



For Immediate Release: 31 March 2021

Martin Currie expands ESG analysis to include Carbon Value at Risk and U.N. Sustainable Development Goals, focus areas include modern slavery and climate change

Martin Currie, the active equity specialist investment manager of Franklin Templeton, and steward of A\$25 billion in assets under management as of February 28, 2021, has significantly enhanced its analysis of environmental, social and governance (ESG) factors.

In its newly published [annual stewardship report](#), Martin Currie outlines its activities over the past year, which include mapping investee companies to the U.N.'s Sustainable Development Goals (SDGs) and creating a carbon value-at-risk model to calculate the potential impact of carbon pricing on a company's earnings and market capitalisation.

At the same time, Martin Currie has increased its analysis of modern slavery risks across supply chains.

"Good stewardship is an integral part of our core purpose. It is gratifying that this sentiment is growing in the asset management industry but we know we all need to do more and act more quickly in order to make an impact," said Martin Currie CEO Julian Ide.

"While we ceaselessly encourage our investee companies to take action, we recognise that we must hold ourselves to the same high standards. That is why we work every year to foster diverse and inclusive workplaces, to be trusted advisers to our clients, and to positively contribute to the communities where we live and work."

Mapping to Sustainable Development Goals

As part of its commitment to broaden ESG transparency and to demonstrate the rigour used in its analysis, Martin Currie mapped the activities of companies in which it invests against the 17 U.N. Sustainable Development Goal (SDGs).

"While the 17 goals set the overall framework, it's the underlying 169 specific targets that are most relevant to companies. Our analysis has focused on the extent to which companies are able to address or contribute to the relevant targets with more of an emphasis on how – rather than just what – goods and services are delivered," said David Sheasby, Head of Stewardship and ESG at Martin Currie.

"In a number of cases companies are already working through the various SDGs and selecting the appropriate goals and targets to align with their own operations. We believe that helping companies along this path with constructive dialogue is also an important element in achieving sustainable development."

Carbon Value-at-Risk Analysis

"COVID-19 temporarily upended the world's operating assumptions but the pandemic also reinforced the importance of managing the even greater systemic risk posed by climate change," Sheasby noted.

"Indeed, as the year progressed, we saw renewed policy efforts to reduce carbon emissions and, at a company level, climate change continued to be the dominant theme for our clients."

As part of its continuing efforts regarding climate change, Martin Currie developed a proprietary carbon value-at-risk tool to analyse the sensitivity and potential impact of carbon pricing on a company's earnings and market cap. This enables the firm to better understand the future impact of climate and energy policy changes on companies and, by extension, its portfolios.

Will Baylis, Portfolio Manager for Martin Currie Australia's (MCA) Sustainable Equity strategy highlights: "The carbon value-at-risk tool is used directly in the portfolio construction process of MCA's low-carbon focussed Sustainable Equity strategy and Green Value strategy to purposefully tilt away from those companies with high carbon risk and towards those with lower carbon risk."

Modern Slavery

Modern slavery is estimated to affect more than 40 million people worldwide; women and girls are



thought to account for more than 70% of all victims.

While awareness of this issue is increasing, Martin Currie calls on asset managers to do more, specifically to monitor supply chains and ensure social exploitation is not present in companies' operations.

Martin Currie recognises the risks presented by modern slavery and human rights breaches. As such, it has instituted a framework to identify risk factors and behaviours that may indicate a material risk of modern slavery within a business or its supply chain.

"While the perception is that social exploitation only occurs in emerging nations, recent high-profile cases in more 'developed' countries have shown that the problem is truly endemic. The globalised nature of supply chains means that modern slavery can be an invisible component in a range of everyday items, from the cars we drive to the clothes we wear. We are seeing increased demand for transparency on this issue from our clients," Sheasby said.

Following the introduction of the Australian Modern Slavery Act which heralds new reporting requirements on modern slavery for Australian companies, the MCA investment team recently undertook a structured engagement with investee companies on modern slavery.

Reece Birtles, Chief Investment Officer for MCA said, "We reached out to 190 top ASX companies to question them on governance, policy, process and any incidents of modern slavery. After completing an in-depth review of all the responses, identifying best practice and where clear gaps exist, the results will be incorporated into our overall ESG framework and provide a focus for future engagements."

Additional ESG Highlights from Martin Currie's newest stewardship report include:

- Globally, the firm recorded 681 one-on-one engagements with 187 corporate management teams in 2020. The MCA team recorded almost 100 of these engagements.
- It voted on 5,271 resolutions across 543 shareholder meetings, demonstrating the firm's commitment to investing that considers ESG factors alongside financial statements.
- It continued to refine its proprietary ESG scoring system. This dynamic approach helps portfolio managers consistently measure the way companies approach ESG. It also informs their engagements with investee companies and assists in guiding them toward positive change.
- It became a signatory of Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Martin Currie is the lead investor on an Indian cement company that is one of the target companies.

About Martin Currie

Martin Currie is a global active equity specialist with leading credentials in sustainable investing, crafting high-conviction portfolios for client-focused solutions. Investment excellence is at the heart of its business. Central to its philosophy is a stock-driven approach, based on in-depth fundamental research, active ownership and engagement and skilled portfolio construction. Martin Currie is rated A+ in all three categories under the Principles for Responsible Investment (PRI) 2020. As a Specialist Investment Manager of Franklin Resources Inc., it also has the backing of one of the world's largest asset management firms.

About Franklin Templeton

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