

Franklin Templeton's Stewardship Principles

Rev. May 2, 2025

Stewardship involves the responsible management of the assets entrusted to our care, and includes both engagement with companies and issuers of the securities in which we invest on matters that are material to strategy and performance, as well as the responsible discharge of voting rights. We consider stewardship, engagement and voting as integral to the exercise of our fiduciary duty to our clients.

We believe that good stewardship includes playing a role in enhancing overall financial market stability and sustainable economic growth. Toward these ends, we engage with regulators, standard setters and other relevant stakeholders on public policy and best practice.

These *Stewardship Principles* give an overview of the general approaches to stewardship, engagement and voting that can commonly be seen across our investment teams¹ (subject to exceptions noted in this document), subject always to their respective investment philosophies and the terms of the client's mandate.

Our approach to stewardship is consistent with several codes, regulatory frameworks and principles, including:

- Global: UN Principles for Responsible Investment
- Europe: Shareholder Rights Directive II
- Australia: Principles of Internal Governance and Asset Stewardship
- Hong Kong: Principles of Responsible Ownership
- Japan: Stewardship Code
- Korea: Stewardship Code
- Malaysia: Malaysia Code for Institutional Investors
- Singapore: Stewardship Principles for Responsible Investors
- UK: Stewardship Code

The following documents offer an overview of common themes in our approach to sustainability overall, as well as our views on stewardship, engagement and voting, specifically:

- Franklin Templeton's *Sustainability Principles: Our Approach to Value Creation*; and
- the *Proxy Voting Policies and Procedures* specific to each of our investment teams.

Approach to stewardship

Stewardship is active monitoring of holdings, direct engagement and proxy voting (where applicable) and includes the identification of material investment risks.

1. Identifying risks in our portfolios

The first step in stewardship is consideration of the material risks applicable to an investment. Investment teams evaluate financial and economic issues that may materially impact strategy and performance, with support from the independent risk consultants within their internal investment risk management group and the resources of Franklin Templeton's Investment Sustainability Solutions Team. This approach is designed to ensure that material risks are considered and reflected appropriately throughout the investment cycle.

In addition to proprietary due diligence, investment teams may leverage in-house models and analytics with external data sources.

A standing objective shared across Franklin Templeton's investment teams is to generate returns commensurate with the risks taken. Investment teams may therefore seek to mitigate and manage risks through monitoring and/or engagement with an issuer where a financially material risk or opportunity (whether linked to sustainability or other factors) has been identified.

2. Monitoring and engagement

Ongoing monitoring of issuers and dialogue with management are fundamental to our investment approach. Investment teams actively monitor portfolio holdings to assess alignment with portfolio investment objectives and their ability to generate long-term value for our clients. The strategy for engagement with individual investee companies and issuers is devised by our investment teams, based on research undertaken on each investee company and its particular circumstances.

¹ Across Franklin Templeton, investment teams are organized into distinct units known as "Specialist Investment Managers" (SIMs), each with their own brand and investment specialty.

We consider two types of engagement. **Engagement for change** is a purposeful dialogue to influence positive change with defined objectives. **Engagement for information** is part of an ongoing process of monitoring our investee companies' strategy and practices—an important mechanism for building relationships that inform our investment processes and drive long-term value creation for the benefit of our clients. Our investment teams prioritize monitoring and engagement based on various factors, including the materiality of the issue in relation to the portfolio's investment objective(s), the size of the holding in the security, company performance and in response to proactive engagement by companies.

Engagements are supported by information gathered by our research analysts from a variety of sources, including (but not limited to) investee companies or issuers, specialist research providers, supranational organizations and academic research. A company's annual general meeting may also provide an opportunity for monitoring and engagement on specific proposals that may yield insights on, for example, company strategy or governance structure—particularly where there are material deviations from relevant corporate governance codes.

There may be instances where engagement would be inconsistent with the investment team's fiduciary duty and the client's best interest. For example, the investment team may identify a material issue and determine that engagement is unlikely to lead to a satisfactory outcome within a reasonable holding period, thereby leading to a decision to sell the position.

Asset class considerations

Stewardship must align with investment strategy and be value-additive to our clients. Consequently, engagement may vary based on the nature of the asset, whether we have a direct or indirect investment, and whether the entity is private or publicly held, among other considerations.

Private markets

Engagement can be more challenging in the private markets context, as compared with public markets, given transparency and informational issues. Our investment teams benefit from our scale and tenure which provide access to company management teams, sponsors and other key stakeholders. Depending upon the strategy, our engagement efforts may differ slightly and be more or less involved according to the nature of the relationship with the issuer and its management team.

Sovereign and supranational debt

Governance is a central theme in our research, with consideration given to governments' priorities, policies, regulations and ability to enforce regulations. Our investment teams visit regions to meet with central bank officials, government policymakers and local business leaders to assess fundamental economic conditions, gather information on tax revenue sources and trade data and evaluate fiscal assumptions in budget planning.

Fund of funds

We may engage with managers of the underlying funds through which we invest, using our influence to promote our stewardship methodologies, philosophies and approach to risk integration. Stewardship is an important component of our investment research and ongoing due diligence in fund selection and we endeavour to partner with managers to ensure transparency and alignment in approach.

Quantitative and Index funds

Stewardship opportunities are more limited with rules-based strategies (for example, adhering to a specific index or using quantitative models). However, we aim to vote 100% of votable securities in these strategies. The nature of the investment process and the quantity and duration of holdings within a strategy will determine if active engagement is in our clients' best interests. We also recognize that these strategies typically have a very large number of holdings which may require a focused engagement approach, where applicable.

Real estate

Sustainability risks and opportunities can often be financially material factors in assessing the return potential on a real estate investment, and so will commonly be part of our investment research and dialogue with operations management.

Escalation

We may escalate engagement with a company under many differing circumstances, including in cases of failure of governance or management structure, where there are indications of unsatisfactory responses to investor concerns, or increased severity or risk of a material issue that may impact long-term value. Our investment teams may engage board members where management is not responsive, initiate public engagement, file shareholder resolutions or divest where an investment is deemed contrary to the team's investment strategy and clients' best interests.

Collaborative and policy engagement

We may collaborate with other institutional investors to engage with companies and issuers when our investment teams believe this approach is likely to advance our clients' interests, is consistent with our firm's policies and procedures, and is permissible under applicable laws and regulations. These collaborations may occasionally require the negotiation of confidentiality and other legal agreements between the parties and may increase our public reporting requirements and restrict our ability to trade freely on behalf of clients. Therefore, we will consider the costs and commitments involved in deciding whether a collaborative approach should be undertaken on a case-by-case basis.

We may also collaborate with other institutional investors to engage with policy makers and regulators through our membership in various global and regional associations. As a member of these organizations, we regularly contribute to the development of best practices in stewardship. We may also elect to communicate our views directly to the appropriate policy or regulatory body.

3. Proxy voting

Proxy voting is integral to stewardship and is framed by our proxy voting guidelines. As responsible stewards of our clients' capital, the fundamental tenet of our approach is to protect and enhance the economic interests of our clients. Our proxy voting guidelines consider issues such as market-specific recommended best practices, transparency and disclosure when addressing issues including board structure, director accountability, corporate governance standards, executive compensation, shareholder rights, corporate transactions and social/environmental issues. All of our voting decisions are made in-house and are in line with our clients' best interests.

Franklin Templeton recognizes that proxy issues may vary by country given local legal constraints and accepted market practices. With decades of investment experience and global research coverage, our investment teams are skilled in understanding the complexities of the regions in which they specialize under a variety of market conditions and are trained to analyze proxy issues germane to their regions.

Franklin Templeton's investment teams vote proxies consistent with their fiduciary duty to clients and subject to their respective investment approach and client mandates. Proxy voting guidelines are developed and overseen by each investment team's proxy committee, which is comprised of portfolio management, legal counsel and other members with proxy voting and corporate governance experience. For details concerning the proxy voting activities, policies and records for each of our investment teams, please see [here](#).

Managing conflicts of interest

Franklin Templeton's investment teams and their respective proxy committees maintain organizational and administrative controls to identify, assess and resolve material conflicts of interest in the best interests of our clients. These controls are subject to review by Franklin Templeton's internal audit team.

In addition to Franklin Templeton's *Conflicts of Interest Policy* and supporting documentation, each investment team explicitly addresses conflicts of interest in their respective proxy voting policy. These policies are published on the *Regulatory Information* page on our website at www.franklintempleton.com.

Securities lending

Some of our pooled vehicles may engage in securities lending to improve investment returns. In cases of a significant vote involving securities on loan, the investment team may use its best efforts to recall said securities or employ other practicable means to ensure that the investment team can exercise the voting right.

Reporting

Franklin Templeton and its investment teams annually report on stewardship activities. Disclosures in line with the *European Shareholder Rights Directive II* and *UK Stewardship Code* are available on our website. Additional reporting, including our annual PRI Transparency Report, can also be found on our website.

Additionally, we provide clients with summary information on the exercise of voting rights tailored to their areas of interest.

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