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August 16, 2022

***Via Electronic Submission***

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549

**Subject:** **File No. S7-17-22**
Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices

Dear Ms. Countryman:

Franklin Resources, Inc. appreciates the opportunity to comment on the Commission's proposal to enhance disclosures by certain investment advisers and funds about their environmental, social, and governance ("ESG") investment practices (the "Proposal").

Franklin Resources, Inc., better known as Franklin Templeton, is a global investment management organization with approximately $1.42 trillion[1] in assets under management, invested globally across multi-asset class portfolios through 14 independent specialist investment managers. Depending upon the particular investment strategy, Franklin Templeton's affiliated active investment managers generally consider ESG factors as part of their investment process in varying degrees, which helps us to fulfill our fiduciary duties in seeking to generate risk adjusted investment returns for our clients.

As a global asset manager that offers its strategies and funds to clients and shareholders on a worldwide basis, we support efforts by the Commission to work with regulators outside of the US to ensure that new disclosure requirements are aligned and consistent where possible.

Franklin Templeton supports the Proposal's goals to promote comparable, reliable, and material information for investors by requiring disclosures for funds and investment advisers that consider ESG factors in their investment selection process. Franklin Templeton also broadly endorses the comment letters on this proposal filed by ICI, IAA and SIFMA AMG (though not necessarily each of the specific recommendations set forth in those letters). We also endorse the general views of the PRI, of which we are a longstanding signatory. As discussed below, we believe the Proposal is overly broad in some respects and gives ESG factors undue prominence over other equally important investment selection factors in certain cases.

[1] As of July 31, 2022

The Proposed Definition of Integration Funds is Overly Broad and Gives Undue Prominence to ESG Factors.

Under the Proposal, a fund categorized as an Integration Fund is required to include specific ESG-related disclosures in both its summary prospectus and statutory prospectus, which under the current disclosure regime would generally be reserved for a fund's principal investment strategies. Consequently, for funds where the consideration of ESG factors is one of multiple components of the fund's investment process, the proposed disclosure requirements would elevate these factors above any other factors that may be equally important inputs in the investment process, but that do not have the same mandated disclosure requirements. In our view, this presents a heightened risk of greenwashing, and could mislead investors by overstating the role ESG factors play in a fund's investment decisions.

The risk of confusion is further increased by the overly broad definition of Integration Funds, that would unnecessarily implicate a wider swath of funds than possibly intended by capturing funds that consider traditional "G" factors. Most, if not all actively-managed funds generally consider some ESG factors in varying degrees as part of their analysis of potential investments, particularly with respect to governance. Under the proposed definition, a fund that considers the general corporate governance of a company (such as board composition and terms) as part of its investment process would be considered an Integration Fund and subject to the same disclosure requirements as a fund for which E and S considerations play a more prominent role in its investment process.

For the reasons outlined above, we would support limiting the definition of Integration Funds to include only those funds for which consideration of E and/or S factors are elevated above certain other factors in its investment decision. In eliminating "G only" funds, the definition would better reflect the intent of the Proposal, by focusing on the factors that are most responsible for greenwashing. The increasing prominence of climate events and issues of social responsibility have considerably focused investors' minds on 'E' and 'S' factors and we support the objective of the Commission to build more of a tailored framework around the products responding to this demand. In implementing a materiality threshold for E and/or S considerations, there is less risk that shareholders will be misled as to the importance of such considerations in a fund's investment process. Additionally, we believe that in removing "G only" funds, the risk of placing undue prominence on an element that is inherent to most funds' investment strategies is mitigated.

Proposed ADV Disclosure Requirements Would Also Result in Undue Prominence of ESG-Related Strategies and May Require Disclosure of Proprietary Investment Methodologies.

Similarly, we believe that the Proposal's new Form ADV disclosures, especially with regard to ESG integration strategies, could potentially mislead investors about the prominence of ESG factors in an adviser's investment decisions. The Proposal would "require an adviser to provide a description of the ESG factor or factors it considers for each significant investment strategy or method of analysis for which the adviser considers any ESG factors." As in the case of funds that are designated as Integration Funds, requiring this level of specificity about ESG factors would require advisers to include significantly more information about ESG factors than they do about other factors that are equally important to their investment strategies and would lead to the same result described above – unbalanced disclosure, investor confusion and the unintended consequence of promoting, rather than preventing, greenwashing.

Additionally, under the Proposal, if an adviser uses, for any significant investment strategy, criteria or methodology to evaluate, select or exclude investments based on the consideration of ESG factors,

the adviser would be required to describe such criteria or methodology and how they are used in their ADV Part 2A. We believe that requiring advisers to disclose details related to internal methodologies and third-party criteria may reveal non-public information regarding an adviser's SMA strategy and/or a private fund's trading strategies, analytical or research methodologies, trading data, and/or computer hardware or software containing intellectual property. Such disclosure would include the elements of the adviser's internal investment process that may differentiate them from their competitors. Compelling advisers to disclose this proprietary information could place them at a competitive and economic disadvantage.

We recommend that the Proposal be amended to require investment advisers to provide a summary of such proprietary criteria and methodologies as they apply to their investment strategies and propose that more detailed information be provided to clients individually, where applicable, in client specific material.

We appreciate the opportunity to comment on the Proposal, and for the Commission's consideration of our comments.

Sincerely,

DocuSigned by:
Alison Baur
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Alison E. Baur
Deputy General Counsel
Franklin Templeton