

## Director Independence Standards

The Board of Directors (the “Board”) of Franklin Resources, Inc. (“Franklin”, and together with its consolidated subsidiaries, the “Company”) has adopted guidelines for determining whether a director is independent for the purpose of serving on the Board. Additionally, the Board has adopted guidelines for determining whether a director is independent for purposes of serving on the Audit Committee and/or Compensation Committee of the Board. The Board will monitor and review as necessary, but at least once annually, commercial, charitable, family and other relationships that directors have with the Company to determine whether Franklin’s directors are independent.

For a director to be considered independent, the Board must determine affirmatively that the director does not have a material relationship with the Company either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. Such determination will be made and disclosed pursuant to the listing standards of the New York Stock Exchange or such listing standards of any other applicable securities exchange to which Franklin’s shares may be subject from time to time (together with such other requirements imposed by applicable law or regulation). A material relationship can include, but is not limited to, commercial, industrial, banking, consulting, legal, accounting, charitable and family relationships.

Any action duly taken by the Board or a committee thereof shall be valid and effective, whether or not a member of the Board or applicable committee at the time of such action is later determined not to have satisfied the independence guidelines set forth herein.

### **I. Board of Directors**

The Board has established the following guidelines to assist it in determining whether a director does not have a material relationship and thereby qualifies as independent:

- A. A director will not be independent if, at any time within the preceding three years (unless otherwise specified below):**
1. (a) the director was employed by the Company; or  
  
      (b) an immediate family member<sup>1</sup> of the director was employed by the Company as an executive officer<sup>2</sup> of the Company;
  2. the director (or an immediate family member of the director who in the capacity of an executive officer of the Company) received direct compensation from the Company (other than for prior service as a director, or as pension or deferred compensation) of more than \$120,000 in any 12-month period;

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<sup>1</sup> An immediate family member includes a spouse, parent, child, sibling, father- and mother-in-law, son- and daughter-in-law, brother- and sister-in-law and anyone (other than a domestic employee) sharing the director’s home.

<sup>2</sup> An executive officer means a Section 16 reporting person under the Securities Exchange Act of 1934.

3. (a) the director or an immediate family member of the director is currently a partner of the Company's internal auditor or external independent auditor;
- (b) the director is currently employed by the Company's internal auditor or external independent auditor;
- (c) an immediate family member of the director is currently employed by the Company's internal auditor or external independent auditor and personally works on the Company's audit; or
- (d) the director or an immediate family member of the director was formerly employed by or a partner of the Company's internal auditor or external independent auditor and personally worked on the Company's audit within that time;
4. the director or an immediate family member of the director was employed by another company and an executive officer of Franklin served on the compensation committee of such other company; or
5. (a) the director is an employee of a company that made payments to or received payments from the Company for property or services, in any single fiscal year, of more than the greater of \$1 million or 2% of the other company's consolidated gross revenues;
- (b) an immediate family member of the director is an executive officer of a company that made payments to or received payments from the Company for property or services, in any single fiscal year, of more than the greater of \$1 million or 2% of the Company's consolidated gross revenues; or
- (c) the director or an immediate family member of the director serves as an officer, director or trustee of a tax exempt organization, and the Company's contributions to the organization, in any single fiscal year, are more than the greater of \$3 million or 5% of that organization's consolidated gross revenues.

**B. The following relationships are not by themselves considered to be material and would not by themselves impair a director's independence:**

1. a director (or an immediate family member of the director) serves as an executive officer, employee, partner or significant owner (more than 10%) of a company that made payments to or received payments from the Company, in any single fiscal year, of less than the greater of \$1 million or 2% of the consolidated gross revenues of the other entity;
2. a director is an executive officer of another company, which is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other, in any single fiscal year, is less than 2% of the total consolidated assets of the other company;
3. a director (or an immediate family member of a director) serves as an officer, director or trustee of a tax exempt organization, and the Company's contributions to the organization, in any single fiscal year, are more than the greater of \$1 million or 2% of that organization's consolidated gross revenues, provided that such contributions

do not exceed the limits set forth in Paragraph A.5(c) above and that disclosure is made in the Company's annual proxy statement;

4. a director serves or served as a director of a subsidiary, which is a privately held, wholly-owned, direct or indirect subsidiary of the Company;
  5. a director or an immediate family member of a director has entered into a transaction(s) with the Company or any affiliate of the Company in which the transaction(s) involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services, provided the terms of such transaction(s) are not preferential to the terms for similar transactions by the Company or affiliate of the Company in the ordinary course; or
  6. a director or an immediate family member of a director maintains a trading, investment management, custody or other account with an affiliate of the Company, provided the terms of such account are generally the same as or similar to accounts offered by the affiliate of the Company in the ordinary course.
- C. For all relationships not specifically and clearly addressed by the guidelines above, the determination of whether or not a director has a material relationship, and therefore whether or not the director qualifies as independent or not, shall be made by the Board based on the totality of circumstances.

## **II. Audit Committee - Additional Guidelines**

In addition to qualifying as independent under the guidelines in Section I above, in order to be considered independent for purposes of service on the Audit Committee of the Board, the director may not, other than in his or her capacity as a member of the Audit Committee, the Board or any other Board committee:

1. accept directly or indirectly any consulting, advisory or other compensatory fee from the Company, provided that, unless the rules of the New York Stock Exchange provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service); or
2. be an affiliated person of the Company.

The foregoing shall be determined consistent with Rule 10A-3 under the Securities Exchange Act of 1934.

## **III. Compensation Committee - Additional Guidelines**

In addition to qualifying as independent under the guidelines in Section I above, in affirmatively determining the independence of any director who will serve on the Compensation Committee of the Board, the Board must consider all factors specifically relevant to determining whether the director has a relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to:

1. the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and
2. whether such director is affiliated with Franklin, a consolidated subsidiary of Franklin or an affiliate of such subsidiary.

In making such independence determination, the Board should consider:

1. whether the director receives compensation from any person or entity that would impair the director's ability to make independent judgments about the Company's executive compensation; and
2. whether the affiliate relationship places the director under the direct or indirect control of the Company or its senior management, or creates a direct relationship between the director and members of senior management, in each case of a nature that would impair the director's ability to make independent judgments about the Company's executive compensation.

Last approved by the Board on April 12, 2017.