

Franklin Templeton International Services S.à r.l. (“FTIS”) Engagement and Voting Rights Policy August 2019

At Franklin Templeton Investments (“FTI”), our firm’s goal is to deliver strong, long-term results for investors and institutions wherever they reside in the world.

FTI’s 600+ investment professionals located in 35 countries have responsibility for stewardship activities as part of their fiduciary duty, supported by the Environmental, Social and Governance (“ESG”), Investment Risk Management Group (“IRMG”) and proxy voting teams. Our approach to stewardship includes regular dialogue with our investee companies, monitoring material ESG issues as part of our investment process, voting all proxies and being an active owner.

It is FTIS’s intention to comply with the requirements of the EU Shareholders Rights Directive II (“SRD2”) which was implemented in Luxembourg in August 2019.

This policy applies to all funds for which FTIS acts as a UCITS or AIF Management Company.

INSTITUTIONAL INVESTORS SHOULD PUBLICLY DISCLOSE THEIR POLICY ON HOW THEY WILL DISCHARGE THEIR STEWARDSHIP RESPONSIBILITIES

As an institutional investor, Franklin Templeton Investments (“FTIS”) recognises its responsibility that the companies in which it invests directly or indirectly through delegation of investment management should aspire to appropriate levels of corporate governance. To protect its clients’ interests, FTIS invests in companies that it considers to be well-managed and subject to appropriate corporate governance. A well-managed company is considered to be one which complies with all the relevant legislation and which meets the environmental, social, community, ethical and human rights requirements of the country in which it operates.

Our responsible investment and stewardship approach is governed by our Responsible Investment Policies & Principles and Proxy Voting Policies and Procedures.

Policies apply broadly across our multiple, independent investment management groups and have the flexibility to accommodate a number of distinct approaches to consideration of ESG factors and active ownership. The scope of the policies include:

ESG Integration

ESG integration begins with our portfolio managers and research analysts considering and monitoring material ESG issues as part of their bottom-up, fundamental research. They are supported by independent risk consultants in our IRMG group, including our dedicated ESG team.

Our approach is designed to ensure that ESG issues are Recognised (understood), Rational (intended), and have the potential to be Rewarded (compensated) during the various steps of the investment cycle.

One of our key strategies for effective integration is to keep ESG considerations embedded in the work of our mainstream research teams who have access to dedicated ESG data and research, as well as support from ESG specialists. We also monitor the ESG characteristics of investments through systematic inclusion of ESG data points in regular equity performance and risk reporting.

Engagement

Our analysts and portfolio managers conduct thousands of meetings each year with the management and board members of investee companies, including visiting company operations. Analysts may meet with companies multiple times a year depending on the size and FTIS exposure.

These discussions cover a range of topics, including company strategy, operational performance, executive/board performance, and material ESG issues to the extent company management is able to share this information publicly with their shareholder community.

When we have concerns, we may undertake concerted engagement efforts. We generally believe that constructive dialogue direct with the key parties is more effective than public action. However, we reserve the right to engage publicly in select cases where deemed appropriate and necessary to protect shareholder interests.

Research and engagement may also extend, due to the sovereign nature of some of our investments, to central bank officials, government policy makers, and local business leaders to assess fundamental economic conditions, which include ESG related issues.

Further detail regarding engagement is covered under Principles 4 and 5.

Proxy Voting

Each FTI affiliated investment manager understands its fiduciary duty to vote proxies and further understands that proxy voting decisions may affect the value of shareholdings. FTIS has adopted guidelines for voting proxies in keeping with its fiduciary obligations to its advisory clients.

The guidelines have been developed based on years of experience with proxy voting and corporate governance issues. The guidelines reflect what the investment manager believes to be good corporate governance and behaviour on several issues pertaining to 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 and social issues, governance matters, proxy access, and global corporate governance.

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.

Further detail regarding proxy voting is covered under Principle 6.

INSTITUTIONAL INVESTORS SHOULD HAVE A ROBUST POLICY ON MANAGING CONFLICTS OF INTEREST IN RELATION TO STEWARDSHIP AND THIS POLICY SHOULD BE PUBLICLY DISCLOSED

FTIS conducts its business according to the principle that it must manage conflicts of interest fairly between FTIS and its clients, or between multiple clients. As a global investment manager, FTIS takes actual, perceived or potential conflicts of interest very seriously. It is FTIS's policy to take all reasonable steps to maintain and operate effective organisational and administrative controls to identify and manage potential conflicts of interest.

In addition to our specific Franklin Templeton Conflict of Interest Policy and supporting documentation, FTIS explicitly addresses conflicts of interest in our Proxy Voting Policies.

Proxy Voting

Investment managers, who have the discretionary authority to vote proxies relating to securities held by the clients, may have the ability to affect the outcome of shareholder votes and influence the governance of corporations. Investment managers are thus in a position to significantly affect the future of corporations and, as a result, the future value of securities held by their clients. Conflicts of interest can arise, for example, in situations where the issuer is a client of FTI, or the issuer is a vendor whose products or services are material or significant to the business of FTI, etc.

Material conflicts of interest are identified by the Proxy Group based upon analyses 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 analyses 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 Proxy Service or send the proxy directly to the relevant Advisory Clients with the investment manager's recommendation regarding the vote for approval. When there is a conflict of interest and the investment manager wishes to vote with management, while the third-party proxy service providers recommend to vote against management, the conflict will be resolved pursuant to the investment manager's proxy voting policies and procedures to ensure the investment manager is acting in the best interest of the clients.

The work of the Proxy Group is subject to review by the internal audit department of FTI.

A copy of the FTI Conflict of Interest policy is published on the Regulatory Information page on our website www.franklintempleton.lu.

FTI's Proxy voting policies are available on the ESG section of www.franklintempleton.lu.

INSTITUTIONAL INVESTORS SHOULD MONITOR THEIR INVESTEE COMPANIES

Ongoing monitoring of investee companies and dialogue with management are fundamental to FTIS's investment approach. The strategy on intervention with investee companies is dealt with on a case-by-case basis and is usually a judgement made by the particular investment manager based on the research done on each investee company for the investment decision making process. As part of the investment process, the investment manager may hold regular review meetings with the senior management of investee companies.

FTIS actively monitors securities to assess alignment with long-term value creation and investment objectives to protect beneficiaries' interests.

Investment groups may prioritise monitoring and engagement activities based on:

- The size of the holding in the security
- The track record of the company
- Immediacy of concerns
- Client interest
- In response to proactive engagement by companies

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 organisations, think tanks and NGOs
- Academic papers and government studies
- Independent and broker research
- Current and historical news
- Company, industry and country statistics and trends.

Periodic meetings with companies are central to ongoing monitoring. Primary contact with companies is maintained through FTI's network of investment analysts who are responsible for producing regular investment reports on each of the companies they cover. These reports aim to cover everything which is relevant to the decision on whether or not to invest in the company in question. Meetings 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 meetings, we seek to understand the company's long-term strategy, not just its immediate goals. Our objective is to truly understand management's strategic thinking over the long term and take a detailed look at each company that extends beyond routine financial and non-financial analysis together with the performance and risk and overall capital structure.

The annual general meeting also provides an opportunity to monitor companies, as well as engage on topics related to the AGM agenda. Proxy agents provide analyses and vote recommendations to the Proxy Group relating to upcoming shareholder meetings for securities held in those accounts for which the investment manager has proxy voting authority. The investment managers will generally review all shareholder meeting proposals, even those that may be considered to be routine matters, and in all cases each proxy proposal will be considered based on the relevant facts and circumstances. 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. This includes understanding material deviations from relevant corporate governance codes where concerns are identified. We are cognisant of market specific practices that may diverge from standards of best practice.

Finally, ESG ratings and controversy scores are also systematically integrated in internal equity portfolio performance and risk reports and serve as a means of monitoring ESG performance and preparedness.

Inside Information

As an active manager, we are generally reluctant to be in receipt of inside information, however on occasion, and assessed on case-by-case basis, where there is merit for the enhancement and protection of long-term value, we may agree to be made an insider, typically for only a short period of time. FTIS has adopted a substantial set of trading procedures designed to avoid violation of its Insider Trading Policy.

INSTITUTIONAL INVESTORS SHOULD ESTABLISH CLEAR GUIDELINES ON WHEN AND HOW THEY WILL ESCALATE THEIR ACTIVITIES AS A METHOD OF PROTECTING AND ENHANCING SHAREHOLDER VALUE

Engagement may be deemed appropriate in instances such as where we see failings in governance or management structure, failure to meet adequate standards on matters of strategy or remuneration or where an event has impacted or is likely to impact long-term company value.

Analysts may identify opportunities for engagement during research and monitoring, as a result of an event-driven incident, or to proactively address an industry or market issue. At their discretion, FTIS investment managers select the engagement approach(es) that will be most appropriate and effective for each situation. We believe that each engagement case must be judged on its merits, which is why we have not adopted rigid guidelines on when and how such escalation should take place. Our analysts, portfolio managers, Directors of Research and Chief Investment Officers work together closely and form a case-by-case judgement of how best to protect clients' interests in particular circumstances.

The engagement approach may depend on a number of factors including, but not limited to, the nature and severity of the issue, the size of FTIS's investment position, the geographic market and issuer responsiveness.

Our preferred approach is open dialogue with the issuer. Typically, engagement begins with management or the board of directors as appropriate. While we generally believe that constructive dialogue direct with the key parties is more effective than public action, our investment managers may engage publicly in select cases where deemed appropriate and necessary to protect shareholder interests.

Investment teams may also 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.

We actively utilise proxy voting as a tool to support our engagement activities. We may also file shareholder resolutions where appropriate, particularly in markets with evolving governance practices where we can support adoption of best practices.

Primary contact and company engagement is maintained by our investment professionals who record notes and engagement 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.

There may be instances in which engagement is not consistent with the investment manager's fiduciary duty. For example, in the process of company research and monitoring, a significant problem or risk may be identified, and the investment manager may decide it is simply better to sell a position than seek to undertake a lengthy engagement with management.

INSTITUTIONAL INVESTORS SHOULD BE WILLING TO ACT COLLECTIVELY WITH OTHER INVESTORS WHERE APPROPRIATE

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 procedures and is permissible under applicable laws and regulations. Such collaboration may require the negotiation of confidentiality and other legal agreements between the parties; thus, the cost and time involved will be a consideration in whether such an approach should be undertaken.

FTIS may collaborate with institutional investors through our network of memberships. These include:

- The Principles for Responsible Investment
- UKSIF
- Eurosif
- International Corporate Governance Network
- CDP (formerly Carbon Disclosure Project)
- Institutional Investor Group on Climate Change (IIGCC)
- Sustainable Accounting Standards Board (SASB)
- Forum per la Finanza Sostenibile Canadian Coalition for Good Governance

Decisions involving when and how to engage with management or carry out collective engagement are matters of judgement. Consequently, there are no set guidelines adopted on when this should occur.

FTIS investment managers work collectively with other institutional investors as part of their membership of recognised industry bodies and exchange views on stewardship issues and best practice.

INSTITUTIONAL INVESTORS SHOULD HAVE A CLEAR POLICY ON VOTING AND DISCLOSURE OF VOTING ACTIVITY

Proxy voting policies and procedures are followed by the FTIS investment managers, which provide guidance and consistency in the voting process. As a global investor FTIS recognises that principles of good governance may vary by country, given the constraints of a country's laws and accepted market practices. As experienced money managers, analysts are skilled in understanding the complexities of the regions in which they specialise and are trained to analyse proxy issues germane to their regions.

FTIS will attempt to actively vote every proxy received, unless in the instance of preventative obstacles such as share-blocking or fees, which will be treated on a case-by-case basis in clients' best interest.

The FTIS investment managers have delegated their administrative duties with respect to voting proxies for equity securities to the Proxy Group. To assist it in analysing proxies of equity securities, the investment manager subscribes to Institutional Shareholder Services Inc. ("ISS"), an unaffiliated third-party corporate governance research service that provides in-depth analyses of shareholder meeting agendas and vote recommendations. In addition, the investment manager 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. The Proxy Group provides ISS with portfolio holdings files for all separate accounts, investment companies, and other pooled vehicles daily. Also, the investment manager subscribes to Glass, Lewis & Co., LLC ("Glass Lewis"), an unaffiliated third-party analytical research firm, to receive analyses and vote recommendations on the shareholder meetings of publicly held U.S. companies, as well as a limited subscription to its international research. Glass Lewis receives aggregate holdings for U.S. securities on a weekly basis. Both ISS and GL provide analyses and vote recommendations to the Proxy Group relating to upcoming shareholder meetings for securities held in those accounts for which the investment manager has proxy voting authority. The Proxy Group also uses a supplemental subscription to Egan-Jones Proxy Services (Egan-Jones), a third-party proxy advisory firm, to receive analyses and vote recommendations. Egan-Jones does not receive any holdings data.

The Proxy Group then notifies the research analyst for the relevant investment manager of the upcoming meeting and provides them with the third-party proxy service providers' recommendations and analyses for the meeting as well as any other available materials. Although analyses provided by the third-party proxy service providers are thoroughly reviewed and considered in making a final voting decision, investment managers do not consider recommendations from any third party to be determinative of the investment manager's ultimate decision. Rather, the investment manager exercises its independent judgment in making voting decisions.

The Proxy Group submits the vote for the shareholder meeting according to the instructions provided by the investment manager. The Proxy Group submits the investment manager's voting instructions to ISS in a timely manner, prior to internal and external deadlines. ISS notifies the Proxy Group daily of any ballots that have not been voted by their due date. If no vote is provided by the investment manager by the deadline, the Proxy Group will cast the vote based on the recommendations of a third-party proxy service as applicable.

Access to the ISS voting platform, ProxyExchange, is restricted to the Proxy Group and is extended to others based on requests for special access and volume of workflow. The Proxy Group reviews, at least annually, a sample of votes cast by investment managers for accuracy and timeliness.

FTIS ensures that the proxy voting policies, procedures and records of the investment managers are available as required by law. In addition, the Proxy Group prepares reports for each Advisory Client that has requested a record of votes cast. The report specifies the proxy issues that have been voted for the Advisory Client during the requested period and the position taken with respect to each issue.

Stock Lending

If the Franklin Templeton Services, LLC Global Trade Services learns of a vote that may affect a security on loan from a proprietary pooled vehicle, Global Trade Services will notify the investment manager. If the investment manager decides that the vote is material and it would be in the best interests of shareholders to recall the security, the investment manager will advise Global Trade Services to contact the lending agent in an effort to retrieve the security. If so requested by the investment manager, Global Trade Services shall use its best efforts to recall any security on loan and will use other practicable and legally enforceable means to ensure that the investment manager is able to fulfill its fiduciary duty to vote proxies for proprietary pooled vehicles with respect to such loaned securities.

Separately managed accounts often have their own securities lending program through their custodian or other agent and the investment managers typically will not attempt to recall securities such clients have on loan.

INSTITUTIONAL INVESTORS SHOULD REPORT PERIODICALLY ON THEIR STEWARDSHIP AND VOTING ACTIVITIES

As signatories to the Principles for Responsible Investment ("PRI"), FTI, the parent of FTIS is committed to participating in the PRI's annual reporting process, publicly disclosing how ESG issues are integrated within investment practices across asset classes, and our progress in implementing the Principles. Our PRI Transparency Report is made available on our website and that of the PRI.

We engage with clients to better understand their interests and priorities for additional ESG reporting and assess the feasibility and practicality of addressing any related reporting requirements.

Summary information on the exercise of proxies is provided to clients and the reporting is tailored to the clients' particular areas of interest. For example, certain clients prefer to focus on reporting covering proxies voted against resolutions at the general meetings of the underlying investee companies. The reporting will include explanations of the rationale for the way the votes have been exercised and why the investment manager may disagree with management. The client reporting may also include the voting result to show whether the investment manager's opposition was successful in voting down the resolution. Examples of "no" votes lodged by the investment manager are where the wording of the resolution is considered too vague or unfettered discretion would be given to management if the resolution were to be passed.