INTRODUCTION
As investment managers, we believe that an effective, sustainable global economy is essential to the creation of potential long-term value. We believe that transparency and reliability of information regarding all types of material investment topics benefit our clients and shareholders, and that consideration of relevant environmental, social, and governance (ESG) information can help contribute to fulfillment of our fiduciary duty.

Putnam’s active, research-intensive investment approach inherently recognizes the importance of fundamental business operations to the investment process, including thoughtful assessment of environmental, social, and governance factors and the promotion of transparency and integrity of data and disclosures.

Putnam Investments became a signatory of the United Nations-backed Principles for Responsible Investment (PRI) in April 2011 and is committed to sustainable investing, including a focus on understanding how ESG factors may influence performance, generate alpha, and/or mitigate risk in client portfolios. We believe that incorporating ESG considerations into the investment process has the potential to enhance what asset management can accomplish, and that ESG analysis can be an important component of the research process.

Approach
Putnam incorporates consideration of ESG elements in our investment research processes. As active managers, we are committed to conducting thorough research when pursuing investment opportunities for our clients. We consider ESG analysis as additive and complementary to the fundamental understanding that is at the center of our investment philosophy.

Examples of relevant and material ESG issues that we research might include carbon intensity, water use, or plans to reduce waste; employee well-being or commitments to workplace equality and diversity; and board independence or alignment of management incentives with the company’s strategic sustainability objectives. Relevant factors for investments we make are considered within the operating context of the company or issuer. It is through this type of integrated research that we expect to continue to provide value for our clients.

As a fiduciary on behalf of our asset management clients, Putnam generally looks at the entire investment universe to identify potentially attractive securities. We do not require that portfolios limit their universe or their investments in any company, industry, or country based on ESG criteria (except as stated in a portfolio’s mandate or as mutually agreed upon with a client). Rather, we expect sustainability-related insights to be a component of the research processes that are used to arrive at investment decisions. Not every portfolio manager, strategy, or portfolio has the same approach, and specific considerations of ESG elements will vary. For some portfolios, ESG analysis is less important than for others, whether as a matter of investment approach, the asset class, or limitations on data. ESG issues, data, and analyses are all actively evolving, and likewise we expect our research and investment approaches to continue to develop in ways that are attuned to the contexts of various issuers, asset classes, and investment strategies.

Climate policy
Climate risk and environmental management is a key focus for Putnam because these issues present increasingly important perils and opportunities for businesses and investors. Consistent with our overall investment approach, we analyze climate-related factors where material and financially relevant to the individual issuer, and where the data is available and we believe it is sufficiently accurate. We also incorporate climate-related factors where expressly agreed with our clients, such as in response to their legal requirements or sustainable investment goals. We assess climate risk in a context-specific way where financially relevant, industry by industry and issuer by issuer. Key metrics and analyses referenced can include carbon intensity and GHG emissions, water use and exposure to water-stressed areas, assessment of key supply chain risks, and consideration of physical risk to facilities in various geographies.
Stewardship
At Putnam, our commitment to sustainable investing goes beyond the research process. This includes frequent communication with corporate leadership teams, a detailed proxy-voting policy to promote best practices in governance, and a deep-rooted belief in corporate citizenship. We believe that a sustainable global economy is required for the creation of potential long-term value, and as part of our commitment to clients, colleagues, and our communities, we invest in our own corporate citizenship and engage with those around us.

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As part of our investment analysis, depending on the strategy or portfolio in question, we may integrate environmental, social, or governance (ESG) issues or considerations into our research and/or investment decision-making. In our view, analysis of ESG issues is part of good investing, as these issues, like other, more traditional areas of analysis, such as market position, growth prospects, and business strategy, have the potential to impact risk and returns. The relevance and materiality of other ESG issues in our process will differ from strategy to strategy, from sector to sector, and from portfolio manager to portfolio manager, and for some strategies, most notably those where we lack relevant ESG data, ESG considerations are not a material part of our process. It is also important to note that consideration of ESG issues does not mean that a particular account pursues a specific “ESG” or “sustainable” investment strategy, and, depending on the strategy, we sometimes make investment decisions notwithstanding the associated ESG considerations. It is important to note that the materiality of ESG factors varies depending on the time horizons under consideration, as well as specific regional or macroeconomic influences.

We believe it is important to align the consideration of ESG factors to the specific investment style, such that the integration of ESG information contributes to investment performance. Unless stated otherwise in a financial product’s documentation, and included within its investment objective and investment policy, the consideration of ESG elements does not change a product’s investment objective or constrain the investment manager’s investable universe. Nor does the consideration of ESG elements imply that a product is marketed or authorized as an ESG product in any jurisdiction where such authorization is required. In addition, there is no indication that an ESG or impact-focused investment strategy or any exclusionary screens will be adopted by a financial product.

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