



# ClearBridge Engagement and Stewardship Policy

Amended as of August 2023

## I. How ClearBridge Defines Engagement and Stewardship

As investment managers, we are stewards of our clients' capital — our clients rely on us to responsibly manage their capital to create sustainable long-term value. As well as being stewards of the investments in our clients' portfolios, investment managers play an important role as guardians of market integrity and in working to minimize systemic risks. Environmental factors, particularly climate change, and social factors, in addition to governance, have become material issues for investors to consider when making investment decisions and acting as stewards of client capital.

Engagement is a key element of ClearBridge's stewardship activities. Active public equity ownership can be a powerful tool to influence companies and drive meaningful change. As active investors in public markets, we engage with company management teams on a variety of fundamental and material environmental, social and governance (ESG) issues and promote improvement.

Engagements are interactions between ClearBridge investment teams and senior company representatives — CEOs, CFOs and others. These interactions are primarily one-on-one meetings (in-person or virtual) with companies, but can also include company site visits, phone calls, email exchanges, and in some cases formal letters to a company's senior management team or board of directors.

During our engagements with companies we ask questions about the business and in some cases provide feedback. For example, we will often share our investment philosophy and expectations on relevant fundamental and ESG topics; inquire about a company's sustainability goals and activities; and set objectives for the future.

ClearBridge portfolio managers and research analysts typically lead the one-on-one meetings we have with companies and these meetings are generally open to all members of the investment team regardless of location.

ClearBridge engagements are inclusive of environmental, social and governance topics, and discussions are company and industry specific; accordingly, they range in scope and timeframe. Some engagement topics, such as sustainability-related disclosures, diversity and inclusion and governance issues, are generally relevant to all companies and therefore are themes raised frequently in meetings, regardless of industry.

## ClearBridge's Engagement Philosophy

Engagements are an important part of active equity ownership and being responsible stewards of our clients' capital. We engage with our portfolio companies to maintain a dialogue on material issues and provide feedback on their strategy and performance. This helps improve our understanding of a business and its potential for long-term success. We can also achieve positive impact when our engagements with companies contribute to their improved performance on ESG issues, leading to real-world outcomes.

## II. ClearBridge's Approach to Engagement

We engage with companies through one-on-one interactions with senior management teams as well as through collaborative engagements with industry and investor groups in which we are active participants. Our primary focus is to engage directly with the companies on a one-on-one basis.

We generally prefer direct engagement with companies because it is the more effective and efficient way to communicate our questions and feedback to a company. Direct engagement also fits best with our existing investment process and plays to our strengths — ClearBridge's high-conviction approach, resulting in concentrated portfolios, combined with our large asset base and ESG expertise, position us well to provide constructive, well-informed feedback directly to company management teams.

We take a partnership approach toward driving change within corporations, focusing on the impact we can have during our conversations with CEOs, CFOs and corporate sustainability teams over long periods of time. As a firm, ClearBridge conducts over 1,000 company meetings every year, many of which are focused around ESG topics. The frequency with which we engage with a given company can vary as needed.

ESG engagement generally has two overlapping objectives:

1. Research: Gaining a better understanding of ESG issues that could impact our investment thesis
2. Impact: Encouraging specific changes at the company that lead to positive real-world impact

### Research

Engagements are an integral part of ClearBridge's investment process and our approach to stewardship. Engagements contribute to both our understanding of a company's ESG risks and opportunities — which ClearBridge research analysts express in an internal ESG rating for a company —and our ongoing assessment of a company's operational and financial strength. In fact, a company's ESG profile and valuation are often linked. Furthermore, a substantial portion of our company research is informed by direct, ongoing interaction with company management and boards of directors, both in our offices and through on-site company visits.

Research analysts assign and communicate proprietary ESG ratings on companies they research and engage with as part of their internal research notes, along with any other investment-related comments on valuation, investment thesis, earnings updates and risk/reward expectations. Ratings communicated to portfolio managers reflect research analysts' confidence in — or expectations for — progress on ESG issues. Companies with lower ESG ratings may reduce the conviction of an analyst or portfolio management team in an investment idea or indicate an elevated risk profile stemming from ESG issues.

While the primary purpose of engagements is information gathering, engagements in the aggregate can create positive real-world impact at the companies or in the communities in which they operate. As shareowners, initiating conversations — whether about gender equality, energy efficiency, better board governance or disclosure — can result in positive changes in management mindset about the relevance of these ESG issues and eventually lead to improvements in the company's policies and operations.

## Impact

Where appropriate, ClearBridge will provide feedback to company management teams on their strategy and performance and discuss potential improvements. Such feedback can serve to promote best practices, advocate for increased disclosure or share our views on a specific ESG topic. ClearBridge is often also sought out for guidance from portfolio companies looking to improve their sustainability practices. In some engagements, for example, we are asked to provide feedback on specific policies and activities such as disclosures and publishing sustainability reports as well as share best practices as we catalogue them through our engagements across industries.

In many circumstances, this feedback results in material, real-world impact — instances where our conversations with company management or feedback we provide helps initiate or improve sustainability practices at companies we own. This has strategically positioned us to launch Engage for Impact, our internal engagement initiative which encourages more targeted engagements that have a greater likelihood of creating positive impact. With this program, lead engagers are comprised of both sector and portfolio analysts who work closely with our portfolio managers to develop specific “asks” or areas for improvement for priority target companies. Our typically long holding periods give us the opportunity to measure progress against these asks and monitor and report on outcomes over time.

Further, we have also defined the type of engagement for our research analysts and portfolio managers to help support the prioritization and categorization of the engagement at the outset.

Each of the types of engagements below can also lead to positive impact:

1. **Routine engagements:** Discussions with company management (CEO, CFO, etc.) about all routine business matters — including ESG — as part of our ongoing investment process. This is the most common and most frequent type of engagement we conduct.
2. **ESG-specific engagements:** Thorough comprehensive discussions with companies on specific ESG issues. This type of engagement is often with subject matter experts at the company, such as managers of sustainability, human capital management, supply chains, etc.
3. **Event-driven engagements:** Discussions with companies relating to specific events, such as an ESG controversy or the announcement of new company sustainability goals.
4. **Proxy-related engagements:** Discussions with companies before a proxy vote.
5. **Company-initiated engagements:** Companies often specifically request our feedback on ESG topics.
6. **Collaborative engagements:** While our primary method of engagement is direct interaction with companies, we also engage with companies through collaborative initiatives with industry and investor groups in which we actively participate. We participate in collaborative engagements in cases where we want to lend our voice to a broader industry initiative and where we believe we can have more positive impact by speaking to a company collectively with a unified objective.

### **III. Engagements and Proxy Voting**

Company engagements, often consisting of long-term dialogues with company management on relevant material issues, provide valuable insights into topics that frequently appear in shareholder proposals. Company engagements and proxy voting are thus linked aspects of ClearBridge's active approach to public equity ownership.

Proxy votes are cast by the portfolio managers of each ClearBridge strategy. In voting proxies, we are guided by ClearBridge Proxy Voting Policies and Procedures, which include proxy guidelines for environmental, social and governance proposals, and 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 we believe will be consistent with efforts to support shareholder value.

In general, portfolio managers vote on a case-by-case basis on shareholder social and environmental proposals, on the basis that their impact on share value may be difficult to quantify. In most cases, however, they vote for disclosure reports (e.g., political contributions, gender and racial diversity, overall sustainability) that seek additional information, particularly when it appears the company has not adequately addressed shareholders' social and environmental concerns. When determining how to vote, ClearBridge will often speak with the company to understand the company's position and to communicate our feedback on the issues on the ballot.

### **IV. Oversight**

ClearBridge's engagement and stewardship program is overseen by the Director of Research and the Head of ESG. The Engagement and Stewardship Policy is reviewed by the ESG Strategy team, the Chief Investment Officer and the Director of Research annually and updated and amended as needed.