

For Immediate Release

Contact Information:

Media:

Madelyn McHugh

(212) 805-6039

mmchugh@leggmason.com

ClearBridge Investments Embraces ESG – To Generate Returns and Help Public Companies Thrive

Ongoing Conversations at the C-Suite Level Can Have a Real Impact

New York, NY, 19 September 2017 - Legg Mason affiliate ClearBridge Investments is always looking for an “edge” in researching stocks. They believe some of the best standards available to guide investors are already in plain sight: a company’s Environmental, Social and Governance (ESG) characteristics.

“It’s really part of the way we’re conducting our fundamental research at ClearBridge,” noted Benedict Buckley, vice president and portfolio analyst. “We are a bottom-up stock pickers’ firm, and we conduct ESG research on all the companies we cover. It either strengthens or weakens our investment thesis and enhances our understanding of each company’s risks. ESG analysis helps us pick better companies that can generate more alpha.”

“We have had an ESG program for 30 years. In our experience, there is no foregone conclusion that you must give up high performance to invest in an ESG portfolio. Our ESG strategies have performed generally in line with our non-ESG strategies over that time, with very low dispersion.”

Performance is why ClearBridge does not view ESG investing as a fad but an important tool.

“These are important issues that tend to not play out over the next quarter or two, but over the next several years,” Mr. Buckley said. “We’re looking to invest in companies we can hold for the long term. We have held many companies for five, 10, 15 years, even multiple decades.”

“It is not just a screening process, simply removing companies we do not like. ESG is embedded into the way that all of our analysts evaluate the companies they cover.”

“We also think it’s important, in the ESG space, to engage both with clients and the broader industry in what we call ‘public education:’ working with industry bodies, contributing to working groups and industry reports, and so on. This is a fast-changing field, so we want to be part of raising the standards of the industry and making sure that high standards are maintained.”

The issues they focus on vary depending on the company and its industry or sector.

“It can be anything from how a social media company deals with data privacy and freedom of speech to how companies manage supply chain labor challenges and large networks of outsourced manufacturing, said Mr. Buckley.”

“Our analysts know the companies best. They meet with management teams all the time. They have a solid idea of the important ESG issues that will affect the business strategy for each company over the long term.”

ClearBridge views their efforts as essential to helping companies over the long term.

“Each year, as a firm, we meet with more than 1,000 management teams: CEOs, CFOs and board members,” Mr. Buckley said. “We bring up environmental, social and governance issues all the time. We invest in a relatively small number of companies, several hundred, because we like the long-term investment thesis. We are active investors, but we are not activists. We don’t invest in a company, then stir up trouble, cause issues and issue press releases. We work with companies over the long term, to make them even better investments than we think they already are.”

“We are able to have ESG conversations at the C suite level with many companies, which is quite rare and impactful. We can talk to a consumer products CEO about how they’re sourcing their paper, or to an industrial company’s CEO about energy targets to reduce greenhouse gas emissions and use more renewables. The companies often tell us they are not hearing these kinds of questions as much as they would like from mainstream investors. Several said that having a large investor like ClearBridge ask ESG questions has an impact, even if it’s not immediate.”

“They can go back and say, ‘One of our largest investors is asking questions around disclosure, climate change, water use, or supply chain labor issues.’ That gives them the internal credibility and the impetus to move forward and work on ESG issues as a group. It absolutely matters.”

Mr. Buckley cited a case study ClearBridge presented to the United Nations-backed Principles for Responsible Investment (PRI), one of the largest signatory bodies in the ESG space.

“In this case study on a retailer, a ClearBridge analyst illustrated how ESG practices can improve a company’s investment thesis. The retailer takes a unique approach to pay. There are challenges in the retail space with large workforces of low-wage workers: are they paying their workers enough to make a living wage? How do they think about turnover? As our analyst pointed out, this retailer is focusing on their employees and customers first. They want to create a very loyal workforce. They pay significantly higher than the average for their space. As a result, they maintain a much higher retention rate. Obviously, it’s helpful for the employees, but they believe it helps drive the success of their business as well. It makes a very strong business case.”

In May, Legg Mason launched two actively managed, environmental, social and governance (“ESG”) focused ETFs sub-advised by ClearBridge Investments. The first, the ClearBridge Large Cap Growth ESG ETF [Nasdaq: LRGE] seeks to invest in large-capitalization companies with the potential for above average earnings and cash flow growth and a strong commitment to ESG principles. The second, the ClearBridge Dividend Strategy ESG ETF [Nasdaq: YLDE] seeks to invest in high-quality companies with a strong commitment to ESG principles that can pay attractive dividends and have the potential to grow dividend payments over time.

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About ClearBridge’s ESG Process

ClearBridge’s evaluation process is based on integration and engagement for the long term. By integrating ESG into the portfolio construction process, ClearBridge’s analysts research the important environmental, social and governance issues that relate to their companies in parallel with their fundamental research. ClearBridge has its own ESG rating system, ranking from B up to AAA. When initiating coverage on a new company, the team creates investment thesis with an ESG rating that serves as the basis for ongoing research and evaluation.

About ClearBridge Investments

ClearBridge Investments is a leading global equity manager that draws on more than 50 years of experience to deliver long-term results through active management across strategies focused

on income, high active share and low- volatility objectives. ClearBridge Investments manages \$127 billion in assets as of June 30, 2017.

About Legg Mason

Legg Mason is a global asset management firm with \$752 billion in assets under management as of August 31, 2017. The Company provides active asset management in many major investment centers throughout the world. Legg Mason is headquartered in Baltimore, Maryland, and its common stock is listed on the New York Stock Exchange (symbol: LM).

Clearbridge Large Cap Growth ESG ETF Risks: The Fund is newly organized, with a limited history of operations. Equity securities are subject to price fluctuation and possible loss of principal. In addition to investments in large-capitalization companies, investments may be made in small-cap and mid-cap companies which involve a higher degree of risk and volatility than investments in larger, more established companies. Dividends may fluctuate and a company may reduce or eliminate its dividend at any time. Investments may also be made in depository receipts and other securities of non-U.S. companies in developed and emerging markets which involve risks in addition to those ordinarily associated with investing in domestic securities, including the potentially negative effects of currency fluctuation, political and economic developments, foreign taxation and differences in auditing and other financial standards. These risks are magnified in emerging markets. The fund's environmental social and governance (ESG) investment strategy may limit the types and number of investment opportunities available to the fund and, as a result, may underperform funds that are not subject to such criteria. The managers may sometimes hold significant portions of portfolio assets in cash equivalents while waiting for buying opportunities. Active management and diversification do not ensure gains or protect against market declines.

Clearbridge Dividend Strategy ESG ETF Risks: The Fund is newly organized, with a limited history of operations. Equity securities are subject to price fluctuation and possible loss of principal. In rising markets, the value of large-cap stocks may not rise as much as smaller-cap stocks. Investments may also be made in depository receipts and other securities of non-U.S. companies in developed and emerging markets which involve risks in addition to those ordinarily associated with investing in domestic securities, including the potentially negative effects of currency fluctuation, political and economic developments, foreign taxation and differences in auditing and other financial standards. These risks are magnified in emerging markets. The fund's environmental social and governance (ESG) investment strategy may limit the types and number of investment opportunities available to the fund and, as a result, may underperform funds that are not subject to such criteria. Active management and diversification do not ensure gains or protect against market declines.

Before investing, carefully consider a Fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, which is available at www.leggmason.com/etf. Please read it carefully.

All investments involve risk, including loss of principal. Past performance is no guarantee of future results.

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

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