

ClearBridge 2025 Climate Report

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Climate Strategy

For almost 40 years ClearBridge has been incorporating climate risks and opportunities into our investment strategy. As climate has continually become more relevant in our portfolios, we have taken steps to enhance our process and ensure material climate metrics are appropriately captured.

ClearBridge's climate strategy is built on four key pillars: portfolio management, engagement, monitoring and reporting and industry associations (Exhibit 1).

Exhibit 1: The Four Pillars of ClearBridge's Climate Strategy

Portfolio Management	Engagement	Monitoring and Reporting	Industry Associations
Incorporating climate risks and opportunities in company due diligence and portfolio construction and management	Ensure our companies are making appropriate decisions to prepare for a decarbonizing economy and changing climate	Monitoring company and portfolio climate metrics for portfolio management and client reporting	Remaining engaged with industry experts and standard-setting bodies

Portfolio Management

ClearBridge incorporates climate risks and opportunities at various points in the portfolio management process.

Climate risk can be categorized into two main types:

- **Transition risks:** These arise from changes in market conditions, policies and regulations aimed at transitioning toward a lower-carbon economy. Such changes can impact business models, competitive dynamics, technology developments and capital allocation decisions in many industries.
- **Physical risks:** These involve the increasing frequency and severity of extreme weather events — such as droughts, floods and wildfires — which can affect businesses and their employees through asset damage, operational disruptions and supply chain interruptions.

Different climate risks and opportunities can materialize in various ways depending on time frame and sector (Exhibit 2).

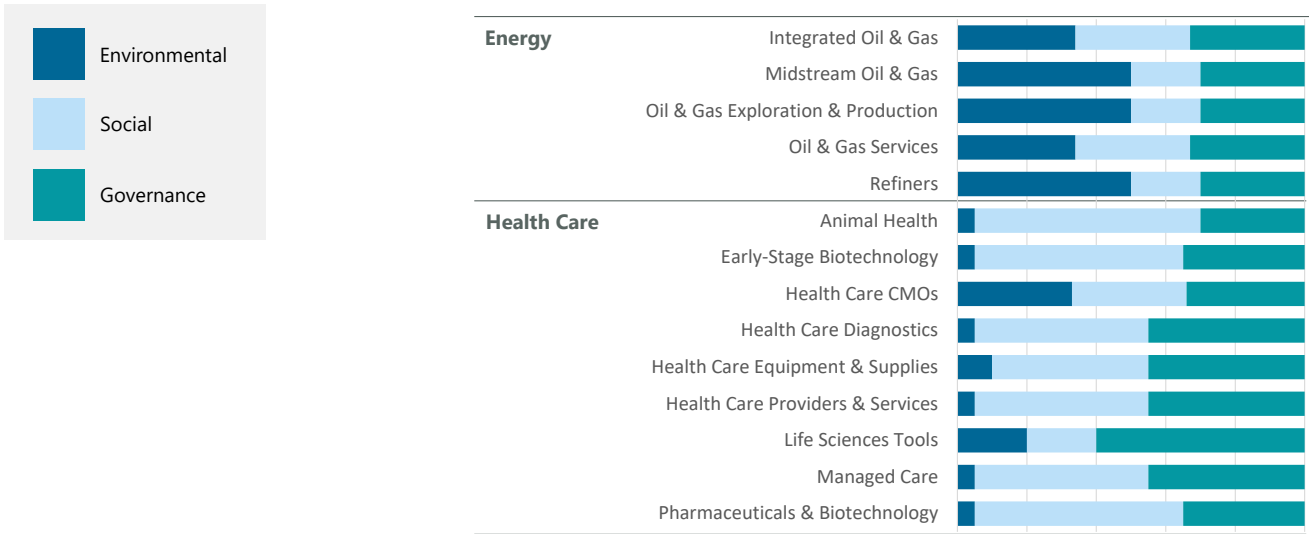
Exhibit 2: Climate Risks and Opportunities across Investment Time Frames

Time Frame	Risks	Opportunities
Short Term	• Transition risks in sectors such as power and autos • Carbon emissions regulation • Extreme weather events (physical risks)	• Solar, wind, nuclear power • Short-term energy storage (batteries) • Electric passenger vehicles • Energy efficiency
Medium Term	• Transition risks in sectors such as energy, industrials and materials • Carbon pricing • Increasing frequency and severity of extreme weather events	• Green hydrogen • Critical minerals needed for the energy transition • Electric buses, trucks and trains • Climate adaptation technologies
Long Term	• Transition risks in sectors such as heavy transport, steel and cement • Climate-related geopolitical risks • Further increasing frequency and severity of extreme weather events	• Carbon capture and storage (CCS) • Sustainable aviation and shipping • Green steel, cement and other building materials • Long-duration energy storage

ClearBridge ESG Ratings

ClearBridge has an internal ESG ratings process across our equity research platform that captures ESG factors in our investment process. Our ESG ratings are proprietary scores intended to signal to investment teams how well a company is executing its ESG practice. Our internal materiality framework identifies key sector-specific ESG factors and weighs their relevance to a given company (Exhibit 3).

Exhibit 3: ClearBridge Materiality Framework™ Sample: Energy and Health Care



The weight given to climate-related factors in a company rating varies dependent on subsector. For example, energy companies, a high-emitting sector, gives more weight to environmental factors than the health care sector, as seen in the ClearBridge Materiality Framework™.

Risk Management

ClearBridge has an Investment Risk Management team that provides comprehensive oversight to mitigate investment risk, including climate risk, for all our strategies. The team fosters ClearBridge’s risk-aware culture in which risk management is an integral part of investment decision making and assists portfolio managers in identifying and addressing potential investment risk.

For this purpose, the team reviews a wide range of risk reports. Specifically for climate risks, the risk team uses ClearBridge’s proprietary ESG ratings as well as ESG ratings from third-party service providers to analyze and review each strategy’s climate risks and opportunities with the strategy’s portfolio managers.

Scenario Analysis: Highlighting Climate-Related Scenarios within Infrastructure Portfolios

ClearBridge incorporates internally generated sector- and company-specific scenario analysis where relevant and decision useful. We have found economy-wide climate scenario analysis tools to be of limited use in our investment decision making so far. As part of the investment process, the ClearBridge Infrastructure Strategies investment team integrates climate-related scenarios into the valuation phase to better assess long-term risks and opportunities. We construct a set of climate scenarios for each company under review:

- **Base Case Scenario:** This process begins with a base case, which models the greenhouse gas (GHG) emissions profile of the company’s current operations and projects future emissions based on the anticipated operational performance reflected in the financial model.

- **Net-Zero Scenario:** Once this baseline is established, a tailored net-zero emissions scenario is created. This scenario defines the emissions reduction trajectory required for the company to align with a net-zero target, incorporating expected declines in carbon intensity over time. It also evaluates demand-side impacts in a global net-zero environment, e.g., reduced demand for coal volumes. Additionally, analysts estimate the capital expenditure needed either to transition current operations to net zero or to implement strategic business changes such that future operations achieve net zero.

These forward-looking scenarios help identify and quantify climate-related risks and opportunities that may arise in a low-emissions future. We may then compare the internal rate of return (IRR) under both the base case and net-zero scenarios and assess the financial implications. This approach allows analysts to evaluate downside risks — such as major transitional capex programs or potential stranded assets — while also capturing potential upside from proactive transition alignment. Once this analysis is complete at the company level, aggregated results across the portfolio provide deeper insights into exposure to climate transition risks. This aggregation supports portfolio-level evaluation of resilience and performance across multiple factors, including sector and geography. Our structured integration of climate scenario analysis underpins a robust, forward-looking investment framework aligned with ClearBridge's long-term sustainability objectives.

An example of inputs and considerations taken for NextEra Energy (NEE) is outlined in Exhibit 4.

Exhibit 4: Climate Scenario Analysis Case Study: NextEra Energy

Inputs	Risks	Opportunities
• Increased pace of company renewable energy buildout • Higher power demand from increased electrification • Improving asset technology, increasing capacity utilization or load factors	• Additional or unrecoverable operating costs • Stranded asset risk • Capital does not generate sufficient returns • Decreased pricing power from renewables where regulation favors other energy sources	• Higher consumer/corporate demand for low-carbon products • Improving asset technology, moving from nascent to developed market phase • Avoided capex (asset utilization increases) • Potential for greater incentives for renewables investment long term (policy, taxes, cost versus alternatives)

Source: ClearBridge Investments.

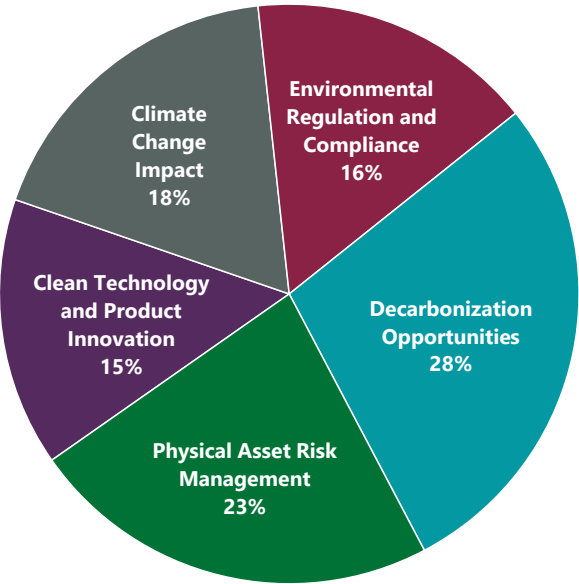
Engaging on Climate Risks and Opportunities

As our ESG ratings demonstrate, ClearBridge assesses the specific climate-related risks and opportunities facing individual companies as part of our bottom-up stock selection process. These factors then drive the second pillar of ClearBridge's climate strategy: engagements with companies. ESG engagement at ClearBridge 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 to better align its operations with sustainability best practices

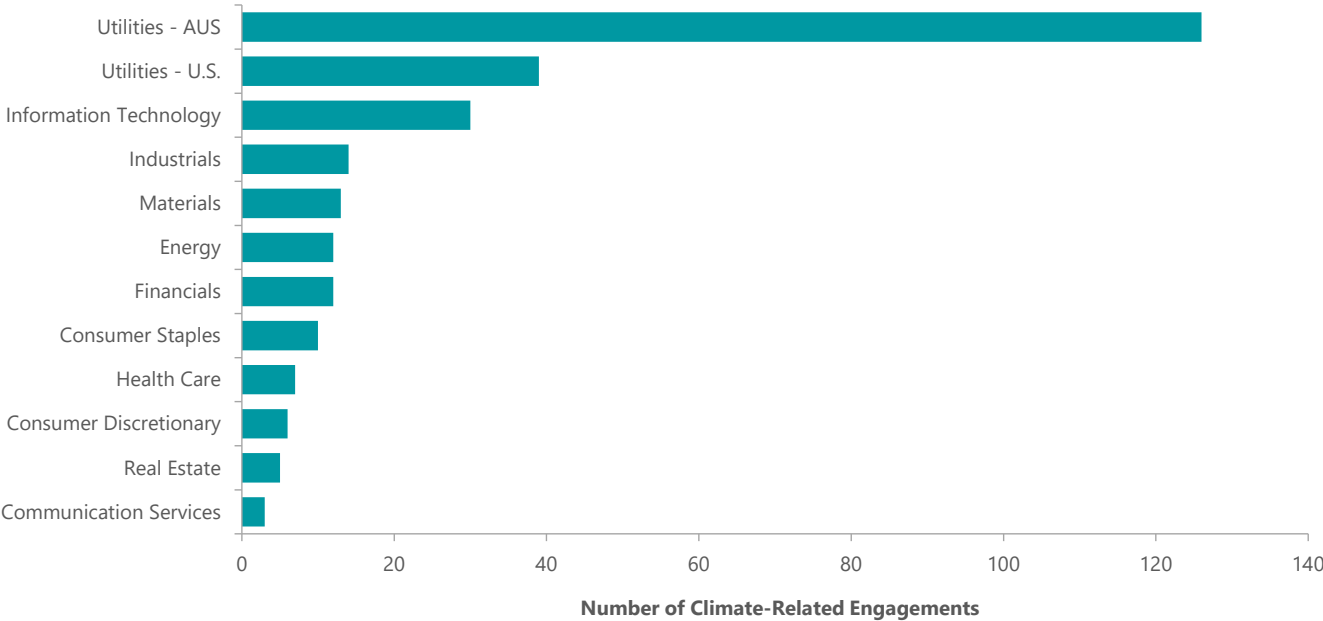
Across these two objectives, our engagements span many different climate-related topics (Exhibit 5) and sectors (Exhibit 6). Higher-emitting sectors such as utilities tend to receive the majority of engagements, both by ClearBridge's U.S.-based investment teams and by those in Australia primarily focused on the infrastructure space.

Exhibit 5: Top Environmental Factors Engaged Upon in 2024



As of Dec. 31, 2024. Source: ClearBridge Investments.

Exhibit 6: 2024 Climate Engagements by Sector



As of Dec. 31, 2024. Source: ClearBridge Investments.

Case Study Engagement Examples

ClearBridge's model for ESG integration being included in fundamental company research led by our investment teams allows for thoughtful and well-rounded discussions on climate topics. As the following examples show, our analysts and portfolio managers cover very different topics in discussions with companies in very different sectors while still focusing both on companies' climate strategies and the connection of these strategies to the companies' business case.

Waste Connections: Aligning Environmental Benefits with Economic Gains

ClearBridge Lead Engager: Mitchell McCartney, CFA, Portfolio Analyst, Canadian Equities

Waste Connections (WCN), in the industrials sector, is an integrated waste services company that provides non-hazardous waste collection, transfer and disposal services, along with resource recovery through recycling and renewable fuels generation. The company serves residential, commercial and industrial customers across Canada and the U.S.

Summary: In May 2024, Mitchell McCartney engaged with Waste Connections' CFO to discuss the company's business strategy and ESG initiatives, with a particular focus on its renewable natural gas (RNG) program and future opportunities.

Discussion: Waste Connections has made substantial investments in RNG, recognizing both its environmental and financial benefits. The company operates gas recovery systems at most of its solid waste landfills, often installing them ahead of or beyond regulatory requirements. As part of its long-term sustainability strategy, Waste Connections is investing over \$200 million between 2023 and 2025 to develop 12 new RNG facilities. Management expects these projects to generate \$200 million in run-rate EBITDA by 2026. While the financial impact in 2024 is expected to be minimal, profitability is projected to ramp up through 2025 and into 2026. Longer term, Waste Connections has identified additional landfills that could serve as candidates for future RNG projects, underscoring its commitment to expanding biogas recovery. To minimize some of the investment risk, and keep the focus on core operations, Waste Connections has chosen to partner on eight of the new facilities (and receive a royalty for RNG captured).

Waste Connections' RNG investments align environmental benefits with economic gains:

- The company monetizes its landfill gas by creating marketable environmental attributes, such as carbon credits, renewable energy credits (RECs) and renewable identification numbers (RINs).
- In 2023, Waste Connections increased biogas recovery by 4% year over year to 30.1 billion standard cubic feet (SCF), marking a 15% increase from its 2018 baseline.
- With additional facilities coming online in the next few years, Waste Connections remains well-positioned to achieve its target of expanding biogas recovery by 40% by 2033, from 2018 levels.

Investment Takeaway: Our discussions with Waste Connections management reinforced our understanding of the company's proactive approach to sustainability and its ability to integrate ESG initiatives with shareholder value creation. The expansion of RNG projects represents a strategic opportunity to reduce emissions while generating meaningful financial returns. We will continue to engage with Waste Connections to monitor progress on its RNG expansion plans and broader ESG initiatives.

Amazon.com: A Fully Integrated Approach to Climate

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

Amazon (AMZN), in the consumer discretionary sector, is the largest e-commerce provider in the United States with an international retail operating presence in several countries. In addition, Amazon is the global leader in cloud computing through its Amazon Web Services (AWS) operating segment.

Summary: In September 2024, Naveen Jayasundaram joined Amazon for a group discussion with Amazon's ESG and Energy Sustainability teams as part of Climate Week to discuss Amazon's environmental strategy.

Discussion: Amazon went into the many components to achieving net zero by 2040. Amazon's decarbonization strategy, led by Chris Roe, is a company-wide initiative targeting net-zero emissions by 2040. Each business unit — grocery, studios, AWS — has dedicated sustainability leads, with Roe's team ensuring carbon goals are embedded in annual plans and reviewed by leadership. In setting their strategy, they focus on metrics specific to different business units like carbon per dollar of gross merchandise value (GMV) in Retail and per unit of compute in AWS. Amazon has launched a \$2 billion fund to accelerate decarbonization technologies into commercial viability.

Cost and carbon are highly correlated in Amazon's climate strategy as retail operations get more efficient. Major challenges include reducing Scope 1 emissions from middle-mile logistics, where diesel trucks remain a bottleneck. However, progress is evident in last-mile delivery: 680 million packages were delivered by EVs the previous year. Efficiency gains in packaging have also led to a 40% reduction in packaging waste over nine years.

On target setting, science-based targets are set per business unit but remain internal versus formally verified by the Science-Based Targets initiative (SBTi), but Amazon works with both SBTi and academics to align with International Energy Agency pathways. The company avoids offsets for interim targets, reserving removals like direct air capture for residual emissions — which are expected to be mostly Scope 3 by 2040.

Water is also a major focus for Amazon. Within AWS, water intensity is its primary focus, along with tracking power usage effectiveness.

Investment Takeaway: This discussion provided us a better understanding of Amazon's climate strategy and we remain positive in its climate efforts. Our biggest takeaway was how well resourced and data driven Amazon's climate efforts are from an organizational standpoint, driving down the cost/carbon impact per dollar of value with the value metric being defined at a segment level: e.g., carbon footprint per unit of compute for AWS or per dollar of GMV in Retail.

Microsoft: Meeting AI Demand and Climate Goals

ClearBridge Lead Engagers: Hilary Frisch, CFA, Senior Analyst, Software Services and Enterprise Technology; Mary Jane McQuillen, Head of ESG and Portfolio Manager, ClearBridge Sustainability Leaders Strategy

Microsoft (MSFT) is the largest software company in the world, the largest net share gainer in the public cloud, as well as a leader in generative AI for the enterprise market.

Summary: In November 2024, Hilary Frisch and Mary Jane McQuillen had a call with Microsoft's sustainability investor liaison to discuss shareholder concerns on energy efficiency.

Discussion: With the huge growth of AI has come a massive demand in energy. The team discussed Microsoft's AI energy needs and the company's climate goals to become carbon negative. Microsoft reconfirmed its commitment to achieving its climate goals with its recently announced power purchase agreement for nuclear power with Constellation Energy, which involves restarting Three Mile Island. Microsoft clarified it won't own or operate this facility, but will be a customer of Constellation, with which Microsoft has

maintained strong supplier conduct statements. When asked about safety concerns, Microsoft explained the reactor slated to be restarted was functioning safely and effectively for decades before being turned off for economic reasons in 2018. This represents a significant part of Microsoft's commitment to nuclear power. The company sees this agreement as part of achieving its 2030 and 2050 carbon emissions targets (for net negative emissions).

As it relates to renewables, Microsoft continues to encounter the issue of intermittency (as do peers). It is engaging in research on power battery storage and other mechanisms to solve this issue and is including deals for wind and solar in its portfolio approach to its power generation needs.

Investment Takeaway: We were encouraged to hear Microsoft is still committed to bringing carbon emissions back down as energy needs increase. Since this engagement, Microsoft has also announced many agreements to purchase offsets, as the energy efficiency of AI, particularly in data centers, is still a challenge. We continue to see Microsoft's climate strategy as leading among peers and will continue to engage with the company on this topic.

Spotlight on the Evolving Climate-Related Disclosures Landscape in Canada: A ClearBridge Perspective

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

Without one single national securities regulator like the U.S. Securities and Exchange Commission, Canada oversees capital markets via the Canadian Securities Administrators (CSA), a council of securities regulators for all of Canada's provinces and territories combined, which coordinate and harmonize regulation for the Canadian capital markets.

In December 2024, the CSA announced a review of the newly finalized Canadian Sustainability Disclosure Standards (CSDS) issued by the Canadian Sustainability Standards Board (CSSB). There are two standards:

- CSDS 1: General Requirements for Disclosure of Sustainability-Related Financial Information
- CSDS 2: Climate-Related Disclosures

The CSA signaled its intent to mandate these CSSB standards under Canadian securities legislation, effectively making climate-related disclosures a regulatory requirement for all Canadian issuers.

However, in response to a rapidly changing economic and geopolitical landscape in relation to the ongoing trade war, the CSA paused the rollout of the new mandatory climate disclosure requirements. As a result, Canadian companies currently have flexibility in choosing their disclosure frameworks, including the Task Force on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) standards, and the CSSB's own CSDS 1 and CSDS 2.

This regulatory shift reflects broader market dynamics. Rising economic and geopolitical uncertainty, the implications of anti-greenwashing provisions in Bill C-59, and the deep interconnection between U.S. and Canadian capital markets — all influence the evolution of climate-related disclosures in Canada.

Despite these challenges, we see this as an opportunity for companies to strengthen the quality of their sustainability disclosures and climate-related target setting. In certain cases, disclosures and targets are implemented hastily, leading to inconsistencies or gaps. Greater scrutiny, while demanding, can ultimately enhance the credibility and effectiveness of these commitments.

As demand for high-quality sustainability disclosures continues to grow, ClearBridge, as an active equity manager, is uniquely positioned to engage directly with the companies we own. Our goal is clear: to help companies improve the transparency, consistency and integrity of their climate-related reporting.

This is particularly important at a time when climate-related disclosures in Canada have notably declined compared to previous years. As long-term investors, we recognize that GHG emissions present material long-term risks to the businesses in which we invest. Accordingly, our commitment to supporting credible decarbonization efforts remains unwavering.

Engage for Impact

In 2022, ClearBridge launched a formal engagement initiative, Engage for Impact (EFI), to more effectively track specific metrics related to focused engagements. The initiative focuses on defined “asks” of a company — developed collaboratively by the portfolio management team and the covering analyst — with the goal of driving positive impact while also enhancing the company’s ESG risk profile or capitalizing on ESG-related opportunities.

Engage for Impact Case Study: Oil and Gas

ClearBridge Lead Engager: Adam Meyers, Senior Analyst, Energy/Basic Materials

While most EFIs are tailored to individual companies, we observed a recurring theme in the oil and gas sector, as Adam Meyers consistently raised a common “ask” related to methane emissions reductions across multiple companies. This prompted us to conduct a sector-wide EFI as a case study to gain deeper insights into how peers in the oil and gas space compared in their methane reduction strategies.

Ask(s):

- What are you doing to monitor your methane emissions (i.e., tech used)?
- What are the most significant initiatives underway to address absolute reductions?

Stages:

1. The company discloses some methane monitoring/performance data but has yet to be engaged with on the ask
2. The asks for methane disclosures and initiatives have been presented to the company, which has significant room for improvement
3. There is an ongoing discussion with the company on the asks, and while there is room for improvement, indications are the company is on the right path
4. There is an ongoing discussion with the company on the asks and company’s methane intensity is near 0%

Example discussions and progress of four companies, organized by asset concentration, across all four stages:

Stage of Company	Asset Concentration	Engagement Overview	Date of Last Engagement
Stage 1	Company 1: Primarily U.S.	Technology used: Continuous monitoring devices. Emissions reductions: Reducing flaring and participating in partnerships around responsibly sourced gas (Project Canary) and renewable natural gas.	Dec. 2024
Stage 2	Company 2: Europe, Asia, Africa and the Middle East	Technology used: Actively installing continuous monitoring devices/sensors; the company has made progress but there is still room for improvement. Emissions reductions: The company is working to eliminate flaring and is increasing green hydrogen adoption at its European refineries in lieu of natural gas. Use of green hydrogen sounds like a win-win from a decarbonization and economic standpoint.	June 2024

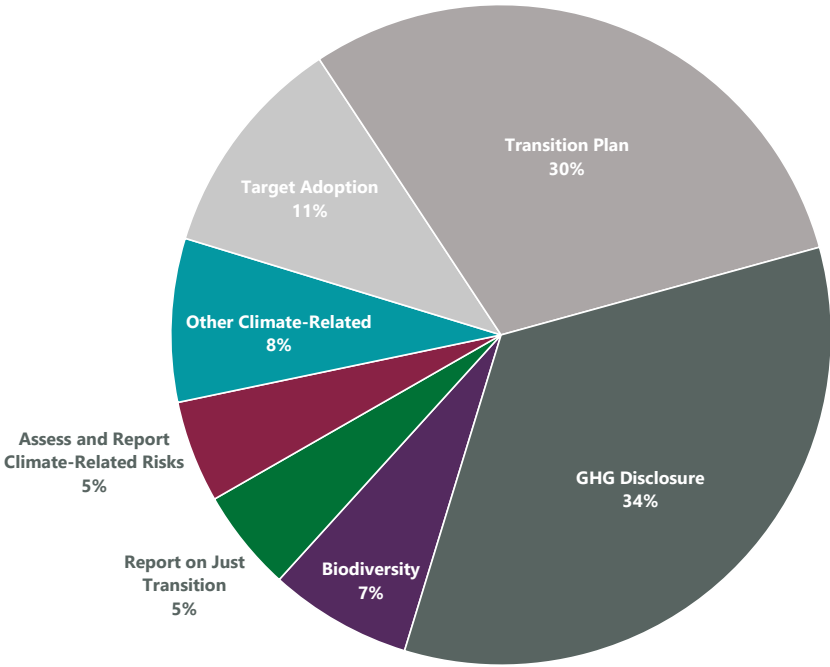
Stage 3	Company 3: Across the U.S.	Technology used: Autonomous drones, a unique technology not mentioned by other companies. Emissions reductions: In addition to the company's routine methane monitoring, it is also close to fully eliminating routine flaring. We were pleased to hear it remains committed to reducing its GHG intensity by 50%–60% by 2030 and believes it is well on track to hit this target in addition to achieving near-zero methane intensity.	Sept. 2024
Stage 4	Company 4: Marcellus Basin	Technology used: Continuous monitoring devices, aerial flyovers, optical gas imaging cameras, electric equipment, responsibly sourced gas initiatives. Emissions reductions: We view this company as a decarbonization leader in the industry. It is the first natural gas company to reach net zero on a scope 1 and 2 basis. We have learned it was an early adopter of electric frac fleets, applying continuous methane monitoring for leaks, and having a more efficient cycle time per well than peers, among other initiatives.	Nov. 2024

Climate-Related Proxy Votes

Proxy voting is a key aspect of our climate strategy as well as our stewardship efforts as long-term shareholders. We use our voting power as a way to suggest improvements to companies we own or express feedback on proposals we deem inadequate.

In 2024, GHG emissions disclosure and climate transition planning accounted for the majority of climate-specific proxy proposals across both shareholder and management proposals (Exhibit 7). Many proposals we vote on a case-by-case basis, and consider our engagements with companies, our fundamental research and understanding of the business, as well as the wording of the proposal before coming to a decision.

Exhibit 7: 2024 Climate-Related Proxy Proposals by Topic



As of Dec. 31, 2024. Source: ClearBridge Investments.

Monitoring and Reporting

The third pillar of our climate strategy involves monitoring climate metrics at the security, portfolio and firm level and reporting these metrics to external stakeholders, including clients and regulators. Tracking these metrics is an effort across many different groups as shown in the *Governance and Oversight* section of this report.

Monitoring:

- Climate engagements: Through ClearBridge’s internal engagement tracker, we monitor conversations with companies on climate-related topics to better understand their progress against specific asks.
- Climate data and tools: ClearBridge has integrated a combination of internal tools and third-party climate data into the investment process to both track internal analysis of climate risks and opportunities and to provide the investment team with climate-related disclosures from portfolio companies.

Reporting:

- Firm level: This is our third annual stand-alone climate report providing firm-level climate-related metrics including engagements, proxy voting and net-zero alignment data.
- Strategy level: We strive to provide a high level of transparency to our clients on strategy-level climate metrics.
- Regulatory: Through leveraging the centralized resources of our parent company, Franklin Templeton, we comply with the continually evolving ESG and climate regulation landscapes.

Industry Associations

In addition to internal efforts, we continue to be active participants in client and investment industry discussions on issues related to climate change and how to address it in investment portfolios through sharing of best practices.

Carbon Disclosure Project (CDP)

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.

Non-Disclosure Campaign: As users of CDP's data and as part of our support for corporate sustainability disclosures, ClearBridge is a signatory to CDP's Non-Disclosure Campaign (NDC). The campaign encourages companies to respond to CDP's climate, forests and water questionnaires. During the 2024 campaign, a total of 1,998 companies were called on to disclose.

Science-Based Targets Campaign: We also support CDP's annual Science-Based Targets (SBT) Campaign, urging high-emitting companies to set verified science-based targets.

Ceres Investor Network

A network of global investors dedicated to advancing opportunities and reducing risks posed by sustainability challenges such as climate change. This is coordinated by the nonprofit, Ceres. ClearBridge is a Member.

Investor Climate Action Plan (ICAP): ClearBridge conducts a self-assessment of its climate strategy and transition planning utilizing the ICAP Expectations Ladder, a single comprehensive framework for investors co-authored by Ceres.

Task Force on Climate-Related Financial Disclosures (TCFD)

Develops consistent metrics for use by companies in disclosing financial risks associated with climate change to investors, lenders and other stakeholders. ClearBridge has been a supporter since 2018.

Governance and Oversight

Climate risks and opportunities are addressed by many different teams throughout the investment cycle:

Role	Climate-Related Responsibilities
Management Team	CIO and Co-Directors of Research oversee the portfolio managers and analysts' processes, respectively. Head of Investment Risk incorporates climate-related risks into investment risk reviews.
ESG Strategy Team	Sets and oversees implementation of firm-wide climate strategy.
Investment Teams	Integrate climate-related risks and opportunities into the research and portfolio management process.
Portfolio Analytics Team	Provides investment teams and clients with portfolio- and security-level climate data and analysis.
Proxy Voting Committee	Reviews and updates ClearBridge's Proxy Voting Policy annually.

Metrics and Targets

ClearBridge uses a range of metrics to measure and manage our climate risk and opportunities as well as track the progress of our portfolio companies as they measure and manage theirs. We use these metrics to inform our investment research, portfolio construction and company engagements, as well as to report portfolio-level metrics to clients.

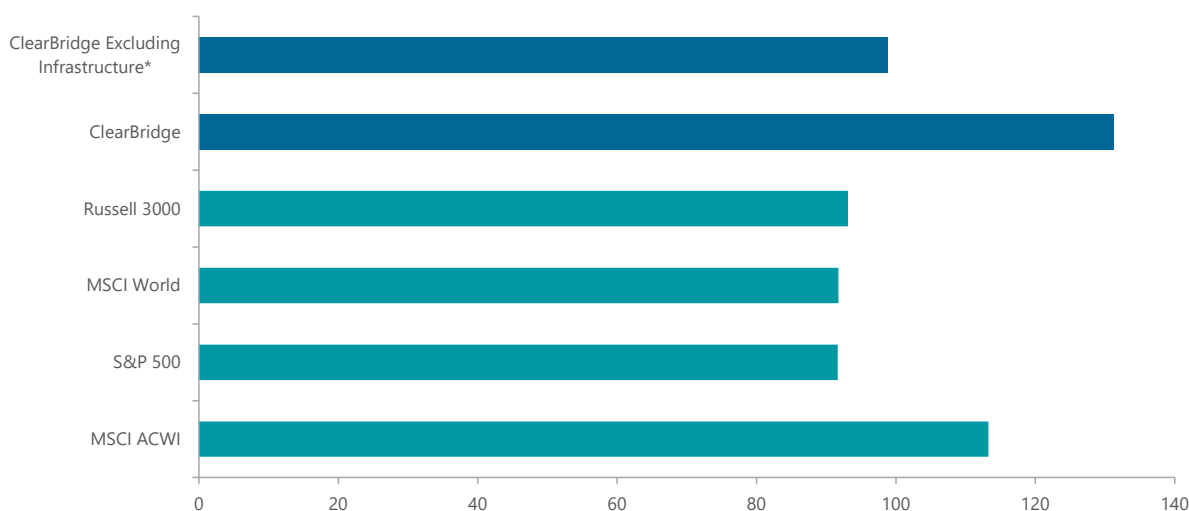
Two key metrics we use to assess our portfolios are **weighted average carbon intensity** and **net-zero alignment**. Together, these provide a balanced perspective — weighted average carbon intensity offers a backward-looking view based on past or current emissions intensity, while net-zero alignment provides a forward-looking assessment of a company's trajectory toward decarbonization.

Weighted Average Carbon Intensity

Weight average carbon intensity (WACI) is a portfolio-level metric calculating the weighted average of each holding's carbon emissions relative to its revenue.

ClearBridge has over 30 investment strategies spanning market capitalizations, investment styles and regions. Each strategy has its own benchmark for financial performance. We compare ClearBridge's aggregate portfolio holdings to an array of benchmarks to provide as much context as possible for the firm's performance, while acknowledging that no benchmark provides a perfect comparison for the firm's total assets (Exhibit 8). The inclusion of ClearBridge's infrastructure strategies makes direct comparison of the firm's overall WACI to global equity indexes potentially misleading. For better comparisons, here we show the WACI of ClearBridge's assets both including and excluding ClearBridge infrastructure strategies.

Exhibit 8: ClearBridge's Weighted Average Carbon Intensity



*Removes the effect of infrastructure strategies.
As of Dec. 31, 2024. Source: ClearBridge Investments.

Net-Zero Alignment

Net-zero alignment focuses on whether a company’s emissions trajectory and climate strategy is consistent with a pathway of achieving net-zero GHG emissions by a specific date, typically 2050, in line with global climate goals.

Judging a portfolio’s climate performance by assessing the net-zero alignment of each portfolio company is our preferred method of identifying companies that are most proactively reducing their emissions and ensuring our portfolios are positioned to succeed in the future.

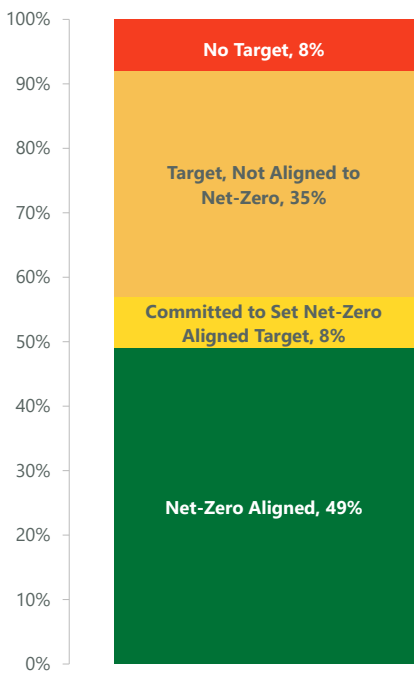
There are multiple approaches to measure net-zero alignment. ClearBridge assesses the net-zero alignment of portfolio companies by grouping them into one of four categories (Exhibit 9). Our aim is to 1) understand where the portfolio and/or company falls along this scale and, 2) when appropriate, dependent on sector and business model, conduct focused engagements with companies to encourage their progress toward a net-zero pathway.

ClearBridge’s Net-Zero Goals

In 2021, in line with our view that carbon emissions contribute toward long-term material risks for our portfolio companies, ClearBridge set the goal across all its portfolios to reach net zero by 2050. As part of this goal, we developed our methodology, detailed above, to measure where our assets fall on a pathway to net zero (Exhibit 10).

Over the past few years, we used core, growth and value strategies as a test case to evaluate our approach to measuring net-zero alignment. Through our Engage for Impact program, we encourage portfolio companies to advance their emissions reduction strategies focusing on specific “asks.” To guide these engagements, we use a decision tree that prioritizes high-emitting, higher-weighted companies — particularly those that have not set emissions targets or whose targets are not aligned with a net-zero pathway.

Exhibit 10: ClearBridge Net-Zero Alignment
(% of Portfolio Weight)



Data as of March 31, 2025. Source: ClearBridge Investments.

Exhibit 9: Portfolio Company Progress toward Net-Zero Alignment

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 Considered a pure-play climate solutions provider
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Looking Ahead

Our annual climate report affirms our commitment to transparency and accountability in our climate strategy. ClearBridge remains focused on deepening our climate integration across our assets through support of companies navigating the transition to a low-carbon economy and gaining deeper insights into the climate profile of our funds. As climate risks and opportunities evolve, both transitional and physical, so too will our approach.