

Templeton Global Bond 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: FTIF-Templeton Global Bond Fund

Legal entity identifier: 5SLKA4UT9B55J80BUH41

Environmental and/or social characteristics

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.

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

☒ It promotes E/S characteristics, but **will not make any sustainable investments**



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

The Fund promotes broad environmental and/or social characteristics which vary by composition of the portfolio and inter alia include actions around resource insecurity, extreme weather risk, unsustainable environmental practices, social cohesion & stability, infrastructure, healthcare, labour, human capital and demographics. The Investment Manager seeks to attain these characteristics by using a proprietary environmental, social and governance (the "ESG") index, the Templeton Global Macro-ESG Index (the "TGM-ESGI") to:

- screen out government bonds of the bottom 10% of countries based on proprietary aggregate TGM-ESGI score; and
- commit to a weighted average base TGM-ESGI score of the sovereign bonds (including supranational bonds and also the notional value of net long positions in related derivatives) in the Fund's portfolio to be higher than the average base TGM-ESGI score of the investment universe dedicated to sovereign bonds.

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

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

The portion of investment universe dedicated to the supranational bonds of the Fund's portfolio is constructed by issuers that have MSCI ESG ratings, except where an issuer's MSCI ESG rating becomes unavailable while bonds issued by such issuer are held by the Fund. In such cases, the relevant bonds will be considered as not aligned with the environmental or social characteristics promoted by the Fund and classified under "#2 Other", as set out in the asset allocation table.

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:

- the share of sovereign issuers subject to social violations deemed to have severe/very severe adverse impact; and
- the ESG score difference between the Fund's portfolio and the investment universe.

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

— ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

Not applicable

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

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.

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

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

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

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

More information on how the Investment Manager considered its PAIs may be found in the annual report of the Company.

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?

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

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

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

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

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

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

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

Of the remaining investment universe, government bonds of the bottom 10% of countries based on proprietary TGM-ESGI score are excluded from the Fund's investment universe dedicated to sovereign bonds.

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

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

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

The weighted average base TGM-ESGI score of the sovereign bonds (including supranational bonds) in the Fund's portfolio is higher than the average base TGM-ESGI score of the sovereign investment universe.

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

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

Notwithstanding the foregoing, where an MSCI ESG rating for a supranational issuer becomes unavailable while debt issued by such issuer is held by the Fund, the ESG methodology will no longer be applied to the relevant debt. In such circumstances, the relevant debt will be considered as not aligned with the environmental or social characteristics promoted by the Fund and classified under "#2 Other", as set out in the asset allocation table.

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

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

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

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

- the exclusion of countries and issuers that are subject to international economic sanctions, including sanctions imposed by the UN, the EU or the US OFAC;
- the exclusion of government bonds of the bottom 10% of countries based on proprietary aggregate TGM-ESGI score; and
- the commitment to have a weighted average base TGM-ESGI score of the sovereign bonds (including supranational bonds and also the notional value of net long positions in related derivatives) in the Fund's portfolio higher than the average base TGM-ESGI score of the investment universe dedicated to sovereign bonds.

For the purpose of restricting the investment universe, exclusions based on countries subject to international sanctions are applied first and the countries with aggregate TGM-ESGI scores in the bottom 10% of the investment universe are then excluded from the Fund's investment universe dedicated to sovereign bonds.

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

Government bonds of the bottom 10% of countries based on proprietary aggregate TGM-ESGI score are excluded from the Fund's investment universe dedicated to sovereign bonds..

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

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

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

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

Thereafter, the investment process excludes the government bonds of the bottom 10% of countries based on proprietary aggregate TGM-ESGI score from the Fund's investment universe dedicated to sovereign bonds. This ensures that countries with unacceptably weak governance process are not considered for investment.

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

What is the asset allocation planned for this financial product?

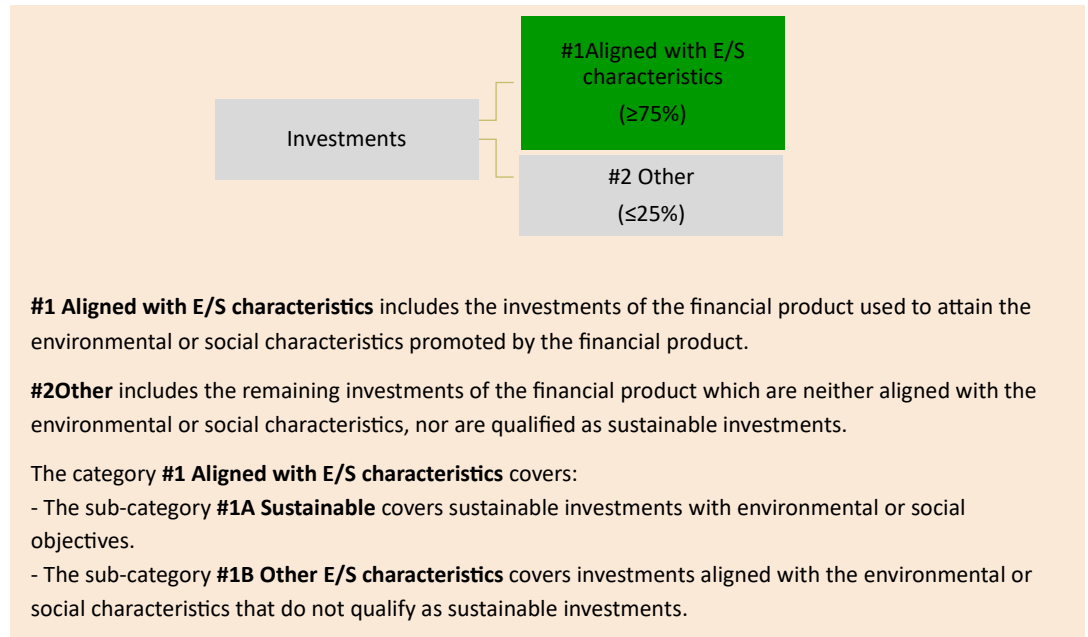
Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



The Investment Manager employs a binding proprietary ESG methodology which is applied to at least 75% of the portfolio of the Fund. Derivatives may also be used for investment, hedging, or efficient portfolio management. The ESG methodology applies to the notional value of the derivatives used to gain long exposures to interest rates (duration), currency positions, or credit exposures. At least 75% of the Fund's portfolio is aligned with environmental and/or social characteristics promoted by the Fund, and a maximum of 25% of the Fund's portfolio may be set aside, as indicated in the following graph with "#2 Others". It includes liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) held for servicing the day-to-day requirements of the Fund and/or to serve as collateral for derivatives that, by their nature, cannot be aligned with the environmental and/or social characteristics promoted by the Fund. It may also include debt issued by supranational issuers for which an MSCI ESG rating has become unavailable while such debt is held by the fund and is therefore classified under "#2 Other".

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.



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

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

Notional value for long positions is counted towards the scoring.



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.

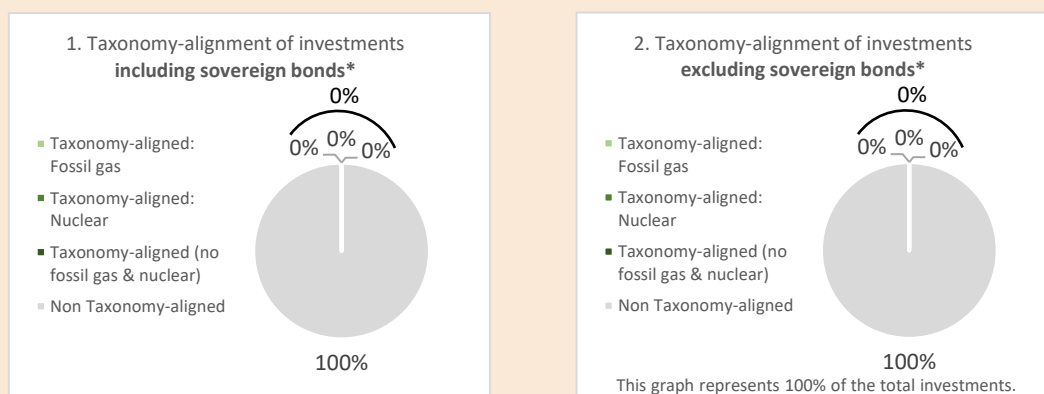


are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?

- ☐ 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.*



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?

Not applicable.

¹ 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 is the minimum share of socially sustainable investments?

Not applicable.



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

The “#2 Other” investments include investments in liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) held for servicing the day-to-day requirements of the Fund and/or to serve as collateral for derivatives.

No minimum environmental and/or social 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



Where can I find more product specific information online?

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

www.franklintempleton.lu/our-funds/price-and-performance/products/256/A/templeton-global-bond-fund/LU0029871042
Specific disclosure required under Article 10 of SFDR for the Fund can be found at: www.franklintempleton.lu/256