



## Article 10 (SFDR) Website disclosure for an Article 8 fund

### Franklin Templeton Investment Funds – Templeton Growth (Euro) Fund (the "Fund")

Version	Date of publication	Date of update (if any)	Explanation (if any)
1.0	27 August 2023		
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3.0	09 August 2024		

**Product name: Franklin Templeton  
Investment Funds – Templeton Growth  
(Euro) Fund**

**Legal entity identifier:  
B81LB6PNE1N7LG54PJ98**

**Does this financial product have a sustainable investment objective?**

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



**A. Summary**

The Fund promotes environmental and social characteristics in accordance with Article 8 of the Sustainable Finance Disclosure Regulation (the “SFDR”).

In its implementation of the Fund’s environmental, social and governance (“ESG”) strategy, the Investment Manager favors investments in equity and equity related instruments in companies with an appropriate ESG profile, as captured by its proprietary ESG methodology, and engages with issuers which are considered as underperformers in terms of specific ESG metrics. In addition, the Fund applies specific ESG exclusions and commits to have an ESG score at Fund level higher than the average ESG score of companies in the identified investment universe.

The Fund’s environmental or social characteristics are assessed both quantitatively and qualitatively, by means of sustainability indicators as well as of the Investment Manager’ proprietary ESG ratings system and its engagement process further described in the Website disclosure’s dedicated sections. As part of its investment decision making process, the Fund’s ESG strategy also uses binding criteria for the selection of underlying assets.

Finally, the Fund has a minimum allocation of 10% of its portfolio to sustainable investments, with a minimum of 8% allocated towards investments with an environmentally sustainable objective and at least 2% allocated towards investments with a socially sustainable objective. The Fund ensures that its sustainable investments do not cause significant harm to any environmental or social sustainable investment objective.

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## B. No sustainable investment objective

This financial product promotes environmental and social characteristics but does not have as its objective a sustainable investment.

However at least 10% of the Fund's portfolio will be allocated to sustainable investments.

### What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The sustainable investments of the Fund comprise equity securities issued by companies which contribute, through their products or services, to the social or environmental objectives linked to the UN SDGs.

### How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

Industry relevant impact indicators are compared to peers and the broad investment universe to identify potentially significant positive and negative impacts. The Investment Manager identifies pertinent and significant sustainability risks and uses its own qualitative judgement when reviewing the PAIs indicator data, where available, to assess whether investments cause any significant harm.

In addition, the Fund applies exclusions that further reduce the likelihood of issuers causing significant harm to be invested by the Fund.

### How have the indicators for adverse impacts on sustainability factors been taken into account?

When assessing compliance of the Fund's sustainable investments with the DNSH principles, the Investment Manager takes into account all mandatory PAI indicators of Table 1 of Annex I of the SFDR Regulatory Technical Standards ("RTS"), to the extent they are relevant for the investments contemplated by the Fund and other data points deemed by the Investment Manager as proxies for adverse impact. The Investment Manager performs this analysis at the level of each sustainable investment so that the relevance and materiality of the PAI indicators may vary across investments. Issuers deemed to be in breach of these indicators will not qualify as sustainable investments.

### Are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

The Fund does not invest in companies that, according to MSCI, do not observe the main international conventions ( United Nations Global Compact principles (the "UNGC Principles"), Organisation for Economic Cooperation and Development (the "OECD") Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights).

Exceptions can only be made after formal review of alleged violations has been carried out and where the Investment Manager either disagrees with the conclusion that the company is complicit in violations of the principles of such conventions or has determined that the company has made and implemented positive changes deemed satisfactory to appropriately address the deficiency/violation. The severity of the violation, response, frequency, and nature of the involvement are considered in making a judgement on whether the company observes international conventions.



### C. Environmental or social characteristics of the financial product

#### What are the environmental or social characteristics promoted by this financial product?

The environmental and social characteristics promoted by the Fund consist of, inter alia, the reduction of greenhouse gas emissions and gender diversity:

As further described in section "What investment strategy does this financial product follow?" below, the Investment Manager seeks to attain these characteristics by:

- excluding certain issuers and sectors considered by the Investment Manager as harmful for the society,
- favoring issuers with a good environmental, social and governance (the "ESG") profile, as captured by its proprietary ESG methodology,
- engaging with issuers which are considered as underperformers in terms of specific ESG metrics.
- committing to have an ESG score at Fund level higher than the average ESG score of companies in the Funds' Investment Universe, defined as MSCI All Country World Investable Market Index.

The Fund has a minimum allocation of 8% of its portfolio to sustainable investments with an environmental objective.

The Fund has a minimum allocation of 2% of its portfolio to sustainable investments with a social objective.

No reference benchmark has been designated with the purpose of attaining the environmental and/or social characteristics promoted by the Fund.



### D. Investment strategy

#### What investment strategy does this financial product follow and how is the strategy implemented in the investment process on a continuous basis?

The Fund invests principally in equity securities including common stocks and preferred stocks of companies located anywhere in the world, including Emerging Markets.

The Investment Manager considers that Environmental, Social and Governance (ESG) factors can have a material impact on a company's current and future corporate value, and therefore ESG considerations are an integral component of its fundamental investment research and decision process. The Investment Manager employs a binding proprietary ESG methodology which is applied to all the equity holdings of the Fund (except for derivatives, ancillary liquid assets, bank deposits, money market instruments and money market funds) to determine a company's profile on relevant environmental, social, and governance issues. As a result, at least 90% of the Fund's portfolio will be covered by the ESG methodology.

The Investment Manager evaluates the companies which may be potential investment for the Fund and assigns an overall ESG score based on quantitative and qualitative considerations such as, but not limited to (E) characteristics (greenhouse gas emissions, energy use, climate change, waste, pollution, and natural resource conservation), (S) characteristics (board gender diversity, human rights, labour standards, employee engagement, community relations, data protection and privacy) and (G) characteristics (company's leadership, degree of independent directors, executive pay, independent audits, internal controls, and shareholder rights).

The score assigned to the issuers by the Investment Manager is based on the proprietary ESG methodology which assesses the sustainability profile of a company and comprises five grades: 1 (exceptional), 2 (above average), 3 (average), 4 (poor) and 5 (unacceptable). The Investment Manager's ESG approach includes regular dialogue with companies, monitoring material ESG issues and voting proxies.

The Fund will invest in companies that score a maximum of 3 as per this internal ESG assessment and may only invest in companies scored 4 subject to the active engagement of those companies to drive an improvement. Companies scored 5 or those not scored due to the relevant companies not meeting the Investment Manager's fundamental criteria are excluded from the Fund's portfolio.

The Fund will also invest in companies that contribute to better environmental and social outcomes through their products and services and operational management.

The Fund also applies specific ESG exclusions and will not invest in companies which according to the Investment Manager's analysis:

- Repeatedly and/or seriously violate the United Nations Global Compact Principles;
- Manufacture or distribute controversial weapons defined as anti-personnel mines, biological & chemical weaponry, and cluster munitions or those that manufacture components intended for use in such weapons;
- Generate more than 5% of their revenue from tobacco or tobacco products;
- Generate more than 30% of their revenue from thermal coal extraction.

As a result of the aforementioned ESG methodology and exclusions, the weighted average base ESG score of the Fund's portfolio is higher than the average ESG score of the companies in the Fund's Investment Universe, as measured by the ESG Score using the MSCI ESG Ratings Methodology.

**What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy, which are not at the discretion of the Investment Manager, can be summarized as follows:

- the exclusion of companies scoring 5 according to the Investment Manager’s proprietary ESG methodology;
- the commitment to engage with companies scoring 4, according to the Investment Manager’s proprietary ESG methodology;
- the commitment to maintain a weighted average ESG rating of the Fund higher than the average ESG rating of the companies in the Investment Universe, as measured by the ESG Score using the MSCI ESG Ratings Methodology; and
- the application of the ESG exclusions further described in the section "What investment strategy does this financial product follow?" of this annex.

**What is the policy to assess good governance practices of the investee companies?**

The Investment Manager’s analysts review if companies exhibit good governance practices in their analysis, including a review of board structure and independence, remuneration policy, accounting standards and shareholder rights. The Investment Manager also considers items such as employees’ turnover, training, diversity, pay gap and controversies, as well as tax related issues such as gap between statutory and effective rates and controversies.

**Is there a commitment to reduce by a minimum rate the scope of investments considered prior to the application of the strategy? (including an indication of the rate)**

Not applicable

**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

The following PAIs are considered by the Fund:

- **greenhouse gas intensity;**
- **board gender diversity;**
- **UNGC or OECD Guidelines violations;**
- **controversial weapons.**

• **Greenhouse gas intensity**

Companies scoring in the bottom quintile vs peers, and with a level greater than half that of the MSCI All Country World Index, on the PAI of greenhouse gas intensity Scope 1 and 2 are addressed through engagement, with a requirement to establish an emissions reduction target or move out of the bottom quintile over a 3-year timeframe. In case there is no improvement after 3 years, the Investment Manager takes all reasonable means to divest.

The Fund targets decreasing greenhouse gas intensity and emissions reduction targets, engaging with companies to encourage them to align their business models with science based long term goals of net-zero emissions , set emission reduction targets and disclose their climate change strategies.

• **Board gender diversity**

Companies with no females on the board are addressed through engagement, with a requirement to add a female board member over a 3-year timeframe. In case there is no improvement after 3 years, the Investment Manager takes all reasonable means to divest.

- **Violations of UNGC Principles or OECD Guidelines for Multinational Enterprises**

The Fund excludes from its portfolio investments in companies which have been involved in violations of UNGC Principles or OECD Guidelines for Multinational Enterprises.

- **Exposure to controversial weapons**

The Fund excludes from its portfolio investments in companies involved in the manufacture or selling of cluster munitions, antipersonnel land mines, biological and chemical weapons. More information on how the Fund considers its PAIs may be found in the periodic reporting of the Fund.

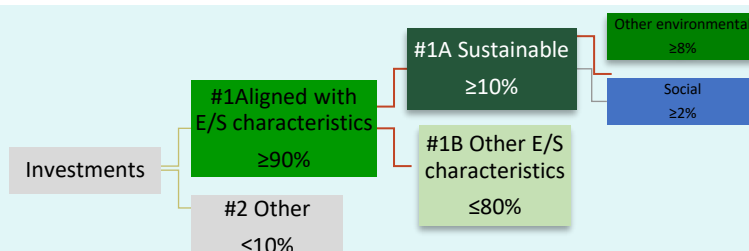
No



## E. Proportion of investments

### What is the planned asset allocation for this financial product?

The Investment Manager employs a binding proprietary ESG methodology which is applied to at least 90% of the portfolio to determine a company's profile on relevant environmental, social, and governance issues, which constitutes the portion in the Fund's portfolio which is aligned with environmental and social characteristics as illustrated in the chart below. A maximum of 10% of the portfolio may be set aside, indicated in the following graph with "#2 Other". It includes liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) held for liquidity purposes that, by their nature, cannot be aligned with the environmental and social characteristics of the Fund, as well as derivatives used for hedging, efficient portfolio management and investment purposes. Furthermore, out of the 90% of the portfolio aligned with environmental and social characteristics, the Fund will invest a minimum of 10% of the portfolio in sustainable investments, with a minimum allocation of 8% towards environmental objectives and 2% towards social objectives.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

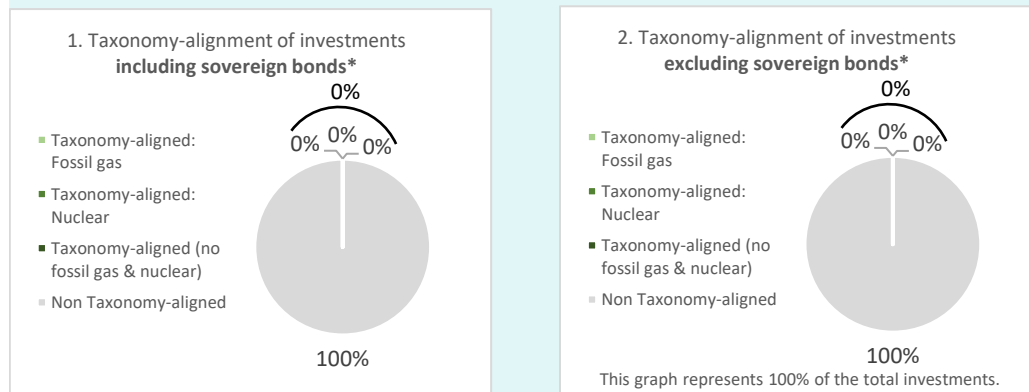
How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Not applicable

What is the minimum share of investments with an environmental objective aligned with the EU Taxonomy? (including what the minimum share of transitional and enabling activities is)

Not applicable

**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.**



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund commits to a minimum 8% of sustainable investments with an environmental objective aligned with SFDR in its portfolio.

**What is the minimum share of sustainable investments with a social objective?**

The Fund commits to a minimum 2% of sustainable investments with a social objective aligned with SFDR in its portfolio.

**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The "#2 Other" investments include investments in liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) held for liquidity purposes, as well as derivatives used for hedging, efficient portfolio management and investment purposes.

The Investment Manager applies minimum environmental safeguards by verifying that the counterparties used for derivative transactions and placement of deposits meet the EU Taxonomy Safeguards, as assessed by MSCI. Counterparties not meeting such criteria will not be used by the Fund.



**F. Monitoring of environmental or social characteristics**

**What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by this financial product?**

The sustainability indicators used to measure the attainment of the environmental and/or social characteristics promoted by the Fund are:

- exposure to companies with alignment to the United Nations Sustainable Development Goals (the "UN SDGs");
- number of investee companies with which the Investment Manager engages;
- share of investee companies rated 1 (exceptional), 2 (above average), 3 (average), 4 (poor) by the Investment Manager's proprietary ESG methodology;
- share of investee companies with GHG Intensity score in the bottom 20% of their industry sector;
- weighted average base ESG score of the portfolio and average ESG score of the Fund's Investment Universe, as measured by MSCI ESG Rating Methodology; and
- share of investee companies with no females on the board of directors.

**How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?**

The sustainability indicators (including PAI indicators) are monitored throughout the lifecycle of the product.

- **Initial investment phase**

ESG analysis of investments is performed during the initial acquisition phase.

Prior to investment, the Investment Manager screens all potential investments to confirm they meet the Fund's criteria and to confirm the portfolio remains in compliance with its policies. This includes confirming contribution to the promoted environmental and social characteristics through relevant indicators, good governance assessment at Fund level, as well as PAIs consideration to ensure that the portion of the Fund allocated towards sustainable investments does not cause significant harm to any environmental or social sustainable investment objective as described under the section "B. No sustainable investment objective". In addition, the Investment Manager ensures that the Fund does not invest in companies falling under the exclusion list.

More information on the exclusion list and on the ESG rating methodology can be found under the section "D. Investment Strategy".

- **Holding period**

Once investments have been made, ongoing monitoring and reporting are performed.

The Investment Manager conducts reviews to ensure ongoing compliance with the policies and analyses the investments exposure at a portfolio level for possible adverse impact. The Investment Manager is responsible for the correct execution of the ESG due diligence activities.

- **Divestment**

The Fund divests in case of a lack of improvement after three years on the adverse impact measures for greenhouse gas intensity and board gender diversity as described under the section "D. Investment strategy". The Investment Manager takes all reasonable means to divest within 3 months of the end of the three-year period.

- **Control mechanisms**

The Investment Manager is responsible for supervising and improving the implementation of the ESG policies and responsible for the investment process across all investments.

All binding elements of the Fund's ESG commitments are regularly reviewed and monitored as part of our Investment Compliance process.

In addition, sustainability risk is integrated in the Fund's risk management processes since 1<sup>st</sup> August 2022, in line with the Commission Delegated Regulation (EU) 2021/1255 and Delegated Directive (EU) 2021/1270.



## G. Methodologies

### What is the methodology to measure the attainment of the environmental or social characteristics promoted by the financial product using the sustainability indicators?

The Fund measures the attainment of promoted environmental and social characteristics by using on an ongoing basis and reporting on an annual basis the performance of sustainability indicators mentioned under the section “F. Monitoring of environmental and social characteristics”.

The Fund relies on the following criteria:

#### 1. Positive outcomes (sustainable investments)

The Fund promotes positive outcomes by holding sustainable investments with social and environmental objectives. The Investment Manager identifies potential sustainable investments by mapping companies to a specific subset of targets of the UN SDGs, focusing on the products and services that companies provide and the contributions that they make. The positive outcomes are considered as attained if the percentage of sustainable investments equals at least 10%.

The Investment Manager applies a "pass-fail" approach in determining whether an investment is sustainable, considering the entire position sustainable if a certain predefined percentage of its gross revenue or capital expenditure is attributable to sustainable activities. When these figures are not applicable, i.e., in the case of banking institutions, the Investment Manager will instead employ the relevant figures, i.e., loan book and loan growth. The Investment Manager determines the sustainability profile and the eligible activities of investee companies by assessing the company's exposure to sustainable products and services contributing to the United Nations Sustainable Development Goals. There may be very limited exceptions where investments are made in assets that do not meet the applicable threshold, such as mergers or divestments that make the company ineligible, incorrect data causing assets to have been mistakenly considered eligible for the sub-fund, or events causing the company to no longer meet the criteria for eligibility. In such cases, the investment manager may delay selling if it is in the best interests of fund investors.

#### 2. External ESG ratings

The Fund will maintain a higher overall MSCI ESG rating than the average ESG rating of the companies in the universe.

#### 3. PAIs for the Do Not Significantly Harm (DNSH) test

The Fund ensures that its sustainable investments do not cause significant harm to any environmental or social sustainable investment objective. Assessment and monitoring through PAIs are described under section “B. No sustainable investment objective”.



## H. Data sources and processing

**What are the data sources used to attain each of the environmental or social characteristics including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?**

- **Data sources**

The Investment Managers use multiple sources of ESG information, including but not limited to:

- MSCI
- Sustainalytics
- Bloomberg
- CDP
- SASB
- Proxy research providers (ISS and Glass Lewis)
- Templeton equity database

- **Measures to ensure data quality**

The selected third-party data vendors conduct the quality checks. The Fund relies on the vendor's robustness of data quality rules and the vendor's service delivery standards.

In addition, a centralized technology department in Franklin Templeton, responsible for central data storage, checks for timeliness to ensure that the vendor delivers as expected and the most recently delivered data is available. The investment management team conducts additional quality due diligence in case any anomalies are identified during data processing.

- **Data processing**

The raw ESG data from the external providers is fed to Franklin Templeton through a variety of methods depending on the vendor and dataset and centralized within Snowflake, a cloud data platform (from an external provider) that allows the investment team to store data from different third-party data vendors. The process is automated and fine-tuned for each data vendor. Frequency of delivery and delivery method varies by vendor and dataset. From the central database, the data is sourced to the proprietary tools, where it gets processed in line with the designed ESG methodology.

Additionally, Data is incorporated into the proprietary ESG Scorecard, which is stored in our research database and available for use by the investment team. Analysts' ESG ratings are also stored in the research database, which feeds into research reports and portfolio reporting. The Investment Manager conducts quality control, including identifying outliers and comparisons of common metrics between different sources. The Investment Manager also accesses vendor data and analytical tools directly through their web-based applications.

- **Estimated data**

In situations when reported data is unavailable or its quality is not good (e.g., scope 3 emissions), the investment management team retains the right to use estimated data.

Due to current disclosure policies by the external third-party data providers, the Investment Managers are unable to provide detailed information on the percentage of data estimation. This information may be available in the future.



## I. Limitations to methodologies and data

**What are the limitations to the methodologies and data sources? (including how such limitations do not affect the attainment of the environmental or social characteristics and the actions taken to address such limitations)**

- **Limitation to the methodology**

Inherent limitations to the methodology exist. The methodology is built on external data points that are developed within the limitation to the data sources.

- **Limitation to the data sources**

Inherent limitations to the data sources exist. Given that the Fund is allowed to invest in issuers outside the European Union with weaker non-financial disclosure regulatory environment, the ESG data coverage for those bespoke investable universes is limited.

In order to address such limitations, the Fund may use alternative data, estimates or engage with the issuers and relevant stakeholders (e.g., local regulators, industry associations) to expand the data coverage. The Fund may also rely on qualitative assessments.



## J. Due diligence

**What is the due diligence carried out on the underlying assets and what are the internal and external controls in place?**

The Fund carries out due diligence on the underlying assets in the investment process on a regular basis as described under the section "F. Monitoring of environmental or social characteristics".



## K. Engagement policies

**Is engagement part of the environmental or social investment strategy?**

Yes No

**If so, what are the engagement policies? (including any management procedures applicable to sustainability-related controversies in investee companies)**

• **Implementation**

Engagement consists of:

- engaging in discussion with investee companies in the Fund’s portfolio to develop insights into financial, human, and natural capital issues that could influence investment decisions;
- encouraging investee companies to be transparent and to publicly disclose their ESG data and policies;
- promoting positive change that could lead to improved outcomes for shareholders and society, including by exercising our voting rights against management resolutions or in support of shareholder resolution;
- engaging in discussion with companies rated 4 according to the Fund’s proprietary ESG rating system (the proprietary ESG ratings consist of scores from 1 (exceptional sustainability profile) to 5 (unacceptable sustainability risk));
- deciding to vote against members of the board and/or to divest if a lack of significant improvements persists; and
  - getting involved in collective engagement initiatives on a case-by-case basis

Information concerning companies that arise during these discussions as well as potential requests for improvement are collected within the Investment Manager’s research database.

Progress is monitored in the engagement tracker and research reports housed in the research database and assessed on at least an annual basis.

• **Corrective measures following a controversy**

Should a company experience an ESG-related controversy, this would prompt a review by the Investment Manager to ensure the investee company still meets all the necessary ESG inclusion criteria.

• **Scope and themes covered**

The Fund’s engagement opportunities cover all companies in the portfolio. Topics covered include strategic risk and communication, governance, carbon risk and climate change, environmental consideration, and human and social capital.



L. Designated reference benchmark



Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?

Yes

No