

TEMPELTON GLOBAL GROWTH FUND LTD (TGG)
SUMMARY OF RISK MANAGEMENT PROCESSES

Major Sources of Risk

The major sources of risk for TGG have been identified by the Board as being:

- Investment Risk
- Risk to the security of investments
- Risk that the integrity of financial reporting could be compromised

Investment Risk

Management of the investment portfolio is outsourced to Franklin Templeton Investments Australia Ltd (FTIA) under a formal investment management agreement. FTIA is a member of and conducts the management of the investment portfolio in concert with other members of the Templeton Global Equities Group of companies, which in turn is part of the Franklin Templeton Group (FT Group). FT Group is one of the world's largest funds managers with over US\$350 billion under management.

FT Group reduces investment risk by diversification of its client account investment portfolios both geographically and by industry sector.

Internal to the FT Group is an audit department that oversees a comprehensive risk management regime and augments that regime with periodic sampling techniques to ensure compliance with highly developed investment recording and accounting procedures. Additional to the audit department is a portfolio and trading desk compliance group that maintains a comprehensive current list of investment guideline and restrictions for client accounts.

Compliance with the investment guidelines and restrictions is assured principally via three mechanisms:

- An automated component that restricts specified categories of trades
- A trading desk compliance officer who conducts pre trade reviews
- A portfolio compliance group that conducts further reviews of trades.

The compliance officer is physically located on the trading desk to review and approve trades to ensure compliance prior to execution.

The portfolio compliance group further monitors trades to ensure full compliance with the first two mechanisms.

All of the above mentioned processes and controls apply and are observed by FT Group in relation to the TGG client account and the management of TGG's investment portfolio.

FT Group nominates a portfolio manager to be responsible for TGG's investment portfolio. The portfolio manager is based in Melbourne and attends meetings of the TGG Board and of the Review Committee and Audit Committee and reports to them on the performance of the portfolio and comparisons with appropriate benchmarks and provides information in response to questions raised by the Board and committee members.

Security of Investments

TGG has engaged JP Morgan Chase, one of the world's foremost banking institutions to hold the Company's investments as custodian and to record and to report on all investments held and all investment activities. TGG relies on the reputation and expertise of the custodian for assurance in relation to the security of investments.

JP Morgan Chase's performance of custodial settlement and other associated services is subject to six monthly independent audit by PricewaterhouseCoopers (PWC), who provide audit assurance letters specific to the Company's investments under the control of the custodian and the accuracy of the custodians reporting processes in relation to those investments.

Under FT Group's worldwide insurance regime, TGG is insured against losses arising from theft, fraud and other dishonesty on the part of TGG or Franklin Group personnel in relation to securities, financial instruments and financial transactions.

Financial Reporting

The financial data concerning TGG's investment portfolio which is used as the basis for preparation of the Company's financial statements is taken from an accounting module which is provided by the custodian, JP Morgan Chase.

FTIA also provides comprehensive reporting in relation to the market value of and movements in the investment portfolio and this financial reporting by the investment manager is cross checked and reconciled with the data provided by the custodian.

Financial performance and financial reporting is monitored and supervised by the Board and its committees. The Board meets 7 to 8 times a year, the Review Committee meets up to 4 times a year, and the Audit Committee meets not less than 4 times a year. At these meetings, directors review monthly financial statements which provide the basis for the Company's monthly net tangible assets reporting to the ASX.

The Company's yearly and half yearly financial reports are prepared under the direction and supervision of the Audit Committee and the Board and are audited by the external auditor, Ernst & Young. In relation to each audit, the external auditor issues a closing report to the Board covering all significant issues or recommendations arising from the audit.

Overall, the above described processes form a comprehensive platform of major risk assessment and management.