Separate Account Managers in Sustainable and Responsible Investing

Strategy Profile:
ClearBridge International Growth ADR ESG

About This Strategy

Assets Under Management (AUM): $949.59M (in US$ millions)

Required Minimum: Retail minimum varies by platform; Institutional minimum is $5 million

Benchmark used: MSCI EAFE Equity

Strategy type: International/Global

Strategy description: The ClearBridge International Growth ADR ESG strategy seeks to achieve long-term growth of capital by investing in American Depositary Receipts (ADRs) of well-managed businesses whose intrinsic value does not appear to be recognized by the markets. The strategy integrates ESG factors into the fundamental research and stock-selection process. This strategy was incepted in 2009. All investments involve risk, including the potential loss of principal. There is no guarantee that investment objectives will be met. ©2016 Legg Mason Investor Services, LLC, member FINRA, SIPC. Legg Mason Investor Services, LLC and ClearBridge Investments are subsidiaries of Legg Mason, Inc.

Strategy web link: External Link

About The Company

Institution Name: ClearBridge Investments

Approach to Sustainable & Responsible Investment: ClearBridge Investments is a well-established global investment manager with over $146 billion in assets under management. With a legacy dating back over 50 years, our long-tenured portfolio managers and fundamental research team focus on building equity portfolios for clients who seek income solutions, high active share or low volatility. Owned by Legg Mason, ClearBridge operates with investment independence from headquarters in New York and offices in Baltimore, London, San Francisco and Wilmington. The Firm’s well-established program for Environmental, Social and Governance (ESG) investing began in 1987. The hallmark of our ESG investing approach is our team of close to 30 fundamental analysts who identify the relevant and material ESG drivers for their sector and portfolio coverage. Our analyst compensation includes their contribution to our ESG strategies. ClearBridge has an active proxy committee, engages directly with every portfolio holding on sustainability strategy, and offers access to the ESG portfolio managers and analysts.

Total AUM in SRI: $144,083M (in US$ millions)

Research conducted: Internally

Researcher name: ClearBridge’s proprietary ESG evaluation process is integrated into fundamental research and stock selection as part of a bott

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Specific Screening Information by Category

Environment

- **Climate / Clean Technology: Positive Investment** - ClearBridge ESG strategies proactively seek to invest in companies with direct involvement in clean technologies or climate impact solutions. Investment candidates need to meet both our financial and ESG criteria prior to recommendation for the portfolio. We may invest in companies whose sole business is related to clean technology, or whose subsidiaries have a major industry presence in this space.

- **Pollution / Toxics: Positive Investment** - ClearBridge ESG strategies proactively seek to invest in companies with strong environmental management systems, global environmental standards, pollution-reducing initiatives, greener products, and to derive less waste. We tend to avoid companies with egregious and systematic environmental violations. We engage companies to drive environmental performance improvement and to benchmark and report on their environmental progress.

- **Other Environmental: Positive Investment** - ClearBridge ESG strategies approach environmental issues on a sector basis, in terms of identifying the drivers of environmental performance, as well as assigning the appropriate weighting of the environmental issues by sector. For example, the key environmental drivers for the Utility sector will be different than those for the Consumer discretionary sector. We encourage companies to place high standards on their own operations as well their vendors. Overall, our strategies seek best-in-class operations and shareholder value in achieving environmental improvements.

Social

- **Community Development: Positive Investment** - We review the community impact of our portfolio holdings. We seek good community relations and active involvement in volunteerism, education, philanthropy. We also review any negative impacts to a community (environmental, human rights, etc) from a company's operations. We directly engage with our portfolio holdings on community issues.

- **Diversity & Equal Employment Opportunity: Positive Investment** - We review the diversity of the workforce composition at the company, including the Board of Directors and senior management. We seek disclosure on non-discrimination policies and specific inclusion of all employee groups.

- **Human Rights: Positive Investment** - We seek a high sensitivity to human rights by companies in their operations, site selection, hiring practices, supply chain standards, government partners, global standards, child labor issues, human trafficking, and access to medicines, etc.

- **Labor Relations: Positive Investment** - We seek good workplace benefits, training programs, high retention ratios, diversity of the workforce, strong non-discrimination policies, high vendor standards, policy on child labor and fair wages, strong health & safety procedures, green workspace, mentoring programs, etc.

- **Conflict Risk: Restricted/Exclusionary Investment**

Governance

- **Board Issues: Positive Investment** - We review the independence of the Board directors, diversity of the Board composition, director qualifications to add shareholder value, election cycles, and openness to discussions around sustainability issues at the company

- **Executive Pay: Combination of Positive and Restricted/Exclusionary Strategies** - We review alignment of Executive Pay to company performance. We vote our proxies accordingly as a fiduciary.

Products

- **Alcohol: Restricted/Exclusionary Investment** - ClearBridge ESG Strategies do not invest in companies which derive significant revenues from alcohol products.

- **Animal Welfare: Positive Investment** - ClearBridge ESG strategies seek to invest in companies with best practices in animal welfare and animal rights. We encourage our companies to reduce the use of animals in testing and/or find alternatives to animals. We ask our companies to address animal welfare/rights in their reporting process.

- **Defense/Weapons: Restricted/Exclusionary Investment** - ClearBridge ESG strategies do not invest in companies which derive significant revenues from weapons manufacture or firearms.

- **Gambling: Restricted/Exclusionary Investment** - ClearBridge ESG strategies do not invest in companies which derive significant revenues from gambling products or services.
• **Tobacco:** *Restricted/Exclusionary Investment* - ClearBridge ESG strategies do not invest in companies which derive significant revenues from tobacco products.

**Other**

• **Other/Qualitative:** ClearBridge has an active proxy voting committee which is inclusive of portfolio managers, analysts, legal/compliance, institutional client service, and operations. As managers of ESG portfolios, we have an obligation to vote proxies in the best interest of our clients, considering their financial interests as well as their values and beliefs. When making a decision, we examine each resolution offered and the context in which it applies. Our guidelines are updated each year to reflect emerging issues that our clients, or the sustainable investing community at large, are raising as concerns.

• **Shareholder Engagement - Private Dialogue:** Conducted with companies on environmental, social or governance issues

• **Proxy Voting:** Actively voted by my institution for this investment strategy in support of environmental, social or governance issues in accordance with formal guidelines

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