

SEMIANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

June 30, 2021



FRANKLIN
TEMPLETON

Franklin Templeton Variable Insurance Products Trust Semiannual Report

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*Not part of the semiannual report. Retain for your records.

Not FDIC Insured	May Lose Value	No Bank Guarantee
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Important Notes to Performance Information

Performance data is historical and cannot predict or guarantee future results. Principal value and investment return will fluctuate with market conditions, and you may have a gain or loss when you withdraw your money. Inception dates of the funds may have preceded the effective dates of the subaccounts, contracts or their availability in all states.

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

Franklin Small-Mid Cap Growth VIP Fund

This semiannual report for Franklin Small-Mid Cap Growth VIP Fund covers the period ended June 30, 2021.

Class 1 Performance Summary as of June 30, 2021

The Fund's Class 1 Shares posted a +10.42% total return* for the six-month period ended June 30, 2021.

*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/22. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

*Performance reflects the Fund's Class 1 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Franklin Small-Mid Cap Growth Fund

Fund Goal and Main Investments

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of small-capitalization and mid-capitalization companies. For this Fund, small-cap companies are those within the market capitalization range of companies in the Russell 2500™ Index at the time of purchase, and midcap companies are those within the market capitalization range of companies in the Russell Midcap® Index at the time of purchase.¹

Fund Risks

All investments involve risks, including possible loss of principal. Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance. Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Smaller, midsized and relatively new or unseasoned companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Historically, these securities have experienced more price volatility than larger-company stocks, especially over the short term. To the extent the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risk of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. From time to time, the trading market for a particular security or type of security in which the Fund invests may become less liquid or even illiquid. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's six-month total return in the Performance Summary. In comparison, the Fund's narrow benchmark, the Russell Midcap Growth® Index, posted a +10.44% total return, and its broad benchmark, the Standard & Poor's® 500 Index (S&P 500®) posted a +15.25 total return for the same period.²

Portfolio Composition

6/30/21

	% of Total Net Assets
Software	20.0%
IT Services	7.6%
Health Care Equipment & Supplies	6.7%
Semiconductors & Semiconductor Equipment	5.9%
Professional Services	5.4%
Capital Markets	5.1%
Specialty Retail	4.9%
Life Sciences Tools & Services	4.4%
Biotechnology	3.5%
Hotels, Restaurants & Leisure	3.3%
Entertainment	2.9%
Interactive Media & Services	2.5%
Textiles, Apparel & Luxury Goods	2.5%
Health Care Technology	2.4%
Other*	18.8%
Short-Term Investments & Other Net Assets	4.1%

*Categories within the Other category are listed in full in the Fund's Statement of Investments (SOI), which can be found later in this report.

Economic and Market Overview

U.S. equities, as measured by the S&P 500, posted a +15.25% total return for the six months ended June 30, 2021.² Stocks benefited from the continued economic recovery, accommodative monetary policy, additional fiscal stimulus measures, implementation of novel coronavirus (COVID-19) vaccination programs and easing pandemic restrictions. As many businesses reopened, stimulus payments and generally high household savings contributed to increased consumer spending. The progress toward a bipartisan infrastructure bill further bolstered investor sentiment, aiding equities to reach new all-time price highs toward period-end.

The U.S. economic recovery accelerated in 2021's first quarter, with total economic output nearly reaching pre-pandemic levels, as the lifting of many COVID-19 restrictions and strong consumer spending bolstered growth. The inflation rate surged during the period amid increased demand and supply-chain bottlenecks, with the price pressures coming largely from the areas particularly impacted by the shutdown, such as used vehicles, airfares, semiconductors and building materials. The unemployment rate declined from 6.7% in December 2020 to 5.9% in June

1. Please see Index Descriptions following the Fund Summaries.

2. Source: Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI).

2021 as job openings grew, but a relative lack of available workers fueled wage growth, adding to some investors' inflation concerns.³

In an effort to support the economy, the U.S. Federal Reserve (Fed) kept the federal funds target rate at a record-low range of 0.00%–0.25%. The Fed also maintained quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. In its June 2021 meeting statement, the Fed indicated that rising inflation largely reflected transitory factors and it would monitor incoming information and adjust its monetary policy stance as needed to attain its employment and price stability goals.

Investment Strategy

We use fundamental, bottom-up research to seek companies meeting our criteria of growth potential, quality and valuation. In seeking sustainable growth characteristics, we look for companies we believe can produce sustainable earnings and cash flow growth, evaluating the long-term market opportunity and competitive structure of an industry to target leaders and emerging leaders. We define quality companies as those with strong and improving competitive positions in attractive markets. We also believe important attributes of quality are experienced and talented management teams as well as financial strength reflected in the capital structure, gross and operating margins, free cash flow generation and returns on capital employed. In assessing value, we consider whether security prices fully reflect the balance of the sustainable growth opportunities relative to business and financial risks.

Manager's Discussion

During the period under review, the Fund benefited from stock selection and an overweighting in the consumer discretionary sector. Stock selection in the information technology (IT), communication services and financials sectors also supported relative performance.

In consumer discretionary, a leading contributor was vertically integrated e-commerce health care apparel company Figs (not part of the index), which went public in May 2021. Our participation in the company's initial public offering (IPO) was rewarded by the stock's rally following its debut.

Top 10 Holdings

6/30/21

Company Industry	% of Total Net Assets
IDEXX Laboratories, Inc. <i>Health Care Equipment & Supplies</i>	2.4%
Synopsys, Inc. <i>Software</i>	2.4%
DocuSign, Inc. <i>Software</i>	2.3%
Roku, Inc. <i>Entertainment</i>	1.9%
MSCI, Inc. <i>Capital Markets</i>	1.8%
CoStar Group, Inc. <i>Professional Services</i>	1.7%
SBA Communications Corp. <i>Equity Real Estate Investment Trusts (REITs)</i>	1.6%
Veeva Systems, Inc. <i>Health Care Technology</i>	1.6%
Okta, Inc. <i>IT Services</i>	1.6%
ANSYS, Inc. <i>Software</i>	1.5%

The IT sector benefited from a position in Marqeta (not part of the index), which also had a fruitful IPO during the period. Marqeta is a payment platform that allows businesses to create customized credit cards that provide innovative payment experiences for end users.

Elsewhere, health care companies GW Pharmaceuticals (not part of the index; not held at period-end), Penumbra and Bio-Techne contributed to relative returns. In the case of GW Pharmaceuticals, the cannabinoid-focused drugmaker received an acquisition offer that rallied its shares.

In contrast, stock selection in the industrials, health care and real estate sectors detracted from relative performance. Performance in those sectors was hurt by a lack of positions in well-performing companies.

Relative performance in health care was also hurt by medical device company iRhythm Technologies (not part of the index; not held at period-end), which fell in part due to negative news impacting Medicare reimbursement rates. Iovance Biotherapeutics hurt performance as well, with shares falling after the company announced a delay in submitting an approval application to the U.S. Food and Drug Administration for a cancer drug. The announcement was followed by the unexpected departure of the company's chief executive officer.

Elsewhere, individual relative detractors included data analytics platform specialist Alteryx and mortgage data company Black Knight.

3. Bureau of Labor Statistics.

Thank you for your participation in Franklin Small-Mid Cap Growth VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2021, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Class 1 Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract Level: (1) transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes; and (2) ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses. The table below shows Fund-level ongoing expenses and can help you understand these costs and compare them with those of other mutual funds offered through the Contract. The table assumes a \$1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The table below provides information about the actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of ongoing Fund expenses but does not include the effect of ongoing Contract expenses, is used to calculate the "Ending Account Value." You can estimate the Fund-level expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$*). Then multiply the result by the number under the headings "Actual" and "Fund-Level Expenses Paid During Period" (*if Fund-Level Expenses Paid During Period were \$7.50, then $8.6 \times \$7.50 = \64.50*). In this illustration, the estimated expenses paid this period at the Fund level are \$64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other mutual funds offered through the Contract. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds offered through the Contract.

Please note that expenses shown in the table are meant to highlight ongoing costs at the Fund level only and do not reflect any ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. In addition, while the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

Share Class	Beginning Account Value 1/1/21	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 6/30/21	Fund-Level Expenses Paid During Period 1/1/21–6/30/21 ^{1,2}	Ending Account Value 6/30/21	Fund-Level Expenses Paid During Period 1/1/21–6/30/21 ^{1,2}	
1	\$1,000	\$1,104.20	\$4.28	\$1,020.73	\$4.11	0.82%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 181/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include any ongoing expenses of the Contract for which the Fund is an investment option or acquired fund fees and expenses.

Financial Highlights

Franklin Small-Mid Cap Growth VIP Fund

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 1						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$26.99	\$19.74	\$17.04	\$19.71	\$17.77	\$19.09
Income from investment operations ^a :						
Net investment (loss) ^b	(0.08)	(0.07)	(0.04)	(0.05)	(0.04)	(0.03)
Net realized and unrealized gains (losses)	2.77	9.96	5.31	(0.70)	3.74	0.77
Total from investment operations	2.69	9.89	5.27	(0.75)	3.70	0.74
Less distributions from:						
Net realized gains	(2.91)	(2.64)	(2.57)	(1.92)	(1.76)	(2.06)
Net asset value, end of period	\$26.77	\$26.99	\$19.74	\$17.04	\$19.71	\$17.77
Total return ^c	10.42%	55.52%	31.80%	(5.15)%	21.75%	4.40%
Ratios to average net assets^d						
Expenses before waiver and payments by affiliates	0.82%	0.85%	0.84%	0.86%	0.85%	0.84%
Expenses net of waiver and payments by affiliates	0.82% ^e	0.84% ^f	0.83% ^f	0.85% ^f	0.84% ^f	0.82% ^f
Net investment (loss)	(0.55)%	(0.33)%	(0.19)%	(0.24)%	(0.24)%	(0.16)%
Supplemental data						
Net assets, end of period (000's)	\$76,464	\$72,039	\$43,169	\$33,518	\$36,864	\$31,756
Portfolio turnover rate	20.98%	48.93%	59.07%	44.78%	40.49%	32.23% ^g

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cTotal return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

^dRatios are annualized for periods less than one year.

^eBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^fBenefit of expense reduction rounds to less than 0.01%.

^gExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 2						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$23.11	\$17.29	\$15.22	\$17.83	\$16.27	\$17.69
Income from investment operations ^a :						
Net investment (loss) ^b	(0.09)	(0.11)	(0.08)	(0.09)	(0.08)	(0.07)
Net realized and unrealized gains (losses)	2.35	8.57	4.72	(0.60)	3.40	0.71
Total from investment operations	2.26	8.46	4.64	(0.69)	3.32	0.64
Less distributions from:						
Net realized gains	(2.91)	(2.64)	(2.57)	(1.92)	(1.76)	(2.06)
Net asset value, end of period	\$22.46	\$23.11	\$17.29	\$15.22	\$17.83	\$16.27
Total return ^c	10.31%	55.09%	31.44%	(5.37)%	21.40%	4.17%
Ratios to average net assets^d						
Expenses before waiver and payments by affiliates	1.07%	1.10%	1.09%	1.11%	1.10%	1.09%
Expenses net of waiver and payments by affiliates	1.07% ^e	1.09% ^f	1.08% ^f	1.10% ^f	1.09% ^f	1.07% ^f
Net investment (loss)	(0.80)%	(0.61)%	(0.44)%	(0.49)%	(0.49)%	(0.41)%
Supplemental data						
Net assets, end of period (000's)	\$509,411	\$503,032	\$372,442	\$310,300	\$390,094	\$392,777
Portfolio turnover rate	20.98%	48.93%	59.07%	44.78%	40.49%	32.23% ^g

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cTotal return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

^dRatios are annualized for periods less than one year.

^eBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^fBenefit of expense reduction rounds to less than 0.01%.

^gExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 4						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$24.26	\$18.04	\$15.81	\$18.47	\$16.81	\$18.23
Income from investment operations ^a :						
Net investment (loss) ^b	(0.11)	(0.14)	(0.10)	(0.11)	(0.10)	(0.09)
Net realized and unrealized gains (losses)	2.47	9.00	4.90	(0.63)	3.52	0.73
Total from investment operations	2.36	8.86	4.80	(0.74)	3.42	0.64
Less distributions from:						
Net realized gains	(2.91)	(2.64)	(2.57)	(1.92)	(1.76)	(2.06)
Net asset value, end of period	\$23.71	\$24.26	\$18.04	\$15.81	\$18.47	\$16.81
Total return ^c	10.23%	55.01%	31.26%	(5.46)%	21.30%	4.04%
Ratios to average net assets^d						
Expenses before waiver and payments by affiliates	1.17%	1.20%	1.19%	1.21%	1.20%	1.19%
Expenses net of waiver and payments by affiliates	1.17% ^e	1.19% ^f	1.18% ^f	1.20% ^f	1.19% ^f	1.17% ^f
Net investment (loss)	(0.90)%	(0.71)%	(0.54)%	(0.59)%	(0.59)%	(0.51)%
Supplemental data						
Net assets, end of period (000's)	\$28,001	\$25,580	\$17,662	\$13,759	\$15,829	\$13,825
Portfolio turnover rate	20.98%	48.93%	59.07%	44.78%	40.49%	32.23% ^g

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cTotal return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

^dRatios are annualized for periods less than one year.

^eBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^fBenefit of expense reduction rounds to less than 0.01%.

^gExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Statement of Investments (unaudited), June 30, 2021

Franklin Small-Mid Cap Growth VIP Fund

	Country	Shares	Value
Common Stocks 94.3%			
Aerospace & Defense 1.6%			
^a Mercury Systems, Inc.	United States	61,300	\$4,062,964
^a TransDigm Group, Inc.	United States	9,300	6,019,797
			10,082,761
Airlines 0.4%			
^a Southwest Airlines Co.	United States	52,100	2,765,989
Banks 0.5%			
^a SVB Financial Group.	United States	5,400	3,004,722
Biotechnology 3.5%			
^a Centessa Pharmaceuticals plc, ADR	United States	32,900	730,709
^a Global Blood Therapeutics, Inc.	United States	71,700	2,510,934
^a Heron Therapeutics, Inc.	United States	143,500	2,227,120
^a Horizon Therapeutics plc.	United States	59,900	5,609,036
^a Iovance Biotherapeutics, Inc.	United States	100,705	2,620,344
^a Mirati Therapeutics, Inc.	United States	8,000	1,292,240
^a PTC Therapeutics, Inc.	United States	52,000	2,198,040
^a Rocket Pharmaceuticals, Inc.	United States	4,500	199,305
^a Seagen, Inc.	United States	26,600	4,199,608
			21,587,336
Capital Markets 5.1%			
Ares Management Corp.	United States	91,500	5,818,485
^{a,b,c,d} Churchill Capital Corp. IV	United States	79,866	1,882,436
MarketAxess Holdings, Inc.	United States	12,500	5,794,875
MSCI, Inc.	United States	20,600	10,981,448
^a Soaring Eagle Acquisition Corp.	United States	123,300	1,305,747
^{a,b,c,d} Soaring Eagle Acquisition Corp., A.	United States	28,800	288,000
^{a,b,c} Spartan Acquisition Corp. II, A.	United States	108,057	1,080,570
Tradeweb Markets, Inc., A.	United States	51,700	4,371,752
			31,523,313
Commercial Services & Supplies 1.1%			
^a Legalzoom.com, Inc.	United States	1,000	37,850
Republic Services, Inc.	United States	60,900	6,699,609
			6,737,459
Containers & Packaging 1.1%			
Ball Corp.	United States	80,300	6,505,906
Electrical Equipment 0.3%			
Rockwell Automation, Inc.	United States	6,198	1,772,752
Electronic Equipment, Instruments & Components 1.8%			
Cognex Corp.	United States	43,800	3,681,390
^a Keysight Technologies, Inc.	United States	49,450	7,635,574
			11,316,964
Entertainment 2.9%			
^a Roku, Inc.	United States	25,556	11,736,593
^a Zynga, Inc., A	United States	543,200	5,774,216
			17,510,809
Equity Real Estate Investment Trusts (REITs) 2.2%			
SBA Communications Corp.	United States	31,757	10,120,956
Terreno Realty Corp.	United States	48,150	3,106,638
			13,227,594

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Food & Staples Retailing 0.5%			
^a Grocery Outlet Holding Corp.	United States	83,000	\$2,876,780
Food Products 0.6%			
^a Freshpet, Inc.	United States	18,100	2,949,576
^a Oatly Group AB, ADR	United States	18,500	452,510
			3,402,086
Health Care Equipment & Supplies 6.7%			
^a DexCom, Inc.	United States	7,988	3,410,876
^a Figs, Inc., A.	United States	60,400	3,026,040
^a IDEXX Laboratories, Inc.	United States	23,550	14,873,003
^a Inari Medical, Inc.	United States	31,400	2,928,992
^a Insulet Corp.	United States	22,300	6,121,573
^a Penumbra, Inc.	United States	12,000	3,288,720
Teleflex, Inc.	United States	18,150	7,292,488
			40,941,692
Health Care Providers & Services 1.3%			
^a Guardant Health, Inc.	United States	39,300	4,880,667
^a HealthEquity, Inc.	United States	32,100	2,583,408
^a LifeStance Health Group, Inc.	United States	27,300	760,578
			8,224,653
Health Care Technology 2.4%			
^a Certara, Inc.	United States	40,400	1,144,532
^a Teladoc Health, Inc.	United States	20,466	3,403,291
^a Veeva Systems, Inc., A	United States	32,500	10,105,875
			14,653,698
Hotels, Restaurants & Leisure 3.3%			
^a Chipotle Mexican Grill, Inc.	United States	5,230	8,108,278
^a DraftKings, Inc., A.	United States	67,633	3,528,414
^a Vail Resorts, Inc.	United States	13,300	4,209,716
^a Wynn Resorts Ltd.	United States	37,100	4,537,330
			20,383,738
Household Durables 0.6%			
^a NVR, Inc.	United States	782	3,889,121
Interactive Media & Services 2.5%			
^a Bumble, Inc., A.	United States	38,100	2,194,560
^a Match Group, Inc.	United States	48,024	7,743,870
^a Pinterest, Inc., A	United States	70,800	5,589,660
			15,528,090
Internet & Direct Marketing Retail 1.0%			
^a Etsy, Inc.	United States	9,000	1,852,560
^a Wayfair, Inc., A	United States	12,800	4,041,088
			5,893,648
IT Services 7.6%			
^a BigCommerce Holdings, Inc., 1	United States	60,600	3,934,152
^a Black Knight, Inc.	United States	106,900	8,336,062
^a GoDaddy, Inc., A.	United States	71,017	6,175,638
^{a,b,c} Marqeta, Inc.	United States	129,178	3,490,500
^a Marqeta, Inc., A.	United States	22,200	623,154
^a MongoDB, Inc.	United States	23,700	8,568,024
^a Nuvei Corp., 144A, Reg S	Canada	25,300	2,087,250

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
IT Services (continued)			
^a Okta, Inc.	United States	39,000	\$9,542,520
^a Paymentus Holdings, Inc., A	United States	10,000	355,000
^a Wix.com Ltd.	Israel	12,600	3,657,528
			46,769,828
Life Sciences Tools & Services 4.4%			
^a 10X Genomics, Inc., A.	United States	28,700	5,620,034
^a Avantor, Inc.	United States	43,100	1,530,481
Bio-Techne Corp.	United States	18,025	8,115,937
^a Maravai LifeSciences Holdings, Inc., A	United States	81,800	3,413,514
^a Mettler-Toledo International, Inc.	United States	5,980	8,284,333
			26,964,299
Machinery 1.7%			
Fortive Corp.	United States	60,800	4,240,192
IDEX Corp.	United States	12,450	2,739,622
Stanley Black & Decker, Inc.	United States	16,446	3,371,266
			10,351,080
Personal Products 0.6%			
^a BellRing Brands, Inc., A.	United States	122,800	3,848,552
Pharmaceuticals 0.7%			
^a Jazz Pharmaceuticals plc	United States	8,000	1,421,120
^a Reata Pharmaceuticals, Inc., A	United States	19,500	2,759,835
			4,180,955
Professional Services 5.4%			
Booz Allen Hamilton Holding Corp.	United States	69,700	5,937,046
^a CoStar Group, Inc.	United States	126,350	10,464,307
TransUnion	United States	71,300	7,829,453
Verisk Analytics, Inc.	United States	49,761	8,694,242
			32,925,048
Road & Rail 1.1%			
^{a,b,c} New Starship Parent, Inc.	United States	74,800	775,676
Old Dominion Freight Line, Inc.	United States	24,450	6,205,410
			6,981,086
Semiconductors & Semiconductor Equipment 5.9%			
^a Allegro MicroSystems, Inc.	Japan	109,100	3,022,070
^a Alphawave IP Group plc	United Kingdom	192,850	960,439
Entegris, Inc.	United States	35,528	4,368,878
KLA Corp.	United States	9,737	3,156,833
^a Lattice Semiconductor Corp.	United States	100,555	5,649,180
Monolithic Power Systems, Inc.	United States	13,450	5,022,902
^a Semtech Corp.	United States	57,700	3,969,760
^a SiTime Corp.	United States	63,300	8,013,147
^a SolarEdge Technologies, Inc.	United States	7,600	2,100,412
			36,263,621
Software 19.2%			
^a Alkami Technology, Inc.	United States	11,703	417,446
^{a,b,c} Alkami Technology, Inc.	United States	40,822	1,400,776
^a Alteryx, Inc., A.	United States	52,000	4,473,040
^a ANSYS, Inc.	United States	27,000	9,370,620
^{a,e} AppLovin Corp., A.	United States	27,200	2,044,624
^a Avalara, Inc.	United States	50,800	8,219,440

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Software (continued)			
^a Bill.com Holdings, Inc.	United States	29,148	\$5,339,331
^a BTRS Holdings, Inc.	United States	140,300	1,770,586
^a Cloudflare, Inc., A	United States	55,000	5,821,200
^a Confluent, Inc., A	United States	4,122	195,795
^a Coupa Software, Inc.	United States	26,600	6,972,126
^a CrowdStrike Holdings, Inc., A	United States	6,000	1,507,860
^a DocuSign, Inc.	United States	51,300	14,341,941
^a Duck Creek Technologies, Inc.	United States	51,770	2,252,513
^a HubSpot, Inc.	United States	14,400	8,391,168
^a Lightspeed POS, Inc.	Canada	56,300	4,707,243
^a Monday.com Ltd.	United States	3,200	715,488
^a Paylocity Holding Corp.	United States	45,050	8,595,540
^{a,e} Procore Technologies, Inc.	United States	4,900	465,255
^a PTC, Inc.	United States	34,300	4,845,218
^a Q2 Holdings, Inc.	United States	34,796	3,569,374
^a SentinelOne, Inc., A	United States	10,300	437,750
^a Synopsys, Inc.	United States	52,750	14,547,922
^a Zendesk, Inc.	United States	51,600	7,447,944
			117,850,200
Specialty Retail 4.9%			
^a Burlington Stores, Inc.	United States	23,400	7,534,566
^a Five Below, Inc.	United States	34,150	6,600,171
^a O'Reilly Automotive, Inc.	United States	10,800	6,115,068
^{a,e} Petco Health & Wellness Co., Inc.	United States	135,300	3,032,073
Tractor Supply Co.	United States	36,237	6,742,256
			30,024,134
Textiles, Apparel & Luxury Goods 2.3%			
Levi Strauss & Co., A	United States	88,400	2,450,448
^a Lululemon Athletica, Inc.	United States	18,600	6,788,442
VF Corp.	United States	59,400	4,873,176
			14,112,066
Trading Companies & Distributors 1.1%			
Fastenal Co.	United States	127,700	6,640,400
			6,640,400
Total Common Stocks (Cost \$337,155,710)			578,740,380
Convertible Preferred Stocks 0.8%			
Diversified Consumer Services 0.2%			
^{a,b,c} Newsela, Inc., 0%, D	United States	48,915	1,040,875
Internet & Direct Marketing Retail 0.0%[†]			
^{a,b,c} Fanatics, Inc., 0%, F	United States	2,000	69,177
Software 0.6%			
^{a,b,c} Databricks, Inc., 0%, G	United States	8,626	1,893,538
^{a,b,c} OneTrust LLC, C	United States	82,367	1,817,016
			3,710,554
Total Convertible Preferred Stocks (Cost \$4,249,764)			4,820,606
Preferred Stocks 0.8%			
Internet & Direct Marketing Retail 0.4%			
^{a,b,c} Fanatics, Inc., E	United States	92,539	2,523,013

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Country	Shares	Value
Preferred Stocks (continued)			
Software 0.2%			
^{a,b,c} Blaize, Inc., D	United States	141,632	\$1,478,993
Textiles, Apparel & Luxury Goods 0.2%			
^{a,b,c} Allbirds, Inc., E	United States	92,392	1,140,726
Total Preferred Stocks (Cost \$4,147,272)			5,142,732
Warrants			
Warrants 0.0%			
Software 0.0%			
^{a,b,c} Blaize, Inc. Ltd., 2/28/24	United Kingdom	7,082	—
Total Warrants (Cost \$—)			—
Total Long Term Investments (Cost \$345,552,746)			588,703,718
Short Term Investments 5.3%			
Money Market Funds 3.4%			
^{g,h} Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	United States	20,698,823	20,698,823
Total Money Market Funds (Cost \$20,698,823)			20,698,823
ⁱInvestments from Cash Collateral Received for Loaned Securities 1.9%			
Money Market Funds 1.9%			
^{g,h} Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	United States	11,593,660	11,593,660
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$11,593,660)			11,593,660
Total Short Term Investments (Cost \$32,292,483)			32,292,483
Total Investments (Cost \$377,845,229) 101.2%			\$620,996,201
Other Assets, less Liabilities (1.2)%			(7,120,417)
Net Assets 100.0%			\$613,875,784

See Abbreviations on page FSC- 28.

[†]Rounds to less than 0.1% of net assets.

^aNon-income producing.

^bFair valued using significant unobservable inputs. See Note 10 regarding fair value measurements.

^cSee Note 7 regarding restricted securities.

^dA portion or all of the security purchased on a delayed delivery basis. See Note 1(c).

^eA portion or all of the security is on loan at June 30, 2021. See Note 1(d).

^fSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At June 30, 2021, the value of this security was \$2,087,250, representing 0.3% of net assets.

^gSee Note 3(e) regarding investments in affiliated management investment companies.

^hThe rate shown is the annualized seven-day effective yield at period end.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin Small-Mid Cap Growth VIP Fund (continued)

¹See Note 1(d) regarding securities on loan.

Statement of Assets and Liabilities

June 30, 2021 (unaudited)

**Franklin Small-
Mid Cap Growth
VIP Fund**

Assets:

Investments in securities:

Cost - Unaffiliated issuers	\$345,552,746
Cost - Non-controlled affiliates (Note 3e)	32,292,483
Value - Unaffiliated issuers (Includes securities loaned of \$14,785,902)	\$588,703,718
Value - Non-controlled affiliates (Note 3e)	32,292,483

Cash	18,241
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Receivables:

Investment securities sold (Includes securities loaned of \$661,458)	12,581,649
Capital shares sold	744,381
Dividends	54,775

Total assets	<u>634,395,247</u>
------------------------	--------------------

Liabilities:

Payables:

Investment securities purchased	7,797,717
Capital shares redeemed	502,231
Management fees	378,045
Distribution fees	108,307

Payable upon return of securities loaned (Note 1d)	11,593,660
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Accrued expenses and other liabilities	139,503
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Total liabilities	<u>20,519,463</u>
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Net assets, at value	<u>\$613,875,784</u>
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Net assets consist of:

Paid-in capital	\$299,340,072
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Total distributable earnings (losses)	314,535,712
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Net assets, at value	<u>\$613,875,784</u>
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**Franklin Small-
Mid Cap Growth
VIP Fund**

Class 1:

Net assets, at value	\$76,463,797
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Shares outstanding	2,856,407
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Net asset value and maximum offering price per share	<u>\$26.77</u>
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Class 2:

Net assets, at value	\$509,411,109
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Shares outstanding	22,685,696
------------------------------	------------

Net asset value and maximum offering price per share	<u>\$22.46</u>
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Class 4:

Net assets, at value	\$28,000,878
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Shares outstanding	1,181,128
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Net asset value and maximum offering price per share	<u>\$23.71</u>
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Statement of Operations

for the six months ended June 30, 2021 (unaudited)

	Franklin Small- Mid Cap Growth VIP Fund
Investment income:	
Dividends:	
Unaffiliated issuers	\$753,191
Non-controlled affiliates (Note 3e)	632
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	43,117
Non-controlled affiliates (Note 3e)	247
Total investment income	<u>797,187</u>
Expenses:	
Management fees (Note 3a)	2,303,481
Distribution fees: (Note 3c)	
Class 2	611,687
Class 4	46,486
Custodian fees (Note 4)	2,874
Reports to shareholders	64,540
Professional fees	37,403
Trustees' fees and expenses	1,710
Other	10,153
Total expenses	<u>3,078,334</u>
Expenses waived/paid by affiliates (Note 3e)	<u>(8,251)</u>
Net expenses	<u>3,070,083</u>
Net investment income (loss)	<u>(2,272,896)</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	73,551,836
Foreign currency transactions	<u>(1,090)</u>
Net realized gain (loss)	<u>73,550,746</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	<u>(12,460,736)</u>
Net realized and unrealized gain (loss)	<u>61,090,010</u>
Net increase (decrease) in net assets resulting from operations	<u>\$58,817,114</u>

Statements of Changes in Net Assets

	Franklin Small-Mid Cap Growth VIP Fund	
	Six Months Ended	Year Ended
	June 30, 2021	December 31, 2020
	(unaudited)	
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss)	\$(2,272,896)	\$(2,771,523)
Net realized gain (loss)	73,550,746	72,207,047
Net change in unrealized appreciation (depreciation)	(12,460,736)	144,395,647
Net increase (decrease) in net assets resulting from operations	58,817,114	213,831,171
Distributions to shareholders:		
Class 1	(7,430,783)	(5,568,768)
Class 2	(58,482,161)	(53,710,860)
Class 4	(3,098,704)	(2,461,041)
Total distributions to shareholders	(69,011,648)	(61,740,669)
Capital share transactions: (Note 2)		
Class 1	4,624,272	11,218,927
Class 2	15,927,602	2,617,481
Class 4	2,866,244	1,452,781
Total capital share transactions	23,418,118	15,289,189
Net increase (decrease) in net assets	13,223,584	167,379,691
Net assets:		
Beginning of period	600,652,200	433,272,509
End of period	\$613,875,784	\$600,652,200

Notes to Financial Statements (unaudited)

Franklin Small-Mid Cap Growth VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Small-Mid Cap Growth VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At June 30, 2021, 40.6% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter

(OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in open-end mutual funds are valued at the closing NAV.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At June 30, 2021, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy (referred to as "market level fair value"). See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result

Franklin Small-Mid Cap Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Securities Purchased on a Delayed Delivery Basis

The Fund purchases securities on a delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, they may sell the securities before the settlement date.

d. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

e. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

Franklin Small-Mid Cap Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

e. Income and Deferred Taxes (continued)

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2021, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust or based on the ratio of number of shareholders of each Fund to the combined number of shareholders of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

g. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

h. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

Franklin Small-Mid Cap Growth VIP Fund (continued)

2. Shares of Beneficial Interest

At June 30, 2021, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2021		Year Ended December 31, 2020	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	217,140	\$6,007,861	706,229	\$16,500,714
Shares issued in reinvestment of distributions	290,492	7,430,783	289,889	5,568,768
Shares redeemed	(320,352)	(8,814,372)	(514,114)	(10,850,555)
Net increase (decrease)	187,280	\$4,624,272	482,004	\$11,218,927
Class 2 Shares:				
Shares sold	490,617	\$11,553,503	2,526,425	\$47,366,200
Shares issued in reinvestment of distributions	2,725,171	58,482,161	3,261,133	53,710,860
Shares redeemed	(2,294,540)	(54,108,062)	(5,564,626)	(98,459,579)
Net increase (decrease)	921,248	\$15,927,602	222,932	\$2,617,481
Class 4 Shares:				
Shares sold	143,178	\$3,575,279	319,307	\$6,396,773
Shares issued in reinvestment of distributions	136,748	3,098,704	142,257	2,461,041
Shares redeemed	(153,286)	(3,807,739)	(385,938)	(7,405,033)
Net increase (decrease)	126,640	\$2,866,244	75,626	\$1,452,781

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC. (FT Services)	Administrative manager
Franklin Distributors, LLC (Distributors) (formerly Franklin Templeton Distributors, Inc.)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin Small-Mid Cap Growth VIP Fund (continued)

3. Transactions with Affiliates (continued)

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.800%	Up to and including \$500 million
0.700%	Over \$500 million, up to and including \$1 billion
0.650%	Over \$1 billion, up to and including \$1.5 billion
0.600%	Over \$1.5 billion, up to and including \$6.5 billion
0.575%	Over \$6.5 billion, up to and including \$11.5 billion
0.550%	Over \$11.5 billion, up to and including \$16.5 billion
0.540%	Over \$16.5 billion, up to and including \$19 billion
0.530%	Over \$19 billion, up to and including \$21.5 billion
0.520%	In excess of \$21.5 billion

For the period ended June 30, 2021, the annualized gross effective investment management fee rate was 0.783% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets of each class. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies. As defined in the 1940 Act, an investment is deemed to be a "Controlled Affiliate" of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated fund's outstanding shares or has the power to exercise control over management or policies of such fund. The Funds do not invest for purposes of exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the period ended June 30, 2021, the Fund held investments in affiliated management investment companies as follows:

Franklin Small-Mid Cap Growth VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Investment Income
Franklin Small-Mid Cap Growth VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	\$12,671,175	\$87,774,371	\$(79,746,723)	\$—	\$—	\$20,698,823	20,698,823	\$632
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	\$8,418,420	\$77,973,269	\$(74,798,029)	\$—	\$—	\$11,593,660	11,593,660	\$247
Total Affiliated Securities	\$21,089,595	\$165,747,640	\$(154,544,752)	\$—	\$—	\$32,292,483		\$879

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 2021, there were no credits earned.

5. Income Taxes

At June 30, 2021, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$377,947,481
Unrealized appreciation	\$249,084,548
Unrealized depreciation	(6,035,828)
Net unrealized appreciation (depreciation)	\$243,048,720

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2021, aggregated \$121,080,104 and \$182,053,943, respectively.

At June 30, 2021, in connection with securities lending transactions, the Fund loaned equity investments and received \$11,593,660 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

Franklin Small-Mid Cap Growth VIP Fund (continued)

7. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At June 30, 2021, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares/ Warrants	Issuer	Acquisition Date	Cost	Value
Franklin Small-Mid Cap Growth VIP Fund				
40,822	^a Alkami Technology, Inc.	9/24/20	\$653,142	\$1,400,776
92,392	Allbirds, Inc., E	9/22/20	1,068,276	1,140,726
7,082	Blaize, Inc. Ltd., 2/28/24	3/01/21	—	—
141,632	Blaize, Inc., D	3/02/21 - 3/22/21	1,478,997	1,478,993
79,866	Churchill Capital Corp. IV	2/22/21	1,197,990	1,882,436
8,626	Databricks, Inc., G	2/01/21	1,529,975	1,893,538
92,539	Fanatics, Inc., E	8/13/20	1,599,999	2,523,013
2,000	Fanatics, Inc., F	3/22/21	69,740	69,177
129,178	^b Marqeta, Inc.	8/20/20	1,077,009	3,490,500
74,800	New Starship Parent, Inc.	2/02/21	748,000	775,676
48,915	Newsela, Inc., D	1/21/21	1,034,807	1,040,875
82,367	OneTrust LLC, C	4/01/21	1,615,242	1,817,016
28,800	^c Soaring Eagle Acquisition Corp., A	5/11/21	288,000	288,000
108,057	Spartan Acquisition Corp. II, A	1/28/21	1,080,570	1,080,570
	Total Restricted Securities (Value is 3.09% of Net Assets)		\$13,441,747	\$18,881,296

^a The Fund also invests in unrestricted securities of the issuer, valued at \$417,446 as of June 30, 2021.

^b The Fund also invests in unrestricted securities of the issuer, valued at \$623,154 as of June 30, 2021.

^c The Fund also invests in unrestricted securities of the issuer, valued at \$1,305,747 as of June 30, 2021.

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2.675 billion (Global Credit Facility) which matures on February 4, 2022. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Franklin Small-Mid Cap Growth VIP Fund (continued)

9. Credit Facility (continued)

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the period ended June 30, 2021, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of June 30, 2021, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Small-Mid Cap Growth VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$10,082,761	\$—	\$—	\$10,082,761
Airlines	2,765,989	—	—	2,765,989
Banks	3,004,722	—	—	3,004,722
Biotechnology	21,587,336	—	—	21,587,336
Capital Markets	28,272,307	—	3,251,006	31,523,313
Commercial Services & Supplies	6,737,459	—	—	6,737,459
Containers & Packaging	6,505,906	—	—	6,505,906
Electrical Equipment	1,772,752	—	—	1,772,752
Electronic Equipment, Instruments & Components	11,316,964	—	—	11,316,964
Entertainment	17,510,809	—	—	17,510,809
Equity Real Estate Investment Trusts (REITs)	13,227,594	—	—	13,227,594
Food & Staples Retailing	2,876,780	—	—	2,876,780
Food Products	3,402,086	—	—	3,402,086
Health Care Equipment & Supplies	40,941,692	—	—	40,941,692
Health Care Providers & Services	8,224,653	—	—	8,224,653
Health Care Technology	14,653,698	—	—	14,653,698
Hotels, Restaurants & Leisure	20,383,738	—	—	20,383,738
Household Durables	3,889,121	—	—	3,889,121
Interactive Media & Services	15,528,090	—	—	15,528,090
Internet & Direct Marketing Retail	5,893,648	—	—	5,893,648
IT Services	43,279,328	—	3,490,500	46,769,828
Life Sciences Tools & Services	26,964,299	—	—	26,964,299
Machinery	10,351,080	—	—	10,351,080

Franklin Small-Mid Cap Growth VIP Fund (continued)

10. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Small-Mid Cap Growth VIP Fund (continued)				
Assets: (continued)				
Investments in Securities:				
Common Stocks:				
Personal Products	\$3,848,552	\$—	\$—	\$3,848,552
Pharmaceuticals	4,180,955	—	—	4,180,955
Professional Services	32,925,048	—	—	32,925,048
Road & Rail	6,205,410	—	775,676	6,981,086
Semiconductors & Semiconductor Equipment	36,263,621	—	—	36,263,621
Software	116,449,424	—	1,400,776	117,850,200
Specialty Retail	30,024,134	—	—	30,024,134
Textiles, Apparel & Luxury Goods	14,112,066	—	—	14,112,066
Trading Companies & Distributors	6,640,400	—	—	6,640,400
Convertible Preferred Stocks	—	—	4,820,606	4,820,606
Preferred Stocks	—	—	5,142,732	5,142,732
Warrants	—	—	^a	—
Short Term Investments	32,292,483	—	—	32,292,483
Total Investments in Securities	\$602,114,905	\$—	\$18,881,296	\$620,996,201

^aIncludes securities determined to have no value at June 30, 2021.

A reconciliation in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 assets and/or liabilities at the beginning and/or end of the period. At June 30, 2021, the reconciliation is as follows:

	Balance at Beginning of Period	Purchases ^a	Sales ^b	Transfer Into Level 3	Transfer Out of Level 3	Net accretion (amortization)	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Period	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Period End
Franklin Small-Mid Cap Growth VIP Fund										
Assets:										
Investments in Securities:										
Common Stocks:										
Capital Markets	\$—	\$2,566,560	\$—	\$—	\$—	\$—	\$—	\$684,446	\$3,251,006	\$684,446
IT Services	1,208,923	—	—	—	—	—	—	2,281,577	3,490,500	2,281,577
Road & Rail	—	748,000	—	—	—	—	—	27,676	775,676	27,676
Software	—	653,142	—	—	—	—	—	747,634	1,400,776	747,634
Convertible Preferred Stocks:										
Diversified Consumer Services	—	1,034,805	—	—	—	—	—	6,070	1,040,875	6,070
Internet & Direct Marketing Retail	—	69,740	—	—	—	—	—	(563)	69,177	(563)
Software	—	3,145,217	—	—	—	—	—	565,337	3,710,554	565,337
Preferred Stocks:										
Internet & Direct Marketing Retail	1,657,023	—	—	—	—	—	—	865,990	2,523,013	865,990
Software	768,400	1,478,997	(768,400)	—	—	—	—	(4)	1,478,993	(4)
Textiles, Apparel & Luxury Goods	1,068,276	—	—	—	—	—	—	72,450	1,140,726	72,450
Warrants:										
Software	—	^c	—	—	—	—	—	—	^c	—
Total Investments in Securities	\$4,702,622	\$9,696,461	\$(768,400)	\$—	\$—	\$—	\$—	\$5,250,613	\$18,881,296	\$5,250,613

^aPurchases include all purchases of securities and securities received in corporate actions.

Franklin Small-Mid Cap Growth VIP Fund (continued)

10. Fair Value Measurements (continued)

^bSales include all sales of securities, maturities, paydowns and securities tendered in corporate actions.

^cIncludes securities determined to have no value.

Significant unobservable valuation inputs for material Level 3 assets and/or liabilities and impact to fair value as a result of changes in unobservable valuation inputs as of June 30, 2021, are as follows:

Description	Fair Value at End of Period	Valuation Technique	Unobservable Inputs	Amount / Range (Weighted Average) ^a	Impact to Fair Value if Input Increases ^b
Franklin Small-Mid Cap Growth VIP Fund					
Assets:					
Investments in Securities:					
Common Stocks					
Capital Markets	\$2,963,006	Market comparables	Discount for lack of marketability	0.6% - 18.2% (11.8%)	Decrease ^c
IT Services	3,490,500	Market comparables	Discount for lack of marketability	3.7%	Decrease ^c
Road & Rail.	775,676	Market comparables	Discount for lack of marketability	0.0%	Decrease
Software	1,400,776	Market comparables	Discount for lack of marketability	3.8%	Decrease
Convertible Preferred Stocks					
Diversified Consumer Services. . .	1,040,875	Discounted cash flow	Discount for lack of marketability	12.9%	Decrease ^c
			Weighted average cost of capital	14.8%	Decrease ^d
			Long-term growth rate	5.0%	Increase
Software	3,710,554	Market comparables	EV / revenue multiple	17.1x - 61.4x (35.6x)	Increase ^c
			Discount for lack of marketability	6.9%	Decrease ^c
Preferred Stocks					
Internet & Direct Marketing Retail.	2,523,013	Market comparables	EV / EBITDA multiple	45.6x	Increase ^c
			EV / revenue multiple	3.4x	Increase ^c
			Discount for lack of marketability	11.1%	Decrease ^c
Textiles, Apparel & Luxury Goods.	1,140,726	Market comparables	EV / revenue multiple	5.7x	Increase ^c
			Discount for lack of marketability	8.0%	Decrease ^c
All Other Investments	1,836,170 ^{e,f}				
Total	\$18,881,296				

^aWeighted based on the relative fair value of the financial instruments.

^bRepresents the directional change in the fair value that would result from a significant and reasonable increase in the corresponding input. A significant and reasonable decrease in the input would have the opposite effect. Significant impacts, if any, to fair value and/or net assets have been indicated.

^cRepresents a significant impact to fair value but not net assets.

^dRepresents a significant impact to fair value and net assets.

^eIncludes fair value of immaterial assets and/or liabilities developed using various valuation techniques and unobservable inputs. May also include values derived using private transaction prices or non-public third party pricing information which is unobservable.

Franklin Small-Mid Cap Growth VIP Fund (continued)

10. Fair Value Measurements (continued)

[†]Includes securities determined to have no value at June 30, 2021.

Abbreviations List

EBITDA - Earnings before interest, taxes, depreciation and amortization

EV - Enterprise value

11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In January 2021, the FASB issued ASU No. 2021-01, with further amendments to Topic 848. The amendments in the ASUs provide optional temporary accounting recognition and financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021 and 2023. The ASUs are effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of these ASUs will not have a material impact on the financial statements.

12. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

Abbreviations

Selected Portfolio

ADR American Depositary Receipt

Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid.

For Russell Indexes: Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

See www.franklintempletondatasources.com for additional data provider information.

Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index measures the performance of U.S. Treasury bills that have a remaining maturity of greater than or equal to one month and less than three months.

Bloomberg Barclays U.S. Aggregate Bond Index measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities and commercial mortgage-backed securities (agency and nonagency).

Bloomberg Barclays U.S. Corporate Bond Index measures the performance of the investment-grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg Barclays U.S. Corporate High Yield Bond Index measures the performance of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and Standard & Poor's is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets (EM) country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays U.S. Government - Intermediate Index is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Bloomberg Barclays U.S. High Yield Very Liquid Index is a component of the U.S. Corporate High Yield Index that is designed to track a more liquid component of the U.S. dollar-denominated, high-yield fixed-rate corporate bond market.

Bloomberg Barclays U.S. Treasury Index measures the performance of U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with at least one year until final maturity.

FTSE® EPRA®/NAREIT® Developed Index is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets.

FTSE World Government Bond Index measures the performance of fixed-rate, local currency, investment-grade sovereign bonds and is stated in U.S. dollar terms.

J.P. Morgan (JPM) Global Government Bond Index (GGBI) tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds Classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocating assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/21, there were 375 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the six-month period ended 6/30/21, there were 24 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

MSCI All Country Asia Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in developed and emerging markets in Asia.

MSCI All Country World Index (ACWI)-NR is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets.

MSCI All Country World Index (ACWI) ex USA Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets, excluding the U.S.

MSCI Emerging Markets (EM) Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

MSCI Europe Index-NR is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed markets in Europe.

MSCI USA High Dividend Yield Index is based on the MSCI USA Index, its parent index, and includes large- and mid-capitalization stocks. The index is designed to reflect the performance of equities in the parent index (excluding real estate investment trusts) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

MSCI World ex USA Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets, excluding the U.S.

MSCI World Growth Index-NR measures large and midcap securities exhibiting overall growth style characteristics across 23 developed markets countries.

MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

MSCI World Value Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure performance of stocks exhibiting overall value style characteristics in global developed markets.

Russell 1000® Growth Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with relatively higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Index is market capitalization weighted and measures the performance of the approximately 1,000 largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

Russell 1000® Value Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with relatively lower price-to-book ratios and lower forecasted growth rates.

Russell 2000® Index is market capitalization weighted and measures the performance of the approximately 2,000 smallest companies in the Russell 3000® Index that represent a small amount of the total market capitalization of the Russell 3000® Index.

Russell 2000® Value Index is market capitalization weighted and measures performance of those Russell 2000® Index companies with relatively lower price-to-book ratios and lower forecasted growth rates.

Russell 2500™ Index is market capitalization weighted and measures the performance of the approximately 2,500 smallest companies in the Russell 3000 Index® that represent a modest amount of the Russell 3000® Index's total market capitalization.

Russell 3000® Growth Index is market capitalization weighted and measures performance of those Russell 3000® Index companies with relatively higher price-to-book ratios and higher forecasted growth rates.

Russell 3000® Index is market capitalization weighted and measures the performance of the largest 3,000 U.S. companies representing the majority of the U.S. market's total capitalization.

Russell Midcap® Growth Index is market capitalization weighted and measures performance of those Russell Midcap® Index companies with relatively higher price-to-book ratios and higher forecasted growth rates.

Russell Midcap® Index is market capitalization weighted and measures the performance of the approximately 800 smallest companies in the Russell 1000® Index that represent a modest amount of the Russell 1000® Index's total market capitalization.

Standard & Poor's® 500 Index (S&P 500®) is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.

Shareholder Information

Board Approval of Investment Management Agreements

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

Franklin Allocation VIP Fund

Franklin Flex Cap Growth VIP Fund

Franklin Global Real Estate VIP Fund

Franklin Growth and Income VIP Fund

Franklin Income VIP Fund

Franklin Large Cap Growth VIP Fund

Franklin Mutual Global Discovery VIP Fund

Franklin Mutual Shares VIP Fund

Franklin Rising Dividends VIP Fund

Franklin Small Cap Value VIP Fund

Franklin Small-Mid Cap Growth VIP Fund

Franklin Strategic Income VIP Fund

Franklin U.S. Government Securities VIP Fund

Franklin VolSmart Allocation VIP Fund

Templeton Developing Markets VIP Fund

Templeton Foreign VIP Fund

Templeton Global Bond VIP Fund

Templeton Growth VIP Fund

(each a Fund)

At a meeting held on April 20, 2021 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the (i) investment management agreement between Franklin Advisers, Inc. (FAI) and the Trust, on behalf of each of Franklin Allocation VIP Fund, Franklin Flex Cap Growth VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small-Mid Cap Growth VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Franklin VolSmart Allocation VIP Fund, and Templeton Global Bond VIP Fund; (ii) the investment sub-advisory agreement between FAI and Franklin Templeton Institutional, LLC (FTIL), an affiliate of FAI, on behalf of Franklin Allocation VIP Fund; (iii) the investment sub-advisory agreement between FAI and Templeton Global Advisors Limited (TGAL), an affiliate of FAI, on behalf of Franklin Allocation VIP Fund; (iv) the investment management agreement between FTIL and the Trust, on behalf of Franklin Global Real Estate VIP Fund; (v) the investment management agreement between Franklin Mutual Advisers, LLC (FMA) and the Trust, on behalf of

each of Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund and Franklin Small Cap Value VIP Fund; (vi) the investment management agreement between Templeton Asset Management Ltd. (TAML) and the Trust, on behalf of Templeton Developing Markets VIP Fund; (vii) the investment sub-advisory agreement between TAML and Franklin Templeton Investment Management Ltd. (FTIML), on behalf of Templeton Developing Markets VIP Fund; (viii) the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Trust, on behalf of Templeton Foreign VIP Fund; and (ix) the investment management agreement between TGAL and the Trust, on behalf of Templeton Growth VIP Fund (each a Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of each Management Agreement. Although the Management Agreements for the Funds were considered at the same Board meeting, the Board considered the information provided to it about the Funds together and with respect to each Fund separately as the Board deemed appropriate. FAI, FTIL, FTIML, FMA, TAML, TICL and TGAL are each referred to herein as a Manager.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by each Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to each Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters and, in some cases, requested additional information from the Managers relating to the contract. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of each Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by each Manager; (ii) the investment performance of each Fund; (iii) the costs of the services provided and profits realized by each Manager and its affiliates from the relationship with each Fund; (iv) the extent to which economies of scale are realized as each Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of each Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of each Management Agreement are fair and reasonable and that the continuance of such Management Agreement is in the best interests of the applicable Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's determination.

Nature, Extent and Quality of Services

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by each Manager and its affiliates to the Funds and their shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of each Manager; as well as information on succession planning where appropriate; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for each Fund; reports on expenses and shareholder services; legal and compliance matters; risk controls; pricing and other services provided by each Manager and its affiliates; and management fees charged by each Manager and its affiliates to US funds and other accounts, including management's explanation of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton (FT) or the Funds to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements, which included discussion of the changing distribution landscape for the Funds. The Board noted management's continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity in the current work-from-home environment and liquidity risk management.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Managers' parent, and its commitment to the mutual fund business as evidenced by its reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Funds by the FT organization. The Board specifically noted FT's commitment to enhancing services and controlling costs, as reflected in its outsourcing of certain administrative functions, and growth opportunities,

as evidenced by its recent acquisition of the Legg Mason companies. The Board also noted FT's attention focused on expanding the distribution opportunities for all funds in the FT family of funds.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by each Manager and its affiliates to the Funds and their shareholders.

Fund Performance

The Board reviewed and considered the performance results of each Fund over various time periods ended January 31, 2021. The Board considered the performance returns for each Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of each Fund's performance results is below.

Franklin Allocation VIP Fund, Franklin Income VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund and Templeton Global Bond VIP Fund - The Performance Universe for the Franklin Allocation VIP Fund included the Fund and all mixed-asset target allocation growth funds underlying variable insurance products (VIPs). The Performance Universe for the Franklin Income VIP Fund included the Fund and all flexible portfolio funds underlying VIPs. The Performance Universe for the Franklin Strategic Income VIP Fund included the Fund and all multi-sector income funds underlying VIPs. The Performance Universe for the Franklin U.S. Government Securities VIP Fund included the Fund and all intermediate US government funds underlying VIPs. The Performance Universe for the Templeton Global Bond VIP Fund included the Fund and all global income funds underlying VIPs. The Board noted that each Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its respective Performance Universe. The Board also noted that each Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its respective Performance Universe. The Board considered that the income-oriented investment objective of each Fund is the primary focus for the Fund's portfolio management team and that the evaluation of the Fund's

performance relative to the Fund's peers on an annualized income return basis is consistent with investor expectations and the Fund's investment goals. The Board concluded that each Fund's performance was satisfactory.

Franklin Growth and Income VIP Fund - The Performance Universe for the Fund included the Fund and all equity income funds underlying VIPs. The Board noted that the Fund's annualized income return and annualized total return for the one-, three-, five- and 10-year periods were above the medians of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Flex Cap Growth VIP Fund and Franklin Small-Mid Cap Growth VIP Fund - The Performance Universe for the Franklin Flex Cap Growth VIP Fund included the Fund and all large-cap growth funds underlying VIPs. The Performance Universe for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and all mid-cap growth funds underlying VIPs. The Board noted that each Fund's annualized total return for the ten-year period was below the median of its respective Performance Universe, but for the one-, three- and five-year periods was above the median of its respective Performance Universe. The Board further noted that it had approved at its February 2021 Board meeting various changes to the Franklin Flex Cap Growth VIP Fund expected to be effective May 1, 2021, including, among other things, changing the Fund's name, investment strategy, and primary benchmark. The Board concluded that each Fund's performance was satisfactory.

Franklin Global Real Estate VIP Fund - The Performance Universe for the Fund included the Fund and all global real estate funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three- and five-year periods was below the median of its Performance Universe, but for the 10-year period was above the median of its Performance Universe. The Board discussed this performance with management and management explained that, effective September 3, 2019, a change was made to the Fund's portfolio management. Management represented that since this change in the Fund's portfolio management team relative Fund performance has generally been positive, outperforming the Fund's benchmark by approximately 150 basis points. Management explained that the Fund's relative performance lagged that of peers due to the Fund's focus on sustainable cash flow growth at a time when the market returned to a focus on value post the favorable news regarding vaccine results in mid-November. Management further explained that key detractors that contributed to the Fund's one-year underperformance included the Fund's exposure to technology-adjacent subsectors such as logistics and cellular towers, which outperformed prior to

the favorable vaccine news, but underperformed thereafter. Management reviewed with the Board the enhancements to the Fund's investment processes in an effort to improve performance, which included making specific portfolio holding changes. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

Franklin Large Cap Growth VIP Fund and Templeton Developing Markets VIP Fund - The Performance Universe for the Franklin Large Cap Growth VIP Fund included the Fund and all multi-cap growth funds underlying VIPs. The Performance Universe for the Templeton Developing Markets VIP Fund included the Fund and all emerging markets funds underlying VIPs. The Board noted that each Fund's annualized total return for the one-, three-, five- and 10-year periods was above the median of its respective Performance Universe. The Board concluded that each Fund's performance was satisfactory.

Franklin Mutual Global Discovery VIP Fund - The Performance Universe for the Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and five-year periods was below the median of its Performance Universe, but for the three- and 10-year periods was above the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's underperformance in 2017 was material and continues to adversely impact the Fund's ranking over longer-term periods. Management reminded the Board of the primary factors that impacted the 2017 performance, including, among factors, exposure to non-US equities and stock selection. Management further explained that the Fund is one of the few funds in its Performance Universe that hedges exposures to non-US currencies which detracted 81 basis points from the Fund's performance relative to its benchmark index, the MSCI World Value Index - NR, in 2020. Management also explained that key detractors from the Fund's one-year performance included the Fund's stock selection in the financials and industrials sectors and the Fund's underweight position in the industrials sector. Management reviewed with the Board recent leadership changes implemented for the Manager, as well as enhancements made to the Fund's investment processes in an effort to improve performance. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

Franklin Mutual Shares VIP Fund - The Performance Universe for the Fund included the Fund and all multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's underperformance in 2017 was material and continues to adversely impact the Fund's ranking over longer-term periods. Management reminded the Board of the primary factors that impacted the 2017 performance, including, among factors, exposure to non-US equities and stock selection. Management also explained that the Fund's underweight position in US securities as compared to its peers detracted from the Fund's relative performance. Management further explained that key detractors from the Fund's one-year performance included the Fund's stock selection in the financials and industrials sectors and the Fund's underweight position in the industrials sector. Management reviewed with the Board recent leadership changes implemented for the Manager, as well as enhancements made to the Fund's investment processes in an effort to improve performance. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

Franklin Rising Dividends VIP Fund - The Performance Universe for the Franklin Rising Dividends VIP Fund included the Fund and all large-cap core funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was above the median of its Performance Universe, but for the one-year period was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's one-year annualized total return was 14.22% and only slightly below the Performance Universe median of 14.79%. The Board concluded that the Fund's performance was acceptable.

Franklin Small Cap Value VIP Fund - The Performance Universe for the Fund included the Fund and all small-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was above the median of its Performance Universe, but for the one-year period was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's one-year annualized total return was 11.47%. The Board concluded that the Fund's performance was acceptable.

Franklin VolSmart Allocation VIP Fund - The Performance Universe for the Fund included the Fund and all flexible portfolio funds underlying VIPs. The Board noted that the Fund incepted on April 1, 2013 and has been in operation for less than 10 years. The Board further noted that its annualized total return for the one-, three- and five-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Templeton Foreign VIP Fund - The Performance Universe for the Fund included the Fund and all international multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund has a more intense value tilt than the Performance Universe, which has negatively impacted the Fund's relative returns during a period of historic and sustained outperformance of growth over value. Management further explained that the Fund's shorter-term relative returns were also negatively impacted by the Fund's larger allocation to the energy sector versus peers, which underperformed the broader market. Management also explained that the Fund's one-year relative underperformance was primarily attributable to the Fund's health care holdings. Management then discussed with the Board the actions that are being taken in an effort to address the sources of the Fund's underperformance, including enhancements to the Fund's portfolio management team and a focus on constructing a more diversified and high-conviction portfolio. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

Templeton Growth VIP Fund - The Performance Universe for this Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was below the median of its Performance Universe, but for the one-year period was above the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's higher exposure to value stocks, which have experienced a period of historic underperformance, and underweight position in US stocks, which have led market returns in recent years, contributed to the Fund's relative longer-term underperformance versus its Performance Universe. Management also explained that weightings in particular sectors (such as consumer discretionary, energy, financials, information technology and health care) and

overall stock selection contributed to the Fund's relative underperformance. Management then discussed with the Board the actions that are being taken/have been taken in an effort to address the sources of the Fund's underperformance, including enhancements to the Fund's portfolio management team and a focus on constructing a more diversified and high-conviction portfolio. The Board noted that the Fund's one-year annualized total return was 6.84% and in the second quintile of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Comparative Fees and Expenses

The Board reviewed and considered information regarding each Fund's actual total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board also noted the quarterly and annual reports it receives on all marketing support payments made by FT to financial intermediaries. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of each Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure to the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group.

Franklin Allocation VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Small Cap Value VIP Fund and Templeton Global Bond VIP Fund – The Expense Group for the Franklin Allocation VIP Fund included the Fund and 10 other mixed-asset target allocation growth funds underlying VIPs. The Expense Group for the Franklin Growth and Income VIP Fund included the Fund and 12 other equity income funds underlying VIPs. The Expense Group for the Franklin Income VIP Fund included the Fund and 10 other flexible portfolio funds underlying VIPs. The

Expense Group for the Franklin Small Cap Value VIP Fund included the Fund and 10 other small-cap value funds underlying VIPs. The Expense Group for the Templeton Global Bond VIP Fund included the Fund and 11 other global income funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for each Fund were below the medians of its respective Expense Group. The Board also noted that the Franklin Allocation VIP Fund and Franklin Growth and Income VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board concluded that the Management Rate charged to each Fund is reasonable. In doing so, the Board noted that the Franklin Allocation VIP Fund's sub-advisers, FTIL and TGAL, are paid by FAI out of the management fee FAI receives from the Fund.

Franklin Small-Mid Cap Growth VIP Fund and Franklin U.S. Government Securities VIP Fund - The Expense Group for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and 11 other mid-cap growth funds underlying VIPs. The Expense Group for the Franklin U.S. Government Securities VIP Fund included the Fund, two other intermediate US government funds underlying VIPs and 10 inflation-protected bond funds underlying VIPs. The Board noted that the Management Rate for each Fund was below the median of its respective Expense Group, and the actual total expense ratio for each Fund was equal to the median of its respective Expense Group. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Rising Dividends VIP Fund - The Expense Group for the Fund included the Fund and 12 other large-cap core funds underlying VIPs. The Board noted that the Management Rate for the Fund was equal to the median of its Expense Group, and the actual total expense ratio for the Fund was below the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Large Cap Growth VIP Fund and Franklin VolSmart Allocation VIP Fund - The Expense Group for the Franklin Large Cap Growth VIP Fund included the Fund and 10 other multi-cap growth funds underlying VIPs. The Expense Group for the Franklin VolSmart Allocation VIP Fund included the Fund, three other flexible portfolio funds underlying VIPs, and one mixed-asset target allocation growth fund underlying VIPs. The Board noted that the Management Rate for each Fund was equal to the median of its respective Expense Group, and the actual total expense ratio for each Fund was above the median of its respective Expense Group. The

Board also noted that the Franklin VolSmart Allocation VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Flex Cap Growth VIP Fund and Templeton Foreign VIP Fund - The Expense Group for the Franklin Flex Cap Growth VIP Fund included the Fund and 12 other large-cap growth funds underlying VIPs. The Expense Group for the Templeton Foreign VIP Fund included the Fund, seven other international multi-cap value funds underlying VIPs and five international large-cap value funds underlying VIPs. The Board noted that the Management Rate for each Fund was above the median of its respective Expense Group, but its actual total expense ratio was below the median of its respective Expense Group. The Board further noted that the Management Rate for the Templeton Foreign VIP Fund was approximately six basis points above the median of its Expense Group and that the Franklin Flex Cap Growth VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board also noted that, in connection with the changes discussed above that are expected to be made to the Franklin Flex Cap Growth VIP Fund, the Fund would experience a reduction in its Management Rate. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Global Real Estate VIP Fund, Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund, Franklin Strategic Income VIP Fund, Templeton Developing Markets VIP Fund and Templeton Growth VIP Fund - The Expense Group for the Franklin Global Real Estate VIP Fund included the Fund and eight other global real estate funds underlying VIPs. The Expense Group for the Franklin Mutual Global Discovery VIP Fund included the Fund, one other global multi-cap value fund underlying VIPs, three global multi-cap core funds underlying VIPs, and four global multi-cap growth funds underlying VIPs. The Expense Group for the Franklin Mutual Shares VIP Fund included the Fund and 12 other multi-cap value funds underlying VIPs. The Expense Group for the Franklin Strategic Income VIP Fund included the Fund and 11 other multi-sector income funds underlying VIPs. The Expense Group for the Templeton Developing Markets VIP Fund included the Fund and 14 other emerging markets funds underlying VIPs. The Expense Group for the Templeton Growth VIP Fund included the Fund, one other global multi-cap fund underlying VIPs, three global multi-cap core funds underlying VIPs, and four global multi-cap growth funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for each Fund was above the median of its respective Expense Group. With

respect to the Franklin Global Real Estate VIP Fund, the Board noted management's explanation that the Fund was the second smallest fund in its Expense Group and had experienced declining assets under management resulting in higher other expenses. The Board then noted that the Fund's actual total expense ratio reflected a fee waiver from management and that management agreed to decrease the current expense cap on the Fund's total annual operating expenses from 1.00% to 0.90%, effective May 1, 2021. With respect to the Franklin Mutual Global Discovery VIP Fund, the Board noted management's explanation that the portfolio management team makes investments in the debt and equity of distressed companies and merger arbitrage securities that are specialized in nature and therefore require additional expertise and resources, whereas the Fund's Expense Group generally does not make such investments. With respect to the Franklin Mutual Shares VIP Fund, the Board noted that the Fund's Management Rate and actual total expense ratio were each less than 3 basis points above the respective median of the Fund's Expenses Group. With respect to the Franklin Strategic Income VIP Fund, the Board noted that the Fund's Management Rate and actual total expense ratio were less than 2 basis points and 5 basis points, respectively, above the applicable median of the Fund's Expenses Group. With respect to the Templeton Developing Markets VIP Fund, the Board noted that the Fund's Management Rate was three basis points and the Fund's actual total expense ratio was less than three basis points above the respective median of the Fund's Expenses Group. With respect to the Templeton Growth VIP Fund, the Board noted management's explanation that the Fund's total expense ratio is above median due to the depth of the Fund's fundamental research process which includes extensive fundamental research to model a company's potential future earnings, cash flow, and asset value relative to its stock price. The Board concluded that the Management Rate charged to each Fund is reasonable. In doing so, the Board noted that the Templeton Developing Markets VIP Fund's sub-adviser is paid by TAML out of the management fee TAML receives from the Fund.

Profitability

The Board reviewed and considered information regarding the profits realized by each Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis that addresses the overall profitability of FT's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2020, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its

methodologies used in calculating profitability in response to organizational and product-related changes, the overall methodology has remained consistent with that used in the Funds' profitability report presentations from prior years. The Board further noted management's representation that the profitability analysis excluded the impact of the recent acquisition of the Legg Mason companies and that management expects to incorporate the legacy Legg Mason companies into the profitability analysis beginning next year. The Board also noted that PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, has been engaged to periodically review and assess the allocation methodologies to be used solely by the Funds' Board with respect to the profitability analysis.

The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by each Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. As part of this evaluation, the Board considered management's outsourcing of certain operations, which effort has required considerable up-front expenditures by the Managers but, over the long run is expected to result in greater efficiencies. The Board also noted management's expenditures in improving shareholder services provided to the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent US Securities and Exchange Commission and other regulatory requirements.

The Board also considered the extent to which each Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by each Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, extent and quality of services provided to each Fund.

Economies of Scale

The Board reviewed and considered the extent to which each Manager may realize economies of scale, if any, as each Fund grows larger and whether each Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints for each Fund (except for

the Franklin Allocation VIP Fund and the Franklin VolSmart Allocation VIP Fund), which operate generally to share any economies of scale with a Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered management's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments each Manager incurs across the FT family of funds as a whole. The Board concluded that to the extent economies of scale may be realized by each Manager and its affiliates, each Fund's management fee structure (except for the Franklin Allocation VIP Fund and the Franklin VolSmart Allocation VIP Fund) provided a sharing of benefits with the Fund and its shareholders as the Fund grows. The Board recognized that there would not likely be any economies of scale for the Franklin Flex Cap Growth VIP Fund, Franklin Global Real Estate VIP Fund, Franklin Growth and Income VIP Fund, Franklin Large Cap Growth VIP Fund and Franklin VolSmart Allocation VIP Fund until each Fund's assets grow. The Board also recognized that given the decline in assets over the past three calendar years for each of the Franklin Allocation VIP Fund, Franklin Income VIP Fund, Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small Cap Value VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Templeton Foreign VIP Fund, Templeton Global Bond VIP Fund and Templeton Growth VIP Fund, these Funds are not expected to experience additional economies of scale in the foreseeable future. The Board concluded that to the extent economies of scale may be realized by each Manager and its affiliates, each Fund's management fee structure provided a sharing of benefits with the Fund and its shareholders as the Fund grows.

Conclusion

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of each Management Agreement for an additional one-year period.

Liquidity Risk Management Program- Funds no HLIM

Each Fund has adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940 (the "Liquidity Rule"). The LRMP is designed to assess and manage each Fund's liquidity risk, which is defined as the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining

investors' interests in the Fund. In accordance with the Liquidity Rule, the LRMP includes policies and procedures that provide for: (1) assessment, management, and review (no less frequently than annually) of each Fund's liquidity risk; (2) classification of each Fund's portfolio holdings into one of four liquidity categories (Highly Liquid, Moderately Liquid, Less Liquid, and Illiquid); (3) for Funds that do not primarily hold assets that are Highly Liquid, establishing and maintaining a minimum percentage of the Fund's net assets in Highly Liquid investments (called a "Highly Liquid Investment Minimum" or "HLIM"); and (4) prohibiting the Fund's acquisition of Illiquid investments that would result in the Fund holding more than 15% of its net assets in Illiquid assets. The LRMP also requires reporting to the Securities and Exchange Commission ("SEC") (on a non-public basis) and to the Board if the Fund's holdings of Illiquid assets exceed 15% of the Fund's net assets. Funds with HLIMs must have procedures for addressing HLIM shortfalls, including reporting to the Board and, with respect to HLIM shortfalls lasting more than seven consecutive calendar days, reporting to the SEC (on a non-public basis).

The Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") is the appointed Administrator of the LRMP. The IRMG maintains the Investment Liquidity Committee (the "ILC") to provide oversight and administration of policies and procedures governing liquidity risk management for FT products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Investment Compliance, Investment Operations, Valuation Committee, Product Management and Global Product Strategy.

In assessing and managing each Fund's liquidity risk, the ILC considers, as relevant, a variety of factors, including the Fund's investment strategy and the liquidity of its portfolio investments during both normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources including the Funds' interfund lending facility and line of credit. Classification of the Fund's portfolio holdings in the four liquidity categories is based on the number of days it is reasonably expected to take to convert the investment to cash (for Highly Liquid and Moderately Liquid holdings) or sell or dispose of the investment (for Less Liquid and Illiquid investments), in current market conditions without significantly changing the investment's market value.

Each Fund primarily holds liquid assets that are defined under the Liquidity Rule as "Highly Liquid Investments," and therefore is not required to establish an HLIM. Highly Liquid Investments are defined as cash and any investment

reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment.

At meetings of the Funds' Board of Trustees held in May 2021, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program for the year ended December 31, 2020. The Program Administrator report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund's liquidity risk; and (iii.) each Fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund.

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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Franklin Templeton Variable Insurance Products Trust (FTVIP) shares are not offered to the public; they are offered and sold only to: (1) insurance company separate accounts (Separate Account) to serve as the underlying investment vehicle for variable contracts; (2) certain qualified plans; and (3) other mutual funds (funds of funds).

Authorized for distribution to investors in Separate Accounts only when accompanied or preceded by the current prospectus for the applicable contract, which includes the Separate Account and the FTVIP prospectuses. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



**FRANKLIN
TEMPLETON**

**Semiannual Report
Franklin Templeton Variable Insurance Products Trust**

Investment Managers

Franklin Advisers, Inc.
Franklin Mutual Advisers,
LLC
Franklin Templeton
Institutional, LLC
Templeton Asset
Management Ltd.
Templeton Global Advisors
Limited
Templeton Investment
Counsel, LLC

Fund Administrator

Franklin Templeton Services, LLC

Distributor

Franklin Distributors,
LLC