



2023

Annual
ESG Report

Southeastern / Asset
Management

WELCOME

As long-term, concentrated equity investors, our top priority has always been to seek superior investment results for our clients, consistent with our fiduciary duty to be responsible stewards of our clients' capital. We take this responsibility seriously, as reflected in our governing principles that define our aligned partnership approach to managing our business and investment portfolios.

The perceived importance of all things “Environmental, Social and Governance (ESG)” continued to evolve in 2023 with a material number of market participants scaling back their ESG commitments. Southeastern remains consistent in its approach. We did not try to be something we are not when ESG was at its hottest, nor are we giving up on it now. Understanding the bottom-up fundamentals that drive our investees' financial results over the long term is core to our approach. We have always viewed Governance to be one of the most pivotal factors in the long-term performance of a business, with “People” being one of our three core investment criteria. We also believe Environmental and Social factors materially impact the long-term value of businesses, and we continue to integrate these important factors into our fundamental analysis. Our portfolios made progress on ESG factors in 2023, and we highlight a few specific examples later in this document.

Southeastern and its employees continue to work to make a positive difference beyond our portfolios. We highlight several non-profits and civic ventures in the report this year while continuing to support those we have discussed in years past. We look forward to sharing this update with you and appreciate your feedback.



A handwritten signature in black ink, appearing to read 'R. Glotzbach', written in a cursive style.

Ross Glotzbach, CFA
CEO and Head of Research

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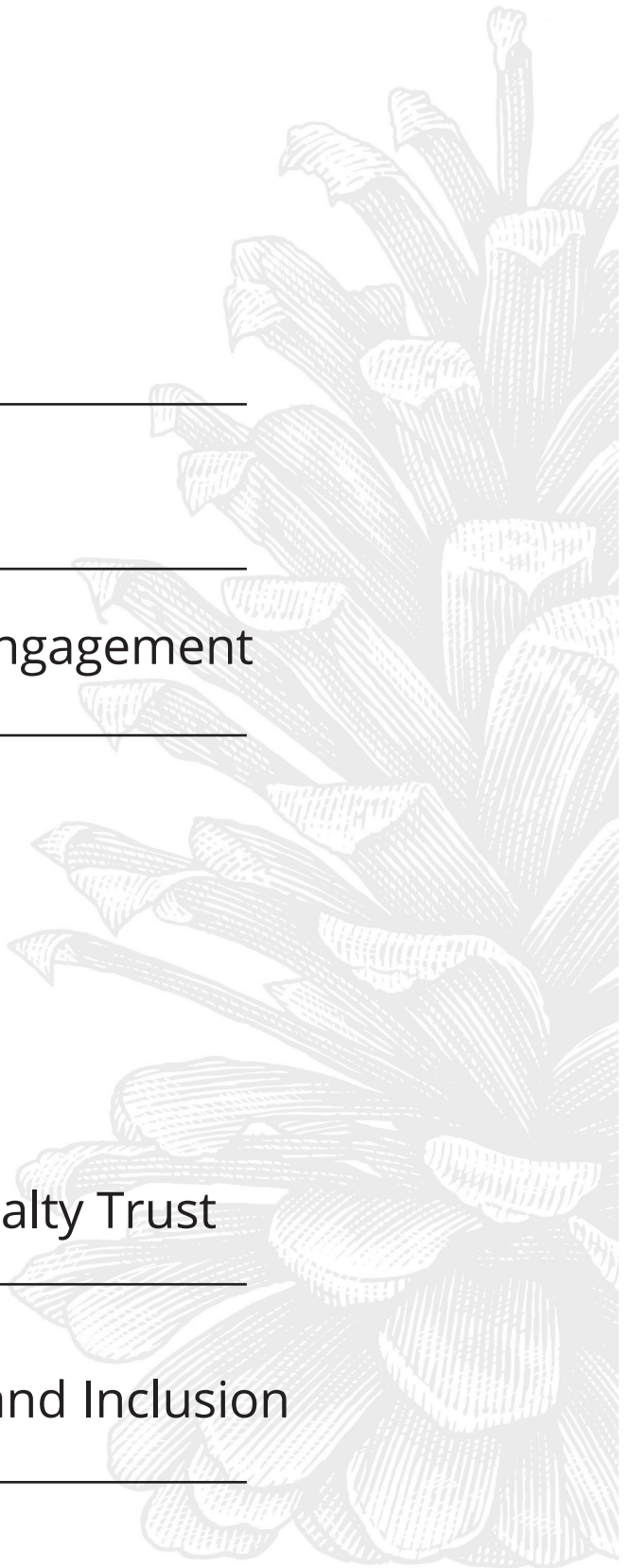
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Southeastern was founded on our guiding principles that ensure we are aligned with our long-term, like-minded clients. Our Founder Mason Hawkins structured the business to ensure that we strive to *do the right thing for the right reasons* - for our clients, our employees and our community. Therefore, ESG considerations have long been engrained in the ethos of our firm.

Overview

We evaluate ESG considerations from a fundamental, bottom-up perspective and engage on the most important issues to promote positive change.

ESG Integration - We recognize that ESG best practices are essential for effective business operations and assessing the intrinsic value of any investment. Our global research team incorporates ESG considerations into every aspect of our investment process — from in-depth company analysis and rigorous evaluation of management teams to our disciplined valuation process. As long-term business owners, we take a fundamental, bottom-up approach to ESG. This allows us to engage constructively with management partners on ESG issues that can drive positive change, rather than simply excluding broad sectors of the market. While ESG factors are an integral part of our investment process, our primary focus remains on long-term shareholder value creation. We include a dedicated ESG section within our broader, bottom-up research reports. This section details how the company rates on ESG factors, including how our view of the reality compares to the market's perception of these issues, as well as areas where we might seek to engage with management to improve the company's ratings or the market's view of them. We do not offer strategies labeled as "ESG Focused" or "ESG Impact," as defined by the SEC in its Release IA-6034 regarding Environmental, Social, and Governance Investment Practices.

Resources - Our global research team is responsible for assessing ESG factors from a bottom-up perspective for every company we own or consider. This year, we switched to Sustainalytics as our third-party data provider to help quantify ESG-specific metrics. The world of ESG rating services continues to evolve, and we are hopeful this will enhance our process. While we will never outsource research on a topic this important, we have found third parties like these can be useful supplements to our in-house, bottom-up analysis that draws upon our extensive global network to gain a more comprehensive picture. External ESG Ratings can also be a helpful starting point for deeper engagement with some of our companies. In our experience, most ratings agencies take a formulaic approach to determine a rating, but this often does not allow for a nuanced understanding of a company's true efforts. That is why we do our own bottom-up analysis and use our network and access to engage with the ratings agencies, ISS, management and board members at our portfolio companies to understand the perceived issues and encourage long-term, sustainable improvement.

Partnerships

We partner with organizations that are helping to drive positive change.

We are a signatory to the United Nations-supported **Principles for Responsible Investment (PRI)**, a leading global network for investors who are committed to integrating ESG considerations into their investment practices and ownership policies. You can request a copy of our Assessment Report by clicking [here](#).

We are a signatory to **Climate Action 100+**, an investor-led initiative that is supported by PRI and focused on actively engaging with management teams that are in a position to help drive change.

We are also a supporter of **Task Force on Climate-Related Financial Disclosures (TCFD)**, an initiative created by the Financial Stability Board to improve and increase reporting of climate-related financial information.

Proxy Voting

In 2023 we voted over 1,000 agenda items across 84 meetings from 19 different countries.

Our proxy voting policy is designed to ensure all voting decisions align with the best long-term interests of our clients. We approach each vote as a unique decision, evaluating it independently rather than relying on management recommendations or external proxy advisory services. Our process involves a thorough, case-by-case review of each proxy, allowing us to make informed, independent decisions.

Our Manager of ESG Integration and Reporting reviews each proxy for ESG considerations and shares additional analysis with the research team to consider as warranted. We occasionally engage with proxy advisory firms to encourage them to propose that shareholders vote in what we believe will drive long-term shareholder value and sustainability of the business. Ultimately, our votes are cast in support of strong and shareholder-friendly corporate governance agenda items that we believe will foster sustainable, long-term value creation for shareholders.

In 2023, we supported 24% of shareholder proposals and 98% of management proposals. In recent years, with the increase in shareholder proposals from smaller holders, often not necessarily focused on long-term value per share creation, we have found ourselves continuing to think deeply about each item but supporting fewer of these proposals. As we

work with management teams and boards prior to proxy filings while choosing our partners carefully, we also continue to expect to support a high percentage of management proposals.

Engagement

Southeastern approaches every investment with a business-owner mindset, guided by our fiduciary duty to promote responsible corporate governance. Our role as active managers extends beyond portfolio selection. Our commitment to engaged dialogue with management teams and boards is central to our investment process and deepens our understanding of investee priorities and strategies. We leverage our global network, reputation, and expertise to constructively partner with management, driving long-term success and value creation.

While we prefer to work behind the scenes, using our extensive relationships built over nearly five decades, we will publicly advocate for change if management is not acting in the best interest of shareholders or the long-term sustainability of the business. However, our focus remains on fostering collaboration, not headlines. Our engagement is deeply rooted in our understanding of each business, shaped by our on-the-ground experience across various regions. We tailor our approach to what matters most for each company, always with the goal of enhancing long-term shareholder value.

We take a two-pronged approach to ESG engagement. In the near term, we focus on actionable steps to improve a company's ESG ratings. Simultaneously, we maintain a long-term focus on the most critical issues that drive sustainable, positive outcomes to each business. Our 2023 engagement efforts spanned a wide array of topics, each tailored to the specific needs of the companies in which we invest and the industries and regions in which a company operates. Like in previous years, we held over 1,000 meetings, but not all meetings are equal. We prefer smaller, one-on-one meetings with appropriate stakeholders, as they allow for more effective engagement on sensitive topics. We could run up higher meeting counts by attending more group "speed-dating" meetings at sell-side conferences, but we have found these less useful.

Case Studies



Company Description

CNX Resources is a leading natural gas exploration and production company.

Southeastern has engaged with natural gas company CNX since 2012, initially driving board changes and a focus on value-per-share creation. Over time, CNX has undergone a strategic transformation, generating substantial free cash flow per share. Recently, our engagement has included CNX's "New Technologies" division, which is developing innovations for business growth while reducing emissions, such as through their methane abatement program. Though the initial results are promising, we remain focused on rigorously assessing the division, with a continued commitment to long-term shareholder growth.

Our environmental engagement dates back to its days as Consol Energy, when we advocated for the spin-off of its coal business. This move both significantly reduced CNX's carbon footprint and focused the go-forward company on the superior and lower-emissions natural gas business. Since then, we have expanded the conversation to include TCFD-compliant reporting, transparency, and science-based GHG reduction targets. CNX has made progress, improving its corporate responsibility report, offsetting Scope 1 & 2 emissions through carbon capture, committing to Scope 3 reporting, and linking near-term reduction goals to management compensation. Throughout our holding period, CNX has demonstrated a shareholder-centric approach and a commitment to innovation in reducing its carbon footprint. We are pleased to partner with high-quality management and a board dedicated to driving long-term value at this competitively advantaged company. We would encourage you to listen to our recently recorded [P/V Podcast](#) with CNX CEO Nick Deluliis.

Case Studies (Continued)



Company Description

Millicom is a Latin American wireless and cable company.

We have been actively engaged with Millicom, a Latin American wireless and cable company, since 2017. We initially worked behind the scenes to drive positive governance changes and enhance shareholder value. For multiple years, Southeastern has held a seat on the Nomination Committee, which is responsible for nominating board members, proposing director compensation and directing the election and compensation of the statutory auditor. In this role, we helped direct the search for three new board members with the goals of adding LatAm expertise, relevant industry experience, better gender diversity and knowledge of US capital markets. The company also recently changed CEOs and is evaluating the presence of a large new shareholder in Iliad. Our position on the Nominating Committee is allowing us to speak up for all shareholders in a way that has ensured the company has yet to sell to Iliad too cheaply.



Company Description

Glanbia is a global consumer goods and ingredients company.

Global consumer goods and ingredients business Glanbia is another company we have been engaged with for the last few years on multiple items. We had been pleased to see the company increase its share buyback pace vs. several years ago and bring more rigor to its M&A approach. We think there can be further improvements on both fronts. Glanbia has also made progress on simplifying its reporting structure at our urging: at fiscal year 2023 results, Glanbia was able to highlight a clarified accounting treatment of the US cheese joint ventures for the first time, resulting in reported margins significantly increasing and further demonstrating a focus on the company's core business. At our initial investment, part of the case was that we believed that the perception of Glanbia as a lower margin company had historically hindered its valuation, so to the casual observer this change makes the company more attractive.

Case Studies (Continued)



Company Description

PotlatchDeltic is a timberland and mill company.

We have owned this timberland and mill company in various forms over the years, including Potlatch in the late 2000s/early 2010s, Deltic twice before and post-merger PotlatchDeltic in the late 2010s/early 2020s. As a company integrated in the forest products industry, PotlatchDeltic has a long-standing commitment to sustainability, balancing its commercial interests with responsible stewardship of natural resources. Additionally, the increasing demand for solar energy presents a new and unique opportunity for the company to integrate renewable energy solutions into its timberland operations, offering environmental benefits and growing the company's value per share. We also continue to support the management and board in their strong capital allocation, including recent accretive share repurchase materially below the company's net asset value.



Company Description

ESRT is a New York City-focused commercial real estate.

ESRT is a New York City-focused commercial real estate company. We initially were a key investor in their unique IPO in 2013, before we sold successfully in the mid-2010s. We invested again in 2020 when Covid gave us another opportunity. The company was already an industry-leader on many sustainability metrics pre-IPO. We have engaged with ESRT on a variety of governance topics over the years and feel they have a great management team and board. The company's achieving a leased rate of 90%+ at its trophy Empire State Building (ESB) asset is a testament of ESRT's focus on energy efficiency and green building initiatives driving results for tenants, shareholders, and the environment – all against a tough industry backdrop. Additionally, the company has set ambitious goals to achieve carbon neutrality by 2035, aiming to further reduce energy use, increase renewable energy adoption, and lower greenhouse gas emissions across its portfolio.

Diversity, Equity and Inclusion (DEI)

We believe that diverse perspectives lead to better, more informed investment decisions and outcomes for our clients, business, and community. Although our small, lean team means we do not frequently hire, we are committed to actively improving diversity and inclusion wherever possible, with a long-term goal of increasing diverse representation. We have collaborated with industry leaders like Girls Who Invest and IDAC (Investment Diversity Advisory Council, Inc.) along with local partners such as the Shelby County Retirement Plan and City Leadership.

A key aspect of our “People” engagement at investee companies involves helping companies re-evaluate their boards to ensure they include individuals with relevant, yet underrepresented, experience and expertise. In 2021, we set a goal for 100% of our portfolio companies to have at least one woman on their board, with a long-term target of a 30% average female representation. We have seen steady progress but recognize there is more to be done.

Supporting Our Local Communities

A shared passion for both investing and giving back to the community is a key thread that connects all our employees.

For nearly five decades, Southeastern has been deeply committed to supporting its community. The unique location of our headquarters in Memphis, TN bolsters our focus on fostering independent thought, as well as our leadership’s passion for giving back to this local community to help support and foster long-term growth. Southeastern employees have founded or supported hundreds of nonprofits in Memphis and beyond, focusing on education, mentorship, talent development, neighborhood revitalization, sustainable food sources, and the arts. We approach our community involvement with the same partnership ethos that permeates our business - we focus on maximizing long-term impact, minimizing publicity for ourselves and recognizing that good partnerships run deeper than just financial contributions.

Previously, we highlighted organizations supported by Southeastern, its affiliated foundations, and Greenwood Pine Partners. As a reminder, Greenwood Pine is a minority-owned, mission-driven equities investment firm launched in August 2021 by Southeastern Senior Analyst and Principal Brandon Arrindell. Greenwood Pine aims to deliver strong risk-adjusted returns for clients while addressing the issue of minority underrepresentation in asset management. Where possible, Greenwood Pine partners with minority-owned, local service providers. Additionally, Southeastern has pledged to donate proceeds from its 49%

stake to organizations that uplift and provide services to underserved communities.

Below are a few nonprofits supported by Southeastern, Southeastern employees and Greenwood Pine, along with a summary of their impactful work. We encourage you to visit their websites to learn more.

- **Memphis Teacher Residency** (<https://memphistr.org>) is a program that trains and supports aspiring teachers through a year-long residency program. Participants receive intensive training, mentorship, and classroom experience, while earning a master's degree in education and committing to serve in Memphis-area schools to address educational inequality.
- **Church Health Center** (<https://churchhealth.org>) is a nonprofit healthcare organization that provides affordable, high-quality medical, dental, and wellness services to uninsured and underserved individuals in the Memphis area, while also promoting holistic health through outreach, education, and community programs.
- **Blue Suede Networks and the Memphis Fiber Broadband Infrastructure Project** (<https://www.memphistn.gov/memphis-first-citywide-fiber-network/>) is an initiative that aims to provide affordable, high-speed fiber internet to at least 85% of Memphis residents, including underserved low-income areas. Currently, only about 25% of the population has access to top-tier broadband, contributing to the city's digital divide. This initiative plans to address that gap through partnerships focused on digital equity, offering service subsidies, technical support, and digital skills training.



You want to pursue a career in investing for the intellectual challenge, for the reward of being correct about your investment decisions and for the *opportunity to help others.*

Mason Hawkins, CFA
Chairman



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