



## FRANKLIN TEMPLETON INVESTMENTS UK TAX POLICY

### INTRODUCTION

Franklin Resources, Inc. is a global investment management organization known as Franklin Templeton Investments. We have an extensive global presence, including offices in 33 countries and clients in more than 170. Franklin Templeton Investments' success is built upon our reputation for excellence and integrity in all aspects of our business. It is essential that our stockholders, clients, mutual fund shareholders, and business partners have confidence in our governance, ethics and compliance practices.

At Franklin Templeton Investments, we believe that Corporate Citizenship is a critical link between integrity and performance—how we do the right things the right way in order to deliver value to our stockholders, clients, employees, and our communities. Citizenship is embedded in our corporate values and is an important element of how we achieve success in working with all of our key stakeholders. We take Corporate Governance seriously and are dedicated to operating in accordance with the highest standards of accountability, honesty, integrity and ethics.

### TAX STRATEGY

This paper sets out the tax strategy of the UK sub-group of Franklin Templeton Investments. The UK sub-group consists of the following entities:

- Franklin Templeton Global Investors Limited (“Franklin Templeton UK”);
- Franklin Templeton Investment Management Limited;
- Franklin Templeton Fund Management Limited;
- Franklin Templeton Luxembourg SA – UK Branch;
- Riva Financial Systems Limited – UK Permanent Establishment<sup>1</sup>; and
- Franklin Templeton Services (India) Private Limited – UK Permanent Establishment<sup>1</sup>.

Who are hereafter collectively known as the “UK Group”. In making this strategy available the UK Group is fulfilling its responsibilities under Schedule 19 of the Finance Act 2016. It was approved by the Board for publication on 22 September 2017 and thereafter until it is superseded.

This tax strategy applies to all UK taxes applicable to the UK Group and the document is owned by the Board of Directors of Franklin Templeton UK (“the Board”). References to ‘UK Taxation’ are to the taxes and duties set out in Schedule 19 which includes Income Tax, Corporation Tax, PAYE, NIC and VAT. References to ‘tax’, ‘taxes’ or ‘taxation’ are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which the UK Group has legal responsibilities. This document will be reviewed annually, updated as appropriate and approved by the Board. The Board is responsible for setting and monitoring the strategy. The finance and tax teams of the UK Group are accountable to the Board for the implementation of the tax strategy and the management of tax and related risk.

Our tax strategy reflects our status as a listed company which requires strong governance and consideration of our reputation, while delivering returns to our shareholders and clients. Our tax strategy is further shaped by

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<sup>1</sup> A UK permanent establishment has been registered for Corporation Tax purposes. A formal branch is not required therefore this entity has not been registered with Companies House.

the regulated nature of our business, which requires further compliance with local laws, regulations and guidance.

In line with Franklin Templeton UK's strong sense of corporate citizenship the UK Group is committed to conduct its tax affairs consistent with the following objectives, to:

1. Comply with all relevant laws, rules, regulations, and reporting and disclosure requirements, wherever we operate,
2. Apply professional diligence and care in the management of all risks, including tax matters, and ensure governance and assurance procedures are appropriate to the risk being managed,
3. Identify, evaluate, monitor and manage tax, legal and regulatory risks,
4. Only engage in reasonable tax planning that is aligned with commercial and economic activity. At Franklin Templeton tax will be an outcome of the business strategy it will not drive business strategy, and
5. Foster constructive, professional and transparent relationships with tax authorities, based on the concepts of integrity, honesty and transparency. This will be done on a real time basis where possible.

## **1. TAX COMPLIANCE & GOVERNANCE**

Franklin Templeton UK is committed to compliance with tax law and practice in the UK. Compliance for us means paying the right amount of tax in the right place at the right time. It involves disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where available.

A dedicated tax team (Group Tax) collaborate with the UK Group's businesses to provide advice and guidance necessary to ensure compliance, obtaining external advice where necessary. There are clear responsibilities, which are subject to regular monitoring and review by members of Group Tax who have the necessary experience and skill to ensure adherence to the Tax Strategy. The Board has oversight of tax and overall responsibility for tax compliance and tax governance within the UK group.

## **2. RISK MANAGEMENT**

Risk management is a critical element of Franklin Templeton's everyday business activities and takes place at all levels of our organisation. In order to ensure, however, that risks are viewed and managed appropriately across the global business, Franklin Templeton has an Enterprise Risk Management Committee that consists of the direct reports to the CEO and their risk representatives. This committee is responsible for facilitating the identification, assessment, monitoring and reporting of key risks across the company.

The Enterprise Risk Management Committee is supported by dedicated risk management staff responsible for maintaining enterprise risk management policies, procedures and standards; conducting a formal enterprise-wide risk assessment process and annual risk forum with company-wide risk representatives to validate and update the key risks; ensuring frequent reviews by the committee of the identified key risks, controls and monitoring programs; and reporting key risk measures, metrics and trends. Group Tax will identify, assess and report relevant risks to the Enterprise Risk Committee as well as attend regular meetings to discuss these risks with relevant business partners and consider if appropriate tax processes and controls are in place to manage new any new risks identified.

In addition, the Chair of the Enterprise Risk Management Committees meets quarterly with Franklin Templeton's Audit Committee and annually with its Board of Directors to discuss Enterprise Risk Management processes, findings and trends.

## **3. TAX RISKS**

We actively seek to identify, evaluate, monitor and manage tax risks to ensure they remain in line with our objectives. As part of this monitoring process, Franklin Templeton UK maintains tax accounting arrangements

which are robust and accurate and enable the business to fulfil its responsibilities under the Senior Accounting Officer (SAO) provisions in the UK. Where there is significant uncertainty or complexity in relation to a risk, external advice will be sought, particularly in relation to our international tax obligations.

The level of risk which Franklin Templeton UK accepts in relation to UK taxation is consistent with its overall objective of achieving certainty in the firm's tax affairs. At all times Franklin Templeton UK seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen.

#### **4. TAX PLANNING**

When structuring our commercial activities we will consider – among other factors – the tax laws of the countries in which we operate, with a view to maximising value on a sustainable basis for our clients and stakeholders. For example, we take steps to reduce the risk of double taxation (i.e. the same income being taxed twice in two different jurisdictions). We will not put in place any arrangements that are contrived or artificial where the sole purpose of which is to reduce UK tax.

The UK Group will not engage in tax planning if the underlying commercial objectives and rationale do not support the position, or if the arrangements impact upon the UK Group's reputation, brand, corporate and social responsibilities, or future working relationships with HMRC.

#### **5. RELATIONSHIP WITH HMRC**

Franklin Templeton UK seeks to have an open, honest, transparent and constructive relationship with HMRC through regular communication in respect of developments in Franklin Templeton UK's business. We also discuss current, future and retrospective tax risks, and interpretation of the law in relation to all relevant taxes.

Franklin Templeton UK ensures that HMRC is kept aware of significant transactions and changes in the business and seeks to discuss any tax issues arising at an early stage. When submitting tax computations and returns to HMRC, Franklin Templeton UK discloses all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain.

Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.