FRANKLIN TEMPLETON

FRANKLIN REAL ASSET ADVISORS

DISCLOSURE STATEMENT – OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

March 2023

Disclosure Statement

Operating Principles for Impact Management

Franklin Templeton Social Infrastructure Fund
March 15th, 2023

The Franklin Templeton Social Infrastructure Fund (the “signatory”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”). This Disclosure Statement applies to the following assets or business lines (the “Covered Assets”):

- Franklin Templeton Social Infrastructure Fund, S.C.A.SICAV-SIF

The total Covered Assets in alignment with the Impact Principles is US$ 550,559,400 as of December 31st, 2022.

Franklin Templeton Social Infrastructure Fund
John Levy
Director of Impact
March 15th, 2023

PRINCIPLE 1: DEFINE STRATEGIC IMPACT OBJECTIVE(S), CONSISTENT WITH THE INVESTMENT STRATEGY.

Principle definition

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Our response

The Social Infrastructure strategy provides capital and seeks to improve the quality of social infrastructure assets while reducing the carbon footprint of the built environment. These goals were created in direct response to research citing the lack of quality social services across Europe, as well as the need to reduce carbon emissions and address climate change. Our impact objectives have two research-backed vectors: community and environment.

Community objectives

A report released by the High-Level Task Force (HLTF) on Investing in Social Infrastructure in Europe highlights the importance of social infrastructure, its funding gap, and the many ways to address this challenge through both public and private investment. The report notes that "high-quality social infrastructure provides benefits to individuals and communities and improves social cohesion. Appropriate access to social infrastructure generates more 'hired, housed, healthy and happy' people with positive spill overs on society… Social Infrastructure can boost community resilience and regeneration."

By investing in social infrastructure, the team looks to add much-needed private capital to boost and protect the social services being provided to communities.

Environment objectives

If average global temperatures rise 2°C above pre-industrial levels, we risk dramatically higher sea levels, and changes in weather patterns that will cause food and water shortages, according to the UN's Intergovernmental Panel on Climate Change. To avert irreversible changes to our climate, the 2015 Paris Agreement aims to keep global warming to below 2°C.

The real estate industry has an important role to play in the fight against climate change. On many measures, buildings use more energy than either industry or transportation and will emit more CO2 between now and 2030.

We look to reduce carbon emissions produced and associated with buildings in our investment portfolio. We do this through improving energy efficiency and on-site clean energy generation. We aim to reduce our portfolio-level CO2 emissions by 5% per annum—a more ambitious target than the one recommended by the World Economic Forum.

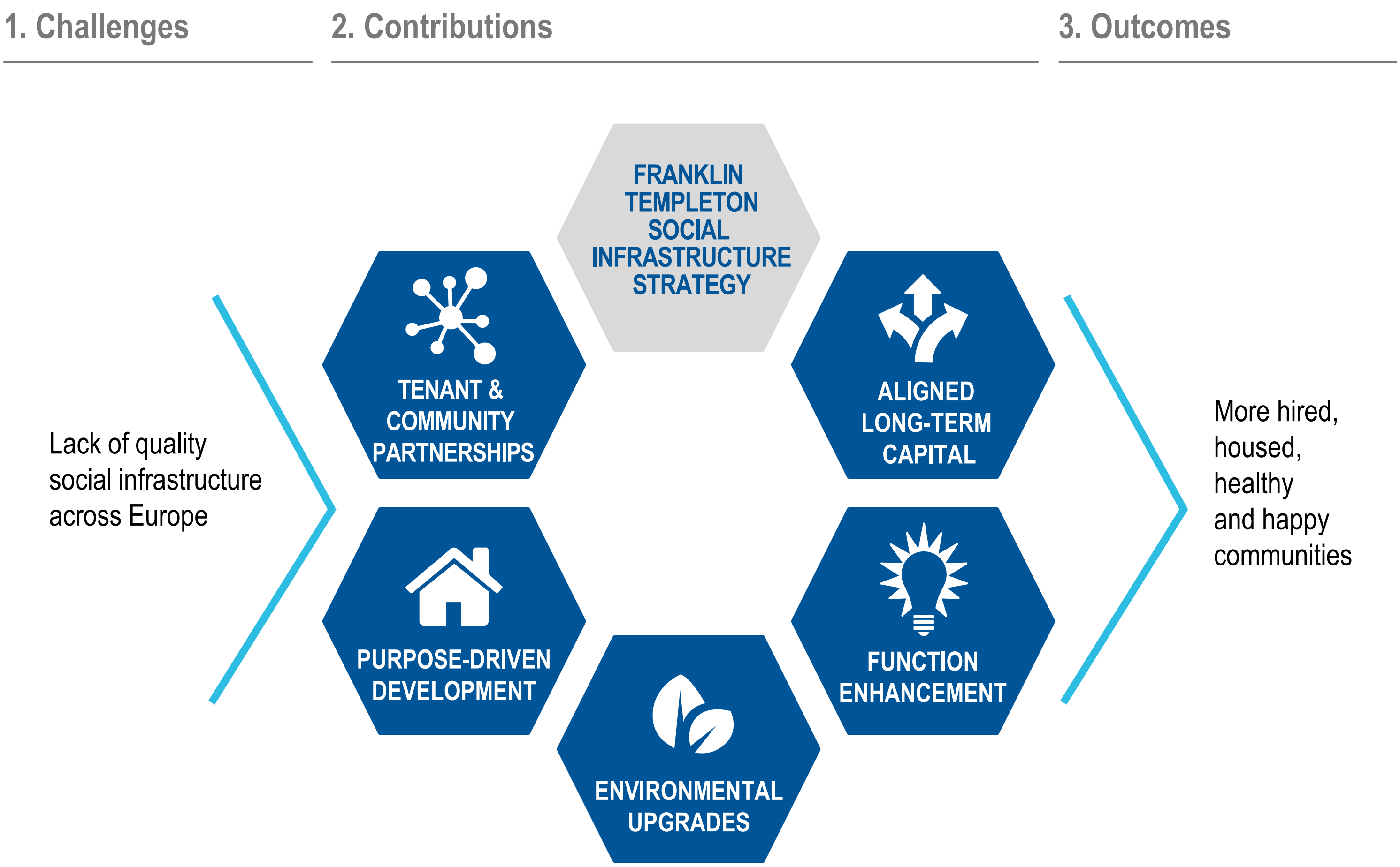
1. Boosting Investment in Social Infrastructure in Europe. Lieve Fransen, Gino del Bufalo and Edoardo Reviglio January 2018

Defining objectives: theory of change

To create meaningful social and environmental impact, our strategy incorporates a theory of change that identifies the challenges, contributions and outcomes we want to achieve at both the portfolio and asset levels.

We begin by identifying the environmental and community challenges we seek to address at each asset. Next, we look for the best ways to allocate our efforts and investors' capital. By identifying and directly addressing community and environmental challenges, we can increase the access to quality healthcare, housing, education and civic services while also enhancing the resource efficiency of our assets.

Theory of change



The United Nations' Sustainable Development Goals

The UN's 17 Sustainable Development Goals (SDGs) inform our entire impact management system and process. Specifically, the fund seeks to create measurable impact via seven of the SDGs:

3 GOOD HEALTH AND WELL-BEING

Good Health and Well-Being
Ensure healthy lives and promote well-being for all ages.

8 DECENT WORK AND ECONOMIC GROWTH

Decent Work and Economic Growth
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

4 QUALITY EDUCATION

Quality Education
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

11 SUSTAINABLE CITIES AND COMMUNITIES

Sustainable Cities and Communities
Make cities and human settlements inclusive safe, resilient sustainable.

6 CLEAN WATER AND SANITATION

Clean Water and Sanitation
Ensure availability and sustainable management of water and sanitation for all.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Peace, Justice and Strong Insitutions
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

7 AFFORDABLE AND CLEAN ENERGY

Affordable and Clean Energy
Ensure access to affordable, reliable, sustainable and modern energy for all.

The SDGs are a powerful guide for global citizens and organizations seeking to "achieve a better and more sustainable future for all". As they were not designed specifically for use by institutional investors and asset managers, they are vulnerable to misuse, misrepresentation and dilution. As part of our commitment to impact investing, we must ensure that we move beyond just alignment and make a verifiable contribution to positive social and environmental outcomes.

Every SDG has anywhere between five to 19 "targets" with more specific sought-after outcomes. Using these targets, we can define which specific actions—or contributions—we wish to carry out at each asset.

17 PARTNERSHIPS FOR THE GOALS

While the Social Infrastructure Fund focuses on seven outcome-oriented SDGs, the addition of the 17th SDG is foundational for all impact outcomes.

Most of the world's largest problems cannot be solved when one organization or one section of society acts alone. Our largest problems persist because they are complex and require coordinated efforts that include multiple stakeholders.

For this reason, SDG 17, Partnerships for the Goals, is critical to all our efforts. We can make a powerful and enduring impact by bringing together local stakeholders and subject-matter experts to explore new and better ways to enact positive change. With every new partnership, we create blueprints for how building owners can materially contribute to a more sustainable and inclusive future.

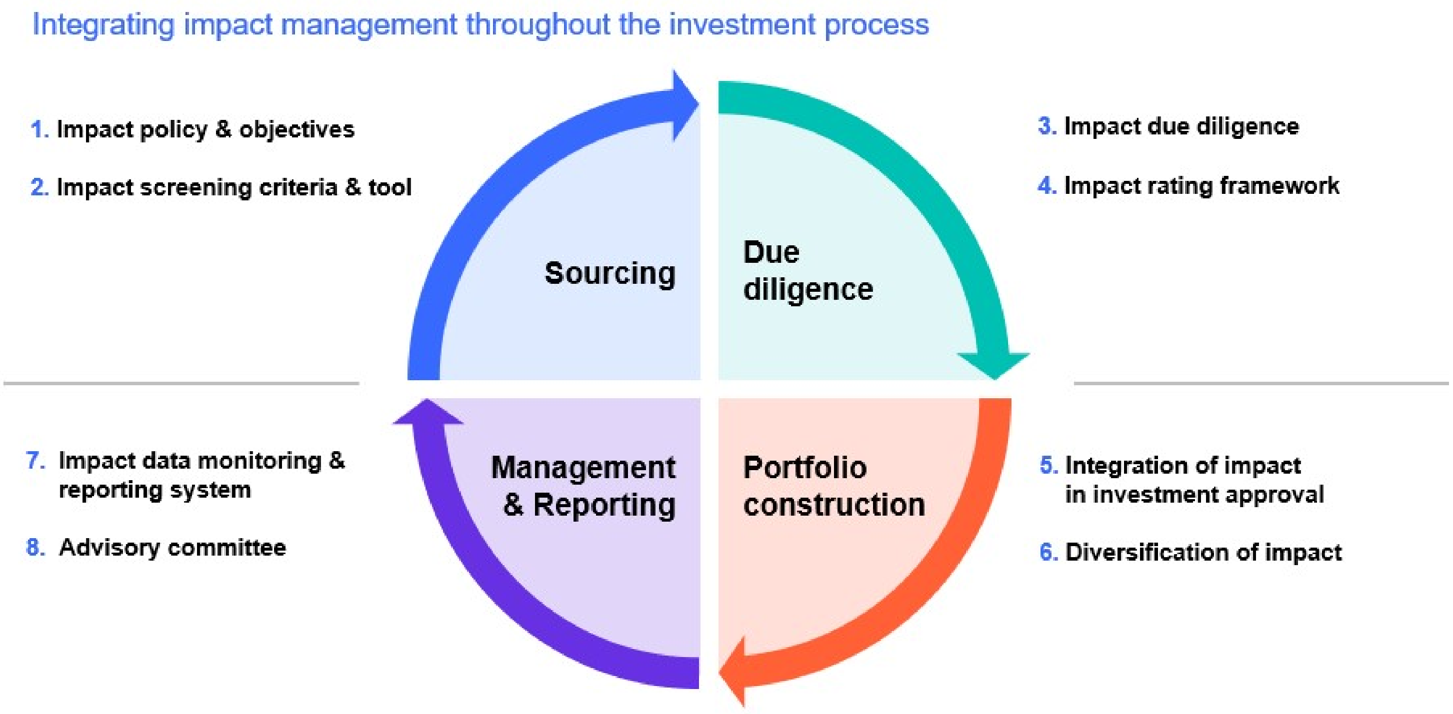
PRINCIPLE 2:
MANAGE STRATEGIC IMPACT ON A PORTFOLIO BASIS.

Principle definition

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Our response

We manage strategic impact through the execution of our investment process. By integrating impact analysis and execution throughout the lifecycle of each asset, we create a more holistic approach that aligns investment and impact considerations at every stage. The Social Infrastructure Fund relies on the efforts of our whole team to implement our impact-management process to certify that the assets in our portfolio maximize the impact of our capital.



Source: Franklin Real Asset Advisors. For illustrative purposes only.

1. Our impact policy and objectives – This crucial first step is covered in our disclosure of Principle 1

2. Impact-screening criteria and tool – We screen every pipeline deal to ensure strategic alignment with our fund's objectives. A team member must affirm the applicability of an opportunity by answering the following questions:

a. What purpose does the asset serve in the community?
b. Who does the asset serve? How much demand is there for the service provided by the asset?
c. How can Franklin Templeton contribute to the asset/tenant/community through this investment?
d. In what ways does the tenant align/contribute to the SDGs?
e. Are there any major impact risks with this investment?

3. Impact due diligence – Each asset undergoes impact due diligence, culminating in a dedicated assessment report. The report is structured around the Impact Management Project's Five Dimensions of Impact and includes an asset-specific theory of change, an assessment of the contributions to SDG targets and a business plan highlighting potential impactful improvements and initiatives (see Principle 4 for details).

4. Impact-rating framework – Also included in our asset assessments and annual updates is a proprietary scoring system for each asset (see Principle 4 for details).

5. Integration of impact in investment approval – The Investment Committee must approve each asset before investment and does so on the basis that the asset meets the dual-return objectives of the strategy--both financial and impact.

6. Diversification of impact – The portfolio-management team oversees portfolio construction and ensures that the strategy adequately meets the impact objectives of the fund by balancing assets by region, sector and primary SDG impacts.

7. Impact data-monitoring and reporting system – The team collects key performance indicators (KPIs) for each asset and provides periodic reporting to investors on the impact performance of each asset and the overall portfolio. We also report on progress made towards portfolio-level impact targets. We group portfolio-level targets into outcomes and foundations. Outcomes measure our progress towards stated goals, such as reducing greenhouse gas emissions. Foundations track how we engage, improve data collection and collaborate with technical experts to help best identify asset-specific and portfolio-wide improvement opportunities. As data-availability improves over time we will add or edit our list of targets.

8. Advisory committee – The fund's advisory committee works to ensure that the fund is meeting its dual-return objectives.

Annual Employee Compensation Plan

Impact objectives are given equal weight to financial objectives as codified in our Private Placement memorandum (PPM), the legal document which outlines the fund offering details. Also, our integrated process, which combines financial and impact considerations, ensures that the entire team is working towards the achievement of all fund objectives. Finally, the positioning of our fund in the market puts impact front and center, ensuring that many LPs care deeply about impact and our impact results. Because our focus on impact is legally binding, fully integrated into our process and a key raison d-étre for investors, the success of our fund has everything to do with our Impact results. Team members receive variable compensation based on their contributions to the fund's performance and growth, both of which are inextricably intertwined with Impact. Therefore, the very nature of our bonus compensation ensures rewarding contributions towards the objectives of the fund.

PRINCIPLE 3: ESTABLISH THE MANAGER'S CONTRIBUTION TO THE ACHIEVEMENT OF IMPACT

Principle definition

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Our response

We have developed an extensive framework that outlines our process for identifying asset-level impact. A part of that framework is identifying the specific contributions that the fund can make towards superior outcomes for communities and the environment. Each of the expected contributions for each asset are articulated and subsequently captured in an impact-assessment report and investment-committee memorandum. Underwritten contributions for each asset are then tracked regularly and reported to investors in the Annual Impact Report.

Five types of contributions

Each asset-level contribution is mapped to one of five contribution types:

1 | Aligned, long-term capital

We are committed to the stewardship of the assets we hold. Our objective is to maintain strong-performing assets and improve underperforming ones. Our capital seeks to ensure long-term social benefits by providing much-needed liquidity to municipalities and private operating companies, freeing up their balance sheets to allow them to provide more services.

2 | Function enhancements

We renovate and upgrade the facilities we purchase. Examples include improving their comfort and utility for tenants. Where possible, we develop alternative uses for existing facilities to benefit the broader community.

3 | Environmental upgrades

We can create positive environmental impact with improvements that reduce pollution, save water and materials, and support biodiversity and clean transportation. Examples include installing energy-efficient systems, creating more green space and improving recycling and waste-disposal policies.

4 | Purpose-driven development

Certain investments may present the opportunity to directly add to the stock of social infrastructure. We can accomplish this by repurposing assets for social use or by adding space to existing assets.

5 | Tenant and community partnerships

Stakeholder engagement is critical to the success of social infrastructure investments. Through active engagement with tenants and local partners, we can uncover new and meaningful ways to better serve the community.

In our due-diligence process, we set out expected contributions for each asset and continuously review progress on each initiative. Specific contributions for each asset are built into our business plans and tracked over time. We continually document KPIs and track progress for each contribution. Our Annual Impact Updates formally report all progress made. As contributions are achieved, or not, we reassess each asset's current community and environmental value compared with its value at acquisition. We take what we have learned and look for new initiatives and contribution opportunities throughout the holding period. We also reassess the viability of each contribution type for future assets.

PRINCIPLE 4: ASSESS THE EXPECTED IMPACT OF EACH INVESTMENT, BASED ON A SYSTEMATIC APPROACH

Principle definition

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, align with industry standards and follow best practice.

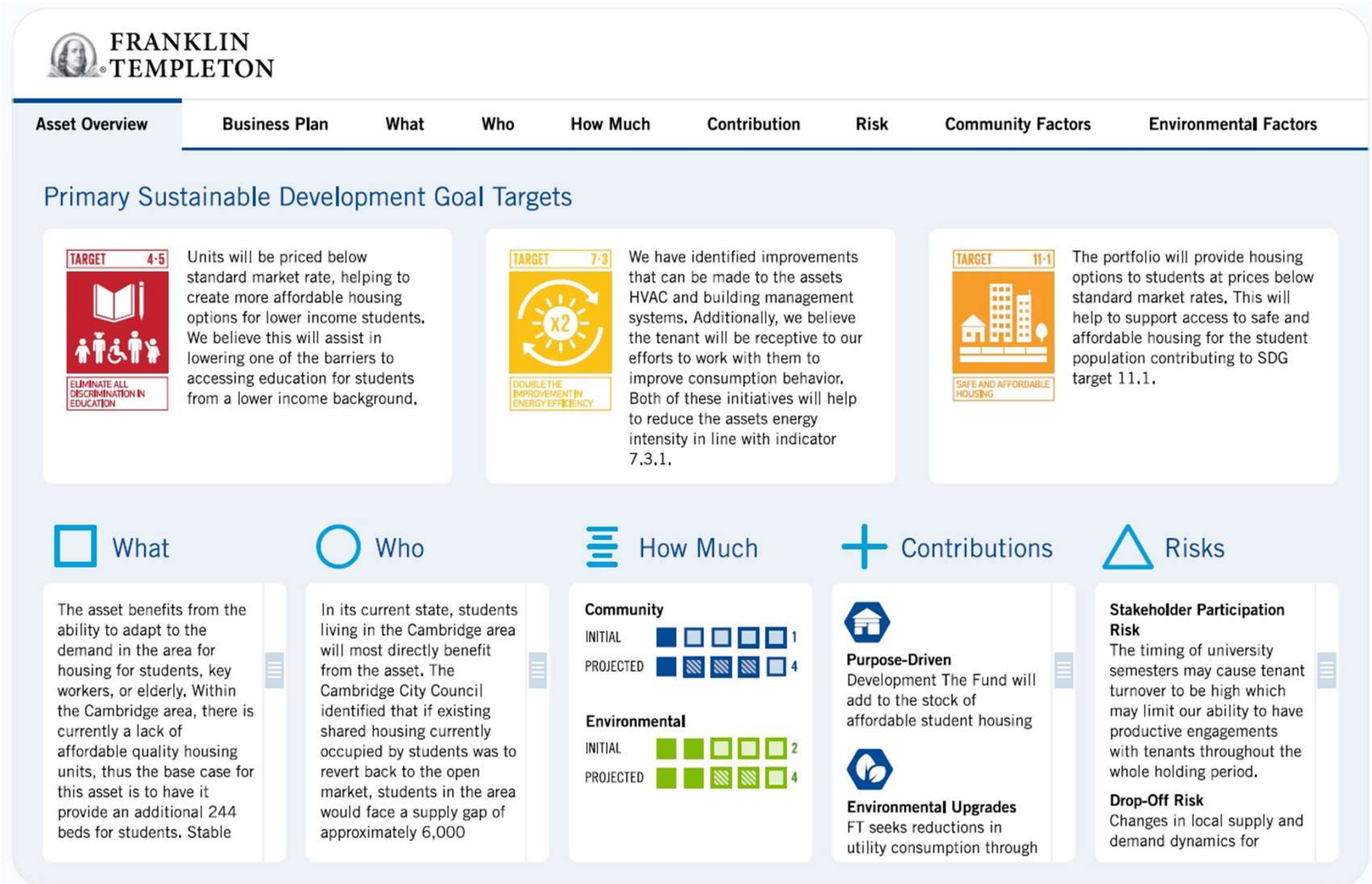
Our response

We quantify the expected impact from each investment through our ex ante impact-assessment process. Using the "five dimensions of impact" set out by the Impact Management Project (IMP), we identify the potential impacts of each investment including principle adverse impacts (PAIs). We then quantify the current and projected community and environmental value of each asset through our custom impact-rating system.

Impact Assessments

Our impact-assessment reports are where our ex ante, systematic approach to measuring and managing impact comes together. Through the lens of the IMP's five dimensions, our assessments bring together a theory of change, the SDGs, our bespoke community and environmental scoring systems, our identified contributions, and our impact-focused business plans. Our assessments are backed by asset-level data, demographic data and market research to ensure that our theory and actions are linked to meaningful outcomes. We track the performance of each asset, using standard and comparable reporting standards such as IRIS+ and GRESB. We also utilize Joint Impact Indicators to assist in alignment of best practices for KPI reporting.

Example summary page from an asset assessment:



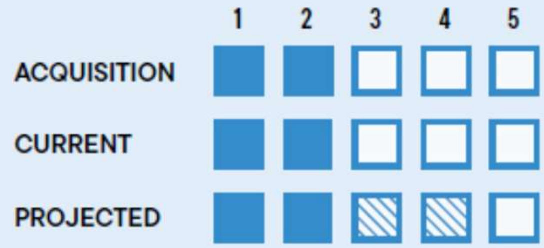
Community and environmental scoring system

Throughout our impact-management process, we stress the terms “authenticity” and “transparency”. We acknowledge that with a dual-return objective—financial and impact—some impact-related contributions may not be economically viable. To this end, we created an impact-rating system that measures the current and projected state of each asset’s community and environmental performance. The rating system is based on a set of predefined community and environmental factors (see below chart). Progress towards impact objectives can be quantified, and key performance metrics can be tracked over time. The scoring system is also designed to create systematic comparability between assets in terms of their strengths, weaknesses, opportunities and risks.

Our impact rating system

Community value

How much value does the asset contribute to the community's development and wellbeing?

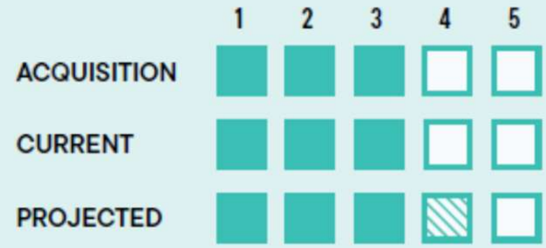


Predefined Community Factors

- Community Purpose, Essentiality, and Quality of Service
- Quantity of Services
- Partnerships and Community Development
- Accessibility and Connectivity
- Economic Growth and Employment

Environmental performance

How strong is the environmental performance of the asset?



Predefined Environmental Factors

- Pollution
- Energy Use
- Water Use
- Waste and Recycling
- Biodiversity and Greenspace

Acquisition rating   Projected rating (with FT contribution)

PRINCIPLE 5: ASSESS, ADDRESS, MONITOR, AND MANAGE POTENTIAL NEGATIVE IMPACTS OF EACH INVESTMENT

Principle definition

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Our response

Our approach to addressing negative impact and impact risks can be broken down into two sections: asset underwriting and asset management. During the underwriting process, we identify potential risks associated with the acquisition of the asset. In our asset-holding period, we define specific capital-expenditure programs aimed at mitigating or eliminating any of the risks previously identified in our underwriting process. We have also augmented our process with more detailed Climate Risk (physical risk and transition risk) assessments used in underwriting and asset management.

Asset Underwriting

Before acquiring an asset, we conduct thorough due diligence on the physical aspects of each building to identify potential risks and negative impacts. This diligence includes the following:

Environmental and technical due diligence

Technical and environmental reports are commissioned by the fund and executed by third-party firms with deep expertise in the space. The reports provide an analysis of the property's current state as well as items that are likely to require remediation and their corresponding costs. These reports address risks related to building itself, the systems within the building, accessibility, and the health and safety of the occupants.

Sustainability due-diligence reports

We commission a bespoke impact due-diligence report to further address impact risks and opportunities. In regard to risks, these reports highlight various forms of pollution in and around each asset. They benchmark energy and water usage while identifying underperforming systems. They also measure and benchmark waste and recycling practices, and measure the biodiversity, or lack thereof, of each asset.

Asset management

Once negative risks are identified through internal and third-party due diligence before acquisition, the team incorporates solutions and improvements into the capital-expenditure plan for each building and is responsible for addressing the negative impacts when feasible. The fund has a dedicated asset-management team that works with property managers and tenants to identify and address any additional negative impacts associated with the built environment throughout our holding period.

Climate Risks

Climate risks are those risks associated with the changing climate. Climate risks fall into two distinct categories for our analysis:

Physical Risks

Physical risks are related to the damage to buildings from extreme weather events or shifting climates. Changing weather patterns can cause both chronic (steady long-term) and acute (severe short-term) effects that can vary depending on geographic location and can increase the costs faced by asset owners, operators and communities.

Physical risks have impacts on the structure of an asset and the level of vacancy risk. For example, flooding and wildfires can cause extensive damages to buildings resulting in significant capital expenditure. Additionally, changes in weather patterns can result in increased water scarcity and extreme heat which can increase operating expense and even result in reduced demand for real estate in a location.

We assess physical risks using Moody's ESG Solutions and use predictive data to adjust our asset underwriting. Analysis of physical risks may lead to adjustments in our capital expenditure, operating expenses, and exit-value assumptions, or indicate that we should be more conservative in our overall asset expectations. Analysis may also inform our engagement strategy with tenants to identify strategies that can mitigate physical risks.

The risk level for a site is determined based on the category scores, using thresholds described below.

Risk-level reference table*

None	Low	Medium	High	Red flag

Transition Risks

Transition risks are those known and unknown costs associated with the transition to a low-carbon economy to fight climate change. As economies shift to low carbon, so too must buildings and their operations. Being late to shift will increase the risk that an asset owner will have to take on costly and unforeseen capex to improve their building's carbon footprint. Whether through policy and regulation or through reputation and market demand, the costs (risks) of not greening existing buildings will outweigh the costs to proactively lower their carbon footprints.

In assessing transition risks, we analyze existing regulations and policies and highlight possible new legislation that may force unforeseen costs. We also analyze the local market demand for clean buildings to better understand future liquidity and price assumptions based on the "green premium" or "brown discount."

While Transition analysis is typically framed in terms of "risk" we also use this analysis to uncover opportunities to further green our buildings to create greater long-term value.

PRINCIPLE 6: MONITOR THE PROGRESS OF EACH INVESTMENT IN ACHIEVING IMPACT AGAINST EXPECTATIONS AND RESPOND APPROPRIATELY

Principle definition

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

Our response

After an acquisition is made, the Social Infrastructure team uses many tools and processes to monitor and manage impact. We have developed a custom initiative tracker to manage asset-level impact initiatives. Additionally, we have made substantial investment into smart-metering IoT technology to improve the quality and timeliness of the data we collect on our assets. We also seek tenant feedback and engagement through formal surveys and ongoing interactions. We review and analyze all these data streams during our team meetings, where we share updates and plan new initiatives. Finally, we create annual update reports for each asset and a portfolio-level Annual Impact Report to highlight our progress and achievement of impact.

Ongoing Monitoring Tools

1 | Initiative tracker

A tracker tool is used to track all impact (and non-impact related) initiatives. Updates to the tracker are done regularly, and updates are formally presented to the fund management team for discussion on a quarterly basis.

2 | Tenant engagement

Our asset-management team is tasked with working with tenants and property managers to ensure that business plans are being executed and the expected impacts are materializing. Ongoing ad hoc meetings take place with tenants and property managers and forma surveys go out to tenants once a year seeking direct feedback on impact interactions and initiatives.

3 | Smart meters and sensors

To better facilitate our ongoing monitoring process, the Social Infrastructure Fund has invested heavily in smart meters and sensors. These devices allow us to collect real-time data, not only to more closely monitor consumption habits, but to also initiate conversations and initiatives with tenants that aim to reduce energy and water usage at our assets

4 | Team meetings

The monitoring and execution of impact business plans are discussed regularly in a combination of ad hoc and scheduled meetings covering portfolio management, asset management, impact underperformance and specific impact initiatives, such as the process for installing solar panels across the portfolio. Since impact is fully integrated into the team and the investment process, impact monitoring is also fully integrated into these discussions. We have also held dedicated impact meetings for further discussion on impact underperformance or impact progress when needed.

Periodic monitoring

1 | Quarterly data collection

The asset-management team conducts a quarterly data-gathering exercise with property managers for each asset. Included in this data request is a list of impact KPIs, which we aim to use in tracking the progress of each of our impact initiatives. KPIs include those from IRIS+ and where applicable, we utilize the Joint Impact Indicators to help align KPI standards.

2 | Annual impact updates

We publish annual updates for each asset in the portfolio. The updates include a revised business plan for the year ahead, the latest KPIs and updated scores and analysis.

3 | Annual impact report

We also publish a portfolio-level impact report that tracks impact progress for each asset. This highlights aggregated data, progress towards portfolio-level goals and summaries of our contributions towards each of the six pertinent SDGs. The report can be found here:
https://www.ftinstitutionalemea.com/investment-capabilities/investment-themes/social-infrastructure

PRINCIPLE 7: CONDUCT EXITS CONSIDERING THE EFFECT ON SUSTAINED IMPACT

Principle definition

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Our response

The Social Infrastructure Fund creates long-term impact value by planning to hold assets for at least 10 years and by signing long-term leases with tenants. Many of the impact initiatives are designed to persist for the long term as they are linked to the tenant or are physical improvements to the asset, which naturally remain impactful regardless of ownership. In addition, to document our responsible exit policy and decision-making process, we conduct a “Responsible Exit Review” which is discussed and confirmed by the portfolio management team, including a formal meeting to confirm the intention and details of a potential sales process.

Fewer exits

As an open-ended strategy, the Social Infrastructure Fund aims to hold assets for the long term, greatly reducing the frequency of exits compared with closed-ended structures. For this reason, our impact underwriting default assumption is for at least a 10-year holding period and therefore our investments are predisposed to have a lasting and sustained impact. In the event we exit an asset early, the upgrades to physical and technical systems are very likely to be sustained, and the signing of long-term leases secures the provision of quality social services through our tenants regardless of our ownership position.

Impact Persistence

In 2021 we added a “how long” element for our impact initiatives for all assets to better assess the length of expected impact and identify if impact would be diminished after an exit.

Responsible Exit Reviews

To document our responsible exit policy and decision-making process, we conduct a “Responsible Exit Review” which is discussed and confirmed by the portfolio management team, including a formal meeting to confirm the intention and details of a potential sales process. The review document asks the impact and asset management teams to answer pre-sale and post-sale questions:

Pre-Sale
1.Why is the asset being sold?
2.How has the asset performed compared to its projected Community and Environmental scores?
3.Which impact improvements are expected to sustain post-exit? Which impacts are contingent on the intent of the buyer?
4.How will the sales process consider the sustainability of future impact?
5.Which Impact Risks were highlighted in initial underwriting, which have materialized during the holding period, and which may arise post-exit?
6.What lessons can be learned from our experience with this asset?
Post-Sale
7.Who purchased the asset and are their intentions to keep the asset’s social purpose?
8.Why was the buyer selected?

The preservation of impact is fully considered in the sales process within the limitations of fiduciary duty to ensure the best financial outcome to investors. Our belief is that if an asset is highly impactful in its current state, the likelihood of a buyer reflecting that value is increased and the chances of a mission-aligned owner winning the bid is improved.

PRINCIPLE 8: REVIEW, DOCUMENT, AND IMPROVE DECISIONS AND PROCESSES BASED ON THE ACHIEVEMENT OF IMPACT AND LESSONS LEARNED

Principle definition

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Our response

Our team is committed to monitoring the effectiveness of our impact-measurement and management systems and modifying our current process to maximize the efficiency of our resources.

Comparing expected and actual impact

Through our initial impact underwriting, ongoing monitoring and annual updates, we can thoroughly review and document progress made towards our impact goals. Our Impact Management and Measurement (IMM) system was explicitly designed to highlight our direct contributions towards better outcomes for communities and the environment. Our 10-factor scoring system sets targets for each factor, and we track progress on an ongoing and annual basis through our initiative tracker and impact-assessment update document.

Improving decisions through lessons learned

Embedded in our ongoing discussions and our initiative tracker are explanations for why failed, delayed or disappointing initiatives were not successful. We use this knowledge to adjust future strategies and calibrate our expectations of the likely success of future initiatives.

We will work to build a documented and more formalized process for funnelling our experiences into improvements in operational and strategic investment decisions.

PRINCIPLE 9: PUBLICLY DISCLOSE ALIGNMENT WITH THE PRINCIPLES AND PROVIDE REGULAR INDEPENDENT VERIFICATION OF THE ALIGNMENT.

Principle definition

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for an independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

Alignment with the principles

This disclosure serves to represent Franklin Templeton's alignment with the operating principles.

Bluemark Verification

Franklin Templeton Social Infrastructure Fund engaged BlueMark, a Tideline company, to independently verify the alignment of the Franklin Templeton Social Infrastructure Fund's impact management practices with the Operating Principles for Impact Management, an industry standard for integrating impact throughout the investment lifecycle. BlueMark's assessment findings cover both areas of strength and areas for improvement, as reflected in the Verifier Statement.

Independent verification of our impact management approach will be conducted every two years.

A copy of Bluemark's verification statement can be found on the following page
https://www.ftinstitutionalemea.com/investment-capabilities/investment-themes/social-infrastructure

About BlueMark

BlueMark is a leading independent provider of impact verification services in
the impact investing market. BlueMark is a subsidiary of Tideline Advisors, LLC, a specialized consulting firm that works with asset managers and allocators to design and implement best-in-class impact management and measurement systems.

BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit www.bluemarktideline.com.