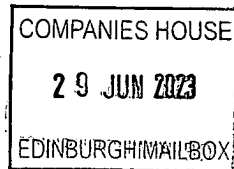


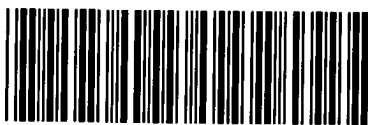
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BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

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BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

COMPANY INFORMATION

Directors

T W Fetter
M P Glassman
A B Spector

Registered number

06324517

Registered office

Cannon Place
5th Floor
78 Cannon Street
London
EC4N 6HL

Independent auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

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BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Introduction

The Directors present their strategic report and the audited financial statements for the year ended 30 September 2022.

Review of the Business

Brandywine Global Investment Management (Europe) Limited ("the Company") provides distribution services on behalf of an affiliated entity, Brandywine Global Investment Management, LLC ("BGIM"), an investment management firm headquartered in the United States of America. The Company is authorised to conduct investment business by the Financial Conduct Authority ("FCA"), in accordance with the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012 and the Bank of England and Financial Services Act 2016.

The Company performed in line with its strategy and expectations.

Business environment and strategy

Franklin Resources, Inc. ("Franklin") and its subsidiaries (The "Franklin Group") is one of the world's largest independent, specialised global investment managers. The Franklin Group strategy is designed around our independent investment managers providing expertise across equities, fixed income and alternatives and offers a balanced and diversified organisation that is competitively positioned to provide a greater range of investment choices and will assist in our efforts to deliver value to investors.

The business year has been characterised by the continued global response to the COVID-19 pandemic, the Russian invasion of Ukraine, global inflationary pressures and interest rate rises, and political uncertainty in the UK. The Company has taken a number of measures to monitor and mitigate these effects whilst continuing to respond to the global COVID-19 pandemic. The strategy of the Company post Brexit is to build its UK client base.

Results and performance

The profit for the year, after taxation, amounted to £0.1m (18 month period ended 30 September 2021: £2.2m).

The Company currently has no Separately Managed Accounts or UK clients. Turnover is derived from distribution services on behalf of an affiliated entity, BGIM.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Statement by the Directors in performance of their statutory duties in accordance with Section 172 Companies Act 2006

In accordance with the Companies Act 2006 (the "Act"), the Directors of the Company are required to give an annual statement which describes how the Directors have taken into consideration the matters set out in section 172 (1) of the Act when discharging their duty under that section.

Section 172 of the Act requires a Director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, stakeholders and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between different members of the company.

The Directors consider the matters set out above in their decision-making process, through the Company's business strategy, culture, governance framework, management information flows and stakeholder engagement processes.

The Directors recognise that the long-term success of the business is dependent on the way it works with a large number of important stakeholders. The Directors believes that corporate citizenship is a critical link between integrity and performance, how the Company does the right things, the right way in order to deliver value to its clients, employees, and its communities.

Core values

Act with Integrity. As a fiduciary, we believe acting with integrity is of the utmost importance. While no one particular value supersedes another, acting with integrity is the key to our core values system and is the benchmark for how we manage all of our valued relationships.

Taking ownership. Taking ownership means being accountable to our colleagues and clients. Our goals are often connected, and given these overarching themes, we value foresight that goes beyond individual responsibilities to exceed expectations and account for broad objectives.

Be Curious and Challenge Conventional Thinking. We encourage curiosity and a willingness to explore and question differing perspectives while being sensitive to cultural norms, expectations and ways of communicating. These attributes are key to innovation and vital to our long-term, strategic growth.

Debate with an Open Mind. We believe a great idea can come from anywhere, which is why we leverage our employees' diverse experiences, styles, backgrounds and perspectives to get results. We encourage our colleagues to share and debate their views with respect and tolerance. This value is a key component to our team-based approach to investment management.

Build Strong, Diverse Relationships. Building strong, diverse relationships is essential to developing trust and creating a work climate where differences are valued and supported. We draw upon an array of relationships to exchange ideas, cultivate resources, and establish best practices as a way to remain at the forefront of the global investment management industry.

Strive for Balance. Our colleagues and culture are one of our greatest resources. Therefore, it is important to strive for balance within the organization, whether that means carefully assessing short- and long-term objectives or creating equilibrium between personal and professional goals.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Key decisions made during the year

The Company continues to support and implement Franklin's wider strategy, which is to build on Franklin's track record of developing innovative products and tools for our clients, whilst empowering Franklin's people to always do the right thing for clients. Franklin's mission is to help clients achieve better outcomes through investment management expertise, wealth management and technology solutions. The Company has continued to support the wider Franklin strategy and missions throughout the fiscal year ending 30 September 2022. In particular:

Decisions taken in the wake of the Russian invasion of Ukraine

Following the Russian invasion of Ukraine, and the resulting tragic humanitarian crisis, Franklin has committed to avoid any support or enrichment to Russia or Belarus as a result of investment decisions, for the foreseeable future.

The Company is continuing to build its UK client base since the implementation of the Brexit strategy.

The Directors have considered the requirements of section 172 (1) of the Act as summarised below:

The likely consequence of any decision in the long term

The Company's business strategy is focused on building its UK client base in the long term. In setting this strategy, the Directors take into account the impact of relevant factors and stakeholder interests on the Company's performance.

The interests of the Company's employees

The Directors acknowledge the significance of a committed workforce. It is important that employees are valued, included, and empowered to do their best work. The company recognises that each employee's unique experiences, perspectives, and viewpoints add value to our ability to create and deliver the best possible service to our clients and partners.

The (Diversity, Equity and Inclusion Council) DEI Council promotes diversity, equity, and inclusion as the Company's way of doing business through strategic advice, education and awareness, and accountability through measurable goals.

The need to foster the Company's business relationships with suppliers, stakeholders and others

The Directors recognise that delivering on the Company's strategy requires strong, mutually beneficial relationships with its stakeholders. The Company and broader regulatory governance committees regularly receive information updates on how stakeholders have been engaged on a variety of topics including such as service levels and operational effectiveness.

The impact of the Company's operations on the community and the environment

As an investment management firm that has predominantly office-based functions, the Company has limited direct impact on the environment.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Directors have regard to the interests of the companies' employees and stakeholders, including the impact of their decisions on the community and environment and the companies' reputation when making decisions. The Directors consider the consequences of those decisions to promote the success of the companies in the long term.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

The desirability of the Company maintaining a reputation for high standards of business conduct (continued)

Environmental, social and governance ("ESG") is important to the Directors. The Company's ESG integration framework spans across multiple assets classes, leverages the strengths from each investment team, and fosters internal collaboration. With a value orientation as a shared philosophy across investment teams, ESG research is therefore integral to our comprehensive price and information risk analyses. We carefully strike a balance between implementing a consistent approach to ESG integration and ensuring that sustainability research and analysis remain authentic to each team's distinctive investment process. Our top-down, bottom-up investment approach extends to how we account for ESG risks and opportunities, as we assess these factors from at the broadest country and macro levels, down to sector and company-specific themes. BGIM has demonstrated its commitment to ESG by becoming a signatory to the UN-supported Principles for Responsible Investment.

The need to act fairly between different members of the Company

The Company's ultimate parent is Franklin Resources, Inc. Corporate values are reflected throughout the organisation and are shared in its annual report which is available on its website www.franklinresources.com.

Principal risks and uncertainties

In addition to the risks discussed within the financial risk management section of the Directors' report, the Directors have identified principal risks facing the business and employ a mitigation strategy to each risk as follows:

Principal Risk: Talent & expertise

Mitigation: Compensation targets retention of key employees.
Company has a team-based approach.

Principal Risk: Risk of a natural or environmental event impacting one of our sites (earthquake, hurricane, pandemic)

Mitigation: Annual testing of business continuity plans, crisis management plans, emergency management teams plans, disaster recovery plans and technical recovery time targets.

Principal Risk: Data Privacy

Mitigation: Focus on automation of tasks and initiatives where feasible, streamlining existing processes and leveraging synergies between the teams.

Principal Risk: Cyber security

Mitigation: Robust core security infrastructure
Dedicated teams to assess issues and restore service, proactively monitor the corporate network and to block malicious traffic.

Principal Risk: Funding requirements

Mitigation: Regular monitoring by Corporate Finance and Treasury combined with the implementation of a contingency funding plan, as needed.

The process of identifying risk, risk acceptance and risk management is addressed through a framework discussed in the Directors' Report.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

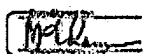
**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Financial key performance indicators and future developments

The Company is focused on developing both product and services to ensure it can meet the needs of stakeholders' requirements, whilst continuing to focus on delivering the best performance we can over the long term.

A detailed analysis has not been given because the Company currently has no UK clients and continues to make a profit under the Franklin pricing policy

This report was approved by the board and signed on its behalf.



M P Glassman
Director

Date: 20 December 2022

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

The Directors present their report and the audited financial statements for the year ended 30 September 2022.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

Results and dividends

The profit for the year, after taxation, amounted to £0.1m (18 month period ended 30 September 2021: £2.2m). The reduction in revenue is a result of the SMA client moving to another Group company and the reduction in UCITS funds following the implementation of the Brexit strategy.

The Directors do not recommend payment of a final dividend on ordinary shares (2021: £nil).

During the year an interim dividend of £2.0m was paid from retained earnings to Legg Mason Global Holdings Ltd, (2021: £6.0m).

Directors

The Directors who served during the year and up to the date of signing this report (unless otherwise stated) are:

T W Fetter
M P Glassman
A B Spector

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of the respective Directors which were in place throughout the year and which remain in place at the date of this report.

Financial and operational risk management

The Company is committed to managing its affairs in accordance with and in a manner consistent with the FCA's risk management standards. Accordingly, the Company has adopted a risk policy (the "Risk Policy") to document its risk control framework that it uses to identify, assess, measure, manage, monitor, mitigate and report on its risks.

The Company will continue to develop and enhance its risk management approach, consistent with the actual and planned development of the business.

In setting the Risk Policy and Risk Appetite, the Board is adopting the risk management framework implemented by BGIM, which is managed by BGIM's Risk Management Department.

The framework codifies existing practices and defines the path for identifying, assessing and monitoring current and anticipated risks associated with the Company's people, processes and technology that have the potential to impact the achievement of the Company's strategic objectives.

The risk management framework is an iterative, dynamic process intended to improve decision-making and planning in the management of the Company's business. It takes a pro-active rather than re-active approach toward risk.

In essence, the risk program captures the components of the risk management framework and is the fundamental risk assessment tool for all Brandywine Global departments and locations.

There is a process in place to ensure that there are procedures and controls to address the risks identified with respect to the business.

The Compliance and Risk functions provide for oversight and independent review of risks and controls as well as independent reporting of management information to the committees for review and as appropriate to the Board. Global Compliance conducts reviews to determine if group companies have staffing, policies and global controls in place to enable applicable regulatory and the Company requirements to be met; the Internal Audit Unit carries out

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**DIRECTORS' REPORT(CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Financial and operational risk management (continued)

reviews on the operational effectiveness of internal controls including those for financial reporting and information technology.

The principal risks and uncertainties of the business of the Company are discussed in the Strategic Report. Specific risks and the risk management policies that are in place are addressed below.

Foreign exchange risk

The Company is subject to foreign exchange risk through its international operations and in relation to its balance sheet cash, accounts payable and accounts receivable. The Company does not use derivative financial instruments to manage foreign exchange risk exposure. As a result, both positive and negative currency fluctuations against the Pound Sterling may affect its results. This risk is mitigated by close monitoring by the Corporate Treasury group.

Credit risk

Credit risk is the risk of loss due to a counterparty or borrower being unable to meet its obligations. As the Company does not conduct lending activities, the risk associated with this category is narrowed to cover only counterparty risk. Experience has shown counterparty risk relating to debtors is minimal as the majority of the Company's debtors are other Franklin Group companies that settle within one month, with the Company experiencing minimal historical bad debts.

The Company is also exposed to counterparty risk relating to its banking partners. The Company has developed procedures to monitor and mitigate credit risk.

Liquidity and cash flow risk

Liquidity risk is the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure resources only at excessive cost.

The Company's liquidity risk is considered low as it holds significant cash balances which are available on demand.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**DIRECTORS' REPORT(CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Statement of directors' responsibilities in respect of the financial statements (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going Concern

During the year the Company has not been impacted by either the effects of the Russian invasion of Ukraine or global inflationary pressures and interest rate rises, and political uncertainty in the UK. The Company has taken a number of measures to monitor and mitigate these effects whilst continuing to respond to the global COVID-19 pandemic.

The Company's response and the impact of these events on cash liquidity and its impact on revenues and profitability have been covered within the business environment and results and performance sections of the Strategic Report.

The Directors consider that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Change of Year End

In the prior period, the financial year end of the Company was changed from 31 March to 30 September so as to align with the year end of Franklin, its ultimate holding company. Accordingly, the previous financial statements were prepared for 18 months from 1 April 2020 to 30 September 2021 and as a result, the comparative figures stated in the statement of comprehensive income, statement of changes in equity and the related notes are not comparable.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board of Directors and signed on its behalf.

A handwritten signature in black ink, appearing to read 'M P Glassman', is written over a horizontal line.

M P Glassman
Director

Date: 20 December 2022

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRANDYWINE GLOBAL INVESTMENT
MANAGEMENT (EUROPE) LIMITED**

Report on the audit of the financial statements

Opinion

In our opinion, Brandywine Global Investment Management (Europe) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2022; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRANDYWINE GLOBAL INVESTMENT
MANAGEMENT (EUROPE) LIMITED**

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRANDYWINE GLOBAL INVESTMENT
MANAGEMENT (EUROPE) LIMITED**

ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of financial data to present more favourable financial results through posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Reviewing correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the Directors;
- Understanding of management's internal controls designed to prevent and detect irregularities;
- Identification and testing of journal entries, in particular journal entries posted with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRANDYWINE GLOBAL INVESTMENT
MANAGEMENT (EUROPE) LIMITED**

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Morbeen Ahmad (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

20 December 2022

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

		Year to 30 Sep 2022	18 months to 30 Sep 2021
	Note	£000	£000
Turnover	2	1,564	5,346
Administrative expenses		(1,442)	(1,752)
Operating profit	3	122	3,594
Interest receivable and similar income	6	9	—
Profit before taxation		131	3,594
Tax on profit	7	(28)	(1,434)
Total comprehensive income for the year / period		103	2,160

The notes on pages 17 to 24 form part of these financial statements.

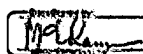
All amounts relate to continuing operations.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED
REGISTERED NUMBER:06324517

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

		As at	As at
		30 Sep 2022	30 Sep 2021
	Note	£000	£000
Current assets			
Debtors	8	357	13
Cash & Cash Equivalents		2,292	6,356
		<u>2,649</u>	<u>6,369</u>
Creditors: amounts falling due within one year	9	(276)	(2,099)
Net current assets		<u>2,373</u>	<u>4,270</u>
Total assets less current liabilities		<u>2,373</u>	<u>4,270</u>
Net assets		<u>2,373</u>	<u>4,270</u>
Capital and reserves			
Called up share capital	10	350	350
Profit and loss account		2,023	3,920
Total equity		<u>2,373</u>	<u>4,270</u>

The financial statements on pages 14 to 24 were approved by the Board of Directors on 20 December 2022 and signed on its behalf by:



M P Glassman

Director

Date: 20 December 2022

The notes on pages 17 to 24 form part of these financial statements.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 1 April 2020		350	7,760	8,110
Profit for the period		—	2,160	2,160
Dividends paid		—	(6,000)	(6,000)
At 30 September 2021		350	3,920	4,270
Profit for the year		—	103	103
Dividends paid	11	—	(2,000)	(2,000)
At 30 September 2022		350	2,023	2,373

The notes on pages 17 to 24 form part of these financial statements.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

1. Accounting policies**1.1. Business**

Brandywine Global Investment Management (Europe) Limited is a private company and is incorporated and domiciled in the United Kingdom. The address of its registered office is Cannon Place, 5th Floor, 78 Cannon Street, London, EC4N 6HL.

The immediate parent undertaking is Legg Mason Global Holdings Ltd a company incorporated and registered in the Cayman Islands, whose financial statements are not consolidated.

The ultimate parent undertaking and controlling party is Franklin Resources, Inc.. Franklin, headquartered in San Mateo, California, United States of America ("USA"), is a public company registered with the U.S. Securities and Exchange Commission.

Franklin is the parent company of the Franklin Group of undertakings to consolidate these financial statements at 30 September 2022. The consolidated financial statements of Franklin are prepared in accordance with the Generally Accepted Accounting Principles of the USA, as defined by the Financial Accounting Standards Board and are available at www.franklinresources.com.

The principal accounting policies which have been applied consistently throughout the year and the preceding 18 month period are set out below.

1.2. Basis of preparation of financial statements

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified to include certain items at fair value through profit or loss.

Going concern

The business year has been characterised by the continued global response to the COVID-19 pandemic, the Russian invasion of Ukraine, global inflationary pressures and interest rate rises, and political uncertainty in the UK. The Company has taken a number of measures to monitor and mitigate these effects whilst continuing to respond to the global COVID-19 pandemic. The strategy of the Company post Brexit is to build its UK client base. The directors continue to adopt the going concern basis in preparing the financial statements.

1.3. Exemptions for qualifying entities under FRS 102

FRS 102 paragraph 1.12 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows on the basis that it is a qualifying entity and the consolidated statement of cash flows are included in the Company's ultimate parent company, Franklin Resources, Inc. consolidated financial statements;
- from the financial instrument disclosures, required under IFRS 9 and IAS 39 (as amended following the publication of IFRS 9), the disclosure requirements of sections 11 and 12 and the presentation requirements of paragraph 11.38A and 12.25W.
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

1. Accounting policies (continued)**1.4. Significant judgements and estimates**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies. In the case of the Company, no such significant judgments or estimates have been made in the preparation of the financial statements.

1.5. Foreign currency translation**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

1.6. Turnover

Turnover comprises revenue recognised by the Company in respect of distribution services supplied during the year, exclusive of Value Added Tax and trade discounts.

Turnover is accounted for on an accruals basis.

1.7. Interest receivable and similar income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest rate method.

1.8. Current and deferred taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

1. Accounting policies (continued)

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.9. Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

1.10. Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

1.11. Dividends

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's Directors. These amounts are recognised in the statement of changes in equity.

1.12. Pensions**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

1.13. Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

1.14. Operating leases

110 Bishopsgate lease (terminated) costs were charged to the Statement of Comprehensive Income on a straight line basis over the lease term in the prior period.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

2. Turnover

	Year to 30 Sep 2022	18 months to 30 Sep 2021
	£000	£000
Distribution services for BGIM	1,564	3,670
Management fee income	—	1,676
	<u>1,564</u>	<u>5,346</u>

Turnover is derived from distribution services on behalf of a US affiliated entity, BGIM.

In the prior period the Company received management fees of: £1,675,782 from one investment management agreement relating to Separately Managed Accounts ('SMAs'). The Company has no SMA contracts since December 2020.

3. Operating profit

The operating profit is stated after charging:

	Year to 30 Sep 2022	18 months to 30 Sep 2021
	£000	£000
Sub-advisory fee	—	284
Exchange differences	150	35
Operating lease rentals ¹	—	197
Defined contribution pension cost	39	19

4. Auditors' remuneration

	Year to 30 Sep 2022	18 months to 30 Sep 2021
	£000	£000
Fees payable to PricewaterhouseCoopers LLP for:		
The audit of the Company's annual financial statements	12	26
Other services supplied pursuant to FCA regulation	7	21
Total fees payable to auditors	<u>19</u>	<u>47</u>

The auditors' remuneration for the year ended 30 September 2022 and the period ended 30 September 2021 was paid by Legg Mason & Co (UK) Limited and recharged to the Company.

¹ The operating lease terminated 31 March 2021.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

5. Staff costs

Staff costs were as follows:

	Year to 30 Sep 2022	18 months to 30 Sep 2021
	£000	£000
Wages and salaries	965	810
Social security costs	136	112
Other pension costs	39	19
	<u>1,140</u>	<u>941</u>

5. Staff costs (continued)

The average monthly number of employees, excluding the Directors, during the year was as follows:

	Year to 30 Sep 2022	18 months to 30 Sep 2021
	No.	No.
Sales and Client services	3	2
Research Analyst	1	1
	<u>4</u>	<u>3</u>

Directors' emoluments

The three US domiciled directors (2021: three) of Brandywine Global Investment Management (Europe) Limited, who hold senior global roles, receive no emoluments from the Company and are employed and remunerated by other group companies which do not recharge the Company for their services. The remuneration of the US Directors are paid by a US group company which makes no recharge to the company. One Director performs a global role as Executive Officer with Franklin whilst the remaining two Directors are Global Management Committee members serving the executive board of BGIM and it is not possible to make an accurate apportionment of their remuneration in respect of this Company due to minimal involvement.

6. Interest receivable and similar income

	Year to 30 Sep 2022	18 months to 30 Sep 2021
	£000	£000
Bank interest receivable	9	—
	<u>9</u>	<u>—</u>

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

7. Tax on profit

	Year to 30 Sep 2022 £000	18 months to 30 Sep 2021 £000
Corporation tax		
Current tax on profits for the year / period	25	1,434
Total current tax	25	1,434
Deferred tax		
Deferred tax - prior period adjustment	3	—
Total deferred tax	3	—
Taxation on profit	28	1,434

Factors affecting tax charge for the year / period

The tax assessed for the year / period is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	Year to 30 Sep 2022 £000	18 months to 30 Sep 2021 £000
Profit before taxation	131	3,594
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	25	683
Effects of:		
Group relief paid	—	751
Adjustments in respect of prior periods	3	—
Total tax charge for the year	28	1,434

There is no deferred tax position outstanding at the end of the financial year.

Factors that may affect future tax charges

Following the substantive enactment of the Finance Act 2021 on 24 May 2021 the UK corporation tax rate will increase to 25% effective from 1 April 2023. Deferred tax forecast to unwind after that date has been recognised at 25%.

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

8. Debtors

	30 Sep 2022	30 Sep 2021
	£000	£000
Amounts owed by group undertakings	329	—
Other debtors	18	11
Prepayments and accrued income	10	2
	<u>357</u>	<u>13</u>

In line with the 'Multilateral Netting Agreement' dated 1 April 2007, all inter-company debtor and creditor balances of entities covered by the agreement have been netted off against one another. These amounts are unsecured, interest free, have no fixed repayment date and are repayable on demand, typically within one month.

Included in the amounts owed by group undertakings is £5,299 (2021: nil) receivable from group companies not party to the Netting Agreement. Amounts owed by group undertakings are unsecured, non-interest bearing and are repayable on demand, typically within one month.

9. Creditors: Amounts falling due within one year

	30 Sep 2022	30 Sep 2021
	£000	£000
Amounts owed to group undertakings	17	1,222
Corporation tax	25	735
Other taxation and social security	109	96
Accruals and deferred income	125	46
	<u>276</u>	<u>2,099</u>

In line with the 'Multilateral Netting Agreement' dated 1 April 2007, all inter-company debtor and creditor balances of entities covered by the agreement have been netted off against one another in the prior period. These amounts are unsecured, interest free, have no fixed repayment date and are repayable on demand, typically within one month.

Amounts owed to group undertakings £16,982 (2021: nil) are net amounts payable to group companies not party to the Netting Agreement in the current year. Amounts owed to group undertakings are unsecured, non-interest bearing and are repayable on demand, typically within one month.

10. Called up share capital

	30 Sep 2022	30 Sep 2021
	£000	£000
Allotted, called up and fully paid		
350,004 (2021: 350,004) Ordinary shares of £1.00 each	<u>350</u>	<u>350</u>

BRANDYWINE GLOBAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

11. Dividends paid

	30 Sep 2022	30 Sep 2021
	£000	£000
Dividends paid	<u>2,000</u>	<u>6,000</u>

During the year, a dividend of £2,000,000 (2021: £6,000,000) at £5.71 per share (2021: £17.14 per share) was paid from retained earnings to Legg Mason Global Holdings Ltd.

12. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £39,430 (2021: £18,626). Contributions totalling £3,715 (2021: nil) were payable to the fund at the Statement of Financial Position date and are included in creditors.

13. Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 102 not to disclose transactions entered into between two or more members of a group provided that any subsidiary which is party to the transaction is wholly owned by such a member and the consolidated financial statements in which the Company is included are publicly available.



Brandywine Global Investment Management (Europe) Limited

Annual disclosure of risk management objectives and policies, own funds and requirement and remuneration policies and practices

September 30, 2022

1. Overview

1.1 Background

Brandywine Global Investment Management (Europe) Limited ("BGIMEL") is an indirect wholly owned subsidiary of Franklin Resource, Inc. ("Franklin") controlled and operated by Brandywine Global Investment Management, LLC ("Brandywine Global"). BGIMEL is part of the wider Franklin corporate group. BGIMEL adopts, leverages and contributes to Franklin's wider strategy, values, policies, procedures and approach to community engagement. Franklin's corporate values are reflected throughout the organisation and are shared in its annual report on its website www.franklinresources.com. BGIMEL is regulated by the Financial Conduct Authority ("FCA") and is subject for MIFIDPRU rules.

MIFIDPRU 8.1.1 requires non-SNI MIFIDPRU investment firms to disclose the below information annually.

1. Risk management objectives and policies – MIFIDPRU 8.2
2. Own funds – MIFIDPRU 8.4
3. Own funds requirement – MIFIDPRU 8.5
4. Remuneration policies – MIFIDPRU 8.6

1.2 Firm overview

BGIMEL maintains its UK FCA license for the provision of discretionary management services to UK domiciled clients. Currently there are no separate account mandates contracted with BGIMEL and its activities are limited to supporting investment research and promotion of investment strategies to professional investors on behalf of its group parent company Brandywine Global Investment Management LLC.

2. Risk Management Objectives and Policies

2.1 Statement of Risk Appetite

BGIMEL believes risk-taking is an intrinsic part of the asset management business and takes a reasoned and measured approach toward risk in managing assets and applying cost/benefit constraints related to risk mitigation efforts. The Company takes into consideration how operations are established, the development of new systems, the approach to new products and new business opportunities, and the commitment to controls. These decisions are reviewed and vetted through Brandywine Global's governance structure, as well as presented to the BGIMEL's Board.

2.2 Risk management function

BGIMEL's Board and Brandywine Global Enterprise Risk Management ("ERM") department are responsible for implementing and optimizing BGIMEL's risk management framework. Where relevant, the risk control framework will be based on reviews and assessments of the risk and controls carried out by Brandywine Global's business units and Franklin Templeton UK business support functions.

Brandywine Global's ERM department works collaboratively with each business unit to identify current or potential events that could impact the business function's objectives. Factors such as people, process, technology, and external events that could occur and impede the achievement of the BGIMEL's objectives are considered. The process looks to the past to events and errors that have occurred as well as changing regulatory dynamics or other environmental factors.

2.3 Risk Management Framework

As a global investment services organization, Brandywine Global operates under various regulatory authorities. Those authorities include: the Securities and Exchange Commission (US), the Financial Conduct Authority (UK), and the Commodity Futures Trading Commission. The Company is committed to managing its affairs in accordance and in a manner consistent with the risk management standards set forth by these agencies and by its fiduciary obligations to its clients. Accordingly, the



Brandywine Global Investment Management (Europe) Limited

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Company has adopted a Risk Policy for its UK-based organization, which is aligned with Brandywine Global Investment Management, LLC's risk framework.

The Financial Conduct Authority ("FCA") in Principle 3 of PRIN 2.1.1R requires that the Company must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. Furthermore, SYSC 7.1 requires the Company to establish and maintain effective processes to identify, manage, monitor, and mitigate risk that the Company is or might be exposed to (hereinafter "Risk Control Framework"). Finally, MIFIDPRU 7.4 to 7.8 requires the Company to assess the adequacy of own funds and liquid assets by way of an internal capital adequacy and risk assessment process ("ICARA"). The Company is committed to managing its affairs in accordance with and in a manner consistent with these risk management standards set forth by the FCA. Accordingly, The Company has adopted this Risk Policy to document its Risk Control Framework that it uses to identify, assess, measure, manage, monitor, mitigate and report on risk for the Company.

In terms of the ICARA review, the Company operates on a cost-plus model thereby ensuring its ongoing profitability.

The Company Risk Management framework including the Risk Appetite and the associated ICARA has and will continue to be reviewed at a minimum annually. Inherent risks, associated controls, the Company's overall exposure to these risks, as well as an assessment of the summary key risk scenarios are reviewed and presented to the Board.

The Finance function performs stress testing for the own funds and liquid asset, together with the results of the stress testing and hence capital level recommendations, are reviewed by the senior management team and key recommendations made to the Board for their approval.

If significant business changes occur between these review dates, then the ICARA will be refreshed and resubmitted for approval. Changes in the business which may trigger changes to the ICARA include:

- The absolute level or a developing trend in the key risk indicators for each key risk scenario that shows a breach of tolerance levels set, such that the key scenarios are occurring.
- New or changes to existing business lines or products
- Expansion of operations into new locations
- Internal events
- External events
- Changes in regulation/legislation
- Changes in perception by the function heads of the risk profile of the business identified through the quarterly impact/likelihood assessment process.

The responsibility for ensuring that the reviews occur, as well as for ensuring that business changes trigger an adequate review of the ICARA, is the responsibility of senior management team on behalf of the Board; the senior management team will coordinate the necessary action to achieve this.

2.4 Risk Management process and controls

This section provides a description of the BGIMEL identification process of risks and how the BGIMEL accesses which risks are deemed to be key.

Process Stage Descriptions:

1. Risk Identification - On this stage risks are documented by Brandywine Global and are formally independently reviewed on an annual basis for completeness and appropriateness to business activities. This review is the responsibility of ERM, assisted by BGIMEL's Compliance and Finance functions. ERM will also carry out review work (by function on a rolling, annual basis) of the inherent risks identified, the controls, and the overall exposure ratings of the relevant underlying risks in the supporting risk register.



Brandywine Global Investment Management (Europe) Limited

Annual disclosure of risk management objectives and policies, own funds and requirement and remuneration policies and practices

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2. Risk Assessment - The process allows the identified risks to be ranked in terms of significance and in terms of potential exposures. The Company's function heads assess the risks using impact, likelihood and overall exposure measures. The overall exposure assessments are made after the consideration of controls and mitigating factors. The overall assessment of risk is the responsibility of the individual 'owners' (i.e. assigned function heads). ERM performs an independent review of the process to ensure that the assessments of the risks are reasonable and that the assessment and measurement process is implemented consistently throughout the organisation.

To this end, the following factors are considered when assessing the impact and likelihood:

- Internal loss and incident experience;
- To the extent relevant, external experiences and losses suffered by others;
- The design and operating effectiveness of key controls;
- Other mitigants, such as insurance policies, which may reduce the financial impact of a risk materializing.

The criteria for scoring likelihood and impact are subject to an agreed set of both quantitative and qualitative issues. Application of a measure to the impact, likelihood, and overall exposure of each risk enables risks to be ranked in order of significance. The ranking provides management with a consistent understanding of those risks which are likely to have the biggest effect on the achievement of business objectives.

3. Documenting the Risk - On this stage each risk is reviewed with consideration of the:

- risk category (investment, operational, environmental, strategic/financial)
- risk event description
- risk source
- risk owner
- likelihood and impact of the risk event without controls (inherent risk)
- mitigating controls and risk response considerations
- risk trend (velocity) or potential for control failure
- likelihood and impact of the risk event with controls (residual risk)
- level of residual risk tolerance
- risk response per risk appetite
- risk indicators
- risk monitoring

4. Key Controls - On this stage each process and risk is supported by a robust control framework to ensure that the process can run smoothly and that the group is not threatened in the event something might go wrong. The key controls for each process and risk are identified on the risk register.

5. Action Plans - Action plans are created by the risk owner where improvements to the risk environment are deemed necessary. It is to be expected that any risk should be subject to some form of immediate treatment if it falls outside the group's risk appetite. The action plans are to be identified on the risk register along with a time frame for completion and who has ownership of the plan.

6. Risk Reviews and Updates - Summaries of the risks outlined in the risk register are prepared to aid review and to track changes in the risks and ensure that action plans are followed. On a semi-annual basis a meeting is held with Compliance, Finance and Risk to review and update the summary. Any significant items will be escalated to the BGIMEL Board for review and approval, as warranted.



Brandywine Global Investment Management (Europe) Limited

Annual disclosure of risk management objectives and policies, own funds and requirement and remuneration policies and practices

September 30, 2022

2.5 Assessment of the effectiveness of risk management process.

The ICARA document has been prepared in accordance with MIFIDPRU 7.8 and appropriately covers all risks relevant to the business.

The ICARA content and processes will be aligned with risk management documentation, and harms (risk to firm, risk to client, risk to market) considered when performing risk assessments and management thereof. Maintaining sufficient regulatory own funds reserves is monitored and managed by the Board with any major deviation from budget or own funds forecasts investigated and considered when making material decisions. On a day-to-day basis, the finance team are responsible for ensuring that business change is reflected in the own funds maintained and that the company continues to have sufficient reserves to satisfy the regulatory requirements. In addition, all business functions are responsible for appropriately managing their risks and considering the impact on own funds as part of decision-making.

Other key prompts for use of the ICARA include:

- own funds and liquid asset analysis;
- own funds projections based on business events
- changes in personnel;
- business disruption events; and
- significant business change.

The content of the ICARA document is reviewed and approved annually by the Board, which includes review and approval of the key assumptions underlying the ICARA document.



Brandywine Global Investment Management (Europe) Limited

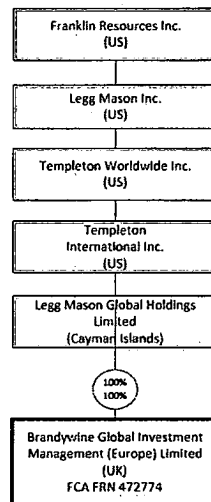
Annual disclosure of risk management objectives and policies, own funds and requirement and remuneration policies and practices

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3. Governance arrangements

3.1 Corporate structure

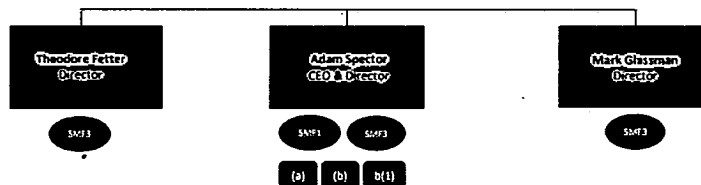
The following chart illustrates BGIMEL's corporate structure. As mentioned above, BGIMEL is a indirect wholly owned subsidiary of Franklin controlled and operated by Brandywine Global.



3.2 The Board of Directors

The Board of Directors embraces good practice in corporate governance and, as such, is charged with the responsibility for providing oversight of the activities and internal controls within the company. The Board meets semi annually to review financial performance and strategy, and has a formal schedule of matters reserved for its decision, which includes the setting of company goals, objectives, budgets, regulatory update and other plans.

Brandywine Global Investment Management (Europe) Limited - Board of Directors



FCA Senior Manager Functions	
SMF 1	Chief Executive
SMF 3	Executive Director
SMF 16	Compliance oversight function
SMF 17	Money laundering reporting function



FCA Prescribed Responsibilities	
(a)	Responsibility for the firm's performance of its obligations under the senior managers regime
(b)	Responsibility for the firm's performance of its obligations under the certification regime
(b)(1)	Responsibility for the firm's obligations for conduct rules training; and conduct rules reporting
(d)	Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime



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The directors of BGIMEL and the number of directorships held at the disclosure date by each are listed below.

BGIMEL Director	Position	Directorships Held
T. W. Fetter	Head of Global Sales and Client Services	None
M. P. Glassman	Chief Administrative Officer	None
A.B. Spector	EVP - Global Advisory Services	None

Franklin and its subsidiaries are an equal opportunities employer and considers qualified applicants for employment without regard to race, sex, religion, colour, national origin, disability, medical condition, marital status, age, sexual orientation or any other basis protected by local employment legislation. Appointment to the UK Board of Directors follows the above equal opportunity policy and is based on positions held within Franklin, knowledge, skills and expertise.



Brandywine Global Investment Management (Europe) Limited

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4. Own funds

FCA requires completion of below table for own funds.

Composition of regulatory own funds, in GBP thousands			
	Item	Amount	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	Own funds	2,373	
2	TIER 1 Capital	2,373	
3	Common Equity TIER 1 Capital	2,373	
4	Fully paid up capital instruments	350	Balance sheet, page 20
5	Share premium		
6	Retained earnings	2,023	Balance sheet, page 20
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustment to CET 1 due to prudential filters		
10	Other funds		
11	(-) Total deductions from common equity TIER 1		
19	CET 1: Other capital elements, deduction and adjustments		
20	Additional TIER 1 Capital	0	
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) Total deductions from additional TIER 1		
24	Additional TIER 1: Other capital elements, deduction and adjustments		
25	TIER 2 Capital		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) Total deductions from TIER 2		
29	TIER 2: Other capital elements, deduction and adjustments		



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Annual disclosure of risk management objectives and policies, own funds and requirement and remuneration policies and practices

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Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements, in GBP thousands				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
	Deferred taxes	—		
	Other assets	—		
	Prepayments and accrued income	—		
	Receivables	357		
	Cash	2,292		
	Total Assets	2,649		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
	Compensation and benefit payables	—		
	Accounts payable and accrued expenses	276		
	Total Liabilities	276		
Shareholders' Equity				
	Called up share capital	350		6
	Retained earnings	2,023		22
	Total Shareholders' equity	2,373		



5. Overall financial adequacy rule

Per MIFIDPRU 7.4.7, as part of the ICARA process, an investment firm must at all times, hold own funds which are adequate, both as to their amount and quality, to ensure:

1. the firm is able to remain financially viable throughout the economic cycle, with the ability to address any material harm that result from its ongoing operation; and
2. the firm's business can be wound-down in an orderly manner.

This is known as the own funds threshold requirement.

Own funds threshold requirement

The amount of own funds that an investment firm needs to hold at any given time to comply with overall financial adequacy rule is the higher of:

- a. Assessment of additional own funds required for ongoing operations, including an assessment of risks which are not wholly or partly covered by K-factors;
- b. Assessment of own funds required for orderly wind-down, being the higher of:
 - i. the wind-down or
 - ii. the fixed overhead requirement; and
- c. Permanent minimum requirement.

Own funds requirement

MIFIDPRU 8.5 requires investment firms to disclose an own funds requirement as set out under MIFIDPRU 4.3.1.

The own funds requirement of a non-SNI MIFIDPRU investment firm is the higher of:

- a. its permanent minimum requirement ("PMR") under (MIFIDPRU 4.4.4);
- b. its fixed overheads requirement ("FOR") under (MIFIDPRU 4.5.3);
- c. its K-factor requirement under (MIFIDPRU 4.6)

Additional own funds required for ongoing operations

Investment firms are required to assess the additional risks which are not covered wholly or partly by the K-Factors.

Wind-down requirement

An investment firm must identify the steps and resources that would be required to ensure the orderly wind-down of the business.



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5.1 Own funds requirement

Own funds requirements - in GBP, thousands as at	September 30, 2022
Permanent minimum capital requirement	75
Fixed overhead requirement - calculated per MIFIDPRU 4.5.3	170
K-Factors	—
(a) Sum of K-AUM, K-CMH and K-ASA	—
K-AUM	—
K-CMH	—
K-ASA	—
(b) Sum of K-COH, K-DTF	—
K-COH	—
K-DTF	—
(b) Sum of K-CMG, K-TCD and K-CON	—
K-CMG	—
K-TCD	—
K-CON	—
Own funds requirement, higher of PMR, FOR and K-Factors	170

5.2 Additional own funds required for ongoing operations

Firms are required to assess the additional risks which are not covered wholly or partly by the K-Factors. When assessing potential risks from its ongoing operations, BGIMEL has considered the following:

- An assessment of BGIMEL's business and operating model to identify all material harms that could result from the firm's ongoing business.
- An assessment of BGIMEL full risk taxonomy
- Considered the current economic cycle and ensuring no new risks have emerged.
- Considered future operational changes which could alter the risk taxonomy.

BGIMEL has considered the below risks for its ongoing operations.

Credit risk: The credit risk of BGIMEL is 8% of the total of its risk weighted exposure amounts. The calculation has been prepared in accordance with BIPRU 3, standardised credit risk assessment as this approach has been deemed as remaining appropriate for BGIMEL. The credit risk assessment includes all internal and external debtors; including any intercompany debtors with Franklin.

Market risk: BGIMEL has elected to apply the standardised approach for market risk on its foreign currency exposure, i.e. apply an 8% requirement to all foreign currency balances.

Operational risk: Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. BGIMEL is in process of implementing the Internal Capital Adequacy and Risk Assessment ("ICARA") under investment firm prudential regime ("IFPR") which will change the operational risk calculation. It is assumed that operational risk will be made up of cyber risk only.



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5.3 Wind-down requirement

Under MIFIDPRU 7.5.7 BGIMEL as part of ICARA process is required to ensure the orderly wind-down and termination of business in realistic timescale. BGIMEL is required to evaluate the potential harm arising from the winding down of its business and identify how to mitigate them.

The FCA also requires investment firms to have a detailed plan, outlining the process while considering all the financial and non-financial resources, constraints and potential material harm. An effective wind-down plan aims to enable a firm to cease its regulated activities and achieve cancellation of its permission with minimal adverse impact on its clients, counterparties or the wider markets. This includes scenarios where the firm undertakes a strategic exit as well as unexpected crisis or insolvency which makes the firm unviable.

BGIMEL wind-down capital requirement is £0.5m. BGIMEL has sufficient own funds and liquid assets to meet this requirement.

5.4 BGIMEL own funds threshold requirement is:

Own funds threshold requirements - in GBP, thousands as at	September 30, 2022
a. Additional own funds required for ongoing operations - MIFIDPRU 7.4.13, section 5.2	170
b.i. Fixed overhead requirement, section 5.1	170
b.ii. Wind-down - MIFIDPRU 7.5.7, section 5.3	515
c. PMR	75
Own funds threshold requirement, higher of a, b and c	515



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6. Remuneration policy and practices

The Remuneration Code (the "Code") is intended to ensure that firms have risk-focussed remuneration policies, which are consistent with and promote effective risk management and do not expose them to excessive risk.

The Board is committed to managing its affairs to comply with the applicable requirements of the Code within the proportionality principles.

These disclosures refer to the period ended 30 September 2022.

Code Staff Criteria

The following groups of employees have been identified as meeting the FCA's criteria for Code Staff:

- Significant Influence Function (SIF) Directors
- Senior Leaders of Internal Governance and Oversight Functions (Finance, Legal, Compliance, HR, Internal Audit)

The link between pay and performance for Code Staff

Remuneration is made up of fixed pay (i.e. salary and benefits) and performance-related pay. Performance-related pay is designed to reflect success or failure against a range of targets which have appropriate risk-management as a key component.

The Company provides long-term incentives which are designed to link reward with the long-term success of the Company and recognise the responsibility participants have in driving its future successes, appropriate risk-management and delivering value for shareholders.

At a corporate level a Compensation Risk Review Committee, which is comprised of cross-functional senior management, has been established to oversee incentive compensation arrangements with a view to ensuring that such arrangements do not encourage imprudent risk-taking.

The structure of the remuneration package is such that the fixed element is sufficiently large to enable the Company to operate a truly flexible bonus policy.

Aggregate remuneration cost for Code Staff

For fiscal year 2022 there were 6 employees categorised as Code Staff.

Aggregate remuneration expenditure in respect of the fiscal year ending 30 September 2022 in respect of Code Staff was as follows:

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GBP 11m, of which the fixed element comprised GBP 1.5m (13%) and the variable element GBP 9.5m (87%).