



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

**Franklin Templeton Investment Funds - Templeton  
Asian Growth Fund (the “Fund”)**

Version	Date of publication	Date of update (if any)	Explanation (if any)
1.0	25 August 2023		

<b>Product name: Franklin Templeton</b> <b>Investment Funds – Templeton Asian</b> <b>Fund</b>		<b>Legal entity identifier:</b> <b>GXX3ETDCTEFNMPTFFW41 Growth</b>	
<b>Does this financial product have a sustainable investment objective?</b>			
<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> <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 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 20% of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> with a social objective	
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>		<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”) process, the Investment Manager promotes environmental and social characteristics by investing in companies located or having their principal business activities in developing or emerging markets with an appropriate or better ESG profile, as captured by its proprietary ESG methodology. In addition, the Investment Manager applies specific ESG exclusions and commits to have an ESG score at Fund level higher than the average ESG score of the Fund’s benchmark.

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

Finally, the Fund has a minimum allocation of 20% of its portfolio to sustainable investments, with a minimum of 5% allocated towards investments with an environmentally sustainable objective and a minimum of 5% 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.



## 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 20% 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 objective of the sustainable investments is to contribute to positive social and/or environmental outcome areas across one or more of the six following positive outcome areas (3 social and 3 environmental) linked to the United Nations Sustainable Development Goals (the “UN SDGs”):

**Social Outcome Areas:**

- Basic Needs (goods and services known to contribute significantly to development);
- Wellbeing (enhanced health, education, justice, and equality of opportunity for all);
- Decent Work (creation of secure, socially inclusive jobs and working conditions for all);

**Environmental Outcome Areas:**

- Healthy Ecosystems (maintenance of ecologically sound landscapes and seas for people and nature);
- Climate Stability (solutions to curb the Earth’s temperature rise); and
- Resource Security (preservation of natural resources through efficient and circular use).

**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?**

For sustainable investments, the Do No Significant Harm (the “DNSH”) assessment is integrated into the strategy through ESG minimum standards. Here, the Investment Manager examines negative externalities by screening for severe environmental and social controversies through third party ESG data provided by MSCI. All sustainable investments must pass the ESG minimum standards set for DNSH i.e., they do not exhibit severe environmental or social controversies that have not been resolved or without a positive forward-looking view. Additionally, the absence of severe negative environmental or social externalities is captured and forms part of the Investment Manager’s assessment of the issuer.

Lastly, the Investment Manager (i) applies exclusions as further described in section “D. Investment Strategy” and (ii) integrates principal adverse impacts (the “PAIs”) into the research process.

**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's sustainable investments portion will not be invested 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 United Nations (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/or social characteristics promoted by the Fund vary by the composition of the portfolio as they are specific to each company or industry the Fund invests in. These characteristics could include the reduction of greenhouse gas emissions, resource efficiency, waste prevention and recycling, pollution prevention and control, good labor standards, fair wages, diversity and gender balance, health & safety practices, or alignment with the international business conduct principles.

The Investment Manager seeks to attain these characteristics by:

- favoring issuers with a proprietary score of 1 (appropriate) or better for their environmental, social and governance (the “ESG”) profile, as captured by the investment manager’s proprietary ESG methodology,
- committing to have an ESG score at Fund level higher than the MSCI ESG score of the Fund’s benchmark (MSCI All Country Asia ex-Japan 10/40 Index), referenced in Appendix F to the prospectus (“the Benchmark”),
- implementing negative screens as part of its investment process, as further detailed in section “D. Investment Strategy”.

Moreover, the Fund has a minimum allocation of 20% of its portfolio to sustainable investments. Of those sustainable investments, the Fund has a minimum allocation of 5% of its portfolio to sustainable investments with an environmental objective and a minimum allocation of 5% of its portfolio to sustainable investments with a social objective.

The Fund does not use a reference benchmark to which it aligns the environmental and/or social characteristics that the Fund promotes.



#### 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 Investment Manager employs a binding proprietary methodology covering all equity securities to determine a company's profile on relevant environmental, social and governance issues. The Investment Manager evaluates the companies which have been selected as potential investments for the Fund and assigns ESG scores based on quantitative and qualitative environmental, social and governance considerations.

The scores assigned to the issuers by the Investment Manager are based on its proprietary ESG methodology and comprises four grades: 3 (Strong), 2 (Good), 1 (Appropriate) and 0 (Poor). The Investment Manager's approach includes regular dialogue with companies, monitoring material ESG issues and voting proxies. The Fund will only invest in companies that score a minimum of 1 (Appropriate) or above as per this internal ESG assessment, implying appropriate or better management of material environmental and social issues, and management of material governance issues. Companies scored 0 (Poor) or those not scored are excluded from the Fund's portfolio.

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 UNGC Principles, without positive perspective;
- Manufacture nuclear weapons or controversial weapons defined as antipersonnel mines, biological & chemical weaponry, depleted uranium, and cluster munitions or those that manufacture components intended for use in such weapons. Companies that derive more than 10% revenue from the production and/or distribution of any other weapons will also be excluded;
- Manufacture tobacco or tobacco products, or
- Generate more than 25% 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 base ESG score of the Fund's Benchmark.

##### **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 commitment to exclude companies rated 0 (poor) under proprietary ESG methodology;

- the commitment to maintain a weighted average ESG rating of the Fund higher than the average ESG rating of the Benchmark, as measured using the MSCI ESG Ratings Methodology;
- the application of the ESG exclusions further described in the section above.

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

Governance attributes are analyzed as part of the fundamental analysis. Data, where available, is factored by the analysts as part of their overall judgement. Analysts complete a universal governance template for all companies, which include assessments around board composition, leadership, executive pay, ownership & control, accounting, and controversies.

The Investment Manager seeks to invest in companies that are good or improving stewards aligned with shareholders' interests. The Investment Manager's governance assessment includes regular dialogue with companies, monitoring of material ESG issues and voting proxies. A governance assessment is undertaken by the Investment Manager's analysts to ensure the investee companies have structures that account for the interests of minorities. This is followed up with a binding criterion where a company cannot score a 'poor' rating in the Investment Manager's governance rating assessment to ensure good governance.

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

Yes

The Fund specifically considers the following PAIs:

- **greenhouse gas emissions and greenhouse gas intensity of investee companies;**



- **UNGC Principles and OECD Guidelines violations; and**
- **controversial weapons.**

As part of the research process, the Investment Manager adopts a materiality-based approach to assessing PAIs through their assessment of ESG issues. Such assessment considers third party data vendors, company reports, and own engagement with management teams. The Investment Manager takes a sector-relative approach to the relevance of the PAI indicators which can vary by company and industry. In addition, there are explicit consideration of the PAIs at a portfolio level as follows:

#### **Greenhouse gas emissions and greenhouse gas intensity of investee companies**

For companies that have a greenhouse gas intensity that exceeds a threshold deemed acceptable by the Investment Manager and defined below, the Investment Manager engages with and monitors to encourage the company to adequately set emission reduction targets and manage their greenhouse gas emissions and/or intensity accordingly.

This threshold is set at the average greenhouse gas intensity of the Fund's benchmark. The data is reviewed on a quarterly basis and includes company's scope 1+2 emissions.

#### **Violations of UNGC Principles or Organisation for Economic Co-operation and Development (the "OECD") Guidelines for Multinational Enterprises**

The Fund does not invest in companies that, according to MSCI, do not observe UNGC Principles or OECD Guidelines for Multinational Enterprises. 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 have 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.

#### **Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons, and biological weapons)**

In accordance with the Investment Manager's controversial weapons policy, the Fund does not invest in companies that are producers of such weapons.

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

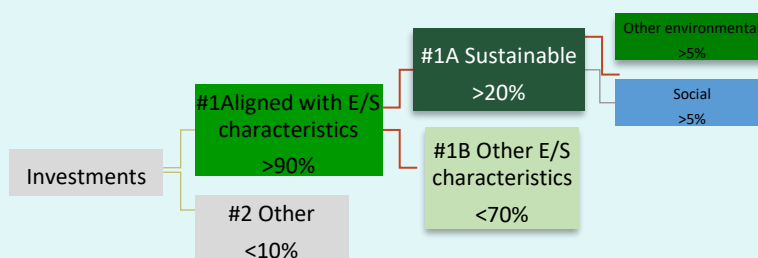
No



## 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 Fund's portfolio to determine a company's profile on relevant ESG issues. This portion of the Fund's portfolio is aligned with E/S characteristics, as illustrated in the chart below. The remaining portion (<10%) of the portfolio is not aligned with the promoted characteristics, it mainly consists of liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) held for liquidity purposes and derivatives held for hedging or efficient portfolio management purposes. Furthermore, the Fund will invest a minimum of 20% of its net assets in sustainable investments, with a minimum allocation of 5% of net assets towards environmental objectives and 5% 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.

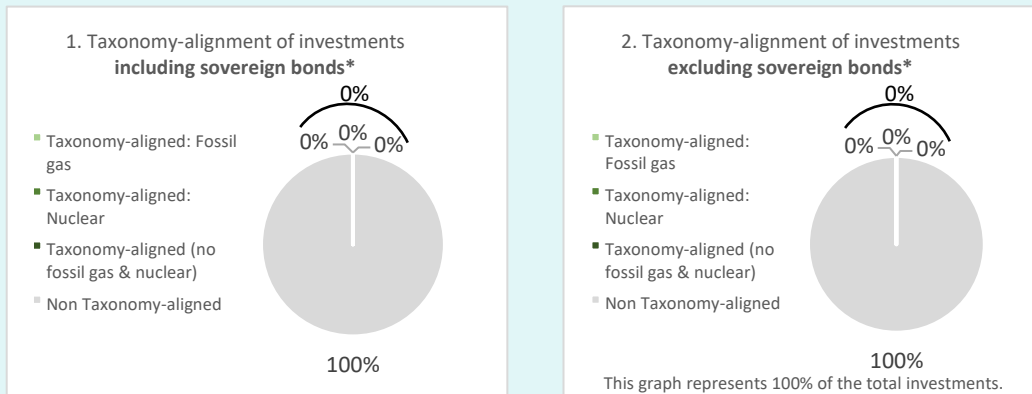
### How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

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 5% of sustainable investments with an environmental objective.

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

The Fund commits to a minimum 5% of sustainable investments with a social objective.

**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 held for hedging and/or efficient portfolio management purposes and are not aligned with the promoted characteristics.

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 investee companies rated 3 (Strong), 2 (Good), 1 (Appropriate), and 0 (Poor) by the Investment Manager’s proprietary ESG methodology;
- the weighted average base ESG score of the portfolio and average ESG score of the Benchmark, as measured by MSCI ESG Rating Methodology.

**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 attainment of the environmental and social characteristics and their sustainability indicators (including PAI indicators) are monitored throughout the lifecycle of the product.

- **Initial investment phase**

An 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 that the portfolio remains in compliance with its policies. This includes PAI analysis as well as ensuring that the Fund's sustainable investments do not cause significant harm to any environmental or social sustainable investment objective as described under section "B. No sustainable investment objective". In addition, the Investment Manager ensures that the Fund does not invest in its 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 analyzes 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 will divest as soon as practicable if the investment no longer meets the ESG criteria for inclusion upon the Investment Manager's analysis and discussions with the company as described under the section "D. Investment Strategy".

- **Control mechanisms**

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

All binding elements of the Fund's ESG commitments are regularly reviewed and monitored as part of the Fund's 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

According to the proprietary ESG methodology, the Investment Manager assigns companies a proprietary score ranging from 0 (Poor) to 3 (Strong) for E&S and G. Only companies with a score of 1 or above will be considered as investable, implying the appropriate or better management of material environmental and social issues, and material governance issues. Companies scoring 0 (Poor) will be excluded.

#### 2. ESG score

The Fund will maintain a weighted average MSCI ESG score higher than the average MSCI ESG score of the Fund’s Benchmark.

#### 3. Negative screens

The environmental and social characteristics promoted are considered as attained if the conditions of investment in issuers having exposure to the ESG exclusions further described in section “D. Investment Strategy” above are met.

#### 4. Principal Adverse Impacts (PAIs)

The Fund specifically considers PAIs. When assessing and monitoring PAIs, specific attention is paid to GHG emissions, GHG intensity of investee companies, violations of UNGC Principles or OECD Guidelines for Multinational Enterprises and exposure to controversial weapons. The assessment applied within the context of PAIs is described under the section “D. Investment Strategy”.

#### 5. Investments qualifying as sustainable investments

In addition to the environmental and social characteristics promoted, the Fund promotes positive environmental and social outcomes by investing in equities qualifying as sustainable investments. The assessment applied to these investments is described under the section “C. Environmental or social characteristics of the financial product”. These outcomes are considered as attained if the percentage of sustainable investments is equal to at least 20% of the Fund's portfolio.

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

The Investment Manager applies a “pass-fail approach” in determining whether an investment is sustainable, considering a position fully sustainable to the extent that the net revenues (or other relevant metrics such as loan book for financial companies) generated from sustainable activities at the level of the relevant issuer exceeds a predetermined threshold. The sustainable investment assessment is a component of our 3 pillar ESG analysis, where a company’s products and/or services are carved out into 6 positive outcome areas, derived from the key social and environmental outcomes of the UN SDGs developed by the Institute for Sustainability Leadership at the University of Cambridge.

To evaluate the company’s exposure to the positive outcome areas, at the time of the purchase the investment team conducts an internal analysis using company information gathered directly from the investee. Should a company’s net revenue attributable to sustainable activities fall below the applicable threshold, and in the absence of a visible trajectory to achieve the threshold, the Investment Manager might proceed with divestment.



## 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 primary data sources are the ESG analysis of company/industry reports, interactions with the investee companies as well as from ESG research and data providers.

- **Measures to ensure data quality**

The Investment Manager uses its judgement, experience, access, and discussions with companies to make holistic decisions rather than solely rely on external data to score or make assessments.

For data sourced from ESG data vendors, automated processes are in place for data quality control. A centralized technology department in Franklin Templeton is responsible for data quality control and for saving and managing the data quality.

- **Data processing**

The Fund's proprietary research database serves as an automated database for monitoring and research. Analysts and the wider investment team have access to the database.

A centralized technology department in Franklin Templeton is responsible for data collection and storage from ESG data vendors. The updates are daily (or whenever ESG vendors release new data). The Investment Management Data Science Team has a systematic (algorithm-based) process for data processing and utilizes a centralized database for all data storage. From the central database, relevant data is sourced to the proprietary tools, where it gets processed in line with the designed ESG methodology.

- **Estimated data**

The proportion of data estimated cannot be assessed. External data estimations may vary based on the types of companies and the availability of the indicators.





## 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 investment team engages with the issuers and relevant stakeholders (e.g., local regulators, industry associations) to expand the data coverage.



## 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)

Engagement is about encouraging companies to improve their ESG practices over the long run through a constructive and structured dialogue.

- **Implementation**

Engagement consists of:

- identifying the potential for targeted improvement through a component of the Fund's environmental, social and governance analysis;
- encouraging companies that have a greenhouse gas intensity that exceeds the average greenhouse gas intensity of the portfolio's benchmark to adequately set emission reduction targets and to manage their greenhouse gas emissions and/or intensity on a forward-looking basis; and
- engaging in discussions with companies to address and mitigate the adverse impact of the portfolio companies' activities.

The above process enables us to promote broad E&S characteristics and a positive E characteristic, relating to carbon emissions.

The goals and objectives of the engagement process vary and depend on the scope for improvement.

All data concerning issues that arise during these discussions as well as potential requests for improvement are collected within the Fund's proprietary database.

Progress is monitored and assessed on at least an annual basis.

- **Sustainable 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. If the investee company no longer meets all the necessary ESG inclusion criteria, the Fund will divest as soon as practicable.

- **Scope and themes covered**

Engagement opportunities cover all companies in the portfolio.

Engagement themes are identified through a component of the Fund's environmental, social and governance analysis as described under the section "D. Investment Strategy".

- **Reporting**

The Fund's annual report will include information on the engagement activity during the year.



#### L. Designated reference benchmark

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

Yes

No