



CLIMATE TRANSPARENCY REPORT 2020

ClearBridge Investments

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-00684B2B-88B0-46AB-A4C6-ECAA87B451A3/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	-	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	ClearBridge Investments
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US\$ > 50 billion AUM
Main Asset Class	>50% Listed Equity Internally Managed
Signed PRI Initiative	2008
Region	North America
Country	United States
Disclosure of Voluntary Indicators	100% from 38 Voluntary indicators

ClearBridge Investments

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1 Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

As an active manager investing in public equities, our main source of climate-related risk and opportunity relates to investment performance of our portfolios. Climate change is both an investment risk and an opportunity, as actions to mitigate and adapt to climate change will disrupt many sectors, creating both winners and losers in the process. Our focus is on understanding the degree to which climate change investment risks and opportunities are being appropriately priced by the market, and seeking to capitalize on potential mis-pricings in our stock selection. The firm's active management approach - bottom-up fundamental research that integrates ESG analysis - is well suited to identifying and understanding climate change risks and opportunities faced by individual companies in our portfolios. In addition, we have a long-standing history of company engagement, where we are actively advocating for climate action in discussions with CEOs, CFOs, Board Members and other senior leaders. We believe that this level of understanding and engagement is only possible through an active management approach that integrates ESG.

Second, a shift in client preferences presents both a risk and opportunity. Greater focus on climate change could cause more asset owners (both individuals and institutions) to consider how their investment decisions impact this issue and seek out investment managers who are actively incorporating climate change considerations into their investment approach and engagement strategies. By integrating ESG considerations across all strategies at the firm, we are equipping ourselves to address client demand for investment products that take climate change into consideration in both portfolio construction and company engagement.

No

SG 01.7 CC Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

Investment risks and opportunities from climate change are highly likely over both the short-term and long-term.

In terms of investment performance, we are already seeing climate change impacting stock valuations - in some cases significantly - and believe this will continue and grow as climate change awareness and action increases.

Similarly, the risks and opportunities from changing client preferences are highly likely in both the short-

and long-term. We are already seeing a substantial increase in interest in climate change amongst clients and prospects, and we believe this is likely to increase over time.

No

**SG 01.8
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

Managing climate-related investment risk and opportunities:

ClearBridge has a fully integrated ESG investment process - our analysts and portfolio managers integrate ESG considerations, including climate-related risks, into stock analysis and recommendations as part of their active management approach. This analysis is underpinned by ClearBridge's proprietary ESG framework, which includes numerous sector-specific climate issues, such as stranded asset risk for fossil fuel producers; climate change regulations for Utilities; electric vehicle adoption for Autos; physical climate risks for Real Estate; carbon emissions intensity for Materials; and many others. The quality of analysts' ESG integration work is included in their incentive compensation. The firm's active management approach - bottom-up fundamental research that integrates ESG analysis - is well suited to identifying and understanding climate change risks and opportunities faced by individual companies in our portfolios. In addition, we have a long-standing history of company engagement, where we are actively advocating for climate action in discussions with CEOs, CFOs, Board Members and other senior leaders. We believe that this level of understanding and engagement is only possible through an active management approach that integrates ESG.

Managing risks and opportunities from increasing client focus on climate change:

ClearBridge is addressing the risk and opportunities associated with increasing client focus on climate change issues by fully integrating ESG across all strategies at the firm, and having all investment professionals identifying and assessing ESG risks/opportunities - including climate risks/opportunities - as part of their fundamental research. The firm is also allocating additional resources to climate change research and reporting in order to address client demand for greater action and disclosure on climate change issues. For example, our 2018 and 2019 Impact Reports have a climate change section that aligns with TCFD reporting recommendations.

No

**SG 1.10
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

Public PRI Climate Transparency Report

Annual financial filings

Regular client reporting

Member communications

Other

specify

ClearBridge Annual Impact Report, as well as analyst blogs that include content referencing TCFD

We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 07.5 CC Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**SG 07.7
CC**

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

ClearBridge co-Chief Investment Officers oversee the firm's investment team. They have oversight over all investment-related matters, including any climate-related matters. The Director of Research manages the sector analysts and oversees their research activities, which include assessing risks and opportunities associated with climate change. In addition, ClearBridge's Head of ESG/Portfolio Mgr and Head of the Proxy Committee/Portfolio Mgr support the co-CIOs and Head of Research in overseeing ClearBridge's investment approach and ESG integration processes. The firm's ESG integration strategy (including integration of climate change related issues) is set by the co-CIOs and Head of Research, with input from the Head of ESG. The firm's proxy voting policy and guidelines (including for climate change-related proposals) is set by the Proxy Committee under the leadership of the Head of the Proxy Committee and with final approval from the co-CIOs.

ESG issues in asset allocation

SG 13

Mandatory

Public

Descriptive

PRI 1

SG 13.1

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities

Describe

We used Carbon Tracker's Two Degrees of Separation analysis to assess the level of stranded asset risk for oil & gas companies (and MSCI's Carbon Portfolio Analytics to assess exposure to fossil fuel producers). We used Two Degrees Investing Initiative's PACTA tool to assess the firm's total assets for

- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13 CC

Mandatory to Report Voluntary to Disclose

Public

Descriptive

General

**SG 13.4
CC**

Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

- Initial assessment

Describe

We carried out a comprehensive review of third-party climate scenario analysis tools to understand their decision-usefulness and selected 2° Investing Initiative's Paris Alignment Climate Transition Assessment (PACTA) tool to use in conducting an initial scenario analysis assessment. We have found PACTA to be the most useful as an initial assessment tool as it focuses on the business activities that are most impacted by the transition to a low-carbon economy, regardless of carbon intensity of a business' direct operations (sectors that PACTA analyzes are: Coal; Oil & Gas; Steel; Cement; Aviation; Shipping; Autos; and Power). We used the PACTA tool to run an initial assessment of the firm's total assets. This transition risk exposure analysis enabled us to focus on the most affected sectors and stocks for incorporation of transition risk and scenario analysis into investment analysis and engagement (active ownership).

The PACTA tool also provides analysis of alignment with the Paris Agreement goals for the companies in each sector. We reviewed the alignment analysis for the firm's holdings, although the level of granularity and timeliness of the data has limited the decision-usefulness of this aspect of the tool for us so far. The PACTA tool bases this alignment analysis on a "fair share" approach. This is useful as a perspective, but it does not fully reflect the economic reality of most sectors - other factors including regulation and competition will affect the risk and opportunities individual companies face (especially in sectors like Power where utilities generally operate as regulated monopolies in the US). For the Oil & Gas sector, however, the PACTA tool relies on Carbon Tracker's analysis of stranded asset risk and carbon budget alignment, so we used Carbon Tracker to assess this risk for the firm's portfolio (described below).

The firm's largest exposure to a sector with transition risk (as identified by the PACTA tool) is the Oil & Gas sector. For this reason, we focused primarily on Oil & Gas for the sector-level scenario analysis, described below under "Incorporation into investment analysis". ClearBridge's exposure to coal production is de minimis, so this was not a focus for us. The firm's exposure to Steel production is higher than a group of representative benchmarks. This is driven almost entirely by the firm's holding in Nucor, a US-based steel producer that uses electric arc furnace technology which enables it to have lower-than-average emissions intensity and is a leader in steel scrap recycling and developing cleaner production methods. In addition, ClearBridge has been actively engaging Nucor on climate-related issues for several years.

We are also actively engaged with the PACTA team and have agreed to be part of PACTA's North American pilot group for its new version of the tool expected to be released in May 2020. As part of this pilot we will provide feedback to help them improve the tool while also gaining new insight for incorporation into our investment analysis and active ownership activities.

Incorporation into investment analysis

Describe

ClearBridge analysts incorporate internally generated sector-specific scenario analysis into their fundamental research where relevant. For example, where it makes sense within the Autos sector, we use a longer-term scenario analysis framework around technological adoption, such as sensitizing the penetration of the EV powertrain in the global auto market and various market share scenarios for certain automakers to attempt to quantify their long-term earnings potential under various scenarios. This internal scenario analysis for electric vehicle adoption informs investment decision making for Autos as well as other sectors that are indirectly impacted by EVs, such as Chemicals (battery materials); Oil & Gas; and Utilities.

Within fossil fuel extraction industries, focus has been on stranded asset risk. In addition to the initial assessment using PACTA, we assessed exposure to fossil fuel reserves using MSCI Carbon Portfolio Analytics. 0.4% of ClearBridge's total assets have exposure to coal reserves; 1.7% have exposure to oil reserves; and 1.7% have exposure to natural gas reserves. Our exposure to each is lower than the representative benchmarks for the firm (S&P 500, Russell 3000, MSCI World; and MSCI ACWI). Then as part of our analysis of stranded asset risk for Oil & Gas companies, we used Carbon Tracker's stranded asset scenario analysis ("Two Degrees of Separation"). We mapped Carbon Tracker's analysis against the ClearBridge's holdings to review Carbon Tracker's view of the stranded assets risks associated with the companies we hold in our portfolios, ranked by the size of ClearBridge's holding and ownership %, and the % of assets at risk of stranding (according to Carbon Tracker). We also had Carbon Tracker's Head of Oil & Gas meet with members of our investment team to discuss their analysis and to scrutinize their assumptions. Carbon Tracker's analysis contributes to our assessment of stranded asset risk, and the firm's positioning within the Energy sector. Generally, we focus our investments on companies at the low end of the cost curve (i.e., lower stranded asset risk).

Inform active ownership

Describe

Conducting scenario analysis in the Oil & Gas sector has helped inform our engagements with companies. In our discussions with management teams at Oil & Gas companies - Oil Majors; E&Ps; and midstream companies - we are discussing their business strategies and how they are incorporating scenario analysis into strategic planning. Our internal analysis, in conjunction with scenario analysis from Carbon Tracker and disclosures from the companies themselves informs these discussions. Some oil and gas companies have started to lay out their own scenario analysis frameworks and reports. However, disclosure of assets' positions on the cost curve is neither widespread nor uniform from one company to the next, limiting the comparability of reports from company to company. This highlights the need for the approach ClearBridge takes to conducting fundamental analysis that incorporates ESG considerations such as stranded asset risk. We have been actively engaging companies on their scenario analysis assessments and debating with management teams the resiliency of their business models and their forward-looking plans.

Other

SG 13.5
CC

Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

specify

Investment analysts

SG 13.6
CC

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

Yes

Describe

ClearBridge has a long-term investing focus, with 3-to-5-year investment horizons generally, although the firm's weighted average holding period is 7 years, and we have held many stocks for far longer. Our view is that the climate change related risks and opportunities described in previous questions will increase in importance in years beyond our investment horizons. In addition, it is our view that valuations are already being affected by climate change related risks beyond 3-5 years, as climate change considerations can affect the terminal value attributed to certain assets, for example coal-fired power generation assets. This analysis extends well beyond the 3-to-5-year initial investment horizon.

No

SG 13.7
CC

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

Provider	Scenario used	
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input type="checkbox"/> RPC 2.6	
Other	<input checked="" type="checkbox"/> Other (1)	<div style="background-color: #0070C0; color: white; padding: 2px;">Other (1) please specify:</div> ParisAgreement Capital Transition Assessment, 2dii
Other	<input checked="" type="checkbox"/> Other (2)	<div style="background-color: #0070C0; color: white; padding: 2px;">Other (2) please specify:</div> Two Degree Separation, Carbon Tracker
Other	<input type="checkbox"/> Other (3)	

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.
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- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

	other description (1)
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Ongoing: cyber security and data privacy, migrants and the supply chains, gender equality, farm animals and super bugs

- Other, specify(2)

	other description (2)
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Ongoing: plastic pollution, sustainable development goals (SDGs), plastic waste, etc.

- None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity
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- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

	other description
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Active engagement and proxy voting related to climate change risk with our portfolio holdings

- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

SG 14 CC	Voluntary	Public		General
SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.			

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Weighted average carbon intensity	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	<p>This is key intensity metric recommended by TCFD. This is the main one we measure and report in our annual Impact Report. A portfolio carbon footprint can provide information on the carbon emissions directly associated with companies held in a portfolio and identify the most significant sources of direct emissions. We have used this analysis to identify high-carbon companies for further climate risk analysis. We also use it to inform our engagement strategies, allowing engagements to focus on those companies that account for the highest proportions of a portfolio's emissions.</p> <p>At the same time, while a carbon intensity analysis helps identify the companies in a portfolio responsible for the highest direct emissions, low carbon intensity does not necessarily mean low climate risk, and vice versa. For example, oil and gas as well as auto sectors have relatively low direct emissions, as most of the emissions are associated with the use of their products — combusting fossil fuels or driving cars. The utilities sector has the highest emissions, but many utilities are regulated monopolies that face unique market forces that must be weighed when assessing risk.</p>	Tonnes CO2e / \$ million sales	Sum product of the portfolio weights and carbon intensities. Carbon intensity for each company is calculated as scope 1 + 2 emissions / \$ million sales (based on MSCI Carbon Portfolio Analytics)
Carbon footprint (scope 1 and 2)	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	<p>A carbon footprint can provide information on the carbon emissions directly associated with companies held in a portfolio and identify the most significant sources of direct emissions. We have used this analysis to identify high-carbon companies for further climate risk analysis. We also use it to inform our engagement strategies, allowing engagements to focus on those companies that account for the highest proportions of a portfolio's emissions.</p>	Tonnes CO2e	Sum of all the scope 1 & 2 emissions in portfolio based on ownership share in each company (based on MSCI Carbon Portfolio Analytics)
Portfolio carbon footprint	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	<p>A portfolio carbon footprint can provide information on the carbon emissions directly associated with companies held in a portfolio and identify the most significant sources of direct emissions. We have used this analysis to identify high-carbon companies for further climate risk analysis. We also used this analysis to inform our engagement strategies, allowing engagements to focus on those companies that account for the highest proportions of a portfolio's emissions.</p>	Tonnes CO2e / \$ million invested	Sum of the proportionate emissions of portfolio companies based on ownership share, divided by \$ million invested (based on MSCI Carbon Portfolio Analytics)

Total carbon emissions	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	<p>Total carbon emissions can provide information on the carbon emissions directly associated with companies held in a portfolio and identify the most significant sources of direct emissions. We have used this analysis to identify high-carbon companies for further climate risk analysis. We also use it to inform our engagement strategies, allowing engagements to focus on those companies that account for the highest proportions of a portfolio's emissions.</p>	Tonnes CO2e	Sum of the proportionate emissions of portfolio companies based on ownership share (based on MSCI Carbon Portfolio Analytics)
Carbon intensity	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	<p>Similar to weighted average carbon intensity, we use this analysis to inform our engagement strategies, allowing engagements to focus on those companies that account for the highest proportions of a portfolio's emissions. At the same time, while a carbon intensity analysis helps identify the companies in a portfolio responsible for the highest direct emissions, low carbon intensity does not necessarily mean low climate risk, and vice versa. For example, oil and gas as well as auto sectors have relatively low direct emissions, as most of the emissions are associated with the use of their products — combusting fossil fuels or driving cars. The utilities sector has the highest emissions, but many utilities are regulated monopolies that face unique market forces that must be weighed when assessing risk.</p>	Tonnes CO2e / \$ million sales	Ratio of portfolio carbon emissions normalized by the investor's claims on sales (based on MSCI Carbon Portfolio Analytics).
Exposure to carbon-related assets	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	<p>We use MSCI Carbon Portfolio Analytics to assess our exposure to companies with fossil fuel reserves. This helps us understand our absolute exposure level, as well as the firm's exposure relative to benchmarks. We also 2 Degree Investing Initiative's PACTA tool to assess exposure to Coal, Oil & Gas, Power, Steel, Cement, Shipping. This exposure analysis enabled us to focus on the most affected sectors and stocks for incorporation of transition risk and scenario analysis into investment analysis and engagement (active ownership).</p>	% of portfolio that owns fossil fuel reserves	<p>MSCI: Weighting of the portfolio made up by companies that own fossil fuel reserves. PACTA: Sum product of carbon-related assets as % of total company assets, and weighting of company in the portfolio.</p>

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.
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☉ Processes for climate-related risks are integrated into overall risk management

Please describe

Climate change risks are integrated into overall risk management at the stock and portfolio level via ClearBridge's ESG integration model - all our analysts and portfolio managers incorporate ESG considerations - including climate change - into their fundamental research and portfolio construction, as described in previous questions. The Chief Risk Officer has also been engaged on the topic of climate change and is looking into ways to incorporate climate change into the firm's internal risk reviews, although we have not yet implemented this.

Processes for climate-related risks are not integrated into overall risk management

SG 14.9 Indicate whether your organisation, and/or external investment manager or service providers
CC acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

Yes

Please describe

We are committed to engaging companies on climate change issues. We advocate in meetings with management teams to advance issues such as carbon emissions disclosure, setting emissions reduction goals, increasing use of clean energy, improving supply chain efficiency and generally encouraging companies to think longer term. Our integrated approach to investment analysis and company engagement enables us to use the influence we have as institutional investors and fiduciaries to support companies as they address climate change challenges. Companies we have engaged with on climate change include: BlackRock; Schlumberger; AES; Amazon; Vulcan Materials; Edison International; Sprouts Farmers Market; Home Depot; Brookfield Renewable Partners; Evoqua; and many others. We also engage companies through broader initiatives with other investors and stakeholders, such as Climate Action 100+, CDP, and Ceres' Investor Network on Climate Risk (INCR).

We have engaged with investee companies specifically on climate scenario analysis, for example Kinder Morgan, Pioneer Natural Resources and Anadarko Petroleum (since acquired by Occidental). We recognize the challenges in developing meaningful, decision-useful scenarios, and have seen a range of quality of scenario analyses. We will continue to encourage companies to assess their businesses under various climate scenarios and set increasingly ambitious carbon reduction goals.

For example, ClearBridge is a top 20 owner of electric power company AES. the senior portfolio manager for ClearBridge Value Equity and All Cap Value Strategies, has been engaging with AES executives and board members on its multiyear path to reduce its carbon footprint. Several years ago, we began discussing the lack of terminal value from coal, and we expressed how coal-related ESG concerns were weighing on AES's valuation multiple, as the ESG risk premium was rising. We helped convince AES to stop investing in coal plants and start shutting down existing coal capacity. The next step was to add renewable energy exposure in the form of wind, solar and industrial scale battery storage. We shared our belief that any lost near-term operating earnings would be made up with a higher valuation multiple. As our discussions have progressed, AES has been increasingly aggressive in reducing its carbon intensity by lowering coal capacity and investing in renewable energy, as evidenced by its declining GHG emissions. In early 2018 AES targeted carbon intensity reduction of 25% from 2016 by 2020 and 50% by 2030. Later that year it increased its 2030 target to 70%. Shifting from relative to absolute reduction targets, most recently AES has announced a target to reduce coal-fired generation to below 30% of its generation capacity by the end of 2020 and to less than 10% by 2030. As we had anticipated, AES's switch from coal to renewable energy - AES signed long-term power purchasing agreements for 2.8 GW of renewables in 2019 and has a 6.1 GW backlog of projects, mostly in renewables - has coincided with a run up in valuation multiple, as AES has positioned itself as a leader in the energy transition.

No, we do not undertake active ownership activities.

No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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SG 15.1

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

Yes

SG 15.2

Indicate the percentage of your total AUM invested in environmental and social themed areas.

%

90

SG 15.3

Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

Area

Energy efficiency / Clean technology

Asset class invested

Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

20

Brief description and measures of investment

The percentage above is an estimate of exposure (both products/services and operational efficiencies) - based on certain portfolio holdings through industrials, technology and utilities investments and alignments to SDGs #7, #9, #12 and #13

Renewable energy

Asset class invested

Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

12

Brief description and measures of investment

The percentage above is an estimate of exposure (both products/services, green power purchasing and operational efficiencies)- based on certain portfolio holdings through our renewables, technology and utilities allocations and alignments to SDGs #7 & #13

Green buildings

Asset class invested

Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

10

Brief description and measures of investment

The percentage above is an estimate of exposure (both products/services and leasing) - primarily through our reits, real estate services, and financials holdings and alignments to SDGs #9 & #11

Sustainable forestry

Asset class invested

Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

5

Brief description and measures of investment

The above is an estimate - based on certain portfolio holdings in our consumer staples, consumer discretionary/retailer, and industrials allocations and alignments to SDGs #12 & #15

Sustainable agriculture

Asset class invested

Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

4

Brief description and measures of investment

The above is an estimate - base on our allocation to certain portfolio holdings in organic and natural food products, restaurants, food retailers and alignments to SDGs #2, #3, and #15

Microfinance

SME financing

Social enterprise / community investing

Asset class invested

Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

2

Brief description and measures of investment

The above is an estimate - based on certain portfolio holdings in our financial services and technology allocations and alignments to SDG #11

- Affordable housing
- Education

Asset class invested

- Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

15

Brief description and measures of investment

The above is an estimate - based on certain portfolio holdings in our technology, healthcare and financial allocations and tied to our alignments to the SDG #4

- Global health

Asset class invested

- Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

20

Brief description and measures of investment

The above is an estimate of exposure - based on certain portfolio holdings in our biotechnology and pharmaceutical, medical equipment and materials allocations and alignment to SDG #3.

- Water

Asset class invested

- Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

15

Brief description and measures of investment

The above is an estimate from exposure to water filtration, power, facilities, efficiencies, services - based on certain portfolio holdings in our technology, materials, utility, staples, energy and industrials allocations and alignments to SDGs #6, #12 and #14

Other area, specify

Strong governance policies and capital allocation practices

Asset class invested

Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

92

Brief description and measures of investment

Expressed in all of our A, AA, AAA company investments and engagement practices.

No