



RISK MANAGEMENT FRAMEWORK

1. Overview

This document sets out the framework in place to identify and manage risk on an ongoing basis in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

This framework is approved by the Templeton Global Growth Fund Ltd (TGG) Board and is reviewed annually by TGG's Audit and Risk Committee. It is designed to be appropriate for the size and complexity of the organisation.

2. Risk management roles and responsibilities

a) Board

The Board is ultimately responsible for the oversight of material business risks and ensuring that risks are identified, assessed and managed in a timely manner. The Board is responsible for continuously determining the risk appetite of TGG, being the risks that it is prepared to accept to meet its objectives. This includes non-financial risks as well as financial risks. The Board oversees this Risk Management Framework and reviews it periodically to ensure that it remains appropriate for TGG with advice from the Audit and Risk Committee. The Board is also responsible for defining the entity's purpose, approving its values and code of conduct to underpin the desired risk culture.

b) Audit and Risk Committee

The Audit and Risk Committee is responsible for:

- Monitoring management's performance against this Risk Management Framework, including whether it is operating within the risk appetite set by the Board;
- Reviewing any material incidents involving fraud or a break-down of the Company's risk controls and the "lessons learned";
- Receiving reporting on the internal audit function of the Investment Manager and third party service providers;
- Receiving reporting from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with these risks, generally through the risk register;
- Make recommendations to the Board in relation to changes that should be made to this Risk Management Framework and the risk appetite set by the Board;
- Overseeing the Company's insurance, having regard to the Company's business and the insurable risks associated with the business; and
- advising the Board on business risks.

The Audit and Risk Committee is also responsible for facilitating the external audit function.

c) Management

The General Manager confirms to the Board that TGG's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. The General Manager notifies to the Board instances where management has operated outside the risk appetite set by the Board.

d) Internal Audit

The Company does not have an Internal Audit function directly, but does rely on the Internal Audit function, and the internal controls framework, of the Investment Manager and the third party service providers.

The Audit and Risk Committee periodically reviews the need for an internal audit function.

3. Risk management culture

Risk management considerations are integrated into Board, Committee and Management discussions and the reviews of the Investment Manager.

4. Risk management policy

a) Identifying risks

The Investment Manager meets with the Board on a regular basis to discuss how any risks in the portfolio are being mitigated.

The General Manager continually reviews operational risks and provides input to the Board on new and emerging risks.

b) Assessing risks

Risks are assessed based on the following criteria:

- impact on the company and its shareholders;
- the risk appetite set by the Board;
- likelihood of the risk materialising;
- the Company's ability to manage the risk
- effectiveness of controls currently in place; and
- likely effectiveness of any new controls that can be implemented balanced against the costs of those controls.

c) Monitoring risks

Key risks identified through the process above are regularly reported to the Board and Committees by Management and recorded in a material risk register.

The Board has engaged JPMorgan Chase ("JPM"), one of the world's leading financial institutions, as custodian of the Company's investments and to provide the data in relation to investments on which the Company's financial reporting is based.

JPM engages their independent external auditors to provide assurance reports over the design and operating effectiveness of the key internal controls relevant to the preparation and fair presentation of the Company's financial report (i.e. internal controls relating to custody, unit registry, fund administration and related information technology services). These reports are issued on a semi-annual basis. The Company also engages JPM's independent external auditor to provide an independent assurance report over the valuation and existence of the Company's investments - which are safeguarded and valued by JPM - as at balance date.

d) Managing risks

The key controls for managing risks are set out below.

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

- Investment Risk
- Security of investments
- 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 Team, which in turn is part of the Franklin Templeton Group (FT Group). FT Group is one of the world’s largest funds managers.

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 attends meetings of the TGG Board and of the Review 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.

The long-standing approach of the Company has been not to hedge the underlying currencies of the portfolio of investments, but to continually assess the impact of currency risk on the Investment Portfolio, and security holders. The Investment Manager meets with the Board regularly to review this approach.

Security of Investments

TGG has engaged JP Morgan Chase (“JPM”), 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.

JPM’s performance of custodial settlement and other associated services is subject to six monthly independent controls 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, and the suitability of – and adherence to – the controls around those processes.

TGG Management also completes an additional assessment of the JPMorgan controls reports when they are released, to identify if there is the potential of any increased risk associated with the security of the portfolio of investments that TGG holds.

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, JPM.

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 5 to 8 times a year, the Review Committee meets around 4 times a year, and the Audit and Risk 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 and Risk Committee and the Board and are audited or reviewed by the external auditor, EY. In relation to each audit or review period, EY issues a closing report to the Board covering all significant issues or recommendations arising from the audit.

Conduct risk

Conduct risk is the risk of inappropriate, unethical or unlawful behaviour on the part of the Company's management and Board, including a consideration not just of whether conduct is lawful, but whether it is appropriate or ethical.

Conduct risks are identified through the Company's compliance framework and the compliance framework of service provider, FTIA, and notified to the Audit and Risk Committee.

Digital disruption, cyber security, privacy and data breaches

The Company relies on the information security processes of its service providers, with oversight by the Audit and Risk Committee and the Board. The Board considers competitive threats to the Company business as part of its strategic review. The Company collects, holds, uses and discloses personal information in accordance with its privacy policy and relies on its compliance framework and processes of service providers to identify, assess and notify the Board of any privacy or data breaches.

Economic, environmental and social sustainability risks, including climate change

Due to the nature of the operations of the Company, the Company does not have any direct or material exposure, to economic, environmental and social sustainability risks as defined in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. These risks are considered regularly by the Audit and Risk Committee and

Board and benchmarked against disclosures made by other listed investment companies.

All indirect exposure to these risks, through the underlying investments of the Company, are assessed by the Investment Manager before any investment decisions are undertaken.

Management risks

The Management team has a depth of experience and knowledge of listed investment companies and relies on the professional expertise of its fund administrator, JPM, and its administrative agent and investment manager, FTIA. The risk of business, regulatory and industry knowledge being concentrated in the Management Team is addressed by also relying on the expertise of external legal and accounting experts.

Capital management risks

From time to time the Company may conduct an on-market buy-back facility or raise capital as part of managing its capital and seeking to achieve a balance between returning cash to shareholders and supporting TGG's investment strategy. The Company implements guidelines and policies to ensure that these activities comply with the law and regulatory requirements and that the broker and trading desk are given sufficient instructions and parameters for any trading. The Company seeks external expert advice as an input into its consideration of its capital management policy and closely monitors the implementation of the strategy.

Approved by the Templeton Global Growth Fund Ltd Board on 25 June 2021.