



# FRANKLIN TEMPLETON FUND MANAGEMENT LIMITED

## Remuneration Policy Statement

### Franklin Templeton Fund Management Limited (“FTFML”)

The purpose of this Remuneration Policy Statement is to provide investors with details of the FTFML Remuneration Policy in accordance with Directive 2009/65/EU which applies to any UCITS Funds under its management.

A paper copy of the FTFML Remuneration Policy is available free of charge upon request.

#### PURPOSE AND SCOPE OF THE REMUNERATION POLICY

The Remuneration Policy of FTFML has been designed to align the personal objectives of staff with the long term interests of FTFML and the funds under its management. It aims at mitigating incentives practices which may encourage employees to take unnecessary risk.

The Policy applies to a certain category of staff called the Code Staff which includes Board of Directors, members of control functions, risk takers, and any employee with remuneration which takes them into the same bracket as risk takers whose activities have a material impact on the risk profiles of FTFML or the funds it manages.

#### DESCRIPTION OF THE STRUCTURE OF REMUNERATION

The remuneration includes a fixed and variable component.

**Fixed remuneration:** Fixed remuneration is defined as base salary plus material company provided benefits which may include company cars and company pension contributions.

Base salary levels (including benefits) are set with reference to market benchmarking data (third party industry surveys), which are reviewed regularly.

Fixed salaries are set as a sufficiently high proportion of the total remuneration so that FTFML is able to operate a fully flexible bonus policy, including the possibility to pay no bonus.

**Variable remuneration:** Variable remuneration is defined as annual bonuses paid under the Annual Incentive Plan (AIP), Long Term Awards in the form of performance share grants and Sales Bonus payments. Bonus levels are set with reference to overall corporate and business unit performance as well as individual performance achieved in FTFML. Annual bonuses are funded under the corporate Annual Incentive Plan of Franklin Resources Inc., the ultimate parent company (“FRI”). The level of funding is dependent on overall FRI corporate performance and approved by the Compensation Committee of the FRI Board made up of three non-executive members of the FRI Board (the “FRI Compensation Committee”).

Annual bonuses can be paid in cash or FRI shares or a combination of both, subject to restrictions and vesting determined by FRI Compensation Committee.

Sales bonuses comprise a structured commission component and a discretionary sales bonus and are paid quarterly. Deferral would be applied in the case of key sales employees who have a material impact on the risk Variable

Profile of the Company or the funds it manages.

Staff can be eligible for a supplemental equity based award which is a specific retention benefit limited to key functional positions. These performance shares only vest if certain predetermined threshold levels of performance metrics are attained.

#### MEASURES IMPLEMENTED IN ORDER TO PROMOTE SOUND AND EFFECTIVE RISK MANAGEMENT, ALIGN THE INTERESTS OF THE INDIVIDUALS AND FTFML AND AVOID EXCESSIVE RISK TAKING

**Deferral:** Awards to Manager level and above are paid in a combination of cash and equity awards. Bonuses at these levels are subject to a deferral which can in case of very large bonuses increase to up to 100%. Vesting occurs over a 3 year period.

**Equity portion:** The equity portion is awarded as Franklin Resources Inc. stock.

**Claw back provisions:** Variable remuneration granted or earned can be taken back as a result of special circumstances, e.g. fraud or wilful misconduct on the part of the recipient.

**Award process for remuneration:** FTFML is part of the Franklin Templeton Investments group. Responsibility for the remuneration process at Franklin Templeton Investments rests with the FRI Compensation Committee. The FRI Compensation Committee is composed of three non-executive members of the Board of Directors of Franklin Resources Inc. who are independent under applicable corporate governance standards of the New York Stock Exchange. The members of the Compensation Committee throughout fiscal year 2015 were Samuel H. Armacost, Peter Barker, Seth Waugh and Mark C Pigott. Seth Waugh became a committee member in March 2015, at the same time Samuel H. Armacost stepped down as a director of Franklin Resources Inc. Peter Barker replaced Samuel H. Armacost as chairman of the Committee in March 2015.

The FRI Compensation Committee meets at least once a quarter and periodically reviews the general principles of the FRI remuneration policy. Each year the FRI Compensation Committee sets the AIP pool by considering in particular factors such as FRI's pre-bonus operating income, the overall company performance (actual and projected) as well as investment performance, profitability growth and the overall market environment.

The AIP recognizes and rewards employees with an opportunity to share in Franklin Templeton's overall success. It is designed to link the achievement of individual and company results with measurable, objective rewards. At the end of each fiscal year, employees are evaluated on their performance measured by an assessment of competencies and achievement against predetermined goals. Incentives awarded through participation in this program are based on a combination of the individual's performance and the company's financial results.