AN INTEGRATED APPROACH
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

**Investment Research & Analysis**
ESG considerations embedded in security evaluation processes

**Portfolio Construction & Management**
ESG considerations embedded into portfolio decisions

**Investment Portfolios**
ESG considerations monitored

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.

- **Thematic**
  - Focuses on issuers with products or services that address social or environmental challenges.

- **ESG-tilted**
  - Invests in issuers with leading ESG practices, or issuers that have been improving ESG standards.

- **Impact-focused**
  - Aims to generate positive social and environmental outcomes that can be measured.
DISCLAIMERS

This material is intended to be of general interest only and should not be construed as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy. It does not constitute legal or tax advice.

The views expressed are those of the investment manager and the comments, opinions and analyses are rendered as at publication date and may change without notice. The information provided in this material is not intended as a complete analysis of every material fact regarding any country, region or market. All investments involve risks, including possible loss of principal.

Data from third party sources may have been used in the preparation of this material and Franklin Templeton Investments (“FTI”) has not independently verified, validated or audited such data. FTI accepts no liability whatsoever for any loss arising from use of this information and reliance upon the comments, opinions and analyses in the material is at the sole discretion of the user.

Products, services and information may not be available in all jurisdictions and are offered outside the U.S. by other FTI affiliates and/or their distributors as local laws and regulation permits. Please consult your own professional adviser for further information on availability of products and services in your jurisdiction.

Issued in the U.S. by Franklin Templeton Distributors, Inc., One Franklin Parkway, San Mateo, California 94403-1906, (800) DIAL BEN/342-5236, franklintempleton.com – Franklin Templeton Distributors, Inc. is the principal distributor of Franklin Templeton Investments’ U.S. registered products, which are available only in jurisdictions where an offer or solicitation of such products is permitted under applicable laws and regulation.

Australia: Issued by Franklin Templeton Investments Australia Limited (ABN 87 006 972 247) (Australian Financial Services Licence Holder No. 225328), level 19, 101 Collins Street, Melbourne, Victoria, 3000. Austria/Germany: Issued by Franklin Templeton Investment Services GmbH, Mainzer Landstraße 16, D-60325 Frankfurt am Main, Germany. Authorised in Germany by IHK Frankfurt M., Reg. no. D-F-125-TMX1-08. Canada: Issued by Franklin Templeton Investments Corp., 5000 Yonge Street, Suite 900 Toronto, ON, M2N 0A7, fax: (416) 364-1163, (800) 387-0830, www.franklintempleton.ca. Dubai: Issued by Franklin Templeton Investments (ME) Limited, authorised and regulated by the Dubai Financial Services Authority, Dubai office; Franklin Templeton Investments, The Gate, East Wing, level 2, Dubai International Financial Centre, P.O. Box 506613, Dubai, U.A.E., tel: +9714-4284100, fax: +9714-4284140. France: Issued by Franklin Templeton France S.A., 20, rue de la Paix, 75002 Paris, France. Hong Kong: Issued by Franklin Templeton Investments (Asia) Limited, 17/F, Chater House, 8 Connaught Road Central, Hong Kong. Italy: Issued by Franklin Templeton International Services S.à r.l. – Italian Branch, Corso Italia, 1 – Milan, 20122, Italy. Japan: Issued by Franklin Templeton Investments Japan Limited. Korea: Issued by Franklin Templeton Investment Trust Management Co., Ltd., 3rd fl., CCMM Building, 12 Youido-Dong, Youngdungpo-Gu, Seoul, Korea 150-968. Luxembourg/Benelux: Issued by Franklin Templeton International Services S.à r.l. – supervised by the Commission de Surveillance du Secteur Financier – 8A, rue Albert Borschette, L-1246 Luxembourg – tel: +352-46 66 67-1 – fax: +352-46 66 76. Malaysia: Issued by Franklin Templeton Investment Management (Malaysia) Sdn. Bhd. & Franklin Templeton GSC Asset Management Sdn. Bhd. Poland: Issued by Franklin Templeton Asset Management (Poland) TFI S.A., Rondo ONZ 1; 00-124 Warsaw. Romania: Issued by the Bucharest branch of Franklin Templeton Investment Management Limited, 78–80 Buzesti Street, Premium Point, 7th–8th floor, 011017 Bucharest 1, Romania. Registered with Romania Financial Supervisory Authority under no. PJM01SFIM/400005/14.9.2009, authorised and regulated in the UK by the Financial Conduct Authority. Singapore: Issued by Franklin Templeton Asset Management Limited, Registration No. (UEN) 199205211E, 7 Temasek Boulevard, #38-03 Suntec Tower One, 038987, Singapore. Spain: Issued by the branch of Franklin Templeton Investment Management, Professional of the Financial Sector under the Supervision of CNMV, José Ortega y Gasset 29, Madrid. South Africa: Issued by Franklin Templeton Investments SA (PTY) Ltd which is an authorised Financial Services Provider. Tel: +27 (21) 831 7400, fax: +27 (21) 831 7422. Switzerland: Issued by Franklin Templeton Switzerland Ltd, Stockerstrasse 38, CH-8002 Zurich. UK: Issued by Franklin Templeton Investment Management Limited (FTIML), registered office: Cannon Place, 78 Cannon Street, London EC4N 6HL. Authorised and regulated in the United Kingdom by the Financial Conduct Authority. Nordic regions: Issued by Franklin Templeton International Services S.A r.l. (FTIS), Swedish branch filial, Blasieholmsgatan 5, SE-111 48 Stockholm, Sweden. Phone: +46 (0) 8 545 01230, fax: +46 (0) 8 545 01239. FTIS is authorised and regulated in the Luxembourg by the Commission de Surveillance du Secteur Financier and is authorised to conduct certain financial services in Denmark, in Sweden, in Norway and in Finland. Offshore Americas: In the U.S., this publication is made available only to financial intermediaries by Templeton/Franklin Investment Services, 100 Fountain Parkway, St. Petersburg, Florida 33716. Tel: (800) 239-3894 (USA Toll-Free), (877) 389-0076 (Canada Toll-Free), and fax: (727) 299-8736. Investments are not FDIC insured; may lose value; and are not bank guaranteed. Distribution outside the U.S. may be made by Templeton Global Advisors Limited or other sub-distributors, intermediaries, dealers or professional investors that have been engaged by Templeton Global Advisors Limited to distribute shares of Franklin Templeton funds in certain jurisdictions. This is not an offer to sell or a solicitation of an offer to purchase securities in any jurisdiction where it would be illegal to do so.

Logos are trademarks of their respective owners and are used for illustrative purposes with permission.