# Templeton Global Investments

## Stewardship & Sustainability Report 2026

"Stewardship and sustainability considerations are integral to our research, investment and engagement processes, as we seek to deliver long-term value aligned with our clients' best interests."

# Foreword

**"Technological innovations, notably artificial intelligence, has brought unprecedented opportunities and disruptions. What remains unchanged is the importance of our fiduciary responsibility."**

**Manraj Sekhon**
Chief Investment Officer, Templeton Global Investments

Welcome to the 2026 Stewardship & Sustainability Report for Templeton Global Investments (TGI). As CIO of TGI and Chair of its Stewardship & Sustainability Council, it gives me great pleasure to share the evolution and progress of our stewardship and sustainability practices over the past year. This report incorporates the collective efforts and insights of our 100+ investment professionals across 22 office locations globally. With proven expertise and resources in both emerging and developed markets, we combine in-depth local knowledge with global perspectives that position TGI at the forefront of identifying future investment opportunities.

Over the past year,* we navigated an uncertain world rife with global trade headwinds and geopolitical conflicts, including war. Technological innovations, notably artificial intelligence, has brought unprecedented opportunities and disruptions. What remains unchanged is the importance of our fiduciary responsibility. It requires a continual focus on maintaining a long-term perspective and active engagement with companies in which we invest, through the lens of financially material sustainability and governance factors. These stewardship activities continued to anchor everything we do, as detailed in this report.

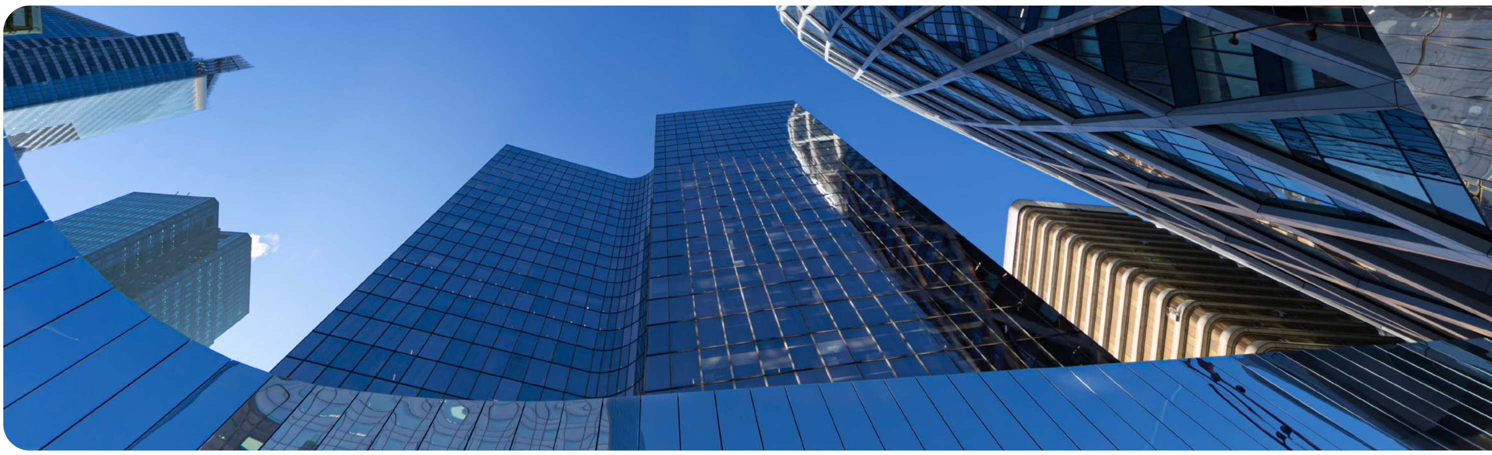
The report presents case studies on 29 companies across 9 sectors in 14 markets, encompassing all aspects of TGI's stewardship efforts, including environmental, social and governance (ESG) research, company engagement, and proxy voting. These case studies cover sectors such as information technology, financials, and industrials, across markets as diverse as South Korea, Mexico and France. They illustrate our research focus on key sustainability issues, such as climate change, nature and biodiversity. In addition, the report discusses our company engagement activities and proxy-voting decisions, underlining the stewardship actions we took over the past year.

We have updated our assessment of human rights and modern slavery, as we seek to identify companies with material exposure to labor-related risks. A new Labor Risk Engagement Framework has been developed, enabling us to better engage with companies and encourage them to strengthen their human rights due diligence.

Looking ahead, we will continue to deepen our on-the-ground engagement globally to build strong local relationships and effective dialogue with companies.

We recognize that sustainability and governance factors can have a material impact on the long-term financial performance of a business. They remain integral to our investment process and will continue to inform our active engagement with companies and policymakers.

As active investors, our journey continues to evolve. In a rapidly changing geopolitical and economic landscape, the stewardship of client assets remains critical in delivering the right outcomes for clients.



*The reporting period of this report covers the 12 months ending December 31, 2025.

# Contents

# 2025 in numbers

**>15,000**
Management proposals voted on

**c. 12%**
Management proposals voted against

**15%**
Sustainability related shareholder proposals voted for

**100**
Interactions to drive ESG change[1]

**24%**
ESG engagements actioned upon

**100+**
Investment professionals in
**22**
investment offices

**4**
Embedded sustainability and stewardship specialists

**25 years**
Average experience of Stewardship & Sustainability Council members

**US$19,831m**
Assets in Article 8 and 9 funds with sustainability criteria

1. Please refer to page 39 of this report for definition of ESG engagements.
The figures referenced in the report apply to assets managed by the TGI team and do not reflect statistics for other managers associated with Franklin Templeton. The team's assets under management (AUM) were US$81.1 billion as of December 31, 2025. Note that some of the data in the report may not be representative of the total AUM we manage due to the legal entities captured.

# About Templeton Global Investments

Templeton Global Investments (TGI) combines extensive local presence and international expertise with a robust investment approach to give clients access to the full spectrum of global growth opportunities.

> **“Focus on *value* because most investors focus on outlooks and trends.”**
>
> **Sir John Templeton**

## Pioneer in global and emerging markets investing

**Global pioneers, local experts**
With over 75 years of experience navigating market cycles in global and emerging markets, TGI commands strong local presence and extensive global reach, able to capitalize on unique investment insights and pursue long-term growth opportunities.

**Deep fundamental research**
Our insights are based on independent, original research conducted by teams of specialists across markets and industries. We utilize detailed fundamental models with long-term forecasts covering over 1,200 companies worldwide. This positions us for an unconstrained opportunity set spanning geographies, sectors, and styles.

**Trusted partners**
TGI offers bespoke solutions, actionable ideas and extensive client support with exceptional local access. Our capabilities support a wide range of investment needs and our objective is to create an unparalleled client experience.

## Global footprint, integrated platform

TGI has one of the largest equity research teams in the industry. Our research and investment professionals combine their expertise across developed and emerging markets into an integrated platform that covers global, regional and thematic opportunities across all market capitalizations.

### Our geographic footprint

**22** investment office locations

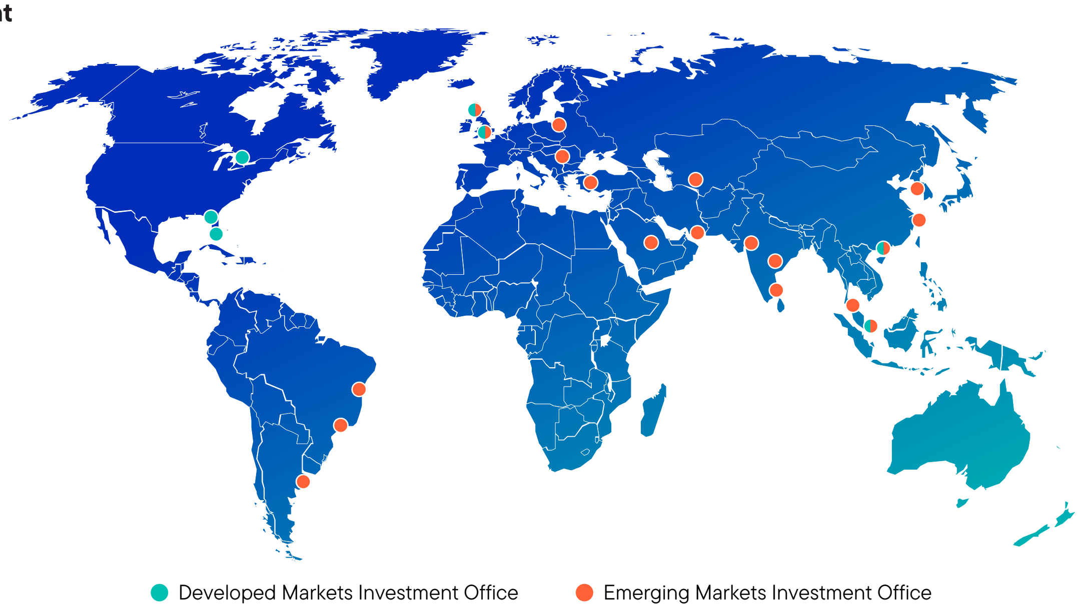
**100+** investment professionals

**18** years average industry experience

**11** years average with FT

**55** CFAs

**1,200+** companies covered




Investment professionals include research analysts, portfolio managers, directors and CIO.
As of December 31, 2025.

# Stewardship and sustainability at Templeton Global Investments

**At TGI, responsible stewardship and sustainability integration underpins our commitment to safeguarding client assets as we navigate the investment landscape of the future.**

## Why stewardship and sustainability is crucial to us

As a responsible steward of client assets, we acknowledge that governance and sustainability factors may create risks and opportunities for companies. It therefore makes sense to comprehensively integrate these factors with our fundamental, bottom-up analysis, and to engage with companies over these factors for potential discussions and change.

Good stewardship of client capital requires taking a long-term view, not only on the companies we invest in, but also on the societies and environment in which they operate. We firmly believe that the long-term prospects of a company are closely intertwined with factors such as its impact and dependence on nature, its relationship with employees and the community where it operates, as well as how its corporate governance is structured.

Analyzing all of the material issues a company is exposed to and engaging the company as a responsible steward on behalf of our clients is not just good business practice—it is our fiduciary duty.

Being a responsible steward of our clients' capital is reflected in:

- **How we act as investors**
  - ESG integration
  - Company engagement
  - Policy advocacy
- **How we treat our clients**
  - Putting clients first
  - Being responsible fiduciaries of client capital
- **How we behave as a business**
  - Building relationships
  - Achieving quality results
  - Working with integrity

## Stewardship and sustainability is the anchor of our legacy

As far back as the 1950s, Sir John Templeton began excluding from investment companies whose activities conflicted with his personal ethics or those of his clients. Today, our process has matured into a dynamic, comprehensive and repeatable assessment of sustainability risks and opportunities. We are proud of our legacy as a stewardship pioneer and its sustained influence of our culture.

# Sustainable investment capabilities

We take an economic-based approach to the integration of environmental, social and governance (ESG) factors across all relevant investment strategies. This means we incorporate material ESG considerations into our traditional financial analysis to help inform our investment decision-making and provide better outcomes for our clients.

**Strategy features may include:**

- Exclusion of certain investments to meet specific criteria such as ethical or religious values, or other activities considered not investable
- Selection of issuers with leading ESG practices or issuers with a trajectory of improving ESG standards
- Focus on issuers that contribute to specific environmental or social themes, such as climate change
- Investing to seek to achieve measurable positive social and environmental outcomes

Each strategy is managed in accordance with the investment objectives and policies agreed between the client and the investment team.

Templeton Global Investments also offers clients the ability to promote broad or specific sustainability characteristics, such as gender diversity and reductions in greenhouse gas (GHG) emissions; guarantee an ESG rating higher than the investment universe; exclude poorly rated issuers; provide minimum allocations to sustainable investments with measurable environmental or social objectives; and/or incorporate enhanced stewardship policies.

## Templeton Global Climate Change Strategy

The Templeton Global Climate Change Strategy has a measurable sustainable investment objective which is environmentally focused, in compliance with Article 9 fund labelling under the European Union Sustainable Finance Disclosure Regulation (SFDR).

The strategy has been recognized with specialized labels used to verify the quality of ESG funds in these jurisdictions.

| Label/Country | |
|---|---|
| **Towards Sustainability**<br>Belgium | Quality standard combining requirements on the investment process and exclusions |
| **FNG ESG**<br>Germany | SRI/ESG investment process with climate exclusions |
| **Umweltzeichen**<br>Austria | An ecolabel with positive sustainable selection criteria and exclusions |

## Templeton Emerging Markets Sustainability Strategy

The Templeton Emerging Markets Sustainability Strategy has a measurable sustainable investment objective which is environmental and social focused, in compliance with Article 9 fund labelling under the European Union SFDR.

The strategy has been recognized with specialized labels used to verify the quality of ESG funds in these jurisdictions.

| | |
|---|---|
| **Towards Sustainability**<br>Belgium | Quality standard combining requirements on the investment process and exclusions |

## Templeton European Insights Strategy

The Templeton European Insights Strategy invests in companies which we believe are improving the environmental and social characteristics of their products and/or operations. Focusing on financially material issues, each holding has specific measurable key performance indicators (KPIs) targeted for improvement.

# TGI Stewardship & Sustainability Council

**"The Council brings structured challenge and oversight to our stewardship and sustainability activities, with a clear focus on client outcomes."**

**Andrew Ness**
Portfolio Manager and Deputy Director of Research

TGI Stewardship & Sustainability Council brings together experts with extensive experience in portfolio management, fundamental research, stewardship and sustainability. The Council sets the strategy and execution roadmap for stewardship and sustainability activities. Its key responsibilities include:

- Setting group policy and strategy around stewardship and sustainability, with execution oversight.
- Serving as the center of excellence that provides strategic guidance on stewardship matters, such as engagement and proxy voting.
- Sharing best practices that enhance the integration of financially material sustainability risks into TGI's investment and research process.
- Guiding the development and enhancement of resources and infrastructure to fulfill regulatory and client requirements.

**TGI Stewardship & Sustainability Program**

| Component | Initiatives |
|---|---|
| Strategy | • Collaborating with the Franklin Templeton organization on corporate sustainability priorities<br>• Adhering to all relevant global regulations<br>• Understanding future client requirements |
| Policies | • Enhancing our proxy-voting guidance principles |
| Embedded Investment Process | • Enhancing our process and infrastructure for the integration of financially material ESG factors<br>• Identifying new areas of sustainability research<br>• Ongoing education from external experts during our research calls and dedicated offsites |
| Product | • Designing products to meet client requirements<br>• Monitoring European Union SFDR 2.0 and investment label developments |
| Client Reporting | • Thought leadership roadmap<br>• Meeting client and regulatory reporting requirements |

**We are also supported by:**

- Independent risk consultants from Franklin Templeton's Investment Risk Management Group who deploy industry-leading tools to provide a top-down, portfolio level perspective on governance and sustainability issues.
- Franklin Templeton's Investment Sustainability Solutions Team, a multidisciplinary group of sustainable investment professionals with expertise in stewardship and engagement, as well as sustainability data, policy and reporting.

## Council membership

**Manraj Sekhon**
Chief Investment Officer
31 years of industry experience

**Andrew Ness**
Portfolio Manager and
Deputy Director of Research
31 years of industry experience

**Bassel Khatoun**
Portfolio Manager and Director of Research
23 years of industry experience

**Craig Cameron**
Portfolio Manager,
Head of Europe and Sustainability
16 years of industry experience

**Tina Sadler**
Portfolio Manager, Sustainability Team
30 years of industry experience

**Preyesh Patel**
Head of Sustainability & Stewardship
18 years of industry experience

**Donald Graham**
Director of Sustainability & Stewardship
25 years of industry experience

# Sustainability efforts throughout our organization

**Centered on our investment teams**

**Our client-centric approach to sustainability is aligned with our fiduciary duty and rooted in the following core principles:**

**1**
To hold others accountable, we must also hold ourselves accountable for good stewardship and sustainability practices.

**2**
Sustainability considerations and stewardship focused on financially material factors are integral to the investment process. We have embedded sustainability resources into our investment teams.

**3**
Our investment teams benefit from leveraging our scale through accessing scalable sustainability resources and participating in internal forums for collaboration.

**4**
Strong oversight and governance across the company and the investment organization are imperative.

**Through these principles, we ensure that we have the capabilities to cater to varied client needs.**

## Investment Sustainability Solutions Team (ISST)

The ISST is a multidisciplinary group of sustainable investment professionals with expertise in sustainability data, stewardship and engagement, as well as sustainability policy and reporting. The team is led by Dr. Jennifer Willetts, Head of Investment Sustainability Solutions.

The ISST provides guidance and services to our investment teams and other key stakeholders across the firm through their sustainability subject matter expertise. Their role is to support the needs and priorities of our investment teams and their clients, in their consideration and integration of investment sustainability.

| | |
|---|---|
| **Data & Research** | Drives sourcing and integration of data, development of analytical tools and thematic research. |
| **Policy & Reporting** | Engages multiple stakeholders on sustainability policy and regulatory reporting matters. |
| **Stewardship & Engagement** | Supports investment teams on engagement and proxy voting research as well as thematic issues. |

# ESG integration

## Our approach

We consider environmental, social and governance (ESG) issues alongside traditional financial metrics to provide a more comprehensive view of the longer-term value, risk and sustainable return potential of an investment. This enables the identification of business models that are most likely to sustain high earnings generation and resist competitive pressure over time. We can also better understand management's ability to deliver shareholder returns and determine whether their interests are aligned with minority investors.

## Factors to be considered may include:

### Environmental

**How a company manages its impact and dependency on the environment.**

Energy use, climate change, biodiversity, waste, pollution and natural resource conservation

### Social

**How a company manages relationships with its employees, suppliers, customers and the communities in which it operates.**

Human rights, labor standards, employee engagement, community relations, data protection and privacy, and diversity

### Governance

**How a company's oversight is structured to ensure responsible and effective management.**

Company leadership, degree of board director independence, executive pay, independent audits, internal controls and shareholder rights

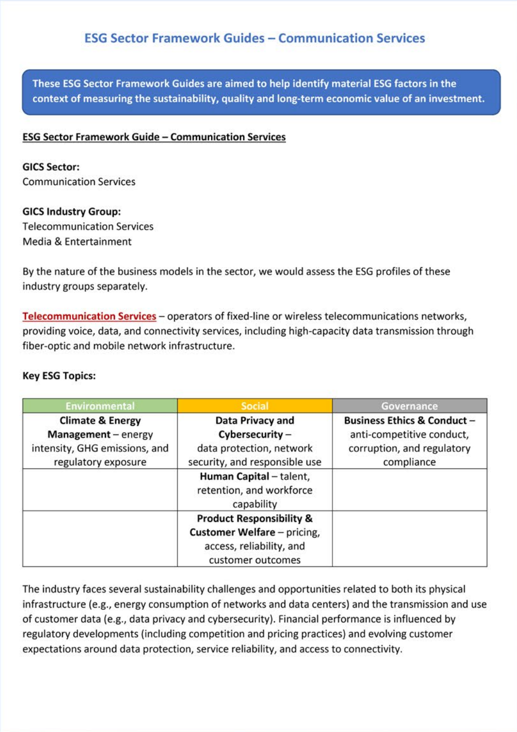
## Our framework

**At TGI, we do not believe in creating a siloed ESG research function. Our approach to effective integration entails embedding ESG considerations in our investment research. Guided by our ESG Sector Framework Guides, our analysts seek to identify financially material governance and sustainability issues. The framework is informed by the Sustainability Accounting Standards Board (SASB)[2] and we have further developed it to identify the minimum set of ESG issues most likely to materially impact the operating performance or financial conditions of a typical company in its industry group.**

**This analysis is conducted in addition to a universal governance assessment for all companies, ensuring the companies we invest in have the necessary structures and processes to account for minority shareholder interests.**

2. SASB Standards surface information about sustainability-related risks and opportunities that is likely to be decision-useful for investors. Source: SASB.

## ESG Sector Framework Guides



### ESG Sector Framework Guides – Communication Services

These ESG Sector Framework Guides are aimed to help identify material ESG factors in the context of measuring the sustainability, quality and long-term economic value of an investment.

ESG Sector Framework Guide – Communication Services

**GICS Sector:**
Communication Services

**GICS Industry Group:**
Telecommunication Services
Media & Entertainment

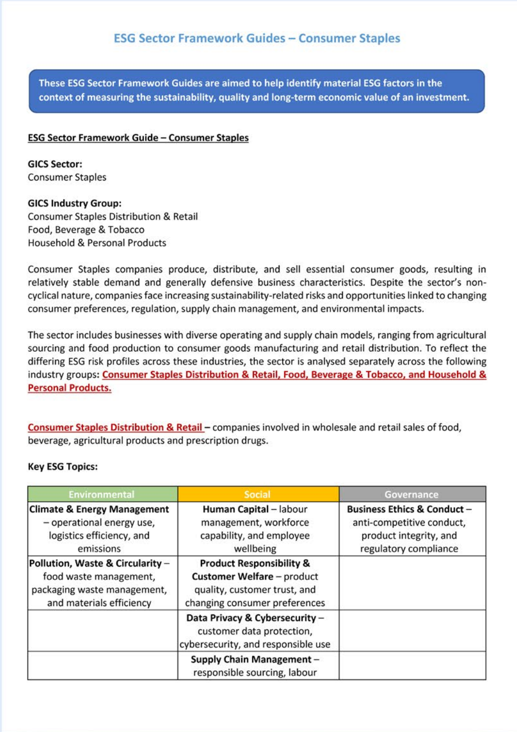
By the nature of the business models in the sector, we would assess the ESG profiles of these industry groups separately.

Telecommunication Services – operators of fixed-line or wireless telecommunications networks, providing voice, data, and connectivity services, including high-capacity data transmission through fiber-optic and mobile network infrastructure.

**Key ESG Topics:**

| Environmental | Social | Governance |
|---|---|---|
| **Climate & Energy Management** – energy intensity, GHG emissions, and regulatory exposure | **Data Privacy and Cybersecurity** – data protection, network security, and responsible use | **Business Ethics & Conduct** – anti-competitive conduct, corruption, and regulatory compliance |
| | **Human Capital** – talent, retention, and workforce capability | |
| | **Product Responsibility & Customer Welfare** – pricing, access, reliability, and customer outcomes | |

The industry faces several sustainability challenges and opportunities related to both its physical infrastructure (e.g., energy consumption of networks and data centers) and the transmission and use of customer data (e.g., data privacy and cybersecurity). Financial performance is influenced by regulatory developments (including competition and pricing practices) and evolving customer expectations around data protection, service reliability, and access to connectivity.



### ESG Sector Framework Guides – Consumer Staples

These ESG Sector Framework Guides are aimed to help identify material ESG factors in the context of measuring the sustainability, quality and long-term economic value of an investment.

ESG Sector Framework Guide – Consumer Staples

**GICS Sector:**
Consumer Staples

**GICS Industry Group:**
Consumer Staples Distribution & Retail
Food, Beverage & Tobacco
Household & Personal Products

Consumer Staples companies produce, distribute, and sell essential consumer goods, resulting in relatively stable demand and generally defensive business characteristics. Despite the sector's non-cyclical nature, companies face increasing sustainability-related risks and opportunities linked to changing consumer preferences, regulation, supply chain management, and environmental impacts.

The sector includes businesses with diverse operating and supply chain models, ranging from agricultural sourcing and food production to consumer goods manufacturing and retail distribution. To reflect the differing ESG risk profiles across these industries, the sector is analysed separately across the following industry groups: **Consumer Staples Distribution & Retail, Food, Beverage & Tobacco, and Household & Personal Products.**

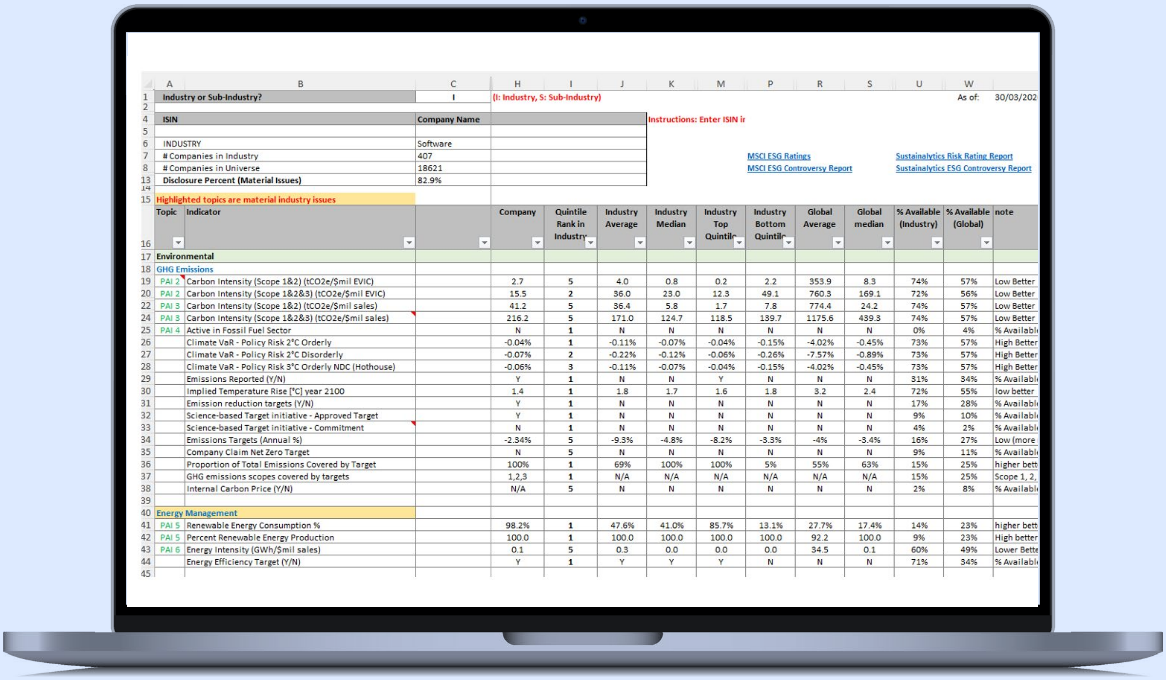
Consumer Staples Distribution & Retail – companies involved in wholesale and retail sales of food, beverage, agricultural products and prescription drugs.

**Key ESG Topics:**

| Environmental | Social | Governance |
|---|---|---|
| **Climate & Energy Management** – operational energy use, logistics efficiency, and emissions | **Human Capital** – labour management, workforce capability, and employee wellbeing | **Business Ethics & Conduct** – anti-competitive conduct, product integrity, and regulatory compliance |
| **Pollution, Waste & Circularity** – food waste management, packaging waste management, and materials efficiency | **Product Responsibility & Customer Welfare** – product quality, customer trust, and changing consumer preferences | |
| | **Data Privacy & Cybersecurity** – customer data protection, cybersecurity, and responsible use | |
| | **Supply Chain Management** – responsible sourcing, labour | |

Analysts are also aided by our ESG Scorecard, which ranks company performance on indicators associated with the relevant and material industry issues. With the ESG Scorecard, analysts can conduct a quantitatively-driven assessment of over 100 key performance indicators (KPIs). This includes the principal adverse impact indicators (PAIs), a set of metrics indicating where investments are having negative impact on sustainability factors. The PAIs were developed as part of the European Union Sustainable Finance Disclosure Regulation (SFDR),[3] and include metrics such as carbon footprint, impact on biodiversity, human rights policies and controversial weapons exposure.

## ESG Scorecard



| | A | B | C | H | I | J | K | M | P | R | S | U | W | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Industry or Sub-Industry? | | I | (I: Industry, S: Sub-Industry) | | | | | | | | | As of: | 30/03/202 |
| 2 | | | | | | | | | | | | | | |
| 4 | ISIN | | Company Name | | | Instructions: Enter ISIN ir | | | | | | | | |
| 5 | | | | | | | | | | | | | | |
| 6 | INDUSTRY | | Software | | | | | | | | | | | |
| 7 | # Companies in Industry | | 407 | | | | | MSCI ESG Ratings | | | Sustainalytics Risk Rating Report | | | |
| 8 | # Companies in Universe | | 18621 | | | | | MSCI ESG Controversy Report | | | Sustainalytics ESG Controversy Report | | | |
| 13 | Disclosure Percent (Material Issues) | | 82.9% | | | | | | | | | | | |
| 15 | Highlighted topics are material industry issues | | | | | | | | | | | | | |
| 16 | Topic | Indicator | | Company | Quintile Rank in Industry | Industry Average | Industry Median | Industry Top Quintile | Industry Bottom Quintile | Global Average | Global median | % Available (Industry) | % Available (Global) | note |
| 17 | Environmental | | | | | | | | | | | | | |
| 18 | GHG Emissions | | | | | | | | | | | | | |
| 19 | PAI 2 | Carbon Intensity (Scope 1&2) (tCO2e/$mil EVIC) | | 2.7 | 5 | 4.0 | 0.8 | 0.2 | 2.2 | 353.9 | 8.3 | 74% | 57% | Low Better |
| 20 | PAI 2 | Carbon Intensity (Scope 1&2&3) (tCO2e/$mil EVIC) | | 15.5 | 2 | 36.0 | 23.0 | 12.3 | 49.1 | 760.3 | 169.1 | 72% | 56% | Low Better |
| 22 | PAI 3 | Carbon Intensity (Scope 1&2) (tCO2e/$mil sales) | | 41.2 | 5 | 36.4 | 5.8 | 1.7 | 7.8 | 774.4 | 24.2 | 74% | 57% | Low Better |
| 24 | PAI 3 | Carbon Intensity (Scope 1&2&3) (tCO2e/$mil sales) | | 216.2 | 5 | 171.0 | 124.7 | 118.5 | 139.7 | 1175.6 | 439.3 | 74% | 57% | Low Better |
| 25 | PAI 4 | Active in Fossil Fuel Sector | | N | 1 | N | N | N | N | N | N | 0% | 4% | % Availabl |
| 26 | | Climate VaR - Policy Risk 2°C Orderly | | -0.04% | 1 | -0.11% | -0.07% | -0.04% | -0.15% | -4.02% | -0.45% | 73% | 57% | High Better |
| 27 | | Climate VaR - Policy Risk 2°C Disorderly | | -0.07% | 2 | -0.22% | -0.12% | -0.06% | -0.26% | -7.57% | -0.89% | 73% | 57% | High Better |
| 28 | | Climate VaR - Policy Risk 3°C Orderly NDC (Hothouse) | | -0.06% | 3 | -0.11% | -0.07% | -0.04% | -0.15% | -4.02% | -0.45% | 73% | 57% | High Better |
| 29 | | Emissions Reported (Y/N) | | Y | 1 | N | N | Y | N | N | N | 31% | 34% | % Availabl |
| 30 | | Implied Temperature Rise [°C] year 2100 | | 1.4 | 1 | 1.8 | 1.7 | 1.6 | 1.8 | 3.2 | 2.4 | 72% | 55% | low better |
| 31 | | Emission reduction targets (Y/N) | | Y | 1 | N | N | N | N | N | N | 17% | 28% | % Availabl |
| 32 | | Science-based Target initiative - Approved Target | | Y | 1 | N | N | N | N | N | N | 9% | 10% | % Availabl |
| 33 | | Science-based Target initiative - Commitment | | N | 1 | N | N | N | N | N | N | 4% | 2% | % Availabl |
| 34 | | Emissions Targets (Annual %) | | -2.34% | 5 | -9.3% | -4.8% | -8.2% | -3.3% | -4% | -3.4% | 16% | 27% | Low (more |
| 35 | | Company Claim Net Zero Target | | N | 5 | N | N | N | N | N | N | 9% | 11% | % Availabl |
| 36 | | Proportion of Total Emissions Covered by Target | | 100% | 1 | 69% | 100% | 100% | 5% | 55% | 63% | 15% | 25% | higher bett |
| 37 | | GHG emissions scopes covered by targets | | 1,2,3 | 1 | N/A | N/A | N/A | N/A | N/A | N/A | 15% | 25% | Scope 1, 2, |
| 38 | | Internal Carbon Price (Y/N) | | N/A | 5 | N | N | N | N | N | N | 2% | 8% | % Availabl |
| 39 | | | | | | | | | | | | | | |
| 40 | Energy Management | | | | | | | | | | | | | |
| 41 | PAI 5 | Renewable Energy Consumption % | | 98.2% | 1 | 47.6% | 41.0% | 85.7% | 13.1% | 27.7% | 17.4% | 14% | 23% | higher bett |
| 42 | PAI 5 | Percent Renewable Energy Production | | 100.0 | 1 | 100.0 | 100.0 | 100.0 | 100.0 | 92.2 | 100.0 | 9% | 23% | High better |
| 43 | PAI 6 | Energy Intensity (GWh/$mil sales) | | 0.1 | 5 | 0.3 | 0.0 | 0.0 | 0.0 | 34.5 | 0.1 | 60% | 49% | Lower Bette |
| 44 | | Energy Efficiency Target (Y/N) | | Y | 1 | Y | Y | Y | N | N | N | 71% | 34% | % Availabl |
| 45 | | | | | | | | | | | | | | |

3. The SFDR aims to improve the clarity and comparability of sustainability disclosures in financial market participants' investment policies and products. Source: European Commission.

## Proprietary ratings

As part of TGI's company research process, our analysts rate companies based on ESG factors that are relevant to their businesses. The analysts provide explanations and context for their ratings, which are incorporated into company research reports. These proprietary ratings and assessments are fully integrated into our database and can be tracked to see how a company develops over time.

Factor relevancy is a key consideration. For instance, a software firm's 'Social' rating could be influenced by data privacy safeguards and management of AI-related ethical risks; an automaker's 'Environmental' rating could be shaped by fleet emissions intensity and electrification strategy, among others.

## Outcomes

In our view, understanding and analyzing the material issues facing a company is a critical part of sound investment analysis. It is a key priority that we consistently strive for. We have been operating with a comprehensive and integrated ESG framework for many years. This not only strengthens the quality of our investment analysis across the market spectrum, but also addresses limitations of third-party ratings, such as over reliance on a quantitative model, poor coverage of emerging markets and small-to-mid-cap stocks, as well as delays in identifying positive ESG momentum.

Many companies have endeavored to improve their ESG practices. This is not a new phenomenon. However, ESG consideration is now an increasingly important factor for brand and regulatory cost management, such as minimizing carbon taxes. We believe ESG impact can affect a company's profitability and market valuation. As well, there are companies with strong ESG practices that are not yet rewarded by the market.

The regime shift towards greater consideration of ESG issues is creating significant and lasting influence on virtually all aspects of investing and the wider economy. We believe TGI is ahead of the curve, and our abundant experience in ESG consideration and integration should benefit our clients over the long term.

**Our analysts identify material ESG issues, in a process guided by our proprietary ESG Sector Framework Guides. Below is an example of how we assess ESG issues for the information technology sector.**

## ESG sector framework: Information technology

We assess the sustainability profiles of information technology companies using two separate frameworks: software and services as well as technology hardware and semiconductors. This division allows us to develop a comprehensive understanding of the material sustainability issues and distinct risk profiles in different business models. For instance, software and services firms face heightened scrutiny around data privacy, cybersecurity, artificial intelligence (AI) governance, and responsible product use. Hardware and semiconductor companies are instead more exposed to complex global supply chains, geopolitical risks, export controls, labor standards and the environmental footprint of manufacturing.

**To assess operations in the information technology sector, we consider the following governance and sustainability issues:**

- **Environmental priorities:** For software and services companies, the environmental footprint of data centers—particularly energy and water intensity—is a key operational consideration, with efficiency improvements directly affecting operating costs and resilience. For technology hardware and semiconductors companies, environmental exposure is more pronounced in manufacturing, where energy use, carbon intensity, and access to natural resources such as ultra-pure water can create production capacity, cost, and regulatory risks. Companies that proactively manage resource efficiency, renewable energy use, and sustainable design are better positioned to mitigate tightening regulations and supply constraints.
- **Social priorities:** Human capital is critical across both industry sub-groups, given their reliance on skilled labor to drive innovation, product development and competitive differentiation. Talent attraction, retention, diversity, and labor relations are therefore financially material. In the hardware and semiconductor supply chain, worker health and safety as well as ethical sourcing—such as the avoidance of conflict minerals—are particularly relevant in navigating reputational and regulatory risks. Meanwhile, data privacy and cybersecurity are critical across the whole industry, as breaches can lead to litigations, fines, remediation costs, and erosion of customer trust.
- **Governance priorities:** Amid evolving data protection regimes such as the general data protection regulation, regulatory compliance presents both risk and opportunity for software and services providers. Robust data governance, board oversight of cybersecurity and transparent tax practices are key indicators of quality management. For hardware and semiconductors companies, governance considerations also include product reliability, anti-competitive conduct, and responsible tax practices. Regulatory actions or litigations related to governance issues can affect pricing power and market access. Effective governance and supply chain oversight are therefore essential to maintaining licence to operate and long-term shareholder value creation.

### Key research considerations: Technology hardware and semiconductors industry

| Environmental | Social | Governance |
|---|---|---|
| **Natural resources and carbon**<br>Energy and water use in operations | **Health and safety**<br>Worker conditions | **Products and services**<br>Environmental and social solutions, product governance |
| | **Supply chain standards**<br>Management of supply chain footprint | |
| | **Data privacy and security**<br>Customer data security | **Anti-competitive and tax practices**<br>Litigation and competition risks |
| | **Human capital**<br>Attracting and retaining talent | |

| Topic | Impact | Signals |
|---|---|---|
| **Natural resources and carbon** | Energy efficiency and natural resources availability can have an impact on operational costs, as disruptions can negatively affect production. Tighter regulation (e.g., carbon pricing) may also incur fines and affect costs. In semiconductor manufacturing, increasingly smaller process nodes are pushing up production need for ultra-pure water. Water supply constraints may lead to higher costs of resource procurement, thus impacting pricing, operations and capacity. | • Energy and carbon intensity trend<br>• Renewable energy use<br>• Historic trends of environmental fines<br>• Policies on water usage and water intensity of production<br>• Percentage of water recycled or reused<br>• Supplier code of conduct on water usage |

## Environmental case study

# SK Hynix

**South Korean semiconductor company SK Hynix is among the global leaders in memory chip production.**

| | |
|---|---|
| **ESG topic** | **Natural resources and carbon** |
| **Materiality and risk** | Natural resources and carbon footprints are financially material to semiconductor manufacturing. Advanced chip manufacturing requires significant volumes of electricity and ultra-pure water, increasing exposure to power price volatility, carbon regulation and water stress. As climate policy tightens and customers demand lower-carbon supply chains, companies face rising transition risks. These may include higher operating costs, additional capital expenditure and production disruptions. |
| **Implemented energy efficiency initiatives** | • SK Hynix has committed to achieving Net Zero by 2050 and maintaining Scope 1 and 2 emissions[4] at the 2020 levels through to 2030, despite expected production growth driven by AI demand.[5]<br>• The company is actively reducing high-GWP (Global Warming Potential) process gas usage through optimization and alternative gas adoption. Abatement systems are also being improved, with scrubber enhancements pushing treatment efficiency up to 99%.<br>• Renewable electricity accounted for approximately 29.9% of its total consumption in 2024. SK Hynix is targeting 33% by 2030.<br>• Energy efficiency initiatives delivered 350 gigawatt-hour (GWh) of savings in 2024, exceeding internal targets. This was enabled by ISO 50001-certified energy management systems and AI-enabled optimization.<br>• SK Hynix developed an automated emissions calculation and management system linked to its procurement systems. Collaborations through the ECO Alliance and the Semiconductor Climate Consortium help strengthen its Scope 3 emissions management and drive value-chain decarbonization. |
| **ESG thesis** | SK Hynix has a strong focus on climate transition and energy management, recognizing carbon and electricity intensity as critical risk factors. As indicated above, a range of initiatives have been implemented to reduce operational emissions and improve energy efficiency. We believe SK Hynix has overall developed a robust strategy to manage climate transition risks, also embedding oversight at the board and executive level while linking operational decarbonization, renewable procurement and product energy efficiency improvements to long-term competitiveness. |

4. The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes.' Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Source: GHG Protocol.
5. Source: SK Hynix Sustainability Report 2025.

## Environmental case study

# Microsoft

**Microsoft is a US-based global technology leader providing cloud, software, artificial intelligence (AI) and enterprise productivity solutions.**


| **ESG topic** | **Energy and water management** |
|---|---|
| **Materiality and risk** | Software companies typically face lower environmental risks. However, hyperscalers like Microsoft operate energy- and water-intensive data centers. Electricity demand of power servers and water use for cooling expose the company to rising energy costs, carbon pricing, grid constraints and water scarcity. As AI and cloud infrastructure buildout continues, Microsoft's absolute emissions are on the rise and its carbon intensity remains above the industry median. This also heightens scrutiny from regulators and stakeholders. Failure to manage these risks could affect operating costs, growth capacity and reputation. On balance, efficient global cloud services can reduce customers' reliance on local servers, materially lowering system-wide energy use and emissions. |
| **Energy, carbon and water strategy** | • Microsoft has committed to becoming carbon negative by 2030, procuring renewable energy to cover 100% of electricity consumption by 2025 and removing, by 2050, all historical emissions since its founding in 1975.[6] Its science-based targets are validated as aligned with a 1.5°C pathway.[7]<br>• Absolute emissions have risen due to aggressive AI and cloud infrastructure expansion, but the management maintains long-term decarbonization commitments. Importantly, Microsoft's cloud services have the potential to help customers reduce power consumption by up to 93% and carbon emissions by up to 98%.<br>• The company has also committed to becoming water positive by 2030 for direct operations, aiming to replenish more water than it consumes and improve water use efficiency by 40% across data center operations from a 2022 baseline. Our progress check indicates Microsoft remains on track to achieve these targets. |
| **ESG thesis** | Microsoft's environmental footprint reflects its expanding hyperscale cloud and AI infrastructure. While absolute emissions are rising, the management has established credible, science-aligned targets for carbon, renewable energy and water stewardship. We view the near-term emissions growth as investment-driven rather than a structural issue, but will continue to monitor whether Microsoft can maintain its focus on reducing carbon intensity as its infrastructure scales up. Separately, the company's ability to deliver significant downstream efficiency gains for customers strengthens its long-term sustainability positioning. Overall, Microsoft demonstrates proactive environmental management with clear accountability and measurable targets. |

6. Source: Microsoft Environmental Sustainability Report 2025.
7. A 1.5°C pathway refers to a science-based plan to limit global warming to 1.5°C above pre-industrial levels, based on the 2015 Paris Agreement. Source: The Paris Agreement.

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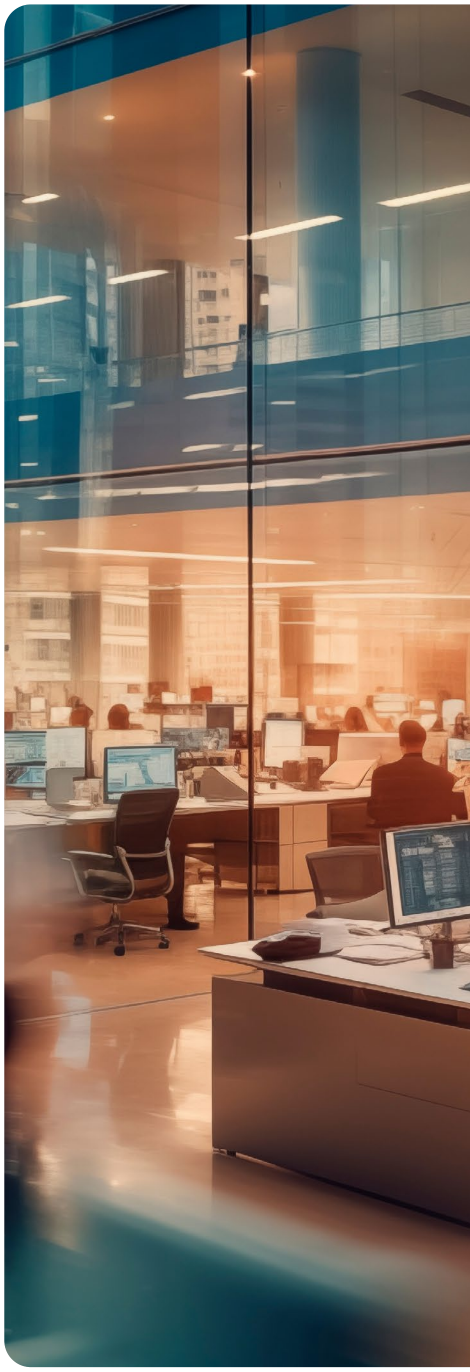
Social case study

# Grupo Financiero Banorte

**Grupo Financiero Banorte is Mexico's largest domestically owned full-service bank.**

| | |
|---|---|
| **ESG topic** | **Cyber security** |
| **Materiality and risk** | For banks, cybersecurity is financially material given the highly digital nature of modern banking and the sensitivity of customer data. As services increasingly migrate online, institutions face heightened exposure to data breaches, ransomware attacks and operational disruption, which can result in regulatory fines, litigation costs and loss of customer trust. Amid intensifying regulatory scrutiny, banks face rising compliance costs and capital expenditure requirements to safeguard systems and protect personally identifiable information. Failure to invest adequately in prevention, detection and response capabilities could impair brand equity, reduce deposit stability and ultimately erode long-term profitability. |
| **Strong cyber security resilience** | • In December 2021, Banorte established a dedicated Cyber-Risk Sub-Committee, adopting a preventive approach to cyber-risk management while enhancing response speed and coordination at the senior levels.[8]<br>• A separate cyber-crisis management team with expertise in areas such as digital forensics and financial fraud prevention reinforces Banorte's ability to manage complex cyber incidents.<br>• Banorte regularly conducts system drills, simulation exercises as well as annual internal and external audits to bolster cyber resilience and compliance.<br>• Mandatory employee training programs and awareness campaigns help build a culture of cyber vigilance across the organization.<br>• The bank maintains extensive data protection processes, including certification by recognized external information security management standards and robust compliance frameworks. |
| **ESG thesis** | Banorte considers cybersecurity a core pillar of its operational resilience and customer trust. The bank has invested significantly in new technologies to enhance digital competitiveness; however, this also increases exposure to cybersecurity risks. In response, Banorte has implemented various initiatives and governance enhancements. It has developed a proactive and increasingly sophisticated cybersecurity framework aligned with its digital growth strategy. These are essential to safeguarding its customer trust, regulatory standing and long-term shareholder value. |



8. Source: Banorte, Annual Report 2021.

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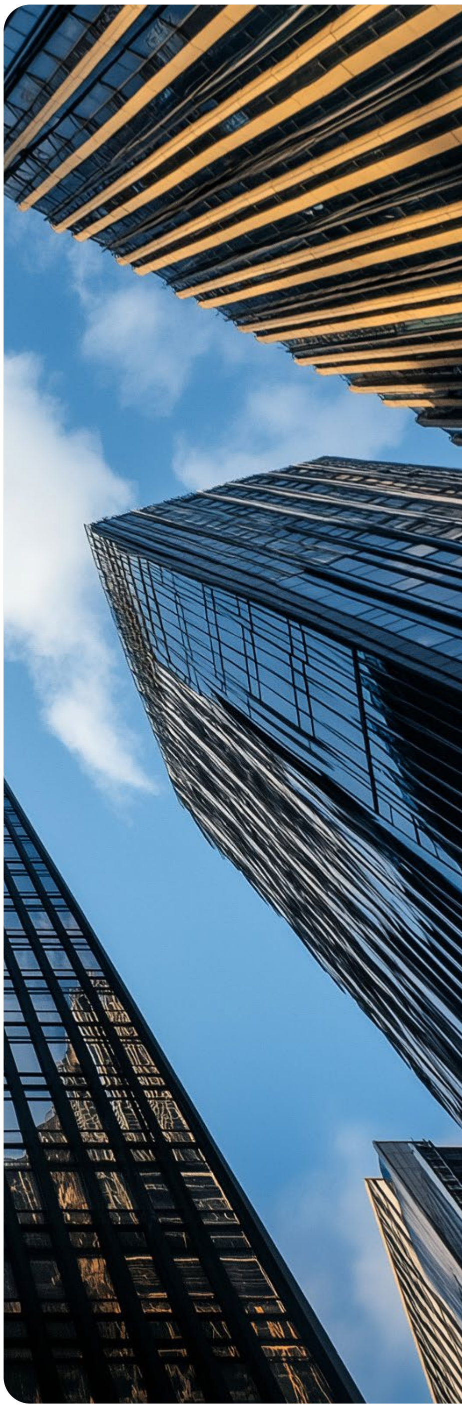
## Social case study

# ING Groep

**ING is a Netherlands-based financial institution offering retail and wholesale banking, investments, insurance as well as asset management services.**

| | |
|---|---|
| **ESG topic** | **Management of human resources** |
| **Materiality and risk** | Human capital management is a material social factor for banks, whose success is dependent on customer trust, business conduct and service quality. Weak workforce management can erode culture, increase misconduct risk and damage brand reputation. In retail banking, employee behavior directly affects consumer protection, regulatory compliance and long-term customer relationships. Poor diversity, engagement or training practices may increase operational risk and employee turnover, while large-scale restructuring can disrupt service delivery. Strong talent development, inclusive culture and conduct oversight are therefore essential to safeguard franchise value and sustain long-term competitiveness in the highly-regulated European banking environment. |
| **Leading workforce practices** | • ING is recognized as one of the workforce management and culture leaders in the financial sector. Reflecting its reputation, Forbes included ING in its World's Best Employers 2025 ranking list.[9]<br>• The bank has established clear gender diversity targets. It aims for around one-third representation of women in senior management, supported by broader diversity, inclusion and belonging initiatives across the organization.<br>• ING also actively invests in talent development, including training programs and partnerships with educational institutions to strengthen the future talent pipeline. The bank has not undertaken major restructuring in recent years, reducing workforce disruption risk.[10]<br>• The Orange Code, ING's values manifesto, reinforces expected behaviors, while a dedicated Behavioral Risk Management team seeks to identify and mitigate conduct risks. Employee training on consumer protection further links culture to customer outcomes. |
| **ESG thesis** | ING demonstrates strong human capital management relative to peers, supported by clear diversity principles, structured talent development and embedded conduct oversight. Reputation as an employer of choice reinforces its cultural positioning. The integration of behavioral risk management and consumer protection training strengthens alignment between workforce practices and regulatory expectations. Although data privacy and cybersecurity governance—particularly in terms of training and certification standards—has room for improvement, workforce management is a clear strength of ING. Overall, we believe ING's human capital strategy supports operational resilience, regulatory compliance and long-term franchise value. |



9. Source: Forbes, 2025 World's Best Employers.
10. Source: ING Annual Report 2025.

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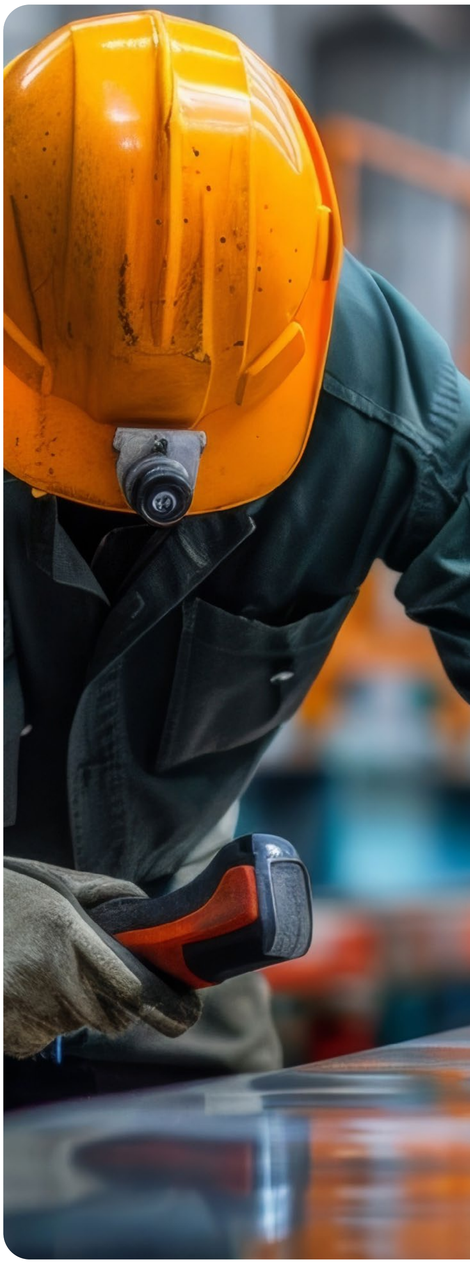
Governance case study

# Techtronic Industries

**Hong Kong-based Techtronic Industries (TTI) provides power tools, outdoor equipment and floorcare products globally.**

| | |
|---|---|
| **ESG topic** | **Corporate governance** |
| **Materiality and risk** | For TTI, corporate governance is financially material given its founder ownership structure, global supply chain exposure and capital allocation intensity. Strong board independence, incentive alignment and compliance controls are essential to mitigate regulatory, operational and reputational risks. Weak oversight could result in legal exposure, supply chain misconduct or erosion of investor confidence, ultimately affecting shareholder value. |
| **Improving governance trajectory** | • In October 2024, TTI appointed two independent non-executive directors,[11] increasing independent board representation to 57% (from 50% in August 2024). Female board representation also increased to 21% (from 17% in August 2024). While still lagging some global industrial companies, TTI is making progress in improving board independence and diversity.<br>• One of these newly appointed independent directors joined the Nomination Committee in March 2026, modestly increasing its level of independence. However, the committee continues to be chaired by a non-independent director.[12]<br>• Executive remuneration is assessed on a comprehensive set of operational and financial performance metrics, such as revenue, EBIT (earnings before interest and taxes), diluted EPS (earnings per share) and total shareholder return, ensuring alignment with shareholder interests.<br>• The company operates under a one-share-one-vote structure, and the Pudwill family remains the largest shareholder with an approximately 20% stake, providing long-term strategic stability. |
| **ESG thesis** | TTI demonstrates strengthening corporate governance, which we believe supports disciplined capital allocation, innovation-led growth and long-term value creation. Overall, TTI's governance trajectory is positive, with measurable improvements in independence and diversity since 2024. However, both board independence and gender diversity remain below the level seen at certain global industrial peers, suggesting room for enhancements relative to international best practices. |



11. Source: TTI announcement. As of 7 October 2024.
12. Source: TTI announcement. As of 9 March 2026.

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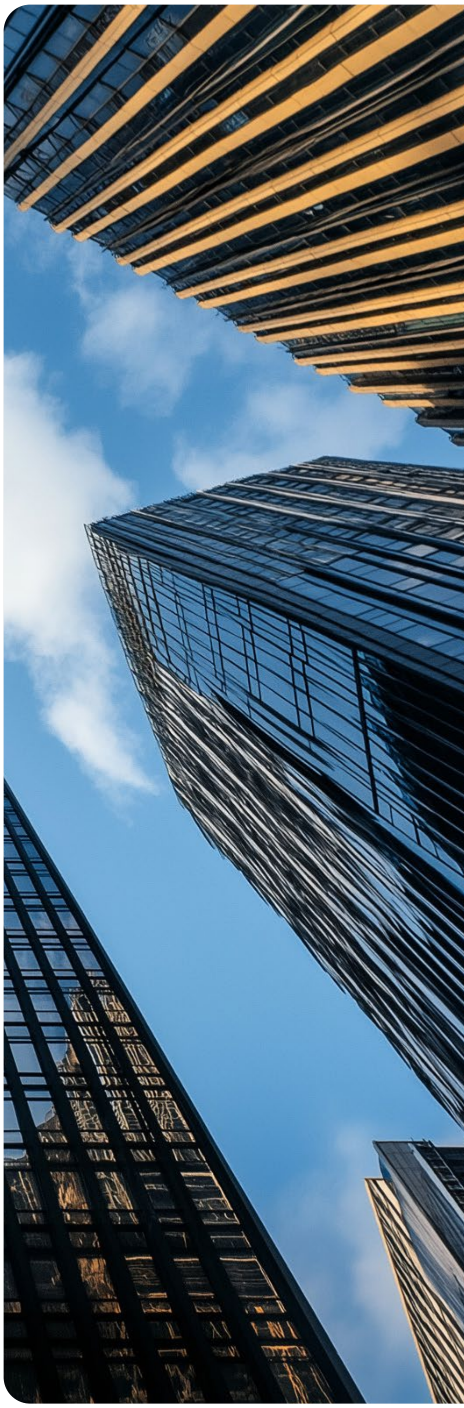
## Governance case study | Safran

**Safran is a France-based aerospace and defense company, providing aircraft engines, equipment, and services globally.**

| | |
|---|---|
| **ESG topic** | **Corporate governance** |
| **Materiality and risk** | Poor corporate governance may erode company culture and cause reputational risks. It may also lead to misaligned interests relative to minority shareholders. In capital goods industries such as aerospace and defense, corporate governance is particularly material given their long-term contracts and complex supply chains, as well as significant government involvement. Strong board oversight, independent audit controls and transparent executive remuneration are therefore essential to the protection of minority shareholder interests. |
| **Managing state influence and shareholder alignment** | • Safran demonstrates generally strong governance fundamentals relative to its sector peers. The board is 50% female and, as of 2025, 50% independent. The French government holds 11% of shares and 18% of voting rights, with one seat on the board. This creates potential conflict-of-interest risks given its dual role as a major shareholder and customer.<br>• The company disclosed related-party transactions with the government, and the absence of a fully independent audit committee may heighten scrutiny from minority investors. However, there have been no significant shareholder votes against management remuneration or director elections in recent years.<br>• CEO Olivier Andriès, appointed in 2021, brings extensive aerospace and public-sector experience. His compensation is 70% performance-linked and tied to Safran's total shareholder return, recurring operating income, free cash flow and working capital. This implies a meaningful personal ownership that we believe is supportive of minority shareholder interest alignment.[13] |
| **ESG thesis** | Safran sufficiently manages its corporate governance risks and it performs well on governance relative to peers. The company benefits from experienced leadership, performance-aligned executive pay and strong gender diversity. ESG oversight is embedded at the executive level, while business ethics and practices are robust, supported by anti-corruption policies and whistleblower protections. We note that a past aircraft-related controversy has been investigated, with no design fault attributed to Safran. Nonetheless, state ownership and related-party transactions remain structural governance risks. Maintaining focus on audit independence and minority shareholder protections will be important to sustain long-term investor confidence. |



13. Source: Safran Universal Registration Document 2024.

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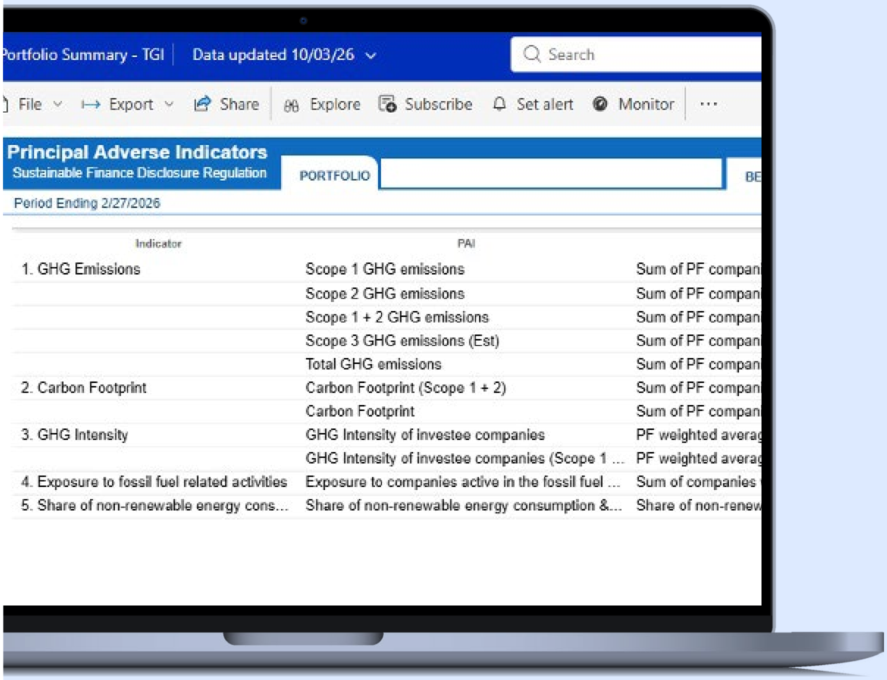
## Oversight and tools for monitoring

To facilitate ESG integration into our investment research and company engagement framework, we maintain a robust oversight and monitoring process, with the support of a range of proprietary tools and external resources.

We actively monitor companies to assess ESG performance and preparedness. This enables our analysts to supplement formal research reports with an ESG assessment for each company under coverage. We also monitor alerts on severe ESG controversies and third-party ratings downgrades, which are shared with portfolio managers and research analysts for further evaluation.

Encapsulating the monitoring process is a dedicated ESG Portfolio Analysis tool built into our research database. It enables portfolio managers to effectively monitor the ESG factors and characteristics of a portfolio and its holdings, in real time.

### ESG Portfolio Analysis




In addition to company-level ESG assessment, portfolio-level ESG factors are examined regularly to provide clarity on ESG risk exposure. This may entail:

- Overall portfolio performance review and identification of outliers, based on internal and external ESG ratings and adverse impact indicators.
- Carbon footprint review highlighting the companies with the highest carbon intensity.
- Portfolio and benchmark climate VaR (Value-at-Risk) for policy risks, technology opportunities and physical risks, as well as highlighting top contributors and highest absolute risks or opportunities at the company level.
- Review of holdings most positively exposed to environmental or social objectives, such as climate change mitigation or UN Sustainable Development Goals.

## External resources

Analysts leverage ESG-related research and data from the following sources:

- **MSCI ESG Manager**—ESG ratings, ESG data, carbon metrics, climate analytics, business involvement screening, controversy scores, Global Norms compliance, regulatory solutions, government ratings and research reports.
- **Sustainalytics**—ESG ratings, business involvement screening, controversy scores and research reports.
- **Institutional Shareholder Services (ISS)**—proxy voting research and recommendations.
- **Glass, Lewis and Company**—proxy voting research and recommendations.
- **CDP (formerly Carbon Disclosure Project)**—organization which supports companies and cities to disclose their environmental impact.
- **Sustainability Accounting Standards Board (SASB)**—organization developing industry-specific sustainability indicators for companies to include in their financial reports.
- **Nature Alpha**—data provider specialising in high-resolution, asset-level nature and biodiversity analytics.
- **Ideal Ratings**—solutions for Shariah-compliant investment fund management process (compliance, purification).
- **Amanie Advisors**—Shariah advisory firm specializing in Islamic finance solutions.
- **Bloomberg**—ESG data and insights.
- **Various brokers**—thematic, sector and company ESG research.

The insights acquired from the monitoring processes and tools will then inform our stewardship actions, potentially including further engagement, voting against management and partial or full divestment.

## Positive outcomes assessment

The assessment of positive outcomes, based on the United Nations Sustainable Development Goals (UN SDGs), allows us to holistically evaluate a company's exposures in addition to operational considerations and enables us to determine whether an investment is sustainable.

At TGI, we designate six positive outcome areas, which group the UN SDGs into six "investable themes." Under this framework, we examine whether a company's products and services are aligned with one or more of the six positive outcome areas.

| How We Research Our Six Positive Outcome Areas | | Links to the Following UN SDGs |
|---|---|---|
| **Social Outcomes** | | |
| Basic needs | Focuses on goods and services known to contribute significantly to development including clothing, communications, education, energy, finance, food, health care, housing, sanitation, transport and water. | 1 No Poverty; 2 Zero Hunger; 3 Good Health and Well-Being; 6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 10 Reduced Inequalities |
| Well-being | Promotes enhanced health, education, justice and equality of opportunity for all. This may involve critical services including health care, education, justice, crime, welfare, culture, security and environmental protection. | 3 Good Health and Well-Being; 4 Quality Education; 5 Gender Equality; 10 Reduced Inequalities; 11 Sustainable Cities and Communities; 16 Peace, Justice and Strong Institutions |
| Decent work | Creation of secure, socially inclusive jobs and working conditions for all. Facilitates job creation, in particular alleviating people from poverty/rural areas, and the use of formal employment contracts. | 5 Gender Equality; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure |
| **Environmental Outcomes** | | |
| Healthy ecosystems | Looks to maintain ecologically sound landscapes and seas to benefit both people and nature—particularly in terms of the ability to supply or facilitate freshwater, clean air and abundant food. | 2 Zero Hunger; 6 Clean Water and Sanitation; 14 Life Below Water; 15 Life on Land |
| Climate stability | Focuses on global efforts to curb the Earth's temperature rise by supporting companies providing climate stability solutions, including green infrastructure, large-scale energy efficiency solutions and zero-emissions mobility. | 7 Affordable and Clean Energy; 9 Industry, Innovation and Infrastructure; 11 Sustainable Cities and Communities; 13 Climate Action |
| Resource security | Refers to the preservation of natural resources through efficient and circular use. Focuses on a company's progress from linear to circular operation and those facilitating this transition. | 12 Responsible Consumption and Production; 6 Clean Water and Sanitation |

# Climate change

> **“We incorporate climate analysis into our bottom-up research, assessing how emissions, regulation and physical risks can influence earnings, valuations and long-term competitiveness.”**
>
> **Mirella McCracken**
> Sustainability & Stewardship Analyst

## Climate risk and opportunity research

Climate change is bringing about significant impact that may disrupt entire industries and economies. For investors, this translates to tangible financial risks to be considered when making investment decisions. Key considerations include:

- **Transition risks:** As the world transitions towards a low-carbon economy, policy changes, technological advancements and market transformations abound. Companies slow to adapt to these changes risk becoming obsolete or facing financial penalties.
- **Physical risks:** Rising sea levels, more destructive storms and more frequent droughts can damage infrastructure, disrupt supply chains and cause property losses. This directly impacts companies in vulnerable locations or those reliant on weather-sensitive resources.
- **Climate-related opportunities:** Companies that are leaders in clean energy, sustainable practices and climate adaptation stand to benefit in the long run.

Climate change-related risks and opportunities are assessed within our ESG research and engagement framework. Where material, we integrate climate change risk analysis into our bottom-up research process, focusing on the impact on long-term business values. Factoring material environmental issues into our company forecasts can lead to adjustments in growth projections, margin expectations or discount rates. Separately, TGI also provides strategies that are oriented towards climate-related opportunities, or are managed with climate-related policies.

To enhance company analysis, climate and environmental metrics are incorporated into our ESG Scorecard. These include metrics related to GHG emissions and energy use, water and waste, biodiversity, supply chain management of environmental risks, as well as climate mitigation and adaptation opportunities for products and services, such as renewable energy generation or electric vehicle batteries.

## Portfolio and engagement implications

Our portfolios are subjected to regular climate change risk assessments, such as quarterly reviews of portfolio carbon emissions and risk scenario analysis. High-emitting holdings are monitored for their progress in aligning with the net zero emissions by 2050 scenario.[14]

Some of our portfolio holdings are significantly involved in businesses directly linked to opportunities to reduce the human impact on climate and, thus, are able to capitalize on the rising climate awareness. Scenario analysis is enhancing our ability to identify potential sources of transition and physical risk, or technology-driven opportunities. We recognize such models are in their infancy, but they may help identify company-specific risks or concentrations of sources of risk that may warrant further analysis.

In line with our stewardship principles, we seek to engage companies and mitigate the climate risks highlighted by our research. In our engagement efforts, we prioritize companies and industries viewed as exposed to greater climate risk. They are the highest absolute emitters, laggards in high emission sectors and top contributors to portfolio carbon emissions. We may also support shareholder resolutions seeking greater climate-related disclosures, or vote against directors we view as failing to effectively manage climate-related risks.

Through our engagements, we encourage companies to manage their material climate risks and explore viable mitigation strategies, consistent with the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD).[15] For smaller companies or companies in markets without mandatory sustainability disclosure rules, this may begin with the development of annual emissions disclosures and reporting the data to CDP.[16] We also encourage companies to disclose their emissions reduction strategy and submit targets to the Science Based Targets initiative (SBTi)[17] for validation, or to engage the initiative for guidance if sector standards are not yet available. Furthermore, companies are urged to develop sufficient incentives to ensure their management executes on the climate targets. We will monitor their progress against these targets and conduct additional engagement if necessary.

14. To keep global warming to no more than 1.5°C—as called for in the Paris Agreement—emissions need to be reduced by 45% by 2030 and reach net zero by 2050. Source: United Nations.
15. The Financial Stability Board (FSB) created the TCFD in 2015 to improve and increase reporting of climate-related financial information. Source: FSB.
16. CDP is a global non-profit organization that runs the world's only independent environmental disclosure system for companies, capital markets, cities, states and regions to manage their environmental impacts. Source: CDP.
17. The SBTi develops the standards, tools, and guidance which enable companies and financial institutions worldwide to take credible, science-based climate action. Source: SBTi.

## Our process for climate monitoring and engagement

We do not rule out investing in companies in carbon intensive sectors, such as cement, steel and extractive industries, unless the investment mandate requires so. In our view, divestment does not resolve the challenges facing carbon-intensive industries; in fact, that may worsen the issues and stymie future shareholder engagement. Our engagement efforts thus focus on a company's intention to decarbonize and any incremental improvements it is making to achieve that goal.

**Measure, monitor and understand the carbon footprint of our portfolios**

**Encourage our investee companies to disclose GHG emissions**

- Scope 1+2 at minimum and Scope 3 where material
- Reporting against TCFD framework and to CDP

**Encourage companies to set climate reduction strategies and targets – applicable where most material**

- Meaningful medium/long-term carbon strategies to be introduced e.g., SBTi
- Accountability of senior management

**Monitor companies that are not decarbonizing or engaging**

- Run regular carbon screens on our holdings to monitor the rate of decarbonization and flag companies of concern; monitor company net-zero carbon targets

## Tools for climate monitoring


### Initiatives

Franklin Templeton is a member of several climate-related initiatives, including CDP and Institutional Investors Group on Climate Change (IIGCC).[18] We are also a member of the Ceres Investor Network on Climate Risk and Sustainability.[19] These initiatives and organizations inform our thinking and approach to the climate research and engagement efforts.

In line with our obligations as a TCFD signatory, Franklin Templeton has completed its latest annual report detailing our efforts and activities surrounding climate change issues.

18. IIGCC works closely with investors to provide guidance, frameworks, tools and support, and help them to respond to challenges and integrate management of climate-related risks and opportunities into their investment processes. Source: IIGCC.
19. The Ceres Investor Network comprises institutional investors advancing responsible investment practices and policies that improve long-term portfolio value and build a cleaner, more resilient economy. Source: Ceres.

# Climate opportunities

## Climate opportunity case study | BYD

**BYD is a China-based manufacturer of electric vehicles and batteries.**

**ESG topic** Climate opportunities

### Materiality and risk

Climate-related opportunities are highly material to BYD's core business, which is directly aligned with the global transition to a lower-carbon economy. Demand for electric vehicles, batteries, and energy storage solutions is strongly influenced by climate policies, emissions regulations, and government incentives aimed at reducing emissions.

### Enabler of vehicle electrification

- BYD maintained its position as the global new energy vehicle (NEV) sales champion in the first half of 2025. It saw year-on-year sales growth of over 33% while its total automotive market share rose to 13.7%. Overseas market penetration continued over the same period, with overseas sales up 1.3 times.[20]
- In China, NEVs accounted for 44.3% of total new vehicle sales in the first half of 2025, while retail penetration of new energy passenger vehicles reached 50.2%, indicating electrification has reached the mainstream.
- BYD is also a leader in battery solutions, with offerings across rechargeable power batteries and energy storage infrastructure. Its proprietary Blade Battery technology is a key catalyst for large-scale EV adoption.

### ESG thesis

As one of the world's largest NEV manufacturers, BYD supports the large-scale displacement of internal combustion engine vehicles in markets where electrification is reaching mainstream. With market leadership and vertical integration across the NEV, battery and energy storage markets, BYD is a key enabler of global vehicle electrification, renewable energy adoption and grid flexibility.

20. Source: BYD Interim Report 2025.

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## Climate opportunity case study

# SSE plc

**SSE is a UK-based electricity network operator and renewable energy developer.**

**ESG topic** Climate opportunities

### Materiality and risk

Climate-related opportunities are highly material for SSE, as its strategy is directly aligned with decarbonization, renewable energy expansion, and electrification. Electricity demand growth driven by electric vehicles, heat pumps and renewables integration, alongside supportive net-zero policies in the UK, underpins long-term investments in both renewable generation and electricity networks. This trend positions SSE for sustainable long-term growth, given its major exposure to regulated energy networks and renewables.

### Enabler of renewables and network expansion

- SSE has a £33bn investment plan through 2030, with over 90% allocated to renewable energy and electricity networks, reinforcing its focus on energy transition opportunities.
- SSE is expected to see strong medium-term earnings growth, driven by expansion in regulated electricity transmission and distribution as well as renewables generation. Notably, SSE targets a fivefold increase in renewable energy output to around 50 TWh (terawatt-hours) by 2030.
- SSE's networks are critical to integrating renewables into the energy grid infrastructure. They are also a key enabler of electrification, through large-scale renewable connections amid rising electricity demand. For instance, SSE's network investments are expected to facilitate around 20 GW (gigawatts) of renewables capacity, driving the rollout of electric vehicles and heat pumps.[21]

### ESG thesis

SSE is exposed to compelling climate opportunities as both a producer of renewable energy and a critical enabler of electrification. This dual exposure positions it to benefit from the structural growth driven by decarbonization and rising electricity demand.

The company's increased investment in renewables generation and regulated grid infrastructure supports long-term earnings visibility, with networks and renewables expected to become the dominant drivers of growth. Beyond reducing its own carbon intensity, SSE plays a key role in enabling system-level emissions reductions, supporting the UK's transition to a low-carbon economy.

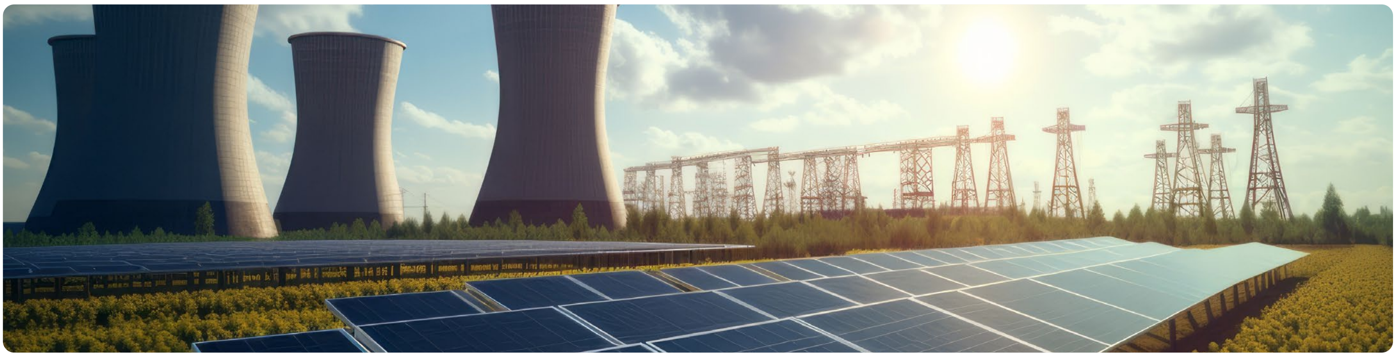
21. Source: SSE Net Zero Acceleration Program.

# Climate risks

## Climate risk case study

## NTPC Ltd

**NTPC is India's largest power generation company.**



**ESG topic** Climate risks

### Materiality and risk

Climate risks are highly material for power companies. Climate policies, emissions regulations, carbon pricing, as well as rapid technological changes and accelerated renewables deployment can materially affect asset utilization, operating costs, capital allocation, and long-term earnings. Given the power sector's capital-intensive business, long-lived assets and increasing pressure to decarbonize, climate-related transition developments may materially impact financial performance and asset viability.

### Several initiatives to address risks

NTPC is progressing on several initiatives aimed at mitigating risks associated with structural climate transition trends:

- NTPC has increased its thermal expansion target to around 30 GW of additional coal capacity by FY2032, in line with India's energy security needs.[22] The new thermal capacity largely comes through high-efficiency super and ultracritical units, which have lower emissions compared to legacy plants.
- NTPC also targets 60 GW of renewable energy capacity by 2032, significantly shifting its future capacity mix.[23] It has over 11 GW of renewable and hydro projects under construction as well as a large pipeline of solar and wind projects.
- NTPC has forayed into nuclear power, targeting to add 30 GW of nuclear power capacity by 2047.[24] It has recently kicked off its first nuclear project in a joint venture with Nuclear Power Corporation of India Limited.[25]
- NTPC has commissioned and scaled up pilot carbon capture projects at its coal-fired power plants. This entails $CO_2$ capture for conversion into methanol and ethanol using green hydrogen. It is also pursuing efficiency upgrades and ultra supercritical technologies to further lower emissions intensity and extend the competitiveness of existing thermal assets amid evolving climate policies.

### ESG thesis

NTPC has disclosed ongoing capital allocation towards low carbon and transition-enabling technologies as part of its Brighter Plan 2032. It has articulated clear climate ambitions and transition objectives aligned with India's net-zero-by-2070 goal. Its efforts comprise quantitative renewable targets, capital allocation to low-carbon technologies, carbon capture and utilization pilots, as well as embedded climate risk governance.

While it does not disclose a single standalone net-zero policy covering all emissions scopes, climate transition and physical risks are explicitly recognized and managed across strategy, capital planning, and enterprise risk frameworks. Environmental and climate risks are formally embedded within NTPC's enterprise risk management framework, overseen by a Board-level committee.

22. Source: Business Standard. As of April 2025.
23. Source: NTPC.
24. Source: Financial Express. As of April 2025.
25. Source: Curtain Raiser press release. As of September 2025.

## Climate risk case study

# CRH plc

**CRH is an Ireland-based construction materials company, providing aggregates, cement, ready-mix concrete and integrated building solutions globally.**

**ESG topic** Carbon emissions

### Materiality and risk

The climate risks facing construction materials companies are primarily linked to the carbon intensity of production processes. Cement manufacturing is particularly GHG emissions-intensive due to clinker production. Increasingly stringent emissions regulation, carbon pricing and decarbonization requirements are expected to push up business costs and influence investment decisions across the sector. For CRH, these dynamics have implications for operating costs, capital allocation and long-term competitiveness, particularly in regions with more advanced climate regulatory frameworks.

### Decarbonization levers and progress

CRH manages climate risks primarily by reducing emissions intensity across its operations. This is achieved through a combination of clinker substitution, alternative fuels, energy efficiency initiatives and technology investments:

- CRH targets a 30% reduction in absolute $CO_2e$ (carbon dioxide equivalent) emissions by 2030 versus a 2021 baseline, subject to SBTi validation. It also has a net-zero ambition by 2050. Key levers for emissions reduction include clinker substitution, improved alternative fuels usage and enhanced energy efficiency.[26]
- Through these initiatives, CRH has seen a 17% reduction to Scope 1 and 2 emissions since 2021, making tangible progress along its decarbonization roadmap. It also targets to reduce Scope 3 emissions from purchased clinker and cement, improving value chain emissions mitigation.
- In longer terms, CRH identifies carbon capture, electrification and hydrogen as necessary technologies to address residual emissions.

### ESG thesis

CRH demonstrates a structured approach to managing climate-related risks, supported by science-based targets, inclusion of Scope 3 emissions and evidence of operational progress. This suggests a clear recognition of GHG emissions as a financially-material factor and a commitment to mitigating associated regulatory and cost pressures.

We acknowledge that climate risks are inherent to CRH's business, given the carbon-intensive nature of cement production. Further progress will depend on continued investment, execution of existing levers and the scalability of emerging technologies such as carbon capture. Monitoring should focus on emissions intensity, clinker substitution and the company's ability to manage rising carbon costs while strengthening its competitive positioning.

26. Source: CRH 2025 Sustainability Performance Report.

**The case studies discussed in this report were chosen to reflect the investment process at TGI. They do not constitute recommendations. This is not a complete analysis of every material fact regarding an industry or security. It should not be assumed that any securities transactions were or will be profitable. The analysis and opinions of the security discussed herein may change at any time. Factual statements are from sources deemed reliable but have not been independently verified for completeness or accuracy. These opinions may not be relied upon as investment advice or recommendations or an offer for a particular security or as an indication of trading intent for any TGI strategy. Case studies are used for illustrative purposes only and should not be construed as an endorsement of or affiliation with Franklin Templeton.**

This special feature aims to demonstrate TGI's expertise in climate risk and opportunity assessment, and how sector dynamics inform our company research.

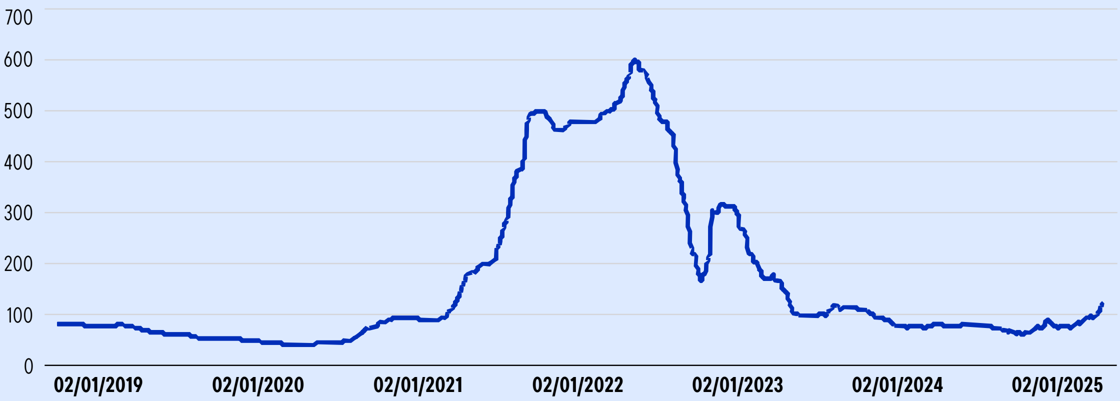
# Albemarle Corporation

Electric vehicles (EVs) and battery energy storage systems (BESS) have been the primary drivers of growth in battery demand, underpinning expectations for a sustained expansion in electrification. Strong momentum in EV adoption, alongside increasing deployment of energy storage, supported a surge in lithium prices through 2022 as markets anticipated continued structural demand growth.

Sentiment shifted as new supply entered the market and concerns emerged around the pace of EV adoption and policy support across key markets, including China, Europe and the US. Lithium prices corrected sharply through 2023–2024, reflecting a more cautious outlook. We used this dislocation to reassess whether underlying EV and BESS demand remained intact, and whether the weakness in lithium markets was cyclical rather than structural.[27]

## Evaluating lithium supply-demand dynamics

**China Lithium Carbonate 99.5% DEL Price (CNY/Metric Tonne)**




Source: Asian Metal. As of end-2025.

Lithium prices declined sharply from 2022 highs through 2023–2024, moving toward marginal cost levels as new supply entered the market and demand expectations moderated. More recently, EV battery demand has reaccelerated, with around 32% year-on-year growth in 2025 (gigawatt-hour basis),[28] supported by improving momentum outside China and the emergence of stationary BESS as an additional demand driver.

Looking ahead, we believe EV penetration may roughly double by 2030, reaching around 40–45% of global car sales.[29] In tandem, lithium demand is estimated to reach around 2.6 million tonnes by 2030, also doubling from the 2024 levels, based on our research.

## Albemarle: A TGI thesis

Albemarle is a leading lithium producer supplying materials critical to EV batteries. Our research shows that Albemarle remains one of the lowest-cost producers globally across both hard-rock and brine assets.[30] The company has achieved $300m of cost savings since mid-2024. Capital discipline has also improved, with capex reduced from over $2bn to around $600m annually.

The lithium market appears to be in a late-cycle oversupply phase, but strengthening demand and improving supply discipline support a more constructive medium-term outlook. Albemarle's cost leadership and operational flexibility position it to navigate the current pricing conditions while retaining leverage to a recovery driven by structural EV adoption.

27. Source: International Energy Agency, Global EV Outlook 2025.
28. Source: SNE Research. As of February 2026.
29. Ibid.
30. Source: Albemarle, Annual Report (10-K) 2025.

## Examples of TGI's climate-related engagements in 2025:

### Company

**Hindustan Unilever (India)**
Fast-moving consumer goods (FMCG) company.

### Objectives

As a leading FMCG company, Hindustan Unilever faces material exposure to physical climate risks, such as water stress and heat; transition risks related to energy, packaging and logistics; and significant Scope 3 emissions embedded in raw materials and distribution. We engaged the company and encouraged it to strengthen its climate strategy, building on its strong existing climate transition action plan (CTAP). Engaging Hindustan Unilever on its climate transition plans is crucial given its large operational footprint, energy use as well as extensive agricultural and packaging supply chain in India. Climate risks and regulatory expectations are intensifying for Hindustan Unilever across the board.

### ESG engagement topic

**Environmental –**
Transition risk

### Outcome: Contact acknowledged by entity

We contacted the company to share our recommendations to formalize and localize its climate transition approach through an India-specific transition plan; enhance transparency and accountability around Scope 3 emissions and supplier decarbonization; and improve disclosures on the future growth contribution of climate-enabling products. We also encouraged deeper integration of nature and just transition considerations across agricultural sourcing and operations, alongside robust governance arrangements that clearly link board oversight and executive incentives to climate objectives.

### Company

**Crown (United States)**
Packaging manufacturer

### Objectives

Beginning in 2024, we engaged Crown regarding its climate strategy, including the potential submission of net-zero targets for validation by the SBTi. Given the high emissions intensity of aluminum production and growing regulatory risks, SBTi validation can enhance accountability and transparency, reinforcing Crown's positioning as a climate-conscious leader within the global packaging industry.

### ESG engagement topic

**Environmental –**
Carbon risk and climate change

### Outcome: Plan implemented by entity

During our engagement, Crown's management outlined efforts to expand renewable electricity usage and improve energy efficiency across operations, while noting that supply-chain emissions remain a key challenge. The company also discussed participation in climate initiatives such as RE100[31] and The Climate Pledge,[32] as well as ongoing initiatives to increase renewable energy procurement and supplier engagement.

In August 2025, the company announced that its revised emissions reduction targets had received validation from the SBTi. These targets include commitments to reduce Scope 1 and Scope 2 emissions by 50% and Scope 3 emissions by 27.5% by 2030 from a 2019 baseline. It also aims to achieve net-zero emissions across the value chain by 2050 with a 90% reduction across scopes.[33] These developments provided additional clarity on the company's decarbonization pathway and emissions reduction targets.

31. RE100 is a global initiative bringing together the world's most influential businesses committed to using 100% renewable electricity in their operations. Source: RE100.
32. The Climate Pledge is a commitment to reach net-zero carbon emissions by 2040. Source: The Climate Pledge.
33. Source: SBTi Trend Tracker 2025.

# Nature and biodiversity

**"Our approach to nature is grounded in data and materiality—combining spatial analysis, impact metrics and engagement to identify where biodiversity loss can affect company performance and portfolio resilience."**

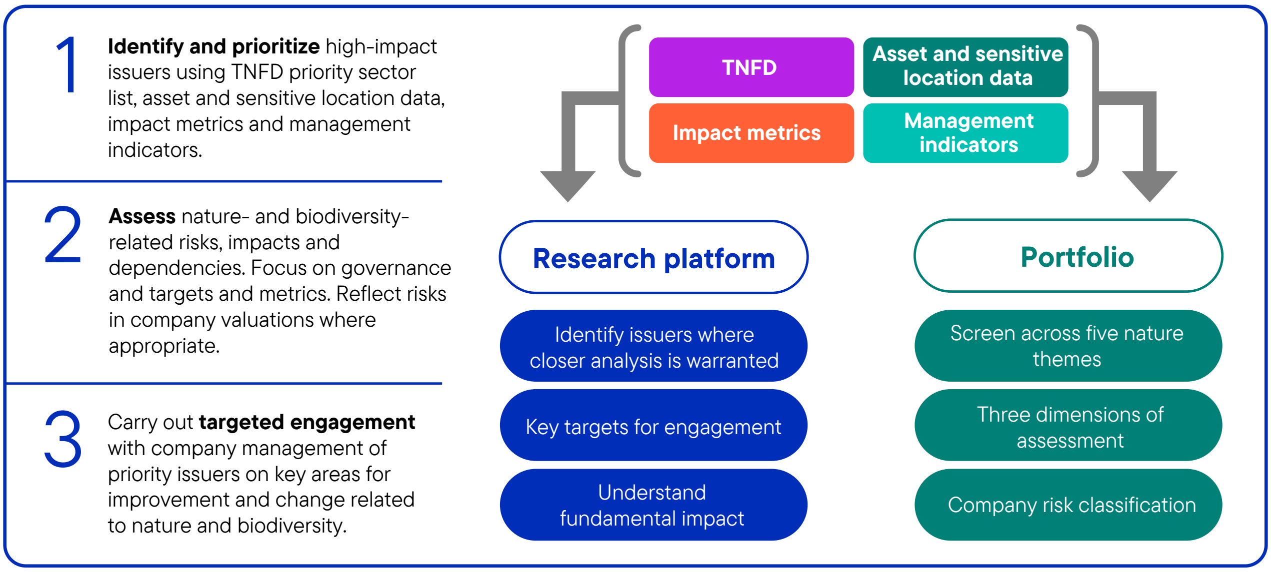
**Donald Graham**
Director, Sustainability & Stewardship

The threat of biodiversity loss and ecosystem collapse remained high on the global economic and regulatory agenda in 2025, with nature loss still posing material risks to corporate performance and financial stability. Natural ecosystems provide essential services—such as pollination, water purification, climate regulation, and soil fertility—that underpin economic activity and global supply chains, and their degradation can lead to higher operational costs, supply chain disruption, and reduced productivity. Implementation of the Kunming-Montreal Global Biodiversity Framework, increasing adoption of the TNFD,[34] and the rollout of European sustainability regulations such as the CSRD[35] have further elevated expectations for corporate accountability, risk management, and disclosure, increasing potential regulatory, financial, and reputational exposure for companies that fail to adapt.

## Integrating nature and biodiversity risks

We have developed a framework to formalize the integration of nature and biodiversity-related considerations into our investment research process. As part of our ESG assessment of a company's exposure to and management of environmental factors, we seek to identify companies at risk of losing market access to natural resources or face litigation, liabilities or reclamation costs due to operations that damage fragile ecosystems. This begins with identifying companies and industries with elevated exposure to nature and biodiversity risks.

Our ESG Scorecard identifies companies that have operations in or near biodiversity-sensitive areas, and those that are negatively affecting biodiversity-sensitive areas. The Scorecard also determines whether a company has a biodiversity impact reduction policy, deforestation policy and project impact assessments, as well as whether a company faces any related controversies. Impact datapoints that the Scorecard tracks include: Carbon footprints and climate change mitigation strategies, air and water pollutants, water use and exposure to water stress, hazardous waste, waste management strategies, management of environmental risks in the supply chain and exposure to environmental solutions.




This is a key area of TGI's engagement with its investee companies, to understand financial materiality, dependencies and impacts, and to recommend better ways to integrate biodiversity- and nature-related risks into decision-making, risk management and disclosure.

34. The Taskforce for Nature-related Financial Disclosures (TNFD) has developed a set of disclosure recommendations and guidance that encourage and enable business and finance to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. Source: TNFD.
35. The Corporate Sustainability Reporting Directive (CSRD) is a critical framework that aims to enhance sustainability reporting among companies operating within the European Union. Source: CSRD.

## Portfolio

To aid in monitoring portfolio nature risk exposure, we developed a nature screen to identify companies with the highest exposure to nature risks across five themes but demonstrate limited efforts to manage those risks.

| Theme | Risk Exposures |
|---|---|
| Biodiversity | Ecosystem-degrading activities in locations of ecological vulnerability |
| Deforestation | Land-intensive industries in deforestation hotspots |
| Water | Water-intensive operations in areas of water scarcity |
| Climate change | Carbon-intensive businesses in climate-sensitive locations |
| Pollution | Air, water and soil pollution and waste intensive activities in sensitive locations |

We recognize that reliable nature risk assessment requires more transparent, spatially explicit methodologies, supported by improved corporate disclosures. That is why the screen uses data and asset location information from NatureAlpha, a specialist provider that helps to identify and quantify nature-related risks (such as biodiversity loss and ecosystem degradation) at the asset, company, and portfolio levels. Data obtained from NatureAlpha includes nature and biodiversity-related impacts, dependencies, controversies, as well as management practices and governance assessments.

**Three dimensions of assessment:**

**Location exposure:**

Asset proximity to sensitive ecosystems or biodiversity hotspots.

**Quantitative indicators:**

Measurable pressures such as water consumption, pollution and carbon emissions intensity as well as the use and production of high-risk commodities.

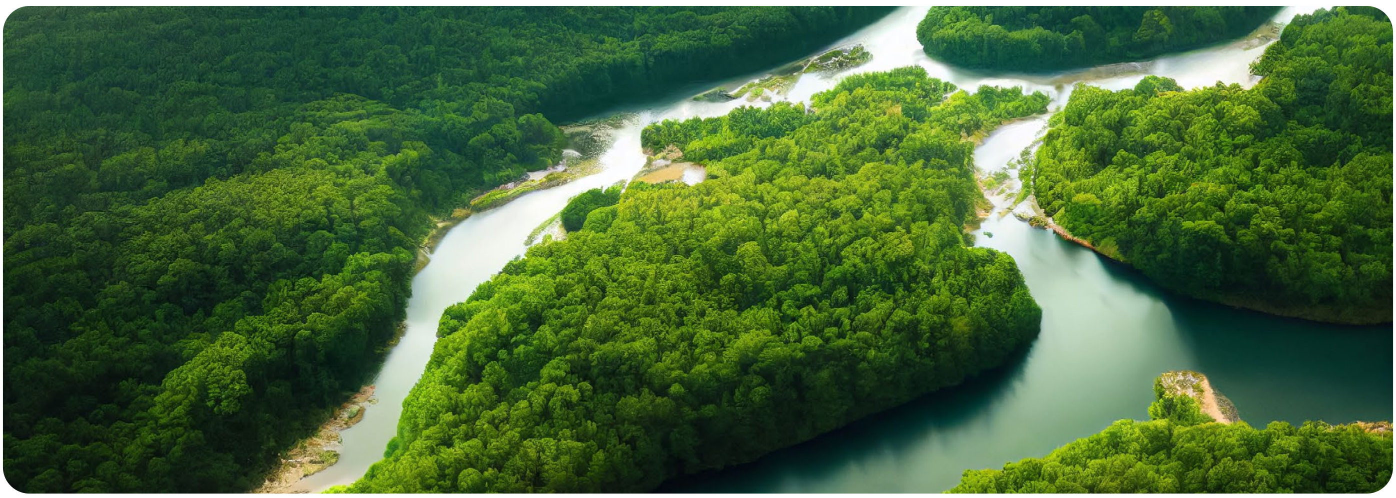
**Management practices:**

Disclosure quality as well as relevant nature-risk mitigation policies and practices.

Companies with incomplete data are marked “Not Covered” to ensure transparency

Companies highlighted as high risk using this model undergo more in-depth research, to allow us to better assess the potential financial impact and inform our engagement objectives where material to do so.

Through this structured approach—combining enhanced data, spatial analysis and active stewardship—we aim to better identify financially material nature-related risks and opportunities across the portfolio.



## Examples of TGI's nature-related engagements in 2025:

| Company | Objectives |
| --- | --- |
| **Vale (Brazil)**<br>One of the largest mining companies globally and a major logistics group | After identifying Vale's strong ambition to address nature-related impacts and dependencies as a TNFD early adopter, we engaged the company in 2024 on its management and oversight of nature-related risks. We have since continued to monitor and engage with the company on its nature risk management, including nature-related KPIs in long-term incentives for executives, the application of the TNFD LEAP[36] approach to its supply chain, and the strengthening of its disclosure of nature-related metrics. |
| **ESG engagement topic** | **Outcome: Dialogue taking place between TGI and entity** |
| **Environmental –**<br>Biodiversity | We are pleased to see the company's progress through our engagement with them. Vale is advancing the implementation of the TNFD LEAP approach across its direct operations, targeting full coverage by 2026. Vale Base Metals published a TNFD report in 2025, with further site-level assessments to be disclosed via the ESG Portal. The company has also begun to extend its approach to the value chain through supplier engagement and plans to apply the TNFD Locate phase of the LEAP approach to suppliers from 2026.<br><br>Biodiversity-related disclosure is being strengthened, with additional site-level metrics expected in the upcoming ESG Databook, aligned with TNFD and updated Global Reporting Initiative (GRI) standards.<br><br>While ESG factors account for 25% of long-term variable remuneration, biodiversity is not explicitly linked. We will continue to encourage Vale to incorporate specific biodiversity targets into executive incentives and to further engage the company on the matter. |

36. The TNFD LEAP approach helps organisations conduct the due diligence necessary to inform disclosure statements aligned with the TNFD recommendations. Source: TNFD.

## Company

**Smurfit Westrock (Ireland)**
A leading paper-based packaging company

## Objectives

We engaged Smurfit Westrock in 2024 and 2025 to strengthen its governance as well as nature and biodiversity risk disclosures. Our focus was to encourage greater TNFD alignment, support the development of measurable biodiversity metrics, and promote clear Board oversight of nature-related strategies. We also sought clarity on its involvement in a land dispute in Colombia, which may have potential implications for ESG ratings and our investment thesis.

## ESG engagement topic

**Environmental –**
Biodiversity

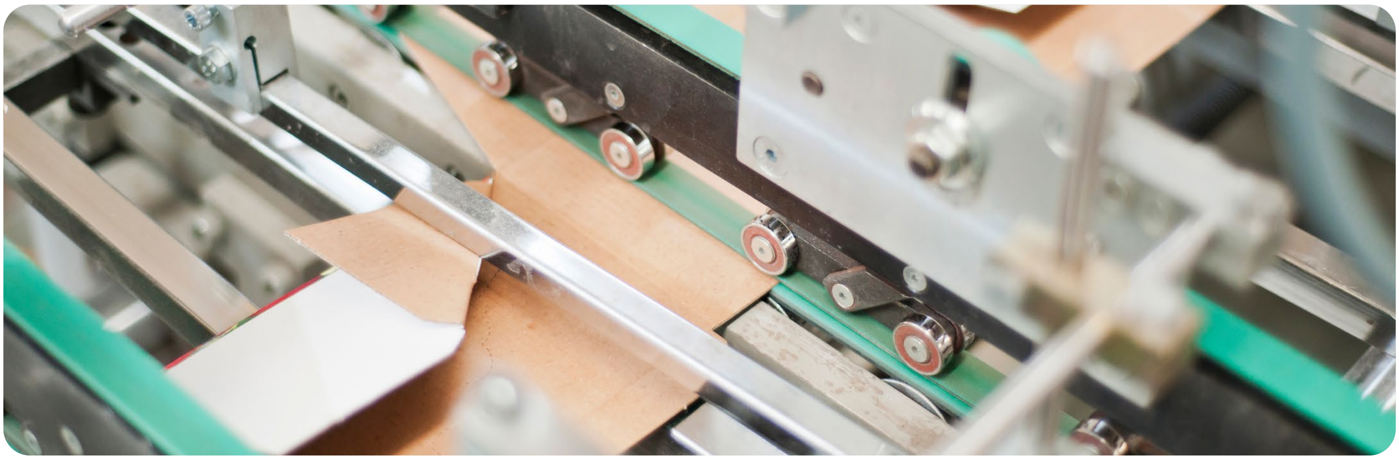
## Outcome: Dialogue taking place between TGI and entity

Smurfit Westrock confirmed board approval for TNFD adoption, with disclosures expected in 2027.[37] This timetable reflects the need to integrate sustainability data systems following the merger that formed the company. While a full TNFD LEAP assessment is not yet completed, management is prioritizing consistent data collection and reporting across the combined entity. The company already discloses certain forestry-related metrics and is developing additional indicators, including soil health metrics, to strengthen biodiversity transparency. SBTN adoption is not currently planned but may be reconsidered over time.[38]

We also learned more about its community-focused initiatives, including employment, education, and sustainable forestry programs, alongside partnerships with organizations such as WWF and adherence to FSC standards.[39]

On the Colombia land dispute, the company reiterated that it has publicly addressed the allegations and maintains that the land was acquired from legitimate titleholders, without overlap with recognized indigenous reserves.

Overall, we believe Smurfit Westrock has improved its transparency on biodiversity strategies and the controversy in Colombia. We will maintain the engagement and encourage clearer disclosures on land tenure, environmental impacts, and grievance mechanisms.



37. Source: Smurfit Westrock Sustainability Report 2024.
38. Science Based Targets Network (SBTN) is developing science-based targets for nature both for companies and cities, so they can comprehensively address their environmental impacts across biodiversity, land, freshwater and ocean, in addition to climate through the Science Based Targets initiative. Source: SBTN.
39. The Forest Stewardship Council (FSC) sets the standard for responsible forest stewardship to support healthy ecosystems and help protect the rights of workers, Indigenous Peoples, and local communities. Source: FSC.

# Human rights and modern slavery

**"Weak oversight of labor practices in global supply chains can raise regulatory, reputational and disruption risks, highlighting the need for strong supply chain policies and due diligence."**

**Tara Chandrasekharan**
Sustainability & Stewardship Analyst

Effective management of human rights and labor-related risks in global supply chains remains a critical priority for companies and investors in 2025, amid heightened regulatory scrutiny, evolving investor expectations and continued controversies involving multinational companies. Respect for human rights underpins long-term corporate value creation and prudent risk management. Failures to identify, prevent and mitigate adverse impacts can lead to operational disruption, legal liability, reputational damage and loss of social licence to operate, with consequences extending beyond individual companies to broader economic systems. Human rights therefore remain a core focus of TGI's stewardship and engagement activities.

## Integrating human rights and modern slavery risks

We incorporate modern slavery and human rights considerations in our ESG research approach. Informed by our ESG sector framework guides, we seek to identify companies operating in higher-risk industries, understanding their human rights and labor-related policies and training, health and safety practices, as well as supply chain controversies.

We review allegations of human rights abuses and prioritize research and engagement where companies appear to have elevated exposure and insufficient mitigation measures. We also watch for key modern slavery risk indicators, including:

- Employment of vulnerable people
- Business model structures
- Geographic footprint of operations
- Raw materials sourcing
- Reliance on outsourced support services
- Acuteness of competitive cost pressures

To support targeted and constructive engagement, we developed a Labor Risk Engagement Framework informed by leading industry initiatives and data sources, including KnowTheChain, ESG data providers and the World Benchmarking Alliance's Corporate Human Rights Benchmark. The framework identifies companies with material exposure to labor risks across operations and supply chains, supporting assessment of potential financial impacts. Regulatory developments, such as the US Uyghur Forced Labor Prevention Act, further underscore the financial materiality of robust supply chain due diligence.

1 **Identify and prioritize** covered issuers based on (1) sector materiality and (2) ESG vendor data:

**(1) Sectors materially exposed to supply chain human rights risks**

- Apparel & footwear
- Food & beverages
- Automotives
- Information and communication technology

**(2) Key indicators* to assess company exposure to supply chain human rights risks**

- Commitment & governance | Traceability & risk assessment | Enabling workers' rights — Some relevant ESG vendor data available
- Purchasing practices | Recruitment | Monitoring | Remedy — No ESG vendor data available

2 **Assess** strengths and weaknesses in companies' governance, risk management, policies and disclosures on supply chain labor risks

3 Use assessment to build out **targeted engagement** with company management on areas of improvement in their oversight and management of supply chain labor risks

*Indicators based on the KnowTheChain benchmark.

The framework concentrates on sectors with elevated labor risk exposure, including apparel and footwear, information and communication technology, food and beverage, as well as automotive. It comprises seven indicators aligned with recognized standards and defines baseline, good and leading practice expectations. Our analysis indicates that while many companies have adopted high-level commitments, gaps persist in due diligence, supply chain oversight, transparency and access to effective remedy.

## Examples of TGI's human rights and modern slavery-related engagements in 2025:

### Company

**BYD (China) –**
A global manufacturer of electric vehicles, batteries and energy storage systems, with complex and geographically-diverse supply chains.

### Objectives

BYD was identified as having exposure to supply chain labor risks. Using TGI's Labor Risk Engagement Framework, we assessed BYD's policies, governance and practices related to forced labor and modern slavery risks.

Our analysis identified gaps between BYD's high-level commitments, and the disclosure of how these commitments are implemented in practice, particularly across supply chains beyond the first tier. The engagement objectives were therefore to encourage BYD to improve transparency and demonstrate more robust governance, risk assessment, monitoring and remediation processes in relation to forced labor risks.

Specifically, we sought to understand how BYD identifies and assesses modern slavery risks across its value chain, how labor risks are overseen at the board level, and how grievance mechanisms, supplier audits and responsible recruitment practices are executed in reality.

### ESG engagement topic

**Social –** Modern slavery

### Outcome: Contact made by TGI

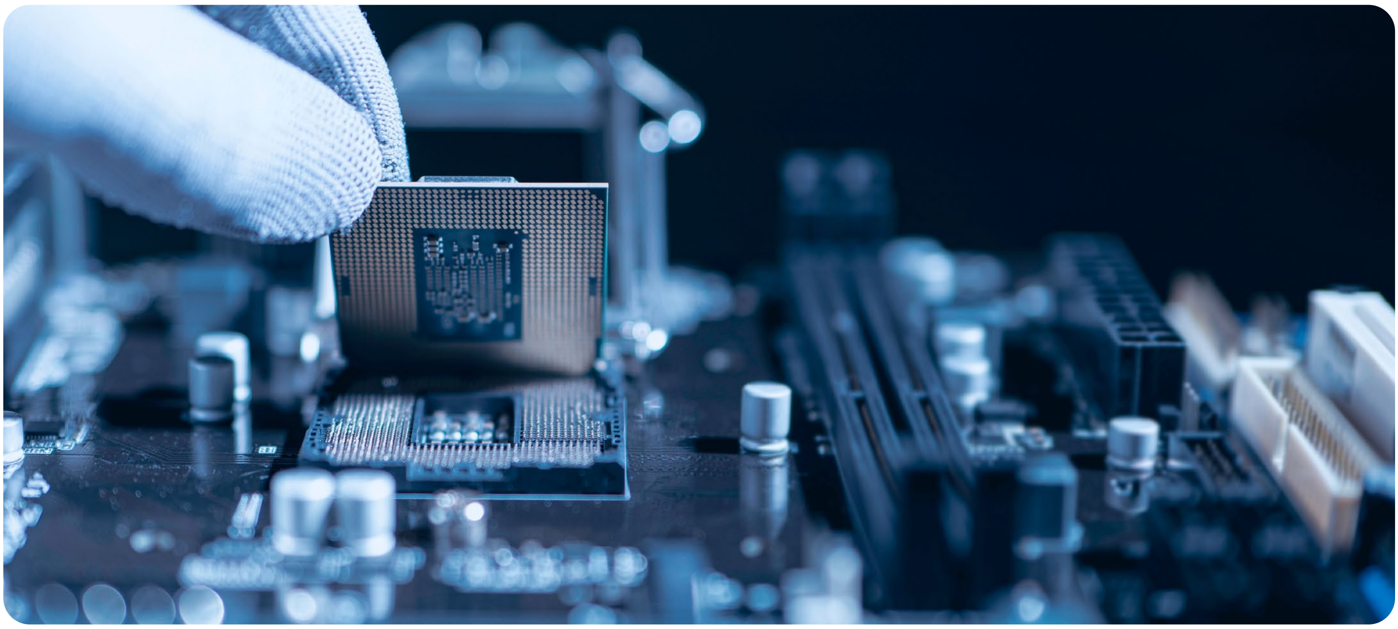
TGI shared a set of targeted engagement objectives with BYD, informed by company-level analysis of sustainability disclosures, supplier code of conduct, modern slavery statements and human rights policies. These included recommendations to strengthen supplier capacity building, improve supply chain traceability and to enhance disclosure on grievance mechanisms, third-party audits and remediation outcomes.

In terms of governance, we encouraged BYD to designate clear board-level oversight of labor risks across the value chain, building on the remit of its Strategy and Sustainable Development Committee. We also requested greater transparency on the implementation of the Employer Pays Principle and the outcomes of supplier audits, particularly where labor rights issues are identified.

TGI will continue to follow up with BYD to assess progress against the engagement requests, and to monitor improvements in the company's management and disclosure of human rights risks.

| Company | Objectives |
|---|---|
| **Infineon Technologies (Germany) –** A leading semiconductor manufacturer supplying chips for automotive, industrial, and digital applications | We engaged Infineon Technologies beginning in 2023 to strengthen its human rights due diligence, with a focus on modern slavery risks within its supply chain. Our primary objective was to encourage the adoption of independent third-party audits under the Responsible Business Alliance (RBA) Validated Assessment Program (VAP),[40] in addition to enhanced transparency on monitoring, remediation, and grievance mechanisms. |

| ESG engagement topic | Outcome: Plan formulated by entity |
|---|---|
| **Social –** Modern slavery | Infineon Technologies has established a structured human rights due diligence framework aligned with the German Supply Chain Act (LkSG) and OECD guidelines. It entails annual risk assessments, supplier questionnaires, and escalation processes for higher-risk suppliers. In 2024, the company completed its first RBA VAP audits and disclosed results in its Sustainability Report, marking a key milestone.<br><br>Our engagement continued in 2025. The company has conducted both RBA VAP audits and internal "audit-lite" reviews, with corrective action plans implemented where issues are identified. We encouraged enhanced disclosures on audit coverage, key findings, and closure rates, as well as improved reporting on worker grievance mechanisms.<br><br>The 2025 Sustainability Report reflects progress, including expanded language accessibility for the Integrity Line. The company has also begun engaging with KnowTheChain[41] after receiving a relatively low ranking. This indicated the willingness to address gaps in purchasing, monitoring and remedial practices. We will continue to monitor its progress on audit transparency, grievance effectiveness, and remediation reporting. |



40. The VAP is a leading standard for RBA Code of Conduct compliance verification and effective, shareable on-site assessments conducted by independent, third-party firms. Source: RBA.
41. KnowTheChain provides benchmarks and resources for companies and investors to address forced labor in global supply chains. Source: Business and Human Rights Centre.

# Active ownership

## Outcome-orientated

As investors with a significant presence across both emerging and developed markets, our active ownership efforts are a key part of our overall approach to stewardship, anchoring our strong relationship with portfolio companies as co-owners that will safeguard clients' interests over the long term.

TGI commands a global, industry-leading research footprint, with our analysts conducting almost 3,500 company meetings a year across the globe to uncover unique fundamental and sustainability insights. In doing so, we also leverage on the management and industry relationships cultivated over the long term. Effective stewardship requires impactful engagement, which in turn relies on transparent communication and trusting relationships. Our broad and deep on-the-ground presence means we are well-placed to forge close relationships that create value through constructive engagement.

We also build strong relationships with our investee companies as co-owners on our clients' behalf. This facilitates active monitoring and dialogues with company management, driving the ESG research and engagement activities that ensure each portfolio holding is aligned with our investment objectives and the long-term interests of our clients.

In execution, we prioritize monitoring and engagement based on various factors. We will particularly focus on companies facing issues that are material to earnings sustainability and the portfolio's investment objectives. The size of a portfolio holding in a company, a company's performance and proactive engagement actions taken by companies are also key considerations.

We remain outcome oriented throughout the monitoring and engagement process, aiming to effect positive changes that will benefit our clients. To that end, we employ a range of methods and channels, including management and board meetings, letter writing and proxy voting. Importantly, our voting decisions are made in-house by our investment team, undertaken in accordance with our Corporate Governance Principles and in line with our clients' best interests.

# Engagement for change

> **"As long-term owners, we pursue objective-led engagement on material issues that influence business sustainability and long-term value for our clients."**
>
> **Preyesh Patel**
> Head of Sustainability & Stewardship

At TGI, our ESG engagement activities are the combined efforts of research analysts, portfolio managers, as well as sustainability and stewardship specialists. We also partner with Franklin Templeton's Stewardship Team to plan and execute an engagement strategy, particularly on emerging sustainability themes related to systemic risks that may have a longer time horizon than our typical forecast period.

We prefer to engage decision makers who can effect change at the board or senior management level, and experts on the topic under discussion. Our engagement approach is non-adversarial, as this may lead to more constructive outcomes for both parties. Engagement is typically conducted through meetings but may also include written communication.

We define effective ESG engagement as a targeted dialogue with a company or regulator, with a distinctly objective-based and outcome-oriented approach.

### ESG engagement

**Seeking change or improved disclosure**

This is a targeted interaction to influence change related to material ESG topics, including improved ESG disclosures. Each ESG engagement must have a specific and clearly defined objective to measure progress against. This interaction entails a sustained, medium- to long-term dialogue.

**Examples of engagement on ESG topics may include:**

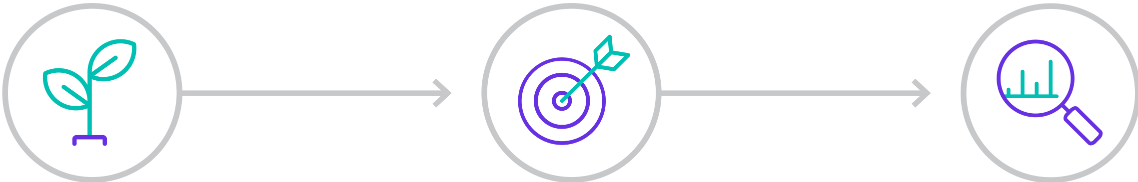
- Encouraging investee companies to be transparent and to publicly disclose their material ESG data and policies.
- Promoting positive changes related to ESG issues that may lead to improved shareholder outcomes.

We may also reach out to gather ESG-related information, as part of our efforts to monitor investee companies' strategy and practices. Collectively, our engagement activities provide a strong foundation for TGI to build relationships with companies as co-owners, which will in turn inform our investment processes and drive long-term value creation for our clients.

The records of our engagement activities and outcomes are maintained in our research database, which has an integrated ESG engagement tracking capability. ESG engagement actions and insights are thus systematically recorded and shared across the investment team; they can also be extracted for reporting purposes. Analysts capture and track notable improvements or changes which allow them to assess engagement effectiveness and to adjust their ESG engagement strategy accordingly.

## 2025 engagement statistics

Our engagement efforts focus on material issues that may affect the sustainability of earnings, as well as a company's operating model and strategy. Our analysts are in continual dialogues with companies on a range of topics, including operational performance, competition landscape, business outlook and company financials, among others. We also identify companies where we believe dedicated engagement on ESG topics can impact long-term performance. Please see below a report on the nature and outcome of such meetings in 2025, where relevant.



**ESG engagement**
Identify material ESG issues and rationale for engagement

**Objectives and process**
Seeking change through measurable ESG objectives

**Outcome**
Review outcomes, next steps and investment theses

| ESG Engagement by Topic | Number of Interactions | Percentage of Interactions* |
|---|---|---|
| **Environmental** | **29** | **29%** |
| Carbon Risk and Climate Change | 19 | 19% |
| Environmental Consideration | 10 | 10% |
| **Social** | **7** | **7%** |
| Human and Social Capital | 7 | 7% |
| **Governance** | **64** | **64%** |
| Corporate Governance | 27 | 27% |
| Strategic Risk and Communication | 37 | 37% |
| **Total** | **100** | |

*Percentage figures are rounded to the nearest whole number

This table records the independent milestones to measure our progress to an objective set in our ESG engagements.

| ESG Engagement Outcomes | Number of Interactions | Percentage of Interactions* |
|---|---|---|
| Contact made by TGI but not acknowledged by entity | 6 | 6% |
| Contact acknowledged by entity | 9 | 9% |
| Dialogue taking place between TGI and entity | 58 | 58% |
| Plan formulated | 17 | 17% |
| Plan implemented by entity | 4 | 4% |
| Measure and validated outcome | 3 | 3% |
| No progress | 3 | 3% |
| **Total** | **100** | |

*Percentage figures are rounded to the nearest whole number.

## Examples of our engagement with companies in 2025:

### Company

**Sunresin New Materials (China)**

Chinese manufacturer of separation and adsorption materials

### Objectives

We engaged Sunresin to seek its disclosure of Scope 1 and 2 emissions, at a minimum, which would enable investors to better track and assess its management, as well as its direct and energy-related carbon footprint. Such disclosures would enable comparability, risk assessment and accountability. They are widely regarded as a baseline requirement for climate transparency, particularly in high-carbon-intensive industries.

### ESG engagement topic

**Environmental –** Climate disclosures

### Outcome: Contact made by TGI

We expressed our minimum expectation of scope 1 and 2 disclosure while providing the company with recommendations on disclosure frameworks, including the Greenhouse Gas Protocol and the Taskforce for Climate Related Financial Disclosures.

### Company

**Banco de Oro (Philippines)**

The largest bank in the Philippines

### Objectives

We engaged Banco de Oro (BDO) on its employee turnover ratio, because BDO reported an overall employee turnover rate of 8%, which is high compared to regional peers. Elevated employee turnover is a material issue for banks as it can undermine risk management, internal controls, and client service continuity, particularly in regulated and knowledge-intensive functions.

### ESG engagement topic

**Social –** Human capital management, labor rates

### Outcome: Dialogue taking place between TGI and entity

The company explained that the elevated turnover is mainly in the IT department, driven by strong demand for technology talent amid IT system upgrades and limited availability of skilled professionals in the Philippines. This prompted higher attrition and retention challenges. BDO acknowledged our comments and agreed to raise them with the management. We believe it is now actively exploring measures to improve IT staff retention and will monitor its performance, with further engagement on the topic as needed.

### Company

**Microsoft Corporation (United States)**

A global technology leader providing software, cloud infrastructure, AI tools and enterprise services

### ESG engagement topic

**Social –** Product safety

### Objectives

We engaged Microsoft in response to our 2024 vote in favor of a shareholder proposal seeking enhanced reporting on its oversight of AI-generated misinformation and preparedness for increasing regulatory scrutiny. Our objectives were to understand how Microsoft verifies the origin and authenticity of AI-generated content, evaluate whether safeguards are evolving in line with technological advances, and clarify the differences between US and European regulatory frameworks in terms of privacy and data collection practices.

### Outcome: Dialogue taking place between TGI and entity

We asked Microsoft's management to provide concrete examples of how its approach to misinformation detection and mitigation has evolved as AI models become more sophisticated. We also sought clarity on transparency tools, user notification mechanisms and governance controls across jurisdictions.

Microsoft highlighted its Responsible AI Transparency Report and disclosures under the EU Code of Practice on Disinformation. The management outlined various measures promoting information integrity. These include watermarking and labeling AI-generated content, strengthening model governance processes and enhancing transparency reporting. The company also emphasized its compliance of GDPR[47] and broader global privacy regulations through established privacy and compliance frameworks.

We view Microsoft as comparatively advanced in responsible AI governance and public transparency. However, potential risks persist given the pace of AI development and regulatory changes. We will continue to monitor regulatory developments and Microsoft's implementation effectiveness, paying attention to the real-world outcomes achieved by its strategies and policies.

### Company

**MakeMyTrip (India)**

Indian online travel booking and services platform

### ESG engagement topic

**Corporate governance –** Board independence

### Objectives

We engaged MakeMyTrip to highlight our concerns about the low proportion of independent members on its board, understand the reasons behind the current board composition, and discuss how this could be remedied. Improved board independence can better align company decisions with shareholder interests.

### Outcome: Plan implemented by entity

We raised our concerns and recommendations in meetings with company chief financial officer, investor relations head, and later the chief executive. The management noted that a major shareholder's decision to reduce its stake will lower its board representation, potentially creating the scope to appoint more independent directors to the board. MakeMyTrip subsequently reconstituted its board and increased the number of independent board members from three to four out of ten. It also formed a nomination committee with two of three members being independent and restructured the audit committee to be fully independent. Our engagement and monitoring continues, as the company progresses towards at least 50% board independence.

42. The General Data Protection Regulation (GDPR) is Europe's new data privacy and security law. It imposes obligations onto organizations anywhere, so long as they target or collect data related to people in the EU. Source: GDPR.

| Company | Objectives |
|---|---|
| **Samsung SDI (Korea)**<br>Global leader in advanced battery and materials solutions | We have been engaging Samsung SDI on the potential disposal of its non-core holding, Samsung Display. While the disposal may be challenging to achieve without affecting the group structure, the stake is valued at approximately KRW5 trillion and may provide capital to support the company's expansion in the electric vehicle battery market, which may be accretive to shareholder returns. |
| **ESG engagement topic** | **Outcome: No progress** |
| **Corporate governance –** Shareholder protection and rights | In March 2025, we wrote a letter to Samsung SDI, expressing our concerns regarding the dilutive impacts of new share issuance and encouraging the company to monetize its stake in Samsung Display. The company acknowledged that they were considering a stake sale. In October 2025, when we enquired about its plans for asset disposal, the company responded that there was no definitive timeline for the potential disposal, contrary to what was said in its 1Q25 earnings announcement. The company however shared that the disposal of its Samsung Display stake would remain a key priority. We will continue to engage the company on its progress here. |

| Company | Objectives |
|---|---|
| **Kering SA (France)**<br>A global luxury goods company and owner of the Gucci brand, among others | Our engagement with Kering focused on improving stock valuation by strengthening its capital allocation discipline and restoring investor confidence. We encouraged the management to reduce leverage, consider monetizing the Gucci beauty business, conduct a rigorous review of the Gucci franchise, streamline non-core assets and implement cost reductions.<br><br>As part of this engagement, we held a constructive call in March 2025 with Kering's lead independent director. We expressed concerns regarding Gucci's sales underperformance and the need for decisive strategic action. The board acknowledged these concerns, and the need for increased oversight, management changes, and more frequent board-level reviews. In August 2025, we formally shared our recommendations with Kering's incoming CEO Luca de Meo. |
| **ESG engagement topic** | **Outcome: Plan formulated** |
| **Corporate governance –** Capital allocation | Luca de Meo assumed his role in September 2025. Soon after that, Kering announced the sale of its beauty business for approximately €4 billion and confirmed a business portfolio review. Brand-level leadership changes were implemented and business strategy renewal is underway, with cost discipline and operational efficiency now among Kering's key priorities.<br><br>We view the engagement outcome as constructive, leading to progress on deleveraging and portfolio simplification. We will continue to monitor the Gucci turnaround, additional divestments and delivery of cost savings, all of which support long-term shareholder value creation. |

### Company

**BP plc (United Kingdom)**

A global integrated energy company with oil and gas leadership as well as new energy exposure

### Objectives

Our ongoing engagement with BP focused on improving returns on investment and enhancing disclosure around capital expenditure, particularly in relation to new energy. This aligns with our investment thesis that BP's valuation recovery depends on stronger free cash flow (FCF) generation, disciplined capital allocation and clearer differentiation between value-accretive and lower-return investments.

We encouraged management to prioritize returns over production growth and to assess portfolio decisions based on value creation rather than headline profit accretion. We also sought greater transparency on how capital is allocated between hydrocarbons and new energy, and how operational emissions reductions and Scope 3 ambitions fit within a credible financial framework.

### ESG engagement topic

**Corporate governance –** Capital allocation and energy transition strategy

### Outcome: Plan formulated

Following BP's Capital Markets Day and strategy pivot toward hydrocarbons, we met with its CFO and investor relations to discuss capital allocation, oil production growth and portfolio structure.

The management acknowledged weak 2024 FCF performance, driven by operational outages and weaker downstream trading, and outlined plans to materially improve cash generation. A significant cost-cutting program is underway, targeting a 20% reduction in the 2023 operating expense base, alongside selective disposals and balance sheet deleveraging toward a revised debt target range. Once achieved, capital allocation priorities will include a mix of debt reduction and shareholder returns.

## Company

**Japanese industrial company**

A manufacturer of pumps, compressors and precision machinery serving infrastructure, industrial and semiconductor markets.

## Objectives

We engaged the company to address its persistent valuation discount relative to global peers and to strengthen alignment between capital allocation, executive incentives and long-term shareholder value. Despite a strong balance sheet and favorable medium-term earnings outlook, the company's wide valuation discount suggested scope for improved capital efficiency and investor communication.

The engagement objectives were to encourage the implementation of a share buyback program to optimize its net cash position; the incorporation of total shareholder return (TSR) as a KPI for senior management, with potential expansion over time; and clearer investor communication regarding capital allocation priorities and commitment to shareholder returns.

## ESG engagement topic

**Corporate governance –** Capital allocation and executive compensation

## Outcome: Plan formulated

Through multiple in-person meetings, calls and written recommendations to the board, CEO and CFO, we provided a framework to evaluate the most effective use of financial flexibility, including the potential benefits of share repurchases.

The board acknowledged the over-capitalized balance sheet and expressed a willingness to address capital efficiency. The management subsequently sought our input while preparing its next Medium-Term Plan. They welcomed peer insights, particularly examples of improved capital allocation disclosure and re-rating outcomes observed at other Japanese industrial companies.

We view this engagement as a partial success. The company and its board have demonstrated openness to shareholder-aligned actions, including a potential share buyback. We will follow up after the publication of its Medium-Term Plan (February 2026) to assess progress on capital allocation discipline, compensation alignment and valuation improvement.

# Escalating issues

We may escalate our engagement activities when the engagement objectives we set are not met. Reasons for escalation can include management not producing the information we request or an engagement for change that does not result in an outcome we believe is satisfactory for minority investors. Escalation may entail:

- Further meetings with a company;
- Engaging members of the board if company management is unresponsive;
- Voting against management proposals and filing shareholder resolutions, in collaboration with other investors if necessary; and
- Divesting from the investment, as a last resort.

The need to escalate is determined by how responsive a company's management is to our questions and the severity of the engagement issue. The business and capital structure of the company may also be considered. At the same time, we keep in mind that companies in some countries are less responsive to international investors. The nature of ownership structures may also limit how much we are able to influence decision-making. Ultimately, our decision is based on the specifics of individual engagement. We are not constrained by rigid escalation procedures, as this is not conducive to an effective stewardship approach.

# Proxy voting process

At TGI, we view proxy voting as one of the essential tools for effective stewardship. Proxy votes are a client asset that can be utilized to positively impact long-term shareholder value. They decide the outcome of voting proposals that may affect board composition, executive remuneration, business strategies and sustainability-related practices, among others.

It is thus our fiduciary duty to execute proxy voting in the best interest of our clients. To that end, we have set up a robust set of policies and guidelines to govern the process of making our proxy voting decisions. The administration and oversight of proxy voting is managed by the Franklin Templeton Proxy Group. The team reviews each proxy, as well as agendas, materials, and recommendations that the team receives from a proxy service provider, such as Institutional Shareholder Services (ISS) and/or Glass Lewis. We consider the information and recommendations from a proxy advisor carefully, but our voting decisions are ultimately based on our own research and in line with shareholder interests.

We believe our analysts and portfolio managers are best placed to make investment decisions for our clients' assets. As such, our investment teams are ultimately responsible for determining how proxies are voted. In determining how to vote, investment teams review the issues based on a combination of:

- Proxy voting policies and our guidelines
- Their own in-depth research knowledge of the company
- The recommendations of our proxy service providers

In addition, we may request for in-house voting research support from Franklin Templeton's Stewardship Team (FT Stewardship). FT Stewardship provides customized research on specific corporate governance issues that is tailored to the investment manager and corporate engagement undertaken. FT Stewardship research supports the independent vote decision making process and may reduce reliance on third-party advice for certain votes.

Committed to our fiduciary duty as a responsible steward, we will attempt to vote every proxy received. Obstacles such as share-blocking or fees will be assessed and addressed on a case-by-case basis and always in our clients' best interest.

**In 2025, TGI voted on proposals from over 1,000 companies across 60+ countries. There were more than 15,000 votable management proposals. We voted AGAINST around 11.5% of these proposals.**

We view votes against management proposals as a formal way to communicate our views to the management, and we undertake them based on our investment team's assessment of each motion, in line with our clients' best interests.

By proposal category, as a percentage of votes within each category and where we had a total of 20 votes or more, our votes against management were largely concentrated on director elections, compensation, strategic transaction and capitalization.

## Common reasons why management proposals are voted against

**Director elections**

Insufficient independence, over boarding, poor attendance, poor performance, governance failures

**Strategic transaction**

Concerns over value destruction, weak strategic rationale, poor timing, excessive financial and execution risk, lack of disclosure

**Compensation**

Lack of transparency over non-salary compensation, weak alignment with performance outcomes, excessive weighting toward fixed pay, unjustified overall remuneration levels

**Capitalization**

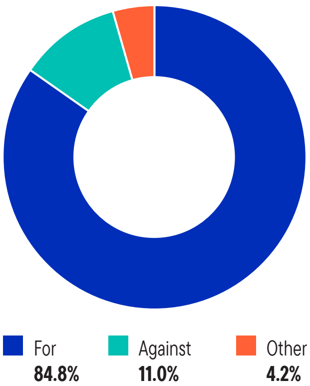
Excessive or dilutive equity or debt issuance, failure to respect pre-emptive rights, insufficient detail and transparency on the intended use of proceeds

As we manage portfolios across multiple legal entities, our proxy voting activities are reported on an aggregated basis for emerging markets portfolios and developed markets portfolios, separately. While some overlap in holdings may occur across legal entities, we believe this approach provides a clear and consistent representation of our proxy-voting activities across portfolios.

## TGI emerging markets portfolios

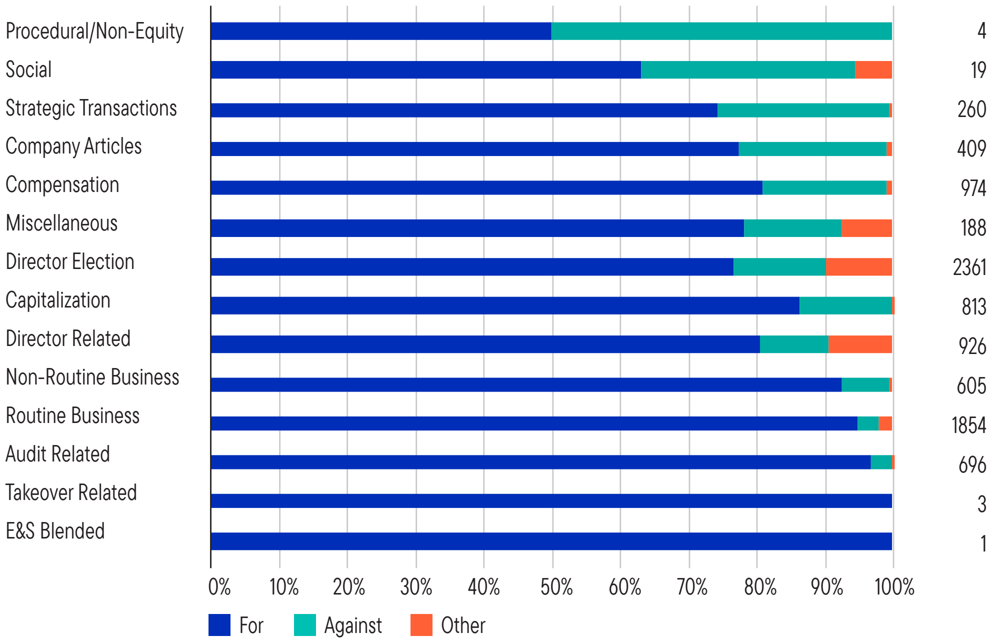
### Vote Instruction

Votable Meetings: 9,113




Source: ISS.

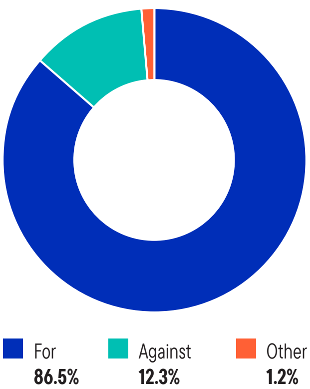
### Votes Casts per Category




## TGI developed markets portfolios

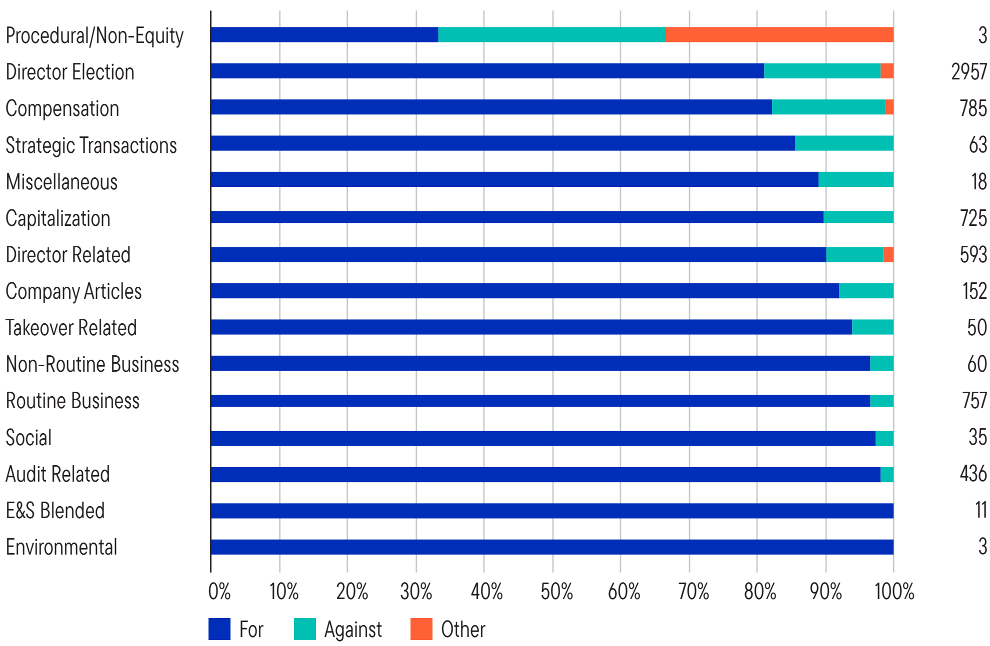
### Vote Instruction

Votable Meetings: 6,648




Source: ISS.

### Votes Casts per Category




Please refer to our website for our Proxy Voting policies, procedures and records:
Voting a Proxy
Franklin Templeton

# Shareholder proposals

Shareholder proposals in 2025 reflected a shifting landscape, with fewer proposals reaching the ballot, declining support for environmental and social topics, and continued strength in governance-related issues.

Since peaking in 2021, support for shareholder proposals on sustainability topics has continued to decline. In 2025, this trend was reinforced by regulatory changes, notably updated US Securities and Exchange Commission (SEC) guidance early in the year, which made it easier for companies to omit certain proposals from the ballot. As a result, fewer proposals reached voting, with a marked increase in exclusions.

Average support for environmental and social proposals declined further, while support for governance-related proposals remained comparatively stronger, highlighting a divergence in investor priorities. We supported 15% of shareholder proposals related to sustainability issues, a lower percentage than 2024. These were all in the developed markets. In the emerging markets, we continued to see a limited number of shareholder proposals and all were governance related.

The nature of shareholder proposals has also continued to evolve. Earlier proposals often focused on implementing broadly-adopted material issue disclosures, whereas more recent submissions have, in some cases, been more prescriptive in nature. Alongside this shift, investors are increasingly prioritizing direct engagement with companies as a means of addressing sustainability-related risks and opportunities, rather than relying solely on shareholder resolutions.

To assess whether a proposal is worthy of our support, we consider the following:

- Quality: Whether the proposal is well written, with the proponent taking a proper analysis of the individual company and the issue at hand.
- Outcome: Whether the proposal is likely to contribute to a real-world outcome that will benefit our clients.
- Specificity: Whether the proposal strikes the right balance of being specific without being prescriptive.
- Opportunity: Whether the proposal has been filed at the right time and is relevant to current events.

Against this backdrop, we observed the following key trends around shareholder proposal topics and voting activities in 2025.

## Climate change

Climate-related proposals remained among the most frequently-submitted environmental and social proposals in 2025. They typically focused on emissions disclosures, target setting, alignment with the Paris Agreement, and transition planning.

However, fewer proposals were voted on and the level of shareholder support declined meaningfully, with climate proposals receiving around 12% support on average, down sharply from the prior year. This reflects both the impact of increased proposal exclusions and a continued shift toward more prescriptive or detailed requests. As proposals moved beyond disclosure toward implementation and performance, support has moderated, particularly for system-level risks such as climate change.

## Human rights

The number of human rights-related proposals declined significantly in 2025, extending a multi-year downward trend. Proposals covered a range of topics including labor rights, operations in higher-risk jurisdictions, and human rights due diligence.

Average support for these proposals remained moderate at a low-teen percentage level but was weaker compared to the prior years, with some notable declines in repeat proposals following company actions.

## Political spending and lobbying

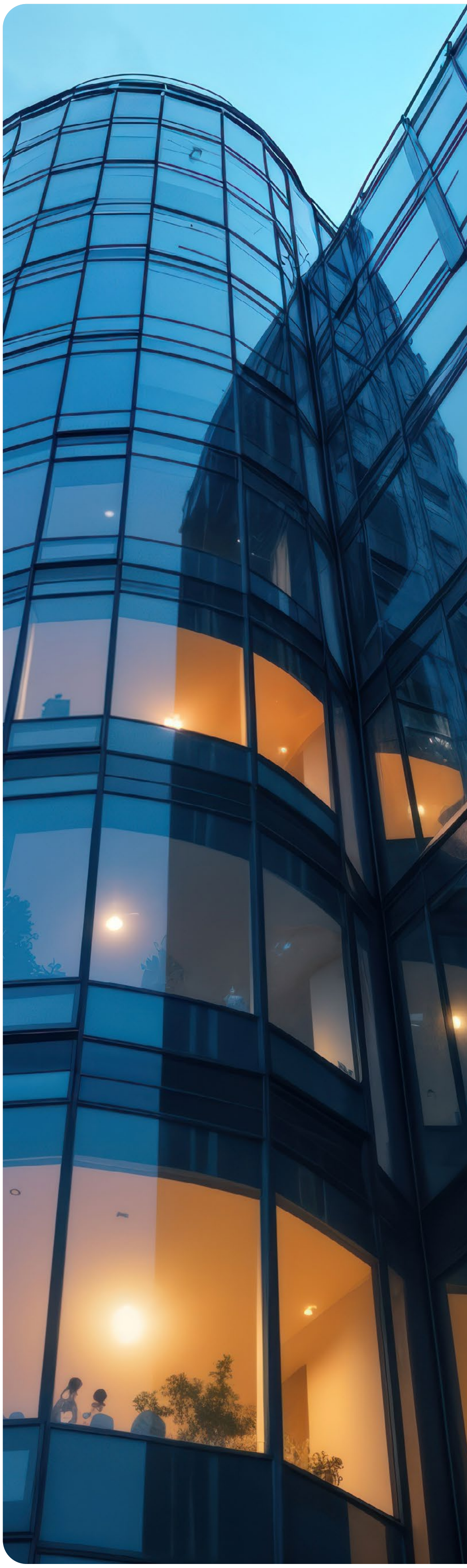
Proposals related to political spending and lobbying continued to be a key area of shareholder focus and were among the highest supported environmental and social proposals. Average support increased to approximately 29%, and several proposals received majority support, primarily in instances where company disclosure lagged peers.

At the same time, fewer lobbying-related proposals reached the ballot in 2025, reflecting a higher level of exclusions following changes in SEC guidance.

## Emerging topics: Artificial intelligence and other issues

Artificial intelligence (AI) emerged as a growing area of shareholder focus in 2025, with multiple proposals tabled to address risk oversight, human rights implications, and governance structures. While they accounted for only a relatively low proportion of total proposals, these proposals highlight increasing investor attention to the risks and opportunities associated with the use of AI.

More broadly, proposal topics continued to evolve, with declining volumes in certain areas such as diversity, equity and inclusion (DEI), alongside increased scrutiny of proposal quality and relevance. These trends reinforce the shift toward more targeted proposals and, in many cases, greater reliance on direct engagement rather than shareholder resolutions.



# Proxy voting case studies in 2025

| | |
|---|---|
| **Company** | **Swiggy** |
| **Vote proposal** | **Director election** |
| **Vote instruction** | **AGAINST** |
| **Considerations** | We voted against a resolution to approve the continuation of a non-executive nominee director due to concerns regarding board attendance. The director attended approximately 65% of board meetings during the period under review, which fell below the widely-accepted governance standard of 75%. This is a material issue as regular board meeting attendance is a fundamental requirement for effective board oversight and informed participation in decision-making. We sought clarification from the management, which noted that the director is one of two nominee representatives from the company's largest shareholder, and that at least one of the nominees attends all meetings. We did not consider this a sufficient justification, as each director is individually accountable for fulfilling their fiduciary duties. Our vote reflects our expectation that all directors, including nominee directors, should demonstrate a strong commitment to their role through consistent attendance and active engagement, which we view as essential to robust governance and long-term value creation. |

| | |
|---|---|
| **Company** | **Wizz Air Holdings** |
| **Vote proposal** | **Compensation** |
| **Vote instruction** | **AGAINST** |
| **Considerations** | We voted against the company's remuneration report due to concerns regarding the structure and outcomes of executive pay. The company granted a one off restricted share award to the chief executive officer (CEO) on unchanged terms despite significant shareholder dissent at the previous annual general meeting (AGM). We did not consider the company's response to this dissent to be sufficient, particularly given the scale of the award and the lack of meaningful adjustment. In addition, the CEO received a material annual bonus equivalent to approximately 100% of salary, driven primarily by non-financial performance measures. We also noted the company's intention to grant a further award equivalent to 500% of salary in FY2025/26. Given the company's financial performance, shareholder experience, and the level of shareholder pushback at the prior AGM, we did not view the remuneration proposals as appropriately aligned with shareholder interests. We have engaged with the company on remuneration matters over an extended period and have now used our voting decisions to signal the need for improved alignment between pay, performance and shareholder expectations. |

| | |
|---|---|
| **Company** | **Alibaba** |
| **Vote proposal** | **Audit related** |
| **Vote instruction** | **AGAINST** |
| **Considerations** | We voted against a resolution to reappoint PricewaterhouseCoopers Zhong Tian LLP as the company's US auditor, to reappoint PricewaterhouseCoopers as its Hong Kong auditor, and to authorize the board to set their remuneration. Our decision was driven by concerns raised by regulatory authorities regarding PwC Zhong Tian's conduct and its suitability to act as auditor. Specifically, regulatory findings identified failures by PwC Zhong Tian to comply with certain reporting obligations during the course of annual audits conducted between 2019 and 2020 for a mainland enterprise listed in Hong Kong. Given the critical role of external auditors in safeguarding audit quality, transparency, and investor confidence, we did not consider it appropriate to support the reappointment. Our vote reflects our expectation that auditors should meet the highest professional and regulatory standards to support effective oversight and robust financial reporting. |

| | |
|---|---|
| **Company** | **Haier Smart Home** |
| **Vote proposal** | **Capitalization** |
| **Vote instruction** | **AGAINST** |
| **Considerations** | We voted against a resolution to grant the board a general mandate to issue additional class D shares. Our decision was based on concerns regarding the potential impact on existing shareholders, given the significant valuation differential between the company's D shares and its H and A shares. At the time of the vote, the D shares were trading at a material discount relative to other listed share classes. We did not consider it optimal for the company to raise fresh capital through the issuance of shares at a significant discount, as this could lead to unnecessary dilution and may not represent an efficient or equitable approach to capital management. Our vote reflects our expectation that capital raising decisions should be structured in a manner that protects shareholder value and treats different classes of shareholders fairly. |

Country context matters as we assess a company's governance and capital proposals. As illustrated in the following case, our voting considerations also account for local economic conditions, regulations and market practices, to ensure that our stewardship decisions are fair, effective, and value protective.

| | |
|---|---|
| **Company** | **BIM Birlesik Magazalar** |
| **Vote proposal** | **Capitalization** |
| **Vote instruction** | **FOR** |
| **Considerations** | We voted in favor of a proposal to approve a share capital increase with pre-emptive rights. While our guidelines typically recommend limiting authorized capital increases to 100% to mitigate dilution risk, we assessed this proposal in the context of Turkey's macroeconomic environment and the company's specific circumstances. The company last increased its authorized share capital in 2019. Since then, Turkey has experienced sustained and high inflation. In this context, we considered the proposed capital increase to be justified and pragmatic. It should provide the company with financial flexibility in a high inflation environment while preserving pre-emptive rights for existing shareholders. Our vote reflects our view that local market conditions should be appropriately considered when assessing capital management proposals. |

| | |
|---|---|
| **Company** | **Toyota Industries Corp** |
| **Vote proposal** | **Director election** |
| **Vote instruction** | **AGAINST** |
| **Considerations** | We voted against electing the nominated director due to governance concerns, particularly around board independence and oversight of capital allocation. The nominee is non-independent, and as the board was already not majority independent, the election would limit its ability to effectively challenge the management and drive improvements in capital efficiency.<br><br>These concerns were especially relevant given the company's history of extensive cross-shareholdings, which had weighed on return on equity and balance sheet discipline. We considered our vote a signal for the need for improved board independence, stronger accountability, and a more proactive approach to capital allocation that is better aligned with shareholder interests.<br><br>While subsequent engagement led to meaningful progress—including reductions in cross-shareholdings, the introduction of share buybacks, and increased dividends—these developments occurred after the vote and, in our view, reflected a response to sustained investor pressure, including ours. |

| | |
|---|---|
| **Company** | **Hensoldt AG** |
| **Vote proposal** | **Director election** |
| **Vote instruction** | **FOR** |
| **Considerations** | We voted for all director nominees. Under typical policy guidelines, we would vote against director nominations where we detect concerns including term lengths exceeding four years, perceived impact on board independence, and broader board composition issues. However, we determined that a strict application of these criteria was not appropriate in this case. The proposed five-year terms are consistent with the German Corporate Governance Code, and we did not believe it was justified to apply a more stringent standard than local market norms.<br><br>In addition, concerns regarding board independence require contextual interpretation. Hensoldt's governance structure reflects both Germany's co-determination system and the presence of strategic shareholders, including government representation and a significant shareholder (Leonardo S.p.A.). These parties are proportionately represented on the board. While this may reduce headline independence metrics, we view the structure as broadly reflective of ownership and stakeholder realities rather than a governance deficiency. |

| | |
|---|---|
| **Company** | **Sonos, Inc.** |
| **Vote proposal** | **Compensation** |
| **Vote instruction** | **AGAINST** |
| **Considerations** | We identified concerns around executive compensation, particularly a disconnect between pay outcomes and company performance, as well as the use of one-off awards and certain structural weaknesses in incentive design. We therefore did not support the remuneration proposal, signaling the need for improvement in how compensation outcomes reflect performance.<br><br>Following a high level of shareholder dissent in the vote, we observed a constructive response from the management. Notably, incentive payouts for the most recent year were reduced to zero or below target, reflecting financial underperformance and strengthening pay-for-performance alignment. This represents a meaningful shift toward a more disciplined compensation framework.<br><br>However, some structural issues remain, and we will continue to monitor progress, particularly around incentive design, use of discretion, and overall alignment with long-term shareholder value. |

| | |
|---|---|
| **Company** | **NIKE, Inc.** |
| **Vote proposal** | **Director election** |
| **Vote instruction** | **AGAINST** |
| **Considerations** | We voted to withhold support for a member of the Governance Committee, due to concerns regarding the company's capital structure and its implications for shareholder rights.<br><br>NIKE has issued two classes of shares, both carrying equal voting rights on most matters. However, NIKE's equity structure grants disproportionate influence over director elections, with Class A shareholders electing approximately 75% of the board and Class B shareholders electing the remaining 25%. Furthermore, the control over the Class A shares is highly concentrated. Swoosh, LLC holds approximately 78.5% of this share class, effectively granting it significant influence over the majority of board seats. This results in misalignment between economic ownership and control, limiting the ability of minority shareholders to influence board composition. Importantly, this structure is not subject to a reasonable time-based sunset provision, meaning these governance dynamics may persist indefinitely.<br><br>As a member of the Governance Committee, the director is responsible for overseeing governance practices and board accountability. In the absence of meaningful progress toward addressing these concerns, we withheld support to signal the need for improved alignment with shareholder rights and governance best practices. |

| | |
|---|---|
| **Company** | **Thermo Fisher Scientific Inc.** |
| **Vote proposal** | **Compensation** |
| **Vote instruction** | **AGAINST** |
| **Considerations** | We voted against the remuneration proposal due to concerns around pay-for-performance alignment and the design of incentive structures.<br><br>The company's short-term incentive (STI) program set financial targets below the prior-year performance, including metrics reflecting negative growth, yet payouts were delivered at well above the target level. Notably, target bonus opportunities were not adjusted downward to reflect the reduced performance expectations, resulting in elevated compensation outcomes despite weaker underlying performance.<br><br>In addition, the long-term incentive (LTI) framework relied significantly on one-year performance metrics that overlap with STI measures, limiting its effectiveness in promoting long-term value creation. A portion of performance-based awards were also vested based on short-term results, further weakening alignment.<br><br>Overall, these features contributed to a misalignment between executive pay and company performance. The structure raises concerns regarding the rigor and credibility of the company's incentive framework, leading us to oppose the proposal. |

| | |
|---|---|
| **Company** | **Crown Holdings, Inc.** |
| **Vote proposal** | **Report on political contributions** |
| **Vote instruction** | **FOR** |
| **Considerations** | While the company disclosed the aggregate value of political contributions made over the past five years, this figure appeared to reflect only direct contributions and did not clearly capture political spending conducted through trade associations or other membership organizations. As a result, shareholders may not have full visibility into the company's total political expenditure or related risks.<br><br>In addition, disclosure regarding board and senior management oversight of political spending was limited. The company provided insufficient detail on the governance framework, internal controls, as well as review processes used to monitor political contributions and to ensure alignment with stated corporate values and long-term shareholder interests. Enhanced reporting would improve transparency, strengthen accountability, and help mitigate potential reputational and regulatory risks associated with political activity. |

## Cumulative voting

In Brazil, cumulative voting is an important shareholder protection mechanism that allows investors to concentrate their voting power on one or more board candidates, instead of distributing the votes evenly across all nominees. Its purpose is to give minority shareholders a greater chance to successfully elect their preferred candidates, thereby enhancing minority shareholder representation at the board level and strengthening board accountability. This can in turn ensure the board benefits from diverse perspectives and independent oversight. Cumulative voting is particularly relevant in markets with concentrated ownership structures, such as Brazil, where it can help balance influence and support effective governance.

Where appropriate, we will actively use cumulative voting to support the election of director candidates that we believe can contribute positively to the board. This may potentially entail proposing or backing our own nominees. Drawing on our experience in board composition and assessment of candidate quality, we can go beyond a purely reactive voting role and engage constructively in shaping effective governance outcomes. We view this as an extension of our stewardship responsibilities, undertaken in the best interests of our investee companies and our clients as long-term shareholders.

### Case study: Hypera

The following case study illustrates how we have applied cumulative voting in Brazil to support effective board composition and long-term shareholder value creation. By Article 141 of the Brazilian Corporate Law—in accordance with the rules of the remote voting card issued by the Brazilian Securities Regulator and mandatory for all publicly-traded Brazilian companies—shareholders must be presented with the option to request cumulative voting for the election of board directors.

We exercised our cumulative voting right to concentrate our votes on the election of Mauro Cunha. Mr. Cunha is an independent director with over 30 years of capital markets and corporate governance experience. He has assumed senior roles in asset management, Brazil's Association of Capital Markets Investors, as well as board and chair positions at leading governance institutions and listed companies. We used cumulative voting to support a candidate we believed could contribute independent oversight and relevant experience to the board during a period of governance vulnerability. At the time of the election, Hypera was facing risks of external influence by a minority shareholder associated with a competitor, following a previously-disclosed hostile takeover attempt and efforts to secure board representation through cumulative voting. Public disclosures and regulatory proceedings highlighted the company's concerns about safeguarding governance and protecting competitively sensitive information.

In this context, we concentrated our votes to support a director we viewed as well qualified and independent, with the aim of contributing to board stability and effective oversight in the best interests of the company and its shareholders. While cumulative voting does not guarantee a desired outcome, our attempt at Hypera was successful.

# Policy advocacy

At TGI, we do not limit our engagement efforts to companies. With a global footprint across developed and emerging markets, as well as strong relationships with policymakers, regulators and stock exchanges, we are in a unique top-down position to advocate for sustainability-related policies.

In doing so, we adopt a comprehensive approach that is not unlike our engagement with individual companies. When we can complement company engagement with policy advocacy at the institutional level across all the markets we invest in, we have the opportunity to foster improved practices and positive outcomes with broad-based benefits for our clients, even if policy advocacy is not inherent to every investment decision we make.

## Policy advocacy case study: Japan

Japanese equities have historically traded at valuation discounts relative to global peers, reflecting weak capital efficiency, cross-shareholdings and limited focus on return on invested capital (ROIC). Regulatory reforms and Tokyo Stock Exchange initiatives have created momentum for change, but continued investor advocacy remains essential to embed best practices across the market.

Our policy advocacy in Japan combines engagement with policymakers and stock exchange reforms with constructive company-level dialogues.

At the market level, we support initiatives that encourage companies to improve capital allocation, raise ROE and strengthen disclosure. We became a member of the Board Director Training Institute of Japan (BDTI) to promote stronger governance standards and offer portfolio companies access to director training programs. The founder of BDTI recently addressed our Tokyo research conference, reinforcing the importance of independent oversight and capital discipline.

At the company level, our engagement with IHI Corporation illustrates how this advocacy translates into action. During a period of financial stress linked to a major engine recall liability, we encouraged IHI to:

- Avoid dilutive capital raising exercise and monetize non-core real estate assets.
- Establish a structured asset sale program.
- Benchmark and improve ROIC across business segments.
- Reallocate capital toward structurally-growing core businesses.

The company subsequently reclassified real estate as non-core, initiated asset sales, deprioritized capital raising and began developing ROIC benchmarks.

This combination of market-wide advocacy and company-specific engagement reflects our belief that improving Japan's governance culture requires both systemic reform and hands-on dialogue. By promoting capital discipline, board accountability and director education, we aim to contribute to a sustained re-rating of Japanese equities over time.

## Policy advocacy case study: Uzbekistan

In 2025, Uzbekistan partnered with TGI to establish the National Investment Fund of the Republic of Uzbekistan (UzNIF). Holding stakes in some of the country's most important state-owned enterprises (SOEs), UzNIF aims to support Uzbekistan's ongoing economic reforms while generating returns for shareholders through dividends and future SOE listings. TGI manages this fund, which owns strategic minority stakes ranging from 20–40% in its portfolio SOEs.

UzNIF marks a unique, industry-pioneering partnership that is anchored on engagement and advocacy for positive outcomes. As part of the solution's asset enhancement and value creation process, TGI collaborates with both the Uzbek government agencies and the SOEs to facilitate a shift towards improved governance and sustainable business models. We aim to advocate and engrain globally-recognized best practices among critical Uzbek SOEs. This entails transferring the know-how that will enhance the competence, efficiency and profitability of the portfolio SOEs. We believe a strengthened SOE ecosystem will further empower Uzbekistan's growth, unlocking tangible value add to the social-economic future of the country.

In addition, UzNIF aims to connect Uzbek SOEs with global institutional investors, through the listing of the fund as well as select SOEs within the portfolio. In addition to raising the profile of Uzbekistan and showcasing its reforms to the world, UzNIF provides access to a global capital base that can further synergize the growth and transformation of the Uzbek economy.

As TGI supports the regime shift taking shape in Uzbekistan, we recognize the responsibility that comes with managing a portfolio of critical SOEs carries both significant economic value and social importance. These are key national assets that TGI will steward with care, diligence and strategic vision.

# About Franklin Templeton

## Redefining partnership

We believe that success requires more than just expertise—it demands powerful partnerships. As a forward-thinking asset manager, we build dynamic relationships with our clients, understand their goals and navigate the complexities of the market together. Our team leverages cutting-edge strategies and deep industry insights to unlock opportunities to help grow wealth. With Franklin Templeton by their side, investors don't prepare for the future—they shape it.

**75+**
years of asset management experience

**$1.68tn**
(USD) total assets under management

**+1,800**
investment professionals globally

## Delivering a breadth of investment capabilities

Strategic acquisitions have built an industry leading range of capabilities across traditional and alternative asset classes. From stocks to bonds, and across private equity, private debt, real estate, hedge funds and venture, we offer clients a singular access point to cutting edge strategies. We go beyond investing in single asset classes and are able to create outcome-oriented solutions for clients in each and every one of our segments.

### Additional Franklin Templeton resources

Sustainable Investing and Stewardship

Franklin Templeton Stewardship Principles

Franklin Templeton Sustainability Principles

Franklin Templeton Controversial Weapons Policy

International Conflicts of Interest Policy Overview

SFDR entity level statement on i) integration of sustainability risks and ii) non-consideration of PAIs

Franklin Templeton Stewardship Report

Global Citizenship at Franklin Templeton

As of December 31, 2025. Investment professionals include portfolio managers/analysts and research analysts of Franklin Templeton and subsidiary investment management groups.

**We value the time you have taken to read this report and getting to know our approach to stewardship and sustainability better. We look forward to reporting on the improvements we are making in our next annual report.**

For us, at TGI, stewardship and sustainability is about how we research, monitor and manage client assets, returning them in a better condition than when we received them.

- ESG research integration
- Active ownership including our engagement and voting actions
- Policy advocacy with regulators, policymakers and industry bodies

## WHAT ARE THE RISKS?

**All investments involve risks, including possible loss of principal.**

Equity securities are subject to price fluctuation and possible loss of principal. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. The government's participation in the economy is still high and, therefore, investments in China will be subject to larger regulatory risk levels compared to many other countries.

There are special risks associated with investments in China, Hong Kong and Taiwan, including less liquidity, expropriation, confiscatory taxation, international trade tensions, nationalization, and exchange control regulations and rapid inflation, all of which can negatively impact the fund. Investments in Taiwan could be adversely affected by its political and economic relationship with China. Investments in companies in a specific country or region may experience greater volatility than those that are more broadly diversified geographically.

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