



Internal Audit Charter

Purpose

The Franklin Templeton Internal Audit group is an independent and objective function within the Franklin Templeton organization designed to add value and improve operations. Internal Audit accomplishes its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes. Specifically, Internal Audit evaluates processes and controls of key functional areas within the Franklin Templeton group on a global basis, including: Investment Management, Transfer Agency, Technology, Trust Services, and Corporate Services. Periodically, Internal Audit also acts in an advisory role or provides other consulting services. Results of our work are shared with management, corporate and/or mutual fund audit committees, and our external auditors.

Internal Audit adopts a risk-based approach to prioritizing functions within the organization for purposes of allocating Internal Audit resources. The Franklin Templeton Internal Audit group has unrestricted access to the company's records, facilities and personnel necessary to carry out its responsibilities.

Organization, Structure and Qualifications

The Director of the Franklin Templeton Internal Audit group reports to the Audit Committee of Franklin Resources, Inc. The Director of Internal Audit meets alone with the Audit Committee members in an executive session in conjunction with quarterly meetings.

The Director of Internal Audit also has reporting responsibilities with respect to other subsidiary audit committees and various mutual fund audit committees. For administrative purposes, the Director of Internal Audit reports to Greg Johnson, CEO of Franklin Resources, Inc.

All Franklin Templeton Internal Audit Directors/Managers are required to hold a professional accounting or auditing designation. All Franklin Templeton Senior Auditors are required to either hold a professional accounting or auditing designation or to have substantially completed the requirements for such a designation while actively pursuing the completion of such a designation¹. Many members of the department also have prior public accounting experience.

¹ Exceptions to this hiring policy can be made assuming that Franklin Resources management concurs with the exception and that such exceptions, if any, are reported to the Franklin Resources Audit Committee.

Key Responsibilities

At least annually, members of Franklin Templeton Internal Audit management meet to discuss and develop audit plans for the upcoming fiscal year. The plans are intended to address the key operational risks and other audit requirements imposed by regulation. Internal Audit management employs a risk assessment process to evaluate operational risk. Once finalized, the audit plans are then shared with management and the Audit Committee for Franklin Resources, Inc.

Based on the audit plan, objective auditors execute audit engagements throughout the fiscal year. At the conclusion of each audit engagement, reports are drafted and issued to the appropriate senior management members for review and acceptance.

Internal audit reports generally include a report cover letter and a report memo. The report cover letter summarizes the function audited, objective and scope of the review, and Internal Audit's opinion regarding the controls reviewed. The report memo is used, when necessary, to document the audit findings and management's responses to these findings.

Franklin Templeton Internal Audit staff perform follow-up procedures to validate that corrective actions were taken as indicated by management in their management's responses. An additional progress report may be issued to senior management as deemed appropriate.

Key success factors in the department's operational plans include:

- Independent assessments of internal controls and operating processes;
- Demonstrating confidentiality when dealing with sensitive issues and being entrusted with these matters when appropriate;
- Developing, coaching and mentoring of staff to ensure continued professional growth;
- Effective communication and coordination with senior management and functional leaders;
- Maintaining a global presence;
- Maintaining a strong working relationship with Franklin Templeton's external auditors for purposes of coordinating audit efforts and sharing key information;
- Complying with leading internal auditing professional standards (i.e., the Institute of Internal Auditors (IIA) mandatory Core Principles for the Professional Practice of Internal Auditing, the IIA Code of Ethics, the IIA International Standards for the Professional Practice of Internal Auditing, and the IIA Definition of Internal Auditing) and Internal Audit's Mission Statement.
- Complementing and assessing risk management, compliance and other control functions;
- Outsourcing, co-sourcing, or relying on the work of others only where proper supervision and review is provided (refer to the relevant Internal Audit Policy section for further detail); and
- Engaging in non-audit (i.e., consulting/advisory) work only to the extent it does not impair Internal Audit's independence. This independence evaluation is made by the Internal Audit department (IAD) with concerns, if any, communicated to the Audit Committees.

Audit Charter Administration and Approval

This Charter has been approved by the Audit Committee of Franklin Resources, Inc. It will be reviewed annually by the Director of Internal Audit and changes will be formally approved by the Audit Committee of

Franklin Resources, Inc.

This Charter is not designed to be a prescriptive set of rules, but rather to be used as guidance. The information contained in this Charter is for general information purposes only and is not intended to constitute binding obligations and should not be treated as a substitute for specific advice relevant to particular circumstances.
