Tax Strategy

INTRODUCTION

Franklin Resources, Inc. ("Franklin Templeton") is a global investment management organisation. We have an extensive worldwide presence, with offices spread across the globe and clients in more than 165 countries.

This paper sets out the tax strategy of the UK sub-groups of Franklin Templeton, which are hereafter collectively known as the "UK Group". In making this strategy available the UK Group is fulfilling its responsibilities under Schedule 19 of the Finance Act 2016.

Franklin Templeton's success is built upon our reputation for excellence and integrity in all aspects of our business. It is essential that our stockholders, clients, mutual fund shareholders, and business partners have confidence in our governance, ethics and compliance practices.

We take Corporate Governance seriously and are dedicated to operating in accordance with the highest standards of accountability, honesty, integrity and ethics. We are therefore committed to compliance with tax law and practice in the UK. Compliance for us means paying the right amount of tax in the right place at the right time. It involves disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where available.

This tax strategy applies to all UK taxes applicable to the UK Group as set out in Schedule 19 which includes Income Tax, Corporation Tax, PAYE, NIC and VAT. The document is owned by the Board of Directors of the UK Group ("the Board").

The Board is responsible for setting and monitoring the strategy and this document will be reviewed annually and updated as appropriate. The Finance and Tax teams of the UK Group are accountable to the Board for the implementation of the tax strategy and the management of tax and related risk.

Since the last publication of the Group's tax strategy the group has undertaken the acquisition of Legg Mason Inc ("Legg Mason"). Our tax strategy has therefore been updated to include Legg Mason.

OUR TAX GOVERNANCE

- The UK Board has oversight of tax and overall responsibility for tax compliance and tax governance within the UK Group.

- Day-to-day management of tax affairs is delegated to a dedicated tax team (Group Tax) who collaborate with the UK Group's businesses to provide advice and guidance necessary to ensure compliance, obtaining external advice where necessary.

- There are clear responsibilities, which are subject to regular monitoring and review by members of Group Tax who have the necessary experience and skill to ensure adherence to the Tax Strategy.

- Our UK tax affairs are regularly reviewed as part of the group's external audit and are subject to periodic review by HM Revenue & Customs as part of our ongoing compliance process.

OUR TAX RISK MANAGEMENT

- We proactively manage any tax risks that the group is exposed to and seek to ensure that adequate controls are in place to mitigate the possibility of reputational or financial damage.

- The key tax risks that impact our business can be classified as:

  Reputational — The risk that our brand will be negatively affected because of the way in which the Group manages its tax affairs.

  Compliance — The risk that the Group will not meet its tax compliance, reporting or other legal obligations.

  Legislative — The risk associated with the interpretation and application of ever-changing tax law and regulation.

  Transactional — The risk that business decisions are made without adequate consideration of the tax implications of those decisions.

- The Tax Department maintains a culture of open communication with other business functions and senior management is encouraged to seek the advice of the Tax Department when making operational decisions.

- We manage tax risk by using our existing internal control frameworks. Broadly, these frameworks are geared toward the identification, management and mitigation of tax risk.

- Franklin Templeton's Enterprise Risk Management Committee, including Internal Audit, provide independent oversight and assessment of the UK Group's risk management processes on a periodic basis.

- Group Tax will identify, assess and report relevant risks to the Enterprise Risk Committee as well as attend regular meetings to discuss these risks with relevant business partners and consider if appropriate tax processes and controls are in place to manage new any new risks identified.

- The Chair of the Enterprise Risk Management Committees meets quarterly with Franklin Templeton's Audit Committee and annually with its Board of Directors to discuss Enterprise Risk Management processes, findings and trends.

- Franklin Templeton has a low appetite for tax risk. This means that we will only tolerate risk where our systems and controls adequately mitigate the chance of possible adverse impacts on the Group.
- One key element in our tax risk management strategy is that the Group only employs tax personnel with the appropriate knowledge and experience.

- Where there is significant uncertainty or complexity in relation to a risk, external advice will be sought, particularly in relation to our international tax obligations.

OUR ATTITUDE TO TAX PLANNING

- When structuring our commercial activities we will consider – among other factors – the tax laws of the countries in which we operate, with a view to maximising value on a sustainable basis for our clients and stakeholders. For example, we take steps to reduce the risk of double taxation.

- We will consider the effect of any arrangements upon the UK Group's reputation, brand, corporate and social responsibilities, or future working relationships with tax authorities and if an arrangement is considered to have a detrimental effect, we will not implement it.

- We will not put in place any arrangements that are contrived or where the underlying commercial objectives and rationale do not support the position where the sole purpose of which is to reduce tax or engage in tax planning.
- We respond to queries from tax authorities in a timely manner and are forthcoming with information when requested.
- We adhere to our responsibilities under the Senior Accounting Officer regime and Corporate Criminal Offence legislation.

What we do:	What we don't do:
• Identify tax implications/exposures and manage them proactively.	• Determine tax outcomes without technical rigour.
• Analyse tax technical implications of business transactions carefully.	• Undertake planning that has no commercial foundation.
• Structure business transactions on a tax-efficient basis.	• Adopt tax arrangements that might give rise to a reputational risk
• Ensure that the tax treatment adopted is sound and supported by external professional opinion if necessary.	• Adopt an aggressive interpretation of tax legislation

OUR RELATIONSHIP WITH TAX AUTHORITIES

- Franklin Templeton seeks to have an open, honest, transparent and constructive relationship with the tax authorities through regular communication in respect of developments in our business.
- We ensure that HMRC is kept aware of significant transactions and changes in the business and seeks to discuss any tax issues arising at an early stage.