

The background of the cover is a photograph of a pine forest. In the foreground, there is a field of tall, dry grasses with scattered yellow and purple wildflowers. A single, young, vibrant green pine tree stands prominently on the right side of the field. The rest of the image is filled with tall, thin pine trees stretching into the distance under a clear blue sky.

Southeastern / Asset
Management

2021 ESG
Report

WELCOME

Last year, we shared Southeastern's first annual [Environmental, Social and Governance \(ESG\) report](#). We have been pleased with the number of conversations on this topic that the report has opened with our client partners. We have continued to strengthen our ESG integration and formalize how we measure and report these efforts. An overview of our approach, reports and policies can be found on the new [Responsibility](#) section of our website.

On the investment front, we remain focused on long-term shareholder value creation and engaging with our investee companies on a targeted, case-by-case basis to help drive progress at each individual business. We have also identified key top-down areas of environmental and social engagement across all portfolio holdings. We are closely monitoring, engaging and reporting on the carbon footprint of our portfolios, including our companies' reporting transparency, targets and active mitigation measures. We are also monitoring and engaging more actively on diversity, equity and inclusion (DEI). Our initial area of focus is on encouraging transparent reporting and increased gender diversity of boards. As always, Governance – or People – remains one of our three core investment criteria, and we believe the right leadership is key to driving the best outcomes.

From a business perspective, Southeastern has taken steps to continually develop our employee engagement, improve our own DEI metrics and further incorporate the community-minded culture that drives our philanthropic endeavors within the day-to-day running of our firm. Some of the many initiatives we undertook this year included an external review of our compensation practices to ensure pay parity, a comprehensive review and expansion of our parental leave policy, increased frequency of employee surveys, more extensive partnerships with DEI-focused charitable organizations for internships and full-time recruiting. Additionally, we started working with the local Shelby County Retirement System to establish Greenwood Pine Partners, a minority-owned, mission-driven investment firm that aims to produce strong risk-adjusted returns for clients, while working to address the lack of diversity in the asset management industry and promoting wealth creation in minority communities.

As always, we are grateful for your partnership and idea sharing on these important topics and look forward to learning more from the work our clients and others are doing.



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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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.



WE EVALUATE ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS FROM A FUNDAMENTAL, BOTTOM-UP PERSPECTIVE AND ENGAGE TO DRIVE LONG-TERM SHAREHOLDER VALUE CREATION AND PROMOTE POSITIVE CHANGE.

We believe that ESG best practices are important factors to consider when running a business and assessing the intrinsic value of any investment. Southeastern incorporates ESG considerations into our analysis of companies, vetting of management teams and disciplined valuation process. As long-term business owners, we remain focused on long-term shareholder value creation and evaluate ESG considerations from a fundamental, bottom-up perspective and engage with managements on the most important issues to promote positive change, rather than passively exclude broad sectors of the market.

Our global research team is responsible for investment valuation and assessing ESG factors from a bottom-up perspective for every company we own or consider. We use MSCI ESG Ratings as a third-party data provider to help quantify ESG-specific metrics. While we will never outsource research on a topic this important, we have found this to be a useful supplement to our in-house, bottom-up analysis that draws upon our extensive global resources and network to gain a more comprehensive picture. MSCI ESG Ratings are a helpful starting point for deeper engagement with some of our companies on how they can improve their relevant practices. In our experience, most ratings agencies take a necessarily formulaic approach to determine a rating, but this often does not allow for a nuanced understanding of a company's true efforts. 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.

Our ESG Committee

SOUTHEASTERN'S ESG COMMITTEE OVERSEES THE INCORPORATION OF ESG MATTERS INTO OUR INVESTMENT PROCESS, CLIENT ENGAGEMENT AND DAY-TO-DAY BUSINESS OPERATIONS

The ESG Committee is chaired by our Head of Client Relations and Communications, Gwin G. Myerberg, and includes our Manager of ESG Integration and Reporting, as well as senior representation from our Research, Client Relations, Legal and Finance/Human Resources teams. The ESG Committee is involved in ongoing oversight of the incorporation of ESG matters into our investment process and client reporting, as well as our day-to-day business operations. The committee also works with our Operations/Human Resources teams to help review and integrate Diversity, Equity and Inclusion (DEI) reporting, policies and training. The committee meets quarterly, with much more frequent direct communication informally as needed. The Committee Chair reports directly to our CEO and Head of Research on progress on a weekly basis.

Our ESG Committee Members

**Gwin
G. Myerberg**

Global Head of Client Relations and Communications, Chair of ESG Committee, Principal



**Brian
Bolton**

Client Service Support Manager, ESG Integration & Reporting



**Brandon
Arrindell, CFA**

Portfolio Manager, Principal



**Julio
Utrera, CFA**

Analyst



**Alicia
Cardale**

Analyst



**Jessica
Pressgrove**

Chief Financial Officer, Principal



**Sarah
Lohrey**

Client Relations Director



**Andrew
R. McCarroll**

General Counsel, Principal





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.
- 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.

We support all three organizations' commitment to *improving governance, strengthening transparency and disclosure, and advancing positive long-term change.*



Proxy Voting

IN 2021, WE VOTED >**1,020 AGENDA ITEMS** ACROSS 75 MEETINGS FROM >20 DIFFERENT COUNTRIES.

We have a formal proxy voting policy that is designed to ensure that Southeastern votes all securities in the best long-term interest of clients. We vote proxies where we are given client discretion to do so. We understand that each vote is unique, and we do not rely upon management guidance and/or a proxy service consultant to determine how we will vote. Rather, we review each individual proxy on a case-by-case basis and make our own determination.

We deepened our proxy review process in 2021 to include a specific ESG analysis ahead of each vote. Our Manager of ESG Integration and Reporting as well as our ESG Committee Chair review each proxy for potential ESG considerations for each vote and share additional analysis with the research team to consider. We sometimes engage with proxy service consultants to encourage them to propose that shareholders vote in what we believe to be the most productive manner for the long-term shareholder value and sustainability of the business. We vote our proxies in support of strong and shareholder-friendly corporate governance agenda items that we believe will help each company create and realize long-term sustainable value for shareholders.

In the last year, we have seen an increased trend in proxy service consultants recommending a vote against the nomination committee chair (when up for election) in cases where a board does not meet a minimum of 30% women representation. Although we are also working towards this goal with our businesses, we have noted several instances where the chair of the nomination committee is the only – or one of only a few – woman on the board. We prefer to address this issue through direct engagement, where we feel we can achieve greater success than through a potentially formulaic voting approach.

2021 Proxy Stats

WE SUPPORTED:

45%

SHAREHOLDER
PROPOSALS

96%

MANAGEMENT
PROPOSALS

Engagement

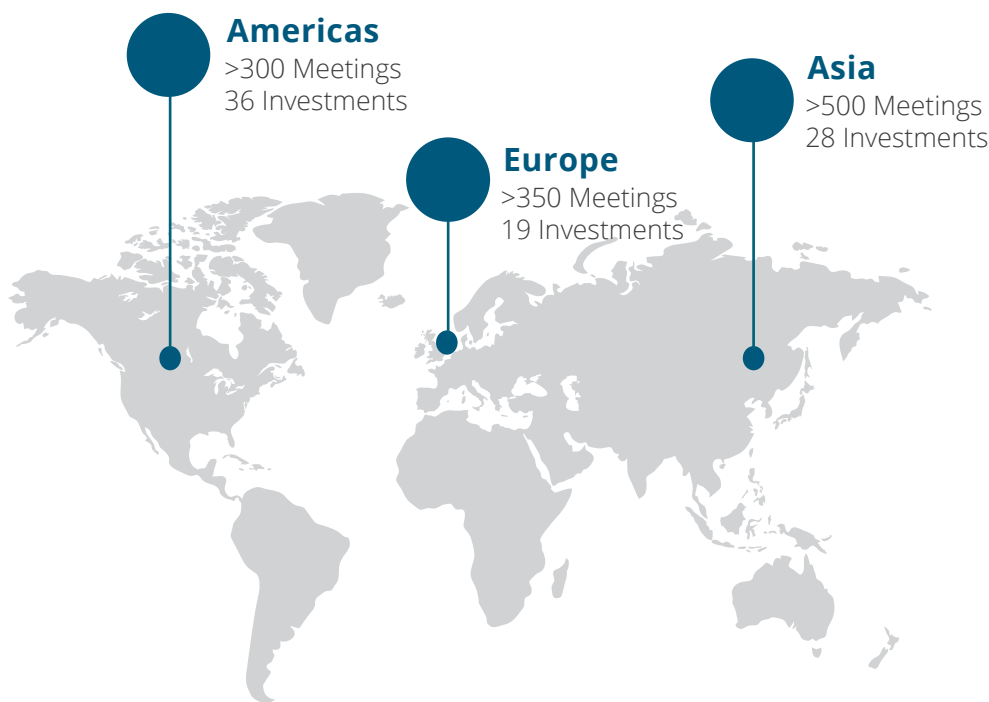
Southeastern approaches every investment with a business-owner mindset, and we believe it is our fiduciary duty to encourage responsible corporate governance by keeping an engaged dialogue with our management teams and boards of directors. We constructively engage with our management partners to help drive successful, long-term investment outcomes, using our global network, size, reputation and expertise. In rare cases when our management teams are not acting on behalf of shareholders or the long-term sustainability of the business, we may publicly push for change. However, our preferred method is behind the scenes and out of the headlines.

Our extensive global network, built over nearly five decades, is a unique competitive advantage that allows us to evaluate businesses and management from multiple perspectives. The primary focus of our engagement is long-term shareholder value creation, which covers a broad range of topics. We tailor our engagement based on our on-the-ground experience and understanding of what factors are most important to each business and what approach is most effective in each region.

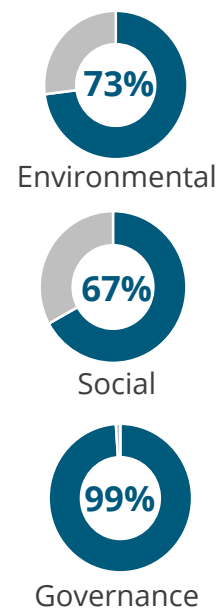
Our engagement efforts on ESG issues in 2021 spanned a broad range of topics, tailored

2021 Engagement Stats

In 2021, we invested in **83** companies and had **over 1,150 meetings** with our partners and prospective partners.



Engagement Breakdown by Topic



to each individual company's needs. We take a two-pronged approach to ESG engagement, pairing a near-term focus on attainable steps to improve a company's independent ESG Rating and a longer-term focus on the most important topics that we believe can drive sustainable positive outcomes and are unique to each individual business. Independent ESG Ratings providers typically take a necessarily formulaic approach to ratings, which can overlook efforts that companies already have in place due to lack of transparent reporting and/or ratings agency engagement, or simply a mismatch in company/ratings reporting timing. While these engagements can often lead to near-term ratings improvements (14 companies were upgraded by MSCI ESG during our holding period in 2021), they do not always "move the needle" on the long-term issues that have the greatest environmental, social and/or governance impact.

While we approach each engagement on a bottom-up case-by-case basis, we have identified key ESG/DEI targets for our entire portfolio and are engaging across the board on these important metrics. We are closely monitoring, engaging and reporting on the carbon footprint of our portfolios. Our initial focus is on scope 1, 2 & 3 greenhouse gas (GHG) emissions – monitoring our companies' reporting transparency, targets and active mitigation measures. We continue to assess other metrics on a case-by-case basis. We have seen companies commit to scope 1, 2 & 3 reporting, adopt TCFD industry standard reporting and/ or set ambitious and measurable reduction goals. Multiple companies in our portfolio have committed to net zero, often signing onto industry-wide or broader initiatives, ranging from Science Based Targets (SBTi) Net-Zero Standard to the Net Zero Asset Managers Initiative to the Sustainable Hospitality Alliance, among others.

We are also monitoring and engaging more actively on social-focused topics, with a specific focus on transparent diversity reporting and increasing gender diversity of boards. We set a near-term target of 100% of portfolio companies having at least one woman as a board member and a longer-term goal of a portfolio average of 30% women as board members. While we have seen steady progress in these metrics, as noted above, we recognize there is still a long way to go. We are committed to encouraging thoughtful additions and replacements over time to help drive an increased diversity of thought, experience and opinions, which we believe will ultimately drive better long-term results.

ESG CASE STUDY

CNX RESOURCES

- 13 strategic meetings with company in 2021
- Key ESG engagement topics:
 - Adopting TCFD reporting
 - Committing to scope 3 reporting
 - Setting science-based reduction targets
 - Improving board diversity

Our engagement with CNX Resources (CNX) has spanned multiple years. In addition to extensive engagement on board members, capital allocation and long-term shareholder value creation, our environmental engagement dates back to its Consol Energy days. We encouraged the company to split and spin out its coal business to dramatically reduce its carbon footprint. We have expanded the discussion to cover TCFD-compliant reporting, transparency and science-based GHG emissions reduction targets. We have seen progress, with an improved corporate responsibility report (CSR), scope 1 & 2 offsetting through carbon capture, a commitment to scope 3 emissions reporting and near-term reduction goals tied to management compensation. MSCI ESG has steadily improved the company's rating to reflect progress. We remain engaged on CNX's board composition and diversity.

Southeastern CEO and Head of Research Ross Glotzbach has led ongoing discussions on spinning out coal, adopting TCFD reporting, committing to scope 3 reporting and setting science-based GHG emissions reduction goals. In September 2021, CNX published an expansive new CSR in line with TCFD standards that details the extensive carbon capture efforts that offset scope 1 & 2 emissions. We applaud the extensive carbon capture efforts and continue to encourage the company to report scope 3 emissions and to set measurable reduction targets.

Since issuing the CSR, CNX has taken additional positive steps. The company committed to scope 3 emissions measuring and reporting and have set more near-term greenhouse gas (GHG) emissions reduction goals, with 10% of long-term executive compensation tied to reaching these targets. CNX also set goals for further scope 1 emissions for 2022 and 2025, after reporting below-average emissions vs. the industry average of its peers. CNX has been recognized for its progress by being named a 2021 Energy ESG Top Performer by Hart Energy in the public E&P category. The awards recognize innovations in reducing environmental impact, social efforts and community contributions in the oil and gas industry. Additionally, MSCI ESG upgraded its rating from a BBB to A in April 2022. The next step would be to commit to scope 3 net zero.

We have also engaged with the company on Governance and specifically board diversity. While we like that CNX has a small board and believe that Chair Will Thorndike (who we recommended) is best in class, only 14% of the board members are women. In early 2022, CNX increased the diversity and depth of experience of its board and executive management team with the addition of Robert Agbede as a board director, Ravi Srivastava as President of New Technologies, and Hayley Scott as Chief Risk Officer. We continue to encourage the company to expand the gender diversity of the board with thoughtful replacements over time. We applaud CNX's charitable giving, strong community support and involvement and commitment to local labor and materials sourcing.

ESG CASE STUDY

FAIRFAX FINANCIAL

- 7 strategic meetings with company in 2021
- Key ESG engagement topics:
 - Improving reporting & transparency
 - Engaging with ratings agencies
 - Adopting climate change risk framework
 - Expanding board diversity

We have engaged with Fairfax Financial Holdings (FFH) for two decades on multiple areas. Our recent ESG engagement has focused on encouraging improved ratings agency engagement and more transparent reporting on existing human capital and DEI initiatives – as well as longer-term improvement in carbon footprint measurement and reporting, incorporating climate change into its risk framework and adapting responsible investment strategies. We have seen initial progress, as the company issued an improved ESG report and was upgraded to a B by MSCI ESG. We remain highly engaged.

Southeastern Senior Analyst Lowry Howell, together with Chairman Mason Hawkins and Vice-Chairman Staley Cates, has led ongoing discussions over a decade of ownership. In 2020, FFH had the lowest possible MSCI ESG rating – CCC – significantly lower than what we believe was warranted. While we agreed there were (and still are) meaningful improvements to be made on “E” and “S” initiatives, we strongly disagreed with stated Governance concerns over Fairfax CEO, Chairman and Founder Prem Watsa’s significant ownership (and 42% voting rights), which we view as a positive alignment with shareholder interests, backed by a strong track record of sound operational management, capital allocation and fair voting.

We have actively encouraged the company to engage with the ratings agencies on two key topics of noted deficiency – human capital development (where FFH already had a strong framework in place but wasn’t reporting on it) and incorporating climate change risk modeling and responsible investment practices (where improvements needed to be made). FFH issued a new ESG report in 1Q 2022 that highlights improved efforts, including a commitment to measuring GHG by 2023 and detailed outline of climate change risk assessment and mitigation, sustainable underwriting and investment practices, and sustainable initiatives at the company level. Additionally, it shared details on human capital development programs, DEI initiatives, governance policies, data privacy and cybersecurity. MSCI subsequently increased its score to from a CCC to a B. We believe it represents a big improvement but remain engaged on measuring and reporting carbon footprint, establishing goals for mitigation and ongoing efforts to increase board diversity (27% of board members currently are women).

ESG CASE STUDY

CK HUTCHISON

- 6 strategic meetings with company in 2021
- Key ESG engagement topics:
 - Improving reporting & transparency
 - Engaging with ratings agencies
 - Addressing board entrenchment & expanding diversity

We have engaged with CK Hutchison's management, board, IR and sustainability team, as well as MSCI ESG to encourage improved reporting, transparency and ratings agency engagement. While we believe management is aligned with shareholders and has a strong track record, we have taken action to improve the board through our proxy voting and believe this is key to more meaningful long-term governance, and ultimately share-price performance, improvement. We have seen progress with better transparency, an improved MSCI ESG rating and entrenched directors stepping down, as well as a continued commitment to creating shareholder value through strategic asset sales.

CK Hutchison (CKH) is an example of two levels of ESG engagement – identifying short-term ratings improvements driven by better transparency and engagement, and more impactful long-term improvements, in this case governance upgrades that improve long-term sustainability.

Southeastern Head of Asia Research, Ken Siazon, has led behind-the-scenes engagement at CKH over several years. We also engaged directly with MSCI ESG on the rationale for the company's B rating, a score we felt was far too low. While it was clear some of the "check-the-box" scoring was out of CKH's control (i.e., a high-risk exposure score due to the risk of unionization in key sectors and regions), we learned that CKH could easily address some noted deficiencies through better disclosure of existing union agreements, employee engagement, skills training and leadership development and shared this feedback with CKH's Group Sustainability Manager. The company subsequently issued an improved 2020 Sustainability report that addressed many of the transparency issues and more clearly outlines its workforce management programs, including a robust employee engagement framework and improvements in benefits, training and restructuring policies. CKH also stated goals to meet TCFD standards, disclose scope 3 emissions and reduce GHG emissions (scope 1 & 2) by 40% by 2030. These incremental improvements were recognized by MSCI ESG, which upgraded CKH from a B to a BBB in June 2022.

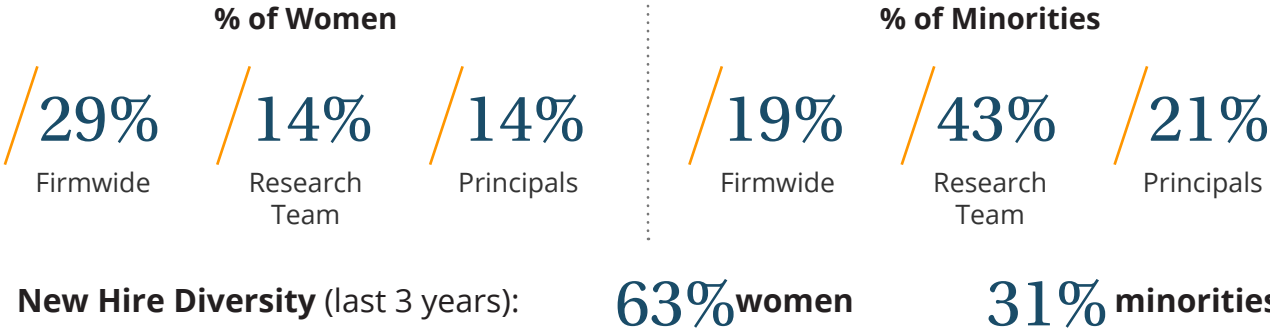
Most importantly, we have also engaged on board composition, including voting against seven directors that we felt were entrenched and/or where we felt a better mix of diversity of backgrounds and experience/insight was needed. Two entrenched directors stepped down in March. We expect to see continued progress over time.

Diversity, Equity and Inclusion (DEI)

SOUTHEASTERN IS COMMITTED TO FOSTERING AND PRESERVING A CULTURE OF DIVERSITY, EQUITY AND INCLUSION.

We believe that a diverse and inclusive culture is key to achieving our mission. Incorporating diverse perspectives and insights help us to make better, more informed investment decisions and achieve better outcomes for our clients, business and community. Enhancing diversity at Southeastern and within the broader asset management industry is a key initiative, as we continually seek to deepen our global view with new and varied perspectives. Given the small, lean nature of the firm, we do not frequently hire new team members. However, we are committed to taking active steps to improve diversity and inclusion wherever possible, and our long-term goal is to increase our diverse employee representation over time.

Southeastern’s Workplace Diversity



Recruitment

We have implemented diversity training for Southeastern employees involved in recruiting efforts. For all job searches, we consider working with a mixture of national, regional, local and minority-owned recruitment firms, all of which are given specific instructions to focus on bringing talented and diverse candidates to us for consideration. Additionally, we engage with non-profit organizations focused on catalyzing change in the industry by promoting more diverse recruitment, such as Girls Who Invest, on developing local leadership talent, such as City Leadership, and on advancing low income students and young professionals into college and professional careers, such as REACH Memphis.

Employee Engagement

We regularly engage with our employees through cross-departmental leadership groups, inter-departmental mentor and training sessions, firmwide virtual and in-office forums and semi-annual employee sentiment surveys. The Executive Committee assesses and

incorporates feedback in real time to ensure we are always improving and maintaining the strong culture that brings us together. We have a firm DEI policy in place, which is shared with all employees, and all employees undertake annual anti-harassment training. We have policies in place to ensure equal pay opportunity, supported by an external review of our compensation practices. We prioritize providing a flexible work environment to help support a healthy work-life balance. We provide a generous parental leave policy for primary and secondary care givers, including for placement of a child with the employee for adoption or foster care. We also allow for paid workdays to be used to participate in non-profit and other community service projects.

Our DEI Partnerships



In 2021 we partnered with Girls Who Invest (GWI), an organization that is helping transform the asset management industry by bringing more women into portfolio management and leadership through an inclusive program that provides education, mentoring, internships and a supportive community. We are working with GWI to establish a structured internship program, with our first intern joining us in Summer 2022.



THE NOTRE DAME
INSTITUTE
FOR GLOBAL
INVESTING

In January 2021, we partnered with the Notre Dame Institute for Global Investing via their Investment Management Access Program (IMAP). This program, focused on improving diversity within the asset management industry, supports partner programs including: AnBryce Scholars, Association of Latino Professionals for America (ALPFA), Black Business association of Notre Dame (BBAND), BlackND Capital (BNDC), First Gen Careers Initiative, Smart Woman Securities (SWS), and Undergraduate Women in Business (UWIB).



In 2021, Southeastern served as an Inaugural Champion for The Center of Innovation for Diversity, Equity, and Inclusion in Finance (IDiF), which seeks to advance representation, create a culture of capital that embraces diversity and accelerates economic justice, power, and influence for all. IDiF provides a trusted hub for collaboration, amplification, and education for over 100 initiatives, communities, and reports to address the barriers to entry and access for talent in asset management.



GREENWOOD P I N E

Greenwood Pine Partners is a partnership between Southeastern Asset Management and Shelby County, who wanted to help create more local minority-owned managers by allocating some of the county's pension assets to emerging managers. In the Spring of 2020, Brandon Arrindell created Greenwood Pine Partners, a minority-owned, mission-driven investment firm that aims to produce strong risk-adjusted returns for its clients while working to address the lack of diversity in the asset management industry and promoting wealth creation in minority communities.

As part of Greenwood Pine's mission, the firm seeks to partner with local, minority-owned service providers wherever possible. In 2021, Greenwood Pine partnered with **Three(i) Creative Communications**, a minority-owned social impact marketing agency based in Memphis to develop Greenwood Pine's logo and branding.

DIVERSITY, EQUITY AND INCLUSION IN OUR INDUSTRY



African Americans are **~13% of US population** but only **6% of financial investment industry**



Diverse-owned investment firms manage **~1.4% of >\$82 trillion AUM** in the U.S.



Diverse-owned firms earn **<\$2 billion of ~\$130 billion annual net earnings** in the U.S. asset management industry

Source: Greenwood Pine estimates based on findings from the [Knight Foundation Diversity Report](#)

A MINORITY-OWNED, MISSION-DRIVEN INVESTMENT FIRM

- Produce strong risk-adjusted returns by employing a value-oriented, fundamentals-based approach
- Recruit, retain and develop diverse talent and partner with minority-owned service providers
- Promote wealth creation in minority communities by partnering with institutions and non-profit organizations that promote financial literacy and provide career exploration and advancement resources to people from underserved backgrounds
- Southeastern is aligned with Greenwood Pine's mission and has pledged the proceeds from its 49% ownership stake to organizations that uplift and provide services to underserved local communities

Southeastern Asset Management, Inc. owns a minority interest in Greenwood Pine Partners. This is for informational purposes only and Greenwood Pine Partners is not directly related to the Longleaf Partners Funds . ALPS Distributor, Inc. is not affiliated with any other referenced entity.

DIVERSITY, EQUITY AND INCLUSION AT OUR INVESTMENTS

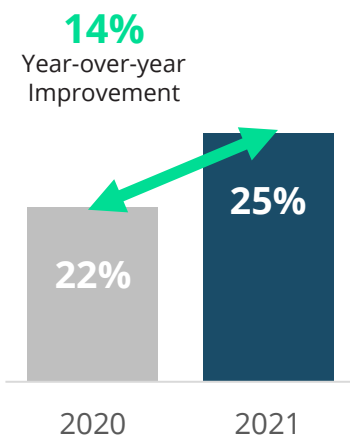
At an investment level, diversity considerations come into play in our assessment of “People” – both senior management and board composition – at every business. Studies show that a diversity of thought, experience and opinions helps drive better long-term results, with diversity and inclusion serving as a key source of competitive advantage and an important enabler of future growth.

A key part of our “People” engagement is often to help companies re-evaluate the composition of their boards to ensure that people with relevant experience and expertise that are not yet represented on the board or at the company are added. We have set a near-term target of 100% of portfolio companies having at least one woman as a board member and a longer-term goal of a portfolio average of 30% women as board members. Although we have seen some improvement here, as highlighted in the numbers below, we believe there is significant room for improvement in these statistics and are engaging directly with our companies on this important topic. Diversity data across race, sexual orientation, culture, disability and other measures is frequently unavailable. We are an advocate for greater transparency, as well as much-needed progress on these broader diversity measures.

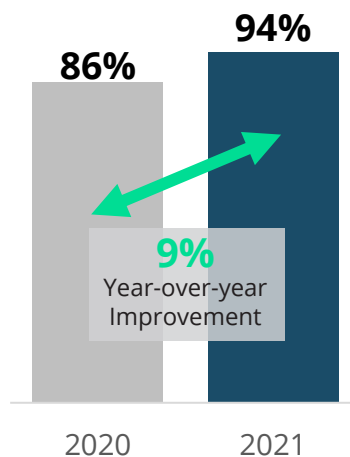
Today, 25% of the companies that we own across our portfolios have a woman in at least one of the top three management positions (Chair, CEO, CFO), while 94% have at least one woman on the board. On average, 24% of board members at our companies are women.

Diversity Progression at Our Investments

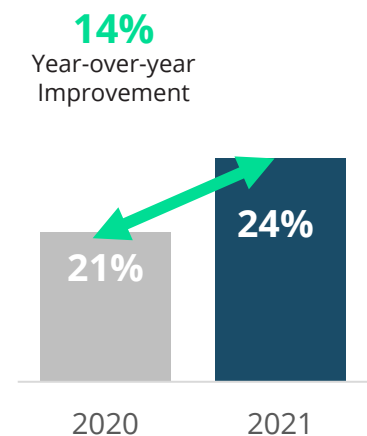
% with a Woman as a CEO, CFO and/or Chair



% with at Least One Woman Board Member



% of All Board Members that are Women



Supporting Our Local Communities

ESG CONSIDERATIONS EXTEND BEYOND HOW WE INVEST AND SHAPE THE WAY WE RUN OUR BUSINESS.

Southeastern's senior leadership has intentionally structured the business for long-term sustainability. We are independent and 100% employee-owned. Alignment of interests with our clients is a critical element of our ethos and code of ethics, which requires all employees to limit their investments in publicly-traded equities to funds advised by Southeastern, unless granted a prior exception. We invest in the same securities and pay the same fees as our clients. Southeastern's employees and related entities are among the largest investors across the funds that Southeastern manages, creating unique and best-in-class alignment with our clients. Every decision we make is driven by where we would like to invest our own capital.

We recognize that our people are our most important asset, and we are focused on creating and fostering a culture and environment that supports and provides a path to growth for all employees. With three generations of active firm leadership in place, each bringing a different perspective to management and business decisions, our people work across departments with a common goal of creating long-term value for our client partners, our community and ourselves. An equal passion for how we invest and for giving back to the community is the most important common thread across our employees.



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



SOUTHEASTERN'S EMPLOYEES HAVE BEEN WORKING TO SUPPORT POSITIVE CHANGE WITHIN OUR LOCAL COMMUNITIES FOR DECADES.

Our investing success and our long-term, committed clients allow us to give back to our community. We generally prefer to work behind the scenes and try to avoid the spotlight for our philanthropic efforts, similar to how we approach engagement with our investee companies. However, we seek to inspire and encourage others to take action wherever we can. The strong support of our clients over more than four decades has allowed us to give back to our hometown of Memphis, where we are headquartered, being named the most charitable city in the US.

Southeastern has made material contributions to charitable organizations, both directly and through our employee match program. Additionally, employees and related foundations have founded and/or directly supported hundreds of non-profits in Memphis and elsewhere at a significantly higher magnitude. Broadly, these organizations are focused on improving education and providing mentorship for those in need, training and recruiting talent for high impact jobs, revitalizing neighborhoods, developing sustainable food sources, promoting environmental change through regenerative farming and conservation, and supporting the arts community. Partnering with these non-profits, Southeastern employees and their families also volunteer their time and leadership to multiple organizations within the community. Southeastern provides a financial match to each employee's charitable donations of up to \$5,000 annually, and we encourage community involvement from all our employees with an explicit policy that allows for the use of workdays for philanthropic pursuits.

Southeastern leadership's charitable foundations and several of the non-profit organizations they support are based in the Crosstown Concourse in Memphis. This vertical urban village was adapted over the course of a decade from an abandoned Sears warehouse that converted an otherwise stranded asset into a revitalized community with a mix of restaurants, mixed-income housing, education, music, art and leisure venues. We highlight below a small selection of ongoing charitable commitments and projects supported by Southeastern employees and related foundations, and we would welcome the opportunity to discuss the work these organizations are doing in more detail.

City Leadership – Crosstown Concourse is the home to City Leadership, an organization that is focused on maximizing the leadership capital and potential of Memphis by recruiting talented individuals, developing local leaders and organizations and catalyzing collaborative projects for the benefit of the city. City Leadership works with organizations and leaders

across every field, including businesses, nonprofit groups, government entities, schools, teachers, artists and social entrepreneurs. In addition to supporting the important work of this organization financially, we involve City Leadership and their related campaign #Choose901 to assist us in sourcing diverse candidates for potential career opportunities and internship positions.



REACH Memphis – REACH Memphis is an organization that prepares high-performing students from public high schools for college and careers through mentoring, exposure to summer academic/ leadership experiences, intensive college preparation counseling and career planning. Southeastern Principal and Senior Analyst and the Portfolio Manager of Greenwood Pine Partners, Brandon Arrindell, sits on the board of directors of REACH, and it is one of the organizations that will be supported by the income from Southeastern’s 49% stake in Greenwood Pine that has been pledged to organizations that uplift and provide services to underserved local communities. We have recently begun including the organization in our network of trusted referral sources for potential career opportunities, alongside City Leadership.



Soulsville Foundation – Soulsville Foundation, based in the original site of Stax Records in South Memphis (aka “Soulsville”), is a unique organization that strives to inspire and transform the world through the power of soul music by preserving the rich cultural legacy of the original Stax records, educating youth to be prepared for life success and inspiring future artists to achieve their dreams. Today, the Foundation operates three distinct but connected entities: **Stax Museum of American Soul Music** – the only museum dedicated to promoting the legacy of Stax records and American soul music, **The Soulsville Charter School** – a public, tuition-free charter school with a mission of preparing students for success in college and life in an academically rigorous, music-rich environment, and **Stax Music Academy** – an after-school and summer music institute that provides intensive, industry-centric





music education combined with unique performance opportunities and creative youth development programming. The Foundation is committed to improving lives in Memphis for youth and their families, while also positioning itself to share lessons based on evidence-based programming and interventions that national policy makers can model and replicate.



Southeastern principals and their affiliated foundations have been long-time supporters of the organization, and Southeastern as a firm has provided recurring direct financial support. Multiple current and prior Southeastern employees and family members either serve or have served on the board of directors. Soulsville revitalized a historic neighborhood in Memphis and has brought together multiple notable Memphis community members, ranging from (but not limited to) Memphis' NBA basketball team the Grizzlies to local businesses NexAir and Autozone to native Memphian Justin Timberlake, who has elevated the Stax Music Academy through financial support and ongoing student mentorship.

For anyone traveling to Memphis, we highly recommend a visit to the Stax Museum, as well as Crosstown Concourse!



Climate Change

THE IMPACT OF CLIMATE CHANGE IS BEING FELT ACROSS THE WORLD, WITH OVERWHELMING SCIENTIFIC EVIDENCE THAT GREENHOUSE GASES (GHG) RELEASED AS A RESULT OF HUMAN ACTIVITY ARE CAUSING GLOBAL TEMPERATURES TO RISE, CREATING COMPLEX CHALLENGES FOR BUSINESSES, GOVERNMENTS AND INDIVIDUALS.

We believe that climate change presents financial risk to the global economy and recognize that the physical and transition risks associated with climate change, as well as the opportunities that go along with them, will affect the companies in our investible universe in different ways. We consider the material risks and opportunities for climate change as one of many inputs in our bottom-up, fundamental analysis of each individual company. We recognize the importance of resource companies that can act as a bridge to cleaner energy, while also factoring in the reality of top-down geopolitical factors in the energy space. We closely monitor, engage and report on the carbon footprint of our portfolios, using several different metrics, including carbon footprint (total GHG emissions), emissions intensity (GHG emissions per unit of revenue) and scope of reporting by the company. We additionally report on our level of engagement with top portfolio holdings, including our assessment of the company's current positioning and progress over time. Please refer to our website to view our portfolio [Carbon Footprint Reporting](#).

Supporting Our Environment

We are working to reduce our impact on the environment, starting by supporting positive change in our local community.

Soil Health: Local Regenerative Agriculture

Southeastern employees and their families have multi-generational ties to agriculture. In the last several years, Southeastern leaders have invested personally in local (near Memphis) regenerative farming with the goal of increasing soil organic matter to improve soil health and productivity and ultimately benefit water quality, food security and the overall health of global ecosystems. These efforts started with converting existing owned land and expanded as the evidence of the benefits of these practices quickly mounted. While we are still in the early stages, we are undertaking extensive research and are investing personally both directly and through early-stage partnerships in regenerative farming. We are offering financial backing to bridge farmers in the local Memphis and surrounding area to increase the scope of these

efforts, while also helping to educate local farmers and global investors on the regenerative – and potentially highly lucrative – benefits of this approach. We hope to see an increased focus on soil-based carbon sequestration as a key climate solution and are encouraged by efforts like the Yale Planetary Solutions Project, sponsored by a \$100mn donation from FedEx and focused on finding solutions to climate change through advances in natural carbon sequestration. We would welcome conversations to learn from others and/or share our insight gained thus far on this important topic.

Longleaf Pine Conservation

Longleaf pine - a tree native to the southeastern United States and the namesake for the Longleaf Funds - is important to the legacy of our firm and founders. Longleaf pine's impact goes well beyond the value of its timber. The trees support a vast ecosystem of hundreds of plant and animal species. Southeastern supports efforts to reforest longleaf pines, which have been endangered due to overcutting. The longleaf pine in the lobby of our headquarters, hundreds of years old, was reclaimed from riverbeds where the logs sank while being transported to mills decades ago.



We partner with two key organizations that are dedicated to conservation.



[The Longleaf Alliance](#) works throughout the Southeast US to guide longleaf restoration, stewardship and conservation, using science-based outreach, partnership engagement and on-the-ground assistance.



[Tall Timbers](#) is one of the nation's leading land trusts with the mission to foster exemplary land stewardship through research, conservation and education.

Outlook

Building off our 2021 success, we are expanding our partnerships with several key organizations across multiple initiatives. After a year of supporting Girls Who Invest as a partner, we are hosting our first research intern in Summer 2022. We have been paired with an impressive young woman from Brown University, who just completed her sophomore year in Business Economics and Behavioral Decision Sciences.

Additionally, through City Leadership, we hired a native Memphian into our Summer 2022 internship program. She just completed her sophomore year at Columbia University and is a graduate of The Collegiate School of Memphis, a non-profit charter school focused on preparing a diverse base of students (100% of which qualify for financial aid) for college and professional careers that is supported by Southeastern's affiliated foundations.

After serving as an Inaugural Champion for IDiF in 2021, Southeastern is continuing our partnership in 2022 as a Seeding Leader. CEO and PM of Greenwood Pine Partners Brandon Arrindell, CFA is engaging directly with IDiF to help further Greenwood's social mission of addressing the lack of diversity in the asset management industry and promoting wealth creation in minority communities.

We continue to grow our personal partnership with a local regenerative farming company, and we are applying our learnings to our environmental engagement with our portfolio companies, such as CNH Industrial, a leading global agricultural equipment business.

Further, we are leveraging the knowledge and infrastructure of our affiliated charitable foundations to help increase Southeastern's and our employees' charitable outreach. We are excited to welcome back post-COVID Southeastern Service Days and educational "lunch and learn" sessions, as well as working with the foundations to advise interested employees on giving their time and capital.

Thank you for taking the time to review our second annual ESG report. We encourage you to visit our new [Responsibility](#) section of our website to track our progress. We recognize that there is always room to learn, grow and improve. Please feel free to reach out to us with any questions or feedback at ESG@SEasset.com. We are grateful for your partnership and look forward to continuing the dialogue with our clients, investee partners, peers and other industry leaders on these important topics.



Gwin G. Myerberg

**Global Head of Client Relations and Communications
Chair of Southeastern's ESG Committee**

Please see following page for important disclosure information

ESG is qualitative and subjective by nature, and there is no guarantee that the criteria utilized, or judgment exercised, by Southeastern Asset Management will reflect the beliefs or values of any particular investor. Information regarding responsible practices may be obtained through voluntary or third-party reporting, which may not be accurate or complete, and Southeastern Asset Management may be dependent on such information to evaluate a company's commitment to, or implementation of, responsible practices. Socially responsible norms differ by region. Past performance is not a guarantee or reliable indicator of future results. This material contains the current opinions of Southeastern Asset Management and such opinions are subject to change without notice. This material is distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. While Southeastern integrates ESG considerations into its assessment of a business's value, and engages to promote progress on ESG matters as discussed in this report, we do not view our advisory services or funds as "ESG Focused" or "ESG Impact" strategies, as defined by the SEC in its proposed ESG regulation for advisors and funds. Please see our ADV Part 2 for a discussion of our investment approach.