



FRANKLIN
TEMPLETON

RESPONSIBLE INVESTING FOR BETTER CLIENT OUTCOMES

AN INTEGRATED APPROACH

RESPONSIBLE INVESTING FOR BETTER CLIENT OUTCOMES

An economic approach to managing ESG opportunities and risks

Responsible Investing refers to an overarching approach that takes into account important aspects of environmental, social and governance (ESG) issues when investing. At Franklin Templeton, this umbrella term applies to the integration of ESG factors into the investment process across all of our strategies.

We believe the consideration of ESG factors can lead to better outcomes for our clients. When used to complement conventional financial research, ESG analysis can help improve long-term investment performance.

Incorporating material ESG factors into fundamental research provides a comprehensive view of an investment's value, risk and return potential. That's why we're committed to integrating ESG across all asset classes and investment strategies.

We've standardised our ESG philosophy across the firm by establishing an ESG Investment Committee, as well as ESG asset class working groups. This approach allows us to harness expertise from across our global network, and helps us work together as a firm-wide team, sharing best practices.



“By identifying the ESG indicators that provide material insights not yet captured by the market, we are able to target those investments that we believe are best positioned to deliver sustainable returns for our clients.”

JENNY JOHNSON, President and CEO

OUR APPROACH TO RESPONSIBLE INVESTING IS DEFINED BY THE FOLLOWING FIVE CHARACTERISTICS



1. Investment excellence and rigour

Each step of our investment process integrates in-depth ESG analysis. Investment teams utilise a range of proprietary research and external data sources to arrive at investment insights. This knowledge enhances the best thinking of our investment professionals.

By understanding relevant and material ESG factors, our investment teams can make better decisions. Engaging with companies, and continuous monitoring of their activities, are key tenets of our ESG approach, supported by actively voting all proxies in the best interest of our clients.



2. Robust risk management

The ability to recognise and manage risk is critical in enhancing value for our clients over the long-term. Recognising the importance of ESG considerations, our global risk management framework incorporates ESG factors alongside traditional risk metrics.

Working closely with a dedicated team of ESG specialists, our Investment Risk Management Group develops portfolio-level perspectives on ESG. Regular reviews with portfolio managers ensure that ESG considerations form an integral part of the portfolio monitoring and risk dialogue.

Integrated ESG analysis

Dedicated ESG Team

Tracks emerging themes and shares industry best practices with investment teams



Independent Risk Management

Integrates ESG analytics into strategy reviews and risk reports



3. Global scale and local insights

ESG analysis is key to our investment approach. It's delivered by combining deep industry and local knowledge through:

- Investment professionals around the world, tasked with including ESG considerations into research and stewardship activities
- Independent risk professionals incorporating ESG in portfolio risk models and analytics

Our dedicated team of ESG specialists supports the investment and risk professionals, providing thematic insights and guidance on ESG best practices. Their expertise improves our investment teams' ability to incorporate unbiased ESG data, research and analytics.



4. A collaborative approach

Franklin Templeton is committed to working with the industry to establish and promote ESG best practices.

We're a signatory to the Principles for Responsible Investment, and other regional stewardship codes. We also participate in, and support, a wide range of ESG-focused associations and initiatives, as we link our capabilities to ESG industry standards. Taking part in these industry collaborations, along with diligent stewardship, helps to safeguard clients' investments and unlock potential value.



Corporate sustainability guides how we work

To position Franklin Templeton for the future, and to seek protection for our shareholders and stakeholders, global citizenship and ESG considerations are embedded in our corporate values. We take our fiduciary responsibility seriously, and this underpins all we do as a firm.



5. Applied innovation

We work closely with clients to understand exactly what they require. Drawing on our teams' expertise, we continuously enhance our range of responsible investing solutions tailored to clients' specific investment needs.

Solutions range from values-driven, ESG-tilted, thematic or impact-focused offerings, to custom ESG. They include impact funds, exchange-traded funds and infrastructure funds. The broad categories are:



Values-driven

Designed to suit clients' beliefs, these strategies include or exclude certain investments to comply with ethical or religious values



ESG-tilted

Invests in issuers with leading ESG practices, or issuers that have been improving ESG standards



Thematic

Focuses on issuers with products or services that address social or environmental challenges



Impact-focused

Aims to generate positive social and environmental outcomes that can be measured



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