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

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.

Product name: Franklin Templeton Investment Funds – Templeton Emerging Markets Local Currency Bond Fund (the "Fund")

Legal entity identifier: 549300JZLKKHCV5C9G20

Environmental and/or social characteristics

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 lay down 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: ___%**	☒ 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 **5%** of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	☒ 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:

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

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

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

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

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

The portion of the investment universe dedicated to sovereign bonds of the Fund's portfolio has been constructed based on a universe of sovereign issuers with historic data of bond issuance, 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 the investment universe dedicated to supranational bonds and corporate bonds of the Fund's portfolio is constructed by issuers that have MSCI ESG ratings.

In addition, the Fund promotes positive environmental outcomes by investing at least 5% of its portfolio in green bonds, where the use of proceeds has been specified by the issuer and verified by a third party or the Investment Manager, to benefit underlying environmental projects.

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

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 and companies having exposure to, or ties with the sectors and the additional exclusions further described below;
- the ESG score difference between the Fund's portfolio and the investment universe; and
- the percentage of investments in green bonds.

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 Fund invests at least 5% of its portfolio in green bonds, where the use of proceeds has been specified by the issuer, and verified by a third party or the Investment Manager, to benefit underlying environmental projects such as but not limited to:

- the efficient use of energy, raw materials, water and land;
- the production of renewable energy;
- the reduction of waste, greenhouse gas emissions and lower impact of economic activities on biodiversity; and
- the development of circular economy.

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 sovereign issuers, the relevant principal adverse impacts (the "PAIs") on social violations are assessed through a proprietary responsibility index that incorporates indicators on global cooperation, human rights, and civil liberties among others. For every sustainable investment targeted by the Investment Manager, an assessment of the materiality of PAIs to the underlying investment is made, documented and the probability of adverse impact is estimated. After this assessment, the Investment Manager determines whether an investment has no, low, moderate, severe or very severe adverse impact. The Investment Manager does not make investments that fall in the severe/very severe category, and if an existing investment falls into the severe/very severe category, the Investment Manager takes all reasonable means to divests 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.

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

When assessing compliance of the Fund's investments with the Do No Significant Harm 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. While assessing eligible green bonds, the Investment Manager reviews and documents the materiality of PAIs for the project. For example, while investing in a green bond whose use of proceeds targets the roll out of renewable energy sources, the Investment Manager ascertains that financed projects are likely to have a positive impact on greenhouse gas intensity of a national economy.

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

The sustainable investments issued by corporate issuers are aligned with the Organisation for Economic Cooperation and Development (the "OECD") Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Alignment is monitored using data from MSCI, which is hard coded into the compliance information and technology system of the Investment Managers. Exclusions and restrictions based on ESG scores and other criteria are coded into the system of the Investment Managers for both pre-trade flagging and ongoing compliance monitoring. The system flags potential breaches for subsequent investigation by the Investment Managers.

Where due diligence proves that the corporate issuer is not aligned with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, such issuer does not qualify as sustainable investment and it is deemed un-investible.

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.

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.

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

☒ Yes,

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

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

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

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

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

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

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

Violations of UNGC Principles or OECD Guidelines for Multinational Enterprises
The Fund excludes from its portfolio investments in companies which have been involved in violations of UNGC Principles or OECD Guidelines for Multinational Enterprises.

Exposure to controversial weapons
The Fund excludes from its portfolio investments in companies involved in the manufacture or selling of cluster munitions, antipersonnel land mines and biological, chemical and nuclear weapons.

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

More information on how the Investment Manager considers their 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?

For sovereign issuers, the Fund employs a proprietary ESG rating methodology, the TGM-ESGI to assess each country that issues sovereign bonds that are current or potential investments for the Fund. The Investment Manager's methodology captures not only a country's current ESG score based on a variety of subcategories but more importantly, any expected improvement or deterioration in the country's ESG practices. The Investment Manager believes that this two-pronged test potentially best represents the investment worthiness of a country and also assists in potentially providing capital to countries that are expected to improve from an ESG perspective. The TGM-ESGI contains environmental and social indices that measure resource insecurity, extreme weather risk, unsustainable practices, social cohesion and stability, human capital, 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 0100 (100 being the highest) in various ESG subcategories that the Investment Manager has determined to have a significant impact on macroeconomic conditions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

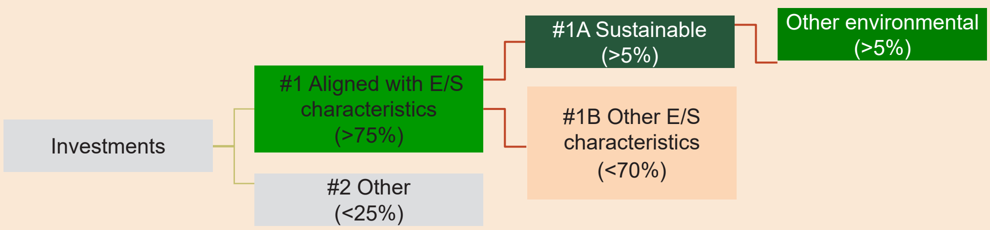
Sovereign governance is regularly assessed and monitored as part of the process. From time to time, the Investment Manager has discussions with governments, central banks and other institutions at various levels. Certain of these discussions may include governance and economic best practices, and the 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.

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

What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

The Investment Manager employs a binding proprietary ESG methodology which is applied to at least 75% of the portfolio of the Fund, including the 5% minimum investments in green bonds. 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 at least 5% of this portion of the portfolio qualify as sustainable investment. A maximum of 25% of the Fund's portfolio may be set aside, as indicated in the following graph with "#2 Others". It includes liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) held for liquidity purposes that, by their nature, cannot be aligned with the environmental and/or social characteristics promoted by the Fund.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

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.

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.

- ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[27]?***

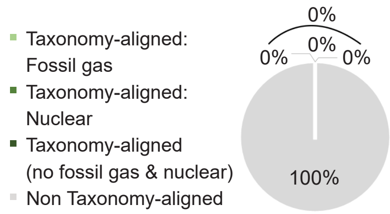
☐ Yes:

☐ In fossil gas ☐ In nuclear energy

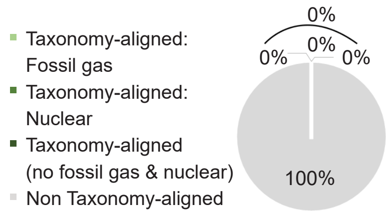
☒ No

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

1. Taxonomy-alignment of investments **including sovereign bonds***



2. Taxonomy-alignment of investments **excluding sovereign bonds***



This graph represents 100% of the total investments.

** 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 having a minimum share of 5% of sustainable investments with an environmental objective not aligned with the EU Taxonomy in its portfolio. These investments are not aligned because they are not yet eligible.

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

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

No minimum safeguards have been put in place.

[27] 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.

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.

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/26692/BB/templeton-emerging-markets-local-currency-bond-fund/LU1774667783

Specific disclosure required under Article 10 of SFDR for the Fund can be found at: www.franklintempleton.lu/26692