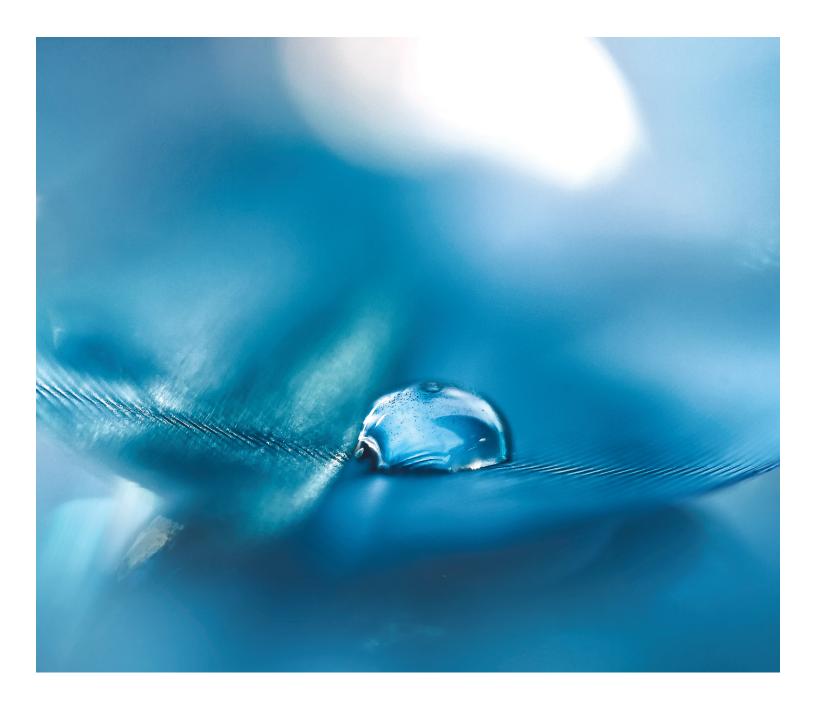


2024

# Stewardship Report



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# The path of active stewardship

At Putnam, we are committed to active investing and the potential it offers to create valuable products, pursue strong performance, and steward long-term investments with care. We are guided by sustainability frameworks that are based on financial materiality. From this foundation, we frame questions to gain deeper, actionable insights. Through consistent strategy and activity, we gain knowledge and take action that supports long-term results for our clients.

As active managers, we have a unique and essential role in engaging with company management teams. Our fundamental research process involves regular dialogue regarding corporate strategy and execution. These interactions illuminate how sustainability issues are relevant across our investments. Our belief in the power of context-specific analysis is reflected in the analytical approach to environmental, social, and governance (ESG) integration.

We believe our engagement is most effective when conducted directly, privately, and consistently over time. Therefore, our top engagement themes are relatively consistent from year to year, and we address them with nuance and care. We continue to support improved investment-relevant ESG disclosures, as all forms of sustainability analysis rely on robust, accurate, timely, and relevant data.

Our engagement dialogue, deliberately pursued primarily in private settings, often does not lend itself to simple categorization and short-term outcomes reporting. We believe that constructive, investment-relevant engagement enhances our value to our clients, issuers, and the broader field of practice. At the same time, we are cautious about claiming specific credit for changes, improvements, and outcomes that result from the work of many.

This report illustrates Putnam's continued conviction in the power of investment-centric stewardship and its central role in contributing to long-term financial results for our clients, ongoing progress for issuers and their governance, and a healthy global financial system.



SHEP PERKINS, CFA
Chief Investment Officer



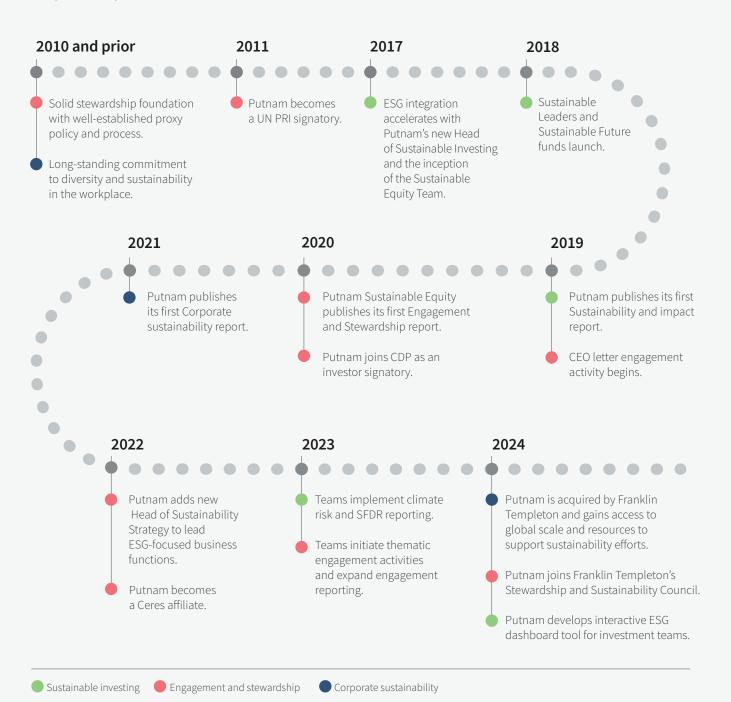
JACKIE VANDERBRUG Head of Sustainability Strategy

# Philosophy Our commitment to clients is the foundation of all we do.

As an asset manager, our investment stewardship aims to provide long-term value through active ownership, monitoring, and engagement with the issuers of the securities we hold in our clients' portfolios. As active managers, we are committed to conducting thorough research and to incorporating fundamental insight into all of our activities and decisions, including corporate engagement. We believe all investors benefit from effective governance practices and appropriate transparency regarding financially business issues, including relevant ESG issues.

# Sustainability milestones

Sustainability at Putnam is centered not only on ESG-focused investment products, but across every product and business function. We use a lens of materiality and business relevance to incorporate sustainability considerations into our research, our stewardship, and our corporate operations.



### 2024 in review

For more than two decades, Putnam has worked to build a strong foundation in stewardship and sustainability with a north star of financial materiality and a goal of creating long-term value for our clients. In a year with significant technological advances, geopolitical uncertainty, and policy and regulatory shifts, our strategy is steadily focused on investment relevance and client benefit.

Companies continue to refine their understanding of material sustainability issues as well as their related strategies. As active managers, focusing on these fundamentally relevant sustainability issues has been and remains at the center of our approach to stewardship and engagement.

We have a new parent. Effective January 1, 2024, Franklin Resources, Inc. (operating as Franklin Templeton) acquired Putnam Investments. Through the acquisition, Putnam's equity group became an autonomous Specialist Investment Manager (SIM) within the broader group of Franklin Templeton companies. Putnam retains investment manager autonomy and independence to develop sustainability strategy and policy, and we benefit from Franklin Templeton's global scale and resources to advance our sustainability and stewardship efforts.

Over the past year, we strengthened our sustainability strategy across business functions including investment research, stewardship, engagement, affiliations, and aligned Putnam's approach to leverage the resources of our new parent company.

#### **Evolving and effective governance**

We believe strong governance plays a central role in driving long-term value for clients, and therefore stewardship is a collaborative effort across our organization. To this end, we have extended membership of Putnam's ESG leadership committee and refocused our engagement and climate risk working groups to leverage expertise from across the firm. Our head of Sustainability Strategy joined other leaders from Franklin Templeton on the firm's Sustainability and Stewardship Council, actively participating in cross-investment working groups on data and regulatory reporting. We look forward to deepening these firmwide collaborative relationships in the year ahead.

#### **Investment-centric integrated research**

As active managers, we engage in comprehensive research on companies through various methods, including direct communication with management teams, attending industry and customer conferences, and incorporating pertinent third-party and independent research. Insights and inquiries arising from this research have led to thematic investigations into key environmental, social, and governance issues, such as Al and power use, water risks and opportunities, and shifts in board composition. Additionally, our internal research conferences and ongoing associate training both include sustainability-focused sessions.

#### Stewardship for long-term value

Our engagement with companies in 2024 encompassed a wide array of topics, including corporate strategy, capital allocation, and pertinent environmental, social and governance issues.

We maintained our practice of pursuing informed, ongoing, and constructive discussions, concentrating on matters of financial relevance. We proactively engaged with companies that were top Putnam holdings. This included sending individually tailored letters to CEOs representing approximately 50% of equity assets under management. Drawing from research findings, we developed a thematic engagement focus on water risk. Under the guidance of our Proxy Committee, we voted on more than 23,000 proposals utilizing our custom proxy policy.

#### Delivering accessible, relevant data

Accessible and relevant ESG data is essential to the integration of financially relevant sustainability issues into investment analysis and stewardship processes. This past year, we launched an interactive ESG analytics dashboard within our proprietary investment platform, enabling analysts and portfolio managers to review key indicators, observe trends, and more closely analyze company specifics. We also enhanced our quarterly climate risk reporting and improved engagement tracking capabilities within the investment platform. While we observe some positive trends in data availability and quality, we remain cautious about the level of highly estimated or incomplete data, and view ESG data from third-party resources as only one component of our broader research process.

#### Field building and engagement

The field of stewardship and sustainability is vibrant and enriched by the interaction between seasoned professionals and emerging talent. We continue to speak regularly on topics relevant to stewardship and sustainable investing in both educational and professional settings. We are also committed to a focused set of affiliations based on client benefit, investment relevance, efficiency, focus, and potential impact.

# **Engagement approach**

Our engagement strategy has four components, including issuer-specific engagement that occurs in our investment process, thematic engagement, proxy voting, and participation in collaborative initiatives.

#### Components of our engagement strategy

# Engagement through the investment process

Aligns with our role as a long-term active owner

- Our collaborative, direct approach is guided by materiality
- We provide forward-looking, context-specific engagement

# Provides insights on financially material risks and opportunities

 We derive themes through research, individual engagements, and industry trends; exposure and relevance are key

Thematic engagement

 Themes increase understanding of risks and opportunities across portfolios

# Collaboration and partnership

Contributes to well-functioning financial markets

- We prioritize comparable goals, investment relevance, efficiency, and benefits
- We actively engage with leading organizations to support key focus areas

#### **Proxy voting**

Offers a visible and important tool to positively influence companies

- Our investment-led proxy committee establishes guidelines, supported by senior stewardship staff
- Our guidelines aim to serve the best interests of our clients as shareholders



#### Methods of engagement

Our approach encompasses a variety of tools, including but not limited to written communications identifying focus areas for future dialogue, direct communication with issuers, and proxy voting where we have voting authority.

#### **Prioritization**

We may prioritize engagement based on the investment division's assessment of the materiality of a particular issue. We also may focus on issuers where Putnam has ownership or on issuers currently facing a controversy or recent changes.

#### **Escalation**

We are active managers who proactively select securities for inclusion in our portfolios. As a result, we typically have ongoing direct access to issuers. The majority of engagement activity occurs privately and directly with issuers, including, for example, with company management and/or boards of directors. We engage to understand an issuer's plans to mitigate risk and maximize opportunities, and progress against stated plans. We believe engaging directly and privately leads to the most effective and candid communication. We believe it enhances our research process and information gathering and offers the greatest benefit to our clients. Because our engagement is ongoing and typically focused on long-term strategic issues, it can be difficult to draw a direct link to tangible short-term outcomes. When we do identify specific outcomes, they are often indicators of longer-term progress regarding financially material ESG or other issues. When engagement does not lead to constructive dialogue or progress, options may include further outreach, including to board members and/or senior management, consideration of proxy voting issues, like board composition, as well as the potential sale of the security.

#### **Tracking**

In 2024, we enhanced our systems for tracking engagement activity within Putnam's proprietary investment platform. These steps have been instrumental in our ability to efficiently identify engagement-related events as well as to track ongoing progress. Putnam's Engagement Working Group, established to review strategy, set thematic engagement priorities and ensure coherence across stewardship and engagement functions, reviews a summary of engagement activity and trends on a quarterly basis.



As a long-term active owner, our engagement is guided by financial materiality and is undertaken with the goal of benefiting our clients and shareholders through long-term financial performance.





**SHEP PERKINS, CFA**Chief Investment Officer

# **Engagement through our investment process**

#### Investment relevance guides our focus

As active managers, we are committed to conducting thorough fundamental research when pursuing investment opportunities for our clients. We integrate ESG analysis into our research process with a tailored focus on financial materiality as relevant issues vary by sector, geography, asset class, and company context. Our research and engagement activities also have a forward-looking focus, with a goal of anticipating change related to relevant business issues.

Given differences in investment contexts and goals, Putnam portfolio managers, strategies, and funds take varied approaches to ESG integration. However, what unites us as an investing team is the view that thoughtful sustainability analysis can serve as important input for pursuing strong returns and assessing potential risk and opportunities.

#### **Engagement and fundamental research**

Our investment engagement is an integral component of our fundamental research process and helps us assess risks and identify opportunities. The vast majority of this engagement is private and direct with company management and directors.

As active managers, we proactively decide which securities to own in our portfolios. This means that as a firm, we hold a relatively small subset of securities within an investment universe. We therefore view our engagement with companies as a collaborative process.

We bring a long-term investment perspective and an understanding of specific business context to our discussions with corporate leadership teams, including C-suite executives, corporate sustainability leaders, and board members. We engage on issues that are material and financially relevant for the specific company and industry, and we do not view our engagement as a platform for advocacy beyond these issues.

Beyond these research-focused discussions, we also frequently respond to outreach focused on corporate materiality assessments, corporate ESG disclosures, or specific governance and proxy-related issues.

Because our engagement is ongoing and typically focused on long-term strategic issues, it can be difficult and perhaps presumptuous to draw a direct link to tangible short-term outcomes. When we do identify specific outcomes, they are often indicators of longer-term progress regarding financially material ESG issues. For example, several companies in our portfolios have published inaugural sustainability reports, increased communication and disclosure of investment-relevant ESG metrics, or made significant progress in identifying and managing material sustainability issues after working with multiple stakeholders, including our team.

Forward-looking analysis that is informed by engagement on financially material environmental, social, and governance issues can add value to our clients

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**KATHERINE COLLINS, CFA, MTS**Head of Sustainable Investing
Portfolio Manager

#### **Financial materiality**

Given Putnam's investment-centric philosophy, our ESG integration and engagement is grounded by our internally developed materiality maps. They are inspired and guided by the work of the Sustainability Accounting Standards Board (SASB), whose standards are now part of the IFRS Foundation and governed by its International Sustainability Standards Board (ISSB).

#### ■ Most relevant ■ Often relevant ■ Less relevant Putnam equity materiality map Comm Tech and Tech Materials Consumer Health Care Financials (hardware) Industrials Utilities **Real Estate** (software) and Energy Board structure and composition GOVERNANCE Management incentives, ownership, and compensation alignment Risk management and leadership Corporate purpose, culture, and mission alignment Workforce engagement, diversity and inclusion Employee well-being, development and opportunity Product impact and customer well-being Supply and distribution network management Data procurement, privacy, security, and use Marketing and selling practices Pricing philosophy and access Climate change mitigation and adaptation Physical climate change risk Greenhouse gas (GHG) emissions ENVIRONMENTAL Energy sourcing and intensity Materials sourcing, intensity, and lifecycle management Water sourcing, intensity, and lifecycle management Biodiversity and ecosystems risk

Source: Putnam Investments, adapted from SASB Materiality Map, as of December 31, 2024.

#### 2024 CEO letters

In addition to the ongoing research described above, our investment team sends annual, individually tailored letters to the CEOs of Putnam's holdings.

In 2024, we sent CEO letters to companies representing approximately 50% of all equity assets we manage, including all holdings in Putnam's sustainable equity mutual funds.

This outreach identifies material sustainability issues specific to each company, acknowledging efforts to date and encouraging future progress. Importantly, the inputs for this process are crafted by Putnam's analysts and portfolio managers, reflecting their context-specific understanding of each company. In composing these letters our materiality framework guides our focus toward the most investment-relevant issues, complementing our fundamental research process.

This correspondence presents an opportunity to document what we view as the most financially material ESG issues for each company, to note our interest in issues where progress or performance might not be apparent, and to provide a grounding for ongoing research and dialogue on these topics.

Over 65% of our 2024 letters received direct responses from company management teams within the first few weeks after receipt. Many offered opportunities to continue our ongoing communication and deepen our understanding of the issues noted through subsequent calls and meetings.

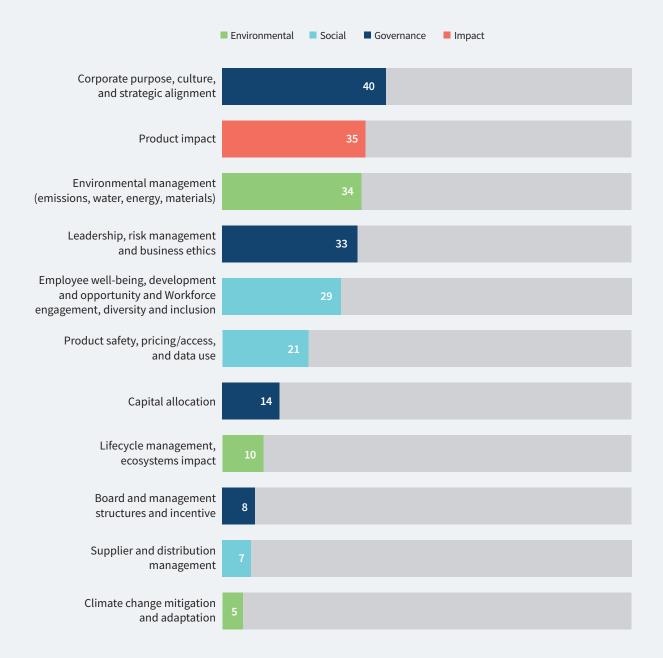
Research analysts use the annual CEO letters to identify company-specific matters of interest and to acknowledge company actions they have been impressed with thus far, as well as potential areas for improvement. The letters lay the groundwork for ongoing engagement and improved investment insights.

"



**STEPHANIE DOBSON**Portfolio Manager

#### 2024 issues addressed in CEO letters



Source: Putnam, Represents CEO letters sent in 2024.

All letters in 2024 acknowledged Putnam's support of standard-setting organizations like SASB/ISSB and advocacy for disclosure of industry-specific and investor-relevant information. Each letter referenced multiple issues. The total number of issues reported does not match the total number of letters or companies involved.

#### **Engagement highlights**

Our engagement with issuers is informed by a materiality analysis, focused on issues that we believe to be financially material on a company-specific basis. Beyond our widespread advocacy for improved decision-useful corporate disclosures, the most frequent themes addressed in 2024 CEO letters were corporate purpose, culture, and strategic alignment; product impact; environmental management; leadership, risk management and business ethics; employee well-being, development and opportunity and Workforce engagement, diversity and inclusion; product safety, pricing/access, and data use.

The composition of top themes was relatively consistent with prior years. Governance-related issues were more frequently noted than in prior periods, and opportunities and risks related to artificial intelligence emerged as an area of greater focus.

The examples that follow provide further information about how we address key topics through our research and engagement with management teams. These case studies also demonstrate the potential for progress and impact over time.



Active investors play a unique role through constructive and direct engagement, which can contribute to deeper understanding of relevant issues, improved long-term results, and value for our clients.





**KATE LAKIN**Director of Research
Portfolio Manager

#### 2024 top themes



#### **Environmental**

Environmental management (emissions, water, energy, and materials)



#### **Social**

Employee well-being, development and opportunity and Workforce engagement, diversity and inclusion



#### **Governance**

Corporate purpose, culture, and strategic alignment



### Case study examples of investment-led engagement

# Case study 1 — Corporate culture and employee engagement: Impact of employee equity ownership

Employee well-being and development is crucial to the strategic success of companies across many sectors and geographies. In 2024, Putnam engaged with a U.S.-based industrials company to better understand how a combination of corporate culture and incentive structures have contributed to superior multiyear business results.

At this company, leaders from both management and the Board of Directors have fostered a culture of employee inclusion and accountability that is reflected in unusually broad-based equity ownership plans, distinctive leadership recruitment and development processes, and holistic long-term corporate strategy. Specifically, at this company all employees earn meaningful equity grants after one year of service, and the majority of all grants ever distributed are still held.

This broad-based ownership has resulted in significant wealth creation opportunities for employees and has encouraged greater alignment on key corporate goals like working capital management, revenue growth, and operating efficiency.

#### **Observations and outcomes**

Our engagement discussions improved our understanding of the ties between corporate incentive structures, employee engagement and well-being, and long-term financial results. This analysis also confirmed that in addition to creating well-crafted structures, a high level of ongoing management attention and communication is required for employee ownership programs to be effective.



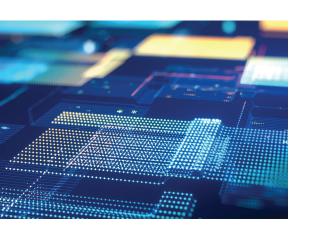
# Case study 2 — Governance structures and strategic alignment; Navigating a fast-changing operational landscape

The rapid increase in AI-related data center buildouts is creating increased demand for power generation, raising questions about policy, affordability, environmental outcomes, and operational complexity for utilities.

Putnam engaged with a U.S.-based power generation company in 2024 to explore how internal processes and procedures have developed to meet this operational setting, which offers added opportunity, complexity, and scrutiny.

#### Observations and outcomes

The company's long-term strategy is designed to serve multiple stakeholders, including regulators, customers, employees, and investors. To execute this strategy, the company has developed strengths in several areas. First, it has crafted localized approaches to operations and community relations that are attuned to each location's needs. Second, it has continued to develop technical expertise like hourly pricing models, which are increasingly important to commercial customers. Third, it has established governance structures that allow the company to respond to a dynamic operating environment while maintaining strong compliance and oversight processes. The engagement improved our understanding of the company's multi-stakeholder strategy and its ability to respond to a rapidly developing operational landscape.



The engagement improved our understanding of the company's multi-stakeholder strategy and its ability to respond to a rapidly developing operational landscape.



# Case study 3 — Environmental management: Analyzing multi-year progress and outcomes

Companies with significant operating assets like offices, warehouses, or data centers rely on a stable and affordable supply of water, energy, and other primary inputs. Effective management of these inputs and related impacts is therefore essential to long-term business success.

Over a multiyear period, Putnam has engaged with an operator of large distribution and data infrastructure to learn about how its environmental strategy contributes to operational and financial results.

#### **Observations and outcomes**

Because we have engaged with this company consistently for over five years, we have been able to assess its ability to achieve strategic objectives amidst a dramatically developing operational environment—including the pandemic period, inflationary environments, and times of extremely rapid employee growth and infrastructure development.

Despite roughly doubling in revenues over the past five years, this company has maintained its central environmental management goals. Our engagement and related analysis indicate that the company has set specific, appropriately ambitious, and business-relevant targets over a multi-year period.

For example, 100% of electricity consumed across its operations is matched with renewable energy sources, and they have reduced per-shipment packaging weight by over 40% since 2015.

The company has also invested in significant innovation within electric delivery vehicles, battery technology, and packaging, and has supported a wide range of suppliers in their own environmental progress. As its data center expansion has accelerated, it has pursued innovative sources of zero carbon power supply.

Our discussions have also confirmed that the improvements in environmental attributes of the business directly link to improvements in cost, speed, reliability, and customer satisfaction, all aligned with long-term business strategy and financial success.

# Thematic engagement approach

As a complement to investment-led engagement with individual companies, we identify investment-relevant topics for broader engagement across sectors, bringing increased understanding of material ESG risks and opportunities across Putnam portfolio holdings.

When evaluating thematic areas of interest,
Putnam considers whether the topic is relevant
to our investment holdings, is informed by prior
engagement activity, and is complementary to
our research process and analysis of risks and
opportunities. As themes emerge, our foundational
materiality maps inform the identification of sectors
and companies where engagement may be
appropriate. Analysts collaborate with Putnam's
Sustainability and Stewardship team to conduct
further research and engagement activities.

In 2024, we continued to focus engagement efforts on water-related risks and opportunities. We believe companies that proactively assess and address water-related risks in their supply chains, internal operations, and product use can potentially improve efficiencies, reduce costs, mitigate risks, and avoid operational disruptions.

Our research analysts engaged with companies in the materials and food and beverage industries, due to the fundamental relevance of water to these businesses and Putnam's industry exposure across holdings. Through the engagements we sought to further understand the business relevance of water use for each company, the associated operational, reputational, and regulatory risks, and potential for related financial impacts. We also reviewed opportunities associated with strong management of water-related issues and the nature of product development to meet clients' emerging needs.

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We believe incorporating financially material ESG factors into our research process makes us better investors. This is based on our belief that material sustainability issues have the potential to impact company fundamentals. The research team applies a materiality map to dive into key issues across sectors, which is informed by SASB/ISSB frameworks and tools — an integral component of our work.





**JACKIE VANDERBRUG** Head of Sustainability Strategy



#### Case study example of thematic engagement

# Case study 4 — Environment — Water resource management

Putnam engaged with a global manufacturer of coatings for buildings, auto, aerospace, industrial, packaging, and infrastructure end markets to understand how it manages water-related risks and views opportunities for product enhancement. While water is an ingredient within coatings, most of the company's water usage revolves around cleaning and cooling machinery. Reducing consumption in water-scarce areas is a key focus, and the company provides detailed disclosures on water consumption and intensity related to site operations, along with multiyear goals and progress toward reducing water intensity. However, from a supply chain perspective, the water intensity of its purchased resins, latex, and additives is significantly higher than its onsite operational water use.

#### **Observations and outcomes**

Putnam's analyst concluded that the company's biggest water-related risks are potential regulatory non-compliance and reputational damage associated with spills and wastewater discharge. The company discussed its robust process to monitor discharge, ensure regulatory compliance, and focus on personnel training and spill prevention. From an opportunity lens, some of the company's products assist customers in meeting their own water sustainability targets, both in usage and in reducing waste returned to waterways. The company shared examples of increasing research and development, as well as mergers and acquisitions, to expand the sustainability advantages of its offerings. This engagement enhanced our understanding of the nature of both water-related risks and opportunities as well as the specific actions the company is taking to achieve its goals. We will continue to monitor the company's approaches and progress.

### Stewardship through the proxy voting program

Proxy voting is a cornerstone of strong governance and effective management. Putnam has had detailed proxy voting guidelines in place for many years. These guidelines aim to encourage actions that enhance shareholder value.

Putnam's engagement through the proxy voting program is managed in partnership by Putnam's Sustainability and Stewardship team and relevant investment professionals. Putnam's Proxy Committee, which consists of senior investment professionals and representatives from Compliance and the Sustainability and Stewardship team, reviews Putnam's proxy voting guidelines and procedures annually and considers special proxy issues as they arise. The Trustees of The Putnam Funds review changes to the voting policies and procedures as recommended by the Proxy Committee, generally on an annual basis.

The proxy voting guidelines are just that — guidelines. The guidelines are not exhaustive and do not address all potential voting issues. Because the circumstances of individual companies are so varied, the guidelines are applied with discretion, and there may be instances when we do not vote in strict adherence to them. For example, some proposals, while covered by the guidelines, may be more appropriately handled on a case-by-case basis because they involve unusual or controversial issues or because they are companyspecific and of a non-routine nature. Putnam is mindful of emerging best practices in the areas of corporate governance, environmental stewardship and sustainability, and social responsibility. Recognizing that these matters may in some instances bear on investment performance, they may be considerations in the voting decisions. Links to Putnam's proxy voting policies and procedures are available on Putnam's dedicated Sustainability and Stewardship page at putnam.com.

Putnam engages a third-party service provider to process proxy votes for its retail mutual funds and client accounts for which Putnam votes. Although the service provider may supply proxy-related research to Putnam, the provider applies Putnam's voting guidelines to all agenda items and determines the vote to be cast based on our proprietary policy.

From July 1, 2023, through June 30, 2024, Putnam retained Glass Lewis as our third-party proxy voting service provider. Collectively across management and shareholder proposals, the Putnam Funds and institutional accounts voted with management on 20,017 proposals, against management on 2,340 proposals, and abstained from voting on 50 proposals. Effective July 1, 2024, Putnam transitioned from Glass Lewis to Institutional Shareholder Services (ISS) for proxy vendor servicing needs.

#### Management proposals\*

On an annual basis, investors are asked to vote on management-related business proposals, which generally include the election of the board of directors, capital structures such as authorization for debt or equity issuance, strategic transactions, the election of auditors, and compensation, including executive compensation, say-on-pay, and equity compensation plans. For the 2024 proxy season, we found that investors were generally more supportive of management. Director election support at Russell 3000 companies continued to be strong, averaging 94.8% for the 2024 proxy season. Directors at S&P 500 companies averaged 96.3% support.

<sup>\*</sup> Sources: Georgeson A Look at the 2024 Proxy Season Reports; ISS custom research.

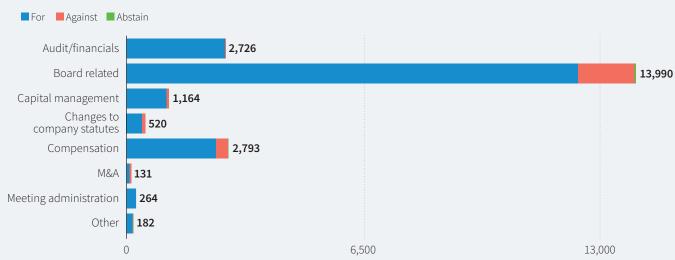
Companies gained support for say-on-pay, as voting results for the 2024 proxy season increased on average, with approximately 91.3% support. Board skills disclosure continued to improve, with approximately two-thirds (67%) of the Russell 1000 companies disclosing a board skills matrix, a notable increase.

The following charts illustrate Putnam's proxy voting activity for management proposals during the period July 1, 2023–June 30, 2024, which is the most recent data available.

#### Management proposals voted



#### Management proposals by category



Source: Putnam. Represents global proxy voting activity for The Putnam Funds and institutional accounts for the period July 1, 2023 – June 30, 2024.

#### Shareholder proposals†

Shareholder proposals are generally non-binding votes that are often opposed by management. Some proposals relate to matters that are financially immaterial to the company's business, while others may be impracticable or costly for a company to implement. At the same time, certain well-crafted shareholder proposals may raise issues that are material to a company's business.

We consider the relevance and materiality of the proposal to the company's business, whether the proposal is well crafted, and the practicality or reasonableness of implementing the proposal.

For votes related to corporate disclosures, we review a company's existing disclosure and reporting to assess the level of detail provided and the inclusion of forward-looking goals. We consider whether the company's policies and actions, as well their impact and results, are effective, and we assess whether additional disclosure is necessary and would add value.

The 2024 proxy season was marked by a record-breaking number of filed shareholder proposals, with 1,000 proposals identified. More proposals received majority support compared to the previous year (53 in 2024 versus 33 in 2023), with governance-related proposals accounting for all but three of those passed. Additionally, there was a decline in the number of withdrawn proposals.

The SEC offers a "no-action request" process allowing companies to request the exclusion of shareholder proposals from the annual proxy statement.

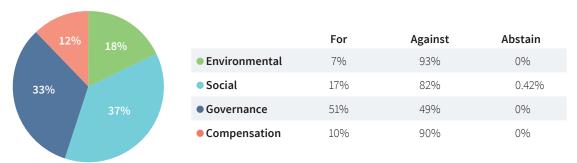
Companies submitted approximately 50% more no-action requests for the exclusion of shareholder proposals than the previous year. The SEC staff granted more than two-thirds of these no-action requests, an increase from approximately 56% in the prior year.

The average support for environmental and social proposals remained consistent with 2023, but fewer proposals reached the 50% passage rate in 2024. Support for governance proposals increased from 2023.

2024 marked the second full season in which the Universal Proxy Card ("UPC") rule was in effect. The UPC system now gives shareholders the ability to "mix and match" their voting instructions for any combination of director candidates from both competing slates during a proxy contest. Since UPC adoption, contested situations have been less likely to go to a vote, receiving more seats though settlements.

During the period July 1, 2023–June 30, 2024, there were 637 shareholder proposals relating to companies within Putnam portfolios seeking a vote on environmental, social or governance matters: 112 (18%) addressed environmental issues, 237 (37%) addressed social issues, 211 (33%) addressed governance issues, and 77 (12%) addressed compensation issues. We believe our votes exemplify our philosophical and practical approach to shareholder proposal evaluation.

#### Shareholder proposals voted



Source: Putnam. Represents global proxy voting activity for The Putnam Funds and institutional accounts for the period July 1, 2023 – June 30, 2024.

#### Proxy voting case studies<sup>‡</sup>

Case Study 5

Company: Microsoft Inc.

Proposal Type: Shareholder

Focus: Social

Putnam believes clear social policies are important components of long-term value creation, and we continue to monitor and engage on the development of artificial intelligence (AI). However, given the speed at which the AI ecosystem is evolving, and the lack of broader regulatory frameworks against which to assess the risks, Putnam considers proposals related to AI on a case-by-case basis.

At its 2024 annual shareholder meeting, Microsoft received three shareholder proposals related to AI.

**Proposal 7:** Report on Risks Using Artificial Intelligence and Machine Learning Tools for Oil and Gas Development and Production

Putnam voted against this shareholder proposal as we viewed it as inappropriately narrow and targeted. Microsoft has long provided innovative software and technology tools to the oil and gas industry. It has developed and disclosed its own guiding "Energy"

Principles," which we view as comprehensive while also allowing the company's policies to evolve along with its innovation. We believe Microsoft has shown a great deal of thought and competency when considering AI-related risks. Also, we are wary of the use of "AI oversight" as a guise to specifically target an end market or subset of customers and add costs to the underlying business.

**Proposal 8:** Report on Risks Related to AI Generated Misinformation and Disinformation

Putnam voted against this proposal as we viewed the proposed reporting as duplicative and unlikely to produce additional relevant information. We believe Microsoft is currently a leader in its multi-faceted programs to consider and address AI risks (including those from Al generation misinformation and disinformation). For example, in its 2024 Responsible Al Transparency Report, Microsoft extensively outlines the steps it has taken to address and mitigate risks related to misinformation and disinformation. We agree with the proponent that misinformation and disinformation are a risk. However, we believe Microsoft's current comprehensive approach is more additive and less cumbersome than the slippery slope of adding incremental reports for each separate Al-related risk.

‡ We may leverage Glass Lewis and ISS research to inform our proxy voting decisions.

Proposal 9: Report on AI Data Sourcing Accountability

Putnam voted against this shareholder proposal. Again, we believe Microsoft is already analyzing and reporting on much of what this proposal is requesting. For example, beyond its annual "Privacy Report," Microsoft also releases a trove of research each year outlining its Data Privacy principles and approaches to model training. Additionally, in 2025, the company plans to begin publishing a detailed summary about the content used for training general-purpose AI models to comply with the EU AI Act. We do see room for further disclosures, but we appreciate the effort and progress the company is making on this front and the pace at which the technology is evolving. While we hope for continued transparency and updates on this topic, we do not believe, as of now, it is necessary to support this proposal.



Connecting the dots — there is a research and investment parallel to many of our proxy-related considerations. We see a need for both candor in governance discussions and a standardization of policies—a mix of art and science.





NANCY FLOREK
Director, Proxy Voting and
Corporate Governance

#### Case Study 6

Company: Target Corporation

Proposal Type: Shareholder

Focus: Governance

Putnam generally supports proposals requiring that the Chair's position be filled by an independent director. However, Putnam evaluates these proposals on a case-by-case basis.

At its 2024 annual shareholder meeting, Target received a shareholder proposal to require an independent board chair.

In this case, we engaged with the company and raised our concerns about board independence, conflicts of interests that may arise, and general board oversight. Based on these conversations, Putnam concluded that the current leadership structure is appropriate, and we voted against the shareholder proposal.

Proxy voting case studies: Company examples are intended to help illustrate Putnam's proxy voting process and should not be considered a recommendation or solicitation to purchase or sell the securities. The specific companies were selected without regard to whether such securities were profitable and are only intended to demonstrate Putnam's approach to evaluating shareholder proposals across E, S, and G topics. It should not be assumed that any investment in these securities was, or will prove to be, profitable, or that the investment decisions we make in the future will be profitable or equal to the investment performance of the securities referenced herein. There is no assurance that any securities referenced herein are currently held in a Putnam portfolio or that securities sold have not been repurchased. Any securities mentioned are not necessarily held by Putnam for all client portfolios.

# Engagement through partnership and collaboration

We recognize that the field of investment stewardship is growing and evolving, and that collaborations are essential to the field's advancement. Putnam partners with a variety of organizations to support areas of critical importance to our clients, the industry, and the broader community.

We view collaborative initiatives as an opportunity to stay abreast of industry developments, gain access to additional research, and identify best practices to address financially material risks and opportunities.

Most of our issuer engagement with portfolio companies is handled privately and directly. However, we may consider collaborative engagement with other investors if it is likely to advance Putnam clients' best interests, is consistent with company policies, is permitted under applicable laws and regulations, and is better suited to broad engagement.

We are members of several organizations that improve our understanding of financially material risks and opportunities, and encourage investment-relevant environmental, social, and governance disclosures.

**Principles for Responsible Investment** is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact. Putnam became an investor signatory in 2011.

The Council of Institutional Investors (CII) is a nonprofit, nonpartisan association representing U.S. asset owners and asset managers, advocating for effective corporate governance and strong shareowner rights. Putnam has been a member for 15 years and chairs the Corporate Governance Advisory Council.

SASB/IFRS/ISSB: The International Sustainability Standards Board is committed to building on the work of existing investor-focused reporting initiatives, such as SASB Standards, which identify the subset of environmental, social and governance issues most relevant to financial performance and enterprise value. Putnam became an SASB member in 2018 and serves on the ISSB Investor Advisory Group. In 2021, Putnam became a public supporter of disclosure frameworks that originated through the Task Force on Climate-Related Disclosures (TCFD).

**CDP** is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. Putnam became an investor signatory in 2020.

**Ceres** is a nonprofit organization that works with members to advance sustainable investment practices, engage with corporate leaders, and advocate for key policy and regulatory solutions. Putnam became an affiliate in 2022, joining the Ceres Investor Network.

The **FAIRR Initiative** investor network is helping to build a more sustainable food system by raising awareness of the material risks and opportunities present in global protein supply chains. In 2023, Putnam initiated investor network membership.

#### **Principles of collaboration**

Putnam seeks affiliations that are relevant to our position as active managers, and that relate to Putnam's broader business, industry, and civic involvement, with an ultimate goal of contributing to results for our clients.



**Appendix** 

#### 2024 overview of Putnam letters to corporate CEOs

Material sustainability issues where we engaged with a goal of increasing our understanding as long-term, active, fundamental investors

		GOVERN	ANCE		SOCIAL				ENVIRONMENTAI	DISCLOSURE IMPACT		
	Board and management structures and incentives	business ethics		Capital allocation	Employee well-being, development and oppor- tunity and Workforce engagement, diversity and inclusion	Supplier and distribution manage- ment	pricing/ access, and data use	Climate change mitigation and adaptation	Environmental management (emissions, water, energy, materials)	Lifecycle management, ecosystems impact	Advocacy for improved disclosure	Product impact
TOTALS >	8	33	40	14	29	7	21	5	34	10	110	35
AAPL		•				•			•		•	•
ADBE	_	•									•	•
ALTR		_									•	•
AMAT AMD	-	•							•		•	
AMT											•	•
AMZN		•							•		•	
ASML	•		•						•		•	
ASND AVGO		•	•		•			•			•	•
BAC	•	_									•	
BALL		•	•							•	•	•
BSX							•				•	
C CAVA CDNS	-		•		•						•	
CDNS	_										•	
CEG	_				-				•		•	•
CEG CI	_		•		•				•		•	
CMG	_			•	•	•					•	
CMPS	_	•	•		•		•				•	
CNM COP	_	•		•							•	•
CRM		•					•				•	
CRWD	•									-	•	•
CTAS CWST	_									•		
DAR				•							•	
DHR DIS											•	•
DIS	•								•	•	•	
DT	-		•								•	
DXCM EMN	_			•					•	•	•	
EXAS	•		•								•	
FCX FDX	_	•	•								•	
FDX			•						•		•	
FICO ESI P				•					•			•
FICO FSLR FSS FTV FWRG				•					•		•	-
FTV								•			•	•
FWRG			•			•				•	•	
GM GOOG GS HASI		•			•				•			
GS			•		•						•	
HASI				•				•			•	
HD			•	•							•	
HLT HQY				•			•		•		•	•
HUBS							•				•	•
ICI R					•		•				•	
IDXX					•		•				•	
IR ISRG				•	•		•				•	
IT ISRG		•			•		•				•	
JPM		•			-						•	
KKR					•						•	
KO		•				•			_		•	
LEVI LIN		•	•					•	•	•	•	
LLY							•		•		•	•
LULU			•		•	•					•	
LVMH.PA	•	•				•			•		•	

#### 2024 overview of Putnam letters to corporate CEOs (continued)

Material sustainability issues where we engaged with a goal of increasing our understanding as long-term, active, fundamental investors

		GOVERNA	SOCIAL			ENVIRONMENTAL			DISCLOSURE	IMPACT		
	Board and management structures and incentives	Leadership, risk manage- ment and business ethics	Corporate purpose, culture, and strategic alignment	Capital allocation	Employee well-being, development and oppor- tunity and Workforce engagement, diversity and inclusion	Supplier and distribution manage- ment	Product safety, pricing/ access, and data use	Climate change mitigation and adaptation	Environmental management (emissions, water, energy, materials)	Lifecycle management, ecosystems impact	Advocacy for improved disclosure	Product impact
TOTALS >	8	33	40	14	29	7	21	5	34	10	110	35
TICKER MA		•									•	•
MA MCK			•		•				•		•	
META	_	•	_						•		•	
MRK MSCI	-	•	•		•		•		•		•	•
MSFT		•	•						•		•	
MTD		•					•				•	
MTN	-		_		•						•	
Novo Nordisk NOW			•		•				•			
NRG	_	•	•								•	•
NVDA	_	•		•					•		•	
ONON			_		•				•	•	•	
ORCL	-		•						•		•	
PANW	_				•		•					
PG	-		•		_				•		•	
PHM	_								•		•	•
PINS		•					•				•	•
NVDA ONON ORCL OTIS PANW PG PHM PINS PL PLD PWR QCOM RCKT REGN RMD ROP	-		•	•			_		•			
PWR	-		•		•						•	
QCOM		•									•	
RCKT	-	•	•				•				•	•
REGN	•				•		•				•	
ROP	-		•		•						•	
RRX SASY.PA			•								•	•
SASY.PA	_				•		•		•		•	•
SCHW SFM SNPS	-		•								•	
SNPS	_		•		•				•		•	
TFAM	•		•								•	
TMO		•									•	
TMUS	_			•			•				•	•
TPG TRMB			•								•	
TRMB TWST	-		•								•	•
UBER			•								•	•
ULVR.AS			•			•				•	•	
UNH URI			•				•				•	
V		•	-								•	•
VRRM WCN											•	•
WCN					•						•	
WMT					•						•	
WY XOM		•	•		•			•	•			•
ZTS		•	•				•				•	•

Source: Putnam. Represents CEO letters sent in 2024.

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As part of our investment analysis, depending on the strategy in question, we may integrate ESG issues or considerations into our research and/or investment decision-making. In our view, analysis of ESG issues is part of good investing, as these issues, like other, more traditional areas of investment analysis, such as market position, growth prospects, and business strategy, have the potential to impact risk and returns. For example, in the governance area, evaluation of the strength of a company's management has always been a critical consideration in our investment process. The relevance and materiality of other ESG issues in our process will differ from strategy to strategy, from sector to sector, and from portfolio manager to portfolio manager, and for some strategies, including those where we lack relevant ESG data, ESG considerations are not a material part of our process.

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