



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

Franklin Templeton Investment Funds - Templeton Emerging Markets Bond Fund (the “Fund”)

Version	Date of publication	Date of update (if any)	Explanation (if any)
1.0	27 December 2022	25 August 2023	
2.0	8 January 2024		

Product name: Franklin Templeton
 Investment Funds - Templeton Emerging
 Bond Fund

Legal entity identifier:
 HEP77YQWMX55OZ6FJE32 Markets

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 sustainable investments with an environmental objective: ___% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy 	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments



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”) considerations for sovereign issuers, the Investment Manager typically favors issuers with either higher ESG scores or those projected to have neutral to improving ESG scores over the medium term (the next two to three years), as captured by its proprietary ESG methodology. For corporate and supranational issuers, the Investment Manager utilizes ESG ratings provided by MSCI. In addition, the Fund refrains from investing in issuers deemed to be among the poorest performers under certain sustainability metrics.

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’s proprietary ESG methodology and its research 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 and applies specific ESG exclusions.



B. No sustainable investment objective

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



C. Environmental or social characteristics of the financial product

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

The Fund promotes broad environmental and/or social characteristics, which vary by composition of the portfolio and *inter alia* include:

- for **sovereign issuers**: actions around resource insecurity, extreme weather risk, unsustainable environmental practices, social cohesion & stability, infrastructure, health security, labor, human capital, and demographics, and
- for **corporate issuers**: actions around climate change, natural capital, pollution & waste, environmental opportunities, human capital, product liability, stakeholder opposition, and social opportunities.

In relation to **sovereign issuers** in its portfolio, the Investment Manager seeks to attain these characteristics by using a proprietary ESG rating methodology, the Templeton Global Macro ESG Index (the “TGM-ESGI”) to:

- screen out government bonds of the poorest performing countries in each of the ESG categories until the exclusions reach 10% of the Fund’s investment universe dedicated to sovereign bonds; and
- commit to a weighted average base ESG score of the sovereign bonds (including supranational bonds and also the notional value of net long positions in related

derivatives) in the Fund's portfolio to be higher than the average base ESG score of the investment universe dedicated to sovereign bonds.

In relation to **corporate issuers** in its portfolio, the Investment Manager seeks to attain these characteristics by using MSCI ESG Ratings to:

- screen out corporate debts of issuers that are in the bottom 10% based on MSCI ESG Ratings and exclude them from the Fund's investment universe dedicated to corporate bonds; and
- commit to a weighted average base ESG score of the corporate issuers in the Fund's portfolio to be higher than the base ESG score of the investment universe dedicated to corporate bonds.

The portion of the investment universe dedicated to sovereign bonds of the Fund's portfolio has been constructed based on a universe of sovereign issuers with historic data of bond issuance in the given geographical region, and excluding issuers from countries:

- with no current debt outstanding;
- recorded as sanctioned by the United States Office of Foreign Assets Control (the "US OFAC"), the European Union (the "EU") or the United Nations (the "UN");
- which do not have any debt in issuance denominated in euro or US dollar and does not have a local custodian entity meeting the legal and regulatory requirements applicable to the Fund and its custody partners; and
- any country where foreign ownership of sovereign bonds is not permitted or not reasonably practicable due to legal or regulatory restrictions.

The portion of investment universes dedicated to supranational and corporate bonds of the Fund's portfolio is constructed by issuers that have MSCI ESG ratings.

No reference benchmark has been designated to attain the environmental and/or social characteristics promoted.



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?

For sovereign issuers, the Fund employs a proprietary ESG rating methodology, the TGM-ESGI to assess each country that issues sovereign bonds that are current or potential investments for the Fund. The Investment Manager's methodology captures not only a country's current ESG score based on a variety of subcategories but more importantly, any expected improvement or deterioration in the country's ESG practices. The Investment Manager believes that this two-pronged test potentially best represents the investment worthiness of a country and also assists in potentially providing capital to countries that are expected to improve from an ESG perspective.

The TGM-ESGI contains environmental and social indices that measure resource insecurity, extreme weather risk, unsustainable practices, social cohesion and stability, human capital, labor and demographics among other factors, along with governance factors such as institutional strength and corruption and transparency.

As an initial step in its methodology, the Investment Manager scores each country that issues sovereign debt that may be potential investments for the Fund on a scale of 0–100 (100 being the highest) in various ESG subcategories that the Investment Manager has determined to have a significant impact on macroeconomic conditions.

Within the ESG subcategories, the methodology leverages baseline rankings from a set of recognized global data providers. After this, the subcategory scores are tallied into a total ESG score by grouping them into their respective ESG categories, and equal weighting those three overarching categories (i.e., a 33% weighting for environmental, 33% for social and 33% for governance).

The Investment Manager then uses internal proprietary research as a forward-looking overlay on those baseline current scores, to assess whether the Investment Manager expects countries to improve or deteriorate in each of the subcategories over the next two to three years. These conclusions form projected TGM-ESGI scores

Projected scores in anticipation of how conditions change in the medium term are emphasized as part of the research process.

At time of purchase, issuers with current TGM-ESGI scores below the median of the investment universe must have projected neutral to improving ESG ratings. The Investment Manager is not allowed to make a new investment or actively add to an existing investment where the issuer has a TGM-ESGI score below the median and exhibits negative momentum.

Of the remaining investment universe, government bonds of the poorest performing countries in each of the ESG categories based on current scores are excluded from investment until the exclusions reach 10% of the respective investment universe.

The ESG methodology is applied to 100% of the sovereign debt holdings in the Fund's portfolio and is binding for the portfolio construction.

For supranational issuers, the Fund utilizes ESG ratings provided by MSCI and restates those ratings to correspond to a scale of 0–100 (100 being the highest).

The ESG methodology is applied to 100% of the supranational debt holdings in the Fund's portfolio and is binding for the portfolio construction.

For corporate issuers, the Fund utilizes ESG ratings provided by MSCI and restates those ratings to correspond to a scale of 0–100 (100 being the highest). The weighted average score of all corporate positions/issuers in the Fund's portfolio must be above the average score of the MSCI ESG Rated corporate universe.

The ESG methodology is applied to 100% of the corporate debt holdings in the Fund's portfolio and is binding for the portfolio construction.

Corporate debt of issuers that are in the bottom 10% based on MSCI ESG ratings are excluded from the Fund's investment universe.

The weighted average base ESG score of the sovereigns (including supranational bonds) in the Fund's portfolio is higher than the average base ESG score of the sovereign investment universe and the weighted average base ESG score of the corporate issuers in the Fund's portfolio is higher than the base ESG score of the corporate investment universe.

For the purpose of this calculation, the ESG scores for supranational issuers apply towards the Fund's weighted average sovereign ESG score.

The TGM-ESGI subcategories and global reference indices used for scoring are reviewed at least bi-annually and may change over time. However, the overall weightings remain one-third for each ESG category.

The Investment Manager monitors sovereign, supranational or corporate issuers of a bond, currency, or derivative thereof that present meaningful deteriorating current or projected scores, with a view to evaluate the potential divestment that demonstrate no improvement over time. The evaluation is done on a case-by-case basis.

If the sovereign or corporate issuer of a bond, currency, or derivative thereof, which is held in the portfolio, falls into the 10% list of excluded issuers, the Investment Manager takes all reasonable means to divest from the security within 6 months. Where divestment of such a position is not feasible within this timeframe due to legal or regulatory restrictions or exceptional market circumstances, the Investment Manager shall aim to reduce the position as soon as reasonably practicable or legally permissible, as the case may be.

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 countries and issuers that are subject to international economic sanctions, including sanctions imposed by the UN, the EU or the US OFAC are excluded from the Fund's investment universe;
- the exclusion of government bonds of the poorest performing countries in each of the ESG categories based on current proprietary country scores until the exclusions reach 10% of the Fund's investment universe dedicated to sovereign bonds;
- the exclusion of corporate debt of issuers that are in the bottom 10% based on MSCI ESG ratings;
- the commitment to have a weighted average base ESG score of the sovereign bonds (including supranational bonds and also the notional value of net long positions in related derivatives) in the Fund's portfolio higher than the average base ESG score of the investment universe dedicated to sovereign bonds; and
- the commitment to have a weighted average base ESG score of the corporate bonds in the Fund's portfolio higher than the average base ESG score of the investment universe dedicated to corporate bonds.

For the purpose of restricting the investment universe, exclusions based on countries subject to international sanctions are applied first. The exclusion of countries with the weakest ESG scores is applied to the remaining investment universe.

Exclusions of the weakest scoring countries occurs sequentially, beginning with the removal of the poorest scoring country according to TGM-ESGI's environmental score, then the country within the remaining universe with the weakest social score, and finally the country with the weakest governance score is removed. This process is repeated until 10% of the universe has been excluded.

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

Although the Fund primarily invests in government bonds, sovereign governance is assessed and monitored as part of the investment management process.

Issuers that are subject to international economic sanctions, including sanctions imposed by the UN, the EU or the US OFAC are excluded from the Fund's investment universe.

Remaining issuers are assessed according to their effectiveness of governance, policy mix and reform-mindedness, corruption and transparency, institutional strength, and business climate. These assessments are aggregated to provide an overall governance score for each issuer in the investment universe.

Thereafter, the investment process excludes the government bonds of the poorest performing countries in each of the ESG categories, based on proprietary scores. This ensures that countries with unacceptably weak governance processes are not considered for investment.

Sovereign governance is regularly assessed and monitored as part of the process. From time to time, the Investment Manager has discussions with governments, central banks, and other institutions at various levels. Certain of these discussions may include governance and economic best practices, and the Investment Manager may share its views while also trying to better understand government stances on economic policies and governance, as well as sustainability and social topics to facilitate the investment decision making.

Corporate governance is regularly assessed and monitored as part of the process. The Investment Manager screens the companies to identify securities which fail to comply with the UNGC Principles and OECD Guidelines for Multinational Enterprises and are flagged as controversies by MSCI. Those companies are then excluded from the Fund's portfolio.

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)

Government bonds of the poorest performing countries in each of the ESG categories based on current scores are excluded from investment until the exclusions reach 10% of the Fund's investment universe dedicated to sovereign bonds.

Corporate issuers that are in the bottom 10% based on MSCI ESG ratings are excluded from the Fund's investment universe dedicated to corporate bonds.

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

Yes

The following principal adverse impacts (the “PAIs”) are considered for **sovereign and supranational issuers**:

- **greenhouse gas emissions**; and
- **social violations**.

Greenhouse gas emissions of investee countries are monitored through greenhouse gas intensity Scope 1 data points.

Social violations by the investee countries are monitored as part of the TGM-ESGI, where the Investment Manager reviews institutional strength, social cohesion and stability and income equality among others. This is in addition to explicitly excluding countries subject to international sanctions, including those imposed by the UN, EU, or US OFAC.

The following PAIs are considered **for corporate issuers**:

- **violations of the United Nations Global Compact principles (the “UNGC Principles”) or Organisation for Economic Co-operation and Development (the “OECD”) Guidelines for Multinational Enterprises**;
- **exposure to controversial weapons**; and
- **revenues from fossil fuels**.

For corporate bonds, the Investment Manager aggregates and documents the relevant PAIs indicators and assesses corporate performance against industry peers as well as the trend and probability of adverse impacts.

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 and biological, chemical, and nuclear weapons.

Revenues from fossil fuels

The Fund excludes from its portfolio investments in companies that derive more than 30% of their revenues from fossil fuels.

More information on how the Investment Manager considers its PAIs may be found in the periodic reporting of the Fund.

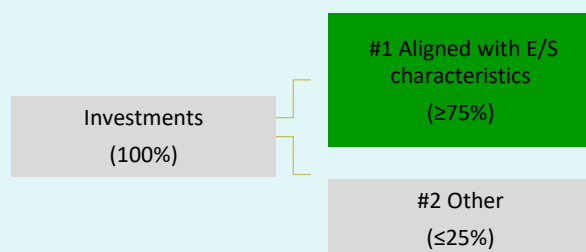
No



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 75% of the portfolio of the Fund. Derivatives may also be used for investment, hedging, or efficient portfolio management. The ESG methodology applies to the notional value of the derivatives used to gain long exposures to interest rates (duration), currency positions, or credit exposures. At least 75% of the Fund's portfolio is aligned with environmental and/or social characteristics promoted by the Fund, and a maximum of 25% of the Fund's portfolio may be set aside, as indicated in the following graph with "#2 Others". 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/or social characteristics promoted by the Fund.



#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.

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

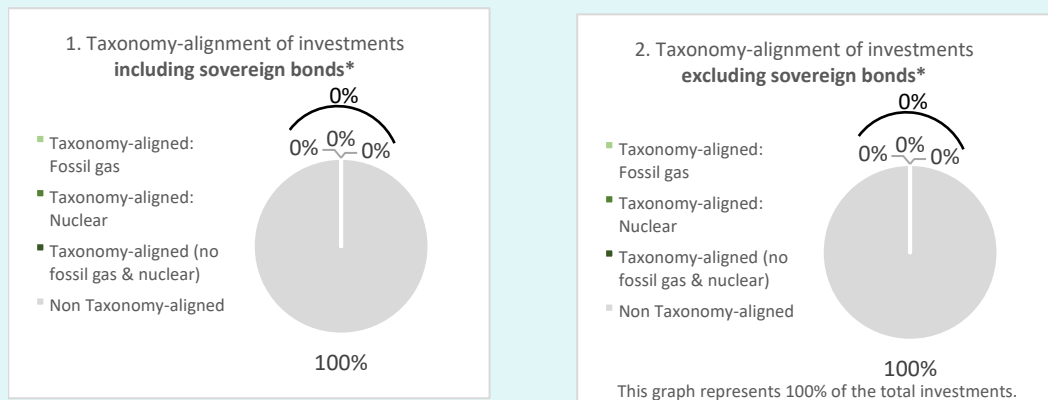
The ESG methodology is applied to the notional value of derivatives used to gain long exposure to interest rates (duration), currency positions, or credit spreads.

Notional value for long positions is counted towards the scoring.

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?

Not applicable.

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 the purposes of servicing the day-to-day requirements of the Fund and/or to serve as collateral for derivatives, and undertakings for collective investment in transferable securities and undertakings for collective investment for liquidity management purposes.

No minimum environmental and/or social safeguards have been put in place.



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 are:

- the share of sovereign issuers and companies having exposure to, or ties with the sectors and the additional exclusions further described below; and
- the ESG score difference between the Fund's portfolio and the investment universe.

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 environmental or social characteristics and the sustainability indicators (including principal adverse impact indicators) are monitored throughout the lifecycle of the product.

- **Initial investment phase**

ESG screenings of investments are 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. In addition, the Investment Manager ensures that the Fund does not invest in the Fund 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. Exclusions/restrictions based on scoring are coded into our pre trade engine for compliance monitoring on a weekly basis. The Investment Manager is responsible for the correct execution of the ESG due diligence activities.

- **Divestment**

The Fund evaluates divestment in cases of meaningful deteriorating current or projected ESG scores and/or deteriorating adverse impact category (severe/very severe category) and/or issuers falling into the 10% list of excluded issuers.

In these last two cases, the Investment Manager takes all reasonable means to divest the security within 6 months. Where divestment of such a position is not feasible within this timeframe due to legal or regulatory restrictions or exceptional market circumstances, the Investment Manager shall aim to reduce the position as soon as reasonably practicable or legally permissible, as the case may be.

- **Control mechanisms**

The Investment Manager is responsible for supervising and improving the implementation of the ESG policies and responsible 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 1ST 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 the environmental or social characteristics by using on an ongoing basis and reporting on an annual basis the sustainability indicators mentioned under the section “F. Monitoring of environmental or social characteristics”.

The Fund relies on the following criteria:

1. ESG rating

The environmental and social characteristics promoted are considered as attained if the weighted average base ESG score of the sovereign bonds (including supranational bonds and also the notional value of net long positions in related derivatives) in the Fund's portfolio is higher than the average base ESG score of the investment universe dedicated to sovereign bonds and if the weighted average base ESG score of the corporate issuers in the Fund's portfolio is higher than the base ESG score of the investment universe dedicated to corporate bonds.

The ESG rating methodology is described under the section “D. Investment Strategy”.

2. Negative screens

The environmental and social characteristics promoted are considered as attained if the share of sovereign issuers and companies having exposure to, or ties with the sectors and the additional exclusions described under the section “D. Investment Strategy” equals 0%.



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**

For sovereign bonds, the Fund's TGM-ESGI leverages baseline rankings from a set of recognized global indexes providers and from a set of reputable sources including (not an exhaustive list):

- The World Bank
- The World Economic Forum
- The United Nations
- The Heritage Foundation
- Global Health Security Index (GHS Index)

For supranationals and corporates, the Fund leverages ESG Ratings from MSCI.

- **Measures to ensure data quality**

Data sources are comprehensive and transparent. The Fund makes enhancements and refinements to the methodology as warranted. In the event there is an unforeseen limitation with data, the Fund seeks to either refine the methodology or to recreate components to avoid a major methodological break.

- **Data processing**

Data is processed using a "three lines of defense" model.

First Line: data is put together by one ESG analyst based on index data from reputable institutions, which is then verified by another ESG analyst. All scores are scrutinized and questioned, and all methodology changes are discussed.

Second Line: when finalized, the data is stored with a timestamp in a secure investment manager database where country analysts have read only access and regular backups are made. For quality control, two ESG analysts separately verify the data, changes are discussed across indices at a high level, and country analysts scrutinize the data on a per country level.

Third Line: in addition to secure read only data storage, periodic oversight / high-level review of the ESG research is maintained for audit purposes. This includes the rationale to support the projected ESG score and the criteria/approach for determining whether a country is scored actively or passively. For actively scored countries, the analytical view of the research team on projected ESG scores is required. For passively scored countries, no additional active input from the research team is necessary. The passively scored countries are used for comparison and contextualization within the overall universe of TGM-ESGI scores.

- **Estimated data**

The Investment Manager does not estimate data, but in some instances, third party data may be based on estimates. The proportion of data estimated by third party data providers cannot be assessed.



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**

The Investment Manager ascribes TGM-ESGI projected scores for each country in the investment universe. These are determined by individual analysts with extensive experience looking at each country using a combination of quantitative and qualitative information. As such, TGM-ESGI projected scores are best-efforts estimates of the ESG momentum of a country and there is no guarantee the projected ESG scores will come to fruition.

- **Limitation to the data sources**

The Investment Manager continually monitors and reviews the process, with a view to refine as required. There is potential for a reference index to become discontinued, in which case the Investment Manger seeks to replicate or replace the reference index.



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)

From time to time, the Investment Manager has discussions with governments, central banks, and other institutions at various levels. Certain of these discussions may include governance and economic best practices, and the Investment Manager may share its views while also trying to better understand government stances on economic policies and governance, as well as sustainability and social topics to facilitate the investment decision making.



L. Designated reference benchmark

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

Yes

No