



LEA 02	Disclosures: Mandatory	Reason for Interaction	Principle: PRI 1, 2, 3
Individual/ internal staff engagements	<p><input checked="" type="checkbox"/> To support investment decisionmaking in a company's business</p> <p><input checked="" type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input checked="" type="checkbox"/> To engage investor ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>	<p><input checked="" type="checkbox"/> To support investment decisionmaking in a company's business</p> <p><input checked="" type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input checked="" type="checkbox"/> To engage investor ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>	
Collaborative engagements	<p><input type="checkbox"/> To support investment decisionmaking in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage investor ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>	<p><input type="checkbox"/> To support investment decisionmaking in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage investor ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>	
Service provider engagements	<p><input type="checkbox"/> To support investment decisionmaking in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage investor ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>	<p><input type="checkbox"/> To support investment decisionmaking in a company's business</p> <p><input type="checkbox"/> To influence corporate transition or identify the need for a transition</p> <p><input type="checkbox"/> To engage investor ESG advisors</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>	

RI TRANSPARENCY REPORT

2017

Franklin Templeton Investments

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2016 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Private							✓
OO 08	Segregated mandates or pooled funds	✓	Private							✓
OO 09	Breakdown of AUM by market	✓	Private							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO End	Module confirmation page	✓	-							

Strategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public							✓
SG 03	Conflicts of interest	✓	Public							✓
SG 04		✓	Public							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Public							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 08	RI in performance management, reward and/or personal development	✓	Private							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
SG 12	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13	Long term investment risks and opportunity	✓	Public	✓						
SG 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
SG 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 16	ESG issues for externally managed assets not reported in framework	⚠	n/a							✓
SG 17	Innovative features of approach to RI	✓	Public							✓
SG End	Module confirmation page	✓	-							

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private							✓
LEI 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Private	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 11	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 12	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 13	ESG issues in index construction	🔒	n/a	✓						
LEI 14	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 15	Measurement of financial and ESG outcomes of ESG incorporation	✓	Private	✓						
LEI 16	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 17	Disclosure of approach to ESG incorporation	✓	Public		✓					✓
LEI End	Module confirmation page	✓	-							

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagement methods	✓	Public		✓					
LEA 13	Engagements on E, S and/or G issues	✓	Private		✓					
LEA 14	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 15	Examples of ESG engagements	✓	Public		✓					
LEA 16	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 17	Voting policy & approach	✓	Public	✓	✓	✓				
LEA 18	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 19	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 20	Confirmation of votes	✓	Private		✓					
LEA 21	Securities lending programme	✓	Private		✓					
LEA 22	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 23	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 24	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 25	Shareholder resolutions	✓	Public		✓					
LEA 26	Examples of (proxy) voting activities	✓	Public		✓					
LEA 27	Disclosing voting activities	✓	Public		✓				✓	
LEA End	Module confirmation page	✓	-							

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive,active strategies	✓	Private							✓
FI 02	Option to report on <10% assets	🔒	n/a							✓
FI 03	Breakdown by market and credit quality	✓	Private							✓
FI 04	Incorporation strategies applied	✓	Public	✓						
FI 05	ESG issues and issuer research	✓	Public	✓						
FI 06	Processes to ensure analysis is robust	✓	Public	✓						
FI 07	Types of screening applied	🔒	n/a	✓						
FI 08	Negative screening - overview and rationale	🔒	n/a	✓						
FI 09	Examples of ESG factors in screening process	🔒	n/a	✓						
FI 10	Screening - ensuring criteria are met	🔒	n/a	✓						
FI 11	Thematic investing - overview	🔒	n/a	✓						
FI 12	Thematic investing - themed bond processes	🔒	n/a	✓						
FI 13	Thematic investing - assessing impact	🔒	n/a	✓						
FI 14	Integration overview	✓	Public	✓						
FI 15	Integration - ESG information in investment processes	✓	Public	✓						
FI 16	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 17	ESG incorporation in passive funds	🔒	n/a	✓						
FI 18	Engagement overview and coverage	✓	Private		✓					
FI 19	Engagement method	✓	Private	✓	✓					
FI 20	Engagement policy disclosure	✓	Private	✓	✓					
FI 21	Financial/ESG performance	✓	Private							✓
FI 22	Examples - ESG incorporation or engagement	✓	Public	✓	✓					
FI 23	Communications	✓	Public		✓				✓	
FI End	Module confirmation page	✓	-							

Franklin Templeton Investments

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01

Mandatory

Public

Gateway/Peering

General

OO 01.1

Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Fund of funds, manager of managers, sub-advised products

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Other, specify

Execution and advisory services

OO 02

Mandatory

Public

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

United States

OO 02.2

Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3

Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

9000

OO 03

Mandatory

Public

Descriptive

General

OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

Yes

No

OO 04

Mandatory

Public

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

30/09/2016

OO 04.2

Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on.

	trillions	billions	millions	thousands	hundreds
Total AUM		733	000	000	000
Currency	USD				
Assets in USD		733	000	000	000

OO 06

Mandatory

Public

Descriptive

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

OO 06.1

How you would like to disclose your asset class mix.

as percentage breakdown

as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	<10%
Fixed income	10-50%	<10%
Private equity	<10%	0
Property	<10%	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	<10%

Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	<10%	0
Other (1), specify	0	0
Other (2), specify	0	0

OO 06.2 Publish our asset class mix as per attached image [Optional].

Gateway asset class implementation indicators

OO 10	Mandatory	Public	Gateway	General
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OO 10.1 Select the direct or indirect ESG incorporation activities your organisation implemented for listed equities in the reporting year.

- We incorporate ESG in our investment decisions on our internally managed assets
- We address ESG incorporation in our external manager selection, appointment and/or monitoring processes
- We do not incorporate ESG in our directly managed listed equity and/or we do not address ESG incorporation in our external manager selection, appointment and/or monitoring processes.

OO 10.2 Select the direct or indirect engagement activities your organisation implemented for listed equity in the reporting year.

- We engage with companies on ESG factors via our staff, collaborations or service providers
- We require our external managers to engage with companies on ESG issues on our behalf
- We do not engage directly and do not require external managers to engage with companies on ESG factors.

OO 10.3 Select the direct or indirect voting activities your organisation implemented for listed equity in the reporting year

- We cast our (proxy) votes directly or via dedicated voting providers
- We require our external managers to vote on our behalf
- We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

OO 11	Mandatory	Public	Gateway	General
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OO 11.1

Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

- Fixed income – SSA
- Fixed income – corporate (financial)
- Fixed income – corporate (non-financial)
- Fixed income – securitised
- Private equity
- Property
- Cash
- None of the above

OO 11.2

Select the externally managed assets classes where you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes (during the reporting year)

- Fixed income – securitised
- Hedge funds
- None of the above

OO 11.3b

If your organisation does not integrate ESG factors into investment decisions on your externally managed assets, explain why not.

ESG is not currently integrated in external manager selection. We do accommodate ESG screening however based on client requirements.

OO 12**Mandatory****Public****Gateway****General**

You will need to make a selection in OO 12.1 only if you have any voluntary modules that you can choose to report on.

OO 12.1

Select from below any additional applicable modules or sections you would like to report on voluntarily. You are only required to report on asset classes that represent 10% or more of your AUM.

Core modules

- Organisational Overview
- Strategy and Governance

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- Listed Equity incorporation

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

Direct - Fixed Income

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)

Direct - Other asset classes with dedicated modules

- Private Equity

Closing module

- Closing module

OO 12.2

Additional information. [Optional]

Our ESG approach is the same for both non-financial and financial corporates. We encourage readers to review our responses and case studies under non-financial corporate debt.

Franklin Templeton Investments

Reported Information

Public version

Strategy and Governance

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Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.4

Indicate what norms you have used to develop your investment policy that covers your responsible investment approach.

- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- International Bill of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify (1)

other (1) description

While our investment processes do not explicitly reference the principles of the UN Global Compact those principles are aligned with ESG best practice.

- Other, specify (2)
- Other, specify (3)
- None of the above
- No

SG 02	Mandatory	Public	Core Assessed	PRI 6
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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Policy setting out your overall approach

	URL/Attachment
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URL

	URL
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http://www.franklintempleton.co.uk/en_GB/investor/company/responsible-investing

Attachment (will be made public)

	Attachment
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[Responsible Investment Policies and Principles.pdf](#)

Screening / exclusions policy

	URL/Attachment
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URL

	URL
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http://www.franklintempleton.co.uk/en_GB/investor/company/responsible-investing

Attachment (will be made public)

	Attachment
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[Controversial Weapons Policy.pdf](#)

Engagement policy

URL/Attachment

URL

URL

http://www.franklintempleton.co.uk/en_GB/investor/company/responsible-investing

Attachment (will be made public)

Attachment

[Franklin Templeton UK Stewardship Code Statement.pdf](#)

(Proxy) voting policy

URL/Attachment

URL

URL

https://www.franklintempleton.com/retail/pages/generic_content/home/proxy/proxy_voting.jsf

Attachment (will be made public)

We do not publicly disclose our investment policy documents

SG 02.4 Additional information [Optional].

In addition we make available the below documents:

- 'An Integrated Approach to Managing ESG Opportunities and Risks' which details our ESG approach
http://www.franklintempleton.co.uk/en_GB/investor/company/responsible-investing
- Code of Ethics
http://www.franklinresources.com/corp/pages/generic_content/corporate_governance/code_of_ethics.js
- Corporate Governance Guidelines
http://www.franklinresources.com/corp/pages/generic_content/corporate_governance/frk_corporate_governance_guide.jsf

SG 03	Mandatory	Public	Core Assessed	General
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SG 03.1 Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

SG 03.2

Describe your policy on managing potential conflicts of interest in the investment process.

It is FTI policy to take all reasonable steps to maintain and operate effective organisation and administrative controls to identify and manage actual or perceived conflicts of interest. All conflicts of interest will be resolved in the interests of the Advisory Clients. FTI is a large, diverse financial services firm with many affiliates that makes its best efforts to avoid conflicts of interest. Conflicts of interest, however, can arise in situations where the issuer is a client, vendor, distributor, broker/dealer, or director of FTI.

We have adopted a Code of Ethics and Business Conduct with related compliance policies to address potential conflicts of interest. In addition we have established a robust conflict of interest process as part of our proxy voting operations. Further details are available below.

No

SG 03.3

Additional information. [Optional]

FTI conducts its business according to the principle that it must manage conflicts of interest fairly between FTI and its clients, or between multiple clients. As a global investment manager, FTI takes actual, perceived or potential conflicts of interest very seriously. It is FTI's policy to take all reasonable steps to maintain and operate effective organisational and administrative controls to identify and manage potential conflicts of interest.

In addition to our specific Franklin Templeton Conflict of Interest Policy and supporting documentation, FTI explicitly addresses conflicts of interest in our Proxy Voting Policies.

Code of Ethics

FTI has adopted a Code of Ethics and Business Conduct, as well as other related compliance policies, to address potential conflicts of interest. The Code of Ethics requires all Covered Persons (as defined in the Code of Ethics) to conduct themselves in a manner and with such ethics and integrity so as to avoid a conflict of interest, either real or apparent. All Covered Persons have a duty to avoid financial, business or other relationships that might be opposed to the interests of the Company or might cause a conflict with the performance of their duties.

The management of multiple funds and accounts may also give rise to potential conflicts of interest if the funds and accounts have different objectives, benchmarks, time horizons, and fees as the portfolio manager must allocate his or her time and investment ideas across multiple funds and accounts. The investment manager seeks to manage such competing interests for the time and attention of portfolio managers by having portfolio managers focus on a particular investment discipline.

Accordingly, portfolio holdings, position sizes, and industry and sector exposures tend to be similar across similar portfolios, which may minimize the potential for conflicts of interest. Separate management of the trade execution and valuation functions from the portfolio management process also helps to reduce potential conflicts of interest. However, securities selected for one fund or account may outperform the securities selected for another fund or account. Moreover, if a portfolio manager identifies a limited investment opportunity that may be suitable for several funds or accounts, a single fund or account may not be able to take full advantage of that opportunity due to an allocation of that opportunity across all eligible funds and other accounts. The investment manager seeks to manage such potential conflicts by using procedures intended to provide a fair allocation of buy and sell opportunities among funds and other accounts.

The structure of a portfolio manager's compensation may give rise to potential conflicts of interest. A portfolio manager's base salary and bonus tend to increase with additional and more complex responsibilities that include increased assets under management. As such, there may be an indirect relationship between a portfolio manager's marketing or sales efforts and his or her compensation. Based on product structure, and in limited cases, portfolio managers may also be eligible to receive performance fees.

Finally, the management of personal accounts by a portfolio manager may give rise to potential conflicts of interest. FTI believes that its Code of Ethics and other related compliance policies contain provisions reasonably designed to prevent a wide range of prohibited activities by portfolio managers and others with respect to their personal trading activities.

The FTI Code of Ethics and Business Conduct may be found at:

https://www.franklintempleton.com/corp/pages/generic_content/corporate_governance/code_of_ethics.jsf#anc4

Proxy Voting

Investment managers who have the discretionary authority to vote proxies relating to securities held by the clients may have the ability to affect the outcome of shareholder votes and influence the governance of corporations.

Investment managers are thus in a position to significantly affect the future of corporations and, as a result, the future value of securities held by their clients. Conflicts of interest can arise, for example, in situations where the issuer is a client of FTI or the issuer is a vendor whose products or services are material or significant to the business of FTI, etc.

Material conflicts of interest are identified by the Proxy Group based upon analyses of client, distributor, broker dealer, and vendor lists, information periodically gathered from directors and officers, and information derived from other sources, including public filings. The Proxy Group gathers and analyzes this information on a best efforts basis, as much of this information is provided directly by individuals and groups other than the Proxy Group, and the Proxy Group relies on the accuracy of the information it receives from such parties.

In situations where a material conflict of interest is identified between the Investment Manager or one of its affiliates and an issuer, the Proxy Group may vote consistent with the voting recommendation of a Proxy Service or send the proxy directly to the relevant Advisory Clients with the Investment Manager's recommendation regarding the vote for approval. When there is a conflict of interest and the investment manager wishes to vote with management, while the third party proxy service providers recommend to vote against management, the conflict will be resolved pursuant to the investment manager's proxy voting policies and procedures to ensure the investment manager is acting in the best interest of the clients.

The work of the Proxy Group is subject to review by the internal audit department of FTI. There is also an external audit (AT801) conducted in relation to the work of the Proxy Group.

A copy of FTI Conflict of Interest policy is published on our website and which is available on the Regulatory Information on the website www.franklintempleton.co.uk.

FTI's Proxy voting policies are available on the ESG section of www.franklintempleton.co.uk

SG 04	Voluntary	Public	Descriptive	General
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SG 04.1	Indicate if your organisation has a process for identifying and managing incidents that occur within portfolio companies.
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- Yes
- No

SG 04.2	Describe your process on managing incidents
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As a part of their ongoing research activities, analysts are responsible for monitoring any material ESG considerations relevant to their analysis of a particular security. They typically conduct this monitoring on an ongoing basis and incorporate their insights into their updated research notes and recommendations, which are discussed with the team in the course of making decisions related to portfolio construction.

In addition, a key priority for FTI's ESG team is working with our portfolio teams to quantify and integrate security and portfolio level ESG analytics into existing regular and recurring risk and performance reporting. This will ensure consideration of material ESG risks is a part of the robust and effective risk management dialogue and oversight. When we have concerns, we generally believe that constructive dialogue direct with the key parties is effective. Franklin Templeton portfolio managers and analysts hold regular discussions to engage with the executives and board members (as appropriate) of investee companies on issues that we believe are material to the long term success of each company. Primary contact with companies is maintained through our global network of 600+ investment professionals who are responsible for producing regular investment opinions on each of the companies they cover. These reports aim to cover everything which they believe is relevant and material to the decision on whether or not to invest in the company in question. Where an issue is identified, at their discretion, Franklin Templeton investment managers select the engagement approach(es) that will be most appropriate and effective for each situation.

Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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SG 05.1

Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not reviewed

SG 05.2

Additional information. [Optional]

The ESG team has biannual strategy meetings to set objectives and set strategic commitments. These are monitored on an on-going basis within the team.

In addition the team holds quarterly meetings with the Head of PAIR and Head of Investment Management Strategic Services to review progress against strategic targets.

SG 06

Voluntary

Public

Descriptive

General

SG 06.1

List the main responsible investment objectives that your organisation set for the reporting year.

Responsible investment processes

- Provide training on ESG incorporation

Key performance indicator

Update internal online training materials

Progress achieved

A suite of new training videos covering ESG Integration were developed which will be available to all investment staff and sales teams.

- Provide training on ESG engagement

Key performance indicator

Update internal online training materials

Progress achieved

A suite of new training videos covering ESG Integration were developed which will be available to all investment staff and sales teams.

- Improved communication of ESG activities within the organisation

Key performance indicator

ESG Newsletter

Progress achieved

The ESG team regularly produces and distributes an internal ESG Newsletter to an audience of more than 500 people in our investment, product management, risk and sales functions.

- Improved engagement to encourage change with regards to management of ESG issues

Key performance indicator

Formalised process to identify engagement

Progress achieved

In our Emerging Market team an engagement function bringing together analysts and fund managers was formalised to proactively engage with key holdings. This is in addition to on-going engagement activities across our investments. The engagement team have monthly meetings to provide progress updates, set engagement targets and approach and to review progress.

- Improved ESG incorporation into investment decision making processes

Key performance indicator

ESG team engagement with investment teams and development of ESG practices

Progress achieved

The ESG team worked closely with investment teams across equities, fixed income, private equity and real estate to educate, evaluate and enhance existing practices.

There has been continued development and refinement of ESG practices amongst investment teams. Our ESG approach allows for each investment group to adopt an ESG approach that best suits their investment style. During 2016, positive developments by investment teams to enhance existing processes included practices such as:

- Systematic inclusion of ESG ratings and commentary in investment notes
- Appointment of senior fund manager to act as ESG 'Devil's Advocate' in stock meetings
- Creation of a governance 'SWAT team'
- Development of internal proprietary frameworks for ESG data collection
- Review of poorly rated stocks during risk management meetings.

- Other, specify (1)

Improve communication of ESG activities outside the organisation.

Key performance indicator

Development of dedicated ESG section on Franklin Templeton's website

Progress achieved

Completed: Franklin Templeton now has a dedicated ESG section on the website, with public disclosure of all relevant policies. http://www.franklintempleton.co.uk/en_GB/investor/company/responsible-investing

Other, specify (2)

other description (2)

Development of ESG Risk and Performance Analytics

Key performance indicator

Systematic inclusion of ESG data in regular performance and risk reports

Progress achieved

Completed: ESG data and analytics are including in internal risk and performance equity reporting on a quarterly basis. The ESG team is working closely with risk managers to integrate this data in their risk and performance meetings with investment teams.

Other, specify (3)

Financial performance of investments

- Increase portfolio performance by consideration of ESG factors
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

ESG characteristics of investments

- Over or underweight companies based on ESG characteristics
- Improve ESG ratings of portfolio
- Setting carbon reduction targets for portfolio
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Other activities

- Joining and/or participation in RI initiatives
- Encouraging others to join a RI initiative
- Documentation of best practice case studies
- Using case studies to demonstrate engagement and ESG incorporation to clients
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Governance and human resources

SG 07	Mandatory	Public	Core Assessed	General
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SG 07.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
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Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
 Heads of IMSS and PAIR

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
- Investor relations
- Other role, specify (1)

PAIR Managers

Other description (1)

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify (2)

Other description (2)

Proxy Voting Team

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment

SG 07.2 For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

Our ESG specialists have responsibility for setting and delivering the RI strategy. The team reports to the Head of PAIR, who in turn reports to Head of Investment Management Strategic Services (IMSS) who have oversight responsibilities of the RI strategy.

One of our key strategies for effective integration is to keep ESG consideration and engagement embedded in the work of our mainstream research teams. The ESG team partners with analysts, portfolio managers and risk managers to provide them with additional information, tools, and resources to support ESG integration, as well as acting as subject experts.

Our proxy voting group has responsibility for voting all proxies as well as overseeing the firm's proxy voting policies and disclosures.

SG 07.3

Indicate the number of dedicated responsible investment staff your organisation has.

Number

2

SG 07.4

Additional information. [Optional]

Proxy voting activities are supported by the firm's dedicated proxy voting function. The Proxy Group is part of the Franklin Templeton Companies, LLC Legal Department and is overseen by legal counsel. There are five full-time staff members devoted to proxy voting administration and oversight. There are also other staff members that provide support and assistance as needed.

Promoting responsible investment

SG 09**Mandatory****Public****Core Assessed****PRI 4,5**

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 09.1

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Attended PRI in Person Event

- AFIC – La Commission ESG
- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Franklin Templeton reports annually to the CDP on our own practices.

- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Code for Responsible Finance in the 21st Century
- Council of Institutional Investors (CII)
- ESG Research Australia
- Eumedion
- EVCA – Responsible Investment Roundtable
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify **UKSIF, Eurosif**

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

One of our ESG specialists sits on the UKSIF Analyst Committee.

- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify
Canadian Coalition for Good Governance (CCGG)

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

The former CEO of Templeton was the Vice Chairman of the CCGG during the reporting period. He served as vice chair of the governance committee, and also sat on the Finance and Audit as well as Public Policy Committees. A senior fund manager sits on a CCGG working group.

- Other collaborative organisation/initiative, specify
Assogestioni (Italian Association of Asset Managers)

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Our former senior director of Southern Europe and Benelux was Vice Chairman of Assogestioni during the reporting period.

- Other collaborative organisation/initiative, specify
Harvard Institutional Investors Forum

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

One of Franklin Templeton's Directors of Research is a member of the Forum and participates in Governance Roundtables.

Other collaborative organisation/initiative, specify

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

SG 10.2 Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Wrote articles on responsible investment in the media.
- Other, specify

No

SG 10.3 Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]

The ESG team has conducted numerous ESG focused meetings and calls with clients and consultants to discuss the firm's ESG Program and provide transparency on our efforts. The firm, under the guidance of the ESG team, responds to as many ESG questionnaires as practical to encourage better transparency and disclosure of RI activities for the firm, and in so doing for the industry as well.

In addition, the Head of ESG has presented at a number of internal and external conferences on the topic of ESG as well as publishing internal and external blog posts and articles on the topic.

SG 11	Voluntary	Public	Additional Assessed	PRI 4,5,6
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SG 11.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.
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- Yes
 - Yes, individually
 - Yes, in collaboration with others

SG 11.2	Select the methods you have used.
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- Endorsed written submissions to governments, regulators or public policy-makers developed by others
- Drafted your own written submissions to governments, regulators or public-policy markers
- Participated in face-to-face meetings with government members or officials to discuss policy
- Other, specify

SG 11.3	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
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- Yes, publicly available
- No
- No

SG 11.4	Provide a brief description of the main topics your organisation has engaged with public policy-makers or regulators on.
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Engagement on quality of market issues including engagement regarding governance standards in South Korea, Romania and Mexico.

Implementation not in other modules

SG 12	Mandatory	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 12.1	Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.
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- We execute scenario analysis which includes factors representing the investment impacts of future environmental trends
- We execute scenario analysis which includes factors representing the investment impacts of future social trends
- We execute scenario analysis which includes factors representing the investment impacts of future governance trends
- We execute other scenario analysis, specify
- We do not execute such scenario analysis and/or modelling

SG 12.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

- We do the following
 - Allocation between asset classes
 - Determining fixed income duration
 - Allocation of assets between geographic markets
 - Sector weightings
 - Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13

Mandatory to Report Voluntary to Disclose

Public

Additional Assessed

PRI 1

SG 13.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you act on.

- Changing demographics
- Climate change

SG 13.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

other description

We have created customized portfolios for clients that wish to reduce exposure to carbon intense industries or fuels.

- None of the above

SG 13.3

Indicate which of the following tools you use to manage emissions risks and opportunities

- Carbon footprinting
- Scenario testing
- Disclosure on emissions risk to clients/trustees/management/beneficiaries
- Target setting for emissions risk reduction
- Encourage internal and/or external portfolio managers to monitor emissions risk
- Emissions risk monitoring and reporting are formalised into contracts when appointing managers
- Other, specify
- None of the above

Please explain why not

We recognise that the carbon data available from research providers is predominantly estimated data, given low levels of reporting by corporates. Data that is reported continues to be inconsistent and we therefore welcome developments such as the recommendations by the FSB Taskforce on Climate Change to address this.

However given our concerns with the carbon data currently reported, we are cautious regarding the use of such data to undertake scenario planning, or to set targets. Carbon and climate change factors are underlying metrics in the overall ratings that we measure on a quarterly basis.

We recognise increased interest from clients in carbon foot-printing and we are collaborating with clients to help them identify how they can meaningfully use this information, given a range of asset managers using different data sources. We have also worked closely with interested clients to establish fossil fuel based restrictions for their portfolios.

- Resource scarcity
- Technology developments
- Other, specify(1)

other description (1)

Changing regulation and governance standards

- Other, specify(2)
- None of the above

SG 14	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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- Yes
- No

SG 15	Mandatory	Public	Descriptive	General
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SG 15.1	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
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Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Fixed income - Corporate (financial)	Our research approach for corporate (financial) is the same as for corporate (non-financial). Please review the fixed income section of the report for further information.
Private equity	<p>ESG considerations are incorporated and evaluated throughout the investment process.</p> <p>Prior to any investment, material issues are identified at the initial review and are evaluated during the due diligence phase. During due diligence, project-specific matters are considered, along with a legal (regulatory and anti-corruption), accounting, market and environmental review.</p> <p>Upon review, ESG factors are evaluated, together with all other considerations pertinent to the transaction.</p> <p>Where required, ESG issues will form part of definitive agreements. ESG factors are then considered as part of the investment decision alongside all other considerations of the deal.</p> <p>Where an investment is made, material ESG issues are incorporated into on-going monitoring and engagement with investee companies.</p>

Innovation

SG 17	Voluntary	Public	Descriptive	General
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SG 17.1	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
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Yes

SG 17.2	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
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We recognize the importance for the consideration of ESG factors not only from an alpha dimension to generate long term sustainable returns, but also from a downside risk mitigation perspective.

To that end, we see consideration of ESG factors as an extension of effective risk management and have housed the ESG function under the firm's Investment risk function PAIR (Performance Analysis and Investment Risk). This enables the dedicated ESG resources within PAIR to leverage from the established risk framework and resources of 100+ staff spread across 18 global locations to roll out ESG risk management practices. By so doing, we equip the existing risk managers and analysts to introduce and socialize ESG risk and opportunity factors within their regular risk management dialogues through the development of internal ESG performance and risk fund reporting. This enables us to introduce consideration of ESG in a disciplined, structured and systematic manner.

We have integrated ESG analytics into the existing risk framework as part of regular performance and risk review of equity funds. We are committed to expanding this into other asset classes.

No

Franklin Templeton Investments

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

ESG incorporation in actively managed listed equities

Implementation processes


LEI 03	Mandatory	Public	Gateway	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.


LEI 03.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%)
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ESG incorporation strategy (select all that apply)

- Screening alone (i.e. not combined with any other strategies)
- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied	 98
---------------------------------------------------------------------	--------------------------------------------------------------------------------------------

- Screening and Integration strategies

Percentage of active listed equity to which the strategy is applied	 2
---------------------------------------------------------------------	-------------------------------------------------------------------------------------------

- Thematic and integration strategies
- Screening and thematic strategies
- All three strategies combined
- We do not apply incorporation strategies

	Total actively managed listed equities
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100%

LEI 03.2

Describe your organisation's approach to incorporation and the reasons for choosing the particular ESG incorporation strategy/strategies.

Franklin Templeton Investments' primary ESG incorporation approach is through integration. We believe, based on the definition used by the PRI, this is not only a reflection of our existing bottom up fundamental research and investment process, but also an extension of our established risk management framework, which seeks to integrate ESG factors into the security and fund level risk evaluation and review process.

We believe ESG factors can influence both risk and impact sustainable return potential. We believe these issues, where financially material should be considered alongside traditional financial measures to provide a more comprehensive view of the longer term value, risk and sustainable return potential of an investment. To that end, evaluation of ESG issues are already an embedded component of our investment teams' bottom up fundamental research process.

We continue to see a sustained increase in the level of client interest and demand on ESG integration, as institutions evaluate their long term investment horizons, demands from shareholders and efforts to manage risk across their portfolios.

LEI 03.3

Where assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

We can incorporate screening alongside integration for those clients who have directed us to apply specific restrictions on their separate portfolios. We also provide a range of Sharia compliant funds which are managed with restrictions.

LEI 04	Voluntary	Public	Additional Assessed	PRI 1
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LEI 04.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

Type of ESG information

- Raw ESG company data

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Company-related analysis or ratings

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Sector-related analysis or ratings

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Country-related analysis or ratings

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Screened stock list

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- ESG issue-specific analysis or ratings

Indicate who provides this information

- ESG research provider
 - Sell-side
 - In-house – specialised ESG analyst or team
 - In-house – analyst or portfolio manager
 - Other, specify
- Fund level ESG risk exposure reporting and analysis

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager

LEI 04.2	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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Our primary external source for ESG research is MSCI ESG Research. We have global coverage of ESG ratings for equity and fixed income issuers, including sovereign debt. We also source controversy research and tools to enable screening for client mandates.

Furthermore we receive company, industry, country and thematic reports such as water stress, climate change, and other emerging ESG trends from MSCI and various brokers.

In addition to these services, we obtain ESG related information from various other sources which may include: Institutional Shareholder Services Inc., Glass Lewis & Co., LLC, Egan Jones Proxy Services, Ownership Matters, Carbon Disclosure Project, Bloomberg, Amanie Advisors, IdealRatings and various brokers.

Alongside the above mentioned sources, analysts also obtain information from a variety of sources, including (but not limited to) investee companies or bond issuers; government institutions and officials; specialist research providers; supranational organizations, think tanks and non-governmental organisations (NGOs); academic papers and government studies; independent and broker research; current and historical news; and company, industry and country statistics and trends.

FTI's ESG team supports our analysts through access to ESG-related data, analysis, training, and enhancements to processes and documentation as appropriate, to embed ESG issues in the work of mainstream teams.

LEI 04.3	Indicate if you incentivise brokers to provide ESG research.
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Yes

LEI 04.4	Describe how you incentivise brokers.
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We hold regular meetings with brokers who have ESG research functions and provide a feedback loop on either emerging ESG trends or themes as ideas for new topics to look into. In line with the PRI's definition, we believe these actions stimulate the ongoing development and enhancement of the quality of ESG broker research.

No

LEI 04.5	Additional information.[Optional]
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LEI 05	Voluntary	Public	Additional Assessed	PRI 1
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LEI 05.1	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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Engagement

- We have a systematic process to ensure the information is made available.
- We occasionally make this information available.
- We do not make this information available.

(Proxy) voting

- We have a systematic process to ensure the information is made available.
- We occasionally make this information available.
- We do not make this information available.

LEI 05.2	Additional information. [Optional]
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Engagement is conducted at the discretion of an individual analyst or portfolio manager. The firm does not currently have a centralized, systematic means to track engagement on ESG-specific issues across the various investment teams. Rather, primary contact and company engagement is maintained by our investment professionals within their investment groups who record such notes and outcomes in their research/call reports, which are maintained in their respective research database. As such, engagement insights are systematically accessible and shared with the respective investment teams.

With many years of experience, our investment managers understand that their proxy voting decisions may affect the value of portfolio holdings, and they are committed to fulfilling their fiduciary duty to vote proxies in the best

interests of their fund shareholders and advisory clients. Analysts are systematically contacted by the proxy voting team in relation to upcoming meetings and proactively make voting decisions.

(A) Implementation: Screening

LEI 06	Mandatory	Public	Descriptive	PRI 1
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LEI 06.1 Indicate and describe the type of screening you apply to your internally managed active listed equities.

Type of screening

- Negative/exclusionary screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description

Screens are applied for separate mandates only. We utilize MSCI research to support these efforts.

- Positive/best-in-class screening
- Norms-based screening

LEI 06.2 Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

Recognizing that different clients have different socially responsible investment (SRI) priorities, FTI does not have a firm-wide exclusion/screening policy. Instead, we work with clients individually, and we have the capability to accommodate specific investment restrictions to meet each client's SRI policy. In doing so, we assess both the practicality of such restrictions and their potential impact upon the performance and risk profile of the portfolio.

LEI 07	Mandatory	Public	Core Assessed	PRI 1
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LEI 07.1

Indicate which processes your organisation uses to ensure screening is based on robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
 - Clients provide their bespoke lists
- None of the above

LEI 07.2

Additional information. [Optional]

As previously advised in LEI 06.2, whilst FTI does not have a firm wide exclusion policy, for those client accounts that are managed incorporating screens and exclusions the above selected responses would apply.

(C) Implementation: Integration of ESG issues

LEI 10	Mandatory	Public	Core Assessed	PRI 1
LEI 10.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.			

ESG issues	Coverage/extent of review on these issues
Environmental	<div style="background-color: #0070C0; color: white; padding: 5px; display: flex; align-items: center;"> Environmental </div> <ul style="list-style-type: none"> <input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<div style="background-color: #0070C0; color: white; padding: 5px; display: flex; align-items: center;"> Social </div> <ul style="list-style-type: none"> <input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<div style="background-color: #0070C0; color: white; padding: 5px; display: flex; align-items: center;"> Corporate Governance </div> <ul style="list-style-type: none"> <input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 10.2	Additional information. [Optional]
-----------------	------------------------------------

As a fundamental bottom up manager, FTI's investment research is predominately generated by FTI investment professionals. To the extent they believe ESG issues are material and have the potential to impact the long term sustainability of a company's business and hence earnings, these would be incorporated into company analysis and valuation. Additionally, ESG analytics in the form of security and aggregated fund level ratings and scores are now systematically incorporated into regular fund review reporting which the internal risk managers along with a member of the ESG team where required, reviews on a systematic basis with the various investment teams. We are in the process of implementing this framework across all of our asset classes.

In addition, some investment teams have adopted the inclusion of ESG ratings on a systematic basis within their company notes alongside ESG commentary.

LEI 11	Voluntary	Public	Additional Assessed	PRI 1
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LEI 11.1	Indicate which processes your organisation uses to ensure ESG integration is based on a robust analysis.
-----------------	----------------------------------------------------------------------------------------------------------

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Company information and/or ratings on ESG are updated regularly
- A periodic review of the quality of the research undertaken or provided is carried out
- Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ESG risk profile of a portfolio against benchmark
- Other, specify
 - Independent risk team analyzes ESG fund level exposures on a quarterly basis
- None of the above

LEI 11.2	Describe how ESG information is held and used by your portfolio managers.
-----------------	---------------------------------------------------------------------------

- ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- Other, specify
 - Systematic part of established risk management framework. Certain investment teams also include ESG systematically in research notes and track engagement actions and outcomes.
- None of the above

LEI 11.3	Additional information.[Optional]
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ESG reports and data is hosted on an investment platform which many of the independent investment teams and risk managers utilize. This enables investment teams to access ESG data and research reports within existing workflows they are already familiar with. Where teams do not utilise this platform they access reports via the ESG team.

We have integrated ESG data into existing fund review reports which provides aggregated fund level ESG scores and company level ratings. The content of these reports will be reviewed and discussed on a systematic basis with various investment teams. Security level ESG scores and company ratings are also integrated into the internal equity risk model tools that the Investment risk team uses.

On an ongoing basis we regularly meet with or arrange calls when needed to validate the ESG research we get from our service providers. These meetings cover methodology changes, deep-dives into ratings and scores, providing a feedback loop on enhancements such as coverage for instance in Emerging and Frontier markets, and development of new ESG tools and services. The ESG team also regularly evaluates our research sources and assesses alternative providers in terms of product options, quality and coverage.

LEI 12	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 1
---------------	--------------------------------------------------	---------------	----------------------	--------------

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEI 12.1

Indicate which aspects of investment analysis you integrate ESG information into.

- Economic analysis
 - Systematically
 - Occasionally
- Industry analysis
 - Systematically
 - Occasionally
- Quality of management
 - Systematically
 - Occasionally
- Analysis of company strategy
 - Systematically
 - Occasionally
- Portfolio construction
 - Systematically
 - Occasionally

LEI 12.2a

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis and/or portfolio construction.

- Adjustments to forecasted company financials (sales, operating costs, earnings, cash flows)
- Adjustments to valuation tools (discount rates, terminal value)
- Other adjustments to fair value projections, specify

LEI 12.3

Describe how you integrate ESG information into portfolio construction

As a fundamental bottom up manager, FTI's investment research is predominately generated by FTI investment professionals. To the extent they believe ESG issues are material and have the potential to impact the long term sustainability of a company's business and hence earnings, these would be incorporated into company analysis and valuation.

Additionally , ESG analytics in the form of security and aggregated fund level ratings and scores are being systematically incorporated into regular fund review reporting which the internal risk managers along with a member of the ESG team where required, reviews on a systematic basis with the various investment teams.

LEI 12.4a

Describe the methods you have used to adjust the income forecast / valuation tool

Analysts utilise a range of methods to adjust their valuation models based on ESG factors. Analysts may choose to apply a discount/premium to valuations based on an identified material ESG factor. For example analysts have built in higher estimations for remediation costs in company valuations based on legacy environmental issues.

Analysts also may make adjustments when deploying a portfolio's risk budget in part because of ESG characteristics.

- Fair value/fundamental analysis
- Other, specify

Outputs and outcomes

LEI 14	Voluntary	Public	Descriptive	PRI 1
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LEI 14.1 Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

- Screening
- Integration of ESG issues

Select which of these effects followed your ESG integration:

- Reduce or prioritise the investment universe
- Overweight/underweight at sector level
- Overweight/underweight at stock level
- Buy/sell decisions
- Other, specify
Identification of areas for engagement to address ESG risks.
- None of the above

LEI 14.2 Additional information.[Optional]

To the extent our investment teams consider there to be material ESG issues that can impact the long term sustainability of a company's business and earnings, these may affect the weighting given to a company or ultimately the buy/sell decisions. Analysts have also identified opportunities and challenges in particular sectors owing to ESG themes such as climate change which has resulted in changes in over and underweight positions.

LEI 16	Voluntary	Public	Descriptive	PRI 1
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LEI 16.1 Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.

- ESG issue 1

ESG issue and explanation

Political and Social Risk

Franklin Templeton invested in a South American technology company that is well-positioned for sustained growth within Latin America as Internet and broadband penetration increases. However, the company derives the majority of its revenues from countries with higher political instability and lack of monetary stability. This creates a risk that revenues could be lower than expected due to currency devaluation or political issues which would have an impact on margins and profitability. In certain markets civil unrest had also negatively impacted currencies.

The investment team met with management to discuss our concerns, and determined that they have managed their exposure to these countries well. The company has invested in real assets that are likely to hold their value over time better than cash. While the investment team has seen write downs on these assets as required by accounting methods, they believe over the long term the values will hold up better. While there is obviously market risk associated with all of its markets, the team is in discussion with management regularly and believe they are managing this risk well and continue to invest in areas of growth to sustain the business over the long term.

ESG incorporation strategy applied

- Screening
- Integration
- Combination of ESG incorporation strategies

Impact on investment decision or performance

Following engagement, and because of our ongoing dialogue with the company management, the team continues to invest with the company. The analyst continues to monitor the risk associated with the company's geographical distribution on an on-going basis. The investment view is that management are following these developments closely, and is making prudent investment decisions to manage risk for the benefit of the company and shareholders alike. In order to account for the risks of being exposed to these emerging market countries, analysts have factored in a higher equity cost into discounted cash flow (DCF) models.

ESG issue 2

ESG issue and explanation

Environmental Remediation

One approach to consideration of material environmental factors employed by an investment team is to anticipate rehabilitation and remediation costs associated with environmental issues for existing operations and legacy sites in the valuation process. This has been utilized in the case of several mining and chemical companies over the past year.

Throughout the year the team has also sought to use specific examples to test their understanding of the level of integrity involved in the estimation of the provisions related to these cases.

ESG incorporation strategy applied

- Screening
- Integration
- Combination of ESG incorporation strategies

Impact on investment decision or performance

The team has incorporated anticipated costs associated with remediation in the valuation process where possible. Otherwise, the team has used the disclosed overall provisions for rehabilitation from statutory accounts (or a multiple thereof) with consideration given to the discount rate utilised in the estimation of the provision.

ESG issue 3

ESG issue and explanation
<p>Corporate behaviour/litigation risk, financial system stability</p> <p>As part of the research process, an analyst evaluated the low governance rating given to a global bank by our external research provider. Following a review of the governance factors, the analyst determined that the risk of legal issues identified by the research provider, which is driving the rating, is valid.</p> <p>The review also took account of financial stability risk as the company had scored poorly on this front as well.</p>
ESG incorporation strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
Impact on investment decision or performance
<p>On review of the legal risks, it was determined that the analyst's forecasts already factored in future costs from litigation settlements/fines in order to quantify the governance risk into the valuation.</p> <p>The analyst also determined that risks regarding financial stability were reduced by the requirements of this type of bank to hold a higher capital level than other banks. The bank had also increased spending on compliance and regulatory costs by 80%, indicating they are investing significant capital in order to avoid future compliance breaches, potentially resulting in lower future volatility and a higher valuation multiple.</p>

- ESG issue 4
- ESG issue 5

Communication

LEI 17	Mandatory	Public	Core Assessed	PRI 2,6
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LEI 17.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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- We disclose it publicly

Provide URL

http://www.franklintempleton.co.uk/en_GB/investor/company/responsible-investing

LEI 17.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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- Yes

LEI 17.3

Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

LEI 17.4

Indicate how frequently you typically report this information.

- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad-hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only
 - We do not proactively disclose it to the public and/or clients/beneficiaries

LEI 17.7

Additional information. [Optional]

Our ESG policies are updated annually and made available on our publicly available website alongside our annual PRI Transparency Report. Proxy voting records are also made available annually.

We are happy to discuss additional reporting requirements with clients.

Franklin Templeton Investments

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

LEA 01	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 01.1 Indicate whether your organisation has a formal engagement policy.

- Yes
 No

LEA 01.5 Additional information [optional]

At Franklin Templeton Investments (FTI), our engagement approach is detailed in our Responsible Investment Policy, Proxy Voting policies and UK Stewardship Code Statement. While there is not a formal overarching policy regarding active ownership, the following describes our general approach and related policies.

We believe that active ownership encompasses our investment professionals' activities related to meetings and dialogue with company management and directors, advisory board participation, and proxy voting (where authorized to do so by our clients), as appropriate and applicable to the various investment strategies across the firm.

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 fund shareholders and advisory clients. Proxy voting policies and procedures serve as guidelines for proxy voting decisions and detail the process by which such decisions are made, including votes related to Environmental, Social and Governance issues. To support transparency for fund shareholders, both proxy voting policies and voting records are available publicly or as legally required in certain countries.

Franklin Templeton portfolio managers and analysts hold regular discussions to engage with the executives and board members (as appropriate) of investee companies on issues that we believe are material to the long term success of each company. Primary contact with companies is maintained through our global network of investment professionals who are responsible for producing regular investment opinions on each of the companies they cover. These reports aim to cover everything which they believe is relevant and material to the decision on whether or not to invest in the company in question.

Meetings with management play an important role in our research process. They provide our portfolio managers and analysts with an understanding of management's forward planning and facilitate an assessment of progress toward that plan. During company meetings, we seek to understand the company's long term strategy, not just its immediate goals. Our objective is to truly understand management's strategic thinking over the long term and to take a detailed look at each company that extends beyond routine financial analysis. These discussions cover a range of topics including company strategy, operational performance, acquisition and disposal strategy, Board issues, executive/board performance, and material environmental, social and governance issues, to the extent company management is able to share this information publicly with their shareholder community.

We have not adopted rigid guidelines on when and how escalation of our ESG engagement activities should take place, instead opting to evaluate each situation individually. At their discretion, Franklin Templeton investment managers select the engagement approach(es) that will be most appropriate and effective for each situation. Our Analysts, Portfolio Managers, Directors of Research and Chief Investment Officers work together closely within each investment team and form a case-by-case judgment of how best to proceed in particular circumstances. We generally believe that constructive dialogue direct with the key parties is more effective than public action, though our investment managers have engaged publicly in select cases where deemed appropriate and necessary to protect shareholder interests. Franklin Templeton Investments typically does not comment on engagement activities involving portfolio companies.

LEA 02	Mandatory	Public	Gateway	PRI 1,2,3
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LEA 02.1 Indicate the method of engagement, giving reasons for the interaction.

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> Other, specify As a research tool to enhance understanding of ESG risks and opportunities <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers

LEA 02.2 Additional information. [Optional]

While our preference for engagement is individual direct engagement with companies, we may collaborate with other institutional investors in engaging 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.

Process

Process for engagements run internally

LEA 03	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

- Yes
- No

LEA 03.3

Additional information. [Optional]

Reflecting the diversity of our various investment teams and approaches, we do not apply rigid top down guidelines on determining which engagement activities to prioritize; rather these will be determined within each investment team on a case by case basis. Primary contact with investee companies is maintained by our investment professionals who will form a case by case judgment of which issues (including ESG considerations) they believe, pose a material risk to long term sustainability of a company's strategy and valuations. The investment teams select as appropriate, engagement approaches based on which they believe may be most effective for each situation.

For example in our Templeton Emerging Market group, in addition to our on-going engagement activities, we have a group of analysts that have been formed to systematically review issues in our largest holdings or where Franklin Templeton has significant ownership. The team acts as a 'SWAT' team and working with the sector analyst devises objectives and engagement actions utilizing an array of investor tools including dialogue, engagement, filing of shareholder resolutions and appointment of directors where necessary. While the team proactively identifies engagement issues based on the material exposure of the holding (value of holdings as well as relative size of shareholder position) it is also able to react and engage based on company or market specific developments that could impact our investments.

LEA 04**Mandatory****Public****Core Assessed****PRI 2**

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 04.1

Indicate if you define specific objectives for your engagement activities.

- Yes
- Yes, for all engagement activities
 - Yes, for the majority of engagement activities
 - Yes, for a minority of engagement activities
- We do not define specific objectives for engagement activities carried out by internal staff.

LEA 04.2

Indicate if you monitor the actions that companies take following your engagements.

- Yes
- Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases
- We do not monitor the actions that companies take following engagement activities carried out by internal staff.

LEA 04.3

Indicate whether your organisation defines milestones and goals for engagement activities carried out by internal staff.

- Yes
- No

LEA 04.5

Additional information. [Optional]

Routine engagement with investee companies are generally documented in analysts' research notes. Company responses and follow ups are conducted as appropriate on a periodic basis. Our investment teams endeavour to record actions taken and the results of such actions.

For more focused engagements, teams will devise an engagement strategy with specific goals and tools to be utilised. The approach taken will be at the discretion of the investment team.

Process for engagements conducted via collaborations

LEA 05

Mandatory

Public

Core Assessed

PRI 2

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 05.1

Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements

- Yes
- No

LEA 05.3

Additional information [Optional]

As per our engagement approach, reflecting the diversity of our various investment teams and approaches, we do not apply rigid top down guidelines on determining which engagement activities to prioritize; rather these will be determined within each investment team on a case by case basis. Examples of issues we may consider include; the size of our position, the severity of the issue and client concerns.

In taking a decision to collaborate with other institutional investors we consider a number of factors including alignment of interests, and whether doing so is likely to advance clients' interests versus individual engagement. We also carefully consider if collaboration is consistent with our firm's policies and is permissible under applicable laws and regulations.

LEA 06

Mandatory

Public

Core Assessed

PRI 2

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 06.1

Indicate if you define specific objectives for your engagement activities carried out collaboratively.

- Yes
 - Yes, for all engagement activities
 - Yes, for the majority of engagement activities
 - Yes, for a minority of engagement activities
- We do not define specific objectives for engagement activities carried out collaboratively.

LEA 06.2

Indicate if you monitor the actions companies take following your collaborative engagements.

- Yes
 - Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases
- We do not monitor the actions that companies take following engagement activities carried out collaboratively

LEA 06.3

Indicate whether your organisation defines milestones and goals related to engagement activities carried out via collaborations.

- Yes
- No

LEA 06.5

Additional information. [Optional]

The nature of the collective engagement will determine the extent to which Franklin Templeton can define milestones and goals.

General processes for all three groups of engagers

LEA 09	Voluntary	Public	Additional Assessed	PRI 1,2
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LEA 09.1

Indicate if insights gained from your engagements are shared with your internal or external investment managers.

Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 09.2 Additional information. [Optional]

A strength of our ESG integration approach is that company engagement is not conducted separately via the ESG team or proxy team. Rather, primary contact and company engagement is maintained by our investment professionals who record such notes and outcomes in their research/call reports, which are maintained in their respective research database. As such, engagement insights are systematically accessible and shared within the respective investment teams.

LEA 10 **Mandatory** **Public** **Gateway** **PRI 2**

LEA 10.1 Indicate if you track the number of engagements your organisation participates in.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
Collaborative engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input checked="" type="radio"/> We do not track and cannot estimate our engagements

LEA 10.2 Additional information. [OPTIONAL]

Whilst engagement is recorded and tracked within various individual investment teams processes, we do not have a framework that tracks this across all investment teams. Our analysts undertake thousands of meetings every year, and ESG issues form part of these discussions.

Outputs and outcomes

LEA 12 **Voluntary** **Public** **Additional Assessed** **PRI 2**

LEA 12.1	Indicate which of the following your engagement involved.
-----------------	-----------------------------------------------------------

- Letters to outline the engagement and the objectives
 - In some cases
 - In majority cases
 - In all cases
- Meetings and/or calls with the appropriate team
 - In some cases
 - In majority cases
 - In all cases
- Visits to operations
 - In some cases
 - In majority cases
 - In all cases
- Roadshows
 - In some cases
 - In majority cases
 - In all cases
- ESG research
 - In some cases
 - In majority cases
 - In all cases
- Other, specify

LEA 15	Voluntary	Public	Descriptive	PRI 2
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LEA 15.1	Provide examples of the engagements that your organisation or your service provider carried out during the reporting year.
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- Add Example 1

Topic or ESG issue	Disclosure/Transparency: Analysts noted a decline in the level of disclosure of key metrics which impacted ability to value company effectively
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<ul style="list-style-type: none"> • Understand the rationale for reduced disclosure • Encourage management to reinstate disclosure of key metrics
Scope and Process	We met with the CEO, CFO and investor relations to discuss the matter. We found the company had trimmed back on the information they provided at a granular level as they believed they were providing too much information to competitors on their niche operations; however this was impacting our ability to model the company effectively.
Outcomes	The team reached a compromise with management, and the company has now introduced a "traffic light system" which indicates ranges on whether metrics have improved or weakened. This disclosure enables analysts to incorporate the changes into our proprietary models.

Add Example 2

Topic or ESG issue	Conflict Minerals
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<ul style="list-style-type: none"> • Assess risks associated with mining companies operating in conflict regions • Promote the development of a stable and legal mining industry
Scope and Process	<p>From a portfolio management standpoint we hold companies with heightened geopolitical risk, such as those with operations in conflict prone areas, to a higher level of scrutiny.</p> <p>In our more than 25 years of experience investing in emerging markets, we have seen that fostering economic and business development through investment can often help in achieving reforms.</p> <p>For example, we believe that one of the best ways to counter "conflict mining" is to help develop a legitimate formal mining industry that properly shares the mineral wealth of the country with the various stake holders, creates stable local jobs and delivers real tax revenue for government social programs. This helps to establish a feeling that by allowing illegal mining to continue, the governments are squandering national resources and foregoing an opportunity to lift their country's social and economic standing.</p>
Outcomes	<p>Our investment professionals actively engage company managements when they have any concerns with company management or company activities. As an investment adviser, our fiduciary responsibility to our clients is to make investment decisions that are consistent with the guidelines in each fund's prospectus. To achieve this, our investment teams consider all risk factors, including those related to social and political issues, when evaluating a potential holding or making other investment decisions for a given fund.</p> <p>To that end, over the course of 2016, our investment professionals met with several company managements, including field trips to visit mining operations, in order to gain a better understanding of ESG-related activities and initiatives. These included research trips to visit mines in the Philippines, Mali, South Africa and Tanzania.</p>

Add Example 3

Topic or ESG issue	Governance: Board Oversight
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<ul style="list-style-type: none"> • Encourage appointment of independent directors • Adopt dividend pay-out ratio
Scope and Process	<p>At one of our Asian Technology companies analysts engaged as despite profitable growth, the Company's dividend pay-out ratio is low and the dividend policy is not transparent. There are also no independent board members.</p> <p>We sent a letter to the Company highlighting the dividend and board issues. We recommended to have a pay-out ratio of 40% as a dividend policy and the appointment of outside directors. We also met with the Company to talk about the issues.</p>
Outcomes	The Company announced a dividend pay-out ratio of 30% only. The engagement exercise is still on-going. If escalation is required, we may consider recommending an outside director at the AGM.

- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10

Communication

LEA 16

Mandatory

Public

Core Assessed

PRI 2,6

LEA 16.1

Indicate whether your organisation proactively discloses information on its engagements.

We disclose it publicly

provide URL

http://www.franklintempleton.co.uk/en_GB/investor/company/responsible-investing

LEA 16.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes
 No

LEA 16.3

Indicate what engagement information your organisation proactively discloses to the public.

- Details of the selections, priorities and specific goals of engagement
 Number of engagements
 Breakdown of engagements by type/topic
 Breakdown of engagements by region
 An assessment of the current status of the engagement
 Outcomes that have been achieved from the engagement
 Other information

We disclose our approach to engagement, the policies that govern our approach and a number of case studies to demonstrate engagement in action.

LEA 16.4

Indicate how frequently you typically report engagements information to the public.

- Disclosed continuously (prior to and post engagements)
 Disclosed quarterly or more frequently
 Disclosed biannually
 Disclosed annually
 Disclosed less frequently than annually
 Ad-hoc/when requested

LEA 16.5

Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.

- Details of the selections, priorities and specific goals of engagement
 Number of engagements
 Breakdown of engagements by type/topic
 Breakdown of engagements by region
 An assessment of the current status of the engagement
 Outcomes that have been achieved from the engagement
 Other information

We disclose our approach to engagement, the policies that govern our approach and a number of case studies to demonstrate engagement in action.

LEA 16.6 | Indicate how frequently you typically report engagements information to clients/beneficiaries.

- Disclosed continuously (prior to and post engagements)
- Disclosed quarterly or more frequently
- Disclosed biannually
- Disclosed annually
- Disclosed less frequently than annually
- Ad hoc/when requested

LEA 16.7 | Describe any other differences in the information being disclosed. [Optional]

We are happy to discuss reporting requirements with clients. We have arranged meetings between clients, analysts and the ESG team to discuss engagement cases related to their portfolio.

- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries.

LEA 16.8 | Additional information. [Optional]

Typically, Franklin Templeton Investments does not comment on engagement activities involving portfolio companies. We generally believe that constructive dialogue direct with the key parties is more effective than public action, though our investment managers have on occasion engaged publically in select cases where deemed appropriate and necessary to protect shareholder interests.

(Proxy) voting and shareholder resolutions

Overview

LEA 17	Mandatory	Public	Gateway	PRI 1,2,3
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 17.1 | Indicate whether your organisation has a formal voting policy.

- Yes

LEA 17.2

Indicate what your voting policy covers:

- Conflicts of interest
- Prioritisation of voting activities
- Transparency
- Decision making processes
- Environmental factors
- Social factors
- Governance factors
- Filing/co-filing resolutions
- Extraordinary meetings
- Share blocking
- Regional voting practices
- Record keeping
- Company dialogue pre/post vote
- Securities lending process
- Other, describe

other description

Client reporting, Oversight of proxy service providers, and annual verification of a sampling of votes

- None of the above

LEA 17.3

Attach or provide a URL to your voting policy. [Optional]

URL

<https://www.franklintempleton.com/investor/resources/accounts/proxy/info-public?role=investor>

LEA 17.4

Provide a brief overview of your organization's approach to (proxy) voting.

Franklin Templeton has a dedicated Proxy Group that is responsible for administrative duties with respect to voting proxies, including vote execution, processing, and record keeping. All proxies received by the Proxy Group will be voted in the best interests of the clients based upon Investment Managers' instructions and/or policies. Investment Managers will review analyses provided by proxy advisors. Although analyses provided by a Proxy Service are reviewed and considered in making a final voting decision, the Investment Managers do not consider recommendations from a Proxy Service or any third party to be determinative of the Investment Managers' ultimate decision. Rather, the Investment Managers exercise their independent judgment in making voting decisions.

The Investment Managers may engage with issuers to discuss specific ballot items to be voted on in advance of an annual or special meeting to obtain further information or clarification on the proposals.

As disclosed in the Investment Managers' respective Form ADV, we may also file shareholder resolutions where appropriate, particularly in markets with evolving governance practices where we can support adoption of best practices.

LEA 17.5

Provide an overview of how you ensure your voting policy is adhered to, giving details of your approach when exceptions to the policy are made (if applicable).

The firm has put in place a set of guidelines with regard to various issues, including Board of Directors; Ratification of Auditors; Management and Director Compensation; Anti-Takeover Mechanisms and Related Issues; Changes to Capital Structure; Mergers and Corporate Restructuring; Environmental and Social Issues; Governance Matters; Proxy Access; and Global Corporate Governance.

The Investment Manager considers environmental and social issues alongside traditional financial measures to provide a more comprehensive view of the value, risk and return potential of an investment. Companies may face significant financial, legal and reputational risks resulting from poor environmental and social practices, or negligent oversight of environmental or social issues. Franklin Templeton's "Responsible Investment Principles and Policies" describes the Investment Manager's approach to consideration of environmental, social and governance issues within the Investment Manager's processes and ownership practices.

In determining how to vote, the Investment Managers' analysts and relevant portfolio manager(s) will consider the General Proxy Voting Guidelines set forth above, their in-depth knowledge of the company, any readily available information and research about the company and its agenda items, and the recommendations of the Proxy Services.

The Investment Managers vote proxies with an objective to vote solely in the best interests of its shareholders and clients.

The Investment Managers will generally attempt to process every proxy they receive for all domestic and foreign securities. However, there may be situations in which the Investment Managers may be unable to vote a proxy, or may choose not to vote a proxy (e.g., due to shareblocking or fees).

The Investment Managers manage investments in countries worldwide. Many of the tenets discussed above are applied to the Investment Managers' proxy voting decisions for international investments. However, the Investment Managers must be flexible in these worldwide markets. Principles of good corporate governance may vary by country, given the constraints of a country's laws and acceptable practices in the markets. As a result, it is on occasion difficult to apply a consistent set of governance practices to all issuers. As experienced money managers, the Investment Manager's analysts are skilled in understanding the complexities of the regions in which they specialize and are trained to analyze proxy issues germane to their regions.

The Investment Managers generally vote by proxy; however, on occasion, the Investment Managers may vote in person by attending meetings.

No

Process

LEA 18	Mandatory	Public	Descriptive	PRI 2
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LEA 18.1

Indicate how you typically make your (proxy) voting decisions.

Approach

- We use our own research or voting team and make voting decisions without the use of service providers.
- We hire service provider(s) that make voting recommendations or provide research that we use to inform our voting decisions.

Based on

- the service provider voting policy signed off by us
 - our own voting policy
 - our clients' requests or policy
 - other, explain
- We hire service provider(s) that make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- We hire service provider(s) that make voting decisions on our behalf.

LEA 18.2

Additional information.[Optional]

All proxies received by the Proxy Group will be voted based upon the relevant Franklin Templeton investment manager's instructions and/or policies.

To assist it in analyzing proxies, Franklin Templeton subscribes to Institutional Shareholder Services Inc. ("ISS"), an unaffiliated third party corporate governance research service that provides in-depth analysis of shareholder meeting agendas and vote recommendations. In addition, Franklin Templeton subscribes to ISS's Proxy Voting Service and Vote Disclosure Service. These services include receipt of proxy ballots, custodian bank relations, account maintenance, vote execution, ballot reconciliation, vote record maintenance, comprehensive reporting capabilities, and vote disclosure services.

Also, Franklin Templeton subscribes to Glass, Lewis & Co., LLC ("Glass Lewis"), an unaffiliated third party analytical research firm, to receive analysis and vote recommendations on the shareholder meetings of publicly held U.S. companies, as well as a limited subscription to its international research. Franklin Templeton also has a supplemental subscription to Egan Jones Proxy Services ("Egan Jones"), an unaffiliated third party proxy advisory firm, to receive analysis and vote recommendations. Although analyses provided by ISS, Glass Lewis, Egan Jones, or another independent third party proxy service provider (each a "Proxy Service") are thoroughly reviewed and considered in making a final voting decision, the investment manager does not consider recommendations from a Proxy Service or any third party to be determinative of their ultimate decision. Rather, Investment Manager exercises its independent judgment in making voting decisions.

The Investment Managers have adopted general guidelines for voting proxies. In keeping with its fiduciary obligations, the Investment Managers review all proposals, even those that may be considered to be routine matters. Although the guidelines are to be followed as a general policy, in all cases each proxy and proposal (including both management and shareholder proposals) will be considered based on the relevant facts and circumstances on a case-by-case basis. The Investment Managers may deviate from the general policies and procedures when it determines that the particular facts and circumstances warrant such deviation to protect the best interests of their shareholders and clients.

All conflicts of interest will be resolved in the best interests of the Advisory Clients. The Franklin Templeton investment managers are part of a large, diverse financial services firm with many affiliates and use their best efforts to avoid conflicts of interest. However, conflicts of interest can arise in certain situations. In situations where a material conflict of interest is identified between the investment manager or one of its affiliates and an issuer, the Proxy Group may vote consistent with the voting recommendation of a third party proxy service or send the proxy directly to the relevant Advisory Clients with the Investment Manager's recommendation regarding the vote for approval.

Periodically, a due diligence is conducted with each proxy service either via an onsite meeting and/or in the form of a due diligence questionnaire.

LEA 22

Mandatory

Public

Core Assessed

PRI 2

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 22.1	Indicate whether you or the service providers acting on your behalf raise any concerns with companies ahead of voting
-----------------	-----------------------------------------------------------------------------------------------------------------------

- Yes, in most cases
- Sometimes, in the following cases:
 - Votes for selected markets
 - Votes relating to certain ESG issues
 - Votes for significant shareholdings
 - Votes for companies we are engaging with
 - On request by clients
 - Other

When the Investment Manager has questions about the proposals on the agenda

- Neither we nor our service provider raise concerns with companies ahead of voting

LEA 22.2	Indicate whether you and/or the service provider(s) acting on your behalf, communicate the rationale to companies, when , you abstain or vote against management recommendations.
-----------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

- Yes, in most cases
- Sometimes, in the following cases.
 - Votes in selected markets
 - Votes on certain issues
 - Votes for significant shareholdings
 - Votes for companies we are engaging with
 - On request by clients
 - Other

- We do not communicate the rationale to companies

- Not applicable because we and/or our service providers do not abstain or vote against management recommendations

LEA 22.3	Additional information. [Optional]
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This type of communication would be conducted at the discretion of the applicable Investment Manager.

We believe that engagement with issuers is important to good corporate governance and to assist in making proxy voting decisions and guiding company practice. The Investment Manager may engage with issuers to discuss specific ballot items to be voted on in advance of an annual or special meeting to obtain further information or clarification on the proposals, as well as to advise of voting decisions for contentious votes. The Investment Manager may also engage with management on a range of environmental, social or corporate governance issues throughout the year.

Outputs and outcomes				
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LEA 23	Mandatory	Public	Core Assessed	PRI 2
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LEA 23.1

For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

- We do track or collect this information

Votes cast (to the nearest 1%)

%

98

Specify the basis on which this percentage is calculated

- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted

LEA 23.2

Explain your reason(s) for not voting certain holdings

- Shares were blocked
- Notice, ballots or materials not received in time
- Missed deadline
- Geographical restrictions (non-home market)
- Cost
- Conflicts of interest
- Holdings deemed too small
- Administrative impediments (e.g., power of attorney requirements, ineligibility due to participation in share placement)
- We do not vote on environmental resolutions
- We do not vote on social resolutions
- On request by clients
- Other
- We do not track or collect this information

LEA 23.3 Additional information. [Optional]




The Investment Manager will generally attempt to process every proxy it receives for all domestic and foreign securities. However, there may be situations in which the Investment Manager may be unable to successfully vote a proxy, or may choose not to vote a proxy, such as where: (i) a proxy ballot was not received from the custodian bank; (ii) a meeting notice was received too late; (iii) there are fees imposed upon the exercise of a vote and it is determined that such fees outweigh the benefit of voting; (iv) there are legal encumbrances to voting, including blocking restrictions in certain markets that preclude the ability to dispose of a security if the Investment Manager votes a proxy or where the Investment Manager is prohibited from voting by applicable law, economic or other sanctions, or other regulatory or market requirements, including but not limited to, effective Powers of Attorney; (v) additional documentation or the disclosure of beneficial owner details is required; (vi) the Investment Manager held shares on the record date but has sold them prior to the meeting date; (vii) a proxy voting service is not offered by the custodian in the market; (viii) due to either system error or human error, the Investment Manager's intended vote is not correctly submitted; (ix) the Investment Manager believes it is not in the best interest of the Advisory Client to vote the proxy for any other reason not enumerated herein; or (x) a security is subject to a securities lending or similar program that has transferred legal title to the security to another person.

LEA 24 **Mandatory** **Public** **Additional Assessed** **PRI 2**

LEA 24.1 Indicate if you track the voting instructions that you and/or your service provider on your behalf have issued.

Yes, we track this information

LEA 24.2 Of the voting instructions that you and/or third parties on your behalf issued, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	 91.03
Against (opposing) management recommendations	 7.85
Abstentions	 1.12

100%

LEA 24.3 Describe the actions you take after voting against management recommendations.

In some cases, the Investment Managers may engage with the issuer to discuss any votes against management. The Proxy Group will provide explanations to clients, upon request, on any votes against management.

No, we do not track this information

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 25.1 Indicate if your organisation directly or via a service provider filed or co-filed any ESG shareholder resolutions during the reporting year.

Yes

LEA 25.2 Indicate the number of ESG shareholder resolutions you filed or co-filed.

Total number

5

LEA 25.3 Indicate what percentage of these ESG shareholder resolutions resulted in the following.

Went to vote	<input type="text" value="100"/> %
Were withdrawn due to changes at the company and/or negotiations with the company	<input type="text" value="0"/> %
Were withdrawn for other reasons	<input type="text" value="0"/> %
Were rejected/not acknowledged by the company	<input type="text" value="0"/> %

Total

100%

LEA 25.4 Of the ESG shareholder resolutions that you filed or co-filed and that were put to vote (i.e. not withdrawn) how many received:

>50%

2

50-20%

3

LEA 25.5	Describe the ESG shareholder resolutions that you filed or co-filed and the outcomes achieved.
-----------------	------------------------------------------------------------------------------------------------

Franklin Templeton filed a number of shareholders proposing director appointments where there was concern around the board independence or representation of minority shareholders. In addition, we filed a resolution pertaining to remuneration. Two of our proposed candidates were elected during the year.

No

LEA 26	Voluntary	Public	Descriptive	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 26.1	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.
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Add Example 1

Topic or ESG issue	Preferential shares
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<ul style="list-style-type: none"> Register dissent against preferential share placements
Scope and Process	We recommended a vote against a proposal to ratify the placement of shares because the terms of the relevant placement of shares to one investor gave them anti-dilution rights which were not available to all other shareholders. We believe it is an important principle that all shareholders be treated equally and that shareholder opposition to this type of deal should be registered.
Outcomes	A no vote would not however change the terms of the deal which had already been done; it would merely constrict the company's ability to make more placements over the next twelve months. The resolution was ultimately passed despite 25% of votes registering dissent.

Add Example 2

Topic or ESG issue	Both of our proxy advisors recommended voting against a resolution to appoint the Chairman as a Management Consultant due to the Chairman's consultancy fees compensation.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<ul style="list-style-type: none"> • Highlight conflict of interest concerns
Scope and Process	We recognized the issues with the proposed remuneration of the Chairman to provide consultancy services. We engaged with the Company to highlight our concerns and the potential conflicts of interest. We also communicated with the proxy advisors.
Outcomes	The Chairman agreed to give up the compensation. As a result, the proxy advisors changed their recommendation from 'voting against' to 'voting for' the resolution. We ultimately voted in favour of the resolution.

Add Example 3

Topic or ESG issue	Limited information on related-party transactions which might not be beneficial to the Company and minority shareholders.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<ul style="list-style-type: none"> Encourage improved disclosure for related party transactions
Scope and Process	The team had concerns about the poor levels of disclosure regarding related party transactions. To highlight this we sent a letter to the Chairman. The team then met with the Company's executives three times to discuss the matter.
Outcomes	Despite engagement at the last AGM, we voted against the related-party transactions because we concluded that they would not be beneficial to the Company and minority shareholders.

- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10

Communication

LEA 27	Mandatory	Public	Core Assessed	PRI 2,6
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LEA 27.1 Indicate if your organisation proactively discloses information on your voting activities.

- We disclose it publicly

provide URL

https://www.franklintempleton.com/retail/pages/generic_content/home/proxy/proxy_voting_history.jsf

provide URL

http://www.franklintempleton.co.uk/en_GB/investor/company/regulatory-information#top2

LEA 27.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes

LEA 27.3

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- All voting decisions
- Some voting decisions
- Only abstentions and opposing vote decisions
- Summary of votes only

Indicate what level of explanation you provide

- Explain all voting decisions
- Explain some voting decisions
- Only explain abstentions and votes against management
- No explanations provided

LEA 27.4

Indicate how frequently you typically report voting information.

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/as requested
- No
- We disclose it to clients/beneficiaries only
- We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

LEA 27.8

Additional information. [Optional]

Additional reporting would be at the client's request. For instance, we provide some clients with explanations on votes against management. Other clients request information on any votes for issuers who have been flagged as a conflict of interest.

Franklin Templeton Investments

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

ESG incorporation in actively managed fixed income

Implementation processes

FI 04	Mandatory	Public	Gateway	PRI 1
FI 04.1	Indicate 1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and 2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.			

SSA	<table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>0</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>100</td> </tr> <tr> <td>Screening + integration strategies</td> <td>0</td> </tr> <tr> <td>Thematic + integration strategies</td> <td>0</td> </tr> <tr> <td>Screening + thematic strategies</td> <td>0</td> </tr> <tr> <td>All three strategies combined</td> <td>0</td> </tr> <tr> <td>No incorporation strategies applied</td> <td>0</td> </tr> <tr> <td>Total (any strategy)</td> <td>100%</td> </tr> </tbody> </table>	Strategy	Percentage	Screening alone	0	Thematic alone	0	Integration alone	100	Screening + integration strategies	0	Thematic + integration strategies	0	Screening + thematic strategies	0	All three strategies combined	0	No incorporation strategies applied	0	Total (any strategy)	100%
Strategy	Percentage																				
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Corporate (non-financial)	<table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>0</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>100</td> </tr> <tr> <td>Screening + integration strategies</td> <td>0</td> </tr> </tbody> </table>	Strategy	Percentage	Screening alone	0	Thematic alone	0	Integration alone	100	Screening + integration strategies	0										
Strategy	Percentage																				
Screening alone	0																				
Thematic alone	0																				
Integration alone	100																				
Screening + integration strategies	0																				

	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
		100%

FI 04.2 Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

At Franklin Templeton we believe that ESG factors should be considered alongside traditional financial measures.

FI 05	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 1
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FI 05.1 Indicate which ESG factors you systematically research as part of your analysis on issuers.

Select all that apply

	SSA	Corporate (non-financial)
Environmental data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Social data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Governance data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

FI 05.2 Indicate what format your ESG information comes in and where you typically source it

Raw ESG company data

Indicate who provides this information

- ESG research provider
 - Sell-side
 - In-house – specialised ESG analyst or team
 - In-house – FI analyst, PM or risk team
 - Other, specify
- ESG factor specific analysis

Indicate who provides this information

- ESG research provider
 - Sell-side
 - In-house – specialised ESG analyst or team
 - In-house – FI analyst, PM or risk team
 - Other, specify
- Issuer-level ESG analysis

Indicate who provides this information

- ESG research provider
 - Sell-side
 - In-house – specialised ESG analyst or team
 - In-house – FI analyst, PM or risk team
 - Other, specify
- Sector-level ESG analysis

Indicate who provides this information

- ESG research provider
 - Sell-side
 - In-house – specialised ESG analyst or team
 - In-house – FI analyst, PM or risk team
 - Other, specify
- Country-level ESG analysis

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

FI 05.3	Provide a brief description of the ESG information used, highlighting any differences in sources of information across your ESG incorporation strategies.
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Our primary external source for ESG research is MSCI ESG Research. We have global coverage of ESG ratings for equity and fixed income issuers, including sovereign debt. We also source controversy research and tools to enable screening for client mandates.

Furthermore we receive company, industry, country and thematic reports such as water stress, climate change, and other emerging ESG trends from MSCI and various brokers.

In addition to these services we obtain ESG related information from various other sources which may include: Institutional Shareholder Services Inc., Glass Lewis & Co., LLC, Egan Jones Proxy Services, Ownership Matters, Carbon Disclosure Project, Bloomberg, Amanie Advisors, IdealRatings and various brokers.

Alongside the above mentioned sources, analysts also obtain information from a variety of sources, including (but not limited to) investee companies or bond issuers; government institutions and officials; specialist research providers; 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.

FTI's ESG team supports our analysts through access to ESG-related data, analysis, training, and enhancements to processes and documentation as appropriate, to embed ESG issues in the work of mainstream teams.

FI 06	Mandatory	Public	Additional Assessed	PRI 1
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FI 06.1	Indicate how you ensure that your ESG research process is robust:
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- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- Internal audits of ESG research are undertaken in a systematic way
- ESG analysis is benchmarked for quality against other providers
- Other, specify
- None of the above

FI 06.2	Describe how your ESG information or analysis is shared among your investment team.
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- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is a standard item on all individual issuer summaries, 'tear sheets', 'dashboards' or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

(C) Implementation: Integration				
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FI 14	Mandatory	Public	Descriptive	PRI 1
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FI 14.1

Describe your approach to integrating ESG into traditional financial analysis.

Our investment process is built on a rigorous, bottom-up, fundamentally based research methodology focused on identifying potential sources of sustainable long term risk-adjusted returns. Analysts' comprehensive research focuses on detailed analysis of both the ability and the willingness of a bond issuer to service that debt.

Environmental, social, and governance issues have the potential to be material in assessing both of those. While ESG issues may be an important input in evaluating some bond issuers and less relevant for others, our research and investment process seeks to take a holistic view of each issuer. We balance all of the fundamental positives and negatives of each issuer, including our assessment of any material ESG issues, and establish an overall credit and investment opinion.

FI 14.2

Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.

SSA

Our investment teams' research focuses on the ability of a bond issuer to service its debt. As part of that evaluation, analysts will review the influence of environmental, social, and governance factors. Specifically, ESG is viewed as an aspect of risk-based investing that considers all potential risks and drivers of long-term return and assesses whether those risks are appropriately priced-in. Our fund managers seek to provide the best risk-adjusted returns for its clients and integrates ESG considerations in a manner that is compatible with prudent investing.

Ultimately, analysts evaluate the strength of institutions which involves ESG considerations. Governance and political stability are important factors for sovereign investments as changes in a country's leadership and/or the level of support for the government can have significant influence on the continuity of government policies. Notably, corruption is a threat to good governance and an important ESG factor that we monitor. A corrupt system can undermine the credit of an institution and discourage investment in that market. Other factors of equal importance are the levels of social cohesion and confidence in the institution which often result in a stronger, more stable economy. The absence of those confidences can result in civil unrest and economic disruptions. Our teams consider each of these governance factors along with the environmental and social implications.

In assessing a country's ability to service its future debt obligations and liabilities, we believe that standards of good governance apply to governments, just as they do to corporations, and this is critical in our analysis. We analyze the strength and capacity of institutions, their priorities, policies, regulations, and regulatory enforcement capabilities as indicators of the effectiveness of government. Political stability can be extremely important, as changes in leadership and level of societal support for the government and its initiatives can impact the efficiency and efficacy of government institutions and implementation of policies. Corruption is a particular governance challenge, as it serves effectively as an additional tax on business and society and, where regulatory enforcement is poor, discourages investment in that market.

While governance is a central theme in our research, social and environmental issues can provide valuable insights into risks and opportunities, as well. Human development indicators, trends, and demographics can be important indicators of long term trends and government effectiveness, providing insight into such issues as the potential and ability of the workforce to contribute to economic growth and the impact of future pension liabilities. High levels of social cohesion can lead to a stronger and more stable economy, while a lack of this cohesion can create the potential for disruption or even civil unrest. Environmental issues can be critical in countries rich in natural resources, as they look to manage both resource depletion and the impact of accessing, procuring, and distributing these resources.

Corporate (non-financial)

Within the corporate (financial and non-financial) credit sector specifically, our credit analysts perform thorough company and industry research on the companies within their assigned sectors. Their work involves a detailed analysis of each company's financial results, capital structure, business position, and strategy. ESG factors can be an implicit component of this in-depth analysis and is especially evident within the corporate credit selection process. However, it is important to emphasize that ESG is just one component of comprehensive credit analysis and is not the deciding factor on whether a security is bought or sold for a portfolio.

Nevertheless, we believe there is merit to considering ESG factors as part of the corporate bond investment process, since many ESG related issues can have a direct influence on the company's overall financial and risk profile. Our research process looks to incorporate the impact of multiple factors that over time, all of which can impact the credit quality and risk/return profile of the companies in which we invest. Hence, while ESG factors may be an important input for some bond issuers and less relevant for others, our credit research and investment processes try to take a holistic view of each issuer. We balance all of the fundamental positives and negatives of that issuer, including our assessment of any relevant ESG factors, to establish an overall credit and investment opinion.

FI 14.3

Additional information [OPTIONAL]

Fixed income teams have access to independent ESG research for corporate, municipal, supranational and sovereign debt.

FI 15

Mandatory

Public

Core Assessed

PRI 1

FI 15.1

Indicate how ESG information is typically used as part of your investment process.

Select all that apply

	SSA	Corporate (non-financial)
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is integrated into security weighting decisions	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is integrated into portfolio construction decisions	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is a standard part of internal credit ratings or assessment	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis for issuers is a standard agenda item at investment committee meetings	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is regularly featured in internal research notes or similar	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is a standard feature of ongoing portfolio monitoring	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis features in all internal issuer summaries or similar documents	<input type="checkbox"/>	<input type="checkbox"/>
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>

FI 16	Mandatory	Public	Additional Assessed	PRI 1
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FI 16.1 Indicate the extent to which ESG issues are reviewed in your integration process.

	Environment	Social	Governance
SSA	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

FI 16.2 Please provide more detail on how you review E, S and G factors in your integration process.

In assessing a country's ability to service its future debt obligations and liabilities, we believe that standards of good governance apply to governments, just as they do to corporations, and this is critical in our analysis. We analyze the strength and capacity of institutions, their priorities, policies, regulations, and regulatory enforcement capabilities as indicators of the effectiveness of government. Political stability can be extremely important, as changes in leadership and level of societal support for the government and its initiatives can impact the efficiency and efficacy of government institutions and implementation of policies. Corruption is a particular governance challenge, as it serves effectively as an additional tax on business and society and, where regulatory enforcement is poor, discourages investment in that market.

While governance is a central theme in our research, social and environmental issues can provide valuable insights into risks and opportunities, as well. Human development indicators, trends, and demographics can be important indicators of long term trends and government effectiveness, providing insight into such issues as the potential and ability of the workforce to contribute to economic growth and the impact of future pension liabilities. High levels of social cohesion can lead to a stronger and more stable economy, while a lack of this cohesion can create the potential for disruption or even civil unrest. Environmental issues can be critical in countries rich in natural resources, as they look to manage both resource depletion and the impact of accessing, procuring, and distributing these resources.

The following are some examples of how ESG factors can influence the analysis of corporate credit. In the examples cited below, the ESG inputs were material economic factors in deriving valuation and determining portfolio actions.

- **Litigation Risk:** An analyst evaluating a company facing product litigation risk needs to fully understand the nature of the product involved; whether the company intentionally may have created a social harm; whether there may be merit to any lawsuits; and what the potential financial implication of the litigation might be. This type of risk can obviously have a material impact on the company's overall credit profile.
- **Environmental Risk:** Similarly, an analyst evaluating a metals and mining company that is considering a major new mining project or an energy company engaged in deep sea drilling will closely consider the potential environmental impact of those projects and any short-term and long-term risks that these projects may create for the issuer.
- **Governance:** We closely evaluate corporate governance to understand the possible impact on all stakeholders, including creditors. There have been many cases where we have decided not to invest in certain companies because of weak corporate governance or decided that any investment required a higher return to offset the governance risks. We also often directly communicate our concerns about governance to bond issuers.
- **Social Impact:** As part of our investment process we are naturally looking for profitable companies, with appropriate capital structures, that deliver products or services with attractive growth profiles. In the vast majority of cases these types of companies are also providing social benefits, often through expanded employment in their communities. Many of the companies we invest in also provide more obvious tangible benefits to society. Examples of this would be pharmaceutical companies, telecommunications companies establishing wireless communication services in emerging market countries, and financial institutions making loans to small businesses. Although we do not focus exclusively on these types of companies, we find that many of them have profitability and cash flow characteristics that, in our view, make them attractive fixed income investments.

FI 16.3	Additional information.[OPTIONAL]
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For separate accounts, investment teams can also apply specific sets of ESG guidelines as directed by the client.

Outputs and outcomes

FI 22	Voluntary	Public	Descriptive	PRI 1,2
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FI 22.1	Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year.
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Example 1

	Type of fixed income
<input type="checkbox"/> SSA <input checked="" type="checkbox"/> Corporate (non-financial)	
	ESG issue and explanation
<p>Identifying governance shortcomings has been a meaningful part of our analysis. In particular our analysts have paid special attention to related party (RP) lending in emerging market banks- effectively trying to avoid those banks where related party lending is well disclosed but too high, in our view, or where we think RP lending is under reported. In the more insidious form of related party lending, the owner of a bank uses the balance sheet to fund another business or project at a subsidised rate, often sidestepping credit concentration regulations in the process. In some cases, RP lending can mask criminal embezzlement and asset stripping.</p>	
	RI strategy applied
<input type="checkbox"/> Integration <input checked="" type="checkbox"/> Engagement	
	Impact on investment decision or performance
<p>We avoided investment in a number of banks which then defaulted on their debt, by taking a thorough approach to analysing the banks' businesses that went beyond simply modelling of IFRS results. We met management and spoke to other industry participants in an effort to truly understand the nature the banks' businesses and the credit risk on their balance sheets.</p>	

Example 2

Type of fixed income
<input type="checkbox"/> SSA <input checked="" type="checkbox"/> Corporate (non-financial)
ESG issue and explanation
<p>Companies, mostly banks, in China issued around \$40bn (equivalent) worth of green bonds last year, dominating the global market in climate friendly-infrastructure funding. The precise nature and structure of these green bonds can vary, requiring us to look at each one on its own merits.</p>
RI strategy applied
<input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement
Impact on investment decision or performance
<p>Admittedly, thus far the green bonds that have been issued by the banks have offered relatively little in the way of spread concession to existing issues, and so we have not been active participants. However, we think that the development of the market is helpful for the banks, because it diversifies funding sources to new and growing ESG-focused pools of money. It also attracts private capital to China's efforts to clean up industry after decades of coal-fuelled development. Such clean up efforts stem from the pledges made by China at the Paris Agreement on climate change, as part of the country's 13th Five Year Plan, and subsequently when China presided over the presidency of the G20.</p> <p>A helpful side-effect of the move to green financing is improved disclosure by companies on a range of ESG topics. Without such disclosure such companies will probably not qualify for what can often be relatively attractively priced financing.</p>

Example 3

Type of fixed income
<input type="checkbox"/> SSA <input checked="" type="checkbox"/> Corporate (non-financial)
ESG issue and explanation
<p>Analysts reviewed a new issuance by a metals and mining company, but recommended against participating. The company is targeting improvements to the balance sheet and is undertaking a number of actions to achieve this, including divestments of coal assets and the sale of non-core operations. Analysts are optimistic that the company will be able to achieve its targets but recognize there are execution risks.</p>
RI strategy applied
<input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement
Impact on investment decision or performance
<p>Despite an optimistic view of the company's strategy and balance sheet improvements, we recognize that there are significant environmental and political issues overhanging the company. For example, the company was an owner of another entity that was shut down due to significant environmental breaches. This has resulted in regulatory investigations, fines and on-going lawsuits. Analysts have engaged with the company management regarding provisioning for these legal costs. Although management believes they will not come to fruition, the issues remain a headline problem and risks certainly remain.</p> <p>Overall, we feel that while the company is well positioned and has the ability to follow through on its financial targets, we do not feel that pricing is compelling at this level given the execution risk and political risk surrounding the environmental failure. From a relative value perspective, we favor other large metals and mining companies of varying valuations, many of whom are also looking to reduce debt and have similar plans for assets sales and debt reduction, but which do not bring the environmental issues currently present with this issuer.</p>

Example 4

Type of fixed income
<input checked="" type="checkbox"/> SSA <input type="checkbox"/> Corporate (non-financial)
ESG issue and explanation
<p>At the end of 2015, Brazil was in the midst of an economic crisis driven by previous pro-cyclical and overly-aggressive fiscal and monetary policies during the commodity boom cycle. This was compounded by a political crisis arising from a corruption scandal. We saw significant potential for improvement in governance in the country, as Brazilians began to reject the failed policies of the past and demand impeachment of the then-President.</p>
RI strategy applied
<input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement
Impact on investment decision or performance
<p>Following visits to Brazil and meetings with policy and business leaders, we decided to invest in Brazilian bonds.</p> <p>The country is now transitioning out of its historical crisis and embarking on a new era of more responsible policies that should benefit the economy and the social welfare of its citizens.</p> <p>The new Brazilian government has pushed forward with the first steps toward fiscal consolidation, lowering the ceiling on public spending and readying a possible reform of social security. The government has also begun to reverse the previous micro-management of the economy, so as to reduce policy-induced distortions. One of the biggest steps was to begin deregulating administered prices in 2015. Faced with rising inflation and an economy still in recession, the central bank had to strike a difficult balance in 2015; after keeping the real interest rate stable through mid-2015, it allowed it to creep up (even while starting to reduce nominal rates) to secure a decline in inflation in 2016. A more prudent monetary policy was also manifested in a reversal of the previous credit expansion.</p>

Example 5

Communication

FI 23	Mandatory	Public	Core Assessed	PRI 2,6
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FI 23.1	Indicate if your organisation proactively discloses information on your approach to RI across all of your fixed income investments.
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We disclose it publicly

Provide URL

<http://www.franklintempleton.co.uk/downloadsServlet?docid=iu28m69r>

Provide URL

<http://www.unpri.org>

FI 23.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

Yes

FI 23.3

Indicate the information your organisation proactively discloses to the public regarding your approach to RI incorporation.

- Broad approach to RI incorporation
- Detailed explanation of RI incorporation strategy used

FI 23.4

Indicate how frequently you typically report this information.

- Quarterly or more frequently
 - Biannually
 - Annually
 - Less frequently than annually
 - Ad-hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only
 - We do not proactively disclose it to the public and/or clients/beneficiaries