Product name: FTGF Western Asset Short Duration Blue Chip Bond Fund
Legal entity identifier: 5493000382HJNRHILX42

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 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? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

☐ **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	X 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 1% of sustainable investments ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy X 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 the following environmental and/or social characteristics:

- *alignment with one or more UN Sustainable Development Goals ("SDGs") compared to the Fund's benchmark through investmment in green, social, sustainable and sustainability-linked bonds and through best-in-class investment;*
- *alignment with the following PAI indicators:*
  - *GHG Intensity (PAI #3 and PAI #15);*
  - *Social and Employee Matters (PAI #10);*
  - *Controversial Weapons (PAI #14); and*
  - *Investee Countries subject to Social Violations (PAI #16).*

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

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 each of the environmental or social characteristics promoted by the Fund are:

- *the following PAI indicators:*
  - *#3 and #15 to measure the GHG intensity of corporate and sovereign issuers against the Fund's benchmark*
  - *#10 to measure alignment of issuers with UN Global Compact ("UNGC") principles and OECD Guidelines for Multinational Enterprises;*
  - *#14 to assess exposure to issuers involved in the manufacture or sale of controversial weapons;*
  - *#16 to exclude investee countries subject to social violations; and*
- *the allocation (expressed in % of AuM) to green, social, sustainable and sustainability-linked 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's sustainable investments are in green, social, sustainable and sustainability-linked bonds which are achieved through a minimum allocation to issuers aligned with the SDGs compared to the Fund's benchmark and issuers that meet best-in-class thresholds. The proceeds of such bonds shall be used for projects, or have sustainability-linked KPIs, including, but not limited to:

- *Green Projects: renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, biodiversity, clean transportation, sustainable water and wastewater management, climate change adaptation, circular economy and green buildings; and*

- *Social Projects: affordable housing, affordable infrastructure (clean drinking water, sanitation), employment programmes and socio-economic advancement such as, but not restricted to, education, diversity, equality and inclusion to name a few.*

- ***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 proprietary research and PAIs to ensure that sustainable investment do not cause significant harm to any environmental or social sustainable investment objective.

The Investment Manager's PAI tool uses data from multiple sources (external 3rd party vendors such as, but not limited to, MSCI ESG, ISS, World Bank, BloombergNEF, S&P Trucost, Transition Pathway Initiative, NGOs, and academic institutions) which, together with its proprietary research, helps to identify issuers that demonstrate weak sustainability attributes / adverse impacts as measured by the reference to PAI indicators. This enables the Investment Manager to invest in issuers which align with the PAI indicators while avoiding issuers which do not align. As part of the Fund's investment in green, social, sustainable and sustainability-linked bonds, the Investment Manager applies this approach to determine whether a bond meets sustainability criteria.

Additionally, sovereign issuers are subjected to tests based on their political liberties and/or corruption.

When deploying funds to sustainable investments, especially the minimum 1% of portfolio of the Fund committed towards environmental objectives, the Investment Manager applies additional qualitative assessment (based on internal research or on external third-party opinion) of the issuerand of the projects "do no significant harm" eligibility.

Further, a number of exclusions are applied to the Fund to preclude issuers that cause significant harm, as detailed further in this annex.

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.

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

The Investment Manager has developed a proprietary PAI tool which can take into account all mandatory PAIs and which helps measure the Fund's portfolio alignment with respect to PAI indicators that are deemed to be material to the Fund. The PAI tool identifies issuers that lag their peers with respect to their PAIs and allows the Investment Manager to assess the Fund's exposure to PAIs compared to its benchmark.

PAIs serve as a useful barometer to gauge which issuers to seek to invest in: PAI #3 for corporates and PAI #15 for sovereign GHG intensity, respectively; exclusions based on PAI #10 on issuers that fail as per UNGC and OECD Principles; PAI #14 on issuers that fail on controversial weapons across the whole Fund compared to those in the investable universe; and PAI #16 on investee countries that fail at being designated as free by the Freedom House. Therefore, the PAI tool is a useful input to evaluate appropriate portfolio actions, such as but not limited to, engagement, divestment, inclusions, and exclusions.

While the Fund has not committed to having a PAI average better than its benchmark, the difference between those two metrics helps to inform how successful the Fund is in managing adverse impacts.

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

The Fund adheres to explicit guidelines on issuers that fail as per UNGC Principles and OECD Guidelines by excluding issuers that fail these guidelines. Fails are based on internal research which identifies gaps. In addition, the Investment Manager's engagement is built on the principles of UNGC and OECD Guidelines. Issuers that are deemed to fail as per UNGC are added to an ESG Red List which is then used to exclude issuers from investment by the Fund. The Investment Manager seeks to engage with issuers where it has concerns, which may or may not yet have explicitly failed as per the underlying guidelines. These issuers may be put onto an ESG Red List or ESG Watch List which is evaluated regularly to assess progress made by issuers in meeting criteria that helps move them away from failing as per UNGC principles.

Issuers that are in the ESG Red List or ESG Watch List are considered internally by the Investment Manager's ESG Cross Mandate Task Force in order to determine progress made by the issuer to mitigate the risk and to ensure that issuer inclusion / exclusion is based not on backward looking data alone, but rather that trends and progress (or lack thereof) is identified as soon as possible.

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 manner in which PAIs are considered and taken into account is set out in further detail above.

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 broad investment philosophy of the Investment Manager is long-term fundamental value investing with diversified strategies to manage overall portfolio risk, employing multiple independent strategies so that no single allocation or strategy dominates risk or returns. Investment Manager's investment decision-making process and organisation are specifically designed to align with and to support this philosophy. Sector and security selection opportunities are informed by disciplined bottom-up credit analysis and research from regional and sector teams around the world. The focus is to build transparent and liquid portfolios, which invest primarily in larger, well traded, transferable fixed-income securities, with derivatives used where appropriate for hedging and efficient portfolio management purposes.

ESG Research

ESG considerations are fully integrated into the Investment Manager's research, investment process and risk management. The Investment Manager's research analysts are responsible for providing fundamental analysis at the industry and issuer levels and opining on industry and issuer risk/reward characteristics. The Investment Manager's research analysts have designed proprietary frameworks that identify material E, S and G risks across sovereigns, various credit sectors and securitised fixed-income asset classes. The Investment Manager's proprietary research on issuers' ESG risks is used in the context of ensuring that, in addition to overall issuer assessment, securities held in the Fund that are classified as "sustainable investments" according to SFDR regulations do no signficant harm to any other environmental or social sustainable objectives. In addition, the Investment Manager utilises ESG data and issuer industry-exposure screens as part of its proprietary research to identify issuers that fail certain industry guidelines. These include the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, which are described in further detail in this annex. Furthermore, the assessment of ESG risks as part of the Investment Manager's fundamental research enables the Investment Manager to assess the key issues likely to affect the creditworthiness of issuers and to engage with issuers on ESG risks, as further described below.

The Investment Manager's research analysts document the E, S and G factors deemed relevant and financially material for each issuer. Analysts opine on the ESG factors' potential impact on the sustainability of the issuer's business model and on the risk premium associated with the issuer's securities that is appropriate for its ESG profile. The Investment Manager seeks to identify issuers with improving ESG profiles and avoid issuers with deteriorating ESG profiles and to assess the extent to which these profiles are appropriately reflected in security valuations. The Investment Manager believes that its research analysts are best equipped to analyse ESG factors in conjunction with traditional credit metrics given their deep expertise of the sectors and industries they cover.

Portfolio Construction

The primary responsibility of Investment Manager's portfolio managers is to synthesise the fundamental and relative value opinions of the research analysts with the input of the traders on liquidity and market technicals in order to construct a portfolio that reflects the Investment Manager's investment views within the context of each portfolio's guidelines and risk tolerance. Building on the rigorous ESG research conducted by the research analysts as outlined above, the Investment Manager constructs investment portfolios to capitalise on investment opportunities identified by the research analysts while adhering to investors' risk tolerance including the mitigation of ESG risks. The portfolio undergoes rigorous top-down analysis that draws on various metrics, including ESG considerations such that ESG factors are evaluated when setting the Invesment Manager's sector and issuer positioning across the portfolio. The Invesment Manager considers that issuers with superior ESG practices have a lower cost of debt, favourable future bond spreads and tend to experience lower drawdowns during periods of market stress, while the converse is considered true for issuers deemed to be lower in ESG quality. Further, the Investment Manager considers that poor quality ESG issuers are more likely to be adversely affected by developments such as legal sanctions, the introduction of new regulations, or shifts in consumer sentiment.

The Invesment Manager has developed a proprietary SDG framework that seeks to identify issuers that contribute to the advancement of the SDGs either through their issuance of bonds with sustainability-aligned use of proceeds or through their best-in-class sustainability practices. The Investment Manager uses various metrics to identify issuers that align with SDGs. Some of these metrics include, but are not limited to, the percentage of renewable energy production, water efficiency and recycling targets, the percentage of women on the board and the percentage of minorities in management roles. These metrics are compared with peers to understand if the issuer aligns with the relevant SDG. SDG themes covered include: Renewable Energy (SDG 7), Water Management (SDG 6), Resource Conservation (SDG 12, 13), Diversity and Inclusion (SDG 5, 8, 10) *and Health and Well Being (SDG 3). When identifying "best in class" issuers, the Investment Manager seeks to exclude issuers that suffer from very severe controversies so that issuers that qualify as "best in class" as per one metric but fail on another are not inadvertently selected.*

Risk Management

The Investment Manager incorporates an assessment of material ESG risks such as climate change – physical risks and transition risks from a move to a low carbon economy; human rights and supply chain management, product safety and security, diversity and development of talent, transparency, board structure and governance, to better assess the risks that are likely to affect creditworthiness and valuation. Therefore, every proprietary framework used for valuation identifies and assesses material E, S and G risks.

Post-investment, the research analysts monitor, evaluate and engage with companies relating to material ESG issues. Additionally, Invesment Manager has developed a proprietary methodology to conduct stress tests on the impact of climate change on investment portfolios to further support the investment process.

Engagement

Engagement with issuers' management allows the research analysts to obtain additional perspectives on ESG concerns that are inadequately addressed by existing policies and disclosures. The information gleaned through engagement provides important inputs into the Investment Manager's research. Although bondholders possess very different legal rights than shareholders, the Invesment Manager believes it can impact ESG practices given its role in determining issuers' cost of debt capital. As long-term, value-oriented investors, issuers that lag their peers in ESG practicies, in particular due to historical ESG deficiencies, may still be held in portfolios as long as the Investment Manager believes that the issuers' ESG profiles will improve. However, the Invesment Manager may avoid or hold less exposure to such issuers or require their securities to offer more compensation in the form of higher yields or wider yield spreads to government bonds. By reinforcing the linkage between ESG practices and the cost of capital in its meetings with issuer management, the Invesment Manager pushes issuers to improve their behaviour around material issues. The Invesment Manager's engagement process is aligned with the principles of the United Nations Global Compact. The Investment Manager principally seeks to engage with issuers on themes including:

- *Climate Risk and Environmental Management*
- *Diversity and Development of Talent*
- *Human Rights and Supply Chain Management*
- *Transparency in Reporting*
- *- Governance and Corporate Management*

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 are:

1. *the Fund's portfolio will have a minimum ESG rating of BBB as rated by MSCI;*
2. *the Fund will maintain a portfolio ESG rating higher than that of the investment universe;*
3. *the Fund's portfolio will have a weighted average carbon intensity 20% lower than that of the benchmark[1] (using Scope 1 and Scope 2 emissions), aligning with PAI indicators #3 and #15;*
4. *the Fund's aggregate exposure to issuers aligned with one or more SDGs will exceed 20%;*

[1] *ICE BofA Global Corporate 1 – 5 year AAA-A Global Large Cap Corporate 30% Financial Constrained Index). The Benchmark is not used for performance comparison purposes. The Fund is actively managed. The Benchmark is used by the Investment Manager to compare the weighted average of carbon emissions intensity of securities held within the Fund's portfolio*

5. *the Fund will not invest in:*

   a. *issuers that do not follow good governance practices, as determined by the Investment Manager having regard to the governance factors contained in the Prospectus section entitled "Sustainability Risk";*

   b. *issuers deriving over 5% of revenue from tobacco production and/or distribution and the production of nuclear weapons;*

   c. *issuers deriving over 10% of revenue from civilian firearms (manufacture or supply), conventional weapons or thermal coal mining (production or distribution);*

   d. *issuers that manufacture controversial weapons (anti-personnel landmines, biochemical weapons, blinding laser weapons, depleted uranium, incendiary weapons, and non-detectable fragments), own a controversial weapons company, or are owned by a controversial weapons company, aligning with PAI indicator #14;*

   e. *issuers that 'Fail' UN Global Compact and OECD principles based on internal research which seeks to identify gaps in issuers meeting their goals, aligning with PAI indicator #10; and*

   f. *state and/or sovereign issuers that fail to be designated as "free" by the Freedom House Index, aligning with PAI indicator #16;*

6. *the Fund will invest no more than 10% of its net assets in securities with MSCI ESG ratings of BB or below at the time of purchase;*

7. *the Investment Manager will apply ESG methodology to at least 80% of the securities in which the Fund invests*

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

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

There is no committed minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

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

The Investment Manager's research analysts assess board and senior management's experience, qualification, and diversity to determine leadership quality. Research analysts evaluate board independence to gauge the effectiveness of board oversight, issuer ownership structure, capital management, and bond covenants to protect against potentially conflicting interests of shareholders and deal sponsors to form a holistic assessment on the effectiveness of board oversight.

In addition, the Investment Manager's PAI tool helps to demonstrate strong sustainability attributes as measured by PAIs which has been detailed previously. Issuers that are deemed to have failed PAI indicator #10 and PAI indicator #14, as described above, will not be included in the Fund.

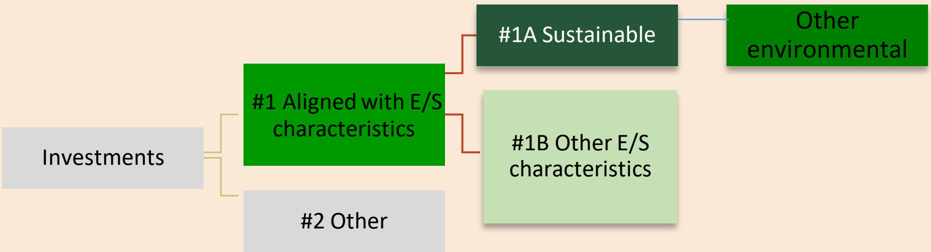
Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

The Investment Manager employs a binding proprietary ESG methodology which is applied to at least 80% of the Fund's portfolio. The remaining portion (<20%) of the portfolio is not aligned with the promoted characteristics and consists of liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds).

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.

Out of the Fund's portfolio segment which is aligned with the promoted environmental and/or social characteristics, the Fund undertakes a further commitment to invest a minimum of 1% of its portfolio to sustainable investments, with the portion of investments aligned with environmental and/or social characteristics



#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.

#2Other 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?

The Fund may invest in certain types of derivatives for investment purposes or efficient portfolio management purposes, but these do not attain the environmental or social characteristics of the Fund.

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

0%

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[2]?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

X No

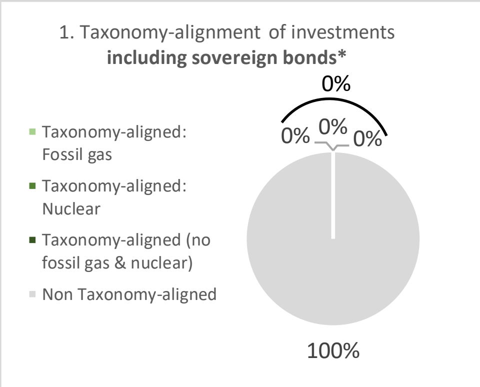
[2] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas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

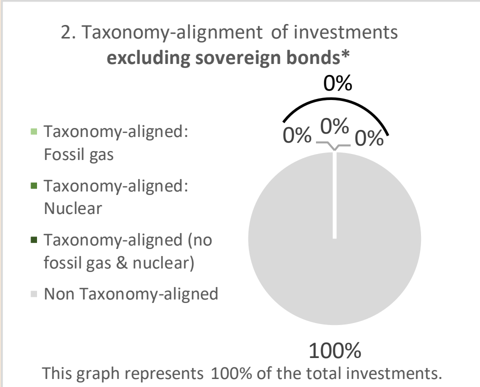
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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.

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?

0%

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

1%

What is the minimum share of socially sustainable investments?

0%

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

'#2 Other' includes cash and derivatives for which there are no minimum environmental or social safeguards.

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?

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

No

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

  N/A

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

  N/A

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

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

  N/A

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

  N/A

Where can I find more product specific information online?

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

http://www.franklintempleton.ie/90703