



| LEA 02                                 | Disclosures: Mandatory   | Reason for Interaction   | Principle: PRI 1, 2, 3 |
|--|--|--|------------------------|
| Individual/ internal staff engagements | <p><input type="checkbox"/> To support investment decision-making in &amp; company's internal ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for external action</p> <p><input type="checkbox"/> To engage investor ESG activities</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>            | <p><input type="checkbox"/> To support investment decision-making in &amp; company's internal ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for external action</p> <p><input type="checkbox"/> To engage investor ESG activities</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 decision-making in &amp; company's internal ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for external action</p> <p><input type="checkbox"/> To engage investor ESG activities</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 decision-making in &amp; company's internal ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for external action</p> <p><input type="checkbox"/> To engage investor ESG activities</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in service providers</p>         |  |                        |

# RI TRANSPARENCY REPORT

## 2016

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                   | Additional information about organisation           | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 11                   | RI activities for listed equities                   | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 12                   | RI activities in other asset classes                | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 13                   | Modules and sections required to complete           | ✓      | Public                       |           |   |   |   |   |   | ✓       |

| 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                   | RI goals and objectives  | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 05                   | Main goals/objectives this year                                    | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 06                   | RI roles and responsibilities                                      | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 07                   | RI in performance management, reward and/or personal development   | ✓      | Private    |           |   |   |   |   |   | ✓       |
| SG 08                   | Collaborative organisations / initiatives                          | ✓      | Public     |           |   |   | ✓ | ✓ |   |         |
| SG 09                   | Promoting RI independently   | ✓      | Public     |           |   |   | ✓ |   |   |         |
| SG 10                   | Dialogue with public policy makers or standard setters             | ✓      | Public     |           |   |   | ✓ | ✓ | ✓ |         |
| SG 11                   | ESG issues in strategic asset allocation                           | ✓      | Private    | ✓         |   |   |   |   |   |         |
| SG 12                   | Long term investment risks and opportunity                         | ✓      | Public     | ✓         |   |   |   |   |   |         |
| SG 13                   | Allocation of assets to environmental and social themed areas      | ✓      | Private    | ✓         |   |   |   |   |   |         |
| SG 14                   | ESG issues for internally managed assets not reported in framework | 🔒      | n/a        |           |   |   |   |   |   | ✓       |
| SG 15                   | ESG issues for externally managed assets not reported in framework | 🔒      | n/a        |           |   |   |   |   |   | ✓       |
| SG 16                   | RI/ESG in execution and/or advisory services                       | -      | n/a        | ✓         | ✓ |   |   |   |   |         |
| SG 17                   | Innovative features of approach to RI                              | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 18                   | Internal and external review and assurance of responses            | ✓      | Private    |           |   |   |   |   |   | ✓       |

| 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   | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| LEI 07                               | Processes to ensure screening is based on robust analysis                    | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| LEI 08                               | Processes to ensure fund criteria are not breached                           | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| 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     |           | ✓ |   |   |   | ✓ |         |

| 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         | 🔒      | n/a        |           | ✓ |   |   |   |   |         |
| 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  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| 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  | ✓      | Private    |           | ✓ |   |   |   |   |         |
| LEA 26                                  | Examples of (proxy) voting activities  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 27                                  | Disclosing voting activities   | ✓      | Public     |           | ✓ |   |   |   | ✓ |         |

| 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            | ✓      | Private    | ✓         | ✓ |   |   |   |   |         |
| FI 23                 | Communications  | ✓      | Public     |           | ✓ |   |   |   | ✓ |         |

# Franklin Templeton Investments

## Reported Information

### Public version

### Organisational Overview

## PRI disclaimer

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## Basic Information

OO 01

Mandatory

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

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

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

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

30/09/2015

OO 04.2

Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

|               | trillions | billions | millions | thousands | hundreds |
|---------------|-----------|----------|----------|-----------|----------|
| Total AUM     |           | 770      | 884      | 482       | 885      |
| Currency      | USD       |          |          |           |          |
| Assets in USD |           | 770      | 884      | 482       | 885      |

OO 04.4

Indicate the total assets at the end of your reporting year subject to an execution and/or advisory approach.

|               | trillions | billions | millions | thousands | hundreds |
|---------------|-----------|----------|----------|-----------|----------|
| Total AUM     |           | 117      | 976      | 467       | 485      |
| Currency      | USD       |          |          |           |          |
| Assets in USD |           | 117      | 976      | 467       | 485      |

OO 06

Mandatory

Descriptive

General

OO 06.1

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

Publish our asset class mix as percentage breakdown

Publish our asset class mix as broad ranges

|                | Internally managed (%) | Externally managed (%) |
|----------------|------------------------|------------------------|
| Listed equity  | 10-50%                 | <10%                   |
| Fixed income   | 10-50%                 | 0                      |
| Private equity | 0                      | 0                      |

|                    |      |      |
|--------------------|------|------|
| Property           | 0    | 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    |

|                |   |
|----------------|---|
| <b>OO 06.2</b> | Publish our asset class mix as per attached image [Optional]. |
|----------------|---|

|              |                  |                    |                |
|--------------|------------------|--------------------|----------------|
| <b>OO 10</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>General</b> |
|--------------|------------------|--------------------|----------------|

|                |   |
|----------------|---|
| <b>OO 10.1</b> | Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities. |
|----------------|---|

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

In addition to research, managing risk is a fundamental part of our approach to investing. Our integrated, disciplined approach seeks to look at risk from every angle and at every phase of the investment life cycle.

### Gateway asset class implementation indicators

|              |                  |                |                |
|--------------|------------------|----------------|----------------|
| <b>OO 11</b> | <b>Mandatory</b> | <b>Gateway</b> | <b>General</b> |
|--------------|------------------|----------------|----------------|

**OO 11.1** Select your 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 11.2** Select your direct or indirect engagement activities your organisation implemented for listed equity in the reporting year.

- We engage with companies on ESG issues 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 11.3** Select your 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

|              |                  |                |                |
|--------------|------------------|----------------|----------------|
| <b>OO 12</b> | <b>Mandatory</b> | <b>Gateway</b> | <b>General</b> |
|--------------|------------------|----------------|----------------|

**OO 12.1** Select internally managed asset classes where you implemented responsible investment 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
- Cash
- None of the above

**OO 12.2** Select 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)

- Hedge funds
- None of the above

**OO 12.3b** If your organisation does not integrate ESG factors into investment decisions on your externally managed assets, explain why not.

Our Hedge Fund division K2 became a signatory to the PRI in 2011. The group has experience in managing client mandates with ESG considerations. As part of the broader ESG Integration focus at Franklin Templeton we will review the systematic integration of ESG factors in our externally managed assets.

|              |                  |                |                |
|--------------|------------------|----------------|----------------|
| <b>OO 13</b> | <b>Mandatory</b> | <b>Gateway</b> | <b>General</b> |
|--------------|------------------|----------------|----------------|

**You will need to make a selection in OO 13.1 only if you have any voluntary modules that you can choose to report on.**

**OO 13.1**

You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list below.

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)

Closing module

- Closing module

# Franklin Templeton Investments

## Reported Information

### Public version

### Strategy and Governance

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## Responsible investment policy

SG 01

Mandatory

Core Assessed

General

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<br><input type="checkbox"/> Formalised guidelines on environmental factors<br><input type="checkbox"/> Formalised guidelines on social factors<br><input type="checkbox"/> Formalised guidelines on corporate governance factors<br><input type="checkbox"/> Asset class-specific guidelines<br><input type="checkbox"/> Sector specific RI guidelines<br><input type="checkbox"/> Screening / exclusions policy<br><input checked="" type="checkbox"/> Engagement policy<br><input checked="" type="checkbox"/> (Proxy) voting policy<br><input type="checkbox"/> Other, specify (1)<br><input type="checkbox"/> Other, specify(2) | <input checked="" type="radio"/> Applicable policies cover all AUM<br><input type="radio"/> Applicable policies cover a majority of AUM<br><input type="radio"/> Applicable policies cover a minority of AUM |

SG 01.3

Indicate what norms have you used to develop your RI policy.

- 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, specify (2)
- Other, specify (3)
- None of the above

|                |  |
|----------------|--|
| <b>SG 01.4</b> | Provide a brief description of the key elements of your investment policy that covers your responsible investment approach [Optional]. |
|----------------|--|

At Franklin Templeton Investments, responsible investment refers to the integration of ESG factors into investment decisions with the objective of providing better risk-adjusted returns, particularly over the long term. We believe that ESG factors can have a material impact on the value of companies and securities and as such these issues should be considered alongside traditional financial measures to provide a more comprehensive view of the value, risk and return potential of an investment. The formalization of these Responsible Investment Policies and Principles recognizes the existing ESG integration practices that have been in place for many years which are now supported by the PAIR ESG Program and dedicated ESG resources.

No

|                |                                    |
|----------------|------------------------------------|
| <b>SG 01.5</b> | Additional information [Optional]. |
|----------------|------------------------------------|

The following are key tenets of our approach:

- Meeting client investment goals and objectives always comes first: Where material to a particular investment opportunity and consistent with client/strategy investment goals and objectives, FTI seeks to consider ESG factors that we believe may influence risks and rewards as an integrated element of our investment research and decision making processes.
- Independent groups, unique investment processes: FTI remains committed to maintaining the independence of each of our investment groups, in order to provide our clients with the opportunity to build truly diversified portfolios. This includes unique approaches to considering and managing risks, including ESG related risks.
- Led by the portfolio managers in partnership with the Portfolio Analysis and Investment Risk (PAIR) team: Consistent with PAIR's overall mission of integrating investment risk management into the investment processes at FTI, PAIR's objective is to ensure ESG related risks are Recognized (understood), Rational (intended) and have the potential to be Rewarded (compensated) during the various steps of the investment cycle. PAIR and the dedicated ESG team intend to support these efforts through access to additional ESG related data, analysis, training and enhancements to processes and documentation as appropriate.
- Integrating ESG considerations into the existing risk management framework and internal fund level exposure reporting.

|              |                  |                      |              |
|--------------|------------------|----------------------|--------------|
| <b>SG 02</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 6</b> |
|--------------|------------------|----------------------|--------------|

|                |  |
|----------------|--|
| <b>SG 02.1</b> | Indicate which of your investment policy documents (if any) are publicly available. Provide URL and an attachment of the document. |
|----------------|--|

- Policy setting out your overall approach
- Engagement policy
- (Proxy) voting policy

|     |
|-----|
| URL |
|-----|

[https://www.franklintempleton.com/retail/pages/generic\\_content/home/proxy/proxy\\_voting.jsf](https://www.franklintempleton.com/retail/pages/generic_content/home/proxy/proxy_voting.jsf)

- We do not publicly disclose our investment policy documents



**SG 02.2**

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  
<https://www.franklintempleton.com/forms-literature/literature-details/FTI-ESGB2>
- UK Stewardship Code Statement  
<http://www.franklintempleton.co.uk/downloadsServlet?docid=h1xl1erf>
- Code of Ethics  
[http://www.franklinresources.com/corp/pages/generic\\_content/corporate\\_governance/code\\_of\\_ethics.js](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](http://www.franklinresources.com/corp/pages/generic_content/corporate_governance/frk_corporate_governance_guide.jsf)

**SG 03****Mandatory****Core Assessed****General****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]

**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](https://www.franklintempleton.com/corp/pages/generic_content/corporate_governance/code_of_ethics.jsf#anc4)

### Proxy Voting

With respect to the proxy voting process material conflicts of interest are identified by the Proxy Group based upon analysis 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 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.

Please see link to the Proxy Voting Policies and Procedures for complete details on the conflict procedures:  
[https://www.franklintempleton.com/retail/pages/generic\\_content/home/proxy/proxy\\_voting.jsf](https://www.franklintempleton.com/retail/pages/generic_content/home/proxy/proxy_voting.jsf)

## Objectives and strategies

| SG 04 | Mandatory | Gateway/Core Assessed | General |
|-------|-----------|-----------------------|---------|
|-------|-----------|-----------------------|---------|

|                |   |
|----------------|---|
| <b>SG 04.1</b> | 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

|                |                                    |
|----------------|------------------------------------|
| <b>SG 04.2</b> | 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.

|              |                  |                    |                |
|--------------|------------------|--------------------|----------------|
| <b>SG 05</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>General</b> |
|--------------|------------------|--------------------|----------------|

|                |  |
|----------------|--|
| <b>SG 05.1</b> | 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 |
|--|---------------------------|

1. ESG presented at internal research conferences 2. ESG training sessions delivered internally

|  |                   |
|--|-------------------|
|  | Progress achieved |
|--|-------------------|

Completed:

1. ESG presented at a number of research conferences
2. Targeted ESG training sessions delivered for investment teams and business units

- Provide training on ESG engagement

|  |                           |
|--|---------------------------|
|  | Key performance indicator |
|--|---------------------------|

ESG engagement incorporated in ESG training

|  |                   |
|--|-------------------|
|  | Progress achieved |
|--|-------------------|

Completed for targeted teams

- Improved communication of ESG activities within the organisation

|  |                           |
|--|---------------------------|
|  | Key performance indicator |
|--|---------------------------|

Continue to deliver regular ESG updates to investment teams and key business functions

|  |                   |
|--|-------------------|
|  | Progress achieved |
|--|-------------------|

Completed/On-going: Regular ESG Announcements sent to circa 1000 staff across investment teams and key business functions

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

|  |                           |
|--|---------------------------|
|  | Key performance indicator |
|--|---------------------------|

Meetings held with investment and risk analysts, heads of research and CIOs to discuss ESG management.

Progress achieved

Completed for targeted investment teams

Training provided to equity risk managers on ESG analytics in risks and performance reporting

Established ESG point persons to enhance collaboration with ESG team including a senior fund manager and Director of Portfolio Administration.

- Improved ESG incorporation into investment decision making processes

Key performance indicator

ESG analytics integrated into equity risk review process

Progress achieved

Completed - Systematic integration of ESG performance and risk analytics into equity fund reviews

- Other, specify (1)
- Other, specify (2)
- 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 targets for portfolio
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Other activities

- Joining and/or participation in RI initiatives

Key performance indicator

Sponsorship of RI events

Progress achieved

Completed - Hosted PRI Board meeting, sponsored IGCC 2015 Climate Change Investment and Finance Summit

- Encouraging others to join a RI initiative
- Documentation of best practice case studies

Key performance indicator

Update case studies across equity and fixed income teams

Progress achieved

Completed

- Using case studies to demonstrate engagement and ESG incorporation to clients

Key performance indicator

ESG case studies presented by fund managers/ESG team at client meetings

Progress achieved

Completed - relevant case studies presented to a proportion of clients as part of regular client service meetings, RFP and DDQ processes.

- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

## Governance and human resources

SG 06

Mandatory

Core Assessed

General

SG 06.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

## 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

### 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

|                |   |
|----------------|---|
| <b>SG 06.2</b> | 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.

The ESG team partners with analysts, portfolio managers and risk managers to provide them with additional information, tools, and resources to support ESG integration.

|                |  |
|----------------|--|
| <b>SG 06.3</b> | Indicate the number of dedicated responsible investment staff your organisation has. |
|----------------|--|

|  |        |
|--|--------|
|  | Number |
|--|--------|

2

## Promoting responsible investment

|              |                  |                      |                |
|--------------|------------------|----------------------|----------------|
| <b>SG 08</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 4,5</b> |
|--------------|------------------|----------------------|----------------|

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

|                |   |
|----------------|---|
| <b>SG 08.1</b> | 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] |
|--|--|

Hosted PRI Board Meeting

- 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
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- 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)
- 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)

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]

Sponsored 2015 Climate Change Investment and Finance Summit

- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Financial Action for the 21st Century
- 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
- 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

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 CEO of Templeton is the Vice Chairman of the CCGG. He is vice chair of the governance committee, and also sits on the Finance and Audit as well as Public Policy Committees.

- 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 senior director of Southern Europe and Benelux is Vice Chairman of Assogestioni.

- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

SG 09

Mandatory

Core Assessed

PRI 4

SG 09.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

- Yes

**SG 09.2**

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 09.3**

Additional information. [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 to internal research conferences, we supported industry debate on ESG issues such as climate change through our sponsorship of the IGCC 2015 Climate Change Investment and Finance Summit. In addition we also presented at the Governance Institute National conference and the Italian Corporate Governance Conference. We also participated in a roundtable discussion with issuers and investors on the topic of green bonds.

**SG 10**

Voluntary

Additional Assessed

PRI 4,5,6

**SG 10.1**

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.

Yes

- Yes, individually
- Yes, in collaboration with others

**SG 10.2**

Select the methods you have used.

- Endorsed written submissions to governments, regulators or public policy 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 10.3**

Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

- Yes, publicly available  
 No  
 No

**SG 10.4**

## Additional information

We have engaged with various country governments to address systemic issues that can challenge investors. For example, in 2010 Franklin Templeton opened an office in Bucharest to begin managing a US\$4 billion-plus mandate from the Romanian government, Fondul Proprietatea. Listed on the Bucharest Stock Exchange, Fondul Proprietatea's unique mandate is to compensate Romanians whose property and assets were seized by the country's former communist regime. As a portfolio manager, Templeton has pushed for corporate reform efforts, better standards of corporate governance, greater transparency and improved profitability in the country. By working closely with the Romanian government to institute reforms, these improvements should in turn help boost economic growth and profitability for listed companies.

Most recently Fondul investment team members met with the newly appointed Minister of Economy and highlighted governance compliance issues identified within the business sector.

### Implementation not in other modules

**SG 12**

## Mandatory to Report Voluntary to Disclose

## Descriptive

## PRI 1

**SG 12.1**

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

- Changing demographics  
 Climate change

**SG 12.2**

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

Trialling carbon data tools to ascertain the value for integration in the investment process and client servicing.

- None of the above

**SG 12.3**

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

other description (1)

Changing regulation and governance standards

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

**Innovation****SG 17****Voluntary****Descriptive****General****SG 17.1**

Indicate whether any specific features of your approach to responsible investment are particularly innovative.

 Yes**SG 17.2**

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

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 Global Investment Risk Team-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 fund exposure 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 | Gateway | PRI 1 |
|--------|-----------|---------|-------|

**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%)

#### 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 | <table border="1" style="margin: auto;"> <tr> <td style="width: 50%; background-color: #0072bc;"></td> <td style="width: 50%; background-color: #0072bc; color: white;">%</td> </tr> <tr> <td style="width: 50%; text-align: center;">100</td> <td style="width: 50%;"></td> </tr> </table> |  | % | 100 |  |
|   | %   |  |   |     |  |
| 100   |   |  |   |     |  |

- Screening + Integration strategies
- Thematic + integration strategies
- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

Total actively managed listed equities

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 only incorporate screening alongside integration for those clients who have directed us to apply specific restrictions on their separate portfolios. Around 5% of our equity assets under management are managed with such overlays.

**LEI 04**

**Voluntary**

**Additional Assessed**

**PRI 1**

**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

|                 |   |
|-----------------|---|
| <b>LEI 04.2</b> | Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies. |
|-----------------|---|

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.



|                 |  |
|-----------------|--|
| <b>LEI 04.3</b> | Indicate if you incentivise brokers to provide ESG research. |
|-----------------|--|

Yes

|                 |                                       |
|-----------------|---------------------------------------|
| <b>LEI 04.4</b> | Describe how you incentivise brokers. |
|-----------------|---------------------------------------|

We hold regular meetings with brokers who have ESG research and provide a feedback loop on either emerging ESG trends or themes as ideas for new topics to look into. For instance areas such as water stress, rising income inequality, and backtesting for alpha content of ESG signal. 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

|                 |                         |
|-----------------|-------------------------|
| <b>LEI 04.5</b> | Additional information. |
|-----------------|-------------------------|

|               |                  |                            |              |
|---------------|------------------|----------------------------|--------------|
| <b>LEI 05</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 1</b> |
|---------------|------------------|----------------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEI 05.1</b> | 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. |
|-----------------|---|

- 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.

|                 |                                    |
|-----------------|------------------------------------|
| <b>LEI 05.2</b> | Additional information. [Optional] |
|-----------------|------------------------------------|

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 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. Analysts are systematically contacted by the proxy voting team in relation to upcoming meetings and proactively make voting decisions.

**(C) Implementation: Integration of ESG issues**

|          |   |
|----------|---|
| 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        | Environmental                             | <table border="1" style="width: 100%;"> <tr> <td style="background-color: #0072bc; color: white;">Environmental</td> </tr> </table> <ul style="list-style-type: none"> <li><input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly</li> <li><input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly</li> <li><input type="radio"/> We do not review environmental issues</li> </ul>                             | Environmental        |
| Environmental        |   |  |                      |
| Social               | Social                                    | <table border="1" style="width: 100%;"> <tr> <td style="background-color: #0072bc; color: white;">Social</td> </tr> </table> <ul style="list-style-type: none"> <li><input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly</li> <li><input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly</li> <li><input type="radio"/> We do not review social issues</li> </ul>   | Social               |
| Social               |   |  |                      |
| Corporate Governance | Corporate Governance                      | <table border="1" style="width: 100%;"> <tr> <td style="background-color: #0072bc; color: white;">Corporate Governance</td> </tr> </table> <ul style="list-style-type: none"> <li><input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly</li> <li><input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly</li> <li><input type="radio"/> We do not review corporate governance issues</li> </ul> | Corporate Governance |
| Corporate Governance |   |  |                      |

|          |                                    |
|----------|------------------------------------|
| 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 investment teams.

|        |           |                     |       |
|--------|-----------|---------------------|-------|
| LEI 11 | Voluntary | Additional Assessed | PRI 1 |
|--------|-----------|---------------------|-------|

|          |   |
|----------|---|
| LEI 11.1 | Indicate which processes your organisation uses to ensure that 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
- 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
- None of the above

|          |                         |
|----------|-------------------------|
| LEI 11.3 | Additional information. |
|----------|-------------------------|

Currently the investment teams can access ESG specific reports via a 'Data Request' process. We are taking steps to provide access to this data on a commonly used investment platform which many of the independent investment teams utilize. This would enable investment teams to access ESG data and research reports within existing workflows they are already familiar with.

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 will regularly meet and arrange calls when needed to validate the ESG research we get from our service providers which will cover such areas as questioning the methodology, how certain ratings and scores have been derived, feedback loop on enhancements such as coverage for instance in Emerging and Frontier markets, and improvements to research input ratings/score methodology. The ESG team also regularly evaluates our research sources in terms of quality and coverage.

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

**LEI 12.1**

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

- (Macro) economic analysis
- Industry analysis
  - Systematically
  - Occasionally
- Analysis of operational 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 income forecasts (sales, earnings, cash flows)
- Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- 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 may choose to apply a discount/premium to valuations based on an identified material ESG factor. Analysts also may make decisions on how to deploy a portfolio's risk budget in part because of ESG characteristics.

- Fair value/fundamental analysis
- Other, specify

**Outputs and outcomes**

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEI 14</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 1</b> |
|---------------|------------------|--------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEI 14.1</b> | Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe. |
|-----------------|---|

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
- None of the above

|                 |                         |
|-----------------|-------------------------|
| <b>LEI 14.2</b> | Additional information. |
|-----------------|-------------------------|

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 buy/sell decisions.

|               |           |             |       |
|---------------|-----------|-------------|-------|
| <b>LEI 16</b> | Voluntary | Descriptive | PRI 1 |
|---------------|-----------|-------------|-------|

|                 |   |
|-----------------|---|
| <b>LEI 16.1</b> | Provide examples of ESG issues that affected your investment view and/or performance during the reporting year. |
|-----------------|---|

ESG issue 1

ESG issue and explanation

**Natural Resource Use**

Water scarcity is a rising issue and companies that can capitalize on the growing demand for water treatment services and solutions are well positioned. A company that we see proactively addressing this challenge and opportunity is a leader in cleaning, sanitation, facilities maintenance, equipment repair and services.

The company is uniquely positioned through knowledge, capabilities and a global footprint to address the issue of water scarcity and cleanliness. Water scarcity has become a strong focus for the firm, and they have set aggressive goals to reduce water usage and waste within the firm and in partnership with their customers.

The firm provides several technologies to reduce water usage for large customers such as hotels, restaurants, and health facilities. These include innovations in laundry, dish and food washing, sanitation and other areas which dramatically reduce water usage without compromising safety.

ESG incorporation strategy applied

Integration

Impact on investment decision or performance

We believe the issue of water scarcity will only continue to gain prominence, not only in emerging markets but increasing worldwide. The company's innovations and competitive advantages will be key to reducing water usage across industries - we recently increased our holdings as a reflection of our conviction in the company's prospective growth relative to its recent valuation.

ESG issue 2

## ESG issue and explanation

### Human Capital and Remuneration

We identified a high quality sustainable growth company with two solid business lines in its asset management and investment banking arms. In keeping with our investment approach we conducted in-depth fundamental analysis that considered the company from many angles, including human capital, to understand the potential for stock price appreciation over our investment horizon of approximately 5years.

As a financial services company people are its most significant asset and largest expense. Given the increasing noise and regulation around compensation in that industry we wanted to share our thoughts on the structure and level of compensation for board members and management.

We had specific concerns about what we felt was elevated compensation for directors and around the key performance indicators (KPIs) for management on which we wanted clarity to recent changes.

We engaged with the company several times, including discussions with the CFO, Legal Counsel, Head of Asset Management and Head of Strategy speaking in person, on the phone and via email.

## ESG incorporation strategy applied

Integration

## Impact on investment decision or performance

The company helped us to understand their process for setting Director compensation with the help of an outside firm, without the involvement of management and that it is reviewed on a regular schedule.

We also gained comfort with the changes to the KPIs as the company explained changes to the hurdles resulting from a lower overall compensation potential.

As we typically do, we take information provided by the company and consider this in the context of industry norms and what we believe to be reasonable and competitive to reconcile best practices.

We also consider recommendations and concerns voiced by shareholder activists on the given company.

We continue to monitor the size and structure of compensation for the stock and other financial services firms closely given the substantial reliance on human capital in these businesses

ESG issue 3

|   |
|---|
| ESG issue and explanation   |
| <p><b>Labour Standards</b></p> <p>We undertook analysis of an Asian design and assembly firm for a wide variety of electronics. This is a difficult business which has had issues with poor labor practices. The industry leader, Hon Hai, has often been in the press for labor unrest and difficulties.</p> <p>Labor conditions were reported to be very poor at the company, which raised a variety of issues for a potential investment in the company.</p> <p>Our analyst researched the issues and practices independently and engaged with the company to understand the company situation and managements' intentions for resolution.</p> |
| ESG incorporation strategy applied  |
| <input checked="" type="checkbox"/> Integration   |
| Impact on investment decision or performance  |
| <p>Our analysts came to a tentative conclusion that the labor practices were among the better practices in the industry. However ultimately the decision was made that the company was not a good investment candidate.</p>   |

ESG issue 4

|  |
|--|
| ESG issue and explanation  |
| <p><b>Environmental Remediation</b></p> <p>For two of our speciality chemicals holdings there are legacy environmental issues related to their manufacturing sites.</p> <p>The companies have both made provisions in order to carry out remediation activities.</p> |
| ESG incorporation strategy applied   |
| <input checked="" type="checkbox"/> Integration  |
| Impact on investment decision or performance   |
| <p>In relation to these stocks we have built in higher estimates for remediation costs in our company valuations than the balance sheet provisions being carried by these companies.</p>   |

ESG issue 5



|   |
|---|
| ESG issue and explanation   |
| <p><b>Supply Chain Standards and Employee Training</b></p> <p>The nature of the jewelry industry results in environmental and social risks, particularly related to Supply Chain and Labor. These risks if not effectively managed and mitigated by management, could adversely impact the reputation of the brand and negatively impact corporate profitability. Analysis of these ESG factors alongside traditional financial analysis attempts to accurately discount the risks associated with the investment.</p> <p>Specifically, in the jewelry industry, the ability to control the sourcing of raw materials, internal production processes, and third- party manufacturers are critical for ESG management. The lack of transparency or failure to ensure ethical behaviors could severely damage reputation and customer loyalty, with a direct impact to sales volumes. For jewelry companies, sustainable sourcing of diamonds, gold, and platinum are critical, as mines are often located in conflict regions. Skilled labor is also crucial in the retailing of high-end luxury goods. Thus, investment in employee training is critical for delivering good customer services.</p> |
| ESG incorporation strategy applied  |
| <input checked="" type="checkbox"/> Integration   |
| Impact on investment decision or performance  |
| <p>As part of a recent recommendation of a jewelry company we positively noted that the company recognizes the importance of ESG factors, and has a Chief Sustainability Officer in place to oversee the firm's ESG strategy.</p> <p>The company incorporates sustainability priorities into ongoing planning and operations, and ties social responsibility to the bottom line, in part to mitigate related risks.</p>   |

|          |                         |
|----------|-------------------------|
| LEI 16.2 | Additional information. |
|----------|-------------------------|

The securities mentioned above may or may not be currently held by any Franklin Templeton portfolio. The examples are provided only to illustrate our ESG integration process, and are not a complete analysis of every material fact regarding an industry or security. The statements above may not be relied upon as investment advice or recommendations or an offer for a particular security or as an indication of trading intent for any Franklin Templeton fund or account. The above discussion does not constitute a marketing piece.

|                      |  |  |  |
|----------------------|--|--|--|
| <b>Communication</b> |  |  |  |
|----------------------|--|--|--|

|        |           |               |         |
|--------|-----------|---------------|---------|
| LEI 17 | Mandatory | Core Assessed | PRI 2,6 |
|--------|-----------|---------------|---------|

|          |   |
|----------|---|
| LEI 17.1 | Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity. |
|----------|---|

We disclose it publicly

|             |
|-------------|
| Provide URL |
|-------------|

<https://www.franklintempleton.com/forms-literature/literature-details/FTI-ESGB2>

**LEI 17.2**

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

- 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]

The document is publically available and updates are made as and when appropriate.

# 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 | Core Assessed | PRI 2 |
|--------|-----------|---------------|-------|

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

Yes

**LEA 01.2** Indicate what your engagement policy covers:

- Conflicts of interest
- Prioritisation of engagements
- Transparency
- Environmental factors
- Social factors
- Governance factors
- Other, describe

Description of engagement approach in Franklin Templeton

None of the above

**LEA 01.4** Provide a brief overview of your organization's approach to engagement

Portfolio managers and analysts hold regular discussions to engage with the executives and board members 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 over 650 investment professionals who are responsible for producing regular investment opinions on each of the companies they cover. Where an issue arises investment managers will at their discretion select the engagement approach(es) that will be most appropriate and effective for each situation.

Meetings and engagement 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 engagement, we seek to understand the company's long term strategy, not just its immediate goals. These engagements cover a range of topics which may include company strategy, operational performance, ESG factors and performance.

Our engagement may also include dialogue or collaboration with industry bodies, non-governmental organizations, academics or other specialists who may provide valuable insight into ESG factors or a company's activities.

No

|        |           |         |           |
|--------|-----------|---------|-----------|
| LEA 02 | Mandatory | Gateway | PRI 1,2,3 |
|--------|-----------|---------|-----------|

**LEA 02.1** Indicate your reasons for interacting with companies on ESG issues and indicate who carries these interactions out.

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

|                 |                                    |
|-----------------|------------------------------------|
| <b>LEA 02.2</b> | 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

|               |                  |                      |              |
|---------------|------------------|----------------------|--------------|
| <b>LEA 03</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEA 03.1</b> | 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.

|               |                  |                      |              |
|---------------|------------------|----------------------|--------------|
| <b>LEA 04</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------|--------------|

**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
- No

**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
- No

**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.

**Process for engagements conducted via collaborations**

|               |                  |                      |              |
|---------------|------------------|----------------------|--------------|
| <b>LEA 05</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------|--------------|

**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 with our individual engagements we do not apply top down guidelines on determining which engagement activities to prioritize, rather these will be determined by the investment team and the collective group of investors involved in the engagement. The investment teams will engage as appropriate based on which they believe may be most effective for each situation.

As stated while our preference is individual engagement we may undertake a collective engagement 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.

**LEA 06**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA 06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

- Yes
  - Yes, for all engagement activities
  - Yes, for the majority of engagement activities
  - Yes, for a minority of engagement activities
- No

**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
- No

**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 and intensity of the collective engagement will determine the extent to which progress can be tracked. There may be clear milestones, while other engagements' progress will be more nuanced.

**General processes for all three groups of engagers**

|               |                  |                            |                |
|---------------|------------------|----------------------------|----------------|
| <b>LEA 09</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 1,2</b> |
|---------------|------------------|----------------------------|----------------|

**LEA 09.1** Indicate if insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

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

**LEA 09.2** Additional information. [Optional]

Please be advised that company engagement is not conducted 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.

|               |                  |                |              |
|---------------|------------------|----------------|--------------|
| <b>LEA 10</b> | <b>Mandatory</b> | <b>Gateway</b> | <b>PRI 2</b> |
|---------------|------------------|----------------|--------------|

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

| Type of engagement                             | Tracking engagements   |
|--|--|
| <b>Individual / Internal staff engagements</b> | <input type="radio"/> Yes, we track the number of our engagements in full<br><input type="radio"/> Yes, we partially track the number of our engagements<br><input checked="" type="radio"/> We do not track                                     |
| <b>Collaborative engagements</b>               | <input type="radio"/> Yes, we track the number of our engagements in full<br><input type="radio"/> Yes, we partially track the number of our engagements<br><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 the various individual investment teams processes, we do not have a framework that tracks this across investment teams.

## Outputs and outcomes

|               |                  |                            |              |
|---------------|------------------|----------------------------|--------------|
| <b>LEA 12</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------------|--------------|



|                 |                                       |
|-----------------|---------------------------------------|
| <b>LEA 12.1</b> | Indicate if 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

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEA 15</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 2</b> |
|---------------|------------------|--------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEA 15.1</b> | Provide examples of the engagements that your organisation carried out during the reporting year. |
|-----------------|---|

- Add Example 1

|                    |  |
|--------------------|--|
| Topic or ESG issue | Bribery  |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | <ul style="list-style-type: none"> <li>• Identify potential fines, risks of ongoing business interruption and risk of exclusion from further contract discussions arising from bribery allegations.</li> <li>• Understand management rationale to restructure part of business.</li> </ul>   |
| Scope and Process  | <p>Analysts met with a European oil services company to discuss bribery allegations and proposed restructuring at the company.</p> <p>Analysts undertook company meetings and further research to understand potential upside and downside risks from the restructuring.</p> <p>The discussions also focused on the remedial actions that are taking place in order to improve the firms overall compliance and governance position so such actions would not happen again.</p>                    |
| Outcomes           | <p>Analysts understood the rationale for restructuring for tax efficiency and lower cost funding. Among the benefits would be diversification of the client base by introducing new investors into the separately listed partnership. Other areas discussed were the impact on the balance sheet and financial stability of the firm based on any potential fine.</p> <p>Analysts developed a more comprehensive picture of the remedial actions the company proposed to address bribery risk.</p> |

Add Example 2

|                    |  |
|--------------------|--|
| Topic or ESG issue | Dual Class Shares  |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | Consolidation of share classes   |
| Scope and Process  | <p>Dual class share systems are a common governance issue, often favouring shares with additional voting rights. However in the case of a South American retailer the company has two types of issued shares ordinary shares which have voting rights and preference shares which have no voting rights.</p> <p>We recognised an issue that the price of ordinary shares trade at a big discount to preference shares (despite the fact that ordinary shares having voting rights) because the preference shares are more liquid.</p> <p>In response to this we sent a letter to the Chairman of the Board giving ideas to be considered to address the share price discount. The main suggestion is to consolidate the two types of shares into one type and have one voting structure.</p> |
| Outcomes           | The engagement is an on-going exercise and we maintain our position in the company.  |

Add Example 3

|                    |   |
|--------------------|---|
| Topic or ESG issue | Company Structure   |
| Conducted by       | <input type="checkbox"/> Individual / Internal<br><input checked="" type="checkbox"/> Collaborative   |
| Objectives         | Encourage disposal of assets  |
| Scope and Process  | <p>A diversified financial company in South America acquired a small stake in a technology company. The purpose was to influence the speed of technology deployment as the company was revamping its trading and back-office systems.</p> <p>Due to relative share price performance, the stake in the technology company became very large, representing around 30% of the market capitalization of the company. We believed that the stake in the technology company was not fully reflected in the share price of the company and liquidation (or even partial liquidation) of the stake would unlock value.</p> <p>We sent a letter to the Board asking it to dispose of the stake in the technology company given that the passive holding was over 30% of the exchange operator's market capitalization.</p> <p>We also coordinated with local asset managers to do the same.</p> |
| Outcomes           | In a positive response the company sold 20% of the stake shortly after.   |

Add Example 4

|                    |  |
|--------------------|--|
| Topic or ESG issue | Related Party Transactions   |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | Explore perceived governance risks in particular related party transactions.   |
| Scope and Process  | <p>Following the price decline in the Chinese markets, we decided to revisit a prior holding that had been sold based on what we deemed to be an excessive valuation.</p> <p>While we believe there are many compelling investment opportunities in the relatively nascent Chinese market, with substantial government influence on many companies and a less developed corporate governance sense the investment team reviews factors related to those areas in depth to make sure they are comfortable as long-term holders.</p> <p>The company is headquartered and operates in China where corporate governance often does not conform to best practices and where relationships between companies, individuals and the government are not always clear.</p> <p>We were concerned in particular about related party transactions with regard to a recent acquisition of a loss-making entity, held within the acquired company, and wanted to confirm that the transactions were not hindering shareholder rights.</p> <p>We held 10 meetings, speaking with various management team personnel, including procurement staff, suppliers, industry players and senior management team, in order to understand the potential linkages between the acquisition target and related party investment vehicles.</p> |
| Outcomes           | <p>Following in-depth analysis on the company over an 8-10 week period, we initiated a position. Our analysis includes a thorough bottom-up review of the business, competitors and a full build out of financial models.</p> <p>Prior and subsequent to investment we engaged with management to understand issues related to any concerns we noted and incorporated that information into our recommendation.</p> <p>Based on this analysis, we were comfortable with the growth, quality and valuation of the company.</p> <p>Following purchase we continue to closely monitor the company, speaking with company management regularly and highlighting concerns, particularly around corporate governance, investments&amp; accounting, to help promote best practices.</p>   |

Add Example 5

|                    |   |
|--------------------|---|
| Topic or ESG issue | ESG Best Practice   |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative   |
| Objectives         | Feedback to company initiated dialogue around ESG standards   |
| Scope and Process  | <p>Engaged with a global retailer as part of their stakeholder engagement process to inform their CSR/Sustainability strategy development. Discussions covered such issues as poker machines, overseas working conditions, and environmental performance of stores.</p> <p>Communicated our views on material "non-financial" information with a Japanese manufacturer who is seeking to engage global investors.</p> <p>Held discussions with a US manufacturer about adopting proxy access and how such by-laws could be devised.</p> |
| Outcomes           | Participation in company initiated engagement is an important way to improve ESG practices and disclosure, by giving the perspective of long term shareholders.   |

Add Example 6

|                    |  |
|--------------------|--|
| Topic or ESG issue | Labour Turnover  |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | Engage management to understand significant turnover and advocate for policies and procedures to retain key staff.   |
| Scope and Process  | <p>In a specialised European technology company that is poised to gain substantial market share with new products, we identified significant senior management turnover in a relatively short time period.</p> <p>This raised concerns about the ability to attract and retain high quality staff to drive the business long-term.</p> <p>Held multiple discussions with management to understand why turnover occurred and advocate for policies and procedures to retain key staff</p> |
| Outcomes           | We continue to monitor the situation and impact to the business closely. We recognise that further turnover and the resultant business impact could lead to degradation in growth and quality leading to a sale of our position.   |

- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10

**LEA 15.2** Additional information. [Optional]

The securities mentioned above may or may not be currently held by any Franklin Templeton portfolio. The examples are provided only to illustrate our ESG integration process, and are not a complete analysis of every material fact regarding an industry or security. The statements above may not be relied upon as investment advice or recommendations or an offer for a particular security or as an indication of trading intent for any Franklin Templeton fund or account. The above discussion does not constitute a marketing piece.

**Communication**

**LEA 16** **Mandatory** **Core Assessed** **PRI 2,6**

**LEA 16.1** Indicate whether your organisation proactively discloses information on its engagements.

- We disclose it publicly
- 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**

|               |                  |                |                  |
|---------------|------------------|----------------|------------------|
| <b>LEA 17</b> | <b>Mandatory</b> | <b>Gateway</b> | <b>PRI 1,2,3</b> |
|---------------|------------------|----------------|------------------|

**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
- Securities lending process
- Other, describe

other description

Engagement with issuers; shareblocking, powers of attorney, voting restrictions; document maintenance; client reporting; business continuity; vote disclosure; due diligence of proxy service providers

None of the above

**LEA 17.3** Please attach or provide a URL to your voting policy. [Optional]

URL

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



|                 |  |
|-----------------|--|
| <b>LEA 17.4</b> | Provide a brief overview of your organization's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable). |
|-----------------|--|

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.

We may also file shareholder resolutions where appropriate, particularly in markets with evolving governance practices where we can support adoption of best practices.

No

|                 |                                   |
|-----------------|-----------------------------------|
| <b>LEA 17.5</b> | Additional information [optional] |
|-----------------|-----------------------------------|

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, Social and Governance Issues; and Global Corporate Governance matters.

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 a Proxy Service.

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.

|                |  |  |  |
|----------------|--|--|--|
| <b>Process</b> |  |  |  |
|----------------|--|--|--|

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEA 18</b> | <b>Mandatory</b> | <b>Descriptive</b> | <b>PRI 2</b> |
|---------------|------------------|--------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEA 18.1</b> | Indicate how you typically make your (proxy) voting decisions and what this approach is based on. |
|-----------------|---|

|  |          |
|--|----------|
|  | Approach |
|--|----------|

- We use our own research or voting team and make our own 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 primarily 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. Also, Franklin Templeton 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 analysis 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.

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 20

Voluntary

Descriptive

PRI 2

LEA 20.1

To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you do the following.

- Obtain end-to-end confirmation that votes have been lodged
  - for a majority of cases
  - for a minority of cases
- Participate in projects to improve the voting trail and/or to obtain vote confirmation
- None of the above

|          |  |
|----------|--|
| LEA 20.2 | Provide additional information on your organisation's vote confirmation efforts. |
|----------|--|

We discuss transparency efforts with our custodian

|        |           |               |       |
|--------|-----------|---------------|-------|
| LEA 22 | Mandatory | Core Assessed | PRI 2 |
|--------|-----------|---------------|-------|

|          |   |
|----------|---|
| LEA 22.1 | Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations. |
|----------|---|

- Yes, in most cases
- Sometimes, in the following cases:
  - votes in selected markets
  - votes on certain issues (all markets)
  - votes for significant shareholdings (all markets)
  - Votes for companies we are engaging with
  - other, explain
- No
- Not applicable as we and/or our service providers do not abstain or vote against management recommendations

|          |                                    |
|----------|------------------------------------|
| LEA 22.2 | Additional information. [Optional] |
|----------|------------------------------------|

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

|        |           |               |       |
|--------|-----------|---------------|-------|
| LEA 23 | Mandatory | Core Assessed | PRI 2 |
|--------|-----------|---------------|-------|

|          |  |
|----------|--|
| 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%) |
|  | %                              |

99

**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** If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]

The company will generally attempt to process every proxy it receives for all domestic and foreign securities. There may, however, be situations in which the investment manager may be unable to vote a proxy, or may choose not to vote a proxy as disclosed in the Proxy Voting Policies and Procedures, for instance, due to share-blocking, voting fees, timing issues, or administrative impediments.




- We do not track or collect this information

**LEA 24** **Voluntary** **Descriptive** **PRI 2**

**LEA 24.1** Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.

- Yes, we track this information

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

| Voting instructions                           | Breakdown as percentage of votes cast   |
|---|---|
| For (supporting) management recommendations   |  <p>89.94</p> |
| Against (opposing) management recommendations |  <p>9.1</p>   |
| Abstentions                                   |  <p>.96</p>   |

100%

**LEA 24.3** For the reporting year, describe your approach towards voting on shareholder resolutions.

The Investment Manager will review shareholder proposals on a case-by-case basis and may support those that serve to enhance value or mitigate risk, are drafted appropriately, and do not disrupt the course of business or require a disproportionate or inappropriate use of company resources.

No, we do not track this information

| LEA 26 | Voluntary | Descriptive | PRI 2 |
|--------|-----------|-------------|-------|
|--------|-----------|-------------|-------|

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

Add Example 1

|                    |  |
|--------------------|--|
| Topic or ESG issue | Proxy Access   |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | Encourage a leading US bank to adopt proxy access  |
| Scope and Process  | The bank was wrestling with increasing attention on proxy access proposals, which allow large shareholders the possibility of using the company proxy to nominate directors. As a significant shareholder we engaged with the company to proactively adopt proxy access. |
| Outcomes           | The bank became one of the first US banks to adopt proxy access by-laws.   |

Add Example 2

|                    |  |
|--------------------|--|
| Topic or ESG issue | Related Party Transactions   |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | Establish the context and size of the related party transactions   |
| Scope and Process  | At on our Indian holdings our proxy advisor highlighted concerns around interlocking directorships and two related party transactions. We engaged with the company to understand the particulars.  |
| Outcomes           | <p>Through engagement we understood that the company's shares are held in a strategic equity fund which sometimes involves appointing a director on a company's board. We were comfortable with the explanation and the director's presence on the board.</p> <p>The rental payments constituting the related party transactions were in line with the market prices.</p> <p>Ultimately we supported all three resolutions</p> |

Add Example 3

|                    |   |
|--------------------|---|
| Topic or ESG issue | Disposal of Assets  |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider   |
| Objectives         | Ascertain the strategic benefits of disposing of the asset  |
| Scope and Process  | An Asian shipping company proposed to sell a Very Large Crude Carrier.<br>The proposed buyer was a related company 50% owned by the seller.<br>We met with management to get further information about the deal.  |
| Outcomes           | We supported the transaction as; <ul style="list-style-type: none"> <li>• we believe that the disposal of the vessel would provide additional funds for future acquisitions of the group;</li> <li>• the consideration was deemed to be reasonable based on the net book value and appraised value of the vessel; and</li> <li>• the company would be able to receive the total consideration upon disposal of the Vessel instead of by instalments under the Finance Lease Agreement.</li> </ul> |

Add Example 4

|                    |  |
|--------------------|--|
| Topic or ESG issue | Board Independence   |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | Improve independent director board representation  |
| Scope and Process  | At the time of investment in a Swiss technology company we expressed concerns to the company regarding the low percentage of independent directors on the board. The company has just approximately 1/3 independent directors,<br><br>In addition to speaking with the company about our concerns, we regularly vote proxies against the remuneration reports and against some of the board members. |
| Outcomes           | While we regularly vote against some of the board members, overall ownership of the company remains relatively concentrated so we have not seen substantial changes.   |

Add Example 5

|                    |  |
|--------------------|--|
| Topic or ESG issue | Remuneration   |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | Oppose remuneration report   |
| Scope and Process  | We opposed a remuneration report at an Australian company as the long term incentive plan is poorly structured and we believe encourages gearing as metrics were 100% accounting based. We also had concerns around quantum and payments unduly linked to a restructure. |
| Outcomes           | We opposed the resolution. While it did pass shareholder dissent was more than 13%.  |

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

|                 |                                    |
|-----------------|------------------------------------|
| <b>LEA 26.2</b> | Additional information. [Optional] |
|-----------------|------------------------------------|

The securities mentioned above may or may not be currently held by any Franklin Templeton portfolio. The examples are provided only to illustrate our ESG integration process, and are not a complete analysis of every material fact regarding an industry or security. The statements above may not be relied upon as investment advice or recommendations or an offer for a particular security or as an indication of trading intent for any Franklin Templeton fund or account. The above discussion does not constitute a marketing piece.

## Communication

|               |                  |                      |                |
|---------------|------------------|----------------------|----------------|
| <b>LEA 27</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 2,6</b> |
|---------------|------------------|----------------------|----------------|

|                 |  |
|-----------------|--|
| <b>LEA 27.1</b> | 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](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](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
- No

**LEA 27.3**

Indicate the voting information your organisation proactively discloses to the public.

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 to the public.

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc/as requested

**LEA 27.5**

Indicate the voting information your organisation proactively discloses 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 27.6** Indicate how frequently you typically report voting information to clients/beneficiaries.

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc/as requested

**LEA 27.7** Describe any other differences in the information being disclosed. [Optional]

Additional reporting would be at the client's request.

- 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]

We will proactively disclose information on our voting activities where legally required. Please note for US and Canadian funds we annually disclose all voting decisions. We would disclose all voting decisions if requested by an advisory client.

# 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   | 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"> <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></td> <td>100%</td> </tr> </table> | 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% |
| 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%   |                 |   |                |   |                   |     |                                    |   |                                   |   |                                 |   |                               |   |                                     |   |  |      |
| Corporate (financial)               | <table border="1"> <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> </table>  | Screening alone | 0 | Thematic alone | 0 | Integration alone | 100 | Screening + integration strategies | 0 |                                   |   |                                 |   |                               |   |                                     |   |  |      |
| Screening alone                     | 0  |                 |   |                |   |                   |     |                                    |   |                                   |   |                                 |   |                               |   |                                     |   |  |      |
| Thematic alone                      | 0  |                 |   |                |   |                   |     |                                    |   |                                   |   |                                 |   |                               |   |                                     |   |  |      |
| Integration alone                   | 100  |                 |   |                |   |                   |     |                                    |   |                                   |   |                                 |   |                               |   |                                     |   |  |      |
| Screening + integration strategies  | 0  |                 |   |                |   |                   |     |                                    |   |                                   |   |                                 |   |                               |   |                                     |   |  |      |

|  |  |
|--|--|
|  |  <p>Thematic + integration strategies</p> <p>0</p>   |
|  |  <p>Screening + thematic strategies</p> <p>0</p>     |
|  |  <p>All three strategies combined</p> <p>0</p>       |
|  |  <p>No incorporation strategies applied</p> <p>0</p> |
|  | <p>100%</p>  |

|                           |                                     |     |
|---------------------------|-------------------------------------|-----|
| Corporate (non-financial) | 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 primary reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

The Franklin Templeton Fixed Income investment process is built on a rigorous, bottom-up, fundamentally based research methodology that examines traditional measures of value, which we believe ultimately drives longer-term performance.

We believe there is merit to considering environmental, social, and governance (ESG) factors as part of the corporate and sovereign bond investment process, since many ESG-related issues can have a direct influence on the bond issuer's overall financial and risk profile. Fixed Income Group's research process looks to incorporate the impact of a wide variety of factors that over time can impact the credit quality and risk/return profile of the securities in which we invest on behalf of our clients.

While ESG factors may be an important input for some bond issuers and less relevant for others, our credit 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 relevant ESG factors, to establish an overall credit and investment opinion.

Our fixed income teams also successfully manages a number of institutional client portfolios with various mandate restrictions such as ESG screening.

|                |   |
|----------------|---|
| <b>FI 05.1</b> | Indicate which ESG factors you systematically research as part of your ESG analysis on issuers. |
|----------------|---|

Select all that apply

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

|                |  |
|----------------|--|
| <b>FI 05.2</b> | 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

|                |   |
|----------------|---|
| <b>FI 05.3</b> | Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies. |
|----------------|---|

As a fundamental bottom up manager, Franklin Templeton's investment research is predominately generated internally by FTI investment professionals. Analysts obtain information from a variety of sources, including (but not limited to) investee companies or bond issuers; government institutions and officials; specialist research providers; 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.

|              |                  |                            |              |
|--------------|------------------|----------------------------|--------------|
| <b>FI 06</b> | <b>Mandatory</b> | <b>Additional Assessed</b> | <b>PRI 1</b> |
|--------------|------------------|----------------------------|--------------|

|                |   |
|----------------|---|
| <b>FI 06.1</b> | Indicate how you ensure that your ESG research process is robust: |
|----------------|---|

- 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

|                |  |
|----------------|--|
| <b>FI 06.2</b> | <b>Describe how your ESG information or analysis is shared among your investment team.</b> |
|----------------|--|

- 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

|                |   |
|----------------|---|
| <b>FI 06.3</b> | <b>Additional information. [Optional]</b> |
|----------------|---|

Currently the investment teams can access ESG specific reports via a 'Data Request' process. We are taking steps to provide access to this data on a commonly used investment platform which many of the independent investment teams utilize. This would enable investment teams to access ESG data and research reports within existing workflows they are already familiar with.

|  |  |  |  |
|--|--|--|--|
| <b>(C) Implementation: Integration</b> |  |  |  |
|--|--|--|--|

|              |                  |                    |              |
|--------------|------------------|--------------------|--------------|
| <b>FI 14</b> | <b>Mandatory</b> | <b>Descriptive</b> | <b>PRI 1</b> |
|--------------|------------------|--------------------|--------------|

|                |   |
|----------------|---|
| <b>FI 14.1</b> | <b>Describe your approach to integrating ESG into traditional financial analysis.</b> |
|----------------|---|

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.

|                |  |
|----------------|--|
| <b>FI 14.2</b> | <b>Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.</b> |
|----------------|--|

|            |
|------------|
| <b>SSA</b> |
|------------|

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 (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.

**Corporate (non-financial)**

Our process for consideration of ESG issues in financial and non-financial corporates is consistent.

|              |                  |                      |              |
|--------------|------------------|----------------------|--------------|
| <b>FI 15</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 1</b> |
|--------------|------------------|----------------------|--------------|

|                |  |
|----------------|--|
| <b>FI 15.1</b> | Indicate how ESG information is typically used as part of your investment process. |
|----------------|--|

Select all that apply

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

|       |           |                     |       |
|-------|-----------|---------------------|-------|
| FI 16 | Mandatory | Additional Assessed | PRI 1 |
|-------|-----------|---------------------|-------|

|         |   |
|---------|---|
| FI 16.1 | Indicate the extent to which ESG issues are reviewed in your integration process. |
|---------|---|

|                           | Environment               | Social  | Governance   |  |
|---------------------------|---------------------------|---|--|--|
| SSA                       | SSA                       | <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center;">Environmental</div> <input type="radio"/> Systematically<br><input checked="" type="radio"/> Occasionally<br><input type="radio"/> Not at all | <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center;">Social</div> <input type="radio"/> Systematically<br><input checked="" type="radio"/> Occasionally<br><input type="radio"/> Not at all | <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center;">Governance</div> <input checked="" type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all |
| Corporate (financial)     | Corporate (financial)     | <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center;">Environmental</div> <input type="radio"/> Systematically<br><input checked="" type="radio"/> Occasionally<br><input type="radio"/> Not at all | <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center;">Social</div> <input type="radio"/> Systematically<br><input checked="" type="radio"/> Occasionally<br><input type="radio"/> Not at all | <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center;">Governance</div> <input checked="" type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all |
| Corporate (non-financial) | Corporate (non-financial) | <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center;">Environmental</div> <input type="radio"/> Systematically<br><input checked="" type="radio"/> Occasionally<br><input type="radio"/> Not at all | <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center;">Social</div> <input type="radio"/> Systematically<br><input checked="" type="radio"/> Occasionally<br><input type="radio"/> Not at all | <div style="background-color: #0070C0; color: white; padding: 2px; text-align: center;">Governance</div> <input checked="" type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><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.

**SSA**

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 (financial)**

See answer below.

## Corporate (non-financial)

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 make them attractive fixed income investments.

FI 16.3

Additional information.[OPTIONAL]

For separate accounts, investment teams can also apply specific sets of ESG guidelines as directed by the client.

## Communication

FI 23

Mandatory

Core Assessed

PRI 2,6

FI 23.1

Indicate if your organisation proactively discloses information on your approach to RI across all of your fixed income investments.

☉ We disclose it publicly

Provide URL

<http://www.unpri.org/signatories/signatories/>

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