



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

FTIF-Franklin Diversified Balanced Fund (the “Fund”)

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1.0	26 August 2023		
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**Product name: FTIF-Franklin Diversified
Balanced Fund**
**Legal entity identifier:
549300JXYTI61NAIZV57**
Does this financial product have a sustainable investment objective?
 Yes

 No

 It will make a minimum of **sustainable investments with an environmental objective: ___%**
 in economic activities that qualify as environmentally sustainable under the EU Taxonomy

 in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

 It will make a minimum of **sustainable investments with a social objective: ___%**
 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

 with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

 with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

 with a social objective

 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”).

The Fund promotes the reduction of greenhouse gas (“GHG”) emissions by positively tilting the portfolio towards stronger performers in terms of these metrics. In addition, the Fund excludes issuers that fall within the bottom decile of its defined investment universe based on proprietary ESG scores.

The Fund’s environmental or social characteristics are assessed both quantitatively and qualitatively, by means of sustainability indicators as well as of the Investment Managers’ 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.

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?

Not applicable.

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?

Not applicable.

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

Not applicable.

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

Not applicable.



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

The Fund promotes the reduction of greenhouse gas ("GHG") emissions by positively tilting the portfolio towards stronger performers in terms of these metrics.

In addition, the Fund excludes issuers that fall within the bottom decile of its defined investment universe based on proprietary ESG scores. The ESG scoring methodology is further described in the section "What investment strategy does this financial product follow?"

The Fund does not use a reference benchmark to which it aligns 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?

Environmental, Social and Governance (ESG) considerations are an integral component of Investment Managers' fundamental investment research and decision process. The Fund promotes environmental and social characteristics through a combination of ESG integration, binding portfolio constraints and exclusion criteria.

GHG Emissions Tilt: The Fund commits to promote the reduction of GHG emissions by positively tilting the portfolio towards issuers that demonstrate stronger performance on GHG-related metrics:

- At least 66% of the companies (equity and debt securities) held by the Fund will belong to the top 50% of their respective industry peer group within MSCI All Country World Index, where the GHG emissions indicator is used to rank the companies from the lowest to the highest GHG emissions.
- At least 50% of the sovereign debt securities held by the Fund will belong to the top 33% of countries out of the Bloomberg Global Aggregate Index where the GHG intensity indicator is used to rank countries from the lowest to the highest GHG intensity.

Bottom-decile ESG exclusion: The Investment Managers employ a proprietary ESG scoring methodology to determine a company's profile on relevant ESG issues. This scoring is based on both internal and external data sources and is structured around a set of sub-factors deemed material by the Investment Managers: These includes:

- carbon emissions;
- waste management and resource use;
- biodiversity;
- human capital;
- health and safety;
- product liability;
- data privacy and security;
- corporate governance; and
- business ethics.

Once the material sub-factors for each industry are identified, the Investment Manager applies its proprietary ESG scoring process which results in the calculation of the overall ESG score for each security. The scores range from 0 to 100, with 100 being the highest

achievable score and all scores are normalized. The Fund excludes issuers that fall within the bottom decile of its defined investment universe based on the proprietary ESG scores.

Exclusions: the Fund applies specific ESG exclusions and will not invest in companies which according to the Investment Managers' 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, cluster munitions or those that manufacture components intended for use in such weapons. Companies that derive more than 10% revenue from conventional weapons will also be excluded;
- Generate more than 5% of their revenue from the production of tobacco products; or
- Generate more than 30% of their revenue from thermal coal extraction or coal-based power generation.

Furthermore, the Fund will not invest in sovereign issuers which have "Not free" scoring according to the Freedom House Index.

Engagement is also a core part of the Fund's investment strategy. The Investment Managers use the proprietary materiality matrix and ESG scoring framework to identify issuers for engagement. Engagements are prioritised where:

- ESG risks are high (low absolute scores) or have been subject to recent negative revisions (declining ESG momentum)
- ESG risks are elevated relative to sector peers.
- There are gaps in disclosure or performance related to key metrics Principal Adverse Impact (PAI) indicators.

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 can be summarized as follows:

- the allocation of at least 66% of the equity and corporate debt securities held by the Fund to companies ranked top 50% of their respective industry peer group within MSCI All Country World Index in terms of lowest GHG emissions;
- the allocation of at least 50% of the sovereign debt securities held by the Fund to the top 33% of countries out of the Bloomberg Global Aggregate Index ranked by lowest GHG intensity;
- The commitment to exclude issuers that fall within the bottom decile of its defined investment universe based on proprietary ESG scores.
- 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 Managers' analysts review if companies exhibit good governance practices in their analysis, including a review of board function and structure, remuneration policy, business ethics and shareholder rights. The Investment Managers also consider items such as employees' health and safety as well as tax related issues controversies. The Investment teams also monitor the names in the portfolio to ensure no egregious violations of good governance practices, which includes monitoring controversies and reviewing proprietary governance scores.

The Fund does not invest in companies that, according to MSCI, do not observe the main international conventions (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 Managers disagree with the conclusion that the company is complicit in violations of the principles of such conventions.

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 Fund specifically considers the following principal adverse impacts (the "PAIs"):

- **Scope 1 and Scope 2 GHG emissions (for companies);**
- **GHG intensity (for sovereigns)**
- **Exposure to controversial weapons**
- **Violations of UNGC Principles or OECD Guidelines for Multinational Enterprises**

The consideration of the specified PAIs is tied to the Fund's fundamental investment analysis as well as the Fund's ESG assessment of investee companies. The Investment Managers believe that these PAIs are applicable to the widest range of the Fund's investments

- **GHG emissions and intensity**

The Investment Managers are committed to favor companies and sovereign issuers with lower GHG emissions/intensity relative to their industry peers as further described in the section "What investment strategy does this financial product follow?" below.

- **Exposure to controversial weapons**

The fund excludes from its portfolio investments in companies which produce or distribute controversial weapons.

- **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.

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

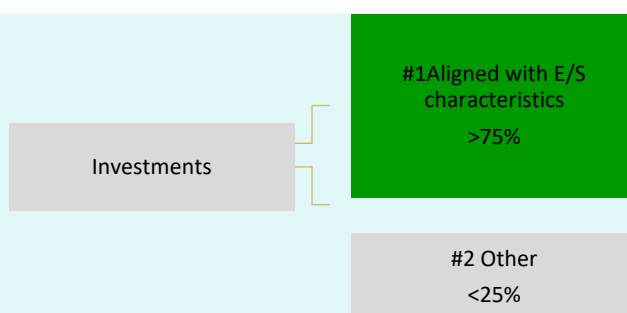
No



E. Proportion of investments

What is the planned asset allocation for this financial product?

At least 75% of the Fund's portfolio is aligned with environmental and social characteristics promoted by the Fund. The remaining portion (<25%) of the portfolio consists of other assets including, but not limited to, liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds), index derivatives, certain collective investment management schemes and securities issued by companies on which ESG and/or PAI data is not available, which are held for the purposes of investment and servicing the day-to-day requirements of 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.

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.

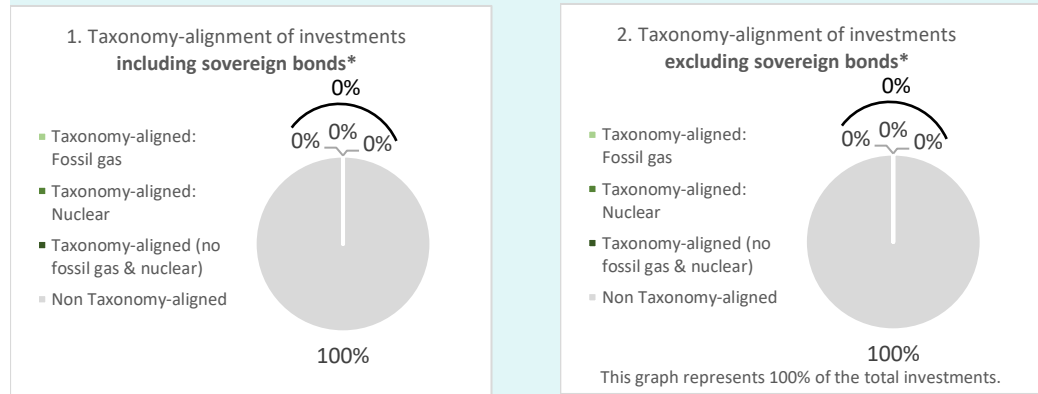
How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Single issuer derivatives based on an underlying stock or bond are covered by the ESG process and contribute to the attainment of the environmental or social characteristics promoted by the Fund. Such characteristics are considered attained through the use of derivatives by employing the same exclusion criteria highlighted in the section "What investment strategy does this financial product follow?" of this annex.

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

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 liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds), collective investment schemes and securities issued by companies on which ESG and/or PAI data is not available, which are held for the purposes of investment and servicing the day-to-day requirements of the Fund. These may also include derivatives that are not linked to a single stock or bond and are not used to attain environmental or social characteristics promoted by the Fund.

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:

- number of companies in the portfolio which are in top half of the Fund's corporate investment universe, defined by MSCI All Country World Index ("Fund's Corporate Investment Universe") in terms of GHG emissions,
- number of sovereigns in the portfolio which are in top third of the Fund's sovereign investment universe, defined as the Bloomberg Global Aggregate Index ("Fund's Sovereign Investment Universe"), in terms of GHG intensity
- number of companies in the portfolio which are in the worst decile of the Fund's Corporate Investment Universe, in terms of proprietary ESG scores

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 Managers screen 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 Managers ensure that the Fund does not invest in issuers from 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 Managers conduct reviews to ensure ongoing compliance with the policies and analyze the investments exposure at a portfolio level for possible adverse impact. Exclusions/restrictions based on proprietary scoring are coded into the pre-trade engine for compliance monitoring. The Investment Managers are responsible for the correct execution of the ESG due diligence activities.

- **Divestment**

If a security held by the Fund falls under at least one of the exclusions, the Investment Managers will divest from such security as soon as practicable and at the latest within a period of six months.

- **Control mechanisms**

The Investment Managers are responsible for supervising and implementing 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 the 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.



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 on an ongoing basis and reports on an annual basis the sustainability indicators mentioned under the section “F. Monitoring of environmental or social characteristics”, as well as the PAI indicators.

The Fund relies on the following criteria:

1. ESG scores and PAIs

The Investment Managers use a number of data sources in their methodology. The primary data source for the measurement of PAIs is MSCI. Using MSCI data on GHG emissions and GHG intensity, the securities are ranked within their industry/countries. The Investment Managers then look at the percentage of the corporate allocation which is invested in companies that are in the top 50% of lowest GHG emitters relative to their industry within MSCI All Country World Index as well as, the percentage of the sovereign issuers which are in the top 33% of lowest emitters out of countries in the Bloomberg Global Aggregate Index Universe.

The environmental and social characteristics promoted are considered attained if the Investment Managers also exclude issuers that fall within the bottom decile of the defined investment universe based on Investment Managers’ proprietary ESG scores.

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 conditions of investment in issuers having exposure to the ESG exclusions further described in the pre-contractual disclosure are met.



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
- ISS
- Sustainalytics
- Refinitiv
- MosaiQ – the Investment Managers’ proprietary investment management system
- Franklin Templeton Fixed Income Group proprietary ESG database
- Investment Managers’ engagement tracker

- **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, the investment team makes efforts to cover existing data gaps by manual feed of the data gathered from publicly available sources. For the sake of creating relevant rankings, the data is normalized (often on 1 to 100 scale). Both raw and processed data are used in the Fund's pre-trade engine and compliance system to ensure committed objectives and policies are met.

For the PAI data the investment team takes the raw emissions data and ensures its quality. The scrubbed data is then used to establish the thresholds for top 50th percentile within each industry, in terms of GHG emissions. Those thresholds are then used to identify which securities fall into the best and worst performers categories; the overall fund distribution across categories is also observed. The same process is followed to establish the top 33rd percentile for sovereign issuers in regard to GHG intensity.

- **Estimated data**

Franklin Templeton and its affiliates strive to capture as much reported data as possible via third party data providers and through its own proprietary research. The Investment Managers recognize and continually looks to improve data quality and coverage. Prior to using estimated data, robust discussions take place with third party data vendors on their methodologies. The Investment Managers review the methodology and checks the data prior to use within the Investment process for relevance, reliability, and sufficiency. Where estimates are used, they conform to the regulatory requirements and frameworks in place.

The Fund specifically considers the following principal adverse impacts (PAIs):

- Scope 1 and Scope 2 GHG emissions (for companies)
- GHG intensity (for sovereigns)
- Violations of UNGC Principles or OECD Guidelines for Multinational Enterprises
- Exposure to controversial weapons

For GHG related PAIs the Investment Managers use MSCI as the primary data source. In the minimal number of instances that a company or country does not report the required carbon emissions data, MSCI estimate using its proprietary carbon emissions estimate model. The assessment of alignment with the UNGC Principles and OECD Guidelines is not estimated. When PAI data is not available, that portion of the fund is omitted and, the portion of the portfolio covered is normalized to 100%.



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 Managers assess the environmental and social characteristics of the Fund constituents using the external data provider MSCI, supplemented by proprietary ESG analysis. In the portfolio construction stage, the Investment Managers also consider proprietary ESG scores, which form part of the binding environmental and social criteria.

- **Limitation to the data sources**

Inherent limitations to the data sources exist as coverage across asset classes and indicators vary. 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 may be 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.

Where data is unavailable, incomplete, or inaccurate, an assessment is undertaken, taking a proportionate approach, using reasonable efforts to identify issues likely to have an impact on the fund's environmental and/or characteristics. Despite best and reasonable efforts, information may not be available in which case that portion of the Fund is omitted and, the portion of the portfolio covered is normalized to 100%.



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 integral to the investment process. The Investment Managers' engagement process is active and outcome-focused and is undertaken in two ways:

- **Research Driven:** Ongoing conversations designed to deepen the understanding of an issuer's strategy, governance and sustainability practices — informing the proprietary ESG scores, investment views and risk assessments. If information is unavailable or not satisfactory, engagement moves towards change.
- **Outcome Driven:** Purposeful dialogue aiming to influence positive, measurable outcomes on the most material Environmental, Social and Governance (ESG) and strategic issues, with clear objectives, defined success metrics, and transparent reporting.

The approach to engagement encompasses a variety of tools, including but not limited to written communication identifying focus areas for discussion, direct communication with issuers, and proxy voting where the Investment Managers have voting authority. In selecting candidates for engagement, the Investment Managers use the proprietary ESG scores to identify companies where:

- ESG risks are high (low absolute scores) or have been subject to recent negative revisions (declining ESG momentum)
- ESG risks are elevated relative to sector peers.

Gaps in disclosure or performance related to key metrics Principal Adverse Impact (PAI) may also be used as a basis for engagement.

When engagements fail to result in productive dialogue or progress, escalations options may include:

- Further outreach, including to board members, governance committees or third-party managers
- Exercising voting rights decisively for directly held equity investments
- Divestment, where sustained underperformance, lack of transparency, or misalignment with long-term client interests persists.

After the two-year engagement period, an unsuccessful engagement could result in a full divestment and the company being removed from the investable universe until material progress has been demonstrated. In order to define meaningful improvement, the Investment Managers evaluate the following parameters:

- The governance structure to address the underperformance in the identified metric

- The strategy to execute on the desired outcome
- The company's execution of the strategy at a measured pace
- Specific progress in the measurement data

All data concerning issuers that arise during discussions as well as potential requests for improvement are collected within an engagement tracker. Progress is monitored and assessed with engaged companies on at least an annual basis.



L. Designated reference benchmark

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

Yes

No