



FRANKLIN TEMPLETON
INVESTMENTS

An Integrated Approach to Managing ESG Opportunities and Risks



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Enhancing Investing Insights

Environmental, social, and governance (ESG) issues can have a material impact on the value of companies and securities. Examples of such factors include natural resource use and scarcity, hazardous waste disposal, product safety, employee health and safety practices, and shareholder rights issues. We believe these issues should be considered alongside traditional financial measures to provide a more comprehensive view of the value, risk and return potential of an investment.

At Franklin Templeton Investments, our approach is designed to ensure that ESG issues are:

RECOGNIZED	ESG risks should be identified and understood at the security, portfolio and operational levels.
RATIONAL	Affirm that identified ESG risks are an intended and rational part of each portfolio's strategy.
REWARDED	ESG risks and opportunities should have commensurate long-term reward potential.

Committed across Our Global Platform

Our firm's goal is to deliver strong, long-term results for investors and institutions wherever they reside in the world. As such, we are committed to integrating consideration of ESG opportunities and risks throughout our global platform. This integration starts with our 550+ portfolio managers and research analysts located in 25 countries, considering material ESG issues as part of their bottom-up, fundamental research.¹ They are supported by independent risk consultants in our Performance Analysis and Investment Risk (PAIR) group, including our dedicated ESG team within PAIR.

As part of our commitment to integrating ESG analysis into our investment practices, Franklin Templeton Investments is a signatory to the United Nations Principles for Responsible Investment (UNPRI).

Some investors have socially responsible investing (SRI) policies that incorporate screens to exclude investments in specific types of securities or sectors based on ethical or religious beliefs, or other reasons. At Franklin Templeton, we offer separate accounts which allow investors the flexibility to exclude specific investments.

“At Franklin Templeton, we believe that consideration of material ESG issues may help our investment teams gain greater insight into each security’s risk and return potential. Our embedded ESG approach is led by our portfolio teams, who work in partnership with a dedicated team of ESG specialists to help ensure that ESG issues will be fully integrated across our global platform.”

JULIE MORET

Head of ESG, Director, Investment Risk-ESG



1. As of June 30, 2014.

Fully Integrated Approach

Our fully integrated ESG approach leverages Franklin Templeton's existing investment research teams and risk management framework.

Bottom-Up: Research Integration

Franklin Templeton is a global investment manager comprised of multiple independent investment management groups, each offering distinct investment perspectives. Rather than attempt to create a niche ESG research function in a separate silo, one of our key strategies for effective integration is to keep ESG consideration embedded in the work of our mainstream research teams. While consideration of material ESG issues is already part of our analysts' fundamental bottom-up research, our dedicated ESG team will support them through access to additional ESG-related data, analysis and training, and enhancements to processes and documentation, as appropriate.

Top-Down: Risk Management Integration

We will also integrate ESG consideration into the existing risk management framework via the global PAIR group. Our dedicated ESG team will work with PAIR's risk consultants and industry-leading tools to provide a top-down, portfolio level perspective on ESG issues. By introducing ESG analytics integrated into the regular and recurring portfolio performance and risk analysis and discussions with portfolio managers, our goal is to make ESG risk consideration part of the mainstream investment risk conversation.

Dedicated Team of ESG Specialists

Franklin Templeton has two dedicated ESG resources that partner with our global portfolio teams, and leverage the support of the 90+ members of the PAIR team, co-located with Portfolio Managers globally. These ESG specialists will support ESG integration efforts via the following:

ENGAGE AND EDUCATE portfolio teams to assist in recognizing and understanding the impact and scope of material ESG issues, and consult on emerging ESG issues

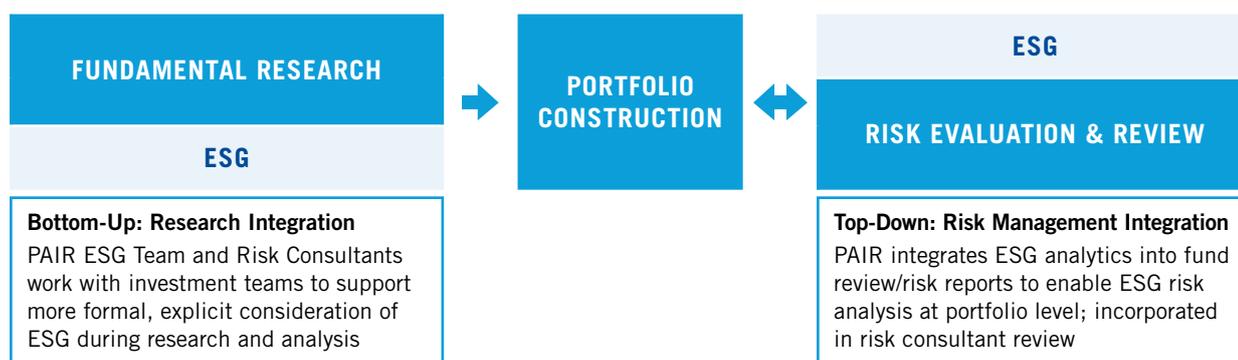
EVALUATE current research practices related to ESG issues and identify opportunities to refine and improve

ENHANCE portfolio teams' ability to analyze ESG issues by incorporating independent and unbiased ESG data, research and analytics

Ultimately, the support from the dedicated ESG team and PAIR allows our portfolio teams to gain a deeper and more comprehensive understanding of the potential ESG risks and rewards associated with each investment.

At Franklin Templeton Investments, our commitment to embedding ESG considerations throughout our investment process and culture is an integral component of our firm's goal which seeks to deliver exceptional investment management for our clients.

An Integrated Approach to Managing ESG Risks and Opportunities





www.franklintempleton.com.au

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Interest rate movements will affect a fund's share price and yield. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in a fund adjust to a rise in interest rates, a fund's share price may decline. These and other risk considerations are discussed in the appropriate fund prospectus.

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Issued by Franklin Templeton Investments Australia Limited ABN 87 006 972 247 (AFSL Holder No. 225328).