STEWARDSHIP REPORT

2022

Pragmatic Stewardship Requires Sound Governance

Brandywine GLOBAL

A Franklin Templeton Company

Foreword

Addressing environmental and social challenges remains top-of-mind for Brandywine Global (the "Firm"), our clients, and our industry; however, the events of 2022 serve as a reminder that governance still matters. In a year of heightened geopolitical risk, policymakers, and civil society, the private sector—including our industry—has seen the reverberations that governance can have on diplomatic relations, human rights, and commodity markets. In our view, environmental, social, and governance (ESG) factors are inextricably linked, and the events of 2022 illustrate the interplay between them. The invasion of Ukraine puts the relationships between these three factors into context. Food and energy security have always been important themes to society, governments, and investors; however, the war disrupted equilibria in these underlying markets, with the greatest cost to the populace. Access and affordability are not novel concepts, but responsible and sustainable[27] sourcing has become an important facet of production and overall market supply. This year, market participants contended with restoring price stability, promoting liquidity, abiding by international conventions, and accounting for unprecedented post-pandemic demand for goods and service—while also trying to transition the global economy to a sustainable and equitable future. Over the coming years, global stakeholders will need to reconcile the potential tradeoffs between security, stability, and sustainability. We believe responsible, transparent, credible, and effective governance will be a mainstay in reducing or eliminating the opportunity costs associated with an equitable and sustainable transition.

Table of Contents

The Return of Geopolitical Risk

It may seem unorthodox to preface a stewardship report with a note on Russia. But in the spirit of transparency, it is important to share our thinking on the country as we headed into 2022. The Global Fixed Income team invests in countries with varying political systems and domestic conditions. What these countries have in common are generally strong institutions that typically remain independent from political influence—which provides confidence to investors and credit rating agencies. In our view, Russia met these criteria heading into 2022, and we believed the strength of these institutions would endure. Prior to the war, Russia served as a case study on a country doing some things right "on paper" governance-wise to reassure institutional investors, with well-telegraphed ESG risks that were priced into market expectations. Our exposure to the country's assets was sized appropriately relative to the economic and ESG-related risks we identified prior to the invasion and accounted for well below 1%[28] of Brandywine Global's assets under management (AUM). The stewardship report will go into greater detail on our ESG research and analysis with respect to Russia in the Promoting Well-functioning Markets section. At the time, Russian financial conditions may have been among the strongest in our investable universe; however, like many observers, we did not expect Russia's banking sector, monetary authority, private sector, and state-owned enterprises (SOEs) to transform into vessels used by the government to abrogate global norms and conventions and violate another country's sovereignty. While Russia consistently registered as the country most susceptible to trade sanctions according to our research, we believed that it would preserve its economic interests. Instead, strong governance and economic strength were weaponized to promote a political agenda and fund military aggression. In hindsight, these domestic institutions may have been cultivated and fortified to carry out a nefarious agenda and enable the economy to withstand years' long sanctions.

"In our opinion, sound governance begets pragmatic stewardship, which will be needed to solve complex global problems and facilitate capital flows. To properly address systemic issues, effective, credible, and transparent governance *will* matter.

The Russian conflict has had a profound impact on our industry, the global political economy, sustainability themes, and our internal research. It has upended how investors conventionally think about governance and its relationship to social, environmental, and macroprudential policies. The crisis in governance introduced a level of geopolitical risk that has complicated an already labyrinthine global system. While levying sanctions and embargoes on Russia has been a relatively straightforward exercise, drawing a line of demarcation for its trade partners will be far more complex. The global economy has always been a forum for competing market forces, but the war has added a new layer of complexity. The war contributed to inflation rates rising to levels that many countries have not experienced in decades. Against this backdrop, government officials face the difficult task of advancing development status, improving quality of life, promoting financial stability, reducing deficits, and embarking on the transition to a sustainable economy. Much of their success will hinge upon hallmarks of sound governance, such as logical policymaking, hospitable business conditions, market efficiencies, and cost-effectiveness. They will also need inexpensive resources. To date, Russia has been one of the few exporters providing commodities at a discount. Rather than put these importers at odds with the international community, we will need to collectively facilitate economic security and stability, in a long-term, sustainable way. At present, there is ideological tension between capital flows, sovereignty, economic development, price stability, equity, and sustainability. In our opinion, sound governance begets pragmatic stewardship, which will be needed to solve complex global problems and facilitate capital flows. To properly address systemic issues, effective, credible, and transparent governance *will* matter. It will also require collaboration between intergovernmental organizations, non-governmental organizations, sovereign nations, and investors. There will be no easy answers.

David Hoffman
Head of Global Fixed Income

Sound Governance

Our responsible investment program puts our fiduciary duties at the forefront of portfolio management, client solutions, and product development. The marketplace, client preferences, and regulatory landscape have inevitably changed, and our responsible investment approach needed to evolve with them. Our evolution has been deliberate, and our capabilities have incrementally grown to include advanced responsible investment solutions that start with the building blocks of ESG integration. In our last stewardship report, we highlighted the first stages of our product development, beginning with strategies that offered binding environmental and social elements of portfolio management. This year, we introduced a fixed income impact investing strategy that relies upon stewardship, fundamental and macro research, and data that seeks to deliver strong returns while driving positive social and economic outcomes. These offerings were designed to address growing client and consultant demand while honoring our commitment to value investing.

Product innovation at Brandywine Global has been intentionally selective. Over the years, we have been approached about launching different types of responsible investment strategies, from pure green bond funds to singular sustainability themes. While we believe these products have their rightful place in the market, they do not always align with our investment approach or fundamental identity as a value manager. We have built out Brandywine Global's product suite in a logical way, and our responsible investment offerings reflect that intentionality. These capabilities leverage existing core competencies and use consistent and repeatable frameworks so we can grow at scale. To ensure the Firm can support new initiatives, effective governance has been a critical element in our linear growth strategy. In 2022, we reconstituted the existing ESG Council and filled two key roles within the organization that are strategically important to our responsible investment program. We provide extensive details on the newly formed Responsible Investment Council, and the Firm's dedicated ESG legal counsel and ESG portfolio specialist under the Governance section for Principle 1: Purpose, Strategy, and Culture of this report.

> "To ensure the Firm can support new initiatives, effective governance has been a critical element in our linear growth strategy.

While we can develop a strategic plan to expand our responsible investment footprint, proper execution and long-term success require support from our trusted partners. Therefore, our plans have been predicated on valuable feedback from our clients, consultants, stakeholders, parent company, and governing bodies such as the U.K. Financial Reporting Council and UN Principles for Responsible Investment. Brandywine Global used an iterative process to improve upon our internal governance and investment solutions by continually taking into account advice and feedback from consultants, clients, and Franklin Templeton, our parent company and distribution partner. To remain credible, transparent, and reputable in this arena, longevity will require sustained open dialogue with our stakeholders, a feedback cycle, and strong internal governance and implementation.

Adam Spector
Managing Partner of
Brandywine Global

Pragmatic Stewardship

Information could very well be the unofficial reserve currency of responsible investment. It has broad appeal—high demand, broad utility; often amassed, exchanged worldwide; and is extremely influential. Stewardship and information require one another for effectiveness; the concept of a positive feedback loop illustrates this interdependency. Information is only as good as how it is disseminated and applied. Stewardship relies upon the flow of reliable information. Institutions with credible governance—whether they are countries, companies, or investors—will understand the need for transparency and dissemination. After all, these entities are stewards in their own right and use information to attract and manage capital by sharing updates on strategy, policy, risk mitigation, market stability, revenue streams, and sustainability outcomes. These updates are forms of transparency and accountability, and the more participants that are involved should help ensure the cycle remains a virtuous one.

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In an industry that treats informational advantage as a notable differentiator, investment managers that recognize the importance of stewardship will also understand the distinction rests in how we use that information—not necessarily the exclusivity of access. The competitive advantage should lie in how effectively a manager conducts stewardship and how those learnings are pragmatically applied within research, analysis, and portfolio management. For us, the key is evaluating information in aggregate to understand the sustainability risks and opportunities that are material to asset prices and continuing to work with issuers to address them. Ongoing dialogue with investee countries and companies often provides a new dimension of understanding that could not be gained by solely reading research or analyzing data. In the case of Brazil, investors outside the country believe some of the greatest environmental risks are in biodiversity loss and related greenhouse gas (GHG) emissions. While local officials acknowledge those risks, they also flagged the lack of basic infrastructure, particularly to support clean sanitation, as one of the greatest domestic challenges. We would not have identified these competing agendas without an engagement opportunity. This example highlights the complicated nature of our work. There are competing objectives, perceptions, problems, and opinions on how to solve them.

As a value investor, we are patient and focused on the long term by nature; therefore, we understand the timeframe needed to systematically address these issues. Through our interactions, we can also recognize when there is a lack of political will or capital to solve these problems. Sentiment typically shifts when there is a change in governance. Our job as a pragmatic steward of capital is to use our informational advantage to anticipate where those shifts may occur, identify where capable governance is underappreciated, help facilitate and fund change, and remain well positioned for those improvements to be priced into the market. There is value to be created in this process for all stakeholders and why we believe stewardship sustains a positive feedback loop.

Reina Berlien
Head of ESG

Aligning to the U.K. and Japan Stewardship Codes and Singapore Stewardship Principles

We believe in adhering to the most rigorous responsible investing standards available so our clients can benefit from best practices from around the globe. Brandywine Global chose to align our stewardship reporting to the commitments outlined in the U.K. Stewardship Code, Japan Stewardship Code, and Singapore Stewardship Principles because of their rigorous standards. Cumulatively, the 26 commitments expounded upon in the codes complement and provide credible guidance with respect to responsible investment and our fiduciary obligation to our clients. We address these commitments throughout our stewardship report.

Stewardship Highlights

$51.2B
AUM covered by ESG integration[29]
As of 12/31/2022

8
Structured engagement programs

145
Engagements[30]

119
Companies engaged

17
Sovereigns engaged[32]

7,140
Votes against director recommendations

8,184
Shareholder resolutions voted[31]

Highlights

Applied to the U.K. Stewardship Code	Launched an Impact Investing Framework for Public Markets	Shared Interim Commitments to the Net Zero Asset Managers Initiative	Joined Two New Collaborative Engagements with Leadership Roles

Memberships

2016	2019	2020	2021
Principles for Responsible Investment (PRI)	Taskforce on Climate-related Financial Disclosures	Climate Action 100+ Japan Stewardship Code	Net Zero Asset Managers Initiative Institutional Investor Group on Climate Change

PRI Ratings History[33]

Read full 2021 PRI Assessment Report

	Investment & Stewardship Policy	Listed Equity Incorporation Active Quant.	Listed Equity Incorporation Active Fundamental	Listed Equity Voting	Fixed Income SSA	Fixed Income Corporate	Fixed Income Securitized
2021	★★★☆☆	★★★☆☆	★★★★☆	★★★☆☆	★★★★☆	★★★★☆	★★★★☆

	Strategy and Governance	Listed Equity Incorporation	Listed Equity Active Ownership	Fixed Income SSA	Fixed Income Corporate Financial	Fixed Income Corporate Non-Financial
2020	A	A	A	A	A	A
2019	A	A	A	A	A	A
2018	A	A	B	B	C	B

Purpose, Strategy, & Culture

Purpose, Strategy, & Culture[34]

Principle 1

"Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

Purpose

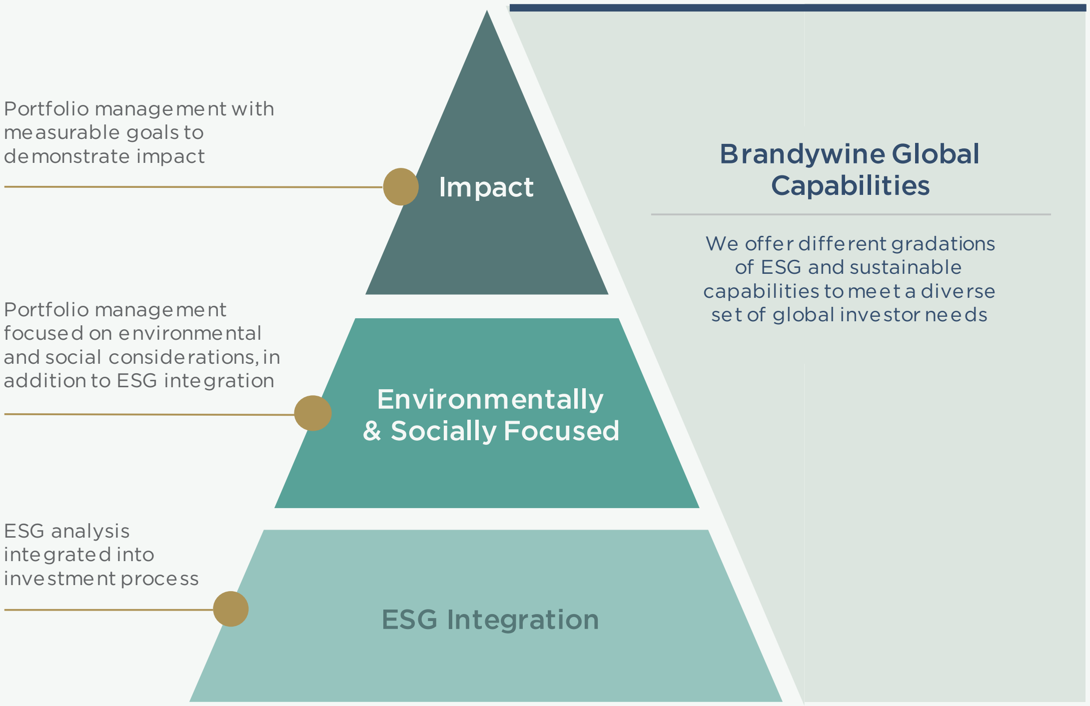
Our purpose is to create long-term value for our clients through high-conviction, disciplined value investing philosophies that look beyond the short term. During a year of significant market volatility, we preserved capital and long-term returns for a large majority of our clients, across asset classes. The Firm's performance track record reflects our purpose, with over 86%[35] of client assets under management outperforming their benchmarks over mid- and long-term time periods and since inception.

Business Model

Brandywine Global's commitment to responsible investing is reflected throughout the Firm, from investment management to strategic business planning; it guides how we allocate resources, foster corporate culture, approach human capital management, and serve our clients. We strive to operate and grow as efficiently as possible by building off existing capabilities to address a wide range of responsible investment needs for a global client base. While responsible investment is part of our core competencies and embedded into our business model, our stakeholders wanted to see this commitment more clearly reflected in our firmwide governance. We therefore enhanced oversight of our responsible investment program in light of feedback from our clients, consultants, and regulatory bodies. The Responsible Investment Council was established in 2022 and replaced its predecessor, the ESG Council. The new iteration comprises leaders across the Firm that review proposed responsible investment-related strategies, products, commitments, and issues. The new council is a more concentrated body, with representation from key areas of the Firm that will assess client needs, business opportunities, and potential institutional risks regarding responsible investment, and provide recommendations to the Investment Committee and Executive Board. Additional details on the Responsible Investment Council, as well as notable hires, are included under the Governance section of Principle 2, Governance, Resources, and Incentives.

Strategy

Responsible investment helps fulfill our purpose to create long-term value by identifying long-term ESG risks and opportunities and analyzing them in our efforts to produce strong risk-adjusted returns for our clients while also addressing these aforementioned risks and opportunities. As a Firm, we seek to continually evolve our approach to responsible investment, maintain our fundamental identity as a value manager, and provide transparency on our process to our stakeholders. As part of this evolution, we formalized a three-tiered approach to responsible investment capabilities that offers repeatable frameworks that also addresses a diverse set of client needs.



For professional or institutional investors only. This material contains the opinions of Brandywine Global, which are subject to change without notice. ESG investments may be viewed as "sustainable, "responsible", or "socially conscious" among other names. Analysis and integration of ESG factors is qualitative and subjective by nature, and there is no guarantee that the ESG criteria used, or judgment exercised, by Brandywine Global will reflect the values of any one particular investor. Different investment managers may utilize and evaluate ESG factors in different ways. Investing in ESG investments carries the risk that under certain market conditions, the investment strategy may underperform strategies that do not utilize a responsible investment strategy. An investment's ESG performance or Brandywine Global's assessment of such performance may change over time.

The integration of ESG factors serves as the foundation of our solutions, as illustrated in the image about our capabilities. Our strategy as a multi-asset investment manager is for our teams to share common themes while preserving their decision-making autonomy. These commonalities shape our identity as a value manager and provide consistency across our teams, asset classes, and investment processes. Since our disciplined investment processes uncover pricing anomalies, address potential risks, and seek long-term value, assessing ESG factors is integrated into the majority of our research, analysis, decision making, and ongoing portfolio management.

When developing responsible investing frameworks beyond ESG integration, we wanted them to be repeatable and build off the antecedent capability. These aspects were intentional, because as a boutique asset manager, our strategy is to grow efficiently and at scale while using our core competencies. In our 2021 stewardship report, we introduced the environmentally and socially focused framework, and for this year's report, we will share details on our approach to impact investing for public markets. Developing both frameworks, particularly the latter, required extensive collaboration with our clients, consultants, and parent company. These responsible investment frameworks exemplify how we meet client needs. More detail is provided under Principle 6, Client and Beneficiary Needs.

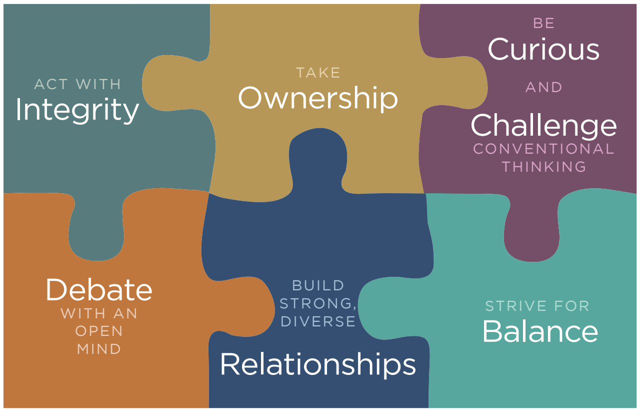
Outcome

Logically Building Out Capabilities

Responsible investment frameworks begin with ESG integration and then expand upon that capability by introducing binding commitments, data, analytics, and stewardship as additional tools that seek to generate returns and foster environmental and social outcomes.

Culture and Values

At Brandywine Global, our culture fosters independent thinking that challenges convention—an important facet of long-term value investing. Our Firm's culture is built upon six core values:



Act with Integrity

Take Ownership

Be Curious and Challenge Conventional Thinking

Debate with an Open Mind

Build Strong, Diverse Relationships

Strive for Balance

Value in **every** relationship

Our core values are important and interdependent, though acting with integrity is a guiding principle for the Firm. Integrity is embedded into every aspect of Brandywine Global, including business operations, investments, relationship management, and data and technology. Our culture of compliance is built upon this core value. The integrity of our ESG program and commitment to responsible investing is reflected through our stewardship reporting, which provides transparency into our approach. We draft our stewardship report with our key stakeholders in mind, understanding that transparency is important to regulators, clients, and consultants; implementing their feedback and support is an important cornerstone in confirming the integrity of our stewardship.

Governance, Resources, & Incentives

Governance, Resources, & Incentives[36]

Our common goals, investment styles, and team approaches are reflected in the Firm's ESG governance structure. The ESG Council was formed in 2016 as a working group and forum to discuss pertinent responsible investment themes relevant to clients, consultants, and regulators. Given our progress in this arena over the last few years, we decided to strengthen governance by transitioning the ESG Council into the Responsible Investment Council in 2022. The reimagined council vets an array of issues and opportunities in this space and makes recommendations on how the Firm should proceed to executive leadership and decision-making bodies. While the ESG Council had an information sharing function, the Responsible Investment Council has formal governance responsibilities.

Principle 2

"Signatories' governance, resources and incentives support stewardship."

Governance

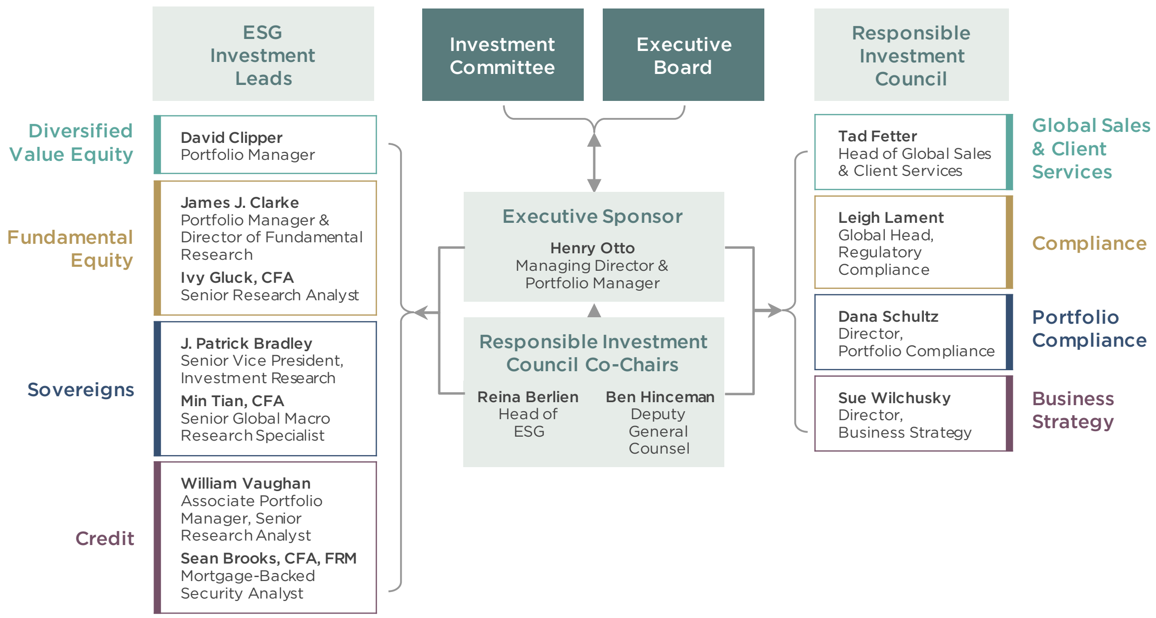
The Responsible Investment Council

The Responsible Investment Council is co-chaired by members of the Global Fixed Income and Legal teams, underscoring our fiduciary-driven, compliance-focused, investor-led, and firmwide approach to responsible investing. The council features more concentrated membership than the ESG Council, with representation from key areas of the Firm to create institutional support to address client needs, growth, and risk management.

The distilled membership was intended to promote discourse and problem-solving, ensure that relevant business lines are included, and keep our client base at the forefront of responsible investment discussions. The council provides the appropriate governance structure to provide review of and oversight for:

- Proposed responsible investment strategies, products, commitments, and issues.
- Annual responsible investment reporting frameworks, stewardship reporting and other membership commitments.

The role of the council is to thoroughly vet issues and opportunities and make recommendations to the Investment Committee and Executive Board. Like its predecessor, the Responsible Investment Council is overseen by the Executive Board and Investment Committee; the latter body has oversight of the Firm's ESG policies, procedures, and



processes. The Executive Board guides the strategic direction of Brandywine Global and is comprised of senior leadership—including our managing partner and chairman; collectively, our board members average more than 30 years of industry experience. The Investment Committee includes representation from the investment teams, legal and compliance, and risk teams and is a governance body that oversees investment management practices and market risk.

In 2022, council members reviewed proposals to launch new funds and separate accounts using the environmentally and socially focused framework.[37] The council assessed the external demand and internal resources required to make the product launches successful and provided recommendations to the Investment Committee for final approval. The environmentally and socially focused framework was replicated for a U.S. Fixed Income strategy in a separate account for a non-profit/endowment client as well as for a new multi-asset strategy that leverages existing capabilities, which was introduced to the Canadian market in a public commingled vehicle. The former was developed in partnership with a longstanding consultant, and the latter with our parent company and internal relationship management. As part of the review process, the council noted the challenge of building technology infrastructure to keep pace with product innovation and emerging regulations and how the Firm can improve this area. While a dedicated business analyst role was earmarked for 2023, Brandywine Global appointed two positions during the calendar year to facilitate growth and stability in our responsible investment program.

Outcome

Evolving Internal Governance

Brandywine Global reworked its responsible investment body to empower stakeholders across the Firm to thoroughly vet related risks and opportunities and make recommendations. The latest incarnation of this council will help ensure the Firm has the institutional and operational strength to sustain growth in this area.

New Roles

A key new hire, **Ben Hinceman**, served as the architect of the revamped council. Ben joined Brandywine Global in 2022 as the Firm's first ESG legal counsel. Aside from his legal expertise in ESG and sustainability regulations and legislation, Ben brings extensive knowledge and experience in developing best-in-class corporate governance practices for the asset management industry. He provided this type of guidance in his capacity as legal counsel for Brandywine Global's current and former parent companies, Franklin Resources and Legg Mason, respectively. At the outset of his tenure at Brandywine Global, Ben assessed the responsible investment governance in place and made recommendations to further bolster our Firm's approach, which included reworking the council. As a co-chair of the new council, Ben's role strengthened the ties between the legal and investment teams. His role at Brandywine Global also reinforces our relationship with our parent company, Franklin Resources. Prior to joining our Firm, Ben helped Franklin Resources and its Specialist Investment Managers (SIMs) navigate the timeline and deliverables outlined by the SFDR. This institutional knowledge has been an asset to our Firm, as this regulation was an important driver in how we developed our responsible investment frameworks and applied them to new products in 2022. This sophisticated level of legal guidance was instrumental in how we delivered solutions to our clients this year.

Siena Sheldon was another integral hire for the Firm's responsible investment program. Like Ben, she previously served in a similar role at Franklin Resources before joining Brandywine Global. Siena sits in our London office, and she is a critical conduit between our investment teams and current and prospective clients across Europe, the Middle East, and Africa (EMEA). Siena has her finger on the pulse of client preferences and trends across the region and translates those needs into product development, client service, and thought leadership. Given where she sits geographically, Siena also works seamlessly with our teams across the Asia Pacific region. As preferences vary across regions and our client base, she is well placed to identify commonalities and strategize how the Firm can efficiently address a variety of needs. Like Ben, Siena brings significant institutional knowledge about our parent company, which has been an asset in cultivating our partnerships across the organization. With her deep knowledge of fixed income, Siena understands how our responsible investment frameworks should leverage and complement existing capabilities as well as the nuances of ESG factors and stewardship within the vast asset class. Her client, global, and fixed income expertise were invaluable when creating the impact investing framework for public markets in 2022, which culminated in the inception of a private U.S. fund and an Ireland-domiciled UCITs fund in the fourth quarter.

As a boutique asset manager, Brandywine Global has perennially enjoyed strong intrafirm collaboration and transparency. However, the notable roles in which Ben and Siena serve demonstrate our commitment to reinforcing those channels to support our growth, keep our clients at the forefront, and prepare for emerging risks and opportunities.

Outcome

Increasing Bench Strength

At the suggestion of internal and external stakeholders, our Firm developed important roles to help ensure that our responsible investment program remains robust, and that we continue to support client needs and industry commitments.

ESG Investment Leads

Each investment team has designated ESG leads that meet monthly and on an ad hoc basis. This group discusses industry trends, best practices, and share takeaways and feedback with their cohort. These dedicated liaisons work closely with the head of ESG to ensure our responsible investing capabilities are applied as uniformly as possible across our assets under management while preserving the autonomous portfolio management decisions of each team. This partnership is also tasked with refining and advancing our ESG analysis relative to the industry and peers and ensuring we address client and consultant needs with respect to responsible investing and active ownership.

The head of ESG and the ESG leads each report to their governing body, the Investment Committee, on a quarterly basis. While the majority of our investment teams are dedicated to consistent ESG integration, it is important to protect the autonomy of each team's decision making. Each team works in partnership with the head of ESG, but the three investment teams must demonstrate the integrity of their ESG integration processes at these quarterly meetings by providing current examples of sustainability risk assessments relative to portfolio management.

The head of ESG oversees our responsible investment program across the Firm, including its overall strategy, engagement and integration, initiatives across all investment teams, and provides research support. The head of ESG reports to the executive vice president of Fixed Income Portfolio Management.

In 2022, the ESG leads reviewed existing net zero investment methodologies to determine which would be most feasible for our investment teams to implement, most closely aligned with our core competencies, and applicable to the asset classes in which we invest. The head of ESG and the lead for the Fundamental Equities team agreed to spearhead the preliminary research and analysis for the following methodologies:

- Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework
- Science Based Targets Initiative (SBTi) for Financial Institutions
- Net Zero Asset Owner Alliance Target Setting Protocol

The two leads for researching this initiative narrowed down the options to the PAII and SBTi and presented the strengths and weaknesses of each as they related to our internal investment processes. Collectively, the ESG leads voted to adopt the PAII framework given its applicability across asset classes. Importantly, the PAII framework would only be applied to aligned client assets.

Outcome

Fostering Cross-Asset Expertise

The collaboration within the ESG leads illustrates how the group addresses opportunities across asset classes and investment processes, particularly with respect to selecting a net zero methodology for potentially aligned client assets.

Biographies reflective of experience and tenure for members of the Responsible Investment Council and ESG investment leads can be found in the appendix of this report.

Resources

Investment professionals have access to an array of sustainability resources, since integrating ESG factors into research and analysis is part of the vast majority of our investment processes. These resources include: sell-side research, including sector, thematic, and country experts; publications associated with memberships to the IIGCC, Climate Action 100+, and PRI; third-party research from ESG data providers such as MSCI, Verisk Maplecroft, FactSet, and Bloomberg; traditional media and publications; shared intra-firm research notes; credit ratings agencies; conferences and webinars; data and research published by supranational agencies and nongovernmental organizations; additional content provided by Franklin Resources. Information is internally disseminated during investment meetings, dedicated ESG-related meetings, and by the ESG leads to their respective teams. Increasingly, our investment professionals have been featured in large-scale industry conferences to teach peers and clients about ESG integration and sustainable investing on a host of topics, from sovereign analysis to managing to new regulations.

Diversity, Equity, and Inclusion (DEI)

Evaluating companies and engaging with them on material DEI topics and metrics is part of our overall approach to ESG integration and stewardship. For example, as part of the social pillar of ESG, our evaluation of DEI at our portfolio companies includes analyzing employee and leadership representation, goals for improvement, pay equity data, employment surveys, and trends in retention/turnover. When evaluating governance, we also look at board composition and diversity.

With respect to strategic initiatives within Brandywine Global, we launched a dedicated DEI Council in 2020, with representation from the investment teams on the council. In 2022, the council and the broader organization achieved the following milestones:

- Presented the inaugural DEI Scorecard
- Hosted learning sessions on microinequities and on Frederick Douglass
- Hosted training sessions on the following topics:
  - Beyond unconscious bias
  - Moving from color blindness to racial consciousness
  - Leveraging multiple generations at work
- Conducted a second DEI survey for 2023 planning
- Appointed Alicia Tull to a dedicated DEI-related Firm role

Incentives

Since ESG integration is an important aspect of most of our investment processes, research and stewardship contributions are a component of how investment professionals' performance is measured with respect to variable compensation. These aspects of compensation have become increasingly important as regulatory commitments, such as Article 8 registered funds under the SFDR, focus on stewardship.

Conflicts of Interest

Conflicts of Interest[38, 39, 40]

Principle 3

"Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first."

Different conflicts of interest may arise from stewardship; we address them collectively as an organization given our shared purpose in creating long-term value for our clients. As a global investment manager with strategies that span multiple asset classes, a few conflicts of interest may occur. Our publicly available Conflicts of Interest Policy addresses a few examples of conflicts of interest that may arise from stewardship; it may also be found in the review and assurance section of this report's appendix. Three examples relate to our 2022 stewardship efforts that illustrate how our Conflicts of Interest policy is applied:

Example 1: Engaging with an Entity Associated with a Client

Engagements are an integral part of our investment process as we use them to help inform our investment decisions, promote value-enhancing policies within companies and governments, or to avoid investments that pose an unacceptable level of risk. From time to time, we may engage with companies or countries that may present a conflict of interest; for example, this may occur when the company or government is a client of, or significant service provider to the Firm. In the event of a conflict in the engagement process, the conflict will be escalated to the Investment Committee and General Counsel & chief compliance officer to determine the appropriate response and action.

In 2022, the Diversified Equity and Global Fixed Income teams wanted to engage with a large U.S. investment bank, as the teams own different parts of its capital structure. The bank is also a client. Members of the investment team flagged this potential conflict of interest with the Investment Committee and chief compliance officer. After an assessment, vote, and decision, the investment teams were permitted to engage with the bank. The following topics were discussed during the engagement: its Net Zero Banking Alliance membership, climate disclosures, workforce diversity and gender pay equity, executive compensation, separation of CEO and chairman roles, among others. However, in line with our Conflicts of Interest policy, all proxy votes were cast in line with the third-party provider's recommendation given the conflict of the client relationship.

Example 2: Proxy Voting and Client Relationships

Significant employee or client relationships have the potential to create a conflict of interest in connection with the voting of proxies. To manage this conflict, the Firm votes proxies in accordance with the Proxy Voting Policy. This policy requires the Firm to follow general fiduciary principles by seeking to act prudently and solely in the best economic interests of the clients on whose behalf it is voting.

Our client base includes large insurers and banks, for whom we sub advise some of their investment funds. The Investment Committee and chief compliance officer review cases where the Firm has a sub-advisory relationship with a firm and an equity team is a shareholder in that same Firm to determine whether there is a material conflict of interest. To mitigate the material conflict of interest, the Investment Committee has determined in these instances, proxies will be voted in accordance with the recommendation of our third-party proxy service provider. Our proxy voting team helps identify conflicts of interest during the voting season and advises equity analysts and portfolio managers in advance. In 2022, our proxy team identified 27 instances of potential conflicts of interest, for which the investment teams subsequently voted a proxy based on the third-party provider recommendation.

Example 3: Informational Barriers

As a SIM of Franklin Resources, a conflict could arise in the context of coordinating or sharing information. In order to manage this conflict, SIMs of Franklin Resources have adopted Information Barriers policies that ensure that each entity: (a) has exclusive authority to make voting and investment decisions with respect to securities held by its investment management clients; (b) makes all voting and investment decisions independently and without the participation of officers, directors, or employees of Franklin Resources or its affiliates; and (c) does not attempt to influence the voting and investment decisions to be made with respect to securities held by clients of other advisers.

During the 2022 proxy voting season began, enterprise-wide stewardship associates at Franklin Resources shared third-party research, including recommendations from Climate Action 100+, on upcoming climate votes. While this information was distributed to all SIMs, including Brandywine Global, our equity teams cast their votes in accordance with our Firm's Proxy Voting Policy, and in compliance with the Firm's Informational Barriers Policy by maintaining its voting and decision-making independence.

Promoting Well-functioning Markets

Promoting Well-functioning Markets[41]

Brandywine Global believes that identifying, understanding, and mitigating risks are vital to promoting well-functioning global markets. Participating in liquid and efficient global capital markets is central to our role as an investment manager, government bondholder, multinational corporate shareholder, and steward of client capital. Since price and information risk analyses are central to how we manage value investing across multiple asset classes and strategies, understanding sustainability risks and opportunities are naturally part of this process. Given the theme of this year's stewardship report, it is relevant to outline how Brandywine Global assessed geopolitical risk and addressed a governance crisis, using the Russian invasion of Ukraine as an example of how our Firm managed market-wide and systemic risks.

Principle 4

"Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system."

ESG Integration and Price and Information Risk Analyses

From an ESG perspective, we evaluated Russia's risks and opportunities in the events leading up to the Ukraine war. By instigating war, Russia has abrogated global norms and conventions and violated another country's sovereignty, which has completely denigrated how we view Russia's governance. Much of our perspective on the country's governance were addressed in our Head of Global Fixed Income's foreword.

Social conditions in Russia needed to improve prior to the war, with generally below-median scores along a continuum of metrics, including personal, individual expression, and labor freedoms. From a social perspective, we expected a sharp deterioration in food security, inflation, and civil unrest as the conflict and related sanctions ensued. However, this geopolitical risk also stoked a widespread humanitarian crisis across the borders of both countries.

Prior to this geopolitical event, Russia's governance score improved over time, though its proprietary internal score has lagged peers with similar ESG scoring. The highs the ruble made the week of February 14 affirmed our positive outlook on the Russian economy, all of which were aided by the snapback in commodity prices.

Russia's commodities story inevitably factors into how we think about the country's environmental risks. Within our government bond investable universe, the Russian economy relies the most on the net export of fossil fuels, with its energy balance comprising 13% of gross domestic product, and a 10-year moving average of 15%. Russia's significant dependence on crude oil and natural gas exports, coupled with relative financial strength, suggested that military aggression against Ukraine would undermine its own self-interests. By our accounts, Russia was vulnerable to transition risk in the medium-to-long term but would use its short-term reliance on fossil fuel exports to avoid sanctions. While Russia has consistently ranked among the countries most susceptible to trade sanctions, we believed that it would preserve its economic interests. These are some of the reasons why we believed war was going to be a fat-tail risk.

However, those risks were not confined to the Russian economy. Foreign ownership of outstanding Russian debt hovered around 20% by early 2022, which posed significant challenges in balancing public and private sector interests. We were keenly aware of the complexities as we began to navigate the market reaction to the war and announced sanctions. We worked with clients to address their concerns and also with investment banks, major clearinghouses, debt issuers, and our parent company to gain more information and manage volatility.

Responding to Market and Systemic Risk

At the beginning of the Ukrainian war, our initial response was to first assess market conditions and related risks. One of those related risks was determining whether any of our investment teams held sanctioned securities or were in danger of falling into that category. To make that determination, the Firm used existing internal protocols. Brandywine Global's Portfolio Compliance team maintains restrictions that block transactions in securities sanctioned by the U.S. Department of the Treasury's Office of Foreign Assets Control as well as sanctions issued by other government and regulatory agencies. That information is supplied through third-party service providers and our parent company's resources. Throughout 2022, we did not hold sanctioned securities.

We also closely monitored Russia's directions to paying agents and securities exchanges on whether bond coupons were to be distributed to investors and which currency they were to be denominated in. These directions and payments were also considered within the context of when U.S. sanctions were scheduled to begin on May 25, 2022. We leveraged external research to evaluate market liquidity, specifically, the country's willingness and ability to repay bondholders and whether it could be forced into technical default. Monitoring these conditions was imperative in understanding systemic risk, market volatility, and liquidity across global capital markets. As a precaution, our Firm has Valuation Policy and Procedures in place, which outlines the process for using approved, third-party pricing sources and the protocol when external valuations are absent.

The Impact to Labeled Bonds

In last year's stewardship report, we mentioned the Global Fixed Income team's increased participation in the labeled bond market when valuations permit. That report had also outlined the team's participation in significant green bond issuance from the International Bank of Reconstruction and Development (IBRD)—the financing arm of the World Bank—which was denominated in several emerging market currencies, including the ruble. We found IBRD bonds issued in select emerging market currencies to be attractive given the credit quality of the supranational agency issuing them and the assumption of credit risk by the institution. The Global Fixed Income team owned these bonds—which were a de minimus position relative to the team and Firm's assets under management—when Russia invaded the Ukraine. Members of the team conducted due diligence with one of the banks that underwrote the bond issue and also with the IBRD in early March 2022. While this debt was not a claim on a Russian entity, nor did the proceeds directly fund environmental projects in the country, we wanted to assess the liquidity of these bonds and also understand technical details, such as how coupons would be paid, and what the implied exchange rate would be on the ruble in the event it stops trading or ceased to exist when the bonds mature in 2026.

Assessing Indirect Exposure to Russia

The need for supply chain transparency is a pressing issue for our industry, as well the broader private sector. This necessity was evident when investment managers were trying to understand indirect exposure to Russia. It was very important to determine whether our industry was directly or indirectly funding human rights violations. Our research analysts evaluated statements issued by our portfolio companies to understand how much of their business was tied to Russia, in what ways, and what actions they were taking to curtail their presence. The Firm's largest corporate exposures across credit and listed equities were generally in large multinational companies. When trying to determine the transparency and validity of public statements, our opinion was that companies like GM provided transparent, thorough, and credible information to the public and investors. Financial statements were also integral to our analysis, particularly with banks. As a highly regulated sector, we would be able to understand at the outset how much of their lending books were funding Russia, if at all.

As an example of the Fundamental Equity team's due diligence, it sought clarity from two of its portfolio companies that were most affected by their Russian exposure: Aercap and Citigroup. The former had approximately 5% of its fleet in Russia and terminated lease contracts without receiving the planes back. Citigroup announced it was exiting all new and current businesses in Russia.

We continued to monitor changes in information through our own fundamental research, discussions with the sell-side and management teams, daily monitoring of the UN Global Compact and its evaluations of companies, third-party tracking resources like those offered by MSCI, and news headlines.

Outcome

Understanding Geopolitics and Systemic Risk

Brandywine Global utilized existing policies, practices, research, and stewardship to evaluate market volatility, seek liquidity, and preserve client capital.

Review and Assurance

Review and Assurance[42]

Principle 5

"Signatories review their policies, assure their processes and assess the effectiveness of their activities."

This report was produced internally and verified by members of our Executive Board, Investment Committee, Responsible Investment Council, Global Management Committee, Legal and Compliance, the Global Fixed Income team, the Fundamental Equity team, and the Diversified Equity team. Our parent company, Franklin Resources, also received a draft of the stewardship report for review prior to publication. We involve many groups within the organization as a system of checks and balances to ensure the report is fair, balanced, and unbiased. The Firm's Core values, such as acting with integrity, debating with an open mind, and taking ownership, are the building blocks of our checks and balances.

We also incorporate external feedback received to make continuous improvements to our stewardship and transparency reporting capabilities. Sources of feedback include clients, consultants, prospects, and oversight bodies such as the U.K.'s Financial Reporting Council, the Financial Services Agency of Japan, the Investment Management Association of Singapore, and the PRI.[43] Feedback received from the Financial Reporting Council on our 2021 reporting has been reflected in this report.

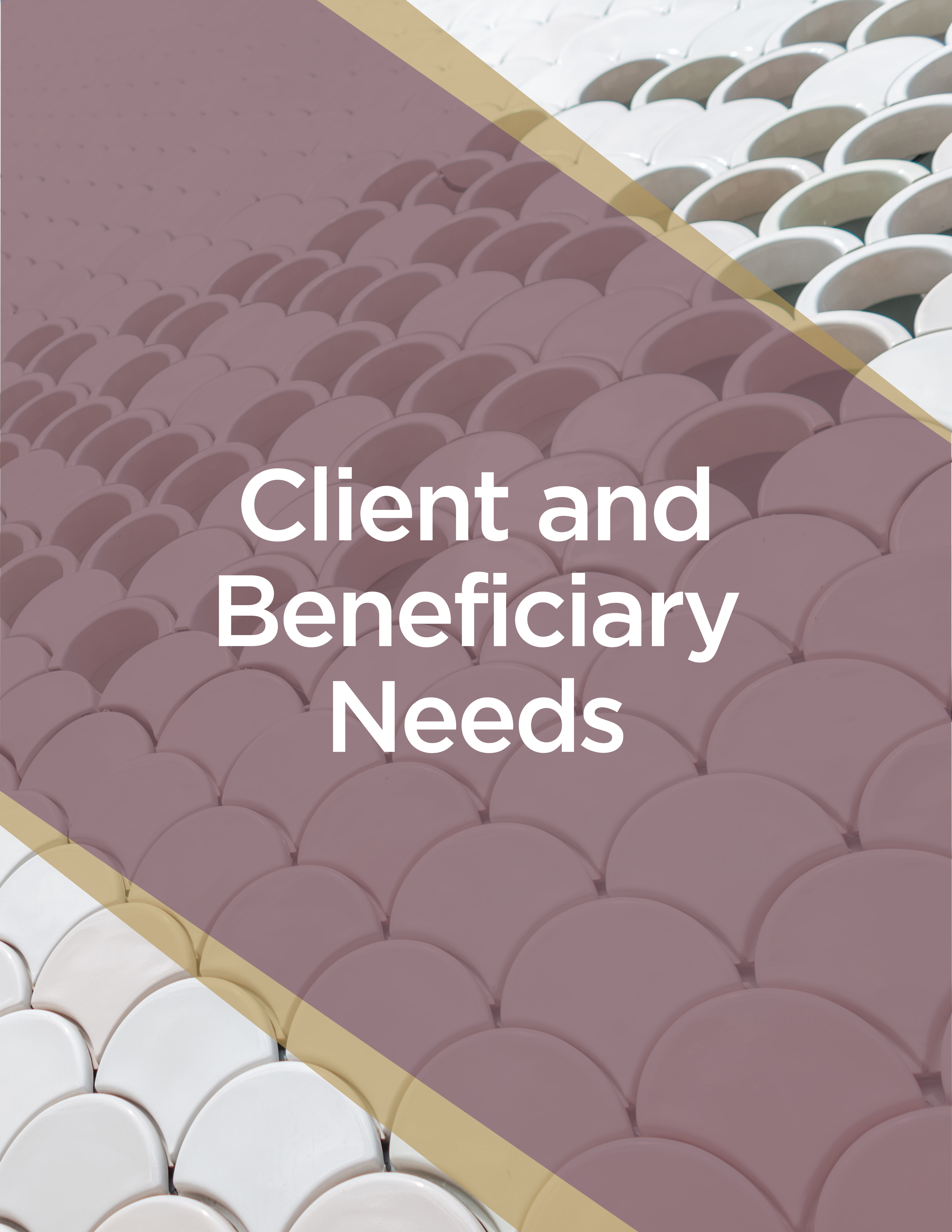
Brandywine Global evaluates and assesses the adequacy and effectiveness of its compliance policies and procedures on an ongoing basis primarily through an internal compliance monitoring program. In addition, Brandywine Global may identify areas for improvement in its compliance program through a variety of other means, including in the ordinary course of business and as the result of any independent reviews or internal audits coordinated by our parent company.

The compliance monitoring program employs a risk-based approach to examine the adequacy and effectiveness of the Firm's compliance policies and procedures. The Regulatory Compliance group evaluates certain risk factors including, frequency of the activity, impact to clients or the Firm, internal controls, and the current regulatory environment, and consults with various business groups to identify and prioritize testing. In 2022, select aspects of our ESG processes, policies, and adherence to certain frameworks were tested as part of this program.

The Responsible Investment Council reviews all sustainability and stewardship-related policies and procedures, including the Firm's ESG Integration and Engagement Policy Statement and ESG Engagement Policy Statement for Sovereigns. The head of ESG and ESG counsel also dedicate additional time to review these particular documents. The remaining documents are also reviewed on an annual basis, and the process is driven by members of Legal, Compliance, and Enterprise Risk Management teams.

The content of this report was written to adhere to the 12 Principles of the U.K. Stewardship Code outlined by the Financial Reporting Council, the eight principles of the Japan Stewardship Code set forth by the Financial Services Agency, and the seven Singapore Stewardship Principles managed by the oversight bodies listed above.

The data and information cited in this report is as of December 31, 2022.



Client and Beneficiary Needs

Client and Beneficiary Needs[44, 45, 46]

Our Firm serves a diverse, global client base that requires a nuanced yet consistent approach to responsible investment. The foundation of our approach is built upon the stewardship codes, principles, and memberships to which we adhere. These tenets transcend regions by aggregating common client interests, outlining consistent goals, and demanding transparency. The objectives cumulatively outlined by the PRI, Financial Reporting Council, Financial Services Agency, and Investment Management Association are considered industry best practices by our clients and consultants. Compliance with these objectives and best practices are one way we ensure our responsible investment program serves our clients' best interests. These memberships often require annual reporting, and the feedback we receive from these governing bodies is essential for Brandywine Global to benchmark the efficacy and transparency of our responsible investment program. We incorporate feedback from these sources into our longer-term business planning and strategy to ensure the Firm has the requisite infrastructure to support our stewardship and investment capabilities. For example, bolstering governance and filling key roles to support our responsible investing program are results stemming from institutional feedback.

Principle 6

Statement of Commitment

"Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them."

The most effective way to gauge whether we are addressing the needs of clients and beneficiaries is by soliciting feedback directly from them via one-on-one client and consultant meetings, bespoke reporting, quarterly updates, due diligence questionnaires, and by participating in manager assessments and rankings. Our goal is to establish a positive feedback loop between our stakeholders and our internal governance so we can make incremental, yet meaningful improvements.

As an example, we received a low rating for reporting from an important U.K.-based consultant in 2021, though overall feedback was positive. Each year, we complete an extensive survey and receive scores in the following areas for the strategies available on the consultant's platform: overall ESG rating, philosophy, integration, stewardship, climate, and reporting. While we have enjoyed strong ratings year over year in areas like philosophy and integration, the Global Fixed Income team and relationship management recognized that improvements needed to be made in areas like stewardship and reporting.

Initially, members of relationship management and the investment team followed up with the consultant for in-person feedback. The team also internally reviewed the survey results and the consultant ratings for Brandywine Global and determined that additional enhancements to the ESG dashboard in 2022 would address specific scoring on reporting; these improvements include additional sustainability metrics as required by the SFDR, or otherwise known as the mandatory and optional principal adverse indicators (PAIs). As a concrete example, the consultant wanted specific tracking and reporting of controversies as defined by the UN Global Compact. Updates to our in-house ESG dashboard in 2022 addressed this specific area for improvement.

Our internal assessment also highlighted a disconnect between our survey responses and important technological and reporting updates that had already been made, such as automated reporting on several metrics, including carbon and GHG footprinting, and ESG scoring available for all portfolios. As for improvement within stewardship, we believed that increased transparency was also needed. We made significant strides in our overall stewardship efforts across investment teams and took the lead on several industry initiatives. Therefore, we believe our efforts may not have been adequately captured in our survey responses. We also believe that acceptance to the U.K. Stewardship Code would be an asset as well.

The areas in which our aforementioned consultant graded Brandywine Global were emblematic of the top sustainability areas of interest for our global client base: our approach to ESG integration, stewardship, climate risk, and reporting. These themes resonated with many of our relationships across all regions, channels, and asset classes.

Outcome

Internalizing and Operationalizing Feedback

While Brandywine Global does not take a monolithic approach to stakeholder feedback, at times, a trusted source serves as a proxy for broader feedback. Another consultant's ratings in 2022 highlighted areas in which the Firm could improve stewardship, climate, and sustainability metric reporting. We used this feedback to improve transparency and also make improvements to technology and reporting.

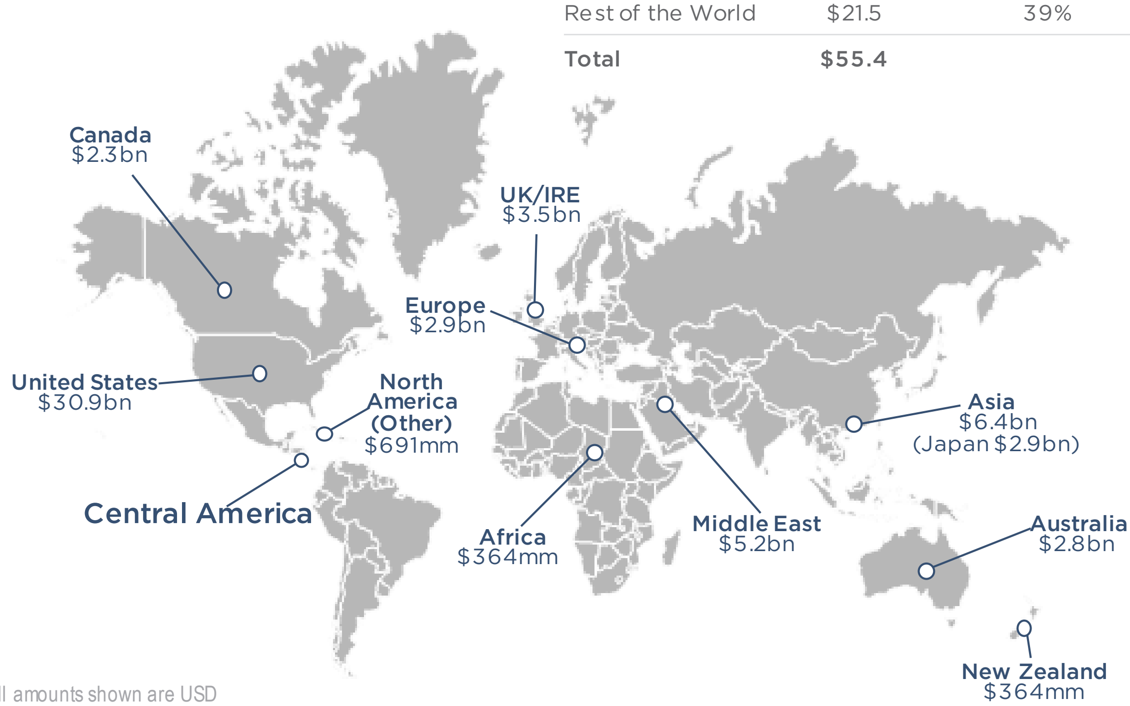
Our Assets under Management[47] by Country or Region

We manage a significant amount of client assets outside the U.S., which has grown over the years as pension, retirement, and sovereign wealth funds sought to diversify their investments beyond their local markets. We generally manage our investment strategies uniformly across regions and channels. Our clients exercise optionality through the breadth of our product suite and asset class expertise. Bespoke requests, including socially responsible investment (SRI) screens and exclusions, are accommodated within separate account guidelines and investment management agreements.

Our assets under management fall into the following countries and regions:[48]

Geographic Distribution of AUM
12/31/2022 AUM by Legal Domicile

Location	AUM ($bn)	% of Firm
North America	$33.9	61%
Rest of the World	$21.5	39%
Total	**$55.4**	



All amounts shown are USD

Asia ex-Japan includes Hong Kong, South Korea, Singapore, and Taiwan. Middle East includes Kuwait, Saudi Arabia and United Arab Emirates. Europe includes Germany, Luxembourg, Netherlands, Italy, Switzerland. UK /Ireland includes Jersey and British Virgin Islands. North America includes Bahamas, Barbados, Bermuda, Canada, Cayman Islands, US, and US Virgin Islands. 11204

Our Investments by Country or Region

During 2022, about 67% of the Firm's assets were invested in U.S.-domiciled or dollar-denominated securities. This positioning is not a function of a structural bias as a U.S.-based manager and instead reflects our views on the dollar and rate environment during this period. The majority of our equity business invests in the U.S. stock market and contributed to 35% of our U.S. country exposure. However, Brandywine Global also has a growing international equities client base, which is complementary to our global bond capabilities. Together, these strategies maintained higher-than-usual exposure to U.S.-based assets given the idiosyncratic market environment spurred by geopolitical risk, rising inflation, and the overhang of pandemic-related policymaking, and the economic response.

Otherwise, our country exposures across developed and emerging markets were representative of where our strategies typically invest. Regardless of development status, credit rating, or economic activity, these countries offered the greatest opportunity set of relative value this year.

Top Ten Countries by Investment
As of 12/31/2022

	Country	Market Value (USD)
1.	United States	35,069,531,880
2.	Mexico	2,823,859,313
3.	Australia	1,540,928,949
4.	France	1,493,347,562
5.	South Korea	1,415,069,459
6.	Brazil	1,277,590,945
7.	Germany	1,195,588,889
8.	Colombia	1,129,694,195
9.	Poland	1,003,642,240
10.	South Africa	799,555,121

Developed Emerging

Since many of our investment strategies seek price anomalies, performance objectives are often measured on a three-to-five-year time horizon to allow for a macro thesis to unfold, responsible value creation, ESG-related improvements, and risk-adjusted returns. Our clients and consultants are comfortable with our generally longer investment horizons as this approach to portfolio management also promotes effective stewardship. We believe our long-term investment interests and active ownership lend credence to our stewardship. Engaging for both information and change should take place on a multiyear timeline to ensure ESG risks and opportunities are adequately addressed by management teams and government officials.

Addressing Client and Beneficiary Needs in 2022

Upon retrospection, the feedback received from the European consultant's questionnaire in 2021, served as a proxy to identify what was most important to our global client base and stakeholders in 2022: Responsible Investment Philosophy, ESG Integration, Stewardship, Climate, Reporting, and Product Innovation.

Responsible Investment Philosophy

Before understanding our responsible investing philosophy, it is worth highlighting the four tenets of our firmwide program:

1. **Integration:** ESG factors are embedded in most of our investment research processes and are generally part of our fully informed investment decisions.
2. **Collaboration:** We collaborate across all investment teams, with entities, and participate in many industry working groups and collective engagements.
3. **Transparency:** We disclose our responsible investment efforts through annual stewardship, engagement, and membership reporting.
4. **Solutions:** We have a range of responsible investment capabilities that underscore our commitment to value investing.

Although we have refined these building blocks over time, their meaning has continued to resonate with our clients and consultants, as evidenced through conversations, presentations, survey results, and manager scores. Unsurprisingly, these four pillars are also requisite facets of stewardship reporting, which underscores their salience within our industry. This report in particular has dedicated sections on integration and collaboration, under Principles 7 and 11, respectively. Solutions, the fourth pillar, was a new addition for 2022 and signaled the expansion of our suite of capabilities beyond ESG integration.

Common principles across the Firm's three investment teams are rooted in our shared responsible investment philosophy. At a high level, we believe that:

- Stewardship is investor-led and core to our fiduciary responsibilities.
- Long-term value can be created by providing access to capital rather than denying it.
- Active ownership promotes the responsible use of capital to reduce sustainability and fundamental risks.

These broad themes are reflected in four areas: valuation anomalies, short-term risks and long-term opportunities, responsible value creation, and engagement over divestment.

Value Anomalies

In our shared commitment to value investing, our teams look for sustainability risks and opportunities that may affect the value of underlying assets or the intrinsic value of a business.

Short-term Risk, Long-term Opportunities

Our role as a fiduciary and practitioner of responsible investing is to ensure we are being compensated for undertaking short-term or intermediate sustainability risks.

Creating Value Responsibly

We believe that addressing sustainability risks should create long-term value for economies, companies, and clients. Finding solutions to mitigate these risks should be done in a cost-effective and efficient way to ultimately increase revenues, improve cash flows, and reflect those improvements in asset prices.

Engagement over Divestment

Active ownership is a critical component of active management. To be most effective, we think owning shares or debt provide better inroads to engagement than negative screens or divestment at the outset. As an investor, we believe ownership presents better opportunities for constructive conversations and monitoring risks.

Reporting

Aside from the automation of ESG scoring and a variety of climate and sustainability metrics, our clients have expressed interest in different types of regular reporting. These requests vary by client type and region and differ in terms of frequency and level of detail, including quarterly reporting on ESG integration and stewardship examples at an account level and annual reporting at a Firm or investment team level. One of our goals for 2023 is to enhance our internal infrastructure, enabling us to respond to the increased demand for reporting and the number of bespoke requests.

Outcome

A Continual Evolution of Client Reporting Requirements

Our internal ESG dashboard has been the reporting engine for a variety of sustainability metrics, including current and historical ESG scores,[49] carbon and GHG footprints, and PAIs mandated by the SFDR. While the SFDR has been a guide for emerging regional regulations, the challenge to meet client-mandated reporting still remains. Slight nuances in categories and metrics, or custom account-level reporting present challenges for all asset managers, but the impact is acutely felt by boutiques that typically lack vast resources.

Climate

Clients remain interested in our thinking on climate risk. Over the years we have shared our approach to environmental scoring, carbon and GHG footprinting, qualitative assessments across all three teams, and our in-house methodology to quantify country physical and transition risks for Global Fixed Income strategies with sovereign exposure. These analytical tools and reporting capabilities provide the internal skillset needed to manage net zero-dedicated and aligned portfolios and strategies. As part of our interim commitment to the Net Zero Asset Managers Initiative, Brandywine Global conducted one-on-one discussions with clients and consultants who had either previously inquired about our membership or expressed interest in climate-focused solutions to determine whether they would be a good fit for aligning their assets under management. After extensive due diligence, we worked with two Global Fixed Income clients with separately managed accounts to align their assets as part of our initial commitment. These assets totaled about 4% of the Firm's overall AUM as of June 30, 2022. Our initial alignment included sovereign bonds as an in-scope asset class, which we believe is a first step to addressing emissions in the real economy. Our membership to the Assessing Sovereign Climate-Related Opportunities and Risks (ASCOR) Project via Franklin Resources will be a component of our methodology and target setting for country-level emissions along with our internal proprietary research. Stewardship featured heavily in our approach in 2022 and some of our achievements in this area underscore our commitment to engagement over divestment as an important distinction in our approach to responsible investment and net zero-focused portfolio management. More detail on Brandywine Global's interim commitments can be found here.

Though not part of the separately managed accounts that were initially aligned, corporate credit and listed equities will also be in scope, and we will continue to work with our clients to determine whether their assets are appropriate for alignment.

Outcome

Climate Remains an Important Topic for Clients Despite Emerging Headwinds in U.S.

While anti-ESG and climate mitigation sentiment began to crystallize in parts of the U.S. by late 2022, climate risk and opportunity assessments remained very important to our domestic and international clients, including how these environmental topics factor into basic ESG integration. We continued to honor our memberships and commitments in this space while gauging client interest. While many clients were interested in our research, stewardship, scoring, and thought leadership in this area, we also saw noticeable reticence to align assets to certain climate commitments that some clients fear could limit opportunity sets in the medium to long term. We will remain in close communication with our clients to ensure their climate-related interests are addressed while making sure our fiduciary duties remain unencumbered.

Product Innovation

In our 2021 stewardship report, we shared our approach to sustainable investment, noting that our focus was on improving valuations and sustainability risks that resonated with our global audience. Our investment approach seeks value opportunities that are often overlooked or underappreciated by the market, and the same premise applies to sustainable investments. We are looking for companies and countries that are poised to create the policy, infrastructure, and innovation to address environmental and social issues. These entities tend to operate in or support industries that are capital, resource, and energy intensive. Usually, the market has discounted the sustainability thesis, has yet to recognize the potential there, or has overlooked the entire industry. Since we are looking for continual improvement, we want to invest in overlooked future leaders, not always necessarily the current sustainability stars. Issuers with potential will require significant amounts of capital to achieve these objectives, and we are willing to supply it.

In last year's report we also highlighted two UCITs funds, for which we are a sub-advisor, that received Article 8 designation under the SFDR. These funds helped formulate our environmentally and socially focused framework, which was also our first product advancement that built upon ESG integration and offered additional enhancements. A key differentiator is the binding elements of environmental and social factors, whereby investment decisions are made on their qualitative assessments and quantitative scores. The framework, which follows a five-step process that begins with ESG integration:

1. Integrate

The investment process begins with existing ESG integration capabilities.

2. Rate & Rank

Then, entities are assessed on environmental and social factors. Applicable portfolios and relevant investible universes are rated, ranked, and divided into deciles based on quantitative data, and for some teams, qualitative evaluations.

3. Exclude

Issuers in the lowest scoring 10% (the bottom decile) are excluded from the investable universe. Should an existing holding fall into the bottom decile, we will divest the position.

4. Engage

Stewardship with companies and countries is an important tool and provides the opportunity to review sustainability risks. Entities that fall into the ninth decile of portfolio holdings are considered mandatory in terms of outreach.

5. Commit

Investment teams will either reduce or sell an entity if environmental and social scores do not improve or engagements are ineffective over a two- to three-year time horizon. Given the Firm's identity as a long-term investor, we believe this timeline allows for entities to address sustainability risks in an efficient way and create value for our clients.

As a firm, we have not adopted a blanket policy on exclusions and negative screens or excluded large swaths of our investment universe, which can hinder our ability to find value across our investment universe. In this framework, as well as the one for impact investing in public markets, divestment is an important escalation tool and one sparingly used.

We think the application of this framework to new strategies in 2022 corroborates the resonance our approach has had with our global client base. As mentioned under Principle 2 regarding governance, this framework was vetted and applied to a U.S. Fixed Income account and multi-asset balanced fund this year. It has also been used to incubate internally managed equity accounts, such ESG-versions of Classic Large Cap Value and Dynamic Large Cap Value, which span both Equity teams.

In 2022, we also launched an impact investing framework after years' long development in partnership with consultants, our parent company, and a client that seeded a private vehicle for the Global Multi-Sector Impact Strategy. The premise of the framework is to identify opportunities through bottom-up sustainability research and analysis, use engagement to advocate for improvement, use data and key performance indicators (KPIs) to track and monitor improvements, and ultimately drive positive change. Like the other frameworks, this one also begins with integration:

1. Identify Sustainable Pathways

The investment process builds upon ESG integration and focuses on social and environmental opportunities to identify trajectories for improvement, otherwise known as "sustainable pathways."

2. Determine Potential or Progress

Issuers are categorized into demonstrating progress or leadership along a sustainable pathway or having the appropriate governance and leadership in place to create the potential for improvement.

3. Seek Impact

Use engagements as a forum to gather information, seek improvement, check on progress, and use stewardship to inform portfolio management.

4. Measure Progress

KPIs are used to narrow down an area of sustainability focus and also to track progression along sustainable pathways, manage portfolios, and report on activity. We seek improvement in measurable KPIs over a two- to three-year time horizon.

Keeping in line with our fiduciary duty, this framework emphasizes a primary returns objective and offers the opportunity to create positive environmental and social outcomes through our investments. When developing this framework, we decided to account for a range of sustainable outcomes rather than focusing on a singular theme, such as carbon emissions reduction. While net zero alignment is a sustainable pathway with related KPIs, many more outcomes are possible, including increasing contributions to and leveraging the circular economy, resource conservation, disclosure or remediation of the gender wage gap, and labor force safety and protection policies. Choosing a broad range of outcomes was an important feature, as it lends itself to unconstrained fixed income value investing, with broader applicability across equity markets as well.

Outcome

Developing Products to Meet Client Demand

After the positive reception of our environmentally and socially focused investment framework in 2021, we decided to launch a second, follow-up framework for impact investing. Both frameworks build off ESG integration and our value investing philosophy, so they are responsible investment solutions our trusted partners would come to expect from Brandywine Global. They also reflect rounds of feedback from these trusted sources, who were integral to the development and launch of these advanced capabilities.

Stewardship, Investment, & ESG Integration

Stewardship, Investment, & ESG Integration[50, 51, 52, 53, 54, 55]

Principle 7

"Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities."

We designed our ESG integration framework to span across the majority of our investment processes and asset classes and account for our shared value orientation. Our top-down, bottom-up investment approach extends to how our investment teams account for ESG risks and opportunities in price and information analyses, as we assess these factors from the broadest country and macro levels, down to sector and company-specific themes. Together, we share five features that comprise our approach to ESG integration.

Dual Research Responsibilities	Portfolio managers and research analysts analyze both ESG factors and traditional economic and financial indicators.
Materiality	We evaluate material ESG issues that may impact a country's economic growth, a company's business activity, etc.
Proprietary ESG Methodologies	ESG frameworks are integrated into longstanding investment processes.
Improving ESG Scores & Fundamentals	We examine the extent to which an entity is demonstrating improvements or deteriorations in both its economic and ESG risk profile.
Engagements	Sovereign and corporate engagements are additive to our research.

The above represents the review of Brandywine Global, which are subject to change without notice. ESG investments may be viewed as "sustainable, "responsible", or "socially conscious" among other names. Analysis and integration of ESG factors is qualitative and subjective by nature, and there is no guarantee that the ESG criteria used, or judgment exercised, by Brandywine Global will reflect the values of any one particular investor. Different investment managers may utilize and evaluate ESG factors in different ways. Investing in ESG investments carries the risk that under certain market conditions, the investment strategy may underperform strategies that do not utilize a responsible investment strategy. An investment's ESG performance or Brandywine Global's assessment of such performance may change over time.

Our investment teams are responsible for incorporating ESG risks and opportunities within their research and analysis . Where utilized, ESG indicators are evaluated in tandem with traditional financial and economic data when analyzing an investment idea, and thematic and systemic sustainability risks are discussed as a group. In our view, it is advantageous for investment professionals to evaluate ESG and financial/economic indicators together, as the teams are best-suited to identify the materiality of these factors. When collectively assessing all sets of information, our analysts and portfolio managers understand the financial and economic materiality of ESG risks relative to their thesis, outlook, and overall composition of the portfolio.

Integrated into the majority of assets and portfolio management teams, this holistic approach allows us to consider all facets of risk and ultimately determine whether we would be adequately compensated for assuming those risks, particularly in the near term. With limited exception, all three investment teams are generally interested in uncovering and understanding material ESG risks and whether they are currently or have yet to be reflected in valuations. During the research process, each team is looking for ESG improvement at a fundamental level that could serve as a price catalyst or demonstrable leadership in a challenged industry, sector, or region.

To understand the effect of ESG factors on valuations, our three investment teams include these inputs in their research and analysis, although precisely how those factors are integrated depends on each team's respective process. For instance, the Fundamental Equity team qualitatively evaluates ESG factors using its bottom-up, fundamental company research and exercises its active ownership through proxy voting and engagement.

The Diversified Equity team also expresses active ownership through proxy voting, and the issues we vote on often drive this team's engagement agenda with corporate management teams. Since the Diversified Equity team's investment process is quantitatively driven, ESG research is used as an overlay, and sustainability risks are factored into the team's deselection model. Nevertheless, the team does fundamentally assess ESG risks and opportunities during part of its investment process. The Diversified team evaluates the ESG risk-return tradeoff, and companies with high levels of controversy and sustainability risks are potential targets for deselection. However, we may still invest in companies with sustainability risks if they are actively engaged in improving their ESG profile or we determine the company's stock price fully incorporates these risks.

With respect to our Global Fixed Income team, ESG risks are considered at various points of the process: as part of the macroeconomic research overlay and the country-level price and information risk analyses—the major pillars of the team's sovereign investment process. We are tasked with identifying attractive investment opportunities and do so by searching for the highest real-yielding countries in the world and focusing on bonds and currencies that offer the most value. We monitor countries for political, economic, and policy developments that may significantly impact environmental, social, and governance conditions. To track these conditions, the Global Fixed Income team created a proprietary sovereign ESG score using 68 "E, S, and G" indicators that have been statistically tested to affect government bond prices.

When assessing ESG risks and opportunities for corporate credit positions, the team combines bottom-up fundamental analysis with the macro risks and country-level issues identified through our sovereign process. Third-party ESG scores that are weighted according to industry materiality are also an input to our evaluation of corporate credit issuers.

Material ESG Risks that We Evaluate

Listed below is a sample set ESG factors that we believe may materially affect bond and equity prices. This list is by no means exhaustive:

	Environmental	Social	Governance
Sovereigns Sample key indicators	State of the Environment, Climate Change Vulnerability, Resource Security ▪ Air quality ▪ Biodiversity ▪ Climate change exposure ▪ Dependence on fossil fuel exports ▪ Deforestation ▪ Energy and water security	Civil and Political Rights, Labor Rights & Protection, Development ▪ Minority rights ▪ Decent wages ▪ Occupational health & safety ▪ Education ▪ Poverty ▪ Healthcare capacity	Governance Risk, Regulatory, Political Risk, Business ▪ Rule of law ▪ Governance effectiveness ▪ Corruption ▪ Regulatory framework & burden ▪ Terrorism risk ▪ Business access to finance
Corporates Sample key indicators	Climate Change, Natural Capital, Pollution & Waste ▪ Climate change vulnerability ▪ Water stress ▪ Raw material sourcing ▪ Toxic emissions & waste	Human Capital, Product Liability ▪ Labor management ▪ Health and safety ▪ Supply chain labor standards ▪ Product safety and quality	Corporate Governance and Behavior ▪ Board independence ▪ Executive pay practices ▪ Ownership and control ▪ Accounting
Securitized Sample key indicators	Environmental Impact ▪ Climate change vulnerability ▪ Severe weather exposure ▪ Exposure to rising sea levels ▪ Energy conserving properties/programs (PACE)	Loan Purpose ▪ Affordable housing programs ▪ Fair lending practices ▪ Economic and demographic conditions	Collateral Analysis ▪ Reputation of deal issuer ▪ Quality of loan underwriting program ▪ Service behavior/quality, transparency

The Global Fixed Income Team

Sovereign and corporate issuers are evaluated according to our proprietary ESG rating and ranking methodology, which identify sustainability risks and opportunities that are endemic to the issuer or relative to a peer or industry group. Research analysts and portfolio managers evaluate sustainability risks alongside traditional indicators and are reflected in our investment theses and outlook. Since we track sustainability risks over the short and medium term based upon our country outlook and where we are positioned on the yield curve, the team may adjust overall exposure based on the mitigation or deterioration of those risks.

The ESG integration work done at a sovereign level often informs our sector views or the fundamental work conducted on our corporate credit holdings and vice versa. Below we include two countries of varying credit quality, development status, and geography to illustrate integrated ESG research and analysis within the Global Fixed Income team. We chose Australia and Brazil to reflect how a common theme, the role of governance in environmental risks, could play out against different development, economic, and regional backdrops.

Examples of ESG Integration Conducted in 2022

The importance of governance is an interwoven theme throughout this year's stewardship report. There are instances where a change in governance could be a positive catalyst to effect improvement in environmental and social policies and related conditions. It has been a long-held belief within the Global Fixed Income team that credible and effective governance is required for a country to have sound policies and domestic stability. We have seen the negative impact that poor policymaking can have on underlying social conditions, which can ultimately manifest themselves in prolonged periods of civil unrest; over the last few years, that view on pragmatic policymaking has extended to environmental initiatives. Therefore, we believe that governance will play a critical role in how countries meet their nationally defined contributions (NDCs) per their Paris-aligned agreements, promote innovation, support economic growth and ensure the transition to net zero is just and efficient. Every country has its own absolute and relative set of environmental, social, and governance challenges. We outline the top five environmental and social risks facing Australia and Brazil, relative to their peer groups,[56] and chose these countries because of their common themes: their top risks are largely environmental, much of those climate-related risks are correlated to transition risk, there could be significant implications for exports and trade, their economies are resource rich, and their governance scores over the last five years have plateaued or started to incrementally decline. We also selected them to highlight their differing ESG scoring, political structures, development status, credit quality, geography, and gross domestic product (GDP) composition to suggest that sustainability risks and opportunities are globally indiscriminate. Instead, governance will play a central role in whether those risks are abated and those opportunities are monetized. Importantly, 2022 was a critical election year for both countries, and that change in governance could affect environmental and social policies in the near-to-medium term. Measuring how effective that change in governance could be will depend on how well the newly installed political administrations build consensus, create coalitions, and garner international credibility from diplomatic and investment perspectives.

Australia | Quintile: A

Top 5 Environmental and/or Social Risks

1. CO2 Emissions from Energy Use
2. GHG Emissions Reduction: Progress Toward Targets
3. Total GHG Emissions
4. Water Pollution
5. Sovereign Carbon Policy

Australia is a strategically important country on the world stage, both as a geopolitical counterbalance to China and as a trade partner. It has strong alliances with the U.S., U.K., Japan, and India and has also explored stronger alignment with the European Union. Despite an increasingly frosty relationship with China, the bilateral trade relationship remains Australia's most important one and accounts for 40% of exports. Natural resources make up the lion's share of exports, and those commodities include iron ore, coal, and natural gas. According to the Global Fixed Income team, these exported commodities are an important aspect of Australia's economy. The mining industry is an engine for economic growth, and there could be tremendous upside if Australia becomes a responsible producer of the critical minerals needed for the electrification of transportation. The country also aces tantamount downside risk in the long run if it continues to extract and export coal without a just transition plan in place. Australia also has a near-term opportunity to benefit from the increased demand for natural gas as an interim solution between high-emitting and high-intensity fossil fuels and alternative, net zero energy sources and their cost curves. How Australia positions itself within the global energy transition will depend on how seriously the government takes these opportunities and uses the appropriate legislative and regulatory mechanisms to capitalize on them. The new Labor government, formed in 2022 and led by newly elected Prime Minister Anthony Albanese, has signaled that climate risk mitigation and resilience will be significant initiatives. This change in governance and related shift in climate sentiment is notable in our opinion, as the previous Morrison administration and ruling Liberal party rolled back many of Australia's environmental initiatives, including a carbon tax and national climate plan. The government-led moratorium on these initiatives is reflected in our assessment of Australia's top five sustainability risks, all of which are environmental. Similar to the U.S., Australia's regions and territories all regard and approach climate-related topics differently. Therefore, strong stewardship from the central government could serve as a unifying and guiding force.

The government and subnational bonds have served as sources of relatively inexpensive, high-quality, developed market duration periodically and, most recently, during the pandemic. Prior to 2020, the government ran twin surpluses, and we will be monitoring whether it can restore the fiscal and current account balances to those levels. Controlling inflation will be another aspect that we continually monitor, not only as a bond investor but also to observe how the government and private sector could promote transition innovation and investment against a backdrop of high costs and prices. The public and private sectors will also need to devise a plan on how to preserve jobs and GDP growth as part of Australia's net zero strategy.

Outcome

Australia remains a distinguished member of our investable universe, and while we exited exposure to Australia Government Bonds in 2022 due to price action, select strategies maintained exposure to subnational debt. The country is regularly covered by the Global Fixed Income team and has become an entity with which we engage regularly.

Brazil | Quintile: D

Top 5 Environmental and/or Social Risks

1. Crime
2. Deforestation
3. GHG Emissions Reduction: Progress Toward Targets
4. CO2 Emissions from Land Use Change and Forestry
5. Total GHG Emissions

Deforestation, its contribution to Brazil's GHG emissions, and overall loss of biodiversity have been persistent sustainability risks for the country. In his first presidential term beginning in 2003, then-President Lula da Silva had tried to provide transparency to international constituents regarding Brazil's plans to stop deforestation and reduce GHG emissions. Over nearly 20 years, the first Lula administration and all that followed have been unable to adequately solve the problem. A continual crisis in governance and related corruption scandals could partly explain the reason why many presidential administrations have failed to thoroughly address deforestation. The tension between ineffective governance, bloated public entitlements, deteriorating budget deficits, and declining social conditions may have been explanatory factors as well. It has been difficult for the Brazilian government to serve as a steward of climate action when it has been plagued by successive corruption scandals and crime and safety were societal risks that were of greater concern to civil society.

While these collective problems are far from over, president-elect Lula ran on a campaign focused on climate policy. As our top five sustainability risks show, he and his administration will have to contend with rampant crime, which is an obvious problem that directly affects society. Furthermore, crime and illegality can potentially complicate the legislation, regulation, and governance regarding climate policy, anti-deforestation, emissions reduction, and supply chain transparency. Perhaps outgoing President Jair Bolsonaro recognized the competing social and environmental risks, the cost of anti-deforestation measures, and the impact to agricultural production and abandoned climate initiatives. Nevertheless, the Bolsonaro administration joined more than 100 world leaders at COP 26 in a pledge to end the practice of deforestation by 2030. One year later, this seemed like a lofty goal as international funding, support, and training had not yet materialized. President Bolsonaro had even suggested that developed market countries, such as the U.S., should subsize Brazil's efforts to curb deforestation. This observation is not misguided because it highlights the significant funding needs that countries have to achieve environmental goals.

Illegal deforestation remains one of the greatest ESG risks based on our analysis, as well as the primary contributor to Brazil's remaining risks, which are all tied to emissions and the country's climate plan. The practice of deforestation has been used to support agricultural production, mining, and infrastructure development, all of which are important to the country's economic and trade activity. The risk lies in emerging regulation from Brazil's trade partners and the level of due diligence and transparency that may be required to import the country's commodities. This critical economic risk is a reason why Lula made climate one of the hallmarks of his campaign. To be successful, the incoming Lula administration will have to institute credible policies and governance to convince trade partners and investors that strategy and planning are credible, cost-effective, and widely accepted and implemented by the private sector. Exports, particularly within the agricultural sector, remain important to the Brazilian economy, and should provide incentive for a public-private partnership to solve for domestic food security and demands for increased transparency from trade partners.

The Brazilian real and a deep domestic bond market have been mainstays of the Global Fixed Income team's investable universe. Like Australia, Brazil faces equal parts opportunity and risk, depending on how credible and effective governance is at mitigating sustainability problems. Brazil also has the unique opportunity to become a member of the Organization for Economic Cooperation and Development and has already started the accession process. Complying with the pledge to eradicate deforestation by 2030 and providing evidence of that commitment will be one way that Brazil can establish that credibility. Proper execution could burnish the reputation of Brazilian institutions, attract fixed capital investment, improve the country's development status, address a number of ESG risks, and provide assurance to global bond investors.

Outcome

The Global Fixed Income team maintained exposure to Brazilian government bonds, treasury notes, and corporate credit throughout the year. Banco do Brasil has remained a credible and independent central bank throughout periods of political uncertainty. We will be watching the post-inauguration Lula administration to see how he and his cabinet members balance the budget deficit, put climate ambitions into practice, and focus on trade relationships and policy. To ensure we remain abreast of policy changes, we conduct engagements across the public and private sectors, including as members of the Investor Policy Dialogue on Deforestation (IPDD) initiative.

JBS

Brazil is one of the world's leading producers and exporters of processed meat; a significant portion of deforestation, biodiversity loss, and GHG emissions, can be attributed to this value chain, especially raising livestock and cattle ranching. For Brazil to truly solve these problems as a sovereign entity, major players within agribusiness must be involved in developing solutions that eradicate deforestation, promote land reuse and conversion, and improve supply chain traceability. JBS is one of those prominent companies in Brazil's private sector, as a multinational corporation, the world's largest food company, and the leading global beef, poultry, and pork producer. From a governance perspective, JBS executives were implicated in the Lava Jato scandal that plagued the public and private sector for many years. Starting in 2020, JBS announced the use of blockchain to track cattle, to prevent deforestation, and improve supply chain transparency. To further that commitment, the company introduced the Transparent Livestock Farming Platform in 2021 to increase supplier adoption of blockchain technology. That same year, JBS announced its corporate net zero by 2040 commitments, which reducing Scope 1-3 will require the eradication of deforestation. To fund these initiatives, JBS issued $3 billion in dollar-denominated sustainability-linked bonds (SLBs) with related KPIs, and an additional $1 billion local-currency SLB.

While JBS continues to roll out new sustainability initiatives, the global investor community continues to scrutinize its efforts and credibility. Demands for better transparency, including increasing the adoption rate of blockchain technology by its suppliers, remain a topic of focus for investors. The Global Fixed Income team has followed this company for a number of years, periodically engaged with management, and owned the corporate bonds in 2022, including sustainability issuance. The credibility of JBS's governance and its sustainability program may be tested if the company decides to list on a U.S. exchange in 2023-24.

Outcome

We continue to own JBS in select strategies that own corporate credit. Given our longstanding position as a bond holder, the Global Fixed Income team can have one-on-one engagements with management as well as through meetings hosted by the sell side, conferences, and roadshows. Through our work on IPDD Brazil, we also gain a different perspective on how JBS is trying to improve supply chain transparency and prevent the practice of deforestation by its suppliers.

The Fundamental Equity Team

Analyzing ESG factors is an inherent component of the Fundamental Equity team's research process and is incorporated when evaluating a potential holding and when conducting research on existing positions. We believe ESG factors can present risks and opportunities; therefore, understanding these dynamics is essential to determining if a company is trading below its intrinsic value.

To evaluate these risks and opportunities, the team created an in-house qualitative ESG assessment to guide the research process. The research analyst responsible for the respective holding assigns a color-coded rating of red, yellow, or green for each of the three ESG components. The color-coded assessments indicate the following: red is below average, yellow is average, and green is above average. Ratings are determined with the broader industry risks in mind but also with appreciation of a company's individual actions and commitments versus industry peers. The team views red ratings as a notice to engage with the company, as the rating also signals significant risk and opportunity for improvement. We monitor these ratings and update as changes are made to a company's environmental, social and/or governance strategy and situation.

Green

Green is given to companies that either do not have any significant issue in the corresponding category (E, S, G) or are industry leaders who have taken significant steps to ameliorate the relevant risks.

Yellow

Yellow is viewed as a default rating.

The exception here is for industries that are clear outliers.

Red

Red is for companies that have a clear "reg flag" or are in an outlier industry and have taken limited steps towards improvement.

We should view red as an opportunity for engagement with the company.

The Fundamental team's qualitative ESG ratings are predicated upon a proprietary rubric, which was designed to standardize metrics across portfolios and industries. The rubric assesses the materiality and relevance of the identified risks and the potential impact on company fundamentals. Some of the factors considered in the rubric are as follows:

Environmental:	Social:	Governance:
Climate Change and Decarbonization	Diversity and Inclusion	Executive Compensation Metrics
Waste and Recycling	Worker Safety	Board Composition
Water Stress	Pay Equity	Bribery or Corruption
Energy Efficiency	Supply Chain Management	Lobbying Efforts
TCFD Alignment and Disclosure	Demographic Representation and Disclosures	Share Structure

Examples of ESG Integration Conducted in 2022

Autoliv[57]

The Fundamental Equity team purchased Autoliv in the first quarter of 2022 in its Classic Large Cap Value strategy. Part of our thesis focused on the company's continued ability to grow above its industry rate, due to regulatory-driven growth in safety content per vehicle, particularly in developing markets. In our initiation, the analyst wrote, *"How many businesses save 35,000 lives a year? And prevent severe injury to approximately 300,000 potential victims. Their business just fundamentally makes things better. In fact, UN Sustainability Development Goal #3 is to halve global deaths and injury from road traffic. This is the global leader in precisely that."* We also liked that Autoliv is propulsion agnostic and that all products (e.g., airbags, seatbelts) are needed in electric vehicles (EVs). Thus, the shift to electrification doesn't hurt the company's business as it does for many auto parts companies. In fact, Autoliv is seeing a disproportionate increase in order uptake on EVs, with 45% of 2022 orders for electric vehicles up from 25% in 2021.

Outcome

The Fundamental team initiated a position in the company after understanding the inherent societal benefits created by the company's products resulting in a better-than-industry-growth rate that could also benefit from the shift to EVs.

Koito Manufacturing[58]

The Fundamental Equity team purchased Koito Manufacturing in the third quarter of 2022 in its Global Opportunistic Equity strategy. The team viewed Koito as an undervalued automotive parts company that is agnostic to vehicle propulsion and should continue to see attractive growth as EV penetration continues. Koito's products also contribute to CO2 reduction as LED headlamps are more energy efficient and consume 60% to 80% less electricity than halogen headlamps. Headlamps are needed in EVs and AVs. Since these products are more efficient, the shift toward electrification should increase LED headlamp adoption, given their lower battery load. An industry analyst explained that autonomous vehicles require more headlamps as they are easier to control digitally versus halogen lamps, which are analog. We also saw a social safety angle with the company's products. Koito's corporate message, "Lighting for Your Safety," reflects the fact that at its core, the products help keep people safe by lighting the road.

Outcome

The Fundamental Equity team's purchase of this Japanese auto parts manufacturer also illustrates the theme of sustainable benefits and opportunities that are underappreciated by the market and have continued demand even as the preferences shift to EVs.

The Diversified Equity Team

In the Diversified Equity team's approach to ESG integration, we fully incorporate these factors into our fundamental review of all investable stocks that are first identified through the quantitative process. We believe this is a stronger approach to ESG integration than simply eliminating stocks through a quantitative model. This method allows the team to fundamentally assess sustainability risks and opportunities; while we conduct our own ESG research, the team may supplement our in-house research with data and reporting from MSCI, as an additional layer of research to confirm whether any material issues could warrant a company's deselection from our investable universe. We take company-specific and sector/industry material ESG risks into account when conducting our research. Ultimately, we evaluate the risk-return tradeoff and determine whether the material ESG risk requires immediate deselection or should remain an investment opportunity if we believe the company is actively engaged in improving its ESG profile or the stock price fully reflects sustainability risks.

Example of ESG Integration Conducted in 2022

Lennar[59]

The Diversified Equity team maintained exposure to Lennar, which is one of the largest U.S. homebuilders with operations in construction, financial services, and multifamily rental properties. The company lags peers in environmental disclosures; in particular, it does not report Scope 1 & 2 emissions. From the team's perspective Lennar could benefit from adopting TCFD standards and aligning its disclosures with a universally accepted regime. In past years, the team had followed up with Lennar for engagement opportunities after the annual general meeting and proxy voting season to discuss governance issues like executive compensation and the lack of climate disclosures. We viewed Lennar's willingness to engage as a constructive sign that management was interested in understanding investor perspectives on sustainability risks, particularly after a couple of unsuccessful outreach attempts on our part.

Outcome

The Diversified Equity team owned shares in Lennar prior to 2022 and throughout the year. The opportunity to engage provided valuable insight on the company's willingness to discuss environmental and social issues. As a takeaway from the discussion, management agreed to take our recommendations to the board, including improving board gender diversity and adopting and reporting along TCFD standards.

Monitoring Managers & Service Providers

Monitoring Managers & Service Providers[60]

Brandywine Global uses external service providers to exercise our active ownership and access raw ESG data. Operations oversees the relationships of our proxy service providers, Broadridge, ISS, and Glass Lewis. Of note in 2022, Brandywine Global transitioned to ISS from Broadridge as its primary service provider. Proxy voting was conducted on both platforms for the 2022 season, and Broadridge was fully phased out by the end of the year. The Firm decided to switch proxy service providers, as our parent company exclusively uses ISS. We thought it was in our bests interests to leverage the economies of scale afforded by Franklin Resources to obtain competitive pricing from ISS, improve enterprise-wide consistency by using the same provider as other SIMs, and improve our internal recordkeeping as ISS provides superior capabilities with notetaking and sustainability categorizations. It is also easier for our teams to extract voting records, notes, and related data from the ISS platform. As part of our vendor management and due diligence, members of our proxy team, the investment teams, and Franklin Resources met with ISS to continually evaluate the platform's capabilities and solutions and determine whether it was appropriate to switch providers.

Principle 8

"Signatories monitor and hold to account managers and/or service providers."

The head of ESG manages the relationships with ESG data providers from an investment management perspective, and the head of Business Data Solutions governs them for quality and to ensure the relationships are meeting the Firm's needs. In 2022, Verisk Maplecroft and MSCI were the primary sources of inputs used to create our proprietary scoring methodologies. We periodically meet with other ESG vendors to assess our data needs, particularly as they relate to climate risk and regulatory requirements and benchmark the efficacy of our current providers. Since the inception of the Responsible Investment Council in 2022, this body also addresses data and technology related risks and challenges and provides suggestion on how to make improvements.

While our investment teams rely upon their own fundamental ESG research and analysis, they may supplement their efforts with publications issued by Verisk Maplecroft and MSCI. As an additional layer of oversight, the Vendor Management Group reviews new vendors and monitors existing ones throughout the Firm to understand the enterprise risk associated with each relationship, including our ESG service providers. Legal, Enterprise Risk, and Information Technology teams are represented in this vendor management working group to holistically assess enterprise risk.

The head of Business Data Solutions also leads an interdisciplinary working group to ensure the ESG dashboard represents the needs of the portfolio management and the Firm's clients; the investment teams, portfolio compliance, and technology are also represented in this group.

The Firm remained in contact with our ESG data vendors throughout 2022, conducting ad hoc meetings to discuss data quality, scoring methodologies, and timely data delivery.

Advocating for More Complete Information

Using our proprietary, fundamental ESG research and analysis, the Global Fixed Income team engaged with third-party ESG data providers regarding General Motors, Volkswagen, and Ford; our teams believed the sector's plan to electrify vehicle fleets have not been adequately reflected in third-party analysis. This discussion is a continuation from 2021.

As part of a collaborative engagement, members of the Global Fixed Income team arranged and led a discussion with a major third-party ESG data provider that has a complementary business as a second-party opinion (SPO) provider for sovereign and corporate labeled bond frameworks. The purpose of the discussion was to understand how the analysts conduct due diligence, the sources they use, and how they arrive at an opinion. The engagement raised a potential concern that SPO consultancies were a new and lucrative revenue stream for the provider, which could potentially compromise the impartiality of its reviews. When this vendor has been selected as an SPO for an upcoming labeled bond issuance, the Global Fixed Income team pays special attention to the thoroughness and neutrality of the assessment.

Advocating for Additional Data Sets and Efficient Delivery

Our Information Management and investment teams met with our vendors throughout the year to improve data delivery and inquire about the development status of new data sets, including those to support Net Zero. Automating data delivery was an important requirement for our teams, as this method reduces the risk of inaccurate or incomplete information, to ensure our investment teams are using reliable and timely information to make stewardship and portfolio management decisions. We also met with data vendors to review service level agreements and trouble shoot problems that may affect data delivery, such as file names, punctuation, and row/column changes. Our internal teams also leveraged recurring meetings that Franklin Resources scheduled with new and existing vendors.

Outcome

Our vendors have been responsive to our needs, and we will continue to work with them to build new data sets and promote efficiency in the delivery of this information to our ESG dashboard, portfolio compliance platforms, and trading terminals. We will also continue to advocate for more neutral qualitative assessments and for third-party research to contain more material risk factors.

Engagement

Engagement[61, 62, 63]

Engagements are a central component of each investment team's ESG integration. We use engagement interactions to better inform our investment decisions, suggest pragmatic policies, and avoid investments that pose an untenable level of material risk. Engagements may occur at any stage of the investment process, usually triggered when we have identified an issue or practice that requires more information to understand the issuer's strategy. Given the expansion of our responsible investment capabilities, opportunities for engagement may arise as a material risk uncovered through ESG integrated research, due to a focus on environmental and social factors and scoring, or as an opportunity for impact. Initial outreach may first begin with an email, letter, or phone call—depending on the relationship and access our investment teams have with the issuers or related stakeholders. Our goal is to always seek direct virtual or in-person meetings to discuss sustainability risks and opportunities and foster ongoing dialogue thereafter.

Principle 9

"Signatories engage with issuers to maintain or enhance the value of assets."

Given our expansive opportunity set across all three investment teams, our engagement approach remains consistent across countries and regions; however, all engagements are driven by country-, sector-, and company-specific ESG risks that are material to the entity. In the event we require a local perspective during the engagement process, we will solicit advice from local and regional investment banks or third-party analysts with expertise in a particular country or continent.

The trajectory of an engagement period may differ based on the sustainability risk, the materiality of that issue, the response from the entity, and how this information could impact our overall investment decision. The outcome may be positive if the entity is aware of and addressing a sustainability risk, neutral if there is awareness of risk though more time is needed to execute upon a plan, or negative if there is an unwillingness or inability to address our concerns. When engagements expose a significant downside to sustainability risks, we will either closely monitor, reduce, or completely exit a position. For our equity teams, we may also supplement our engagements with proxy voting by voting against management on a targeted concern.

Engagements by Team

64 Global Fixed Income[64]

49 Fundamental Equity

32 Diversified Equity

145 Firm Total

17 Engagements with 2+ Teams Collaborating[65]

ESG Categories Addressed in Engagements[66]

Environmental	100
Social	72
Governance	113

The Global Fixed Income Team

41 Government-Related Engagements

23 Company Engagements

Environmental 41

Social 20

Governance 57

The Global Fixed Income Team

There are many opportunities to engage with a country within the public and private sectors. Seeking input from a diverse set of institutional actors complements our information risk analysis of a country. Though this list is not exhaustive, we seek engagements with the following types of entities and institutions:

- Government officials, particularly treasurers and central bankers
- Members of both the political majority and minority
- Cabinet members and ministers
- Non-governmental organizations
- State-owned enterprise management teams and board members
- Supranational agencies like International Monetary Fund, World Bank, and Institute of International Finance
- Investment bankers
- Business leaders and corporate management teams
- Credit ratings agencies
- We may also leverage discussions with the private sector to either help us arrange or prepare for a meeting with government agencies

Engagement with the New Zealand Debt Management Office (NZDO)

This year, we are highlighting our continual engagements with the NZDO to illustrate how the information gained from stewardship helps supplement our overall research and portfolio management. The Global Fixed Income team met with the NZDO throughout 2022 to review and provide feedback on the country's green bond framework and inaugural bond issuance. The purpose and scope of these interactions demonstrate why ESG integration, stewardship, and the umbrella of responsible investment are important to Brandywine Global. New Zealand is a high credit quality developed market, with a top-quintile ESG score according to our methodology. As a team, we were interested in how the NZDO was developing its green bond framework. As an example, New Zealand introduced a carbon trading market back in 2008, which in our view, was an advanced step for any economy regardless of development or creditworthiness. Notably, New Zealand was well on its way to net carbon neutrality, and so we wanted more information on the goals, projects, use of proceeds, and KPIs that would be part of the country's framework. However, the country has not been able to address GHG emissions from one of the most important sectors in its economy: agriculture. Much of our dialogue in each session would focus on refining in scope projects and use of proceeds as well as determine how much would be allocated to subsidies and investment in innovation. For example, our team wanted to understand how project funding would tackle lowering methane emissions without impairing the export-reliant agriculture sector. Throughout discussions, we signaled that our participation in the issuance would depend on liquidity, tenor, and price, as the governance and credibility of the sovereign issuer were solid in our view.

Objective:	Engage for Change
ESG Categories Covered:	Environmental and Governance
Status:	Ongoing

Outcome

The Global Fixed Income team participated in the NZDO's first green bond issuance, lending an important investor perspective when the country was developing its green bond framework. We swapped existing New Zealand government bond exposures in select accounts with the green bonds. The credibility of New Zealand's program, including how some proceeds were earmarked to help developing countries in the Pacific reduce climate risk, were in line with our overall view of the country. The opportunity to work with the NZDO on a project that has real world outcomes and relevance to global bond investing was valuable, and the Global Fixed Income team wants to serve in this role in a greater capacity both in terms of frequency and as an investor perspective. We believe this work benefits our investment process, the countries in which we invest, and our stakeholders, which most importantly include our clients.

Engagement with Braskem

Our team's engagement with Braskem management highlights the types of discussions we have with companies that operate in sectors that are difficult to decarbonize or "green." The Global Fixed Income team met with Braskem's management team. The team has maintained long-term exposure to the company's corporate bonds, and its business in chemicals represents an environmentally challenging industry. Furthermore, a Mexican large state-owned oil company is also a supplier, so the engagement was helpful in gaining information on both entities and also provided the benefit of understanding the financial and sustainability risks within the value chain. While the multinational company has a global presence, it is valuable for us to evaluate its businesses in Latin America through our sovereign lens. While Braskem does not have a formal net zero commitment, the company does have a carbon reduction initiative, which was part of a broader plan to contribute to the circular economy. This pledge has carbon reduction initiatives. During the discussion, Braskem shared its plan to achieve carbon neutrality in line with the Paris Agreement. It has 2030 and 2050 goals. These plans include climate mitigation and adaptation initiatives which aim to reduce, offset and capture emissions as well as adapt its operations to become resilient to potential climate risks. As part of its plan, Braskem has improved energy efficiency in its operations, increased use of renewable energy, and expanded its portfolio of chemicals and polymers from renewable sources. The company is also looking to innovation and technology, particularly with respect to product development and improvement, to meet its climate commitments.

Objective:	Engage for Information
ESG Categories Covered:	Environmental and Governance
Status:	Ongoing

Outcome

We will continue to hold the bonds and engage with management. It would be a positive to see the company make firm climate commitments using a broadly accepted methodology. Current and future dialogue is important in understanding regional trends in climate risk mitigation and how perception on this topic may change.

The Fundamental Equity Team

49 Companies Engaged

Environmental	44
Social	41
Governance	42

The Fundamental Equity Team

As a fundamental, bottom-up investor, dialogue with company management is a core element of the Fundamental Equity team's research process. We seek to engage with companies on a regular basis to either understand risks and opportunities, seek changes that we believe will enhance the value of an investment, or improve disclosure as it relates to companies' ESG efforts. We focus on issues that we believe to be material to the value of the company's shares. While every engagement is unique, key topics featured within the team's ESG rubric guide discussions.

Engagement with PPL Corporation[67]

The Fundamental Equity team engaged with PPL Corporation's CEO, chief sustainability officer, and investor relations to better understand how management is planning for the energy transition, including plans to shift away from coal and toward renewable fuels. The team owns shares in the Classic Large Cap Value strategy. The company's Kentucky coal plants are slated to close in 2034 and we were curious to learn if there was a path to an earlier closure. The objective of the engagement was to understand barriers to retiring coal plants and PPL's intended timeline to do so. We learned about regulatory impediments to plant closure and that there is a path to an earlier-than-previously stated closure if PPL can show regulators that retirement is economical. Under Kentucky's regulatory framework, PPL isn't restricted from retiring coal plants, but if the company wants the commission to approve the replacement generation, it must show the retirement is economical. Regulatory decisions can only be made on cost and reliability. Management sees a path to a 2027-28 closure. Into the 2030s, PPL expects the cost of coal to go up and to see more renewable sources of power—primarily through solar, and new energy storage capabilities—to become more prevalent. The company remains focused on a just transition and have sites in rural areas where plants can be torn down and replaced with small modular reactors, the transition would be good for the tax base.

Objective:	Engage for Information
ESG Categories Covered:	Environmental, Social, and Governance
Status:	Ongoing

Outcome

Utility and power companies are an important part of the overall energy transition. The team will continue to engage with PPL and monitor its transition and retirement timeline.

Engagement with Barratt Development[68]

The Barratt Development engagement shows our ongoing dialogue with a company that addresses environmental challenges and is now beginning to address social issues. The team engaged with Barratt's CEO to discuss sustainability efforts and encourage additional progress on the company's DEI efforts. The Global Opportunistic Equity strategy owns shares in this U.K. company. We discussed its relationship with St. Gobain—a supplier to homebuilders that we featured in our 2021 report—about collaboratively developing industry solutions. We praised Barratt as a company truly behaving like an industry leader. Sustainability is integrated into every investor communication and the CEO did not need "the ESG person" to explain these issues clearly and thoughtfully as these goals are embedded in top-down decision making. We discussed some of the difficulties of understanding 3P[69] emissions which we find to be the most critical piece by far.

In our opinion, Barratt is much further along on environmental and climate initiatives than it is on DEI. Thus, we discussed with their new head of DEI and the reporting line of the role, which reports to human resources, and then to the CEO. The CEO thinks the company is doing what it needs to do on gender representation, which has received a lot more focus generally in the U.K. Race-based and ethnicity reporting is limited as better data is needed. Therefore, Barratt is working on getting the data and understanding where the company is on representation. The CEO thinks the company is reasonably good at board-level diversity versus peers. We encouraged them to make progress on measurement and setting goals for improvement across the organization as it relates to ethnicity.

Outcome

The team has owned Barratt Development for several years and continues to view the builder as a leader in environmental and climate initiatives, including partnerships with St. Gobain, another European company that is part of their value chain and also a leader in this area. Barratt needs to make gains in DEI initiatives, and we encouraged the company to make progress on measurement, disclosure, and setting goals for improvement across the organization as it relates to race and ethnicity.

Objective:	Engage for Information
ESG Categories Covered:	Environmental, Social, and Governance
Status:	Ongoing

The Diversified Equity Team

The Diversified Equity team approaches engagements in a slightly different way than our two other investment teams. As previously mentioned, the Diversified team follows a quantitative investment process, and then uses a qualitative ESG overlay to potentially deselect a company from the investable universe. We typically engage with companies once we uncover material risks during our ESG research and analysis. However, the team also uses proxy voting results as a systematic way to drive the engagement process. For this team, we typically use proxies on executive compensation where we voted against

The Diversified Equity Team

32 Companies Engaged

Environmental	30
Social	31
Governance	29

compensation that is not aligned with performance. Though we often initiate our engagements on this important governance issue, it opens the door to engagements on a wider array of ESG initiatives. Upon meeting with the management team, we will often raise other sustainability risks and opportunities during our constructive dialogue. These topics include TCFD disclosures, net zero commitments, and promoting diversity and inclusion initiatives within the workforce, senior leadership, and the board of directors.

In 2022 the Diversified Equity team engaged with 10 out of 11 Global Industry Classification Standard (GICS) sectors. The top two industries that the Diversified Equity Team engaged with in 2022 were banks and homebuilders, as these industries tend to misalign pay with performance. The team often engages companies where we voted against the executive compensation plan, as we have found that companies that miss the mark on this important corporate governance issue tend to be laggards in other areas such as climate-related issues and social-related issues such as DEI.

D.R. Horton[70]

Using D.R. Horton illustrates the regional differences in homebuilders with respect to the U.S. versus a company like Barratt in the U.K. The Diversified Equity team, along with the Fundamental Equity team, engaged with D.R. Horton investor relations to understand its environmental efforts and provide recommendations to improve tracking, measuring, and disclosing environmental data. The objective of the engagement was to get the company to publish a sustainability report to make information transparent and accessible to investors and use the TCFD framework to disclose emissions and set targets. Through the engagement, we learned about hurdles to data collection and the company's efforts to utilize a sustainability firm to assist with measurement to facilitate target setting. The company plans to publish an inaugural ESG report in early fiscal 2023, and upon reviewing it, Brandywine Global plans to provide additional feedback.

Outcome

D.R. Horton is one of the several U.S. homebuilders held by the Diversified Equity team. Because of the complexities in the industry's value chain, we will continue to recommend robust environmental disclosures. When compared to Barratt Homes in the U.K. (owned by the Fundamental Equity team), U.S. homebuilders generally lag in many sustainability areas, including disclosures. The teams will continue to engage with D.R. Horton and other U.S. peers.

Objective:	Engage for Information and Change
ESG Categories Covered:	Environmental, Social, and Governance
Status:	Ongoing

Collaboration

Collaboration[71, 72]

Principle 10

"Signatories, where necessary, participate in collaborative engagement to influence issuers."

At all times we act as an individual fiduciary and make our investment decisions independently. Our collaborative work is undertaken with the single aim to protect client interests. We believe that collaborative engagements provide a valuable forum to supplement our informational analysis to provide the best risk-adjusted outcomes for our clients. Brandywine Global participates in several industry working groups and also fosters collaborations within our own investment teams when we when we have overlapping holdings.

During collaborations we do not seek to represent all potential engagement topics with an issuer. Rather, we focus on topics that are germane to the group of investors participating. Non-public, proprietary information, or price-sensitive information is not shared during any collaboration, nor do the separate investors enter into any binding agreement with each other to vote or invest in a certain way; each investor retains full independence in any subsequent decision-making.

Industry Collaboration

We have become increasingly involved in multilateral global ESG efforts, beginning in 2017, when the Firm signed the PRI's Statement on ESG in Credit Ratings and became a founding member of the organization's advisory council. The opportunity to become more involved in these global initiatives has been invaluable, giving our investment professionals access to industry peers and their best practices, emerging sustainability themes, and our issuers. We have also welcomed the opportunity to share our approach to ESG research and analysis with our peers and the targets of these engagements, as responsible investing is positive-sum for all collaborators.

We are now active members in several collaborative engagements and have undertaken two leadership roles in two new efforts that we were invited to join in 2022.

- (2017) PRI Advisory Committee on Credit Ratings: served as a founding member on the committee.
- (2020) Investor Policy Dialogue on Deforestation (IPDD): joined the Brazil and Indonesia workstreams during the initial phases.
- (2020) Climate Action 100+: joined the Petróleos Mexicanos (Pemex) investor working group.
- (2021) Climate Action 100+: joined the Eskom and Saudi Aramco investor working groups.
- (2022) IPDD Demand-side: invited to co-found and co-chair third new workstream that focuses on countries/regions that import commodities.
- (2022) PRI-led Collaborative Sovereign Engagement on Climate Change: invited to serve on the inaugural advisory committee of this new working group focused on Australia.

The PRI's Credit Rating Advisory Committee

We joined this committee as a founding member given the significant opportunity for credit ratings agencies to improve how ESG factors are incorporated into their analyses. Along with other investment managers, we promote the adoption and transparency of ESG factors throughout credit markets, particularly the ratings agencies. Our participation in this industry-wide working group underscores the belief that our fundamental research—as well as the broader industry—benefits as credit ratings agencies better account for ESG factors in their ratings so that bond prices can reflect the appropriate level of information risk.

Outcome

Status: Ongoing

Credit rating agencies have factored ESG risks in their outlooks and have even created their own factor methodologies. These are constructive actions and Brandywine Global remains committed to working closely with these agencies via our role on the advisory committee.

Climate Action 100+ Collaborative Engagements

We joined Climate Action 100+ in 2020 to enhance our climate risk analysis and engagements. Our role in these groups is to supplement our informational analyses for the energy transition; understand the risks and opportunities at a macro, country, regional, and sector level; and discuss plans with the entities involved and provide feedback. At times, we may purchase the debt issued by these entities, or in the case of Eskom, purchase the sovereign bonds, and the country is the sole source of funding for the state-owned enterprise.

Pemex

The Global Fixed Income team remained committed to the collaborative engagement with Pemex, as we noted the significant environmental and governance headwinds through our own analysis. In 2022, meetings with Pemex's management team were closed to the leads of the working group. However, we benefitted from the post-meeting notes and discussions. During the year, the management team requested a grace period to ramp up its sustainability efforts and work with the federal government to appoint leadership roles as the producer is a Mexican SOE. Given a number of safety and environmental issues in 2021, this request for lead time seemed reasonable. This working group has collaborative engagements with Pemex and its sustainability leaders slated for 2023. In the interim, the Global Fixed Income team will continue its own one-on-one engagements.

Outcome

Status: Ongoing

We remain committed to the working group and continue to monitor Pemex internally, as it remains strategically important to Mexico's economy. The Global Fixed Income team uses its inroads with management to conduct our own meetings. For certain environmentally and socially focused and impact strategies, Pemex remains ineligible due to its UN Global Compact status, offering an additional reason to continue engaging with the SOE.

Saudi Aramco

Members of the Global Fixed Income team participated in planning phases and an eventual June 2022 collaborative engagement with Saudi Aramco. As part of our contribution, we flagged Saudi Aramco's intention to delay its decarbonization plans for another decade. The discussion with the management team was focused on three key areas:

1. Decarbonization
2. Scenario Analysis
3. Responsible use of carbon offsets

In a banner year for crude oil prices, Saudi Aramco had little incentive to begin its transition away from pureplay fossil fuel production. Looking at the situation another way, record profits and cash could provide the right conditions to begin to invest in renewable energy production and the requisite infrastructure. Management recognized that decarbonization and diversification is extremely important, and also noted Saudi Arabia's intention to have 50/50 renewables and gas by 2035. Of note, Saudi Aramco is investing in more transitional and renewable fuels to improve efficiency, expand carbon capture sequestration, and create a more resilient operating model over time. The Saudi Aramco team believes these areas of focus will help the company attain a leadership position within the region and broader industry.

Outcome

Status: Ongoing

Brandywine Global and the group at large remain committed to engaging with Saudi Aramco, particularly because the new sustainability and investor relations team in place is open to engaging with investors. The Global Fixed Income team sold out of its bond position by 2022 due to price appreciation.

Eskom

Following a late 2021 engagement with Eskom's management team, the Global Fixed Income team agreed to participate in a sign-on letter addressed to President Cyril Ramaphosa and the South African government. After the engagement, we believed there was a disconnect between investors and Eskom's view on how it is addressing climate risk, its reliance on coal, and its overall emissions. Since Eskom is an SOE that largely relies upon public funding, the escalation to the president seemed like a logical next step. The letter was signed and endorsed by members of the collaborative working group, and its contents highlighted South Africa's climate commitments, the focus on a just transition, and the need for climate finance given the significant outstanding debt loads of both Eskom and the sovereign.

Outcome

Status: Ongoing

Given issues with governance and allegations of corruption, the working group was not able to engage in dialogue with Eskom's management in 2022. However, we continue to support the working group and internally, we continue to monitor the fiscal health of both South Africa and Eskom. The Global Fixed Income team continues to evaluate how the country could explore alternate sources of funding, particularly from developed markets. The team has not maintained exposure to Eskom's bonds, as their price and fundamentals do not provide adequate compensation for the level of risk.

PRI-Supported or Led Collaborative Engagements

IPDD Brazil, Indonesia, and Demand-side Countries

In light of our extensive participation within the Brazil and Indonesia collaborative engagements, Brandywine Global was invited to launch and co-chair a new, third workstream in 2022, which will be focused on the demand side. These countries are some of the largest importers of commodities produced on deforested land, and those sources of demand emanate from the U.S., U.K., and European Union. We were asked to co-chair the third workstream, and we believe this work supplements our macroeconomic research as the supply-demand technical could have an impact on inflation and trade relationships. We initially joined the two IPDD groups since both countries are in the Global Fixed Income team's investable universe, and our internal ESG research shows they must address the environmental, social, and economic costs of deforestation—and if left unresolved—present economic and financial risks to their economies. Collective action at the sovereign level is especially important if investors want to enact meaningful enhancements to government policy. As part of our ongoing contributions to both groups, we have shared our country-level and macroeconomic research, opined on policies, assisted with informal and formal stakeholder mapping, hosted informational sessions, and participated in engagements—serving in various speaking roles.

Outcome

Status: Ongoing

We remain fully committed to the IPDD initiatives to ensure long-term financial viability of investments in these countries by promoting sustainable land use and forest management and respect for human rights. In the future, we think there is ample opportunity to also engage with the countries responsible for the importation of commodities produced on deforested land, as this remains a key risk for global supply chains. By joining the third workstream that addresses the importation of these commodities, Brandywine Global can help foster responsible demand and transparency.

Collaborative Sovereign Engagement on Climate Change: Australia

Our work across the IPDD workstreams was also helpful in receiving an invitation to join a new collaborative investor group in 2022. The Global Fixed Income team's continual engagements with different government agencies within Australia was also a reason why our Firm was invited and why we accepted the opportunity to join the group's advisory committee. This pilot group led by the PRI was designed to foster collaboration with the Australian government to better understand how all institutions and the private sector account for climate risk and how all parties can prepare for mitigation and resilience. Given the Global Fixed Income team's relationship with the Australia Office of Financial Management (AOFM) and continual engagement with the agency, we offered to schedule and lead a collaborative engagement. The collaborative engagement served as an introductory call for the agency and investors to understand the role of the agency and gauge the appetite to create a green bond framework and inaugural issue.

Outcome

Status: Ongoing

Brandywine Global remains committed to this new working group, and we understand the importance of timing with Australia's new government and its commitment to addressing climate risk. We plan on continuing to engage with agencies such as the AOFM and Reserve Bank of Australia on our own accord and also making meaningful contributions to the working group.

Cross-Team Collaboration

With value investing as an overarching theme across Brandywine Global, there are inevitably mutual holdings across the investment teams. Whenever possible, we coordinate stewardship across investment teams and asset classes, either to assess ESG themes at a macro level, discuss ESG research and analysis for shared holdings, or conduct collaborative engagements for mutually held entities—even when that ownership is in different parts of the capital structure.

J.P. Morgan Chase & Company[73]

All three investment teams engaged with the J.P. Morgan team in February 2022 as we owned different parts of the capital structure. The equity teams subsequently engaged with J.P. Morgan two more times during the year. This call presented the opportunity to discuss the bank's financed emissions, how it accounts for sustainability risks, particularly environmental impact, in its lending due diligence and underwriting processes. Since the bank also underwrites a number of bond issues that the Global Fixed Income team has participated in, we wanted to understand how J.P. evaluates sovereign and corporate issuers. Our teams also wanted to understand the governance measures in place to understand how J.P. Morgan's environmental and social commitments are overseen and implemented across such a vast multinational company.

Outcome

Status: Ongoing

Our investment teams will continue to engage with large banks together as they have done in the past and coordinate our stewardship efforts. To support environmental and social goals, we believe that effective governance is required in order for the company to meet its ESG goals and commitments. J.P. Morgan stands out as a leader that preemptively reaches out to its investors and is always willing to engage. We will continue to meet with the team and monitor the bank on its stated plans to address financed emissions.

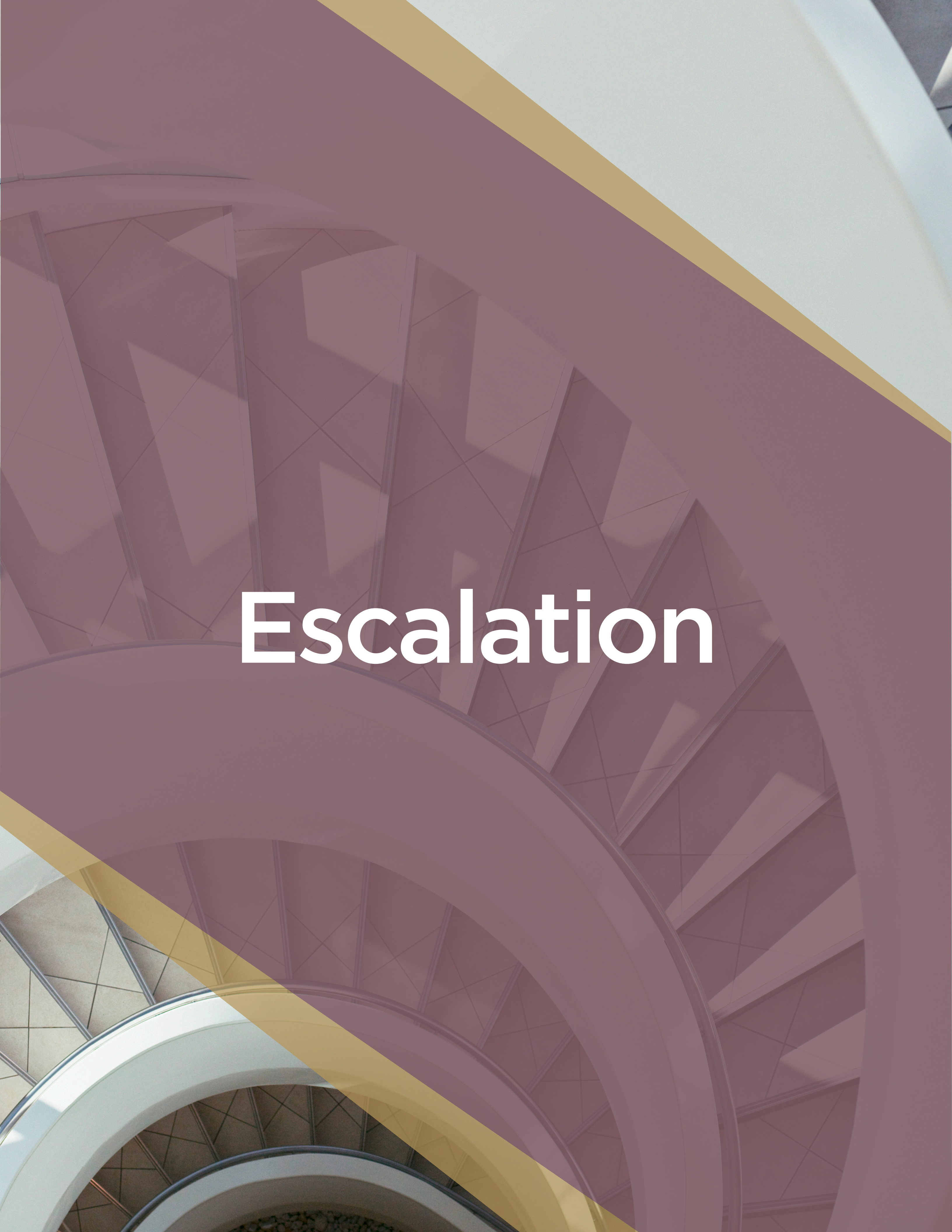
Crown Holdings

The Fundamental and Diversified Equity teams engaged with Crown to better understand recycling barriers and how the company is working to improve recycling infrastructure and increase the recycling rate in the U.S.—which is relatively low. We learned that the U.S. doesn't have a national recycling program, and everything is done largely at a municipal level based on individual company collections. Other barriers come from poor technology, where proven recyclable items such as cans are often missed at recycling facilities. Crown is providing grants to recycling centers to add eddy currents, which help catch more aluminum as cans go through conveyer belts. Crown is also working with trade organizations and governments toward a nationwide deposit system. The company is looking to improve its U.S. recycle rate to 70% by 2030, 80% by 2040, and 90% by 2050.

Outcome

Status: Ongoing

The Fundamental Equity team has been a long-term shareholder of Crown Holdings, and believes its products are an important part of value chains and the circular economy. The lack of recycling infrastructure in the U.S. has been a recurring problem that has been raised in other engagements, including one with Conagra.



Escalation

Escalation[74]

Principle 11

"Signatories, where necessary, escalate stewardship activities to influence issuers."

We rely on a number of escalation methods in the event a company or sovereign entity/agency has been unresponsive to our attempts to engage, unreceptive to our feedback on sustainability risks, or failed to address/remedy risks in a timely manner. We may employ the following escalation methods depending on the entity's response and urgency of the risk:

Engage with Other Decision-making Bodies

When working with corporations, we may escalate our issue directly to the board of directors, corporate management team, or general counsel, depending on which party has been unresponsive.

Regarding sovereign engagements, we may initiate contact with other influential government agencies that may be interested in discussing ESG risks and opportunities. We may also work with relevant third parties such as the World Bank or investment banks underwriting government new issuance to either discuss these risks or broker a meeting with the relevant government agencies.

Seek Collaboration

We may look to our industry memberships, including the PRI and Climate Action 100+, to solicit feedback from our existing collaborations or join working groups designed to collectively address an unresolved issue.

Exercise Proxy Voting

For positions where we are a shareholder, we will address unresolved matters through our proxy vote, either against management via compensation or director elections or by supporting a relevant shareholder proposal.

Divest

In the event the unresolved issue poses an even greater risk to our fiduciary obligations and investment objectives, we will divest the position with the intent of preserving liquidity and avoiding a forced sale.

Outcome

Status: Ongoing

We continue to use collaboration as an effective form of escalation. This tactic has significant informational benefits to our overall research and highlights our general preference for engagement and ownership instead of divestment. Our follow up letter to the South African government as a member of the Climate Action 100+ Eskom working group, position on the advisory committee on the collaborative sovereign engagement on climate change in Australia, and position in the IPDD demand-side working group reinforce our approach. These roles also emphasize the preliminary engagement groundwork that we conduct as an individual investor that also serves a broader group. Finally, these collaborative opportunities complement our internal macroeconomic and country-specific research, as the risks emanating from these entities could have systemic consequences.

Exercising Rights and Responsibilities

Exercising Rights and Responsibilities[75, 76, 77]

Proxy Voting[78]

When voting proxies, our goal is to act prudently and solely in the best economic interest of our clients, for whom we are voting on their behalf. The manner in which we vote is consistent with efforts to maximize shareholder value. Furthermore, it is our responsibility to exercise active ownership through proxy voting to support practical corporate governance, sound ESG policies and practices, communicate our views to companies, and promote change. In cases where we believe management has not taken sufficient efforts to address material environmental or social risks, we may choose to support shareholder proposals aimed at enhancing shareholder value or risk mitigation in alignment with our fiduciary principles. To promote transparency, our Proxy Voting Policy is publicly available.

Principle 12

"Signatories actively exercise their rights and responsibilities."

Steps of Proxy Voting:

1. Acting as a fiduciary, our goal in voting proxies is to act prudently and solely in the best economic interest of our clients.
2. We use Glass Lewis to provide additional context, research, and thought leadership around voting; since we adhere to our own proxy policy, we do not always vote in line with its recommendations.
3. We consider environmental, social, and governance issues that may impact the value of the investment, either through introducing opportunity or by creating risk to the value.
4. We view proxy reviews and voting as an important way to discover governance risks and opportunities. Where we see meaningful risk factors, we will reach out to management, evaluate their responses, and judge whether the risk/opportunity is accurately reflected in the price.

2022 Voting Results

We exercised 100% of our eligible voting rights in 2022, participating in 118,053 resolutions. The table below provides additional details on how we voted for and against management and our proxy service provider, Glass Lewis. As noted earlier in this report, Brandywine Global transitioned to ISS from Broadridge as our proxy voting service in 2022 and used both platforms during the year to cast votes. We will use ISS as the exclusive provider for the 2023 proxy season and onward.

2022 Voting Results

Action Taken	Number of Votes	Percentage of Votes
Votes **against** Management	7,140	6%
Votes **for** Management	107,377	91%
Votes **against** Proxy Provider Recommendation	3,408	3%
Votes **for** Proxy Provider Recommendation	113,055	96%

Our complete 2022 proxy voting record is published online: 2022 Proxy Voting Record - ISS Proxy Exchange and 2022 Proxy Voting Record - Proxy Edge

Example of a Vote in Favor of a Shareholder Resolution

The Diversified Equity team voted in favor of a shareholder proposal for Valero to disclose near- and long-term GHG emission reduction targets aligned with the Paris Agreement. We felt this proposal was not overly burdensome and that the largest independent refiner is vulnerable to climate risks. If the company is not positioned to benefit from a transition away from petroleum-based products, financial performance will be adversely affected in our opinion. Additionally, we believe that Valero could benefit from improving its climate disclosures and its transition toward net zero as it lags peers and does not disclose a reduction target for Scope 3 emissions.

Outcome

This resolution received support from 33.1% of shareholders. We plan on engaging with management on this topic in 2023.

Example of a Vote Against Management

We also voted against the approval of Valero's executive pay package. Although the compensation plan adopted an energy transition performance measure—and the overall plan is reasonably structured—we ultimately voted against the plan due to a large equity grant to the CEO resulting in a misalignment between pay and performance and a lack of rigor of performance thresholds by targeting median total shareholder return.

Example of a Vote in Favor of a Shareholder Resolution

The Fundamental Equity team voted in favor of a shareholder proposal that requested Kroger issue a report—at reasonable expense and excluding proprietary information—describing how the company could reduce its plastics use in alignment with the one-third reduction findings of the Pew Report or other authoritative sources to reduce its contribution to ocean plastics pollution. The board recommended voting against the proposal, noting its current efforts to reduce plastic use. We did not believe the report being requested via the shareholder to be overly onerous and believed the report would increase the company's transparency in relation to its efforts to reduce plastic use.

Outcome

This resolution received support from 45.56% of shareholders. We continue to monitor the company's disclosures in relation to its plastics use and will seek to engage with the company regarding its plans on plastic usage in the future.

Example of a Vote in Favor of a Shareholder Resolution

The Fundamental Equity team voted in favor of a shareholder proposal requesting the AT&T board adopt a policy and amend its governing documents, such that whenever possible, the chair of the board be an independent director. We believe an independent chair is best suited to represent shareholders' interests and to carry out its primary duty, which is to monitor the management of the company and its executives on behalf of shareholders. A CEO who also serves as chair can exert excessive influence on the board and its agenda, weakening the board's oversight of management. Should the proposal pass, it would ensure the future independence of the AT&T chair. Currently, AT&T's chair is independent, and we commended them on the separation during an engagement with the company in September.

Outcome

While the proposal did not pass, the board noted the importance of having an independent chair. The board believes it is important for AT&T to retain its flexibility and not unnecessarily restrict the ability of future directors to consider new or different circumstances in structuring AT&T's board. We will continue to advocate for chair independence moving forward.

Example of a Vote in Favor of a Shareholder Resolution

The Fundamental Equity team voted in favor of a shareholder proposal recommending the Meta Platforms board commission a report by an independent third-party, which would be prepared at reasonable cost and omit proprietary information, to assess the potential psychological and human rights harms that users may be caused by the use and abuse of the platform and whether harms can be mitigated or avoided. We believe having a third-party review and report on this topic could help uncover additional risk and avoid future litigation, fines, reputational damage, and regulation.

Outcome

This resolution received support from 23.76% of shareholders, raising the profile of this matter to the board. We continue to monitor the company's disclosures and have engaged with the head of its Human Rights Policy team to better understand its efforts to mitigate this risk.

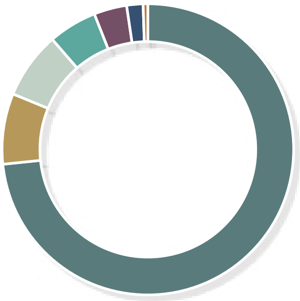
Example of a Vote in Favor of a Shareholder Resolution

The Fundamental Equity team voted in favor of a shareholder proposal that asks ConocoPhillips to set climate reduction goals. The proposal underscores that there are serious financial implications to global warming and that the policies of energy companies are crucial to confronting and tackling the climate crisis. Conoco does not set and publish short-, medium-, and long-term targets related to reducing its Scope 1, 2, and 3 GHG emissions, consistent with the Paris Climate Agreement. We believed it was important for the company to set and publish these goals. We have engaged with Conoco on its decision not to set Scope 3 targets, commended them on its decision to expand their GHG targets from operated to non-operated assets, and discussed other aspects of its emissions reduction efforts.

Outcome

This resolution received support from 39.44% of shareholders. We intend to monitor the company's progress and continue to engage with them around their transition plan.

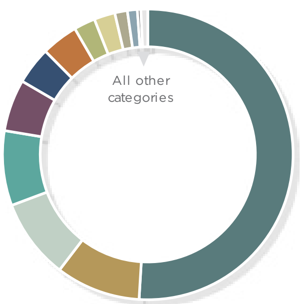
Proxy Votes Cast by Category



Board of Directors	85,057
Executive Compensation	9,096
Independent Auditors	8,596
ESG Issues	6,255
Miscellaneous	4,229
Decision on Shares	2,098
Transactions	603

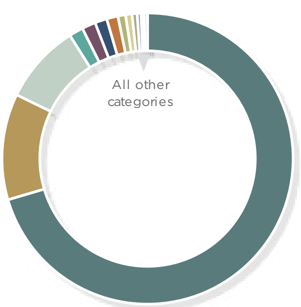
Votes on Shareholder Proposals by ESG Topic

Proxy Edge



	S/H Proposal - Corporate Governance	1,200
	S/H Proposal - Political/Government	222
	S/H Proposal - Establish Independent Chairman	210
	S/H Proposal - Human Rights Related	196
	S/H Proposal - Environmental	136
	S/H Proposal - Create a Non-Discriminatory Sexual Orientation Policy	98
	S/H Proposal - Health Issues	96
	S/H Proposal - Report on Charitable Contributions	56
	S/H Proposal - Executive Compensation	55
	S/H Proposal - Create Threshold as to Number of Shares Held to be Director	33
	S/H Proposal - Report/Reduce Greenhouse Gas Emissions	26
	S/H Proposal - Election of Directors By Majority Vote	9
All other categories	S/H Proposal - Add Women & Minorities to Board	8
	S/H Proposal - Military/Weapons	8
	S/H Proposal - Shareholders be Given Access to Proxy	1
	Ratify Shareholder Rights Plan	1

ISS Proxy Exchange



	Director Election	6,115
	Compensation	1,023
	Audit Related	767
	Director Related	136
	Capitalization	132
	Routine Business	116
	Social	109
	Takeover Related	74
	Corporate Governance	62
	Environmental	49
	Company Articles	38
	Strategic Transactions	27
All other categories	E&S Blended	19
	Miscellaneous	19
	Non-Routine Business	12
	No Research	3

Appendix

Review and Assurance

Brandywine Global's stewardship and responsible investment commitments are governed by the following policies and procedures:

- ESG Integration and Engagement Policy Statement
- ESG Engagement Policy Statement for Sovereigns
- Proxy Voting Policy
- Conflicts of Interest Policy
- 2022 Proxy Voting Record - ISS Proxy Exchange
- 2022 Proxy Voting Record - Proxy Edge

Additional recordkeeping may also be found in the appendix:

- 2022 Engagement Record by Investment Team
- 2022 Published ESG Research
- Biographies of Responsible Investment Council and ESG Investment Lead Members

ESG Integration and Engagement Policy Statement

ESG factors are fully integrated into the investment teams' decision making and are a central part of their research. We believe this holistic approach to assessing risk and opportunity enhances our investment process. Investment activities are specific to each of the investment teams across sovereign bonds, credit, and equities and each team employs an approach that is best suited to the asset classes they manage and corresponds with their philosophy and process. Accordingly, each individual research process, including the ESG component, is designed to reflect the respective team's overall approach.

ESG Engagement Policy Statement for Sovereigns

Our Sovereign Engagement Policy provides clients and consultants with additional transparency into our country-level engagement process. Our engagement program is designed to enhance our country information risk assessments and advocate for change. We believe that sovereign engagements play a crucial role in how we evaluate information risk and therefore use these opportunities to enhance our country-level research. Our sovereign ESG framework emphasizes governance as a predominant factor, as government policymaking and effectiveness generally influences both social and environmental factors. Furthermore, governance drives long-term change within a country—including bond and currency valuations—which aligns with our longer-term investment horizon.

The Proxy Voting Policy

Brandywine Global shall vote proxies for each client account for which the client: has specifically authorized Brandywine Global to vote proxies in the applicable investment management agreement or other written instrument; or without specifically authorizing Brandywine Global to vote proxies, has granted general investment discretion to Brandywine Global in the applicable investment management agreement. Also, Brandywine Global shall vote proxies for any employee benefit plan client subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), unless the investment management agreement specifically reserves the responsibility for voting proxies to the plan trustees or other named fiduciary. At or prior to inception of each client account, Brandywine Global shall determine whether it has proxy voting authority over such account.

In exercising discretion to vote proxies for securities held in client accounts, Brandywine Global is guided by general fiduciary principles. Brandywine Global's goal in voting proxies is to act prudently and solely in the best economic interest of its clients for which it is voting proxies. In furtherance of such goal, Brandywine Global will vote proxies in a manner that Brandywine Global believes will be consistent with efforts to maximize shareholder values. Brandywine Global does not exercise its proxy voting discretion to further policy, political, or other issues that have no connection to enhancing the economic value of the client's investment but will consider environmental, social, and governance issues that may impact the value of the investment, either through introducing opportunity or by creating risk to the value.

Conflicts of Interest

Brandywine Global maintains a Conflicts of Interest Policy ("Policy") to ensure that clients' interests are put first. The Policy seeks to identify the more significant conflicts of interest that may exist from time to time in the course of Brandywine Global's investment management activities but is not intended to identify all actual or potential conflicts of interest.

Conflicts of interest related to the stewardship responsibilities of proxy voting and engagement are covered in the Policy. Brandywine Global's goal in voting proxies is to act prudently and solely in the best economic interest of its clients for which it is voting on their behalf. The Proxy Voting Policies and Procedures outline the general principles for voting and include procedures for addressing material conflicts of interest. If it is determined by the Investment Committee that a conflict of interest is material, the Investment Committee shall determine an appropriate method or combination of methods to resolve such conflict of interest before the proxy affected by the conflict of interest is voted by Brandywine Global.

Engagements are an integral part of our investment process as we use engagement interactions to better inform our investment decisions, address existing or potential economic and business risks, promote added value within companies and countries, or avoid investments that pose an unacceptable level of risk. Conflicts of interest that may arise over the course of the engagement process are covered by the Policy. In terms of corporate investments, we carry out engagements with companies where there may be a conflict of interest, namely where the company or sovereign entity also represents a client relationship. In the circumstance that an issue develops with the engagement, it will be escalated to the Investment Committee and General Counsel & Chief Compliance Officer to determine the appropriate response and action.

2022 Engagement Reporting for Sovereign Issuers and Listed Corporate Equities and Credit

Global Fixed Income Issuers

January 1, 2022 to December 31, 2022

Date	Entity Name	Entity Type (Company, Country)	E	S	G
1/12/2022	Sustainalytics	Provider	E	S	G
1/20/2022	World Bank	Supranational	E	S	G
1/25/2022	JPM	Company	E	S	G
2/2/2022	Climate Advisors	NGO	E	S	G
2/9/2022	New Zealand Debt Management Office	Country (NZ)	E		G
2/23/2022	Scotiabank	Company	E		
2/23/2022	New Zealand Debt Management Office	Country (NZ)	E		G
2/28/2022	US Steel	Company	E		
2/28/2022	Drax	Company	E		G
3/1/2022	IMF South Africa Office	Country			G
3/1/2022	South Africa Revenue Service (SARS)	Country			G
3/2/2022	Smurfitt Kappa	Company	E		
3/3/2022	Goldman Sachs	Company		S	G
3/7/2022	Pampa Energy	Company	E		
3/7/2022	World Bank	Supranational	E	S	G
3/8/2022	Banco do Central Brasil	Country (Brazil)	E	S	G
3/16/2022	Blue Owl	Company	E	S	G
3/21/2022	OJK (Indonesia's Financial Services Authority)	Country	E		G
3/22/2022	Fortescue	Company	E		G
3/24/2022	Climate Advisors	NGO	E	S	G
3/28/2022	Reserve Bank of Australia	Country (Australia)	E		G
3/31/2022	Banco de Mexico	Country			G
4/5/2022	Bank Negara Malaysia's engagement session with fund managers in conjunction with AR, EMR, FSR 2021 release	Country			G
4/11/2022	Tropical Forest Alliance	NGO	E	S	G
4/20/2022	South Africa (IMF Delegation)	Country			G
4/21/2022	Turkey (IMF) Delegation	Country			G
4/25/2022	Credit Agricole - Sustainability Linked Bonds	Company	E		
4/25/2022	Goldman Sachs	Company	E	S	G
4/27/2022	JPM	Company	E	S	G
4/30/2022	South Africa Government	Country	E		
5/11/2022	European Council & ESMA (via IIF)	Policy	E	S	G
5/11/2022	Indonesia Stock Exchange	Country	E	S	G
6/23/2022	Saudi Aramco	Company	E		G
6/28/2022	India Deputy Economic Adviser	Country			G
7/6/2022	Aggregate Holdings S.A.	Company			G
7/27/2022	GM	Company	E	S	G
7/29/2022	Owl Rock	Company	E		G
7/29/2022	Brazil Minister of Environment	Country (Brazil)	E	S	G
8/11/2022	Environmental Defense Fund	NGO	E		G
8/17/2022	Alaska Airlines	Company	E	S	G
9/15/2022	Shell	Company	E		G
10/4/2022	Australia Office of Financial Management	Country (Australia)	E		G
10/11/2022	IIF (Andrew Bailey BOE)*	Country			G

Global Fixed Income Issuers

January 1, 2022 to December 31, 2022

Date	Entity Name	Entity Type	E	S	G
10/12/2022	Republic of the Philippines	Country			G
10/12/2022	Republic of Indonesia	Country			G
10/12/2022	Republic of Angola	Country			G
10/13/2022	IIF (Capital Markets Union, EU)*	Country			G
10/13/2022	(Monetary Authority of Singapore) Industry Engagement	Country			G
10/13/2022	Central Bank of Czech Republic	Country			G
10/13/2022	Central Bank of Hungary	Country			G
10/13/2022	South Africa Reserve Bank	Country			G
10/14/2022	IIF (US Political Outlook)*	Country			G
10/14/2022	Central Bank of Chile	Country			G
10/17/2022	PRI Sponsored Engagement with the AOFM (Australia)	Country	E		G
10/17/2022	Governor, Reserve Bank of Australia	Country (Australia)			G
10/18/2022	Conagra	Company	E	S	G
10/20/2022	New Zealand Debt Management Office	Country (NZ)	E	S	G
10/26/2022	Province of Manitoba	Country/Subnational (Canada)	E		G
11/2/2022	Rainforest Alliance	NGO	E	S	G
11/3/2022	AOFM, Australia	Country			G
11/16/2022	Petrobras	Company			G
11/17/20222	Braskem	Company	E		G
12/6/2022	Pemex	Company	E		G
12/22/2022	New Fortress Energy	Company	E		G

Fundamental Equity Companies

January 1, 2022 to December 31, 2022

Date	Company Name	E	S	G
1/14/2022	Huntsman Corporation			G
2/1/2022	JPMorgan Chase & Co.	E	S	G
2/2/2022	Greencore Group Plc	E		G
2/8/2022	Tyson Foods, Inc. Class A	E	S	G
3/24/2022	Medtronic Plc	E	S	G
3/28/2022	NiSource	E	S	G
3/30/2022	Banco Santander	E	S	G
3/31/2022	Eastman Chemical Company	E	S	G
4/5/2022	Crown Holdings, Inc.	E	S	G
4/5/2022	Edison International	E	S	
4/6/2022	FirstEnergy Corp.	E	S	G
4/7/2022	D.R. Horton, Inc.	E	S	G
4/11/2022	Johnson & Johnson			G
4/19/2022	Viatris, Inc.	E	S	G
4/28/2022	Lockheed Martin Corporation	E	S	G
5/5/2022	Juniper Networks, Inc.	E	S	G
5/19/2022	Husqvarna AB Class B	E		
5/23/2022	Neuronetics, Inc.			G
5/25/2022	Wells Fargo & Company	E	S	G
6/3/2022	Lithia Motors, Inc.	E	S	
6/16/2022	Big Lots, Inc.	E		
7/1/2022	PPL Corporation	E	S	G
8/1/2022	GSK plc Sponsored ADR	E	S	G
8/1/2022	MTY Food Group Inc.			G
8/10/2022	Booking Holdings Inc.	E	S	G
8/17/2022	Alaska Air Group, Inc.	E	S	
8/18/2022	PulteGroup, Inc.	E	S	G
8/29/2022	Zimmer Biomet Holdings, Inc.	E	S	G
9/2/2022	FedEx Corporation	E	S	G
9/7/2022	Willis Towers Watson Public Limited Company	E	S	G
9/8/2022	T-Mobile US, Inc.	E	S	G
9/12/2022	Walt Disney Company	E	S	G
9/13/2022	Barratt Developments PLC	E	S	G
9/15/2022	Charles Schwab Corp	E	S	G
9/15/2022	Shell PLC	E	S	
9/22/2022	AT&T Inc.	E	S	G
9/26/2022	ConocoPhillips	E	S	G
9/29/2022	Tyson Foods, Inc. Class A	E	S	G
9/30/2022	Magna International Inc.	E	S	G
10/13/2022	Zebra Technologies Corporation Class A	E	S	G
10/19/2022	Conagra Brands, Inc.	E	S	G
11/8/2022	Delta Air Lines, Inc.	E	S	G
11/11/2022	Vita Coco Company, Inc.			G
11/14/2022	Howard Hughes Corporation	E	S	G
11/18/2022	JPMorgan Chase & Co.	E	S	G

Fundamental Equity Companies

January 1, 2022 to December 31, 2022

Date	Company Name	E	S	G
11/22/2022	Bristol-Myers Squibb Company	E	S	G
11/23/2022	Horizon Therapeutics Public Limited Company	E	S	G
11/28/2022	General Motors Company	E	S	
12/2/2022	Chevron	E	S	G

Diversified Equity Companies

January 1, 2022 to December 31, 2022

Date	Ticker	E	S	G
1/4/2022	RLGY	E	S	G
1/5/2022	KBH	E	S	G
1/5/2022	OCFC	E	S	G
1/11/2022	COOP	E	S	G
1/12/2022	HTH		S	G
1/20/2022	CLR	E	S	G
1/28/2022	SMCI	E	S	G
2/1/2022	JPM	E	S	G
2/8/2022	TSN	E	S	G
2/9/2022	MDC	E	S	G
2/16/2022	ANF	E	S	G
2/16/2022	EAF	E	S	G
2/22/2022	XRX	E	S	G
3/7/2022	JEF	E	S	G
3/22/2022	LEN	E	S	G
3/24/2022	PFS	E	S	G
3/31/2022	EMN	E	S	G
4/5/2022	CCK	E	S	G
4/5/2022	EIX	E	S	
4/6/2022	FE	E	S	G
4/7/2022	DHI	E	S	G
4/11/2022	JNJ	E	S	G
4/25/2022	GS	E	S	G
4/27/2022	JPM	E	S	G
4/28/2022	LMT	E	S	G
5/26/2022	FE	E	S	G
9/1/2022	UPS	E	S	
9/26/2022	COP	E	S	G
11/14/2022	HHC	E	S	G
11/17/2022	JPM	E	S	G
12/2/2022	CVX	E	S	G
12/5/2022	OZK	E	S	G

Published ESG Research

[The Path to Net Zero: A Miner's Playbook]

[Tomorrow's Energy Security Exposes Today's Risks]

[In Defense of ESG Integration]

Biographies

Notable Hire Biographies

Ben Hinceman, ESG Counsel, Deputy General Counsel

Ben joined BGIM in April 2022 from Franklin Templeton where he was a member of the legal and compliance function for eighteen years. He has worked in various roles ranging from U.S. broker dealer and 40 Act compliance to counselling Luxembourg, U.K. and Irish funds and management companies. Most recently Ben was the Head of Legal, Ireland in the EMEA legal function where he and his five-person team provided legal support to FT's US$30 billion Irish cross border fund complex (UCITS, ETFs and alt funds) and administrated the Irish fund board governance and corporate secretary work. Before joining Franklin Templeton, Ben worked for two and a half years in private practice as a civil litigator. Ben received an LL.M. in Securities and Financial Regulation from the Georgetown University Law Center in 2008, a Juris Doctor from the University of Baltimore School of Law in 2001 and a B.A. in Philosophy from Salisbury University in 1998.

Siena Sheldon, CFA, Vice President, Portfolio and ESG Specialist

As a member of our Product Specialist Group, Siena represents the broad range of the firm's fixed income strategies. She also serves as the primary ESG product specialist for the firm's suite of ESG capabilities. Siena is responsible for articulating our investment philosophy, process, positioning and macro outlook to clients and prospects. Prior to joining Brandywine, Siena worked in fixed income product management at Franklin Templeton Investments (2017-2021) and as Investment Associate at Fiduciary Trust (2015-2017). She started her career in Franklin Templeton's management trainee program. Siena earned her B.A. from the University of Miami, is a CFA® charterholder, and is a member of the CFA Institute and CFA Society United Kingdom.

Responsible Investment Council Member Biographies[79]

Tad Fetter, Head of Global Sales & Client Services

Tad is responsible for implementation of sales, marketing and developing and executing an integrated global distribution strategy. Since 2010, Tad has served as director and head of Brandywine Global Investment Management (Europe) Limited Tad led the non-U.S. distribution strategy for Brandywine Global. As director and Head of Brandywine Europe from 2010 to 2016, he headed Brandywine Global Investment Management (Europe) Limited, the Firm's operating unit located in London, England, where he oversaw the development of the Europe, Middle East, and Africa regions. He joined the Firm in March 2006. Tad has over 20 years of investment experience, previously holding positions at Alliance Bernstein and BlackRock as an account manager for the International & Alternative Products team. Tad holds FINRA Series 7, 63, 24 and NFA Series 3 licenses and earned a B.A. in Management with a concentration in Accounting and Finance from Gettysburg College.

Leigh Lament, Global Head of Regulatory Compliance

As Brandywine Global's Global Head of Regulatory Compliance, Leigh is responsible for the development, implementation and maintenance of the Firm's regulatory compliance program. Leigh joined Brandywine Global in November 2010. Prior to joining the Firm, Leigh served as Chief Compliance Officer for PNC Managed Investments Inc., a wholly owned subsidiary of PNC Global Investment Servicing Inc. (2007-2010). She was also Chief Compliance Officer at The Swarthmore Group (2003-2007) and an Associate in the Intellectual Property Group at Akin, Gump, Strauss, Hauer & Feld LLP (2002-2003). Leigh earned her J.D. from Villanova School of Law and graduated with a B.A. in Art History from Dickinson College.

Dana Schultz, Director of Portfolio Compliance

Dana is responsible for leading and developing Brandywine Global's investment compliance program to ensure the firm is in compliance with applicable regulatory obligations and client investment guideline requirements. Dana provides direct oversight to the team that supports all aspects of investment compliance activities, including coding, monitoring, and reporting, which are critical elements of the firm's compliance risk management framework and reports to the Director of Enterprise Risk Management. Dana joined Brandywine Global in June 2005. Prior to joining the firm, she served as a Product Analyst (2004-2005) and an Investment Operations Senior Specialist (2000-2004) at SEI Investments. She earned her MBA with a focus in Business Technology from Drexel University and graduated with a BSBA from Shippensburg University with a focus in Finance.

Sue Wilchusky, Director of Business Strategy

Sue oversees the Firm's product development, marketing communications, and overall business strategy. Sue joined the Firm in 2011. Prior to joining Brandywine Global, she worked at SEI Investments (2003-2011) in product development and distribution strategy roles. Sue also held a variety of positions at Deutsche Bank (1997-2003) and Fidelity Investments (1996-1997). She started her career at Deloitte & Touche, supporting financial services clients in New York and Los Angeles. Sue earned a B.S. in Accounting from the University of Delaware, an M.B.A. from Loyola College in Baltimore. She is a Certified Public Accountant (inactive).

ESG Investment Lead Biographies

Reina Berlien, Head of ESG

Reina oversees the ESG program, including its overall strategy, engagement and integration, initiatives across all investment teams, and research support. She previously served as the Financial Writer, where she worked closely with the investment teams to deliver portfolio- and thematic-driven communications and thought leadership. She joined the Firm in August 2014. Prior to joining the Firm, she served in various roles with Penn Capital Management, ING, and United States Senator Thomas R. Carper. Reina earned her B.A. in English Literature and M.S. in Global Affairs from Rutgers University, and an M.B.A. from The Kellogg School of Management at Northwestern University.

Pat Bradley, Senior Vice President – Investment Research

As a Senior Vice President of the Firm's Global Fixed Income and related strategies, Patrick provides valuable analytical and strategic insight. Patrick joined the Firm in June 2005. Previously, he was senior director of institutional client strategy with SEI Investments (2000-2005), Director of Research and Investment Strategy of Mercantile Safe-Deposit & Trust Company (1997-2000), and director of research for PNC Financial (1981-1997). Patrick earned an M.A. in Urban Economics, an M.A. in Economics, and a B.S. in Political Science from the University of Delaware.

Sean Brooks, CFA, FRM, Mortgage Backed Security Analyst

Sean is a mortgage-backed securities analyst on the Global Fixed Income team. He is responsible for providing credit analysis of U.S. and European mortgage backed securities with special emphasis on RMBS, CMBS, CLO, and other non-mortgage securitized products. Prior to this role, Sean was a senior compliance analyst for Brandywine Global. Prior to joining Brandywine Global in 2014, he worked for Macquarie Investment Management as a structured products analyst (2005-2014). He has also worked for Nuclear Electric Insurance Limited as a senior investment associate (2003-2005), DuPont Capital Management as a performance analyst (2001-2003), and the Vanguard Group as a financial administrator (1997-2001). Sean earned his M.S. in Finance from Drexel University and his B.S. in Finance from University of Delaware. Sean is a CFA charterholder and earned the Financial Risk Manager (FRM) charter.

Li Ting Chan, Research Analyst

Li Ting is a research analyst on the Global Fixed Income team. She conducts macroeconomic research and analysis with a focus in the Asia Pacific region for the Firm's fixed income strategies. She joined Brandywine Global in 2017 and previously served as a Senior Client Service Associate, International. Before joining Brandywine Global, she worked as an Assistant Manager – Business Development at Lion Global Investors (2015-2017). Li Ting earned a B.S. in Finance from Singapore Management University.

Jim Clarke, Portfolio Manager & Director of Fundamental Research

Jim serves as the Director of Fundamental Equity Research and co-manages the Global and International Opportunistic Equity strategies. He rejoined the Firm in December 2008 after three years serving as a founding partner of Clarke Bennitt, LLC. From 1997 to 2005, Jim worked as an equity analyst and portfolio manager for Brandywine Global's large, mid, and small cap value equity portfolios, and as lead manager of the Firm's small cap portfolios for five years. Prior to his initial term of employment with Brandywine Global, Jim worked as a financial analyst at Morgan Stanley in New York and Tokyo (1991-1995). He earned a B.A. in History from Williams College where he was a member of Phi Beta Kappa and graduated summa cum laude. Jim earned an M.B.A. in Finance from Columbia University.

Dave Clipper, Portfolio Manager

Dave is a portfolio manager and research analyst on the Diversified Value Equity team. He contributes to the quantitative and fundamental analysis of securities and management of the Diversified Value Equity portfolios by consistently applying Brandywine Global's disciplined exclusionary process. He is also involved in continual refinement of the Diversified Value Equity investment process and the Firm's ongoing research into value investing. He joined the Firm in 2004 and has been a member of the Diversified Value Equity team since 2006. Prior to joining Brandywine Global, Dave was a trader for Orion Financial (2003-2004) and had spent 13 years in the field of psychology before making the career shift toward finance. He earned an M.B.A. in Finance from the University of Pittsburgh, holds a Master's degree from the University of California at Berkeley, and a B.A. from Penn State University.

Ivy Gluck, Senior Research Analyst, ESG Lead – Fundamental Equity

Ivy is responsible for healthcare and general research coverage across geographies, industries, and market capitalizations in support of our fundamental equity products. As the Fundamental Equity Team ESG Lead, Ivy coordinates efforts and implementation across the team, working closely with the Head of ESG for the firm. Prior to joining Brandywine Global in January 2014, Ivy was an intern with Brandywine Global in 2013 assisting with company research. She graduated summa cum laude with a B.A. in Mathematics from Bryn Mawr College. Ivy is a CFA® charterholder.

Henry Otto, Managing Director & Portfolio Manager

Henry is the founder and co-lead portfolio manager of the Diversified Value Equity strategies. Prior to joining Brandywine Global in 1988, he was with Dimensional Fund Advisors, Inc., where he managed and traded small cap portfolios and developed computer systems to structure portfolios and analyze performance (1984-1987), and the Chicago Board of Trade as a financial economist developing financial-based futures and options (1982-1984). He earned both an M.B.A. in Finance and Economics and a B.A. in Economics from the University of Chicago. Henry is a member of the Firm's Executive Board.

Min Tian, CFA, Senior Global Macro Research Specialist

As a senior global macro research specialist, Min provides support to Francis Scotland, director of macroeconomic research. Min maintains a financial/economic database and internal website, which are used to support research tasks as well as respond to research requests from members of the Global Fixed Income team. Min joined the Firm in October 2006. Previously, she worked as a data analyst for the Bank of New York (2006) and as a research assistant for the University of Delaware (2005-2006). Min earned a M.S. in Agricultural Economics from the University of Delaware and a B.S. in Pharmacy from West China University of Medical Science. She is a CFA® charterholder.

Will Vaughan, Associate Portfolio Manager & Senior Research Analyst

Will is an associate portfolio manager and research analyst on the Global Fixed Income team. He joined the firm in June 2015 and is based out of the office of Brandywine Global Investment Management (Europe) Ltd. in London. Previously, he was a European high yield analyst with Crédit Agricole Corporate & Investment Bank in London (2013-2015). Will has also worked for Deutsche Bank Securities (New York) (2011-2012). He earned his M.Sc. in Carbon Management and Economics from the University of Edinburgh Business School and his B.Sc. in Environmental Geoscience from Durham University. He holds the UK Investment Management Certificate (IMC) and is a member of the CFA® Society of the United Kingdom.

Reporting Standards

The content of this report was written to adhere to the U.K. Stewardship Code, Japan Stewardship Code, and Singapore Stewardship Principles.

Assurance

This report was produced internally and verified by members of our Executive Board, Investment Committee, Global Management Committee, Responsible Investment Council, Legal and Compliance, the Global Fixed Income team, the Fundamental Equity team, and the Diversified Equity team. The data and information cited in this report is as of December 31, 2022.

[1] Principle 1 of the U.K. Stewardship Code

[2] Principle 2 of the U.K. Stewardship Code

[3] Principle 2 of the Japan Stewardship Code

[4] Principle 4 of the Singapore Stewardship Principles

[5] Principle 3 of the U.K. Stewardship Code

[6] Principle 4 of the U.K. Stewardship Code

[7] Principle 5 of the U.K. Stewardship Code

[8] Principle 6 of the U.K. Stewardship Code

[9] Principle 6 of the Japan Stewardship Code

[10] Principle 6 of the Singapore Stewardship Principles

[11] Principle 7 of the U.K. Stewardship Code

[12] Principle 1 of the Japan Stewardship Code

[13] Principle 3 of the Japan Stewardship Code

[14] Principle 7 of the Japan Stewardship Code

[15] Principle 1 of the Singapore Stewardship Principles

[16] Principle 3 of the Singapore Stewardship Principles

[17] Principle 8 of the U.K. Stewardship Code

[18] Principle 9 of the U.K. Stewardship Code

[19] Principle 4 of the Japan Stewardship Code

[20] Principle 2 of the Singapore Stewardship Principles

[21] Principle 10 of the U.K. Stewardship Code

[22] Principle 7 of the Singapore Stewardship Principles

[23] Principle 11 of the U.K. Stewardship Code

[24] Principle 12 of the U.K. Stewardship Code

[25] Principle 5 of the Japan Stewardship Code

[26] Principle 5 of the Singapore Stewardship Principles

[27] According to our definition at Brandywine Global, the term “sustainable” means the combination of environmental and social factors or considerations.

[28] Market value of Russian assets was $247.3M as of January 31, 2022.

[29] The percentage of total AUM is 94%.

[30] Number of engagements includes more than one engagement with the same entity.

[31] Due to the change in service proxy service providers, the number of shareholder resolution votes is greater relative to past years. The new provider, Institutional Shareholder Services (ISS), aggregates votes by portfolio, whereas Broadridge’s Proxy Edge provides this data by annual general meeting (AGM) and not by account level.

[32] Includes engagement work done sovereigns, quasi-sovereigns, state-owned enterprises, supranational agencies, and non-governmental organizations.

[33] Brandywine Global’s 2022 PRI Transparency Report is available on our website: https://brandywineglobal.com/PDF/2022PRITransparencyReport.pdf. Note that the scale of the PRI ratings system changed in 2021, and an explanation can be shared in our corresponding assessment report, which is also available on our website: https://brandywineglobal.com/PDF/2021PRIAssessmentReport.pdf

[34] Principle 1 of the U.K. Stewardship Code

[35] Brandywine Global net-of-fees performance is as of December 31, 2022, and is measured over 3-, 5-, 7-, and 10-year periods and since inception.

[36] Principle 2 of the U.K. Stewardship Code

[37] This framework was initially developed to comply with Article 8 under the Sustainable Finance Disclosure Regulation (SFDR).

[38] Principle 2 of the Japan Stewardship Code

[39] Principle 4 of the Singapore Stewardship Principles

[40] Principle 3 of the U.K. Stewardship Code

[41] Principle 4 of the U.K. Stewardship Code

[42] Principle 5 of the U.K. Stewardship Code

[43] We receive feedback from the PRI via our assessment report.

[44] Principle 6 of the U.K. Stewardship Code

[45] Principle 6 of the Japan Stewardship Code

[46] Principle 6 of the Singapore Stewardship Principles

[47] Assets under management are reported in U.S. dollars; total Firm AUM is $55.4B, and 94% of total features ESG integration or a more advanced solution. Information is reported as of December 31, 2022.

[48] Note that the U.K./IRE region in the map reflects the Firm’s subadvised UCITs funds, which includes investors from outside the continent.

[49] Scale of scoring is from 0-10, with 10 as the highest possible score. Company scoring is derived using raw scores from MSCI; sovereign scoring is derived Verisk Maplecroft indices.

[50] Principle 7 of the U.K. Stewardship Code

[51] Principle 1 of the Japan Stewardship Code

[52] Principle 3 of the Japan Stewardship Code

[53] Principle 7 of the Japan Stewardship Code

[54] Principle 1 of the Singapore Stewardship Principles

[55] Principle 3 of the Singapore Stewardship Principles

[56] Peer groups are determined by first evaluating 190 countries based on an ESG score, and then creating quintiles using the scale for the entire universe (0-10, worst-best score). Quintiles run from A-E, with countries in quintile A considered top-rated from an ESG perspective.

[57] The information provided should not be considered a recommendation to purchase or sell a particular security. It should not be assumed that any of the securities discussed were or will prove to be profitable.

[58] The information provided should not be considered a recommendation to purchase or sell a particular security. It should not be assumed that any of the securities discussed were or will prove to be profitable.

[59] The information provided should not be considered a recommendation to purchase or sell a particular security. It should not be assumed that any of the securities discussed were or will prove to be profitable.

[60] Principle 8 of the U.K. Stewardship Code

[61] Principle 9 of the U.K. Stewardship Code

[62] Principle 4 of the Japan Stewardship Code

[63] Principle 2 of the Singapore Stewardship Principles

[64] Government-related engagements include: country officials, policymakers, NGOs, supranational agencies, and an SPO provider.

[65] GFI and Fundamental Collaborations: 3; Fundamental and Diversified Collaborations: 12, GFI, Fundamental, and Diversified Collaborations: 2

[66] ESG themes are accounted for once regarding intrateam collaborations as noted in footnote 65

[67] The information provided should not be considered a recommendation to purchase or sell a particular security. It should not be assumed that any of the securities discussed were or will prove to be profitable.

[68] The information provided should not be considered a recommendation to purchase or sell a particular security. It should not be assumed that any of the securities discussed were or will prove to be profitable.

[69] 3P refers to the process of eliminating waste at the product and process design stage.

[70] The information provided should not be considered a recommendation to purchase or sell a particular security. It should not be assumed that any of the securities discussed were or will prove to be profitable.

[71] Principle 10 of the U.K. Stewardship Code

[72] Principle 7 of the Singapore Stewardship Principles

[73] The information provided should not be considered a recommendation to purchase or sell a particular security. It should not be assumed that any of the securities discussed were or will prove to be profitable.

[74] Principle 11 of the U.K. Stewardship Code

[75] Principle 12 of the U.K. Stewardship Code

[76] Principle 5 of the Japan Stewardship Code

[77] Principle 5 of the Singapore Stewardship Principles

[78] Full disclosure of our complete 2021 voting activity is available online.

[79] Note: Ben Hinceman is a co-chair of the Responsible Investment Council, and his biography is listed under “Notable Hire Biographies.”

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