

Responsible Investment: Policies and Principles

At Franklin Templeton, responsible investment (RI) refers to the integration of environmental, social and governance (ESG) factors into investment decisions with the objective of providing better risk-adjusted returns, particularly over the long term. Our Responsible Investing Policies and Principles outline the philosophy and approach we take to ensure that ESG consideration is embedded throughout the investment process.

ESG factors can have a material impact on the value of companies and securities. Examples of ESG factors include natural resource use and scarcity, governance controls, product safety, employee health and safety practices, and shareholder rights issues. Franklin Templeton believes these issues should be considered alongside traditional financial measures to provide a more comprehensive view of the value, risk and return potential of an investment. With this understanding, we are committed to the integration of ESG consideration into our investment management processes and ownership practices.

Franklin Templeton's Responsible Investment Policies and Principles apply across our independent investment management groups and have the flexibility to accommodate a number of distinct investment approaches to consideration of ESG factors. Investment managers take ESG criteria into account in a manner consistent with their investment philosophy.

Working with the firm's head of investments and Chief Investment Officers (CIOs), Franklin Templeton's dedicated ESG team has responsibility for the oversight of and adherence to the firm's responsible investment policies. The portfolio managers and investment analysts have responsibility for the implementation of the policy.

The ESG team works closely with the investment groups to further the integration of ESG factors in the investment process through ESG education, evaluation of existing processes and enhancement of research methods, tools and monitoring mechanisms. The ESG team reports through the CIO of Multi Asset Solutions directly to the CEO and President of the firm, who is also a member of the Franklin Resources Executive Committee. The Executive Committee (comprised

of the firm's CEO and President along with executive leaders from Investment, Distribution and the General Counsel) is responsible for shaping the firm's overall corporate strategy.

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1. ESG Integration

1.1. Approach and Practices

Environmental, social, and governance factors have become increasingly important to corporations worldwide as they seek to balance organizational goals with the expectations of their stakeholders in an increasingly complex operating environment. When companies manage stakeholder relationships effectively, they can be more successful at managing risk and capturing opportunities – better positioning these organizations for potential long-term success.

As a global investment manager with a rich history of over 70 years as a fiduciary, Franklin Templeton is committed to supporting and strengthening the consideration of ESG opportunities and risks across our entire platform. These Responsible Investment Policies and Principles recognize the ESG integration practices that have been in place for many years and which are supported by the dedicated ESG resources and Investment Risk Management Group.

Key tenets of our ESG approach:

- **Client investment goals and objectives always comes first:** Consistent with the client/strategy investment goals and objectives, and where material to a particular investment opportunity, Franklin Templeton seeks to consider environmental, social and/or governance factors as an integrated element of our investment research and decision making, where we believe these factors may influence the risks and rewards in the portfolio.
- **Independent groups, unique investment processes:** Franklin Templeton is committed to maintaining the

independence of each of our investment groups, in order to provide our clients with the opportunity to build truly diversified portfolios. This includes unique approaches to considering and managing portfolio risks, including ESG-related risks.

- **Led by the portfolio managers in partnership with the Investment Risk Management Group (IRMG):** Consistent with IRMG’s mission of integrating investment risk management into the investment processes at Franklin Templeton, IRMG’s objective is to ensure ESG related risks are recognized and intentional during the various steps of the investment cycle.

Consideration of material ESG factors is an important element of our analysts’ fundamental bottom-up research and our dedicated ESG team supports these research efforts through access to additional ESG-related data, analysis and training, and enhancements to processes and documentation, as appropriate.

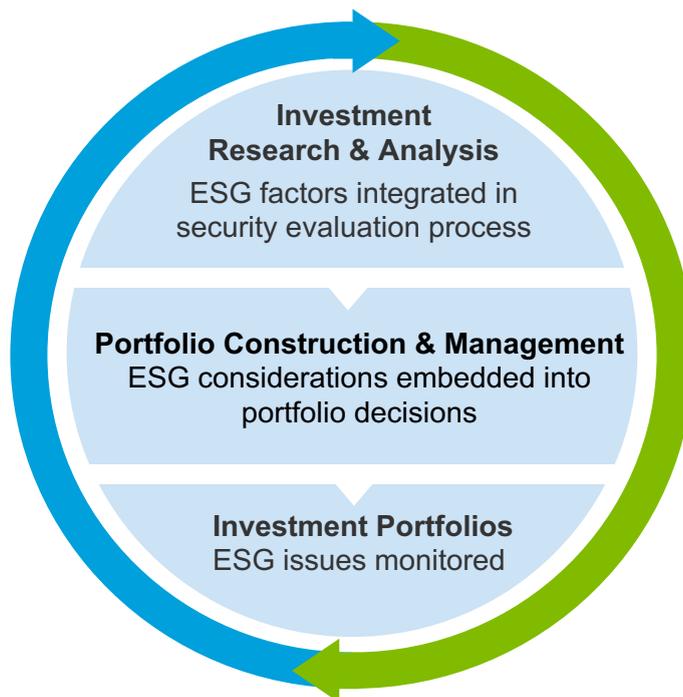
The support from the ESG team and the IRMG allows our portfolio managers to gain a deeper and more comprehensive understanding of the potential ESG risks and rewards associated with each investment.

1.2 ESG in the Investment Process

Our fully integrated ESG approach leverages Franklin Templeton’s investment research teams and risk management framework. This approach applies across our investment groups and has the flexibility to accommodate distinct approaches to the analysis of ESG issues, consistent with each group’s individual investment style:

Dedicated ESG Team

Track emerging themes and share industry best practices with investment teams



Independent Risk Management

Integrate ESG analytics into strategy reviews and risk reports

A. Investment Research & Analysis

Integration begins with our investment analysts considering material ESG risks and opportunities as part of their fundamental research. One of our key strategies for effective investment integration is to embed ESG consideration in the work of our research teams. Consistent with their status as independent investment management groups, each investment manager determines the various research inputs that are included and weighted in their investment decisions. As a fundamental bottom up manager, Franklin Templeton's investment research is predominately generated internally by investment professionals.

B. Portfolio Construction & Monitoring

We strive not only to implement our Responsible Investment Policies and Principles in research, but also to uphold them throughout portfolio construction and maintenance.

Each investment manager determines the research inputs that are included and weighted in their investment decisions. As an integral aspect of their research activities, analysts are responsible for monitoring any material ESG considerations relevant to their analysis of a particular security. Analysts conduct this monitoring on an ongoing basis and incorporate their insights into updated research notes and recommendations discussed with the investment team in the course of portfolio construction decision making.

C. Risk Management

We also strive to integrate ESG consideration into the existing risk management framework via the IRMG. Our dedicated ESG team works with the IRMG's risk consultants and uses industry-leading tools to provide a top-down, portfolio level perspective on ESG factors. By introducing ESG analytics into the regular and recurring- portfolio performance and risk analysis and the related discussions with portfolio managers, our goal is to make ESG risk consideration a core component of the investment risk conversation.

1.3. Stewardship

Stewardship is the responsible management of the assets entrusted to our care and includes engagement with companies and other issuers of the securities we invest in. We consider stewardship and the integration of material environmental, social and governance (ESG) factors into investment analysis to be an integral part of our fiduciary duty to our clients and their beneficiaries. Our stewardship approach is governed by the firm's 'ESG and Stewardship Policy' and supported by annual reporting.

i. Proxy Voting

With many years of experience, our investment managers understand that their proxy voting decisions may affect the value of shareholdings, and they are committed to fulfilling

their fiduciary duty to vote proxies in the best interests of their clients. Proxy voting policies and procedures serve as guidelines for proxy voting decisions and detail the process by which decisions are made, including votes related to ESG issues.

We use external providers for advice on corporate governance issues to assist us in our proxy voting responsibilities. Where appropriate, additional ESG research sourced from external providers is used as an input into our investment process, together with the fundamental research conducted by our team of in-house research analysts. Currently, Franklin Templeton has engaged Institutional Shareholder Services (ISS), Glass Lewis, and Ownership Matters to provide analysis of proxy issues. Franklin Templeton will generally consider supporting ESG related shareholder resolutions that promote the long-term economic interest of clients and do not seek to interfere in routine management matters.

To provide transparency for our clients, both proxy voting policies and voting records are available publicly to the extent legally required in certain countries. To learn more, please visit the proxy voting section on your local Franklin Templeton website.

ii. Engagement

At Franklin Templeton our engagement extends to many issuers of capital including listed and unlisted companies, as well as municipal and national governments. The nature and extent of engagement can be influenced by the type of issuer with which we are engaging. We prefer a non-adversarial approach to engagement, as this leads to better outcomes for both parties, and to directly engage with decision makers who can affect change at board or senior management level for corporates and with senior ministers for Government debt.

Engagement is led by our investment groups, beginning with portfolio managers and investment analysts monitoring and considering material ESG issues as part of their research processes.

We consider two types of engagement:

1. 'engagement for change' which is a purposeful dialogue to influence positive change, with defined objectives; and
2. 'engagement for information' which forms part of issuer monitoring and is value additive in communicating what's important to us, building relationships, and achieving a more complete understanding of an issuer's strategy and practices.

As long-term investors, we undertake engagement in a spirit of partnership and we aim to work with companies and other issuers in which we invest to understand and address areas of concern. We do this because we believe this partnership and dialogue can lead to improved investment outcomes for our clients.

The number and frequency of our engagement meetings depend on the size of the company or complexity of the debt, the ownership level of the company, the materiality of any issue and the scale of our investment. We evaluate each situation individually, rather than adopting rigid guidelines on when and how to escalate ESG engagement activities. At their discretion, Franklin Templeton investment managers select the engagement approach(es) that will be most appropriate and effective for each situation. Within each investment team, Analysts, Portfolio Managers, Directors of Research and CIOs work together to form a case-by-case judgment of how best to proceed in particular circumstances. We generally believe that constructive dialogue directly with the key parties is more effective than public action, although our investment managers have engaged publicly in select cases where it was deemed appropriate and necessary to protect shareholder interests. Engagement activity is captured and recorded in analyst meeting notes and a dedicated engagement tracking tool available to all investment groups.

iii. Collaborative Engagement

Our independent investment groups each offer distinct investment perspectives. Investment groups may collaborate on engagement topics where there are common concerns and alignment of perspectives, bringing together their shared expertise.

Franklin Templeton may also collaborate with other institutional investors to engage with companies when we believe that doing so is likely to advance clients' interests, is consistent with our firm's policies and is permissible under applicable laws and regulations.

We may also collaborate with institutional investors to engage with policy makers and regulators, through our membership of various global and regional associations. As a member of these organisations, we regularly contribute to discourse, but we may also elect to communicate our views directly to the appropriate policy or regulatory body.

2. Research and Resources

As a fundamental manager, Franklin Templeton's investment research is predominantly generated internally by investment professionals. Analysts obtain information from a variety of sources, including (but not limited to) investee companies or bond issuers; government institutions and officials; specialist research providers, including those dedicated to ESG; supranational organizations, think tanks and NGOs; academic papers and government studies; independent and broker research; current and historical news; and company, industry and country statistics and trends.

3. Governance

The Global Head of ESG, along with Franklin Resources' Executive Committee, provides oversight of the ESG program and approves Franklin Templeton's Responsible Investment Policies and Principles. The dedicated ESG team maintains the Responsible Investment Policies and Principles and reviews these to reflect enhancements to our ESG approach as needed.

The ESG team is comprised of dedicated specialists, whose role is to:

- Engage and educate portfolio teams to assist in recognizing and understanding the impact and scope of material ESG issues and consult on emerging ESG issues.
- Evaluate current research practices related to ESG issues and identify opportunities to refine and improve.
- Enhance portfolio teams' ability to analyze ESG issues by incorporating independent and unbiased ESG data, research and analytics.

4. Memberships and Affiliations

We are a member, supporter or signatory of the following organizations and initiatives:

- Principles for Responsible Investing (PRI)
- International Corporate Governance Network (ICGN)
- UK Sustainable Investment and Finance Association (UKSIF)
- Eurosif
- The Responsible Investment Association (RIA)
- Global Real Estate Sustainability Benchmark (GRESB)
- Sustainable Accounting Standards Board (SASB) Alliance
- Pensions for Purpose
- The Board Director Training Institute of Japan
- The Institutional Investors Group on Climate Change (IIGCC)
- Carbon Disclosure Program (CDP)
- Forum per la Finanza Sostenibile

In addition to the UK Stewardship Code we are signatories to a number of regional Stewardship Codes which reaffirm our commitment to be an active and engaged owner, and to considering ESG factors as part of our fiduciary duty.

5. Socially Responsible Investment

We draw a clear distinction between ESG and Socially Responsible Investing (SRI) in our Responsible Investment Policies and Principles. SRI is an investment philosophy that considers both financial returns and ethical objectives. Although SRI may incorporate ESG factors, SRI is based on screens (negative and/or positive) which can exclude securities based on religious, ethical, or cultural implications.

Recognizing that different clients have different SRI priorities, Franklin Templeton is unable to apply client-specific SRI policies to its pooled fund investment vehicles. We work with separate account clients individually, and we have the capability to customize and accommodate specific investment criteria to meet each separate account client's SRI policy. In doing so, we assess both the practicality of such restrictions and their potential impact on the performance and risk profile of the portfolio.

6. Thematic Investing

Thematic investing allows investors to address ESG issues such as climate change, water and sustainable development, by investing in issuers that provide solutions to the issue or are well positioned to benefit from structural ESG shifts. Franklin Templeton can work with clients to create customized solutions that align with a client's ESG strategy. Franklin Templeton also offers a range of dedicated climate change funds in some jurisdictions.

7. Impact Investing

Impact investments are investments made into companies, assets, and funds with the intention to generate specific social or environmental outcomes alongside a financial return. Franklin Templeton can work with clients to create customized solutions that align with a client's impact objectives. In addition to Franklin Templeton's dedicated ESG team, we have also appointed a Director of Impact who focuses on assessing impact investments within our real assets strategies.

8. Controversial Weapons

Franklin Templeton is committed to supporting and upholding conventions which seek to ban the production of controversial weapons. We are therefore committed to not investing in debt and equity securities issued by companies that we believe are confirmed producers of controversial weapons as defined in our Controversial Weapon's Policy.

9. Related Documents

Please visit the Responsible Investment section on the appropriate Franklin Templeton website for your country or region for further information on:

- Proxy voting policies
- Stewardship Policy
- Controversial Weapons Policy
- Regional Stewardship Code Statements
- PRI Transparency Report