IMPROVING SOCIETY

MARTIN CURRIE
A Franklin Templeton Company

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For institutional, professional and wholesale investors only

OUR THREE PILLARS OF SOCIAL IMPACT

What they are and why they matter.

INVESTING TO IMPROVE LIVES™

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The desire to take urgent action to protect our planet and human life, largely from ourselves, is not new. Back in 1987, the United Nations' seminal Brundtland Report identified the 'three fundamental pillars' of sustainable development.

A reader today could be forgiven for thinking that the report had been written four weeks ago rather than four decades ago. Its focus on issues such as poverty reduction, gender equity and wealth redistribution is extremely contemporary, and it resonates with us.

We would like to think that the report's eponymous chairperson, Gro Harlem Brundtland, prime minister of Norway at the time, would recognise and endorse the 'Three Impact Pillars' that guide the investment process for our new and unique Martin Currie Improving Society strategy. They share the same socio-economic DNA despite being born a generation apart.

In our case, the three pillars are improving wellbeing, improving inclusion, and supporting a just transition to Net Zero carbon. Together these pillars guide our intentional commitment to businesses providing solutions which address society's key challenges.

The key to successful impact investing is intentionality and our three pillars ensure that the strategy remains focused on its measurable social impact. It is specifically designed for clients who want to make a positive change while also benefiting from long term capital growth by investing in companies that are solving the world's greatest social challenges. We do this by investing and engaging to improve fair treatment, access, opportunity, and advancement for all people.

Socrates, the ancient Greek philosopher, famously observed that *'the beginning of wisdom is the defining of terms'*. So, let's follow his eminent example and set out the criteria for our three pillars.

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What it is:

Impact Pillar	Improving Wellbeing				Improving Inclusion			Supporting a Just Transition		
Impact Focus	Mental Health & Wellbeing	Preventative Medicine	Medical Treatment & Advances	Basic Human Needs	Education	Financial Equality	Access to Resources	Circular Economy	Reskilling	Upgrading the Lived Environment

In our portfolio we focus on the products and services that provide direct, measurable social impact . Our first pillar is **Improving Wellbeing** which covers areas such as medical treatments and advances, preventative medicine, meeting basic human needs and mental health and wellbeing.

Our investments in this category include companies involved in hygiene and infection control, diagnostic testing kits and robotic surgical systems. They also extend into areas such as nutrition, clean water, and sanitation which form the very basis of population-level equality of opportunity.

The second pillar is **Improving Inclusion** which focuses on education, financial equality, and access to resources. Here we invest in companies that improve access to education, promote financial inclusion, and ensure sufficient access to resources for developing countries and marginalised populations.

The third pillar in our strategy is **Supporting a Just Transition**. For us, that means ensuring that the transition towards a lower carbon economy happens in a fair way, leaving no one behind. For that reason, this pillar focuses on reskilling those most impacted by the transition, upgrading the lived environment by making cities safer and more habitable in order to manage urbanisation, and supporting a more circular economy which reduces waste and improves resource efficiency to maximise quality of life. Typical investments are in education and reskilling providers, water and waste systems, and traffic systems and safety technology.

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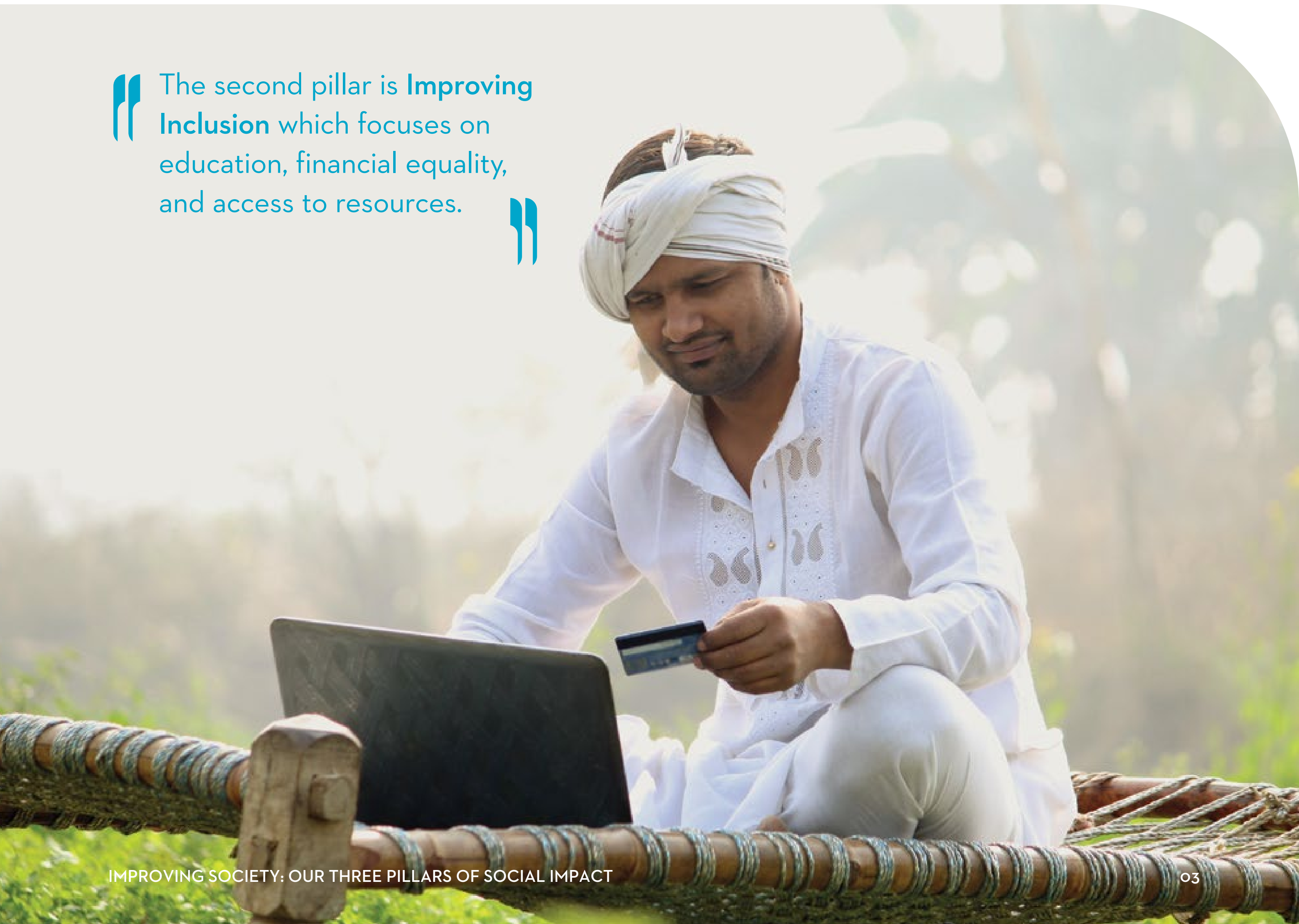

Why it matters:

The challenges facing our world can seem daunting in their enormity and complexity. We believe it is vital to mobilise the huge resources of listed equities to meet the scale of investment needed to address the following core issues effectively.

Improving Wellbeing

Health inequalities are the unfair yet preventable differences in health outcomes for various communities and people. These inequalities are deeply embedded regionally, nationally, and globally. For instance, in the developing world, nearly two billion people have no access to basic medicines, causing widespread suffering that could be addressed and avoided. In India alone, 60,000 children under the age of five die every year from diarrhoea caused by contaminated water and poor sanitation[1]. A quarter of the world's population does not have access to safe drinking water.

What's more the gulf between the haves and have-nots is widening. The human and financial cost is enormous in terms of greater infant mortality, shorter lifespans, lost years of healthy life and significant economic burdens for societies. If your response to this is that 'something must be done' then you're already thinking like an impact investor.

Improving Inclusion

Social inclusion is making sure that everyone in society has the chance to play a full role in the life of the community, regardless of their background, ethnicity, religious beliefs, gender, or sexual orientation.

Unfortunately, inequality is rife across most of the world. An individual's income and wealth are inextricably linked to who they are, not what they do.

Exclusion is all too prevalent. Around 719 million people live in extreme poverty, struggling to survive on less than $2.15 a day[2]. Many of them are among the 750 million adults who are illiterate. In many parts of the world, women and girls face discrimination and exclusion simply because of their sex, while people with disabilities often find it difficult to participate fully in society.

Targeting these inequalities stimulates economic growth and creates jobs, breaking the vicious circle of exclusion, poverty, and poor health. Greater inclusion also helps prevent the social unrest and conflict that arises from unfairness and discrimination. The more inclusive a community or society, the stronger and more resilient it is. In our view, there is no better rationale for targeted investment.

[1]Source: Wateraid *https://www.wateraid.org/us/where-we-work/india* Accessed on 26th June 2023.

[2]Source: Worldbank as at 30 November 2022. *https://www.worldbank.org/en/topic/poverty/overview*

> "In the developing world, nearly two billion people have no access to basic medicines, causing widespread suffering that could be addressed and avoided."

Supporting a Just Transition

The concept of a just transition dates back to the era of the Brundtland Report, when US trade unions used it to protect workers who faced losing their jobs with the introduction of new water and air pollution regulations.

Today, a just transition relates to tackling and mitigating the inequalities that arise as the world moves to a green and renewable energy system. While there are clear beneficiaries, many communities, workers and social groups are at risk of losing out socially and economically, and being left behind, if the transition is not managed sensitively.

Of course, the move to Net Zero carbon is hardly the first energy transition that the world has experienced. The UK alone has undergone several fuel changes over the last 200 years – from wood, peat and charcoal to coal, oil and nuclear. However, the thoughtless handling of the shift away from the coalmining, shipbuilding and steel, with no coherent policy measures or strategies in place to tackle the post-industrial aftermath, left a lasting negative impact and a damaging legacy.

The cascade effects of sudden mass unemployment that resulted from the closure of dominant local employers, such as mines, shipyards, and steelworks, in the 1970s and 1980s continues to affect the wealth and affluence of communities, and people's prospects, to this day.

The powerful lesson here is that while the energy transition side of the equation is inevitable, the social justice element is not.

If you were looking for a similar formula, then it would be *Just Transition = climate action + social inclusion.*

For example, the greening of the economy in South Africa is disrupting the energy workforce. Currently, eastern South Africa accounts for 80% of the country's coal production[3]. However, most of the new jobs in clean and renewable energy are in the Northern Cape region, which creates real barriers for the current skilled workforce in accessing the new employment opportunities. Again, we believe that addressing such structural issues is deserving of focused financial support.

[3]Source: UN SDG as at 6 October 2022,' Climate action is about people, not just numbers'
https://sdg-action.org/climate-action-is-about-people-not-just-numbers%EF%BF%BC/

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Conclusion:

The Global Impact Investing Network (GIIN) estimates that the total invested in impact worldwide has now broken through the $1 trillion barrier[4] indicating the momentum behind a societal shift in mindset towards more mindful, ethical and sustainable investing. As impact investors ourselves, we are delighted by this momentum.

We are also looking forward to a new era of impact investing, with a unique, socially focused impact strategy creating a solution to a previously underserved area of the investment market. We invest in companies that address the problem of human inequity while delivering long-term capital growth.

In doing so, we offer our clients the opportunity to help solve societal challenges and achieve attractive returns – both of which align with our corporate purpose of **Investing to Improve Lives**.

"We are also looking forward to a new era of impact investing, with a unique, socially focused impact strategy creating a solution to a previously underserved area of the investment market."

[4]Source: Global Impact Investing Network, as at 12 October 2022. GIINsight: Sizing the Impact Investing Market 2022.
GIINsight: Sizing the Impact Investing Market 2022 | The GIIN

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Risk warnings – Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.

- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Accordingly, investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets.
- The strategy may invest in derivatives, Index futures and FX forwards to obtain, increase or reduce exposure to underlying assets. The use of derivatives may result in greater fluctuations of returns due to the value of the derivative not moving in line with the underlying asset. Certain types of derivatives can be difficult to purchase or sell in certain market conditions.
- The integration of sustainability risks in the investment decision process may have the effect of excluding profitable investments from the investment universe of the strategy and may also cause the strategy to sell investments that will continue to perform well.

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