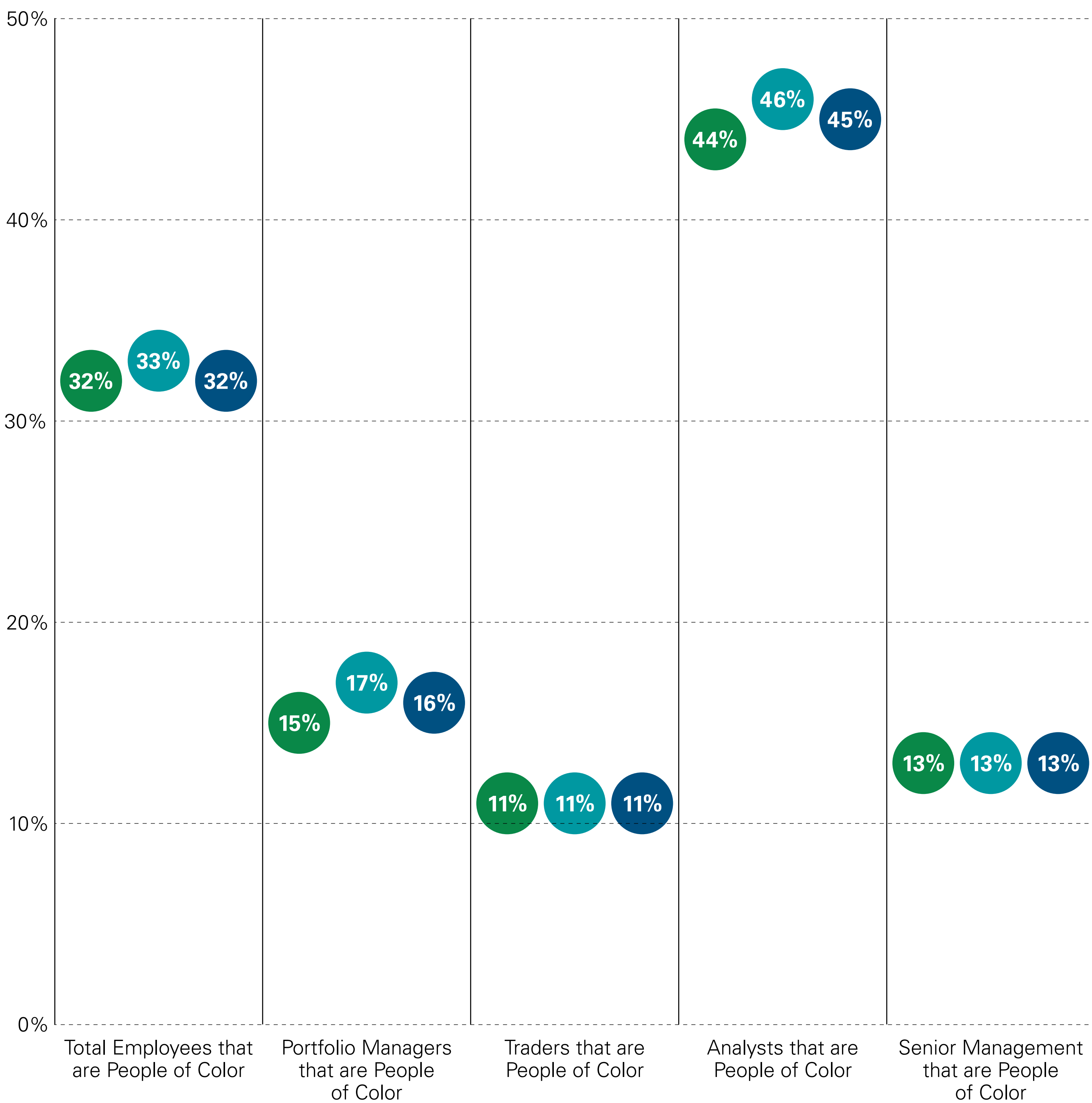
- Joins PRI's Advance initiative on human rights

A Diverse and Inclusive Culture at ClearBridge



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. We will continue to promote equality through our total reward, talent acquisition and management processes.

We have updated our definition of senior management to include direct reports to the CEO and members of the management committee.



New at ClearBridge in 2024

ClearBridge Earns Top Scores at U.N. PRI

ClearBridge ESG Factor Refresh

ESG Factor in Focus: Responsible AI

Net-Zero Alignment: 2024 Update

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 2024, scoring well above the median of the PRI universe. ClearBridge has been a PRI signatory since 2008.

The PRI is an investor initiative in partnership with the UNEP Finance Initiative and the UN 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.

ClearBridge ESG Factor Refresh

In 2024 ClearBridge completed a refresh of the ClearBridge ESG Materiality Framework™ as part of the continuous enhancement of ClearBridge's approach and to better support ClearBridge investment teams in more accurately identifying factors that are most relevant to their portfolio companies. As ClearBridge's investment teams are responsible for assigning ESG ratings, members were consulted through multiple working groups covering different sectors. Enhancements included:

- Eliminating factors that were no longer relevant
- Narrowing down factors to better reflect issues that are most material
- Defining factors to improve factor usage
- Adding material ESG factors that have emerged over the past several years

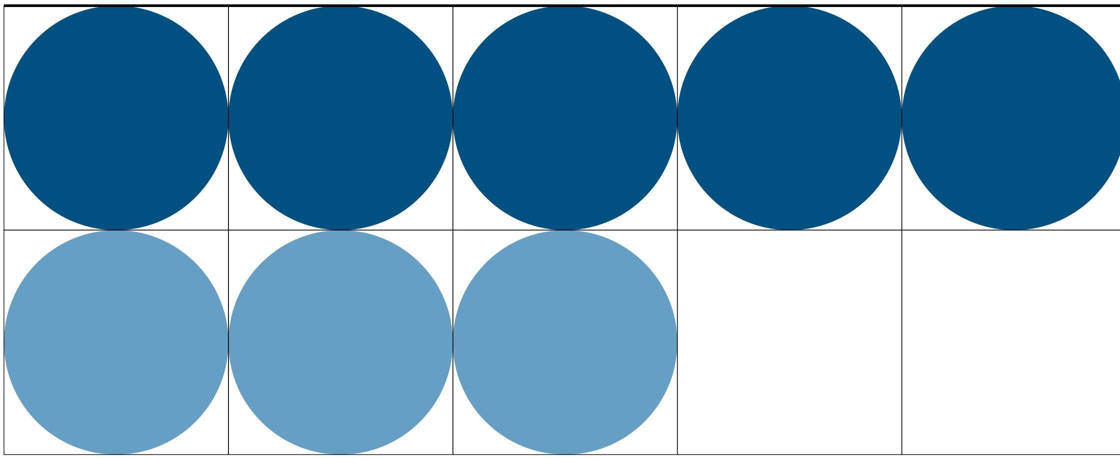
PRI Reporting Assessment: 2024

ClearBridge Score   PRI Median

Policy Governance and Strategy

Score

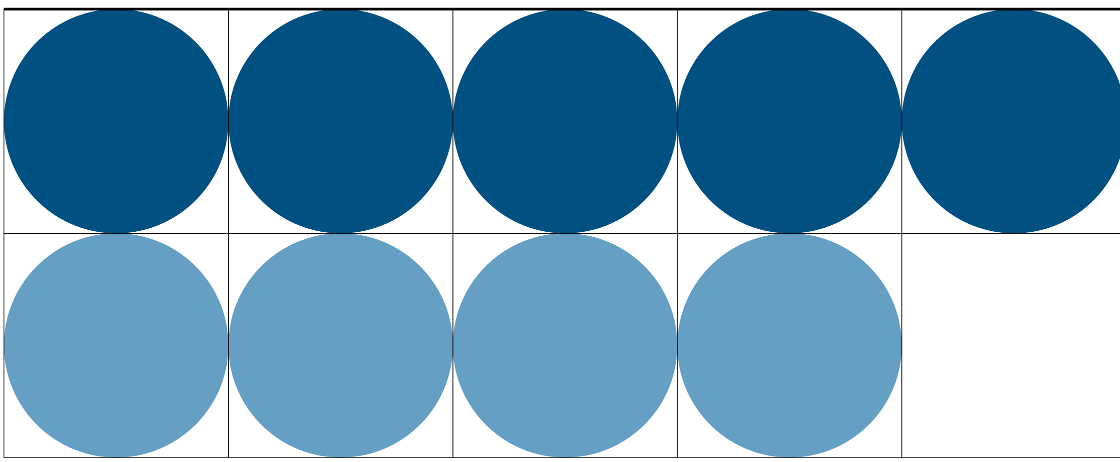
95



Direct-Listed Equity-Active Fundamental

Score

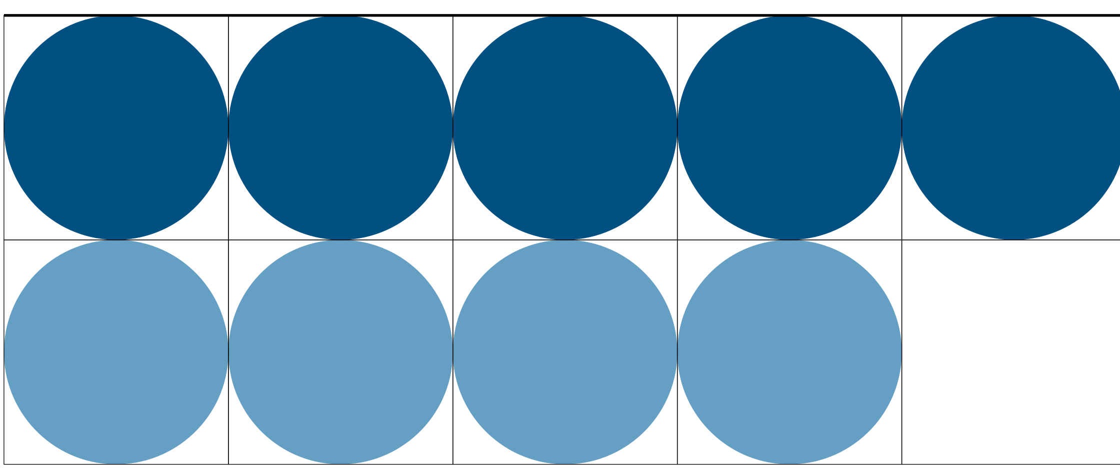
100



Confidence Building Measures

Score

100



ESG Factor in Focus: Responsible AI

Artificial intelligence (AI) is transforming the investment landscape, and while its rapid development sparks some valid social and environmental caution, it also brings 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. ClearBridge is closely watching these opportunities even while we observe AI's energy intensity and social dimensions as the phenomenon plays out in our portfolio companies across sectors.

Among its social dimensions, the potential for biases in AI models and the need to ensure data privacy are paramount. As more companies develop and integrate AI into their business, many of them are moving the responsible AI conversation forward by making publicly available their ethical AI principles **(Exhibit 1)**. Hiring algorithms using AI may also rely on and perpetuate race and gender biases. Almost 40% of global employment is exposed to AI **(Exhibit 2)**.[1]

It was therefore natural to define responsible AI as an ESG factor as we examine whether companies are developing and deploying AI ethically and legally while benefiting individuals, communities and broader society and minimizing the potential for harm.

[1] Kristalina Georgieva, "AI Will Transform the Global Economy. Let's Make Sure It Benefits Humanity," IMF Blog, imf.org, Jan. 14, 2024.

Exhibit 1
Companies with Publicly Available Ethical AI Principles
Source: "Digital Inclusion Benchmark," World Benchmarking Alliance, March 2023.

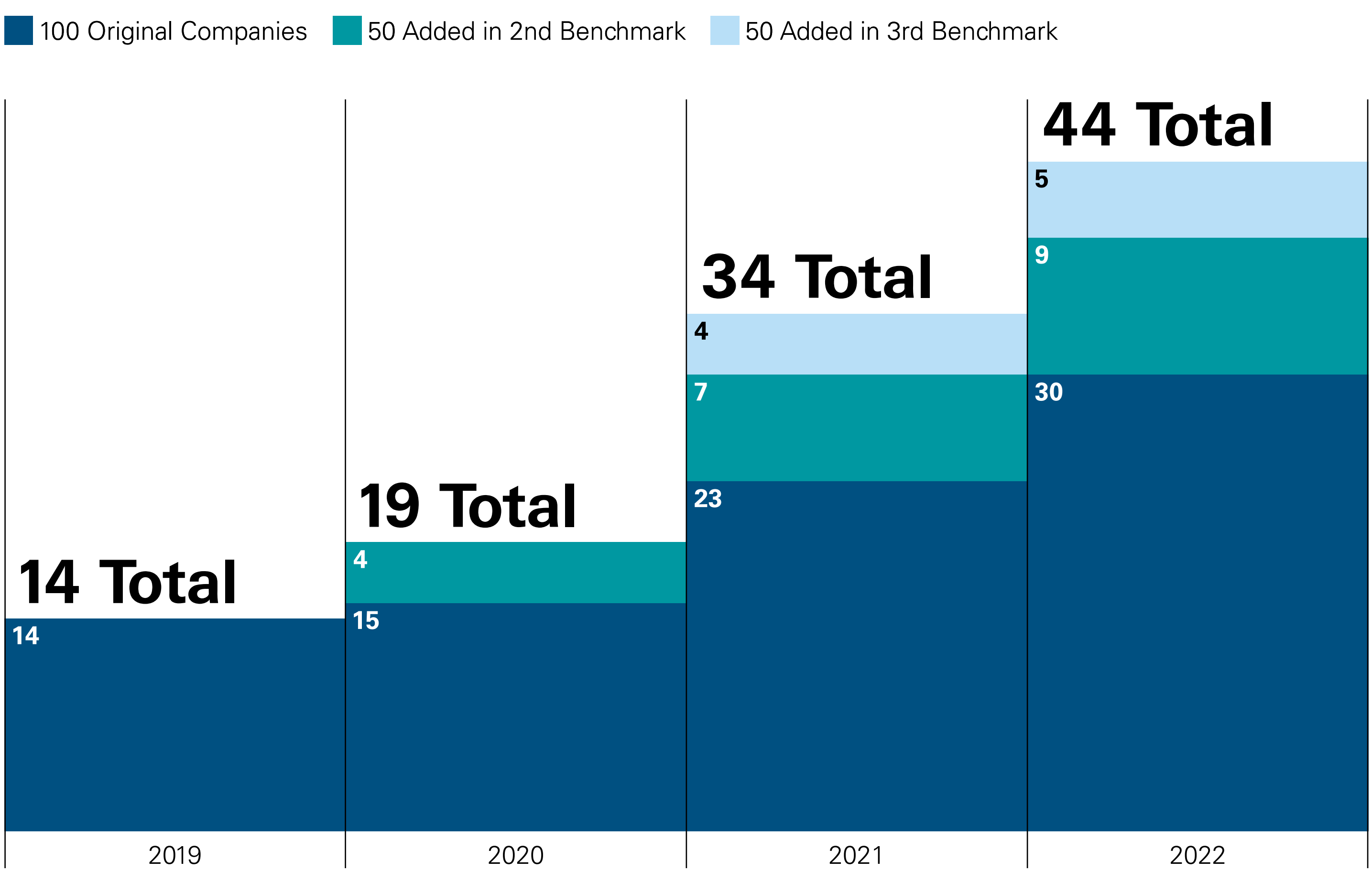
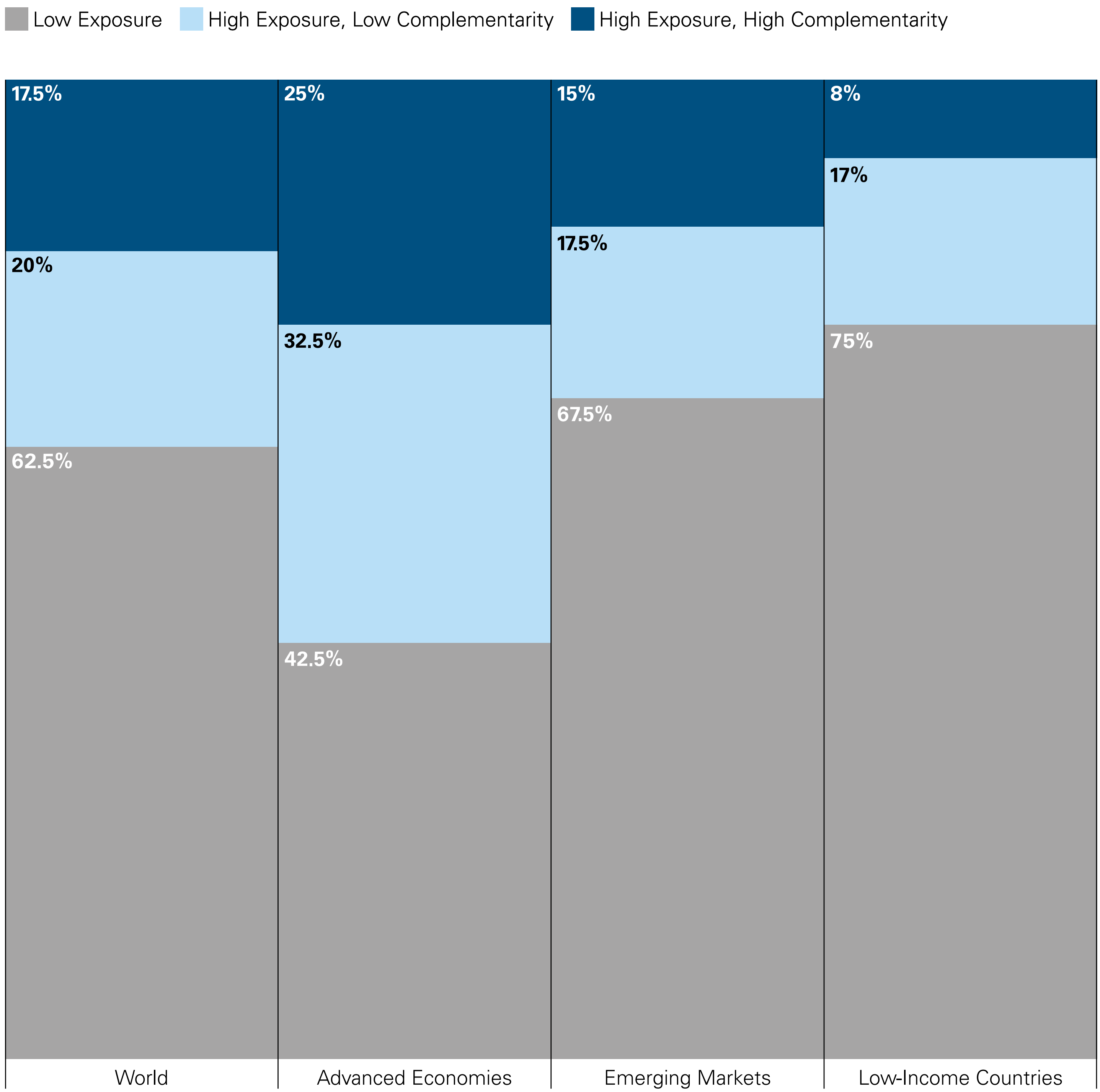


Exhibit 2

Employment Shares by AI Exposure and Complementarity

Source: "AI Will Transform the Global Economy. Let's Make Sure It Benefits Humanity," Kristalina Georgieva, IMF Blog, imf.org, Jan. 14, 2024. For illustration purposes only. Complementarity implies AI leads to gains in productivity and higher income.



Net-Zero Alignment: 2024 Update

In 2021, in line with our view that carbon emissions contribute toward long-term material risks with respect to our portfolio companies, ClearBridge set several goals to facilitate getting the world to net-zero carbon emissions by 2050. In particular, we are aiming to:

- By 2030: Achieve at least 66% of current in-scope assets net zero aligned or subject to engagement
- By 2040: Align 100% of assets with the pathway to net zero by 2050
- By 2050: Achieve net-zero emissions across all ClearBridge portfolios

Assessing their net-zero alignment, we group portfolio companies into one of four categories **(Exhibit 3)**. 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.

Measuring the alignment of our in-scope assets as of December 31, 2024, we find 58% to be "Net Zero Aligned" **(Exhibit 4)**.[2] This represents a 61% increase from our baseline of 36% over our target pathway **(Exhibit 5)**.

ClearBridge's Net-Zero Alignment: 2024 Highlights

- 58% Of in-scope assets are net zero aligned
- 61% Increase of net-zero-aligned assets from 2021 baseline
- 5% Increase of net-zero-aligned assets year over year
- 36% Ahead of schedule on our target pathway

[2] As of December 31, 2024, in-scope assets accounted for 31% of total AUM and represent core, value and growth exposures with a diverse range of sector allocations, and thus varying portfolio-level emissions.

Exhibit 3
ClearBridge Assessment for Net-Zero Alignment of Portfolio Companies

No Target
Company has not set a decarbonization target

Target, Not Aligned to Net Zero
Company has set a target, but it is not aligned to a net-zero pathway

Committed to Set Net-Zero-Aligned Target
Company has committed to setting a verified science-based target within two years

Net Zero Aligned
Company has set a verified science-based target or is considered a pure-play climate solutions provider

Exhibit 4

Net-Zero Alignment of ClearBridge In-Scope Assets

As of Dec. 31, 2024. Numbers may not add to 100% due to rounding.

Source: ClearBridge Investments.

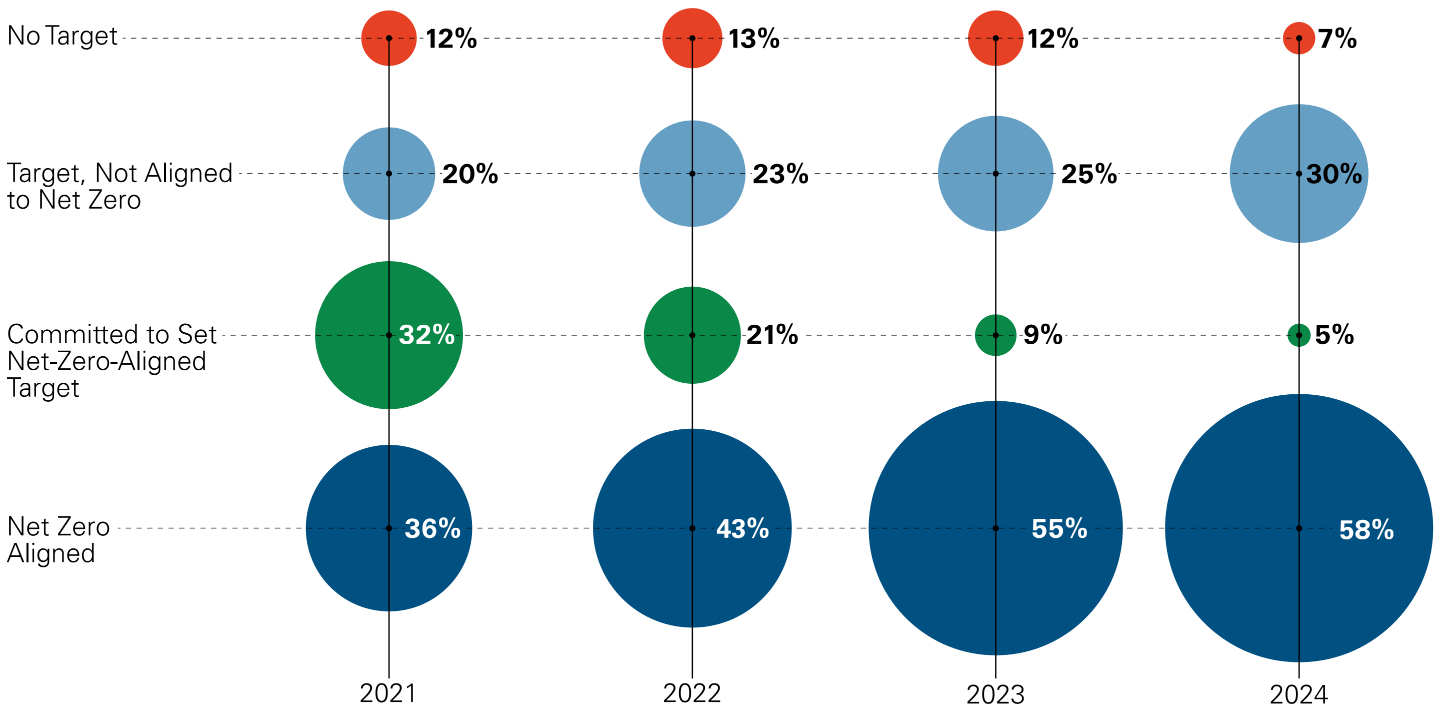
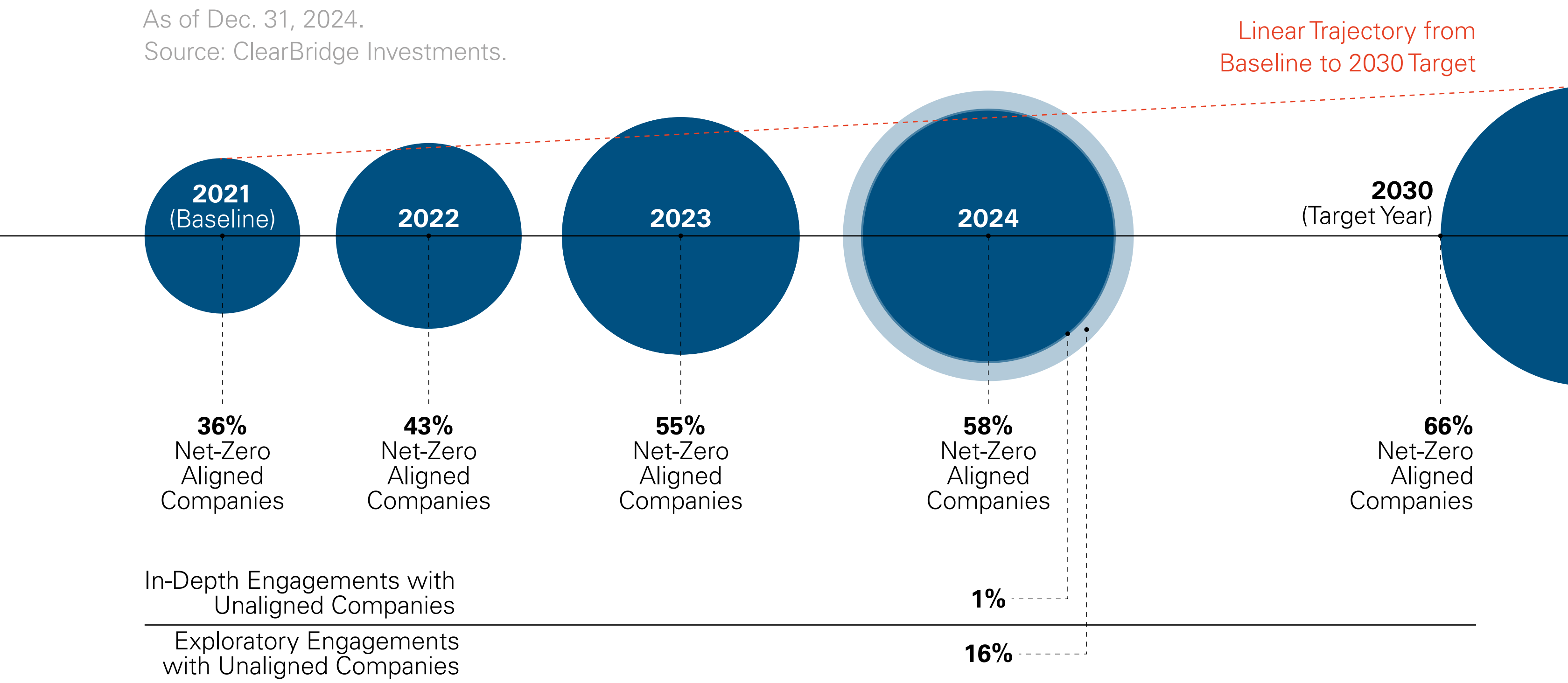


Exhibit 5

Tracking Progress Toward Net-Zero Targets

As of Dec. 31, 2024.

Source: ClearBridge Investments.



An Annual Update with Mary Jane McQuillen

Sustainability Central to Major Market Drivers

AI and Sustainability Inextricably Entwined

Circularity: A Unifying Concept

Sustainability Factors a Reasonable/Necessary Part of Fiduciary Obligation

Mary Jane McQuillen leads ClearBridge's pioneering ESG integration efforts and has been with ClearBridge's ESG program since 1996. She is also a Portfolio Manager on the ClearBridge Sustainability Leaders Strategy. She has been central to ClearBridge ESG milestones such as establishing a central research platform that integrates ESG factors by sector in fundamental analysis and co-publishing the first "ESG" report with the UNEP FI's Asset Management Working Group in 2004.

With her long industry tenure and experience, Mary Jane is among a small group of portfolio managers in the asset management industry who have been integrating ESG considerations into the equity investment process and raising awareness of the value of sustainability investing for several decades.

Here Mary Jane shares insights from ClearBridge's ongoing engagements with portfolio companies' CEOs and CFOs on what matters most today for sustainability investing.

Exhibit 6
Key Solutions to Aging Populations Might Be Underappreciated
Source: Goldman Sachs Investment Research, "The Demographic Dilemma: Aging Populations and the Social Investing opportunities from potential solutions," Nov. 19, 2024.

Solutions to Aging Populations	Industry Beneficiaries	Median Relative Weight in ESG Funds
Womenomics and Improved Labor Force Participation	Childcare, Women, and Child Health	32%
Education, Reskilling, Retention and Recruiting	Education, Staffing, Recruiting, Training and Reskilling Providers	-7%
Immigration	Remittance Providers	115%
Relocation of Industrial Activity	Outsourced/ Contract Manufacturers and Solutions Providers	-52%
Industrial and Services Automation and AI	Industrial and Service Automation, Humanoid Robots	-19%

Sustainability Central to Major Market Drivers

It has been an eventful year for sustainability and investing, marked by volatility driven by higher interest rates and a U.S. election. But how companies manage their environmental and social impacts, and how they govern themselves to the benefit or detriment of their shareholders and other key stakeholders — these remain fundamental concerns for investors, companies and governments around the world. As the value of considering these ESG or sustainability factors becomes magnified amid the recognized benefits of reducing waste across the value chain, more extreme weather events, the progressing energy transition and the growing recognition of the competitive advantage of effective human capital management, so too do the ways in which sustainability adds value as a business driver, risk reducer, cost compressor and productivity enhancer.

Major sustainability themes today are closely linked to major market trends, touching on the dynamic regulatory environment in the U.S., big tech's green capex to meet the power demands of growing AI, and efficiency as a means of lowering costs and reducing emissions. Circularity will continue to emerge as a key governing concept, as will biodiversity, which would benefit from greater water and land efficiency. We also expect more company and government efforts to support climate resilience and adaptation as climate change realities intensify — these have important social implications. Likewise, we expect companies and governments to contend with the social as well as business impacts of changing labor force dynamics as populations age, immigration slows and tariffs disrupt global supply chains. We highlight key industry beneficiaries to be aware of amid these evolving economic conditions **(Exhibit 6)**. Efforts to responsibly source critical raw materials are also ongoing.

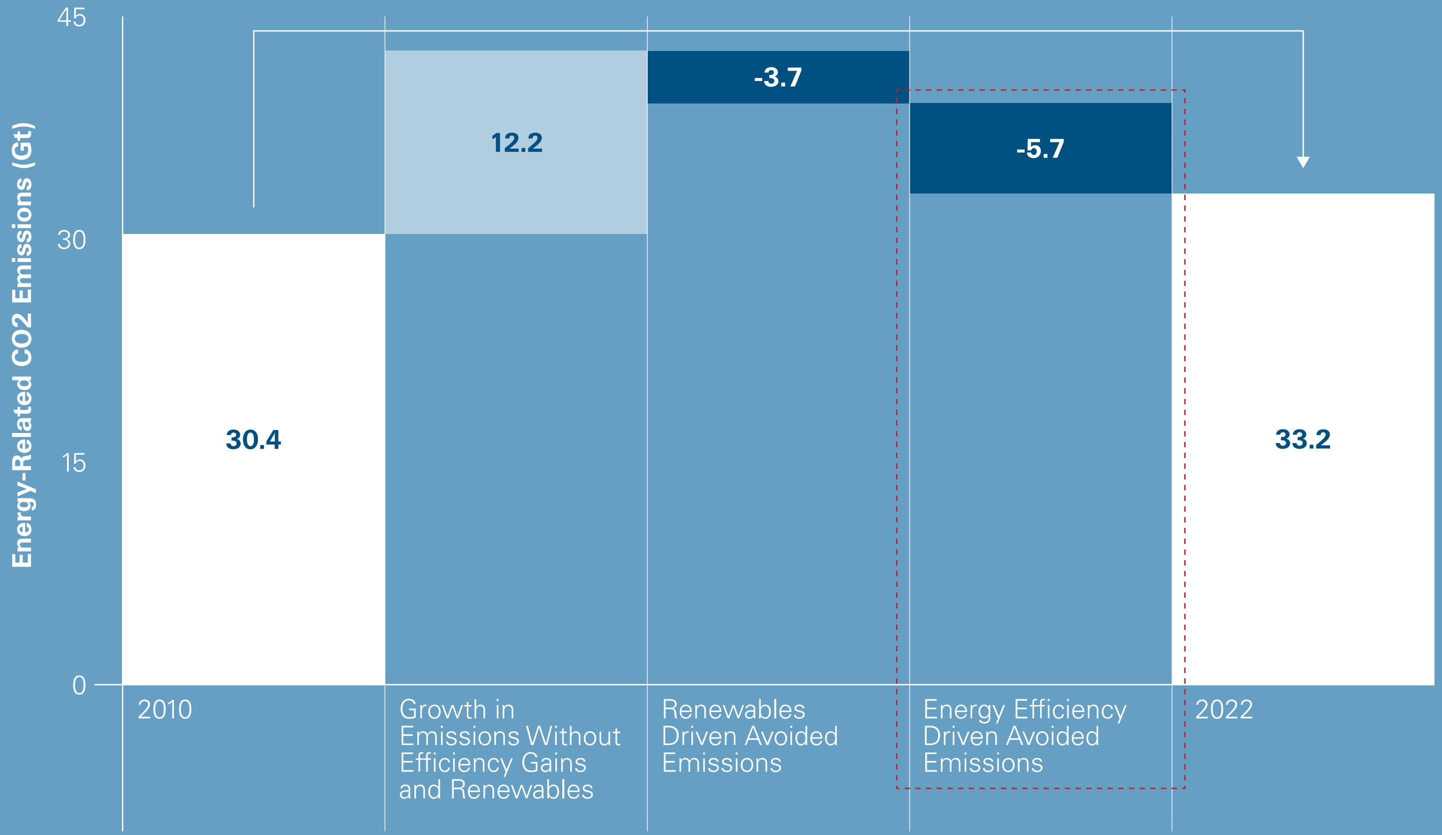


Exhibit 7
Energy Efficiency Has Avoided More Emissions than Renewable Energy Deployment
Attribution Analysis of Avoided Emissions from Renewable Energy Deployment and Energy Efficiency Gains (2010 Baseline).
Sources: IEA, UN, World Bank, Goldman Sachs Global Investment Research.

Following the 2024 U.S. election, some fear a hostile environment for sustainability-themed investing and sustainability goals broadly. But while some federal involvement in sustainability goals may wane temporarily (in areas such as the Paris Agreement, the SEC's climate disclosure rule, electric vehicle tax credits and EPA regulations), we believe a full repeal of the Inflation Reduction Act (IRA) is unlikely as it compounds economic growth and sustainability goals widely across the country. And while the IRA propels emissions reductions, energy efficiency has been a major contributor to lowering emissions before the IRA, a reminder that renewables and clean energy are not the only solution **(Exhibit 7)**. Regulation and competitive dynamics in the U.S. may lead to a more challenging environment for EVs, biofuels, offshore wind and green hydrogen, while capex for wind and solar should continue to be healthy.

The energy transition is an inevitable global reality and open conversations with companies on emissions reductions will continue as they seek to augment their competitiveness in a lower-carbon economy. The investment community may be less vocal about sustainability activities and engagements, although open and transparent communication with clients as well as portfolio companies about best practices, enabling all financial participants to make informed decisions, will remain the standard.

AI and Sustainability Inextricably Entwined

The sustainability profile of artificial intelligence (AI) will remain a market priority, with hyperscalers, incentivized by both consumers and shareholders to source renewable energy for data centers, driving demand along the renewable energy value chain, in particular wind and solar. As carbon-free nuclear energy is enlisted to meet accelerating global power demand, we'll see vigorous debate globally on safety and efficacy, and its viability is by no means certain. The negative climate impacts of more carbon-intensive sources like natural gas should be partially mitigated by more opportunities for lowering emissions profiles (via methane leak reductions) and innovative carbon capture projects.

Enthusiasm for AI drove markets for much of 2024, with most of the leading stocks connected to or benefiting from AI in some way. As equity managers, we recognize this powerful technology has many potential beneficial uses but also many risks. The European Union has taken the lead in passing a law to prohibit use of AI by companies or governments in a way that poses risks to safety and to fundamental rights. The law establishes a set of unacceptable risks, which involve AI's use with children, as well as a set of high risks, such as integrating AI into the operations of critical infrastructure.

Aside from these types of risks, one of our main concerns from a sustainability perspective is how incredibly energy-intensive it is to provide cooling to AI data centers. In the short term it can contribute to greenhouse gas emissions, complicating some of the challenges of the energy transition. On the positive side, the rising demand for energy can help with funding the introduction of new renewable energy projects. Many of the AI providers have high and serious targets for using renewable power and may help to drive the transition.

We also analyze AI with the awareness that generative AI capabilities can help to automate many operational processes, and in this way could be a threat to jobs. Fortunately, we are seeing — at least in the early stages — that AI is augmenting current workers, helping them to become more productive and prompting them to gain new skills. We see another benefit of AI in health care, in that it helps with repetitive reviews of diagnostic information and drug development. This application can free up time for health care technicians and doctors to provide more clinical care.

Circularity: A Unifying Concept

Circularity remains a key opportunity, being at once a consumer preference, an environmental positive, an opportunity for boosting the bottom line via operational efficiency (as well as revenues in many cases), and an increasing regulatory imperative. While available and reliable data remains a challenge for biodiversity-themed investing, businesses offering solutions that improve water resilience and land management and remediation have direct revenue opportunities that would fall under the biodiversity banner. Most businesses also have biodiversity risks to manage in their operations; these form part of the business fundamentals investors must take it upon themselves to understand as they underwrite securities they invest in.

To this end, while some protections may be called into question, the new U.S. administration looks to be supportive of nature, specifically on drinking water legislation and PFAS (forever chemicals); this has been a bipartisan issue that in fact originated with the Trump administration in 2019 (and a long-standing topic of ClearBridge engagements), and which the Biden administration continued with more regulations to support clean drinking water.

Sustainability Factors a Reasonable/Necessary Part of Fiduciary Obligation

From an active manager's perspective, in our view there is no change to the fiduciary obligation of understanding how sustainability factors woven into companies' operations and adhering to their products and services reflect material risks and opportunities. To the extent that policy in the U.S. temporarily ceases to be the tailwind it has been at times, and amid a potentially rightward shift in policy in Europe toward simplification and competitiveness, the case for identifying where sustainability innovation and leadership is advancing company fundamentals is all the more important.

One Team

The ClearBridge Model: One team integrating ESG and fundamental research.
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Integrating ESG & Fundamental Research

Value.

Creating Value through ESG Integration

ClearBridge ESG Integration: Highlights

Legacy of Expertise

- First ESG-integrated portfolios launched in 1987
- Established track record of working with clients to align portfolios with their values
- Long history as a thought leader at the forefront of ESG integration

Differentiated Approach Enables True ESG Integration

- Across ClearBridge, ESG integration is part of each fundamental analyst's responsibilities
- Proprietary ESG ratings facilitate systematic ESG integration and company engagement
- Research analyst compensation based in part on quality of ESG analysis

Impactful Active Ownership Strategy

- The combination of ClearBridge's asset size and long holding periods provides access to company management teams
- ClearBridge analysts and portfolio managers have direct engagement with C-suite executives on all aspects of the business, including ESG issues

Why Analyze ESG Factors?

There is abundant academic evidence that strong ESG performance can result in lower costs of capital and better operational performance for companies.

Early meta-studies examining the relationship between ESG and financial performance (prior to 2015) found positive correlations between ESG performance and operational efficiencies, stock performance and lower cost of capital.[3] McKinsey has also found that better ESG performance has translated into a 10% lower cost of capital.[4] A meta-study of over 1000 individual studies undertaken in 2020 drew several compelling conclusions consistent with ClearBridge's views and approach to ESG integration, among which:

- Improved financial performance due to ESG becomes marked over longer time horizons
- ESG integration, broadly speaking as an investment strategy, seems to perform better than negative screening approaches
- Sustainability initiatives at corporations appear to drive better financial performance due to mediating factors such as improved risk management and more innovation[5]

More recent studies have found, for example, that companies that achieve stronger growth and profitability than their peers while improving sustainability and ESG scores deliver two percentage points greater annual excess total shareholder return than companies that excel only on financial metrics.[6] Further, while there is a connection between ESG risk and financial performance, the strength and nature of this relationship varies by industry and the financial metrics used — arguing for the importance of sector-specific expertise when incorporating ESG analysis in the investment process.[7]

[3] Tensie Whelan, Ulrich Atz, Tracy Van Holt and Casey Clark, CFA, "ESG and Financial Performance," NYU Stern, Feb. 2021.

[4] "Why ESG Is Here to Stay," McKinsey, May 2020.

[5] ESG and Financial Performance.

[6] "The Triple Play: Growth, profit, and sustainability," McKinsey, August 2023.

[7] Edmée Hogenmuller, Anthony Schrapffer and Léna Tuvache, "Exploring the link between ESG Ratings and Financial Performance: A Sector-by-Sector Analysis," SSRN, May 18, 2024.

ESG Performance is Linked to Value Creation

The principle that a company's performance on material ESG issues can affect value creation is behind ClearBridge's approach to ESG integration.

Exhibit 8
What Strong and Weak ESG Performance Can Indicate

Strong ESG Performance

Product Demand	Products made sustainably (e.g., with transparent, lower-impact manufacturing practices) can attract new customers and increase customer loyalty
Operating Efficiency	Efficient use of resources such as energy, raw materials and water can reduce operating costs and increase profitability
Regulation	Products with positive externalities may receive regulatory support over time (e.g., subsidies, grants, less regulation)
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
Social License to Operate	Companies with strong track records on ESG can experience better community relations, making it easier to operate and receiving support and incentives from local stakeholders to expand
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
Investment	Effective investment in R&D drives product innovation and process innovation, which can increase long-term sales and profitability

Weak ESG Performance

Product Demand	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	Lack of environmental management systems can indicate inefficient use of resources and unnecessary costs
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 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 poor track records on ESG can experience disruptions to existing operations and expansion plans (e.g., protests, boycotts, blocked M&A)
Capital Allocation	A poorly defined capital allocation framework with misaligned incentives can result in under- or overinvestment in the business and misallocation of capital
Investment	Underinvestment in R&D (e.g., to improve short-term profitability) can lead to less competitive products and processes over the long term

The ClearBridge Model of ESG Integration

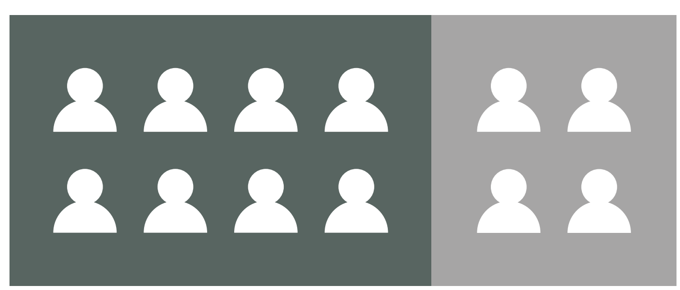
ClearBridge "integrates" ESG research by explicitly including it in fundamental company research performed by analysts on ClearBridge's sector research team, analysts dedicated to specific portfolios, and portfolio managers, who include ClearBridge's proprietary ESG ratings and analysis in their investment decision making **(Exhibit 9)**.

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. For every stock recommendation, each analyst presents the investment thesis, risk/reward profile, valuation, target price and proprietary ESG rating **(Exhibit 10)**.

Exhibit 9
ClearBridge Model of ESG Integration

ClearBridge Model
One team integrating ESG and fundamental research

Model 1
Third-party ESG research firm



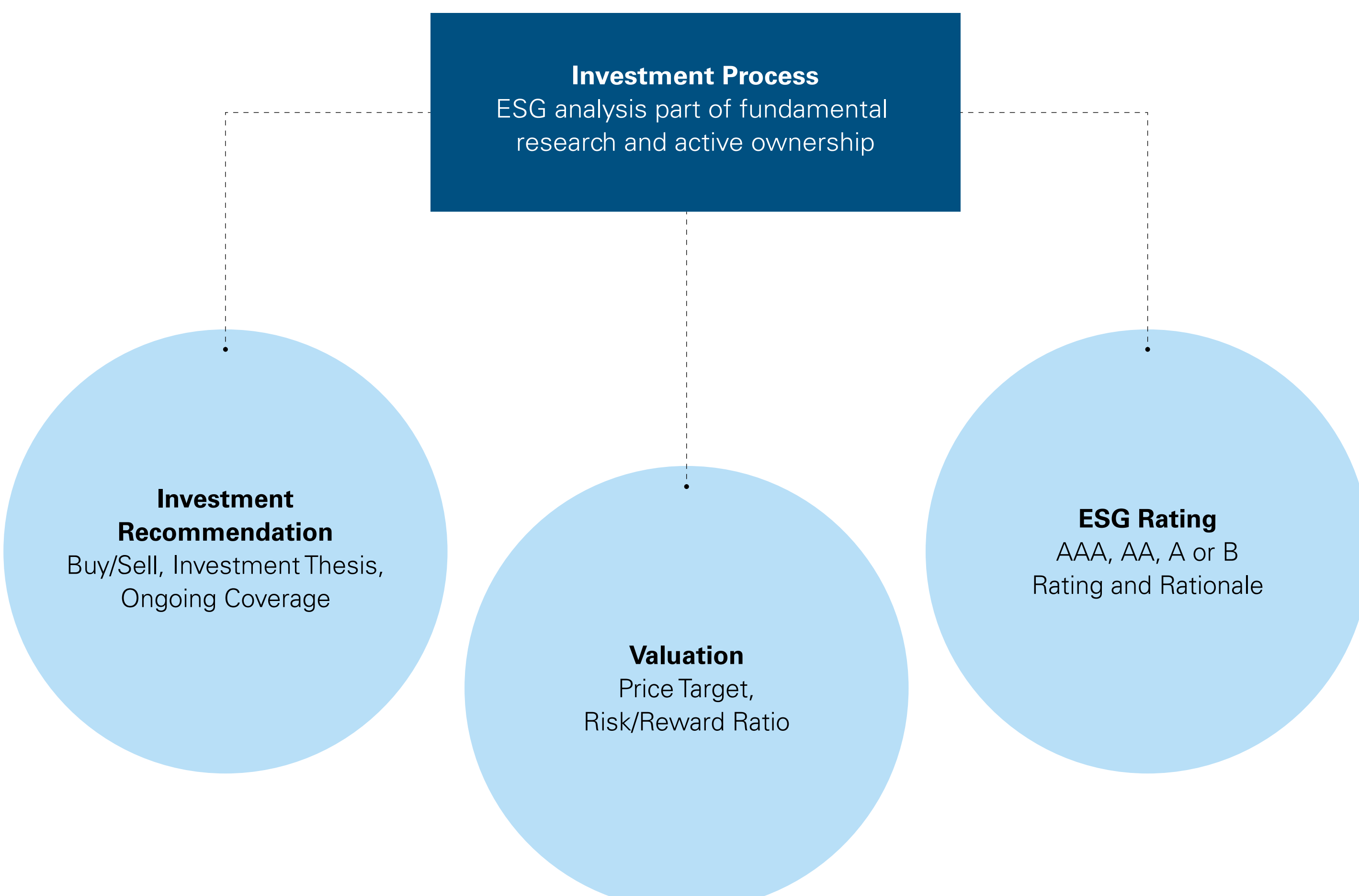
Model 2
Segregated internal ESG research team

ClearBridge 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 nearly 40 years; we began formally incorporating ESG analysis in analyst compensation and performance reviews in 2012 and introduced our proprietary ESG ratings in 2014.

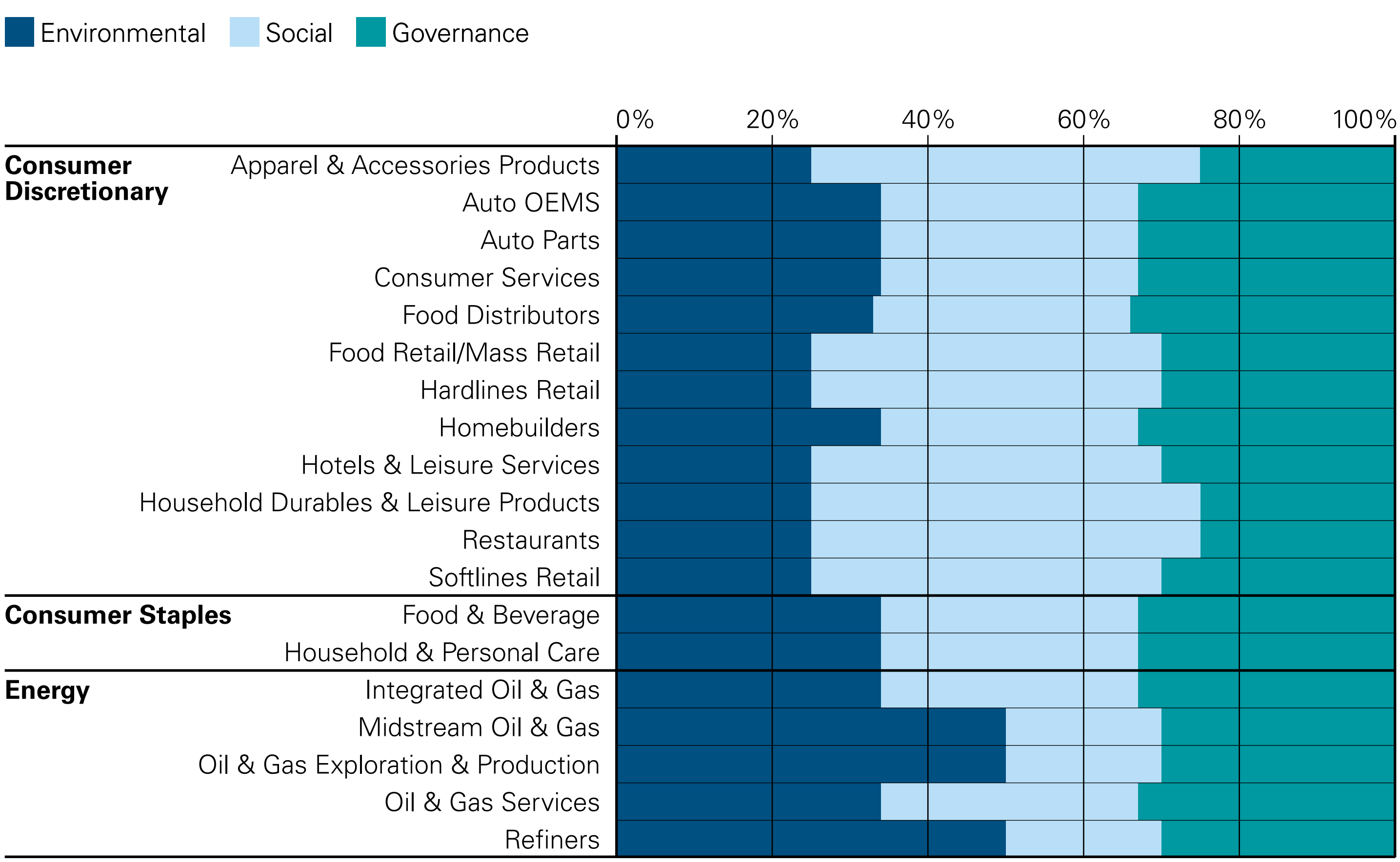
Exhibit 10
ESG Analysis in the Research Process

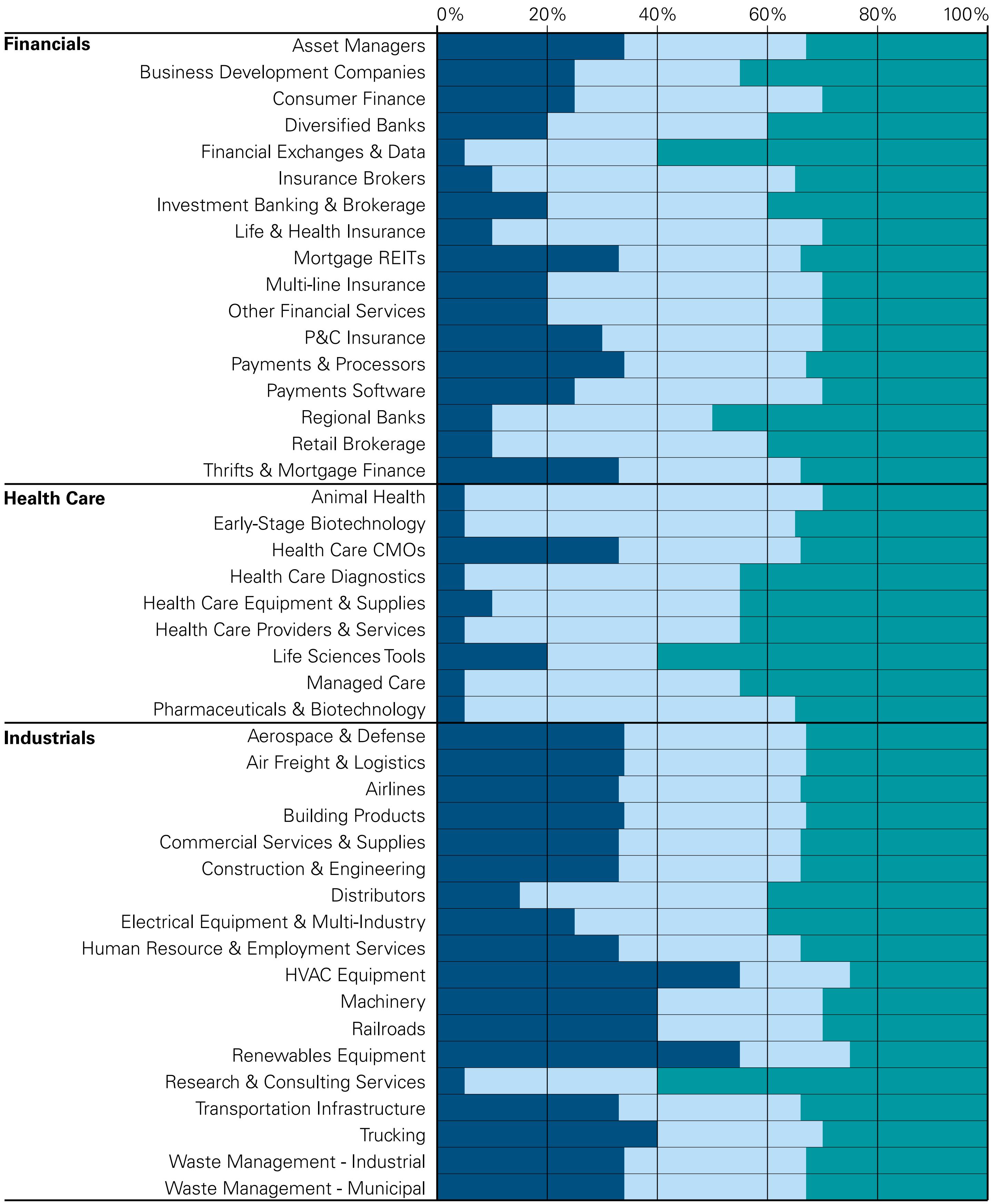


The ClearBridge ESG Materiality Framework™

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.

Here is an industry-specific breakdown of the relevance of environmental, social and governance factors as ClearBridge investment analysts deem them to be material for companies in their coverage.

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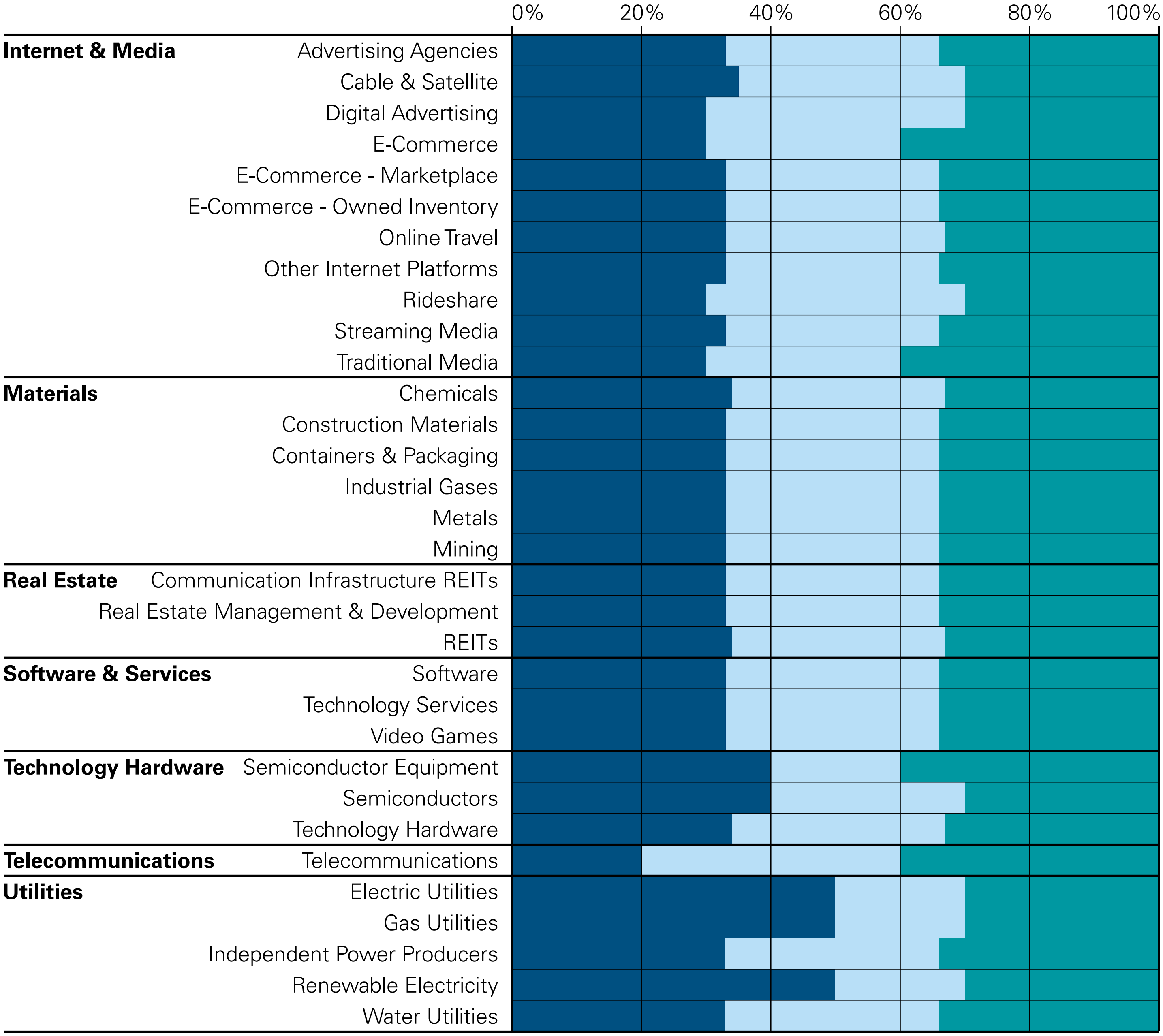
Financials
Asset Managers
Business Development Companies
Consumer Finance
Diversified Banks
Financial Exchanges & Data
Insurance Brokers
Investment Banking & Brokerage
Life & Health Insurance
Mortgage REITs
Multi-line Insurance
Other Financial Services
P&C Insurance
Payments & Processors
Payments Software
Regional Banks
Retail Brokerage
Thrifts & Mortgage Finance
Health Care
Animal Health
Early-Stage Biotechnology
Health Care CMOs
Health Care Diagnostics
Health Care Equipment & Supplies
Health Care Providers & Services
Life Sciences Tools
Managed Care
Pharmaceuticals & Biotechnology
Industrials
Aerospace & Defense
Air Freight & Logistics
Airlines
Building Products
Commercial Services & Supplies
Construction & Engineering
Distributors
Electrical Equipment & Multi-Industry
Human Resource & Employment Services
HVAC Equipment
Machinery
Railroads
Renewables Equipment
Research & Consulting Services
Transportation Infrastructure
Trucking
Waste Management - Industrial
Waste Management - Municipal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Internet & Media
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Cable & Satellite
Digital Advertising
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E-Commerce - Marketplace
E-Commerce - Owned Inventory
Online Travel
Other Internet Platforms
Rideshare
Streaming Media
Traditional Media
Materials
Chemicals
Construction Materials
Containers & Packaging
Industrial Gases
Metals
Mining
Real Estate
Communication Infrastructure REITs
Real Estate Management & Development
REITs
Software & Services
Software
Technology Services
Video Games
Technology Hardware
Semiconductor Equipment
Semiconductors
Technology Hardware
Telecommunications
Telecommunications
Utilities
Electric Utilities
Gas Utilities
Independent Power Producers
Renewable Electricity
Water Utilities

Sustainability's Evolving Profile

As economies and markets evolve, supply and demand dynamics shift, and technology redefines what is possible — creating new needs even as it meets existing ones — so the investment process must evolve to meet an ever-changing world.

Weighing material environmental, social and governance factors and identifying opportunities and risks stemming from them is an ongoing process at ClearBridge that must always be put to the test. Understanding where sustainability and the investment process meet requires a constant reality check as we seek to deliver positive outcomes for clients in a world where each day offers a new opportunity and risk to account for as we underwrite the investment case for portfolio companies, be they current or potential ones. Here we offer insights into the shifting landscape of sustainability topics and the often complex perspectives each entails.

Reality Check: Greenwashing and Greenhushing

Timothy W. Caulfield, CFA,
Director of Canadian Equities Research and
Portfolio Manager, ClearBridge Canadian Equity Strategies

In January 2022, the Canadian Competition Bureau issued a consumer alert titled "Be on the lookout for greenwashing." As the popularity of environmentally friendly products grew among Canadians, so did the trend of companies making false, misleading or unsupported environmental claims to present their products as more ecofriendly than they truly were. The Bureau highlighted examples such as Keurig Canada paying a $3 million penalty for making false claims regarding the recyclability of its single-use coffee pods and Volkswagen's record Canadian consumer settlement ($2.1 billion), which included a $15 million fine for misleading emissions claims. It also referred to a U.K. government-sponsored global study suggesting that 40% of "green" claims made online could easily mislead consumers. The undermining of genuine efforts toward sustainable practices led to the importance of critically evaluating such claims to avoid having greenwashing undermine progress.

Legislative Changes in Canada

Fast forward to June 2024, and the Bureau announced several changes to the Canada Competition Act of 1985 as part of Bill C-59 ("The Fall Economic Statement Implementation Act"), including legislation building on its provisions for deceptive marketing practices explicitly focused on greenwashing and unsupported environmental claims. The amendments have sparked controversy, particularly from major companies and affiliates in Canada, who have voiced concerns over its potential impact.

Anti-Greenwashing Provision: A Wake-Up Call

While Canada is not the first to introduce anti-greenwashing measures — similar provisions have been implemented in the European Union — the passage of Bill C-59 makes it clear that Canada is now prioritizing the enforcement of truthful environmental claims. Prior to Bill C-59's passing, the Competition Commissioner would rely on the general misleading advertising provisions of the Competition Act and bore the burden of proving that environmental claims were materially false or misleading. Therefore, there already existed laws in Canada to tackle false or misleading advertising. With Bill C-59, the onus, however, has shifted to companies to prove that their claims are substantiated by adequate testing or evidence.

Additionally, private parties can now seek to bring actions for deceptive advertising before the Competition Bureau or Competition Tribunal if they can demonstrate a "public interest" in doing so. In other words, the burden is on the accused. This shift in the burden of proof, combined with the possibility of lawsuits from any private entity, has raised concerns among businesses. The potential fines for greenwashing, payable to the government, could be substantial, and companies fear an influx of frivolous or speculative claims.

Impact on Energy Companies

Over the past several years, environmental groups have lodged complaints with the Competition Bureau alleging false environmental claims made primarily by banks and energy companies. With these new provisions comes the distinct possibility that we see a surge in such complaints, leading to increased legal battles that may strain both companies and government resources. A lack of clarity on what constitutes greenwashing further complicates the situation, as companies face uncertainty about how to navigate the regulatory landscape. This ambiguity also risks creating an adversarial environment that could undermine Canada's goal of fostering investment in decarbonization, CCUS and clean technologies. Assuming an urgency to the matter at hand, Canada may not be able to afford ambiguities that will only be resolved in the long term, but that in the short or medium term create antagonism toward companies that is unconstructive and unproductive.

Even before the passage of Bill C-59, investors and stakeholders were increasingly pushing companies to improve transparency and prevent greenwashing. ClearBridge actively engages with companies to encourage improved disclosures to enhance our understanding of various matters including emissions profiles and climate strategies. In the immediate aftermath of Bill C-59, many energy companies and utilities — and various other industry affiliates — removed some or all of their ESG/sustainability-linked documents and disclosures. For instance, Pathways Alliance, a coalition of major oil sands companies in Canada, critical to advancing environmental projects and innovation, removed all information on "environmental and climate performance, progress and plans" from their website. While the Pathways Alliance reassured that it is still pursuing proposed CCUS projects, it stated that due to lack of clarity in what constitutes greenwashing and the risk of "frivolous lawsuits," it is difficult to publicly discuss its progress.

Declining Transparency Increases Risk and Value

As it stands, a number of energy companies in Canada have withdrawn ESG/sustainability disclosures while others have reinstated a skeletal version of their previous disclosures. While some of this is understandable and potentially warranted, select theatrical responses have not gone unnoticed by investors. Some companies have removed reporting even around their social and governance metrics; for example, employee health and safety, land usage, regulatory compliance, employee and board diversity, enterprise risk management, etc. Such declining transparency decreases visibility and increases skepticism, ultimately with potentially meaningfully negative impacts on the inherent risk profile and intrinsic value of the relevant investment.

Time is of the essence for both the government and corporations. The government must provide clear guidelines to prevent greenwashing without stifling genuine sustainability efforts. Meanwhile, corporations need to adapt swiftly to these new regulations to maintain investor trust and continue their sustainability initiatives. At a minimum, removing well-defined and measurable metrics does not serve the long-term interests of shareholders.

Reality Check: Global Governance

Michael Feldman, CFA, Senior Portfolio Analyst,
ClearBridge International and Global Growth Strategies

The development and integration of ESG considerations by international companies domiciled around the globe not surprisingly reflects unique country and company factors. In Japan ESG integration has occurred on two tracks:

- Companies serving global customers that have adopted Western best practices
- Legacy conglomerates that have lagged behind their developed market peers in terms of recognizing the importance of effective governance and related ESG factors but are now in the early stages of forming formal strategies

Japan has at times lagged in corporate governance due to entrenched company boards of directors, typically in place for decades and lacking independent directors and a diversity of board members. These traditional Japanese companies are starting to make progress on ESG practices as part of overall corporate reform programs implemented by the Japanese government, the Japan Pension Service and the Tokyo Stock Exchange to boost capital returns and make Japanese equities more attractive to foreign investors.

Global companies like Sony Group, however, have stood out by acknowledging the importance of ESG, integrating it into their business models and adopting accepted disclosure standards. Sony's sustainability journey started with improving corporate governance and enhancing fundamental performance measures such as return on equity through share buybacks, an effort it has recently restarted, and leveraging its balance sheet through merger and acquisition activity. ClearBridge's recent engagement activity with the company has been highlighted by discussions on how to manage its regionally diversified manufacturing footprint to deal with U.S. tariffs. Sony also shared in a recent meeting that it will spin off its life insurance business later in 2025, reducing its capital needs and allowing the company to focus on its content businesses.

Sony also recognizes and addresses specific ESG considerations that affect its range of businesses. ClearBridge has regularly engaged with the company over the last several years, focusing most recently on risks to its Sony Music division from copyright and intellectual property infringements as well as the overall societal impact of automation caused by generative AI. Among major concerns are the copyrighting of AI-generated content, large language models (LLMs) using voices without permission and the flooding of streaming platforms with AI-generated music. TikTok, in particular, has allowed a significant amount of non-copyrighted content on its social platform. Sony is working with its artists to make AI a tool for creators rather than a driver of disintermediation. Competitor Universal Music Group (UMG) has removed content from TikTok to fight piracy and Sony has joined UMG in efforts to get TikTok to provide better remuneration to their artists for music used on the platform. Sony and UMG have also sued several LLMs over unlicensed use of content.

On the environmental front, Sony remains best in class with its commitment to reduce carbon emissions. The company has targets in place to lower Scope 1, 2 and 3 emissions, which it discloses in its annual sustainability reporting, and robust electronics recycling programs.

Stepping up its focus on cybersecurity, a common issue for many Japanese companies, is one way for Sony to improve its current ESG profile. Sony's approach to cybersecurity has consistently evolved, with greater investment in governance, monitoring and employee training demonstrating a strong commitment to information security over the years.

While Sony's ESG practices make it a market leader in Japan, ClearBridge has identified several areas to encourage improvement that will be key discussion points in future engagements. From a social aspect, Sony acknowledges the violent nature of some of its bestselling video games on its PlayStation platform. While the company adheres to industry standards in rating games based on violent content, enforcing age requirements online and making parental controls available, we believe the company can do more to protect its gaming customers.

Reality Check: Nuclear Power, The World's Most Valuable Commodity

Reed Cassady, CFA, Portfolio Manager,
ClearBridge Value Strategy

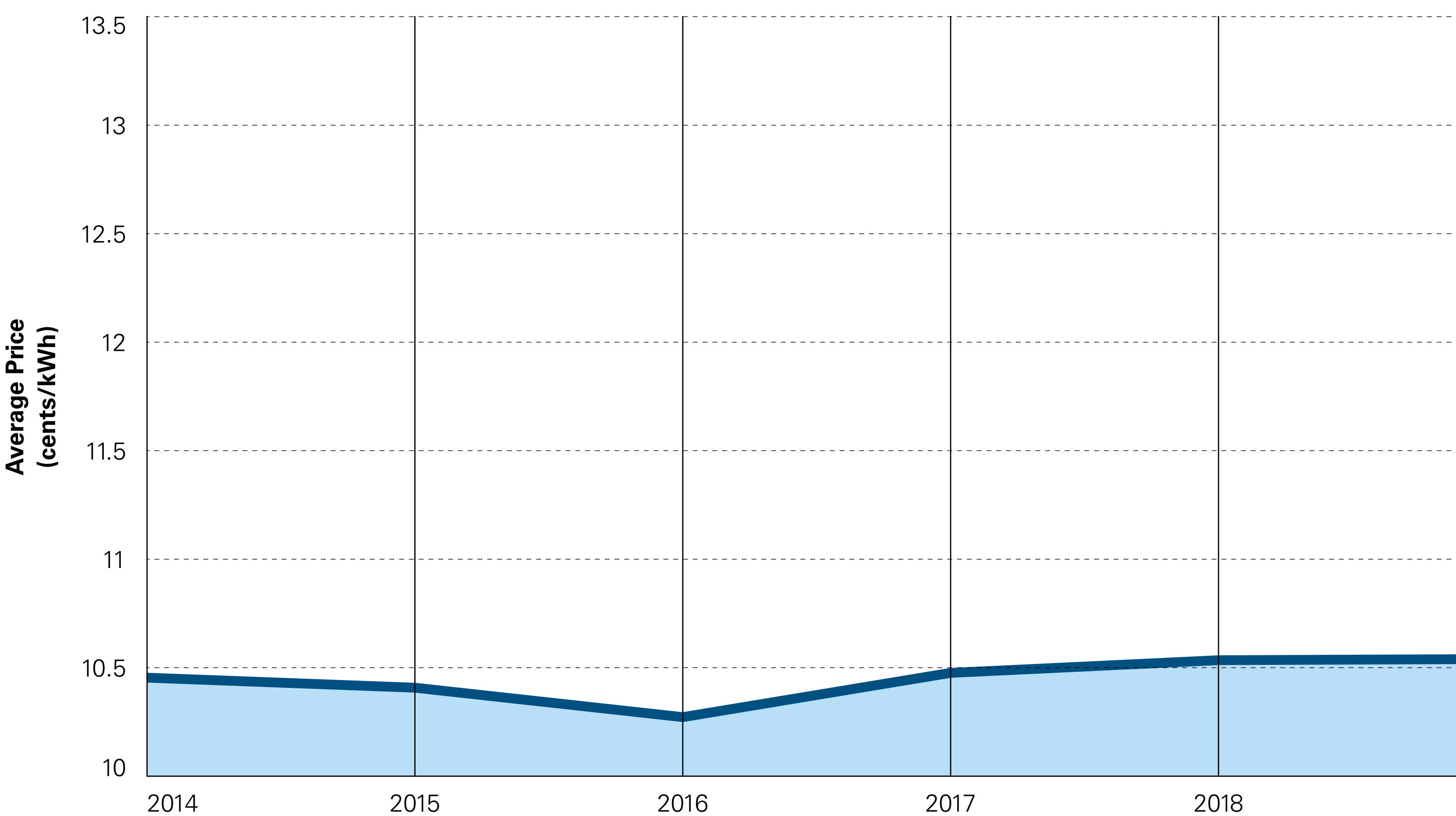
Sam Peters, CFA, Portfolio Manager,
ClearBridge Value Strategy

Joseph Dominguez, the CEO of Constellation Energy — the largest U.S. nuclear power operator and one of the largest nuclear operators globally — argues that electricity generated from nuclear power is the most valuable commodity in the world. We agree with Mr. Dominguez, as there's simply no alternative for electricity that can be generated with effectively zero life-cycle carbon attached to it and generated on demand, without the intermittent vulnerabilities of traditional renewable energy when the wind doesn't blow or the sun doesn't shine.

The benefits of nuclear power are myriad, while the only meaningful downside are the high costs of construction. However, while investment in new nuclear plants may be significant, we believe that the benefits outweigh the costs: nuclear power is among the safest forms of power generation across the entire value chain, particularly given the advancements in plant construction and technology since well-known accidents such as Chernobyl in 1986 and Fukushima in 2011. It is also the densest form of electrical generation, meaning its non-carbon environmental footprint from mining to generation to waste management is by far the smallest among all power generation options. Finally, nuclear plants are incredibly reliable compared to other options as well, with high-functioning plants like those owned by Constellation consistently boasting capacity factors of approximately 95%.

As the energy transition gains pace, new AI data centers come online and reshoring trends bolster U.S. manufacturing activity, we believe the demand for electricity (and its price) will only continue to rise and the value of nuclear power will continue to shine through **(Exhibit 11)**. For instance, the baseload power

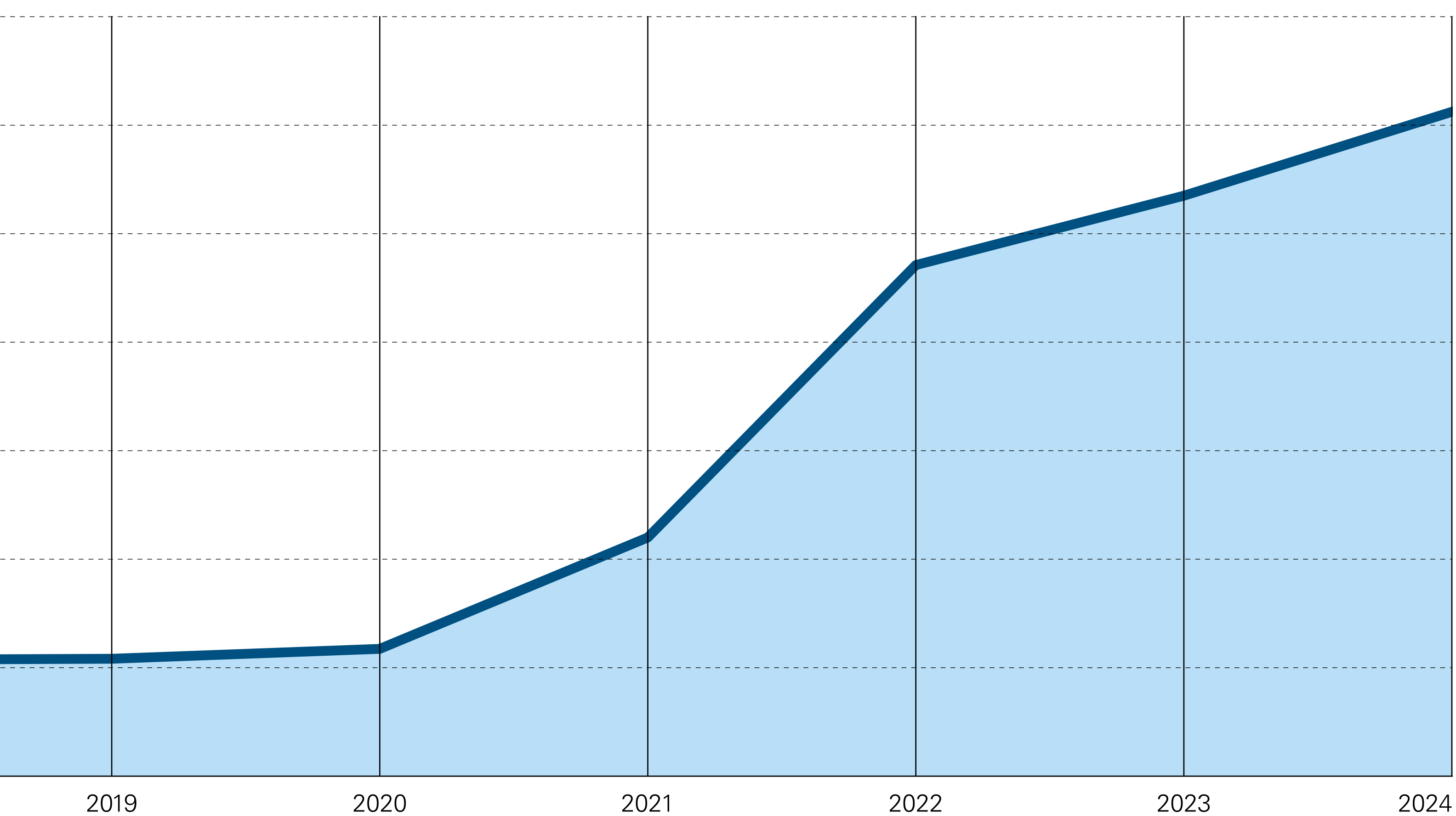
Exhibit 11
The Price of Energy Continues to Rise
As of Dec. 31, 2024.
Source: U.S. Energy Information Administration.



that nuclear can bring to bear has immense value to both large corporate users of electricity like AI aspirants as well as to the broader U.S. power grid. This is particularly true as the other primary form of baseload generation — coal — is steadily retired and replaced by a combination of renewables and natural gas-powered plants. However, both of those have their own shortcomings, in the form of intermittency and massive land needs of the former, and carbon emissions and lack of fuel storage for the latter (i.e., they are fueled "just in time"), introducing risk in the form of not being able to meet demand spikes and potential power outages.

This combination of diminished baseload generation, as coal plants retire, and rising power demand means that nuclear power generators will be an increasingly important part of the discussion, be it through advantaged power purchase agreements with AI developers or through higher power prices from regional grids, or realistically both. Our hope is that, given the nearly insatiable demand for power from deep-pocketed AI companies, investment and power purchase agreements from these companies could potentially help to subsidize the cost and help reduce this major obstacle to newbuild nuclear power plants. Additionally, the development and innovation in smaller, modular nuclear reactors increasingly shows promise, and we believe that as more companies and communities see the benefits of smaller-scale nuclear power it could spur demand and acceptance for larger-scale nuclear plant construction.

We believe that nuclear power taking a more prominent place in power generation will not only be beneficial to the U.S. and other nuclear-powered countries but would also be a powerful catalyst for greater global sustainability — making it truly the world's most valuable commodity.



Reality Check: Climate Adaptation

Anna Bui, Senior ESG Associate

While the world is working to limit rising global temperatures to below 1.5° from pre-industrial levels, we continue to face worsening climate disasters. Historically much of the world's focus has been on climate mitigation, reducing greenhouse gases to lessen the effects of climate change. However, we must simultaneously adjust to our new reality by increasing our resilience to climate change impacts through new business models, products and services. These needed changes are referred to as climate adaptation and have generated an increasing number of new opportunities for investors.

Key climate adaptation solutions can be categorized by type of climate disaster or by adaptation technology. One taxonomy includes natural hazards such as drought and dry spells, wildfires, heatwaves, floods (including sea-level rise) and storms and cyclones and includes such solutions (respectively) as water storage and recycling, backup power supplies/storage, cool farm workforce shelters and housing, flood risk software, and building structure strengthening (external fittings, roofs, windows, doors and floors).[8]

Even a short list such as this can convey the breadth of opportunities for public equities to thrive in a world where climate adaptation is an increasingly urgent need. For further illustrative purposes, here are some ways ClearBridge portfolio companies are addressing a climate adaptation market in this taxonomy **(Exhibit 12)**.

[8] "Resilient Returns: The Case for Climate Adaptation," Jefferies, Jan. 2025.

Exhibit 12
Public Equities Supporting Climate Adaptation
Source: ClearBridge Investments, Jefferies.

Droughts & Dry Spells	**Ecolab**	Provides water use reduction services for corporates, including auditing, consulting, engineering, advanced chemistries, digital technologies and site-based assessments; solutions that enhance water storage and quality, primarily known for water treatment chemicals
Wildfires	**American Water Works**	Provides water and wastewater services, including the installation and maintenance of fire hydrants
Heatwaves & Extreme Heat	**Sherwin-Williams**	Provides reflective and light-colored coatings, including Loxon XP IR Reflective Coating, which integrates concrete and masonry protection with advanced infrared technology; this coating reflects solar rays back into the atmosphere, reducing exterior surface temperatures and helping to lower building energy consumption
Floods (incl. Sea-Level Rise)	**Autodesk**	A software services company offering modeling of floods, stormwater, integrated catchments and wastewater systems through its Architecture, Engineering and Construction segment (~45% of revenues); its software, such as InfoWorks ICM, is designed for advanced integrated catchment modeling and allows for the simulation of complex hydraulic and hydrologic network elements, which is crucial for effective stormwater and flood management
Storms & Cyclones	**Alphabet**	Through its DeepMind division, Alphabet has developed advanced AI-based weather models like GenCast, which provide highly accurate storm predictions and weather forecasts

Reality Check: Climate Financing

Miguel del Gallego, CFA, Senior Analyst, Financials

The energy transition and any effort to limit global warming will depend on investment in low-carbon energy, even while the world's current as well as future energy needs will still require fossil fuel investment. This creates a challenge for financial companies supplying financing to both renewable and traditional energy as they balance both future and current energy needs.

Viewing climate financing through the lens of a ratio — of how much goes to renewables and how much goes to fossil fuels, for example — is gaining traction among financial companies, and JPMorgan Chase's Energy Supply Financing Ratio (ESFR), based in part on BloombergNEF energy supply financing ratios, is another indication of the company leading the way on disclosure and measuring progress on key sustainability initiatives.

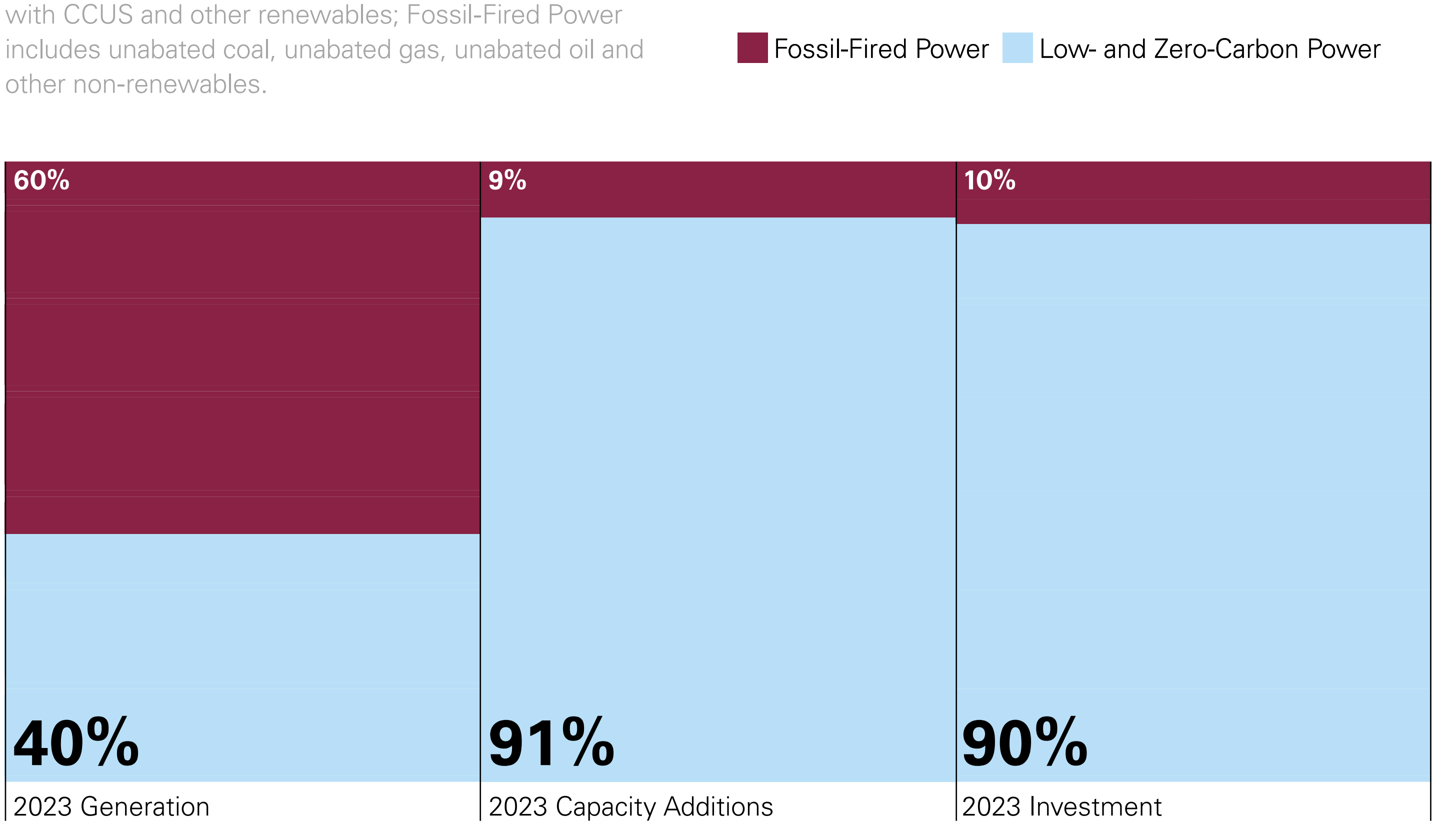
JPMorgan Chase's ESFR is designed to provide insight into the relative flow of capital supporting investments in low-carbon versus high-carbon energy supply in a way that is more forward-looking than prior measures. The ratio captures capex investments financed by JPMorgan Chase supporting energy supply and excludes financing for other corporate purposes. It was formulated with the aid of the New York City Comptroller and differs from ratios that look at revenue mix and might be more backward-looking compared to a capex mix approach. In the power sector, for example, generation data in 2023, used as a proxy for revenue, would suggest 40% of the sector's generation activity is low carbon. Yet 90% of the sector's capacity investments are in low-carbon power, lending credence to a capex-focused approach to measuring energy transition financing **(Exhibit 13)**.

For 2023, JPMorgan Chase's ESFR was 1.29x, meaning that for each dollar that supported high-carbon energy supply, $1.29 supported low-carbon energy supply. The ESFR metric stands as another tool to measure progress in JPMorgan Chase's role as financier of the energy transition; it is the first U.S. bank to disclose this metric and we anticipate others to follow.

Exhibit 13

Considering Clean Energy Capex Is More Forward-Looking

Source: IEA World Energy Outlook (WEO) 2024; IEA World Energy Investment 2024. Note: Low-and Zero-Carbon Power includes renewables, nuclear, fossil fuels with CCUS and other renewables; Fossil-Fired Power includes unabated coal, unabated gas, unabated oil and other non-renewables.



Reality Check: Human Rights

Hannah Klein, Senior ESG Associate

ClearBridge views human rights as universally relevant to businesses in all areas of the private sector. Human rights are accordingly a key tenet of our approach to integrating ESG factors in the investment process. We actively foster dialogue around how portfolio companies monitor and manage human rights issues that are material to their businesses. To facilitate this, we also monitor human rights issues at the company level and promote best practices, which we view as crucial to our role as an active and responsible shareholder.

We also believe that 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 human rights incorporation and due diligence has been a longstanding part of ClearBridge's ESG integration, in 2024, to further enhance our approach we joined three key human rights working groups to continue to engage with the industry on human rights and social issues and share best practices. ClearBridge is a member of or participant in:

- A PRI human rights and social issues reference group
- PRI Advance metals and mining sector group calls
- A Labour Rights Investor Network working group

Reality Check: Modern Slavery Risk

Nick Langley, Portfolio Manager, ClearBridge Infrastructure Strategies

Modern slavery is a risk for all businesses, and ClearBridge recognizes the potential for modern slavery practices to be present in companies within our underlying investment portfolios and in our own supply chains. Modern slavery describes situations where coercion, threats or deception is used to exploit individuals and undermine or deprive them of their freedom. This includes trafficking in persons, slavery, servitude, forced marriage, forced labor, debt bondage, deceptive recruiting for labor or services and the worst forms of child labor. ClearBridge is committed to operating our business ethically, from an employment, investment management and supply chain perspective. We take a risk-based approach in identifying potential modern slavery risks in this regard.

To further our commitment, in Australia ClearBridge publishes a Modern Slavery Statement. In it we describe how we assess modern slavery risk through: third-party reports, daily screening of human rights and labor violations, review of portfolio company Modern Slavery Statements (where available), geographical review of supply chain tiers to assess exposure to higher risk countries and engagement with management, among other measures.

ClearBridge has also implemented a process for the management of our external third-party supply chain risk, and we have not identified incidents of modern slavery in our business operations as a result of the tracking and management of our supply chains.

We will continue to evolve our processes in line with the growing focus on increased company reporting apparent in many jurisdictions globally and enhanced disclosure requirements around ESG and sustainability generally.

"ClearBridge Investments has been a key supporter of the Foundation's work since 2017. Its leadership in engaging with companies such as Gilead Sciences and Novo Nordisk has been instrumental. ClearBridge has also actively contributed to methodology consultations and co-hosted several key events, including Health Equity and New York launch events in 2024. By leveraging its shareholder voice and incorporating the Foundation's independent research into its stewardship practices, ClearBridge has played a role in advancing access to medicines in low- and middle-income countries."

Jayasree K. Iyer, CEO,
Access to Medicine Foundation

Reality Check: Improving Health

Marshall Gordon, Senior Analyst, Health Care

Nicholas Wu, Ph.D., Senior Analyst, Health Care

Health care is a perennial issue in the national conversation in the U.S. and whose global dimensions are no less complex and urgent. Drug innovation and addressing unmet medical needs, as well as access, remain key sustainability opportunities and a focus for ClearBridge portfolios. Since 2016 ClearBridge has been a signatory to the investor statement of the Access to Medicine Index (ATMI), which analyzes and independently ranks research-based pharmaceutical companies on how they make medicines, vaccines and diagnostics more accessible in low- and middle-income countries.

More than a signatory, ClearBridge is one of the more active U.S. asset managers involved with ATMI, and often one of the lead engagers for ATMI's advocacy with pharmaceutical companies; we have co-led engagements, for example, with ClearBridge holdings Novo Nordisk, Gilead Sciences and Eli Lilly. We have also appeared at key events such as panels and the unveiling of new rankings, as we are able to provide valuable insights from our research expertise and experience with the companies in question. ClearBridge's involvement with ATMI informs our ESG engagements with portfolio companies, in which we not only encourage their participation in ATMI but also secure their feedback on its rankings and share that with ATMI to improve its overall approach. With company feedback we are able to communicate possible biases in the ranking system to ensure companies are fairly evaluated and to further build trust in the ranking system, supporting ATMI's goals.

Access to and affordability of medicine is one of ClearBridge's factors in the ClearBridge ESG Materiality Framework™ and is often the most heavily weighted factor in our proprietary ESG ratings for pharmaceutical companies. Accordingly, it is a key part of our investment process.

Reality Check: The Business Case for Diversity

Michael Clarfeld, CFA, Portfolio Manager,
ClearBridge Dividend Strategy

Diversity policies continue to be a flashpoint in social and political discourse. The new federal administration elected in 2024 has directed federal agencies and those receiving federal monies to de-emphasize diversity considerations in hiring, admissions and the like. Amid this evolving backdrop, some companies have adjusted their approaches.

Yet data shows a strong business case for fair and diverse workplaces. While causation may be difficult to prove, a McKinsey study shows that diverse companies tend to outperform, with a 39% increased likelihood of outperformance for those companies in the top quartile of gender and ethnic representation on executive teams versus the bottom quartile.[9] Executive teams at diversity-leading U.S. companies have reached 50% representation of women and 39% from historically underrepresented ethnicities.

Our companies by and large are not pulling back their support for creating fair and diverse workplaces, and some see diversity as a corollary of a meritocracy. In a recent engagement with Travelers Company, for example, the company shared it has always seen diversity as merit-based and a business imperative. For the success of the company in hiring best candidates, it casts the widest net possible: it has the demographics data (and actuarial charts) that show the direction of travel for talent, which will be increasingly diverse.

Support for diversity can take a variety of shapes. Partly to account for this, as ClearBridge's approach to understanding ESG factors has evolved, updates were made to the ClearBridge ESG Materiality Framework™ in 2024. One change was to separate a human capital management factor into two more precise factors: company culture and workforce diversity. This allows greater flexibility in identifying and emphasizing workforce diversity, as appropriate, based on materiality and the business case for the company.

Among other factors, we look at practices and policies intended to support and embrace a diverse workforce of people who come from varying backgrounds; these may include race, ethnicity, religion, gender, abilities, sexual orientation and age. Such practices and policies take on many forms, among which we often emphasize the importance of generous parental leave policies. Policies that discourage women from returning to the workforce deplete a tremendous amount of institutional knowledge and expertise, which is time-consuming and costly to replace.

The mechanisms for supporting diversity and inclusion in the workplace may change over time and take on different forms: policies, benefits, training and employee resource groups, for example, all affirm diversity and inclusion and reinforce the business case as well, as they support employees, which are the key asset in most businesses.

[9] "Diversity matters even more: The case for holistic impact," McKinsey, Dec. 2023.

A Partnership Approach

to Active Ownership

ClearBridge pursues a partnership approach to active ownership.
Page 46

Engage.

Engaging Companies as a Business Owner

ClearBridge's Approach to Company Engagements

Engage for Impact: An Internal Initiative

ClearBridge EFI Case Studies

2024 Engagement Highlights

ClearBridge's Approach to Company Engagements

ClearBridge pursues a partnership approach to active ownership, seeking to act as responsible stewards of our clients' capital, with the knowledge that shareowners are part business owners that can provide valuable input leading to the ultimate success of a company. Company engagements are thus a key stewardship tool: we engage with CEOs, CFOs and other company leaders regularly about all factors that could materially affect value creation. Environmental, social and governance (ESG) issues are frequently among these.

During 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 we have monitored ESG engagements over time, we have developed the ClearBridge ESG Materiality Framework™: a framework of industry-specific factors, broadly categorized under environmental, social and governance rubrics, that express our views of the materiality of these factors for each company. We use them to guide and track our engagements and in proprietary ClearBridge ESG ratings, which reflect and communicate our assessment of these factors among our investment teams.

500+ Total ESG Engagements in 2024

Here we show what environmental, social and governance topics and subtopics within our ClearBridge ESG Materiality Framework™ mattered the most in our company engagements in 2024 **(Exhibits 14–16)**.

Exhibit 14

ClearBridge Engagement Themes: Environmental, Social and Governance

As of Dec. 31, 2024.

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

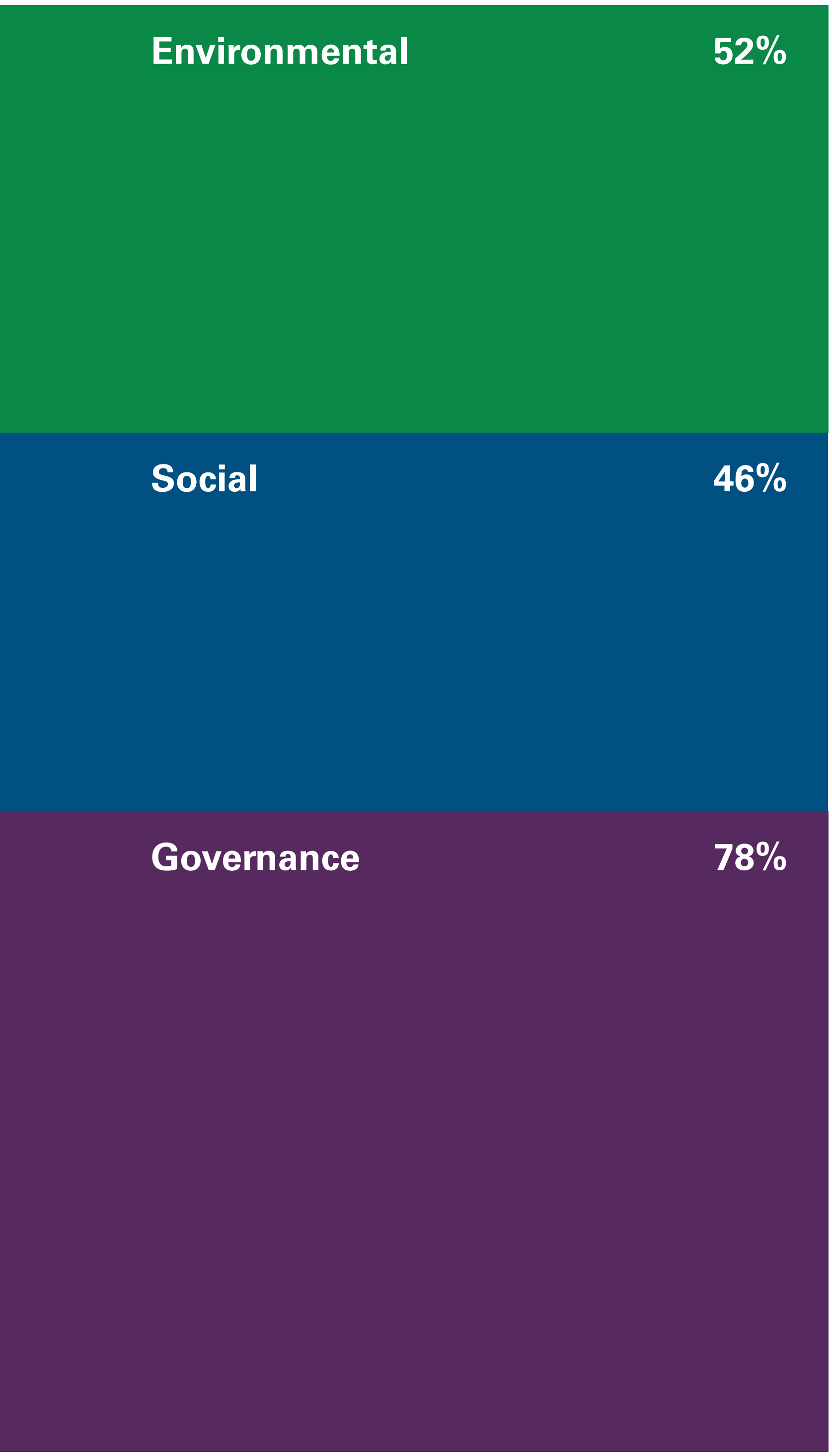


Exhibit 15

Top Five Factors Engaged Upon in 2024

As of Dec. 31, 2024.

Source: ClearBridge Investments.

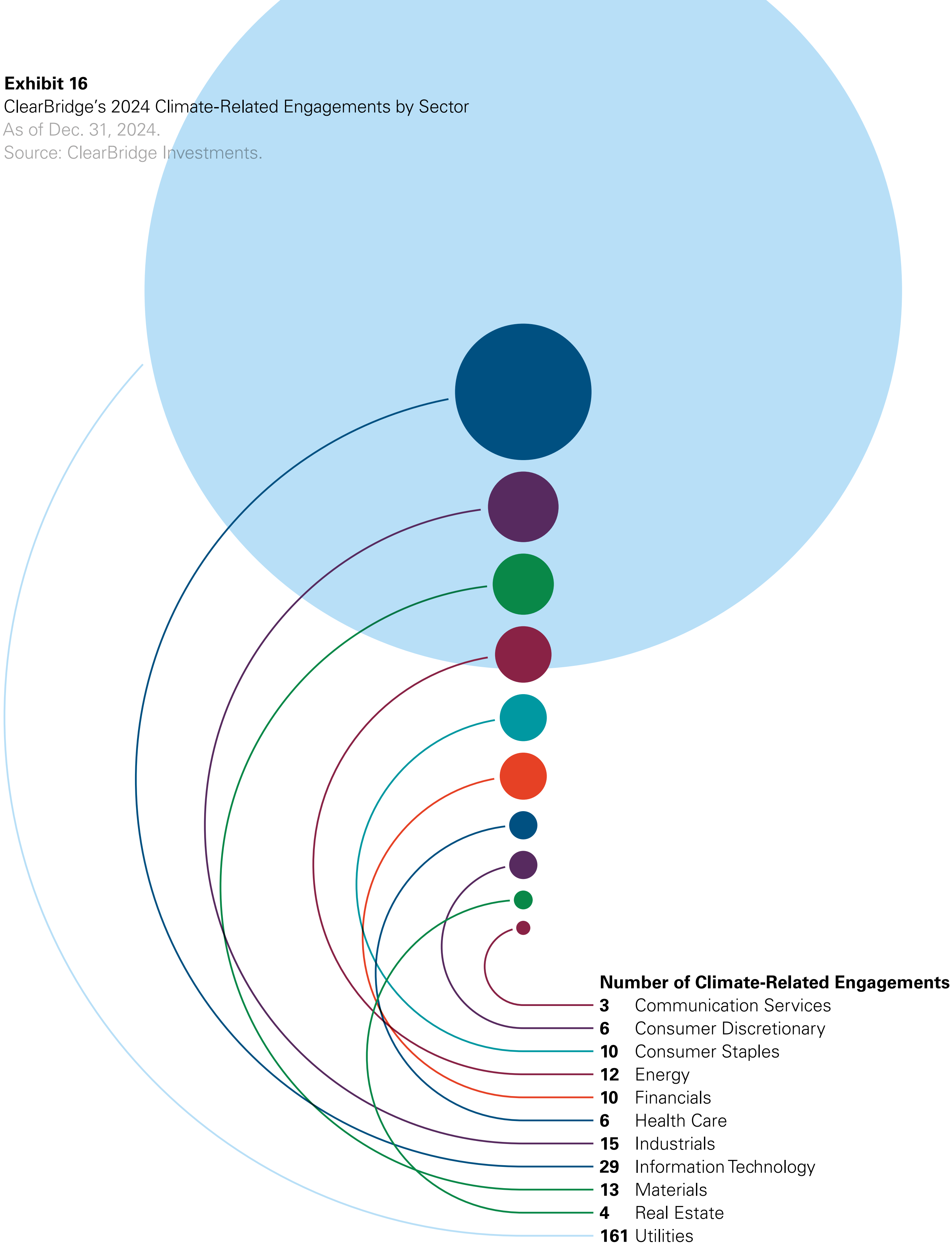
Environmental	**Total 293**
Decarbonization opportunities	**83**
Physical asset risk management	**68**
Climate change impact – risk assessment, educational efforts, product design	**53**
Environmental regulation and compliance	**47**
Clean technology and energy efficiency product innovation	**42**
Social	**Total 222**
Community relations	**80**
Regulatory risk	**60**
Human capital management: diversity and inclusion; recruitment and retention	**52**
Fair and justifiable pricing	**17**
Community investment and job creation	**13**
Governance	**Total 544**
Capital allocation practices	**202**
Government and related agency relations	**111**
Quality and integrity of management	**94**
Shareholder rights and controls	**72**
Operating excellence	**65**

Exhibit 16

ClearBridge's 2024 Climate-Related Engagements by Sector

As of Dec. 31, 2024.

Source: ClearBridge Investments.



Engage for Impact: A ClearBridge Internal Initiative

ClearBridge tends to be a longer-term shareholder, cultivating strong and lasting relationships with company management teams. In 2022 we launched an enhanced internal engagement initiative, Engage for Impact (EFI), to measure and communicate the progress and outcomes of key engagements. The initiative encourages focused engagements, focused on specific "asks," 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.

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, outlined in the Engage for Impact Progress Framework **(Exhibits 17-21)**.

Exhibit 17
Engage for Impact Progress Framework
Source: ClearBridge Investments.

Stage 1
Plan of action developed and approved

Stage 2
Ask raised and acknowledged

Stage 3
Credible strategy to address ask developed

Stage 4
Strategy to address ask implemented

Exhibit 18

ClearBridge Engage for Impact Asks by Category

As of Dec. 31, 2024.

Source: ClearBridge Investments.

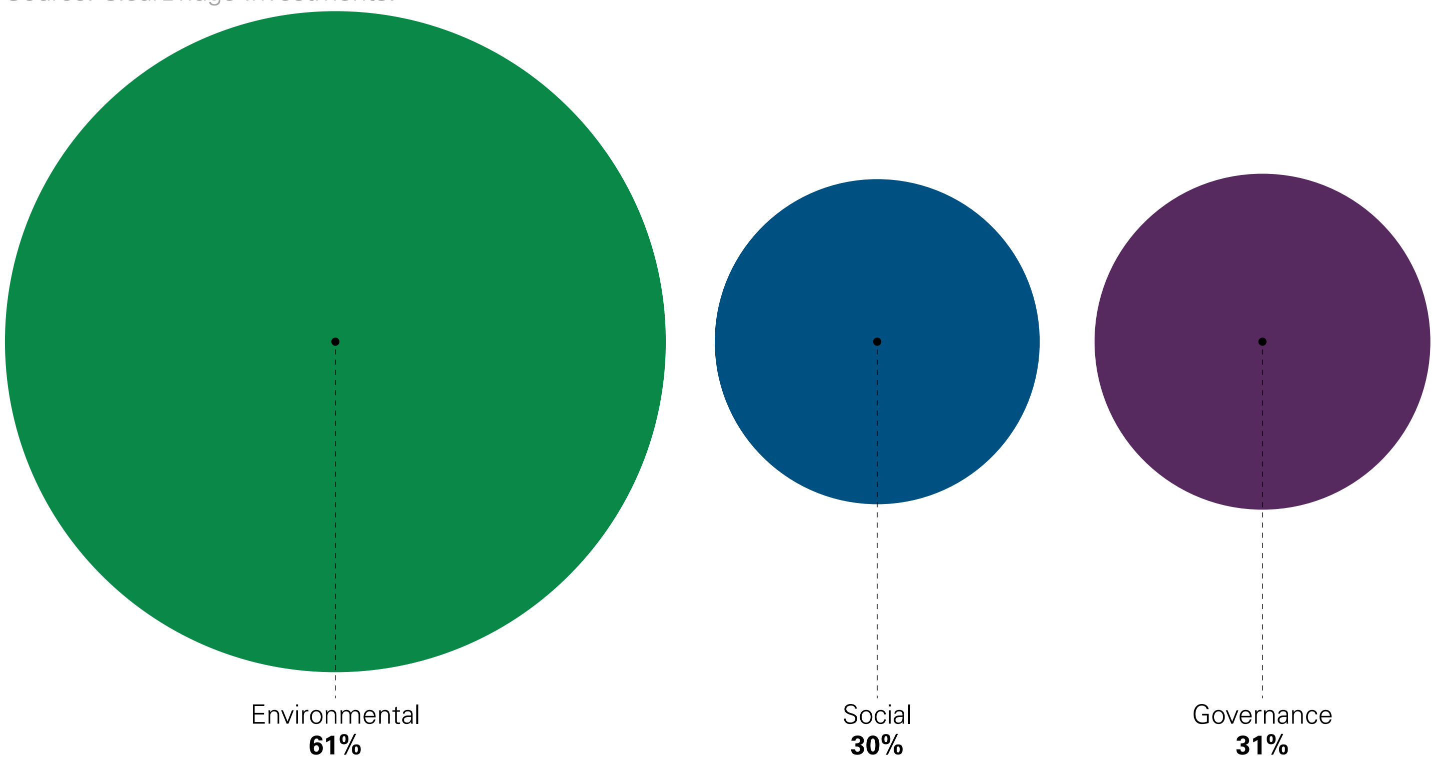


Exhibit 19

ClearBridge Engage for Impact Asks by Category and Sector

As of Dec. 31, 2024. Currently no EFIs in the financials sector.

Source: ClearBridge Investments.

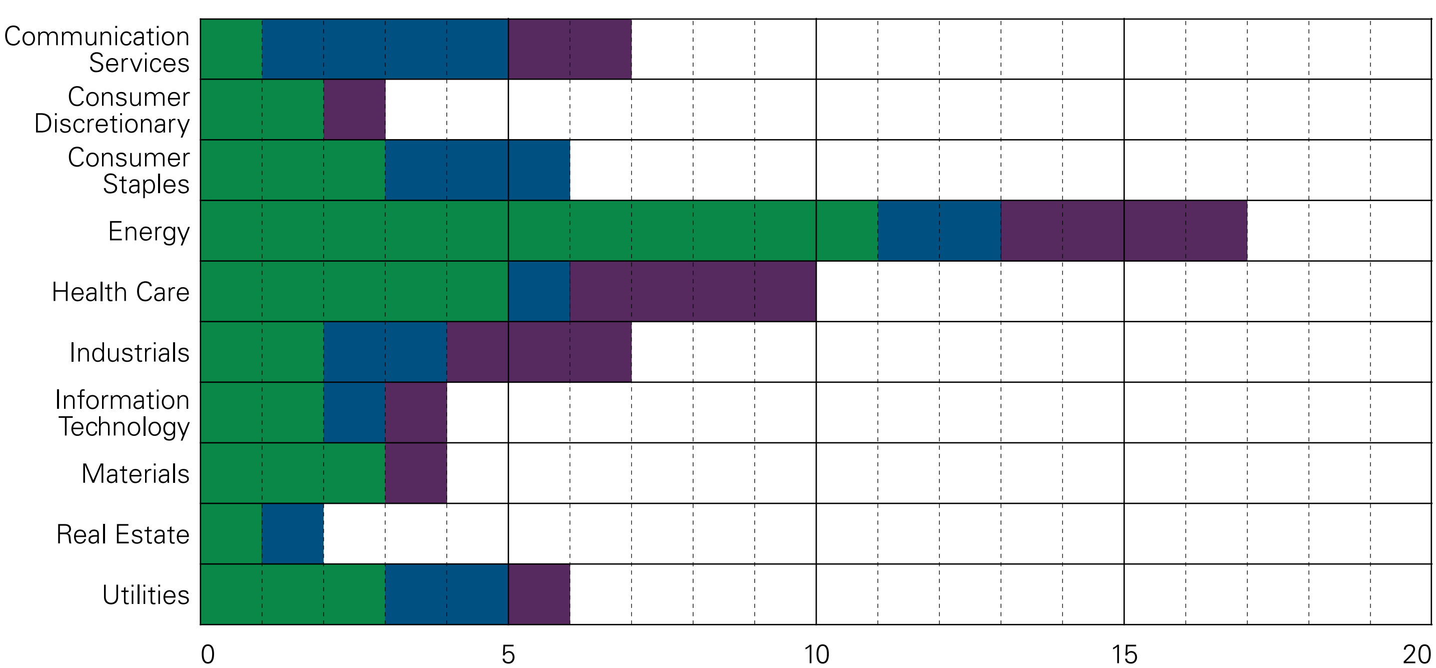


Exhibit 20

ClearBridge Engage for Impact Asks by Stage

As of Dec. 31, 2024.

Source: ClearBridge Investments.

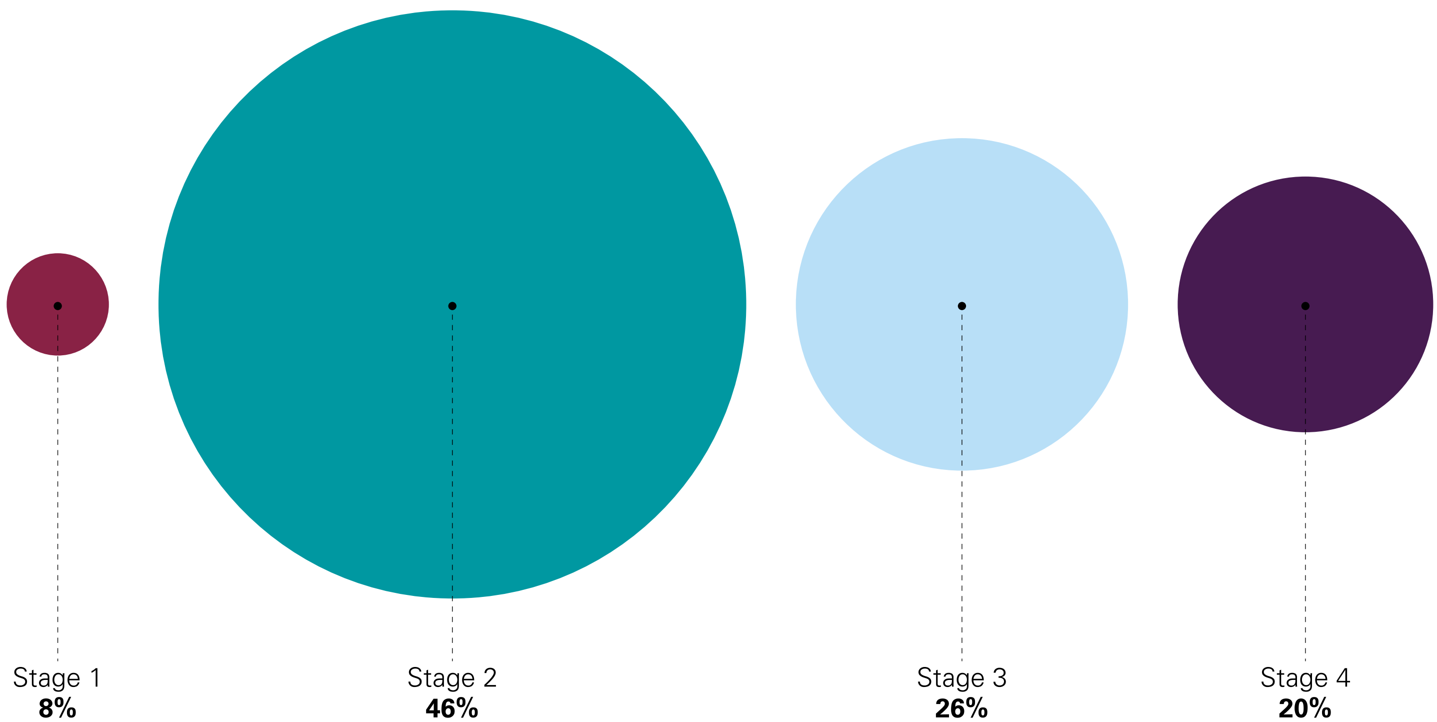
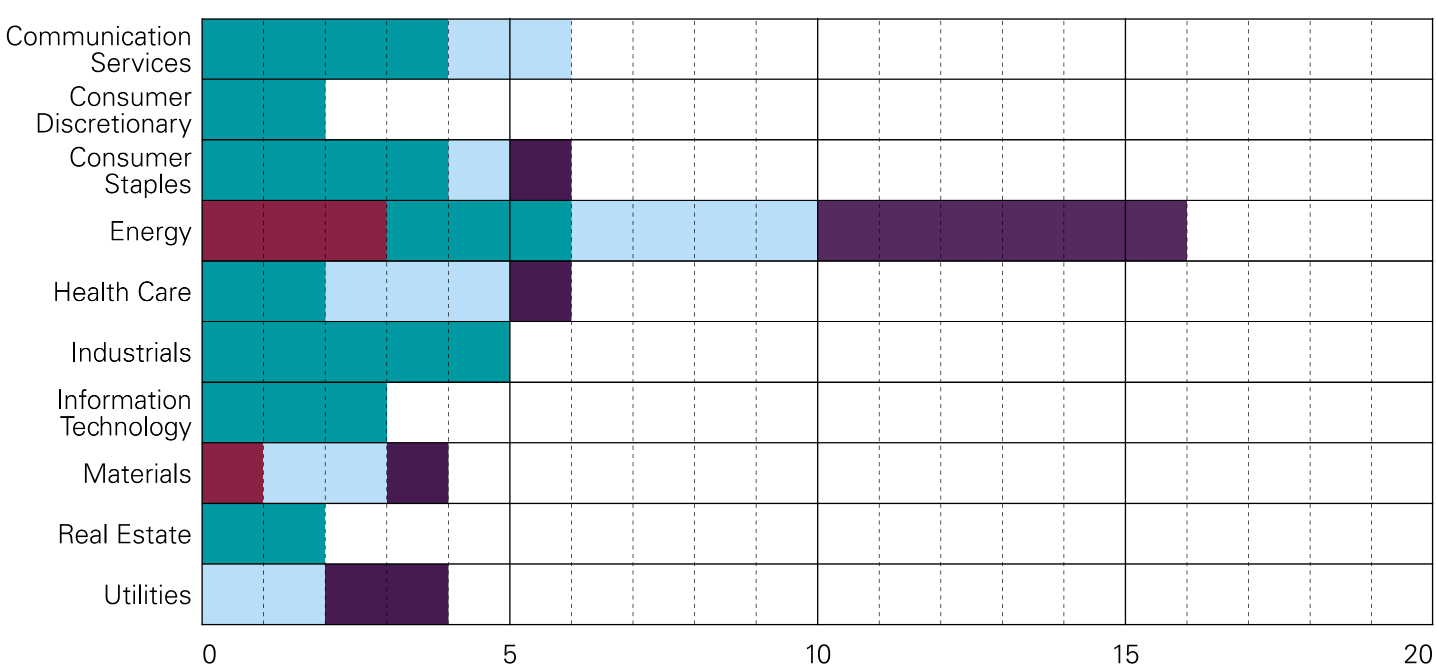


Exhibit 21

ClearBridge Engage for Impact Asks by Stage and Sector

As of Dec. 31, 2024. Currently no EFIs in the financials sector.

Source: ClearBridge Investments.



Ecolab

Company Profile:
Ecolab, in the materials sector, 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):
Benedict Buckley, CFA, Portfolio Manager,
ClearBridge Sustainability Leaders Strategy

Stephen Rigo, CFA, Portfolio Manager,
ClearBridge Appreciation Strategy

Engage For Impact (EFI) Ask(s):
Reduce air pollution from Ecolab's Texas facility given its ranking on the Toxic 100 Air Polluters Index

Key ESG Consideration: Harmful air emissions

Best Practice: Zero incineration of waste solvents

Progress/ Stage	Activity	Date
1 **Plan of action developed and approved**	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.	**April 2022**
2 **Ask raised and acknowledged**	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.	**May 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.	**August 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.	**November 2022**
3 **Credible strategy to address ask developed**	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 working 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.	**January 2023**
	ClearBridge hosted a call with Ecolab to get an update on execution of the remediation plan. Since our previous engagement, the company had 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 was looking for additional partners to take the remaining 20% that was currently still being sent for incineration, to get to near-zero incineration over time.	**December 2023**

Progress/ Stage	Activity	Date
3 **Credible strategy to address ask developed**	ClearBridge hosted a call with Ecolab to get an update on the ask and to discuss, among other items, the environmental impact of operations and labor automation. While there was no real update, the company reiterated that it would continue to address solvent incineration driving toxic emissions and confirmed it had improved its standing on the Toxic 100 Polluters Index. We discussed following up in 2025 for an update from Ecolab's Head of Sustainability about the latest progress in avoiding toxic solvent incineration at the Nalco facility in Fresno.	**December 2024**
4 **Strategy to address ask implemented**	Ecolab confirmed to ClearBridge it expected a close to 90% reduction in waste solvent incineration from the Nalco facility in Fresno by year-end 2025 (versus a 2023 baseline). Waste solvent generation had already decreased by 50%; with 50% of the remaining waste generated being diverted away from incineration, this represented a 75% reduction in waste solvent incineration. The company also shared it expected a further 25% reduction in waste generation by year-end 2025. This would mean that by the end of 2025 waste generation would be 75% lower than in 2023, and with 50% of the generated waste being incinerated, that would mean an 88% reduction in waste solvent incineration versus 2023. A ~90% reduction in waste solvent incineration should dramatically improve Ecolab's position on the Toxic Polluters Index (#67 as of January 2025, already an improvement from #11 at the start of ClearBridge engagement in 2022) and could remove the company from the list entirely. However, with a lag in the data in the index (the 2024 report was based on 2022 data), it could take a couple of years for this improvement to be fully reflected in the ranking. Despite this data lag, ClearBridge believes this is a good outcome and considers the EFI ask complete. This outcome not only reduces harmful emissions but also reduces operational and reputational risk for the company.	**January 2025**

90% Reduction in Waste

Ecolab is expecting a close to 90% reduction in waste solvent incineration from the Nalco facility in Fresno by year-end 2025.

Haleon

Company Profile:
Haleon, in the consumer staples sector, is a consumer health care company with a portfolio of household brands in oral health; vitamins, minerals and supplements (VMS); pain relief; respiratory health; and digestive health, among others. ClearBridge is a top 10 owner.

ClearBridge Lead Engager(s):
Robert Buesing, Senior Analyst,
Consumer Staples/Durables

Engage For Impact (EFI) Ask(s):
Release of a public sustainability report aggregating key goals and relevant disclosure areas

Key ESG Consideration: Disclosure

Best Practice: Publication of an annual sustainability report disclosing material ESG metrics, targets and goals as well as measurement of progress toward achieving them

Progress/ Stage	Activity	Date
1 **Plan of action developed and approved**	ClearBridge determined that, as a new company, Haleon had the opportunity to establish strong sustainability disclosure practices by releasing an annual sustainability report detailing its material ESG metrics, targets, and goals and outlining how it would measure progress in achieving them. ClearBridge developed the ask that Haleon publish an inaugural sustainability report.	**August 2022**
2 **Ask raised and acknowledged**	ClearBridge met with Haleon's CFO to discuss fundamentals and various ESG issues and followed up with Investor Relations for an introduction to Haleon's Head of Sustainability to track progress on the release of a sustainability report. The company acknowledged the request and shared that it planned to release the inaugural sustainability report in 2023.	**September 2022**
	ClearBridge met with Haleon's CEO at its London headquarters to discuss Haleon's business positioning, the competitive landscape and its philosophy around portfolio management and incentivization. ESG issues like the integration of ESG factors into compensation plans, management diversity and capital allocation were also raised, as well as the timing of the publication of Haleon's sustainability report, which it said would be in the first quarter of 2023.	**November 2022**
3 **Credible strategy to address ask developed**	ClearBridge met with Haleon's Senior Vice President of Transformation and Sustainability to discuss key ESG initiatives. We were encouraged to hear Haleon had released extensive sustainability data and set strong targets for both 2025 and 2030. This information had been published to Haleon's public website, advancing the company from Stage 2 to Stage 3 in its EFI progress. As Haleon had released the data underpinning a sustainability report but had not yet combined this into one comprehensive report (for which we had advocated), ClearBridge shared we would check back in when the 2024 annual report was released to gauge progress of combining information into a comprehensive sustainability report.	**July 2023**
4 **Strategy to address ask implemented**	Haleon published its ESG Databook, which combines data, metrics and goals into one comprehensive report, covering topics such as health inclusivity, emissions, sustainable packaging and sustainable sourcing of products. The publication of an annual sustainability report disclosing material ESG metrics, targets and goals as well as measurement of progress toward achieving them satisfied ClearBridge's request, completing the EFI.	**March 2024**

ClearBridge had a total of 293 engagements on environmental factors in 2024.

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Environmental Themes, Engagement Highlights

Alimentation Couche-Tard

Engagement:
Meeting with Director of Global Sustainability

Key ESG Issue(s):
Energy transition risk and opportunities

ClearBridge Lead Engager(s):
Izabel Flis, CFA, Portfolio Manager,
ClearBridge Canadian Dividend Strategies

Sana Saeed, Research Associate, Canadian Equities

Alimentation Couche-Tard (ATD), in the consumer staples sector, is the largest Canada-based independent convenience store owner and operator. It operates in more than 20 countries and territories under various banners, including Circle K, Couche-Tard and Ingo.

In December 2024, Izabel Flis and Sana Saeed met with ATD's Director of Global Sustainability, Helena Winberg, to discuss the company's shift in carbon strategy and the withdrawal of its previously set target (in 2020) to reduce carbon emissions by 12% from its fuel offerings.

The company admitted that regulatory changes in some jurisdictions have made it more challenging for ATD to achieve this target cost-effectively. While it remains committed to helping customers transition to cleaner mobility solutions, fossil fuels will remain a significant part of its business for the foreseeable future. Consequently, ATD has had to reconsider its strategies and targets to make a meaningful impact while focusing on factors within its control.

Its new 2025 goal focuses on reducing energy consumption, targeting a 50% reduction in Scope 1 and 2 emissions from the 2020 baseline. As part of this plan, ATD has committed significant capital to renewable projects, including the rollout of over 4,000 renewable fuel dispensers between 2020 and 2025, with an ambition to reach 10,000 by 2030. Also, appreciating the full value chain associated with EVs is at the core of ATD's intention to offer a clean journey for its customers. Hence, ensuring that EV chargers source renewable power where economically feasible is a priority.

Additionally, the company aims to achieve carbon neutrality for Scope 1 and Scope 2 emissions by 2030. Efforts to reach this target will prioritize fleet management and rolling out modern, energy-efficient equipment. In areas where carbon reduction is challenging to address through ATD's own efforts, carbon credits will be purchased as a last resort.

When asked about a potential commitment toward emissions targets approved by the Science-Based Targets initiative, the company cited the lack of an oil and gas framework as a current limitation. However, ATD is proactively undertaking the necessary analysis and work itself.

Takeaway:
Although ATD has adjusted its emission reduction targets recently, its overall climate strategy has not changed, and it continues to take meaningful steps to reduce energy consumption, make available renewable fuel and develop the EV value chain.

Broadcom

Engagement:
Meeting with CEO, CFO, Investor Relations

Key ESG Issue(s):
Environmental impact of product (use-phase, end of life, supply chain); Product innovation

ClearBridge Lead Engager(s):
Deepon Nag, Portfolio Manager, ClearBridge Large Cap Value Strategy

Broadcom (AVGO), in the IT sector, is a U.S.-based fabless semiconductor company and enterprise software provider.

In March and June 2024 Deepon Nag met with Broadcom's CEO, CFO and Investor Relations for an update on Broadcom's recent acquisition of cloud computing company VMware. Among the topics discussed was the migration of customers to VMware's Cloud Foundation (VCF), an enterprise-class multi-cloud infrastructure platform for customers to run their business-critical applications on in a secure, resilient and cost-efficient manner, from its vSphere Foundation, a more simplified enterprise-grade workload platform for smaller customers. Interestingly, at stake in the growth of VCF and transition from vSphere is significant emissions reduction, as VCF virtualizes not only compute, storage and networking but also security and management as a full-stack infrastructure as a service (IaaS) platform. This supports greater resource utilization, which has positive implications on energy efficiency and data center power usage. Broadcom shared that it had adopted VCF internally one year ago and saved 50% on its budget for its largest data center in Las Vegas. With VCF's large total cost of ownership advantage, enabling large companies to improve and modernize their data centers, Broadcom has a strong growth driver that exemplifies energy efficiency product innovation.

Takeaway:
With the recent acquisition of cloud computing company VMware, significant emissions reductions are possible for Broadcom and customers through the growth of VMware's Cloud Foundation.

Constellation Energy

Engagement:
Meeting with CFO and Head of Investor Relations

Key ESG Issue(s):
Energy transition risk and opportunities

ClearBridge Lead Engager(s):
Moaz Mohib, CFA, Senior Portfolio Analyst, ClearBridge Infrastructure Strategies

Constellation Energy, in the utilities sector, is primarily a nuclear generation company and is the largest producer of carbon-free electricity in the U.S., serving states including New York, Illinois, Maryland, Pennsylvania and New Jersey.

In July 2024 Moaz Mohib and ClearBridge analysts met with Constellation's CFO and its Head of Investor Relations to review the environmental merits of nuclear power and gauge its suitability for fueling the boom in data centers that will enable generative AI. Constellation's nuclear power generation assets are seen as strategic for hyperscalers and large industrial companies because they provide 24/7 baseload generation. Constellation is also the largest nuclear operator (~20 GW) in the U.S. and can provide custom power solutions at scale.

We discussed Constellation's industry-leading performance across safety and the best-in-class quality of its assets — they run at 90%+ capacity factors above U.S. averages. The company explained how it clearly defines nuclear waste management, with all nuclear waste in the U.S. able to be stored inside a "football field." Constellation also regularly tests water bodies near its assets to ensure zero pollution impacts and zero harm to wildlife.

Takeaway:
Overall, our team left the discussions comfortable with the environmental ramifications of employing nuclear, and we increased our position sizes in Constellation in ClearBridge Infrastructure Strategies.

Costco Wholesale

Engagement:
Meeting with Director of Responsible Sourcing & Packaging, Investor Relations

Key ESG Issue(s):
Environmental impact of product (use-phase, end of life, supply chain); ESG disclosure

ClearBridge Lead Engager(s):
Neal Austria, Senior Analyst, Consumer Discretionary

Mary Jane McQuillen, Head of ESG and Portfolio Manager, ClearBridge Sustainability Leaders Strategy

Costco Wholesale, in the consumer staples sector, is the leading operator of membership warehouses.

In February 2024 Neal Austria and Mary Jane McQuillen met with Costco to discuss several ESG topics, among which were biodiversity and animal welfare. Costco shared information on the structure of its oversight of these topics: its animal welfare taskforce has oversight over biodiversity and is led by three people who sit in the sustainability and compliance department. Costco is subject to Corporate Sustainability Reporting Directive reporting, including the European Sustainability Reporting Standards E4 standard, on biodiversity and ecosystems (the goal of which is to encourage companies to integrate biodiversity considerations into their operations and value chains). The company shared it would offer more communication following its current double materiality assessment and noted that measurement today on biodiversity remained tricky: there needs to be more advancement on standards of measurement that the industry can align with. For its part, Costco highlighted what biodiversity areas it is most focused on, and deforestation was at the top of the list. It has strengths in this area already: the bulk of its paper goods are certified by the Forest Stewardship Council; in furniture, it has transitioned to medium-density fiberboard where possible. Costco also has projects focused on pollination and honey. In seafood, Costco works only with suppliers certified by the Marine Stewardship Council and the Aquaculture Stewardship Council.

Takeaway:
Costco's biodiversity efforts look to be robust as it pilots biodiversity disclosures in a field that only recently has begun to develop meaningful standards.

McCormick

Engagement:
Meeting with CEO, CFO, Chief Supply Chain Officer, VP of Procurement, Investor Relations

Key ESG Issue(s):
Environmental impact of product (use-phase, end of life, supply chain)

ClearBridge Lead Engager(s):
Robert Buesing, Senior Analyst, Consumer Staples/Durables

McCormick, in the consumer staples sector, is a leading global spice and seasonings manufacturer.

In October 2024 Robert Buesing met with McCormick's CEO, CFO, Chief Supply Chain Officer, and several other executives at the company's analyst day at its global headquarters in Maryland. An important discussion occurred with the Chief Supply Chain Officer and a VP of Procurement around regenerative agriculture practices at McCormick and how these are verified given the highly fragmented upstream supply chain. McCormick shared that it uses a third-party partner to perform audits and provides direct educational content to its supply chain, including via phone apps that can suggest harvest timing and provide real-time tracking of weather and harvest quality, which allows both farmers and the company to anticipate potential issues very early in the season. The company also trains farmers on regenerative farming techniques to preserve the soil and save water.

Takeaway:
Over tens of thousands of SKUs and thousands of smallholder farmers, with minimal middleman involvement, McCormick demonstrates best-in-class traceability and the ability to actively support sustainability goals such as regenerative agriculture. Its responsible sourcing and supply chain are a major competitive advantage, and McCormick remains a sustainability leader in the herb and spice industry, with verified sustainability standards for its global supply chain that are best among peers.

Tokyo Electron

Engagement:
Meetings with Investor Relations

Key ESG Issue(s):
Environmental impact of product (use-phase, end of life, supply chain); Product innovation

ClearBridge Lead Engager(s):
Pawel Wroblewski, CFA, Portfolio Manager, ClearBridge International and Global Growth Strategies

Tokyo Electron, in the IT sector, is a semiconductor manufacturing equipment company based in Japan. The industry Tokyo Electron operates in has durable moats, high returns on capital and secular tailwinds driven by the rising capital intensity of semiconductor manufacturing.

In engagements over 2023 and 2024, Pawel Wroblewski discussed Tokyo Electron's increasing environmental efficiency of operations as well as its energy efficiency product innovation.

In 2023, we met with Tokyo Electron in ClearBridge's New York headquarters and discussed its plans to convert its operations to using entirely renewable energy. The company mentioned that although its progress to date had increased costs, it would not affect Tokyo Electron's ability to drive operating margin expansion. It also highlighted how its technology innovation directly translates to better power consumption of chips across various industries and use cases.

In a September 2024 follow-up engagement in our offices, we discussed Tokyo Electron's recent pull-forward of its net-zero target by 10 years, from 2050 to 2040; we welcomed the development. The company also confirmed that four of its factories in Japan had converted to 100% renewable energy, while local offices were still at different stages of the process.

Takeaway:
Tokyo Electron is best-in-class in terms of its initiatives to reduce the environmental footprint of its manufacturing operations, while its products aid the development and production of increasingly energy-efficient semiconductors.

Trex

Engagement:
On-site visit with CEO

Key ESG Issue(s):
Environmental impact of operations; Environmental impact of product (use-phase, end of life, supply chain)

ClearBridge Lead Engager(s):
Kimberly Gifford, CFA, Portfolio Analyst, ClearBridge Sustainability Leaders Strategy

Trex, in the consumer discretionary sector, makes wood alternative decking products from recycled wood fibers and plastic for residential and commercial customers. ClearBridge is a top 10 owner.

In May 2024, Kimberly Gifford visited Trex's headquarters and manufacturing facility in Virginia. Kimberly toured the facilities and hosted conversations with Trex's CEO and VP of Supply Chain, discussing, among other topics, wood sourcing and advanced recycling technologies.

Recently, as the demand for "clean streams" of plastic waste has increased in different parts of the economy, Trex has upgraded technology to be able to accept "dirtier" streams of plastic waste into the manufacturing process. This allowed Trex to begin using additional quantities of waste plastic that would otherwise never be recycled, without compromising product quality standards.

Through the on-site conversations and a follow up call with the company we learned Trex sources reclaimed wood from a variety of sources. On the east coast, Trex sources from lumberyards and sawmills that supply wood dust, woodchips, wood slabs and logs. It also sources wood dust and chips from flooring and cabinetmakers. On the west coast, Trex sources wood from old trees on orchards that would otherwise be burned. In both of these instances, no additives, chemicals or glue are added to the wood prior to the collection of wood chips, dust or planks purchased by Trex.

Takeaway:
Trex has continued to advance its plastic recycling processes and distinguish itself for its lack of involvement in any practice that uses toxic carcinogenic chemicals that are typically found in adhesives and resins.

Valuable Feedback, Further Success

Engaging on material factors improves our investment decisions and gives smaller companies valuable feedback that can further their success.
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Saputo

Engagement:
Meeting with VP of Corporate Responsibility

Key ESG Issue(s):
Energy transition risk and opportunities;
Physical asset risk management

ClearBridge Lead Engager(s):
Izabel Flis, CFA, Portfolio Manager,
ClearBridge Canadian Dividend Strategies

Sana Saeed, Research Associate, Canadian Equities

Saputo, in the consumer staples sector, is a global dairy and dairy alternatives company and a top 10 global dairy processor with strong market positions in Canada, the U.S., Australia, Argentina and the U.K.

In February 2024, Izabel Flis and Sana Saeed met with Saputo's VP of Corporate Responsibility to discuss the company's climate action plan and the evolution of its corporate sustainability strategy. In a wide-ranging conversation we discussed its intention to commit to developing GHG reduction goals in line with the Science-Based Targets initiative. Following the call, in March 2024, Saputo formally announced its commitment to set validated science-based targets across Scope 1, 2 and 3 emissions, with the hopes of having a domino effect on dairy suppliers.

Saputo highlighted that, in addition to investor demand, there are other reasons to transition to more sustainable practices, among which the fact that agriculture will be less severely affected by climate change if all participants succeed in slowing its impacts. Simply put, the cost of avoiding climate change can very well be more expensive for companies than the cost of transitioning and these impacts have the potential to be borne throughout a company's supply chain.

We also discussed how Saputo's target to reduce CO2e in its operations by 20% by FY2025 (from FY2020) — its first ever such target — was intentionally shorter term, as there were several optimization opportunities it had undertaken recently, including renewable energy initiatives and capital projects to drive energy usage lower. Having reduced its carbon intensity by 18% thus far, Saputo was on track to achieve its target by the end of FY2025 and working toward setting additional targets beyond 2025.

We also learned how Saputo has reserved capital to tackle material risks related to water and wastewater management. With water a key ingredient in manufacturing inputs, and Saputo operating in water-stressed regions, capital investments to improve water performance within operations are vital to overcoming associated risks from water scarcity. Saputo is targeting a 10% reduction in water intensity in its operations by FY2025 (from FY2020).

Takeaway:
Our discussion reinforced our view that Saputo is proactively assessing material climate-related risks and remains committed to setting a corporate sustainability strategy that translates to tangible results. As no formal targets beyond 2025 have been announced yet, we will continue to actively engage with Saputo on long-term ESG risks and opportunities that are relevant to its business.

Engagement Feature: Innovative Climate Solutions Among Agile Small Caps

Erich Frey, CFA, Portfolio Analyst,
ClearBridge Small Cap Strategy

Albert Grosman, Portfolio Manager
ClearBridge Small Cap Strategy

Brian Lund, CFA, Portfolio Manager,
ClearBridge Small Cap Strategy

The benefits of environmental engagements with small cap companies run both ways. For ClearBridge, it's an important tool to inform our investment case, understand the risks in an investment and more fully grasp the opportunities that the company has. It's also healthy for the companies themselves, as it gives them a more fulsome view of the issues and concerns that management may not realize exist at the company. These engagements are not a box to check. They are at the center of our corporate-investor relationship.

Commercial Metals

Commercial Metals is a steel producer in North America and Europe. While steel production has traditionally been seen as a "dirty" industry due to its heavy carbon emissions, high energy consumption and resulting waste and byproducts, Commercial Metals is taking a much more environmentally friendly approach through its use of electric arc furnaces (EAF), mini mills and recycled steel. Its mini mills and EAF production process have proven to be a more efficient way of producing steel, allowing the company to produce 64% less Scope 1, 2 and 3 GHG emissions and consume 82% less energy compared to global averages; this has allowed Commercial Metals to meet its renewable energy goals three years earlier than anticipated. Additionally, its recycling process has helped reduce the amount of steel going to landfills, saving approximately 1 billion pounds of steel waste in 2023. ClearBridge is committed to continuing to engage with the company, including a yearly ESG-dedicated meeting to assess its progress on its environmental goals.

Green Plains

An ethanol producer, Green Plains helps to reduce the carbon intensity of the fuel supply in the U.S. by producing renewable corn oil for use in advanced biofuels such as renewable diesel and sustainable aviation fuel. In addition to being a broader facilitator of emission reductions to its end use clients, the company is actively pursuing its own emission reduction goals through a partnership with Summit Carbon Solutions to capture and sequester emissions from seven of its Midwest facilities beginning this year; it expects to reduce the carbon footprint of each biorefinery by 50%. We believe the company's plan and proactive measures to reduce its Scope 1, 2 and 3 emissions through technological transformation will help benefit both its bottom line and the planet.

These are merely two examples of how we focus on relevant and material environmental factors to make better investment decisions and give smaller companies valuable feedback that can further their success. We believe it is at the core of responsible asset management.

ClearBridge had a total of 222 engagements on social factors in 2024.

222

Social Themes, Engagement Highlights

Agnico Eagle Mines

Engagement:
Meeting with CEO, VP of Sustainability and Culture, Investor Relations, Board Member

Key ESG Issue(s):
Company culture; Employee health and safety

ClearBridge Lead Engager(s):
Ryan Crowther, CFA, Portfolio Manager, ClearBridge Canadian Dividend Strategies

Agnico Eagle Mines, in the materials sector, is a Canada-based gold producer with operations in Canada, Finland, Australia, Mexico and the U.S.

In November 2024 Ryan Crowther led a ClearBridge group in an engagement with Agnico Eagle Mines on employee safety, focusing on its "Towards Zero Accidents" initiative. We discussed the company's track record, its safety incentives and management's oversight, the role of technology in safety, and regional considerations. 2023 was the 67th year on record for Agnico, and a record year for safety. In terms of incentives and management, safety is 10% of the calculation of performance that short-term incentive compensation is based on. It is not managed at the corporate level: rather, engineers and managers on site are highly engaged in safety management. Agnico reiterated that there is a great deal of collaboration on safety, not only internally but also across the industry, where there tends to be fulsome sharing of information among peers.

Automated tech enhancements that support safety in an underground mine are especially valuable. Investments in safety technology include remote controlled and/or autonomous equipment. Automated equipment trucks may be used underground: once they are loaded, they drive up ramps, dump and come back down with no human driver/passenger. When it comes to autonomous and remote operations, some equipment manufacturers have noted that Agnico is the most technologically advanced company in the field.

Takeaway:
The engagement reinforced ClearBridge's view that safety practices at Agnico are deeply embedded in management oversight and the culture of the organization, making it an industry leader in its approach. That collaboration — even with outside competitors — is a part of this approach and demonstrates Agnico's ongoing commitment to safety. Agnico consistently communicates and demonstrates a strong company culture, which we believe supports not only ESG-related practices but also the impressive operational track record of the company over decades.

Amazon.com

Engagement:
Call with Amazon's Head of ESG Engagement

Key ESG Issue(s):
Workforce diversity; Employee health and safety; Environmental impact of operations; Environmental impact of product (use-phase, end of life, supply chain); Product innovation

ClearBridge Lead Engager(s):
Naveen Jayasundaram, Senior Analyst, Media and Internet

Amazon.com, in the consumer discretionary sector, operates the world's leading e-commerce marketplace and the largest public cloud platform and has a burgeoning advertising business.

In an engagement in March 2024, Naveen Jayasundaram led a team of ClearBridge portfolio managers and analysts in an engagement with Amazon's Head of ESG Engagement, with labor relations a key topic. Also discussed were environmental stewardship and innovation.

On wages and benefits, Amazon wants to be clearly above market average and has a labor analysis team examining wage competitiveness. Following an upward adjustment in the fall, Amazon's average starting wage is $17–$28/hour. Another differentiator is that benefits are accessible from Day 1 at Amazon, alongside longer parental leave than peers. Employees can attend class after work in degree programs, learn English as a second language and receive training for commercial driver's licenses.

Amazon is reducing packaging by growing its share of products that ship in their own container or packaging; these grew from 8% to 11% over the course of 2022. Newer fulfillment centers do not use single-use plastic. Overall plastic intensity is not even 10% of consumer packaged goods peers, although retrofitting older fulfillment centers will take time and capital investment.

The company is moving toward setting science-based targets but has not quite gotten there. Meanwhile, Amazon's regionalization efforts in 2023 had reduced the number of touches for a delivered package by 20% and shortened the miles traveled to deliver packages to customers by 19%, leading to a more efficient carbon footprint per unit even as the total volume of packages handled by Amazon continues to scale at double-digit rates year over year. Cost improvements have environmental benefits as well, for example in inbound shipping, where more efficient routing of packages into Amazon's network should improve both cost and environmental impact per package. One newly announced initiative on the retail side was to consolidate deliveries into fewer boxes, which reduces packaging usage.

Takeaway:
After several years of engagements on these topics with the company, we were pleased to see improvements in labor relations (health and safety metrics, benefits and wages), as well as in environmental stewardship (climate targets, reducing packaging materials, electric delivery trucks) and innovation (commitments to responsible AI and data privacy).

Charles River Laboratories

Engagement:
Call with CEO, CFO, Investor Relations

Key ESG Issue(s):
Animal welfare

ClearBridge Lead Engager(s):
Brittany Henderson, Senior Analyst, Health Care

Charles River Laboratories, in the health care sector, is a global leader in the non-clinical drug development market and provides a number of products and services that enable pharmaceutical and biopharmaceutical companies, government agencies and academic institutions to discover, develop, test and safely manufacture new and innovative therapies. Charles River Laboratories has supported the research of more than 80% of the drugs approved by the U.S. FDA in the last five years. ClearBridge is a top 10 owner.

In January 2024, Brittany Henderson met with the company's CEO, CFO and Investor Relations to discuss animal welfare and capital allocation practices. Animals are a necessary part of drug discovery and are essential to our shared understanding of disease progression and biological mechanisms. Charles River Laboratories has a strong track record of robust animal welfare, thanks to a strong focus on compliance and ethics. The company employs over 330 veterinarians, as well as 4,000 animal care professionals. Its long-term goal is to reduce and eventually eliminate animal usage, and it has recently begun a pilot project to evaluate the use of virtual control groups as an alternative to using animals in toxicity studies. It has also launched an Alternative Methods Advancement Project (AMAP), which is focused on initiatives to develop alternatives for animal testing.

In recent engagements, we have been following Charles River Laboratories' enhancements to its supply chain for non-human primates (NHPs) and have discussed how the company is expanding its capabilities, access (via supply chain diversification) and disclosures. The company released its first NHP report in March 2024 and has committed to annual disclosure moving forward.

Takeaway:
We were positive on the company's increased auditing of its NHP supply chain and additional changes it is implementing (i.e., purchasing certain NHP suppliers, enhancing its NHP supplier risk management process) in order to ensure confidence that its NHPs are purpose bred and sourced in accordance with all applicable laws. Its continued cooperation with regulatory agencies (consistent with its 75-year history), enhancements to its internal governance process around animal welfare (it established a responsible animal use committee on its board in 2023), and transparency offer further evidence of Charles River Laboratories' leadership in animal welfare.

Intuit

Engagement:
Meeting with CFO, Head of Investor Relations

Key ESG Issue(s):
Company culture

ClearBridge Lead Engager(s):
Tom Mao, Senior Analyst, Software

Intuit, in the IT sector, is a software company specializing in financial software with brands such as QuickBooks, Credit Karma and TurboTax.

In October 2024 Tom Mao met with Intuit's CFO and Head of Investor Relations to discuss context behind recent layoffs; announcements of the eliminations in July had been sudden and involved a significant number of employees, leading to concerns about the health and direction of the business. Company communications had somewhat inaccurately mentioned some eliminations due to performance, and ClearBridge wanted some further clarity on this and on whether the changes would affect Intuit's diversity goals, for example through potentially outsourcing labor in other geographic regions where women form a smaller part of the labor pool.

In our engagement we confirmed the company was looking to rehire staff globally and the changes were primarily designed to bolster Intuit's AI capabilities. Further, the company confirmed this would not impact its diversity efforts, though the number of women at the company was flat year over year. The company is ranked as #14 in the Fortune 100 best places to work and has women in 34% of technology roles globally and 16% of U.S. employees who identify as part of an underrepresented group. Intuit's diversity disclosures and goals are commendable.

Takeaway:
While communications around personnel changes might have been clearer, Intuit generally has strong human capital management practices in terms of diversity, recruitment and retention, as ClearBridge's engagement confirmed.

Microsoft

Engagement:
Meeting with Investor Relations, ESG

Key ESG Issue(s):
Workforce diversity

ClearBridge Lead Engager(s):
Hilary Frisch, CFA, Senior Analyst,
Software and IT Services

Mary Jane McQuillen, Head of ESG and Portfolio Manager,
ClearBridge Sustainability Leaders Strategy

Microsoft, in the IT sector, develops software including the Windows family of products, the Microsoft Office system and the Azure cloud platform.

In November 2024 Hilary Frisch and Mary Jane McQuillen held a call with Microsoft to discuss shareholder concerns over the possibility of Microsoft pulling back on its diversity commitments. A news article had recently reported the company had announced changes to its human resources department that included a removal of a diversity team, all the while affirming diversity remained important.

Microsoft shared that this was a case of overt mis-reporting. There was a reorganization toward the end of the company's FY2024 that involved employees in its planning and catering software business, and two employees in that business who supported diversity events were affected; this was reported as an elimination of its diversity team. Microsoft shared that every June some chairs get shifted around as Microsoft seeks operational efficiency, and the catering department was affected this time.

Microsoft has publicly shared that its Global Talent, Development, Diversity and Inclusion team remains fully staffed and its latest diversity report affirms its ongoing commitment.

Takeaway:
Microsoft confirmed it is not pulling back from its diversity commitments in any way, and reports to the contrary constitute misreporting.

Uber Technologies

Engagement:
Meetings with Heads of ESG Engagement, Investor Relations

Key ESG Issue(s):
Community impact; Employee health and safety

ClearBridge Lead Engager(s):
Naveen Jayasundaram, Senior Analyst, Media and Internet

Uber Technologies, in the industrials sector, operates the world's leading rideshare platform and also offers food delivery services through Uber Eats.

Driver earnings and satisfaction have been key topics of recent engagements ClearBridge has made with Uber, which has been keenly focused on these issues as well. In July 2024 Naveen Jayasundaram met with the company to discuss several ESG topics and found that driver satisfaction had improved over the past year, with Uber adding over one million drivers the previous year yet seeing driver churn fall.

Specifically, based on global and regional surveys and in-person discussions, driver satisfaction improved year over year from 72% to 75%. Part of the improvement appears to be due to better communication: drivers are represented by a peer-selected group called Uber Crew that meets with key leaders at the company. The Uber Crew initiative revealed, for example, that Uber could do a better job of communicating improvements back to drivers. The initiative influenced a host of app improvements, including rider verification, having the correct names and pronouns, transparency on deactivation decisions and greater fairness, protection from false and unfair feedback, and real-time routing to prioritize safety. Satisfaction improved from product improvements as well as safety features despite hourly earnings seeing a small drop year over year.

Safety, meanwhile, including driver health and safety, is overseen at the highest levels of the company, including Uber's board, and is incorporated into its executive compensation plan. Uber continues to lead the industry on safety reporting, with 99.9% of trips completed without a safety incident in 2023. This rate was stable year over year despite Uber adding over one million drivers and couriers to its network globally. Uber was the largest transportation company to submit safety data to the U.S. government while the taxi and limousine industry has not participated.

Takeaway:
After facing some sustainability growing pains as the company grew exponentially after its IPO in 2019, Uber ranks well on ESG proficiency and continues to improve its human capital management practices as well as its environmental profile, for example by setting science-based targets for net-zero emissions.

ClearBridge had a total of 544 engagements on governance factors in 2024.

544

Governance Themes, Engagement Highlights

Air Products and Chemicals

Engagement:
Call with Investor Relations

Key ESG Issue(s):
Board diversity; Board quality; Executive compensation

ClearBridge Lead Engager(s):
Dimitry Dayen, CFA, Portfolio Manager,
ClearBridge Sustainability Leaders Strategy

Air Products and Chemicals (APD), in the materials sector, is a leading provider of industrial gases and liquids.

In January 2024 Dimitry Dayen spoke to APD Investor Relations about a third-party proxy service's recommendation to vote against CEO compensation. The CEO target pay is to be at the 75th percentile of pay of the comparable group. The company shared that as much as 60% of pay is at risk using a total shareholder return (TSR) metric, which the company uses. APD also uses median S&P 500 Index performance as a guideline, with zero compensation awarded if APD is below the 30th percentile on a three-year rolling basis. As a result, realized compensation was significantly below the awarded pay over the last two years.

Takeaway:
Given the preponderance of evidence, including total realized compensation, CEO share ownership and the long-term nature of recent investments, APD's CEO incentives appear to us to be aligned with the shareholders.

Atlas Arteria

Engagement:
Meetings with CEO, CFO, Investor Relations,
Board Member

Key ESG Issue(s):
Management quality; Board quality

ClearBridge Lead Engager(s):
Shaun Lim, Portfolio Analyst,
ClearBridge Infrastructure Strategies

Atlas Arteria, in the industrials sector, is a toll road owner and operator with key assets in France, Germany and the U.S. ClearBridge is a top 10 owner.

Over several meetings in 2024 Shaun Lim engaged with Atlas Arteria's CEO, CFO, Investor Relations and a Board Member to discuss the possibility of a takeover by IFM Investors (IFM), with IFM's ownership stake now hitting 25%. This had coincided with the retirement of Atlas Arteria's CEO. We sought to understand what IFM's creeping stake meant in terms of potential board presence and what the CEO hiring process would look like. Given the nature of IFM's potential takeover, it is essential to ensure there are no conflicts of interest and proper governance procedures are followed when hiring the new CEO.

After the announcement of Atlas Arteria's CEO's retirement, we considered a range of possible replacements, including IFM's Kenneth Daley, and we sought to understand the governance considerations the board would adopt as part of its CEO search. We reached out to the chair of the company's Australian board, who shared the hiring process would be a global search with strict governance and conflict of interest requirements. The chair confirmed that any potential CEO candidate must be independent of IFM and may not be an IFM-related party.

Having an IFM-appointed CEO would cause a potential conflict of interest as he or she may help keep prices depressed and push for a takeover at unfavorable prices, to the detriment of minority shareholders. Following our conversations with the board, we were satisfied that the hiring process would follow strict governance guidelines to avoid this.

On IFM reaching a 25% stake in Atlas Arteria and noting its upcoming annual general meeting in May, we sought to understand the potential implications in our conversations with the board. The company noted IFM was seeking a second board seat, proportional with its ownership stake, and that this would likely be granted. We were assured that any IFM board candidate would be forced to pass and sign off on strict conflict of interest policies. In our previous conversations with the board, we were also assured there were appropriate information barriers in place that would exclude IFM-appointed board members from partaking in conversations surrounding take-over defense and strategy. We deemed these appropriate.

We note that ClearBridge is not opposed to an IFM take-over; rather, we see it as a catalyst. However, this must be executed with adherence to the correct governance procedures to maximize value for minority shareholders.

Takeaway:
Following our work, we were satisfied that Atlas Arteria's Board of Directors was following the correct governance procedures to avoid potential conflicts of interest.

Comcast

Engagement:
Meeting with Investor Relations

Key ESG Issue(s):
Board quality

ClearBridge Lead Engager(s):
Naveen Jayasundaram, Senior Analyst, Media and Internet

Comcast, in the communication services sector, is a global media company with two primary units: cable and NBCUniversal, which encompasses both studio operations and theme parks.

In September 2024 Naveen Jayasundaram met with Comcast Investor Relations to follow up on the issue of overboarding (when directors sit on an excessive number of boards such that their time and attention may become compromised), among other topics. ClearBridge had raised the issue as early as 2022 as part of an ongoing conversation on board effectiveness; the issue had also been flagged by third-party governance research providers.

In a late 2023 engagement, Comcast shared that it was making progress addressing overboarding by bringing down the average tenure of its board, incorporating a policy on director overboarding into its corporate governance guidelines that limits the number of public company boards on which directors may serve. As part of the policy, no director who also serves as CEO at a public company may serve on more than three public company boards.

In our 2024 meeting Comcast shared that it now no longer had any directors on its board that are overboarded (on more than two other boards, per Comcast's definition). Additionally, Comcast had refreshed its board in the past 15 months to bring down the average tenure from 10-11 years previously to 8.4 years today.

Takeaway:
Comcast highlighted notable ESG improvements made over the past year at our recent engagement, addressing the issue of overboarding, a key ask from ClearBridge and other investors.

Aligned with Shareholders

We seek to align CEO incentives with shareholder interests.
Page 73

16,550 Proposals

In 2024, ClearBridge voted on 16,550 proposals.

= 100 Votes

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Judicious.

Proxy Voting Guided by Fiduciary Principles

ClearBridge Proxy Voting Fundamentals

The 2024 Proxy Season

ClearBridge Proxy Voting 2024 Overview

Proxy Voting Highlights

ClearBridge Proxy Voting Fundamentals

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.

Along with direct and ongoing company engagement, proxy voting is an important part of our stewardship approach. 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.

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 2024, ClearBridge voted on 16,550 proposals.

The 2024 Proxy Season

The volume of shareholder proposals increased again in 2024, with environmental and social proposals remaining the dominant category, although governance proposals saw the greatest increase in volume. The year also saw a notable increase in support for governance proposals, potentially reflecting renewed concern with governance as a central pillar of companies' fundamental strength.[10] Here are some highlights:

Counter-ESG Proposals Proliferate, Receive Low Support

The 2024 U.S. corporate proxy season continued to reflect broad topics of national debate, with a significant increase in the number of "counter-ESG" proposals companies received one notable highlight. Most of the social-related counter-ESG proposals were focused on potential risks attached to corporate diversity, equity and inclusion efforts. Counter-ESG environmental proposals focused on board oversight of corporate financial sustainability and risks of voluntary carbon-reduction commitments. Such proposals targeted larger companies in the financial services, consumer and technology sectors, yet, when voted, counter-ESG proposals continued to receive very low support (2%).[11]

But Are All Environmental and Social Proposals Consistent with Fiduciary Duty?

As Merel Spierings of The Conference Board points out, despite rising political tensions on environmental and social issues and a sizeable backlash to ESG in general, the declining lack of support for environmental and social proposals may not reflect the contentious political environment so much as the quality of the proposals themselves.[12] As ClearBridge has noted before, we are obliged, out of fiduciary duty, to vote against many environmental and social proposals on the grounds that they are poorly worded, too prescriptive, or too costly to implement, among other factors. At times, partially as a result of past proposals and engagements from investors like ClearBridge, companies have been making meaningful progress on environmental and social topics, making certain proposals less necessary.

Governance Proposals Seek to Strengthen Minority Shareholders

The year saw a notable increase in support for governance proposals, in particular those on eliminating supermajority votes. This was the topic of governance proposals most submitted and voted on, and it received a 73% increase in average support,[13] reflecting a heightened concern with strengthening the rights of minority shareholders.

Nature-Related Proposals Increase

Following the Kunming-Montreal Global Biodiversity Framework adopted during COP15 in 2023, biodiversity and nature-related proposals reflected new (or renewed) global interest in the topic. One source tracked a 33% increase in nature-related proposals, which accounted for just over 20% of all environmental proposals, up from 14% in 2023.[14] While more than 50% of nature-related proposals were withdrawn, suggesting awareness and dialogue on the topic is for the moment the main concern, and voted proposals received only 14% on average, we expect the topic to continue to grow in prominence.

AI: An Emerging Area of Focus

Not surprisingly, more proposals concerned AI in 2024, driven by notable issues such as misinformation and disinformation via generative AI. Most such proposals sought more disclosure on AI use, while some concerned AI-related governance and oversight, and others dealt with ethical dimensions of AI such as racial bias. Support for AI proposals averaged 20%, higher than most social and political categories, with only political spending/lobbying (21%), wage gap (23%) and collective bargaining (24%) garnering more average support.[15]

[10] Merel Spierings, "2024 Proxy Season Review: Corporate Resilience in a Polarized Landscape," Oct. 2024.

[11] "2024 Proxy Season Review," Sullivan & Cromwell, Aug. 2024.

[12] "Corporate Resilience in a Polarized Landscape.

[13] Sullivan & Cromwell.

[14] Sullivan & Cromwell.

[15] Sullivan & Cromwell.

ClearBridge Proxy Voting 2024 Overview

In 2024 there were over 650 shareholder proposals at companies in which ClearBridge is a shareowner, covering a wide range of ESG issues. Governance-related shareholder proposals increased from 41% to 47%, reversing a trend of decline from 2021 to 2023. The most common governance proposals concerned electing shareholder nominees to the board of directors; the growth of this issue was notable as it did not feature prominently at all in 2023. Climate change and political activity continued to dominate environmental- and social-related shareholder proposals **(Exhibits 22-24)**.

Exhibit 22

Shareholder Proposals by Category

Source: ClearBridge Investments. Reflects shareholder proposals at companies in which ClearBridge is a shareholder.

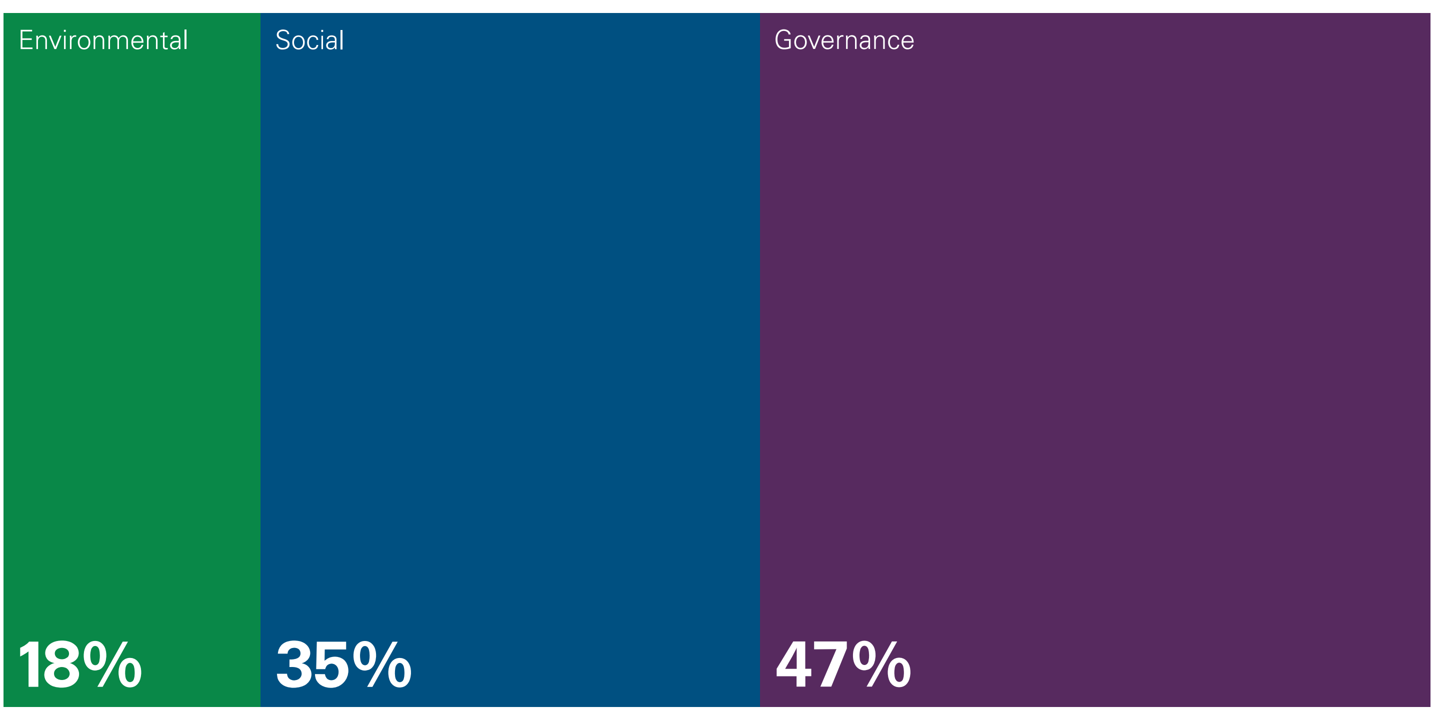


Exhibit 23

Governance-Related Shareholder Proposals 2024

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

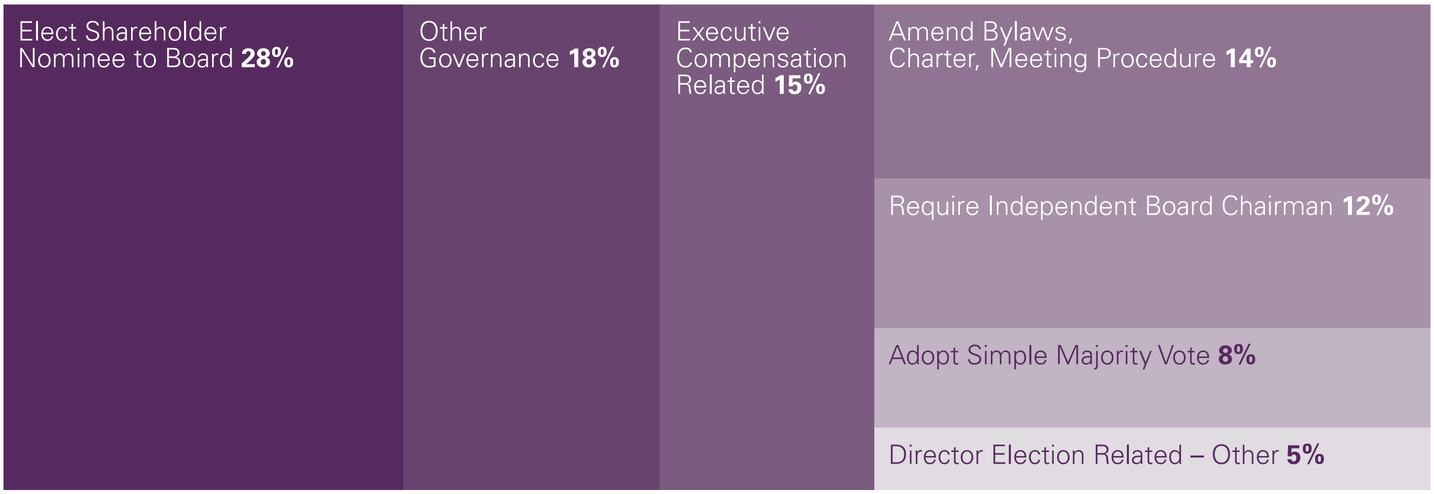
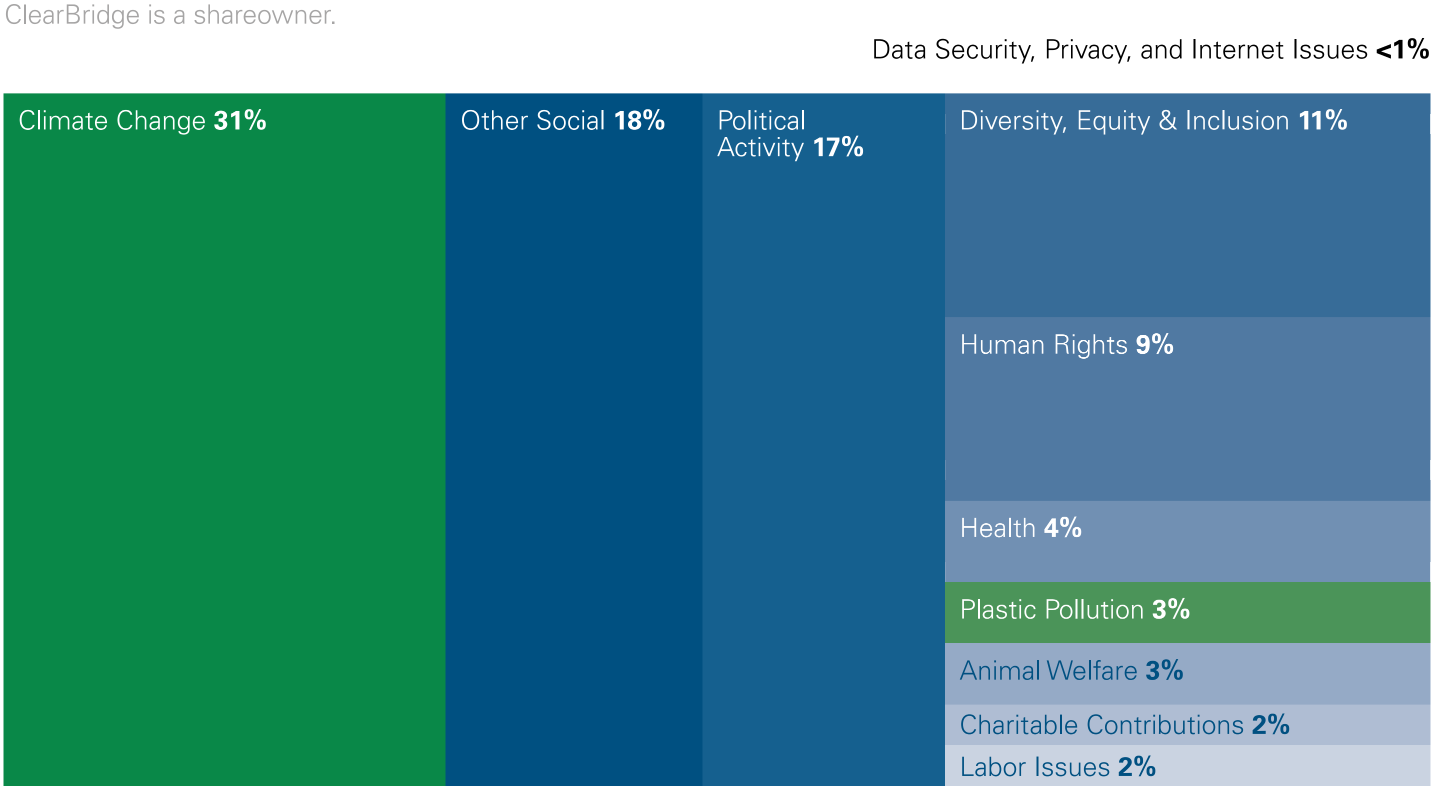


Exhibit 24

Environmental- and Social-Related Shareholder Proposals 2024

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

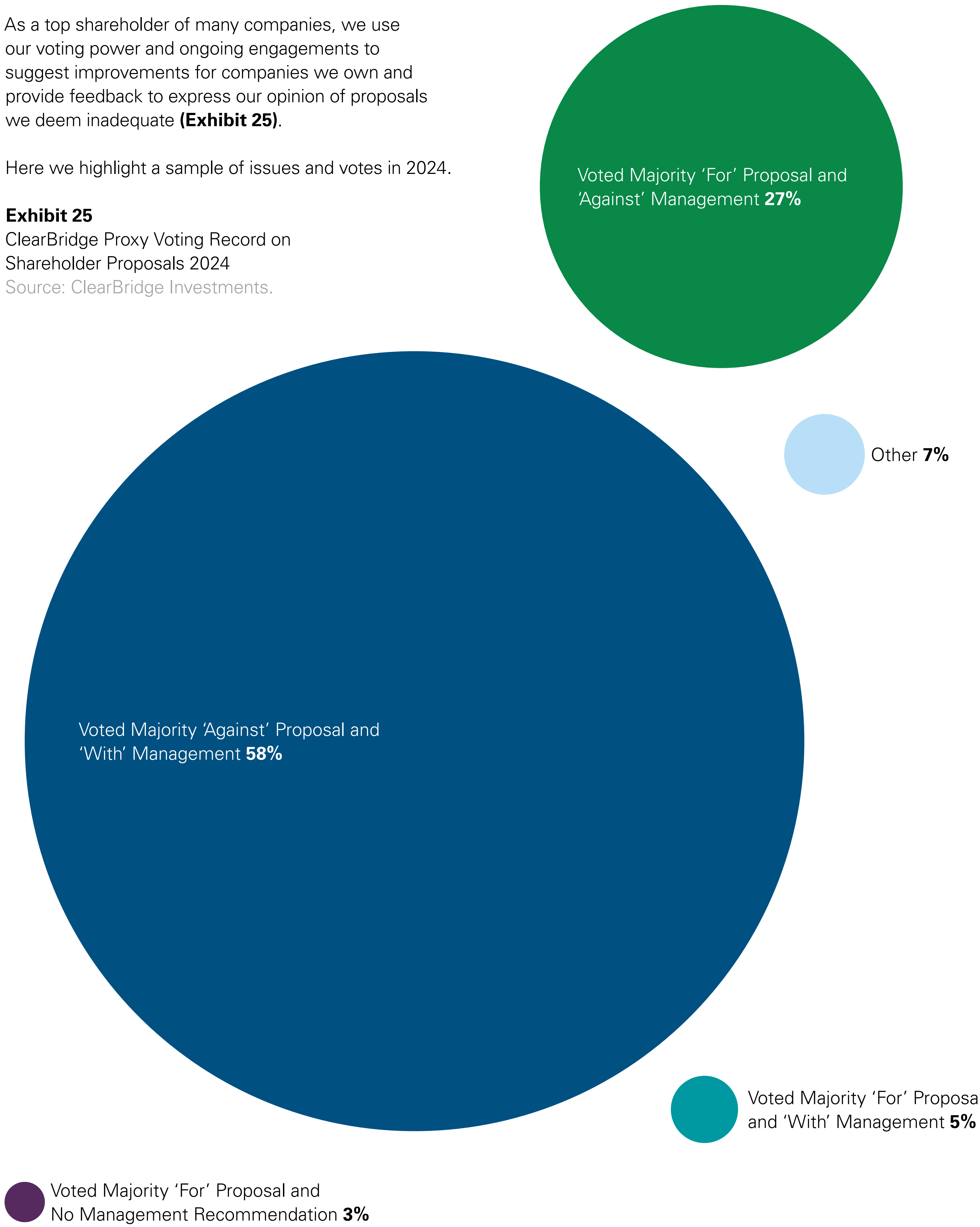


Proxy Voting Highlights

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 25)**.

Here we highlight a sample of issues and votes in 2024.

Exhibit 25
ClearBridge Proxy Voting Record on Shareholder Proposals 2024
Source: ClearBridge Investments.



Votes "For" Shareholder Proposals

Declassify the Board of Directors

Tesla: Declassify the Board

ClearBridge voted For this shareholder proposal with the view that declassification of the board of directors would enhance the board's accountability. The proponent requested that shareholders ask Tesla to reorganize the board of directors into one class, with each director subject to election each year. Annual director elections have been adopted by over 90% of S&P 500 companies currently and is considered a governance best practice.

According to ISS, empirical evidence has suggested that such a staggered (classified) board structure is not in shareholders' best interests from a financial perspective. Specifically, staggered boards provide a potent antitakeover defense by forcing unsolicited bidders to win two board elections in order to gain control of the company.

Clean Energy Financing

Bank of America: Report on Clean Energy Supply Financing Ratio

ClearBridge voted For a shareholder proposal requesting that Bank of America disclose annually its Clean Energy Supply Financing Ratio (CESFR), defined as its total financing, through equity and debt underwriting and project finance, in low-carbon energy supply as a proportion of that in fossil-fuel energy supply. We view Bank of America as a leading financial institution on sustainability, so aligning its activities with its own climate goals may help the bank better prepare to manage risks associated with the global energy transition. In addition, climate-aligned banks can profit from clean energy opportunities.

While the company mentions its Approach to Zero strategy, which outlines its commitment to help finance the transition to net-zero GHG emissions and details its target-setting methodology, the CESFR would provide another valuable measure of its financing of clean energy. At the time of the vote, other major banks had reviewed this ratio as well, and at least one peer has since begun publishing it.

Use of Artificial Intelligence (AI)

Netflix: Report on Use of AI in Operations

ClearBridge voted For a shareholder proposal requesting that Netflix prepare a transparency report on its use of AI in its business operations and disclose any ethical guidelines that the company has adopted regarding its use of AI technology.

The proponent expressed concerns that the adoption of AI could raise significant social policy issues, including human resources decisions, automation of jobs and the disclosure of privacy data. The proponent also believes AI should not be used to create content or literary material to supplant the creative work of professional writers. The proposal filer cites the writers' and performers' strikes in 2023, which were at least partially due to concerns arising from the use of AI. Netflix was notably impacted by these strikes as well.

The board responded that technological advances would continue to be a critical component of the motion picture industry's evolution and that Netflix is committed to responsible use of AI tools. That said, the adoption of an ethical framework for the use of AI technology could strengthen the company's role as a responsible and sustainable leader in the industry and build trust among stakeholders.

Votes "Against" Shareholder Proposals

Report on Charitable Contributions

Target: Disclose Charitable Contributions Risks

ClearBridge voted Against this shareholder proposal in which the proponent was requesting that the board conduct an evaluation and issue a report examining the risks to the financial sustainability and reputation of the company arising from its partnerships with, and charitable contributions to, all causes and organizations.

The board in response asserted that the proposal was not in the best interest of the company or its shareholders in light of existing disclosures and policies that provide transparency and accountability of the company's charitable giving strategy. The board also considers the interests of multiple constituencies, as well as "the economy of the state and nation, community and societal considerations, and the long-term as well as short-term interests of the corporation and its shareholders," per the company.

Fiduciary Relevance and Decarbonization

Costco: Issue Audited Report on Fiduciary Relevance of Decarbonization Goal

ClearBridge voted Against this proposal as the proponent is requesting that the company issue an audited report on whether the company's net-zero goal is appropriate, or if any decarbonization targets are relevant. The proposal mentions the view that there could be economic consequences of climate mitigation preparation, and that other countries might fail to adopt climate goals, while mentioning the possibility that the climate models that underlie such goals are incorrect.

The company responded that the Costco Board of Directors and Nominating and Governance Committee have developed and implemented a comprehensive and measured approach to reducing the carbon emissions of Costco and its suppliers. We agree that the company's Climate Action Plan sufficiently attempts to balance the responsibility to mitigate the harms from global warming with protecting the interests of the company's direct stakeholders: its suppliers, employees, members and shareholders. The plan is specifically tailored to accomplishments that Costco believes are substantial yet achievable.

Corporate Governance Practices

Walmart: Establish a Board Committee on Corporate Financial Sustainability

ClearBridge voted Against this proposal requesting that the board create a board committee on corporate financial sustainability to oversee and review the impact of the company's positions, advocacy, partnerships and charitable giving on social and political matters, and the effect of those actions on Walmart's financial sustainability.

The proponent suggests that the company takes on risk by supporting different non-discrimination movements/ positions on social policy concerns. The board stated that the company has effective corporate governance practices and board-level oversight that "address the concerns described in the proposal." It says that the board has six standing committees and has one — the Nominating and Corporate Governance Committee (NGC) — with explicit oversight over "legislative affairs and public policy engagement and social, community, and sustainability initiatives." As the board has the leeway to set its committee structure when there are no performance concerns at issue, and given the committee structure already in place, we did not find a vote For this proposal to be warranted.

Votes 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.

There are also other instances where we will vote against management proposals; most of these proposals concern other compensation topics and director election **(Exhibit 26)**. In all cases we seek a judicious approach and are guided by general fiduciary principles.

Climate Transition Plan

National Grid: Approve Climate Transition Plan

ClearBridge voted For this proposal brought forth by the Board of National Grid, which has oversight of matters relating to climate-related risks and opportunities and was seeking shareholder approval for a revised Climate Transition Plan. The company's primary climate-related disclosures can be found in its annual report and its Climate Transition Plan. The new targets are to: 1) reduce absolute Scope 1 and 2 emissions by 60% by 2030-31 from a 2018-19 baseline, 2) reduce Scope 3 emissions, excluding sold electricity, by 37.5% by 2033-34 from a 2018-19 baseline, and 3) achieve net zero by 2050 across all scopes. The investment in the transition will be carried out via upgrades to the infrastructure.

National Grid has committed to reporting in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and states that its plans are in line with the 1.5° Paris scenario. Validation has been received from the SBTi for near-term targets and sub-targets.

Executive Compensation

Pioneer Natural Resources:
Advisory Vote on Golden Parachutes

ClearBridge voted Against this proposal due to the material amendment to the company's prior change-in-control arrangements within close proximity of a merger to accelerate vesting of equity awards solely upon the change in control, which is considered a substandard practice, and which would significantly increase equity awards, valued at more than $100 million for the CEO alone.

Exhibit 26

Topics of ClearBridge Votes “Against” Management 2024

Source: ClearBridge Investments.

Sustainable Development Goals

For ClearBridge, the U.N.'s 17 Sustainable Development Goals (SDGs) represent a useful way to understand and communicate global sustainability 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

SUSTAINABLE DEVELOPMENT GOALS

Support.

An Investment Framework Supporting the U.N. Sustainable Development Goals

SDGs Key for Productivity and Growth

Using SDGs to Identify Opportunities in Clean Water

ClearBridge/WaterAid Partnership

For ClearBridge, the U.N.'s 17 Sustainable Development Goals (SDGs) represent a useful way to understand and communicate global sustainability goals. Each goal is associated with several specific underlying targets that offer a way for the private sector to have an impact supporting and addressing urgent sustainability issues.

Companies from various 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 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 have a positive contribution, for example by providing software that enables more sustainable design.

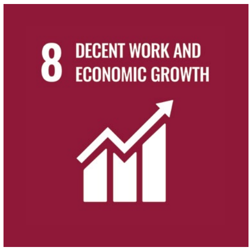
Many of the themes addressed by ClearBridge ESG analysis and company engagements — like climate change, sustainable food, diversity and natural resource efficiency — correspond to the SDGs in a variety of ways, and thus we can map how select companies' operations, products and services align with those themes and the underlying targets of the SDGs **(Exhibit 27)**.

Exhibit 27

Addressing SDGs through Sustainability Themes: Examples

Source: ClearBridge Investments.

Key Sustainable Development Goals (SDGs)	Investable Themes	Companies Addressing Theme via Products	Companies Addressing Theme in Operations
7 Affordable and Clean Energy; 11 Sustainable Cities and Communities; 13 Climate Action	Decarbonization and Clean Energy	Enphase	Equinix, Microsoft
2 Zero Hunger; 14 Life Below Water; 15 Life on Land	Sustainable Food Systems	Deere	Costco
6 Clean Water and Sanitation; 9 Industry, Innovation and Infrastructure; 12 Responsible Consumption and Production	Resource Efficiency and Responsible Consumption	Ball Corp, Trex	Home Depot, Proctor & Gamble
1 No Poverty; 5 Gender Equality; 10 Reduced Inequalities	Social and Economic Equality	Visa	Costco, Trane Technologies
3 Good Health and Well-Being; 8 Decent Work and Economic Growth	Health and Well-Being	Danaher, Novo Nordisk	Nike, Colgate-Palmolive
8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure	Innovation	ASML, Synopsys	Nike, Prologis



"Electrification is a key component of SDG 9.1, with companies aiding the electrification of the power grid and EV charging infrastructure key contributors."

Benedict Buckley, CFA, Portfolio Manager

SDGs Key for Productivity and Growth

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

While some SDGs consider elemental topics such as water, hunger, poverty, good health and education, and are therefore easier to understand and discuss, SDGs such as Decent Work and Economic Growth (SDG 8) and Industry, Innovation and Infrastructure (SDG 9) may be lesser known or understood. These SDGs emphasize the importance of development within sustainable development and are a focus for ClearBridge as they are among the SDGs most reliant on the private sector for progress.

Investing in Decent Work and Economic Growth

SDG 8 aims for decent work and economic growth, and includes promoting inclusive and sustainable economic growth, with employment and decent work for all. Among its targets (8.2) is achieving higher levels of economic productivity through diversification, technological upgrading and innovation, including a focus on high-value-added and labor-intensive sectors. Enterprise software aids in this goal, as the products and services of companies like ClearBridge holdings ServiceNow, Microsoft and Salesforce are key for enhancing economic productivity. IT services companies such as Accenture help companies implement technology upgrades.

Other examples of technology upgrading across industries include Amazon's robotics-enabled warehouses, Deere's precision agriculture offerings and connected combines, which are upgrading the technological capabilities of the agricultural sector, and Ecolab's digital service offerings for remote monitoring and analytics to improve operational efficiency of its customers.

Enabling Resilient Infrastructure and Advancing Research

SDG 9 supports industry, innovation and infrastructure through building resilient infrastructure, promoting sustainable industrialization and fostering innovation. Among its targets (9.1) is developing quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being, with a focus on affordable and equitable access for all. Helping this target are ClearBridge holdings Vulcan Materials, which makes aggregates (such as gravel) for roads and other infrastructure, and United Rentals, which provides construction equipment such as scissor lifts, forklifts, loaders, excavators, hoists and cranes in a resource-efficient rental model that increases equipment utilization and reduces wasted capacity.

Electrification is also a key component of the SDG 9.1 target, and is supported by Eaton, whose electrical equipment enables the electrification of the power grid and, importantly, electric vehicle charging infrastructure.

SDG 9 also includes a target (9.5) to enhance scientific research and upgrade the technological capabilities of industrial sectors in all countries and to increase the number of research and development workers per 1 million people. Semiconductors are a foundational technology for sustainable development. Almost every technological development in every sector is reliant on the development of better and better semiconductors (i.e., computer chips), and many businesses ClearBridge owns and engages with are essential parts of that ecosystem:

- Synopsys (which makes semiconductor design software)
- ASML and Lam Research (which make tools that produce semiconductor chips)
- Nvidia and Broadcom (which design semiconductor chips)

These are also some of the most R&D-intensive businesses outside of health care. On this note, companies like Alphabet are innovating with research across multiple fields, including long-term research into areas like quantum computing.

The list could go on, but it is worth mentioning the SDG 9.c target, which calls for increased access to information and communications technology and to strive to provide universal and affordable access to the Internet in least developed countries. Amazon's Project Kuiper directly addresses this target, as an initiative to use a network of low Earth orbit satellites to provide affordable broadband access to underserved areas of the world without reliable connectivity.

“Using the SDGs as a framework to help identify companies whose business case is connected to solving pressing global sustainability challenges is consistent with ClearBridge’s longstanding active management approach.”

Grace Su, Portfolio Manager

Using SDGs to Identify Opportunities in Clean Water

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

Jean Yu, CFA, Ph.D., Portfolio Manager,
ClearBridge International Value Strategy, ClearBridge Global Value Improvers Strategy, ClearBridge Value Strategy

Water and its purification have become increasingly important commodities as the world grapples with growing population pressures, climate change and environmental degradation. Access to clean, safe drinking water is essential not only for public health but also for economic development and social well-being. As freshwater sources are being over-exploited, polluted or compromised by climate events such as droughts and floods, the need for sustainable water management and purification technologies has never been more critical.

Water and its purification are therefore central to the business case for some companies we consider for ClearBridge portfolios. UN SDG 6: Clean Water and Sanitation provides a useful framework to help ClearBridge identify and source companies actively engaged in ensuring access to clean water and sanitation to prevent illness and improve overall public health. This is consistent with ClearBridge’s longstanding active management approach, which relies on fundamental research and deep company knowledge.

Case Studies: SDG Underlying Target: 6.3
Improve water quality by reducing pollution, eliminating hazardous waste and increasing wastewater recycling globally by 2030

United Utilities

United Utilities is one of the U.K.'s leading water utility companies. The U.K. has faced a myriad of recent challenges related to storm sewage overflows and river pollution issues — both closely linked to public health due to the risks posed by contaminating water sources with harmful pathogens, chemicals and toxins. Such pollution can lead to the spread of waterborne diseases, impair access to clean drinking water and contaminate local food-chains, affecting entire communities.

As a result, the U.K. government has legislated and approved the proposed £11 billion between 2025 and 2030 to cut spills from overflows — more than triple the current rate of investment. United Utilities has committed to reducing storm overflow spills in 700 sites by allocating £2.4 billion and 500 engineers to implement sustainable drainage systems, aiming for a 13% reduction in leakage by 2030.

Fortune Brands Innovations

Fortune Brands Innovations is a market leader in home and security products and the manufacturer of the Flo smart water meter, sold under the Moen brand; the smart meter helps prevent catastrophic leaks and reduce water waste and therefore offers strong environmental and financial benefits.

The smart meter, which recognizes when there has been a significant leak, automatically shuts off water flow in order to prevent damage and excessive use of water. Catastrophic leak damage costs over $15 billion per year in the U.S. alone; this figure notably does not include the cost of the loss of available clean water to communities based on these spills. However, according to a LexisNexis study of 10,000 homes, one year after installation, the smart meter led to a 96% decrease in water leak incident claims compared to two years prior and, for the remaining 4% of claims, the damage amount was reduced by 70%. Since the launch of the Flo smart water meter in 2023, it is estimated that Moen products have helped save 257 billion gallons of clean water; made and packaged with repurposed ocean plastic, they have also diverted 750 U.S. tons of ocean plastic. This product could position the company as an ESG leader as it gains broader traction.

ClearBridge/WaterAid Partnership: Philanthropic Efforts Promoting SDG 6

In Timor-Leste

Since 2013, ClearBridge has proudly partnered with WaterAid Australia to improve access to water, sanitation and hygiene (WASH) services in Timor-Leste. The 2024 initiatives focused on enhancing national standards for WASH in health care facilities, particularly in Manufahi and Liquiçá. Key outcomes included strengthening municipal and national WASH coordination, improving infrastructure sustainability and promoting better hygiene and waste management practices.

In partnership with local stakeholders, the program delivered essential upgrades such as water supply improvements, toilet enhancements, handwashing station maintenance and staff training.

A testament to this impact is the Maumeta Health Post transformation, where previously inadequate facilities posed risks for patients, including pregnant women and the elderly. Mrs. Marciana de Jesus Soares, a long-time patient, now feels safe and comfortable thanks to the upgraded infrastructure, which benefits the entire community.

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. In 2024, with support from ClearBridge, WaterAid finished a project constructing WASH infrastructure at one school in the Ataka community of La Guajira, providing access to 150 students and teachers, 25% more than the initial target of 120 people. WaterAid reached 223 students with the "Pathways to WASH" toolkit in two schools. Additionally, WaterAid trained 12 teachers and 16 student ambassadors to use the "Pathways to WASH" toolkit in their respective schools, promoting the sustainability of ideal WASH behaviors.

In Ataka, the school is an integral part of the development and public life of the community. The classrooms are open spaces with courtyards shared between nearby homes and the school, making it a gathering point for both students and families. Many important issues are discussed in school gatherings, including access to safe drinking water. Having water, toilets and handwashing stations means the school will remain an important hub of development for this community.

ClearBridge is proud to have helped undertake projects with WaterAid that have brought about tangible and meaningful improvements to everyday life for communities in Timor-Leste and Colombia.

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 UN 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.**

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.

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)
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 is a partner as of 2019.

Index of Companies

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