

## Franklin Sustainable Global Growth Fund

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Franklin Templeton Investment Funds – Sustainable Global Growth Fund (the "Fund") Legal entity identifier: W1CUI8HZMLU8JOVYZS28

### Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <b>50%</b> of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



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

The environmental and/or social characteristics promoted by the Fund are specific to each company and industry in which the target company operates. These characteristics consist of, *inter alia*, cybersecurity and data privacy, support of human capital and/or environmental impact (e.g., carbon emissions). The Investment Manager seeks to attain these characteristics by excluding certain issuers and sectors considered by the Investment Manager as harmful for the society while favoring issuers with a favorable environmental, social and governance ("ESG") profile, as captured by its proprietary ESG methodology. As part of its proprietary ESG methodology, the Investment Manager also uses binding criteria for the selection of portfolio securities. Both the excluded issuers and sectors and the ESG methodology are further described in section "What investment strategy does this financial product follow?" below.

The Fund has a minimum allocation of 50% of its portfolio to sustainable investments. Of those sustainable investments, the Fund has a minimum allocation of 10% of its portfolio to sustainable investments with an environmental objective and a minimum allocation of 10% of its portfolio to sustainable investments with a social objective.

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

## Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of each 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 as follows:

1. the weighted average MSCI ESG rating of the Fund and the weighted average MSCI ESG rating of the MSCI World Index (with the goal to maintain the Fund's average MSCI ESG rating at a higher level than that of the MSCI World Index).
2. Environmental sustainability indicators:
  - a. the share of companies in the portfolio that gain and maintain Science Based Target Initiative ("SBTi") validated targets to reduce their Greenhouse gas ("GHG") emissions;
  - b. the share of companies in the portfolio that disclose environmental data through Carbon Disclosure Project ("CDP") on an annual basis.
3. Social sustainability indicators:
  - a. the share of companies in the portfolio that have a board of directors with a minimum of 30% female representation;
  - b. the share of companies in the portfolio that have developed and are tracking an employee satisfaction or employee engagement survey.
4. The share of companies in the portfolio having exposure to ESG-based exclusions, with a commitment of strict adherence to the said exclusions.

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

The sustainable investments made by the Fund are in equity securities issued by companies which:

- derive at least 25% of their revenues from products or services that address at least one of the 17 United Nations Sustainable Development Goals (UN SDGs) (source: MSCI); or
- gain and maintain SBTi approved carbon emission reduction targets and are thus considered as contributing to fighting against climate change.

### ● **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?**

The Investment Manager uses a combination of third-party (MSCI) Do No Significant Harm ("DNSH") test, United Nations Global Compact (UNGCC) compliance test, Principal Adverse Impacts (PAI) considerations, and other ESG factors deemed material by the Investment Manager and which are embedded in the Investment Manager's fundamental research and proprietary ESG analysis to review if investments cause significant harm to any sustainable investment objective.

— — *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.

— — — *How 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 (UNGCC principles (the "UNGCC Principles"), Organisation for Economic Cooperation and Development (the "OECD") Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights).

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

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



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

Yes,

The Fund specifically considers the following PAIs:

- **Scope 1 and Scope 2 greenhouse gas emissions;**
- **board gender diversity;**
- **exposure to controversial weapons.**

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 Manager believes that these PAIs are applicable to the widest range of the Fund’s investments and represent the largest opportunity set for engagement.

With regards to **greenhouse gas emissions**, the Investment Manager is committed to engage with the investee companies to encourage them to establish and commit to greenhouse gas emissions reductions plans, that are in accord with science based long term goals of net-zero emissions by 2050. The Investment Manager works with companies to move them up the scale of committing to align with net zero targets, being aligned to achieve net zero, and reaching net zero emissions. While the Investment Manager understands that, in the short-term, absolute emissions may increase for some companies as they work on transition plans, therefore, the consideration of greenhouse gas emission intensity helps the Investment Manager to monitor that overall companies’ greenhouse gas emissions are trending in a direction aligned with greenhouse gas emissions reductions over time.

With regards to **board gender diversity**, the Investment Manager is committed to engage with the investee companies to ensure their boards are representative of the customers they serve as the Investment Manager believes this helps them to better understand their consumer base, create better products, and ultimately be more efficient companies. Initially, the Investment Manager works to identify companies that do not have board gender diversity and set time-based thresholds for drafting a plan to increase board gender diversity. The Investment Manager believes it is reasonable to increase the acceptable level of board gender diversity over time and to engage with companies that are laggards relative to their industry peers.

At the time of new investments for the above PAIs, the Investment Manager baselines the portfolio and investee companies and looks to drive improvement on both fronts over time through engagement. The Fund is engaging with investee companies to set and follow science-based emissions reductions targets and is seeking to follow a portfolio coverage approach, with increasing weight in companies that have achieved net zero greenhouse gas emissions, are aligned with net zero or are aligning. The goal for the portfolio is to achieve 100% in these categories by 2040. For board gender diversity, the Fund’s initial commitment is to engage with all companies that lack any gender diversity with an expectation for them to develop at minimum a plan to increase board gender diversity within

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

18 months. The Investment Manager intends to increase the expectations of board gender diversity over time. Consequences of a lack of improvement on these measures for investee companies eventually include divestment if the Investment Manager does not see a path for improvement. If a decision to divest occurs, divestment will normally occur within a period of one month, unless market conditions such as limitations on liquidity require a longer divestment period taking into account Shareholders' best interests.

Finally, the Fund is committed to excluding investments in companies that produce or distribute **controversial weapons** or who fail to comply with the **UNGC Principles** without positive outlook for remediation.

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

■ No



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### What investment strategy does this financial product follow?

The Fund seeks to achieve long-term capital appreciation by investing in leading edge global companies whose characteristics include the promotion of environmental and social factors. The Investment Manager utilizes proprietary research to invest in a highly concentrated portfolio of approximately 40 companies globally. The proprietary research process utilizes a wide range of financial, qualitative and ESG based criteria to identify investments which should result in long term capital appreciation while adhering to the promotion of positive ESG conduct. The portfolio utilizes a novel economic overlap-based risk management approach to limit the risks sometimes associated with concentrated portfolios.

The Fund's stock selection criteria is based on the Investment Manager's fundamental bottom-up research with growth, quality, and valuation analysis at its core. It simultaneously assesses target issuers for positive ESG characteristics, aiming to allocate at least 50% of the Fund's portfolio to sustainable investments as defined by the Investment Manager as investment in companies that (i) derive at least 25% of their revenues from products and services that address at least one of the 17 UN SDGs (source: MSCI), or (ii) gain and maintain SBTi approved carbon emission reduction targets and thus are considered to be contributing to fighting against climate change. In addition, the target company would be considered a sustainable investment if it meets the criteria of the DNSH and Good Governance tests, both of which are assessed using data from MSCI. Once a target company is identified for investment, a proprietary Sustainability Accounting Standards Board ("SASB") materiality-based ESG due diligence analysis is performed on the security (see details of our proprietary ESG due diligence analysis below).

In addition to committing to having at least 50% of the NAV of the portfolio allocated to sustainable investments as defined by the Investment Manager above, the Investment Manager will strive to invest in companies with what the Investment Manager believes to have ESG leadership characteristics, and engage with managements of the companies owned in the Fund to make specific improvements toward being considered a sustainable investment, and to make improvements with the goal of reaching the ESG leadership characteristics identified by the Investment Manager. With the understanding that ESG characteristics are largely industry and materiality-based, the Investment Manager considers two Environmental, two Social, and two Governance characteristics as ESG leadership characteristics:

- i) Have SBTi validated emissions reduction targets;
- ii) Disclose environmental data through CDP annually;
- iii) Have a board of directors with a minimum of 30% female representation;
- iv) Have developed and are tracking an employee satisfaction and/or employee engagement survey;
- v) Have an independent board of directors as defined by an independent chairperson, independent audit committee, and an independent nominating committee;
- vi) Protect minority shareholder rights via one share, one vote shareholder capital structure.

The Fund also applies a proprietary ESG-based analysis on each of the securities under consideration and each of the portfolio companies. The Investment Manager's investment process seeks to identify high quality, durable growth companies that benefit from attractive secular growth drivers. For each potential investment, the Investment Manager considers ESG risks based on the SASB materiality standards, in addition to supplemental ESG risks that the Investment Manager believes to be relevant. The internationally recognized SASB standards, which incorporate perspectives from investors, corporate professionals, and subject matter experts, are used to identify the subset of ESG issues most relevant to financial performance in each industry.

The SASB standards provides the Investment Manager with a robust foundation for its ESG research that is then tailored to the team's investment process with the consideration of additional ESG risks. At a minimum, the team analyses risks associated with executive compensation, financial reporting quality, ownership, the board of directors and level of carbon emissions. The first four (governance) risks are not part of SASB's standards, but their inclusion enhances the Investment Manager's understanding of an investment's quality and growth profile. Additionally, as active shareholders, the Investment Manager believes it is important to be familiar with these four governance risks, which are frequently the subject of proxy voting proposals.

Regarding the carbon emissions risk analysis, while SASB views carbon emissions as a material risk for only certain industries, the Investment Manager incorporates this risk analysis into all investments. During the due diligence process, the Investment Manager evaluates all relevant material ESG risks (i.e., the SASB and supplemental ESG risks) throughout its ESG research process, which consists of three main stages:

#### Stage 1: ESG Evaluation for New Ideas:

During the first stage, ESG risks are assessed by analysis of corporate disclosures, third party ESG rating reports, and other sources. Each ESG risk receives a "pass" or "flag", with the "flag" indicating that a particular ESG risk is more significant than the industry standard. For "flagged" risks, further analysis is performed to determine if the flag is "yellow" or "red". A red flag indicates a significant gap in a company's ESG risk mitigation practice that is not expected to improve in the short-term. A yellow flag indicates a gap that is perceived by the Investment Manager not to be a significant risk and/or the gap is expected to improve in the short-term. A company is considered investable from an ESG risk perspective if it has no red flags.

In addition, at this stage the Investment Manager's research analysts perform PAI assessment of the target issuers against the relevant PAI categories. PAIs are assessed both quantitatively and qualitatively with materiality in mind. In the event an issuer is confirmed to have PAI issues or breaches of a relevant threshold and is not engaging with the Investment Manager to address such issues, the Investment Manager will not invest in such issuer.

#### Stage 2: ESG Initiation Report:

The ESG Initiation Report ("the report") adapts notes from the ESG evaluation into a formal report. The report includes all ESG risks that were assessed by the Investment Manager team in the initial evaluation, and whether these risks were determined to warrant a pass or a flag, including PAI-related concerns, if any. An ESG risk that was flagged in the evaluation stage receives a written summary of the risk management shortcoming(s) and a summary of the Investment Manager team's plan to address and/or monitor the flag. An ESG risk that passes receives a summary and/or a citation to the source(s) used to determine the pass. The report also tracks which ESG leadership characteristics are attained by the company in question, as well as Investment Manager's engagement report related to the investee company.

#### Stage 3: ESG Annual Update Report:

The ESG Annual Update Report utilizes the same format and process as the Initiation Report (Stage 2). The Annual Update Report helps the Investment Manager team track a company's ESG risk mitigation and PAI-related resolution efforts (or lack thereof), progress toward achievement of ESG leadership characteristics, as well as an updated engagement record related to the investee company, which is monitored continuously from initiation by both the research analyst and the associate, with oversight by the portfolio management team.

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

- violate the UNGC Principles or the Organization for OECD Guidelines for Multinational Enterprises (without positive perspective for improvement) - for that purpose, the Fund does not invest in companies which the Investment Manager assesses as fail under the UNGC Principles or OECD Guidelines for Multinational Enterprises;
- derive 10% or more of their revenues from the production and/or distribution of weapons;
- are involved in the production, distribution, or wholesale trading of dedicated and/or key components of controversial weapons (i.e., antipersonnel mines, biological and chemical weaponry and cluster munitions);
- are involved in the manufacture, distribution, or wholesale trading of tobacco or tobacco products;
- derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;



- derive 50% or more of their revenues from the exploration, extraction, manufacturing, or distribution of gaseous fuels;
- derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO<sub>2</sub> e/kWh;
- derive 15% or more of their revenues from nuclear power generation.

If a security held by the Fund falls under at least one of the Fund's exclusions, the Investment Managers will divest from such security as soon as practicably possible. Divestment will normally occur within a period of one month, unless market conditions such as limitations on liquidity require a longer divestment period taking into account Shareholders' best interests.

● ***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 portfolio will have a weighted average MSCI ESG rating above the weighted average MSCI ESG rating of the benchmark (MSCI World).
- The application of ESG exclusions further described in the response to the question "What investment strategy does this financial product follow?".

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable

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

The Investment Manager undertakes the good governance assessment for all potential investment target securities as well as portfolio companies. The Investment Manager's analysis begins by utilizing MSCI ESG Rating and considers those companies that have a rating above BB as eligible for further research. Please refer to the following website for additional methodological details on MSCI ESG rating: <https://www.msci.com/our-solutions/esg-investing/esg-ratings>.

In addition, the Investment Manager undertakes Good Governance assessment regularly as part of the Investment Manager's fundamental research and analysis. To assess "good" corporate governance, the Investment Manager uses a combination of quantitative metrics (such as compensation details, diversity and inclusion metrics, controversy metrics) and qualitative assessments (such as board independence, board composition, existence of dual class shares).

The Investment Manager further incorporates other qualitative factors such as capital allocation, research and development success, crisis management, acquisition history and communication with investors. Certain governance-related controversies (e.g., concerns regarding executive compensation or perceived lack of independence of board directors) could result in a company being un-investable by the Investment Manager standards despite strong financial fundamentals or other metrics.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



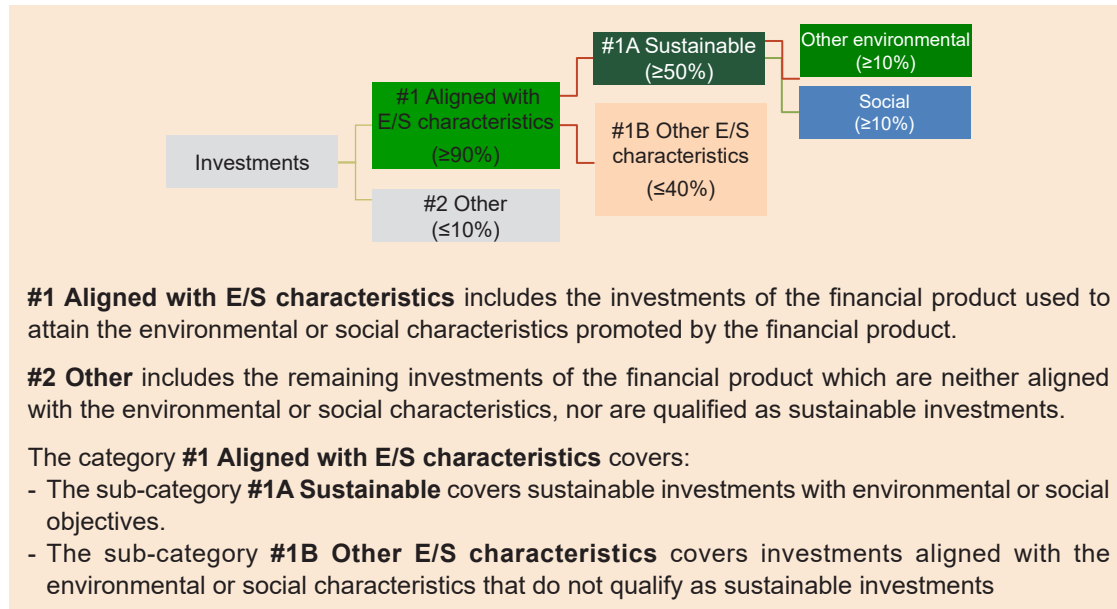
**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

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

The Investment Manager employs its proprietary investment process and ESG methodology which is applied to at least 90% of the Fund's portfolio to determine a company's profile on relevant ESG issues. At least 90% of the Fund's portfolio is aligned with environmental and/or social characteristics promoted by the Fund, the remaining portion of it (<10%), mainly consisting of liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) is not aligned with the promoted characteristics. Furthermore, the Fund will invest a minimum of 50% of its net assets in sustainable investments, with a minimum allocation of 10% of net assets towards environmental objectives and 10% towards social objectives.



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

Not applicable.




**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

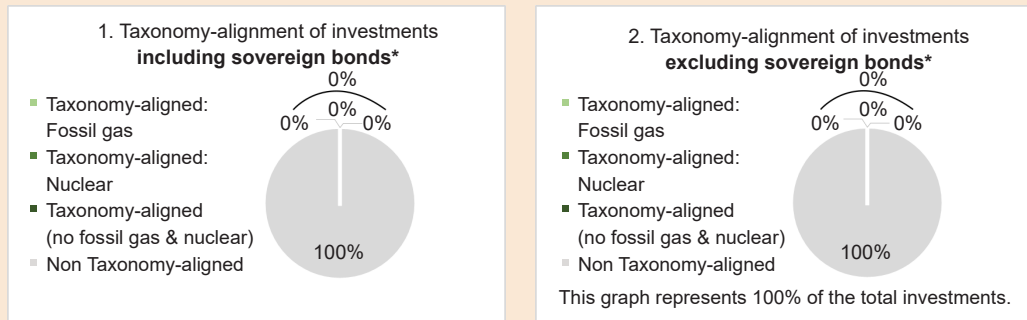
**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>23</sup>?**

- Yes:
  - In fossil gas
  - In nuclear energy
- No

*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 investments in transitional and enabling activities?**

Not applicable.



**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 10% of sustainable investments with an environmental objective.



**What is the minimum share of socially sustainable investments?**

The Fund commits to a minimum 10% of sustainable investments with a social objective.

<sup>23</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.





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

The “#2 Other” investments, constituting up to 10% of the portfolio, may 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 or investments for which there is insufficient data for them to be considered ESG-related investment.

Due to the neutral nature of the asset, no minimum safeguards have been put in place.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

Not applicable

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

Not applicable

- **How does the designated index differ from a relevant broad market index?**

Not applicable

- **Where can the methodology used for the calculation of the designated index be found?**

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

**More product-specific information can be found on the website:**

<https://www.franklintempleton.lu/our-funds/price-and-performance/products/12783/Z/franklin-sustainable-global-growth-fund/LU0390134368>

Specific disclosure required under Article 10 of SFDR for the Fund can be found at: <https://www.franklintempleton.lu/12783>