FRANKLIN TEMPLETON

FRANKLIN REAL ASSET ADVISORS

DISCLOSURE STATEMENT – OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

March 2021

Disclosure Statement

Operating Principles for Impact Management

Franklin Templeton Social Infrastructure Fund
February 28th, 2021

The Franklin Templeton Social Infrastructure Fund (the "signatory") in connection with its status as a signatory to the Operating Principles for Impact Management, (the "principles") hereby affirms that its assets are managed in accordance with the Principles. The total assets under management (AUM) in alignment with the Principles is USD 454,152,246 as of December 31st, 2020.

John Levy
Director of Impact
Franklin Templeton Social Infrastructure Fund

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.

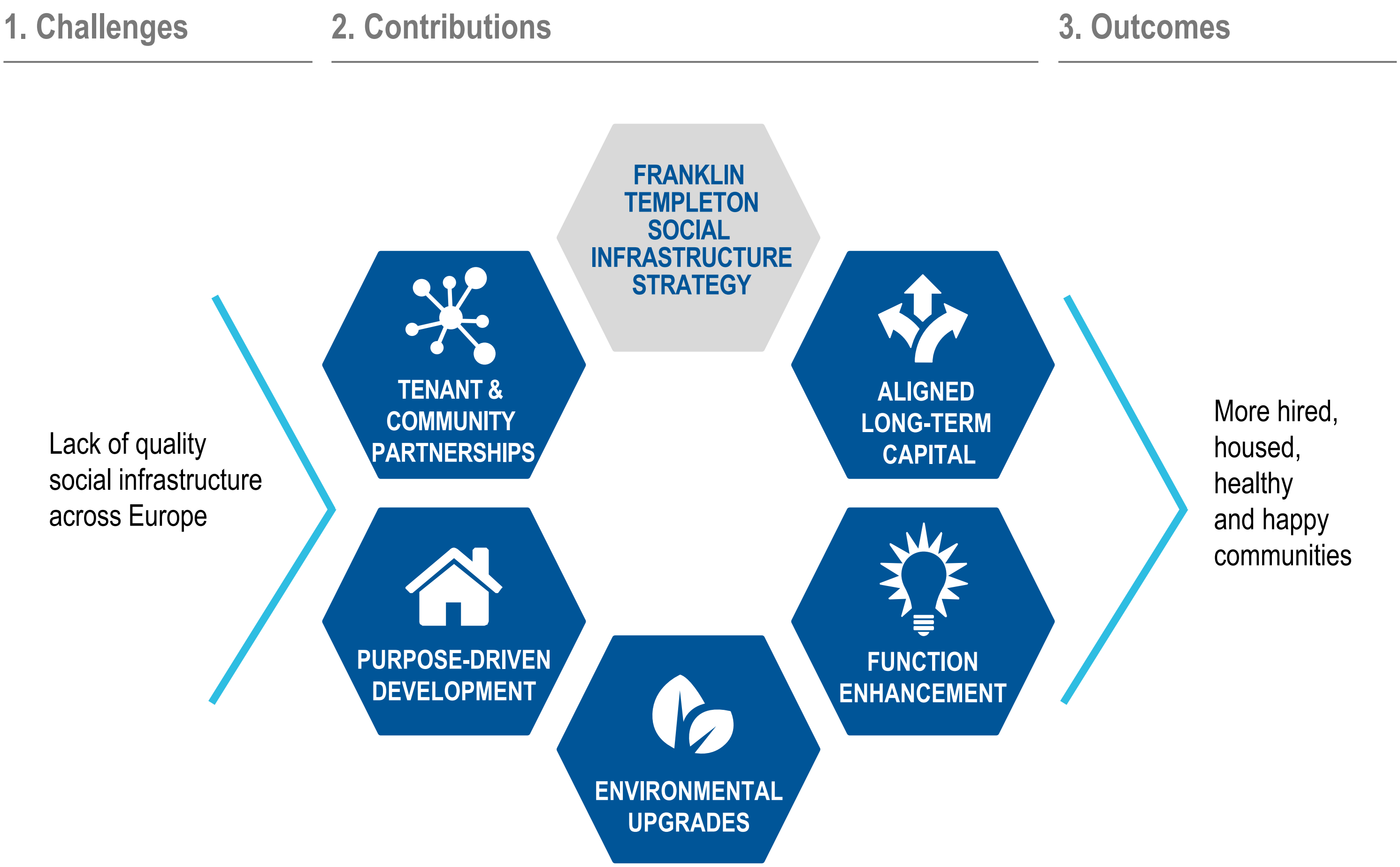
1. Boosting Investment in Social Infrastructure in Europe. Lieve Fransen, Gino del Bufalo and Edoardo Reviglio January 2018

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.

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 six of the SDGs:

3 GOOD HEALTH AND WELL-BEING

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

7 AFFORDABLE AND CLEAN ENERGY

Affordable and Clean Energy – Ensure access to affordable, reliable, sustainable and modern energy 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 and 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 Institutions – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

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.

PRINCIPLE 2:
MANAGE STRATEGIC IMPACT ON A PORTFOLIO BASIS.

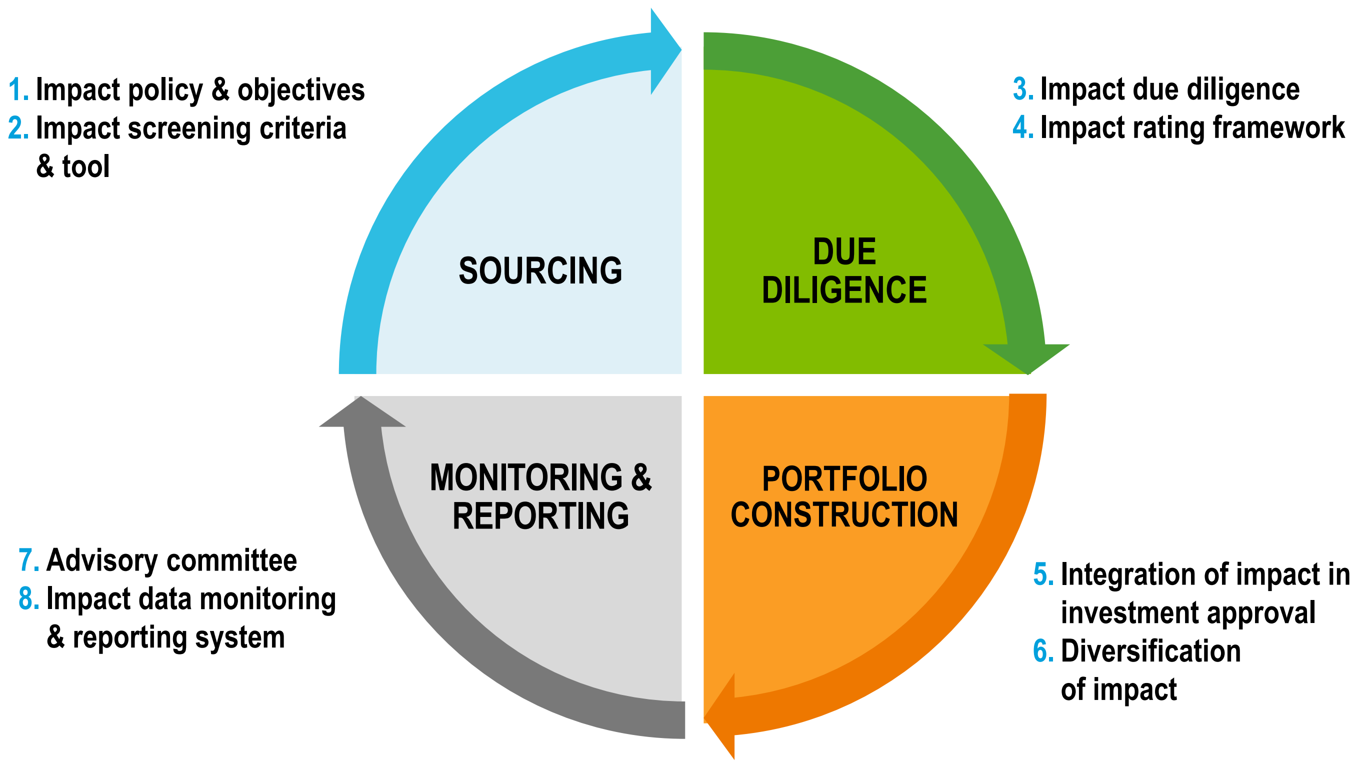
Principle definition

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.

Integrating Impact Management Across the Investment Process



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.

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

Annual Employee Compensation Plan

The team is looking to more concretely and directly link impact performance and staff incentive systems to better ensure alignment of interest.

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.

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 utilize our impact-tracking tool to document KPIs and 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.

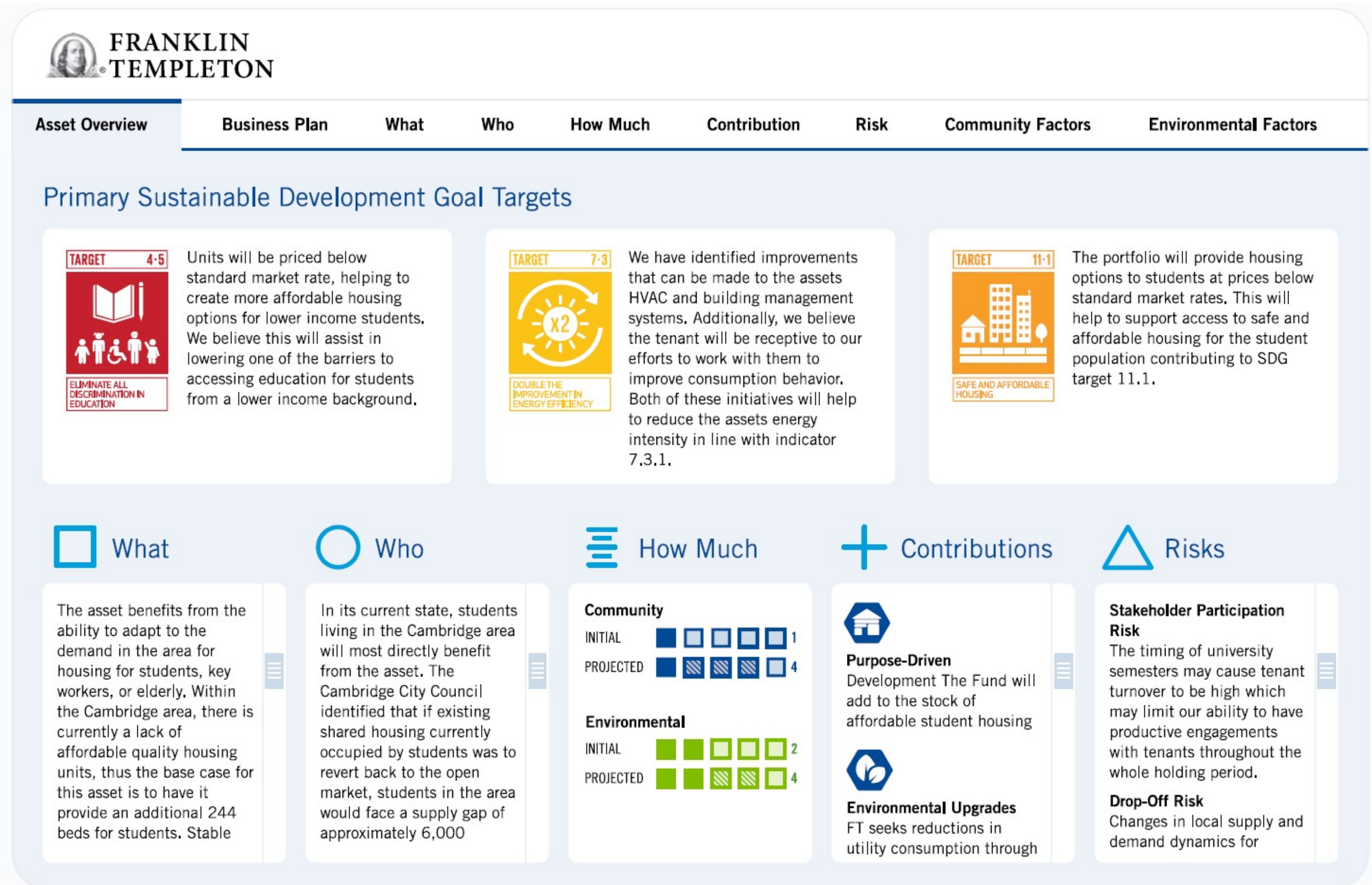
Our response

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. 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.

Example summary page from an asset assessment:

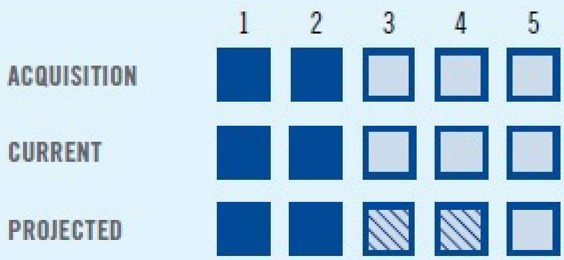


Community and environmental scoring system

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.

Community value

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

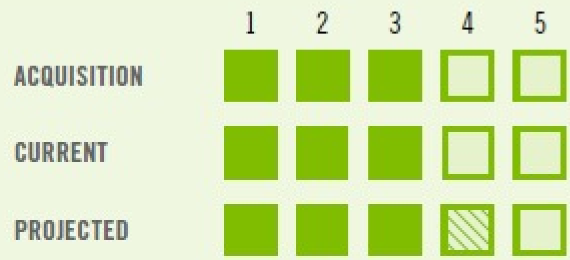


Predefined Community Factors

- 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)

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

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.

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.

Impact 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.

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 impact tracker to store and manage asset-level data pertaining to impact initiatives and impact scoring. 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 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 | Impact tracker

A tracker tool is used to track all impact initiatives, KPIs and asset scores across the entire portfolio. Updates to the tracker are done live, making it a working document and the “source of truth” for data related to progress towards impact.

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

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 multiple times a week through a combination of ad hoc and scheduled meetings covering portfolio management, asset management, 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 of impact progress when needed. Pertinent meeting notes are tracked in the impact-tracker tool.

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.

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.

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. However, a consistent process and policy towards impactful exits needs be created to more intentionally consider the persistence of impact after ownership.

Fewer exits

As an open-ended, income-generating 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 has assumed a holding period of 10 years or more and has naturally sought sustained impact over many years. In particular, the upgrades to physical systems are very likely to be sustained should we exit an asset early, and the signing of long-term leases should enable the provision of quality social services through our tenant regardless of our ownership position.

Improvements: enhancing our exit strategy

Previously, we have not explicitly focused on which impacts will persist after exit. So we will look to better understand which of our impact strategies are likely to endure beyond our holding period. In addition, we will work to create strong policies and procedures around how best to manage future exits while considering our fiduciary duties and objective of sustained impact.

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 impact tracker and impact-assessment update document.

Improving decisions through lessons learned

Embedded in our ongoing discussions and our impact 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 funneling 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 worked with Bluemark for an external and independent verification. Independent verification of our impact management approach will be conducted every two years.

About BlueMark

BlueMark, a Tideline company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to "strengthen trust in impact investing" and to help bring more accountability to the impact investment process. BlueMark is a wholly owned subsidiary of Tideline Advisors, LLC, a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management 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.

INDEPENDENT VERIFICATION REPORT

Summary

BLUE MARK

Verifier Statement

Independent Verification Report

Prepared for Franklin Templeton: February 2, 2021

Introduction

As a signatory of the Operating Principles for Impact Management (the Principles)[1], Franklin Templeton engaged BlueMark to undertake an independent verification of the alignment of Franklin Templeton Social Infrastructure Fund's (SIF) impact management (IM) system with the Principles. Franklin Templeton SIF's assets under management covered by the Principles (Covered Assets) totals €364,706,156 (Gross Asset Value)[2], for the quarter ending September 30, 2020.

Summary assessment conclusions

BlueMark has independently verified Franklin Templeton Social Infrastructure Fund's extent of alignment with the Principles. Key takeaways from BlueMark's assessment are as follows:

Principle 1: Franklin Templeton has established clear strategic impact objectives that have been mapped to 6 of the 17 Sustainable Development Goals (SDGs). SIF has developed evidence-based theories of change at both the fund and asset levels, and selects positive, measurable impact metrics for each investment in the diligence process.

Principle 2: Franklin Templeton manages for impact on a portfolio basis throughout its investment process. SIF's impact due diligence process leverages the Impact Management Project's (IMP) five dimensions and includes scoring of each investment against a set of community and environmental Impact Factors. Franklin Templeton could consider more directly linking staff incentive systems to the achievement of impact.

Principle 3: Franklin Templeton assesses its expected investor contribution for each investment during due diligence, according to a predefined set of contribution types. The firm has compiled evidence supporting its investor contribution narrative through the regular monitoring and review of impact initiatives.

Principle 4: Franklin Templeton employs an ex-ante impact assessment that leverages the IMP's five dimensions in assessing the expected impact for each investment. The firm draws on industry standards, such as IRIS+, to select impact indicators. Franklin Templeton could consider including in its ex-ante impact assessment an explicit assessment of the likelihood of achieving expected impact.

Principle 5: Franklin Templeton engages in a thorough upfront assessment of Environmental, Social and Governance (ESG) factors as part of the due diligence process undertaken for each asset, leveraging third-party providers. The firm could consider further documenting its process for the ongoing monitoring of ESG risks for each asset.

Principle 6: Franklin Templeton monitors impact performance, including the comparison of actual and expected performance, on an ongoing basis. The firm also has a clear process for collecting, reviewing and synthesizing impact performance data. Franklin Templeton could consider further documenting its approach to engaging with tenants and/or property managers in the case of impact underperformance.

Principle 7: Franklin Templeton's long-term investment strategy and the structural improvements undertaken for SIF assets are designed to ensure sustained impact. In addition, Franklin Templeton could consider adopting a process for evaluating, at the time of exit, factors such as the proclivity of potential acquirers to sustain impact or the effectiveness of initiatives undertaken during the holding period to deliver sustained impact.

Principle 8: Franklin Templeton implements a regular review process for each of its investments which follows a standardized template, and includes an assessment of impact achieved, reasons for underperformance, and corrective actions. As it continues to make investments, the firm intends to further document its process for using findings to improve operational and strategic investment decisions and/or management processes.

1. Principle 9 states that signatories "shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for 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."
2. Assets under management figure as reflected in 'FT Social Infrastructure Fund Flash Report' as of 09/30/2020. BlueMark's assessment did not include verification of the AUM figure.

Verifier Statement

Independent Verification Report

Prepared for Franklin Templeton: February 2, 2021

Assessment methodology and scope

Franklin Templeton provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark's work was limited to processes in place as of December 17, 2020. BlueMark's assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.[3]

BlueMark's full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Principles, using BlueMark's proprietary rubric, and examining processes and policies against the following criteria:
    - *Compliance* of the IM system with a threshold level of practice;
    - *Quality* of the IM system's design in terms of its consistency and robustness; and
    - *Depth* of sub-components of the system, focused on completeness
2. Interviews with Franklin Templeton staff responsible for defining and implementing the IM system;
3. Testing of selected Franklin Templeton SIF transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Franklin Templeton, outlining areas of strong alignment and recommended improvement, as well as BlueMark's proprietary benchmark ratings on the extent of alignment to each of the Principles.

Permissions

This statement, including our conclusions, has been prepared solely for Franklin Templeton in accordance with the agreement between our firms, to assist Franklin Templeton in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Franklin Templeton to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Franklin Templeton's alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Franklin Templeton for our work or this statement except where terms are expressly agreed between us in writing.

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[3] The scope of BlueMark's assessment procedures does not include the verification of the resulting impacts achieved. BlueMark's assessment is based on its analyses of publicly available information and information in reports and other material provided by Franklin Templeton. BlueMark has relied on the accuracy and completeness of any such information provided by Franklin Templeton. The assessment results represent BlueMark's professional judgment based on the procedures performed and information obtained from Franklin Templeton.