Product name: Franklin Responsible Income 2028 Fund **Legal entity identifier:** 254900FTK4TK4QA6CU84

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.

Environmental and/or social characteristics

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 11% 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**

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.

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

The environmental and/or social characteristics promoted by the Fund are:

- *promoting the transition to a low-carbon economy by avoiding investments in issuers that are lagging in the transition; and*
- *implementing negative screens as part of its investment process, as further detailed in the Investment Strategy section of this annex..*

Moreover, the Fund has a minimum allocation of 10% of its portfolio to sustainable investments in economic activities that contribute to environmental objectives and a minimum allocation of 1% of its portfolio to sustainable investments in economic activities that contribute to social objectives.

The Fund uses a variety of ways to assess its environmental and/or social performance, but does not use a reference benchmark to which it aligns the environmental and/or social characteristics that the Fund promotes.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

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

The sustainability indicators used to measure the attainment of each environmental or social characteristic promoted by the Fund are:

1. *Percentage of investments in green bonds;*
2. *Percentage of investments in social bonds;*

3. *Percentage of investments in sustainability bonds;*
4. *Percentage of investments in bonds issued by best-in-class issuers ("Environmental Champions");*
5. *Percentage of investment in issuers having exposure to, or tying with excluded sectors and additional exclusions further described in the investment strategy section of this annex;*
6. *Exposure to the Principle Adverse Impact (PAI) indicators; and*
7. *List of issuers, with which the Investment Manager engages.*

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 objective of the sustainable investments is, amongst others, to fund and promote:

a) *the efficient use of energy, raw materials, water, and land;*

b) *the production of renewable energy;*

c) *the reduction of waste, and greenhouse gas (GHG) emissions, and lower impact of economic activities on biodiversity;*

d) *the development of a circular economy;*

e) *tackling inequalities and fostering social cohesion;*

f) *social integration;*

g) *good labour relations; or*

h) *investments in human capital, including disadvantaged communities.*

The Fund's sustainable investments include a minimum allocation of 10% of its portfolio to sustainable investments in economic activities that contribute to environmental objectives.

This is achieved by investing in bonds labelled as "green" or in any other securities whose:

A) *proceeds are used on eligible environmental projects;*

B) *framework adheres to international standards (including but not limited to, the International Capital Market Association (the "ICMA") Green Bond Principles, future European Union Green Bond Standard (the "EU GBS")); and*

C) *issuers do not significantly harm other environmental and social objectives while demonstrating good governance practices.*

The use of proceeds for these bonds is clearly defined and aligned with the objectives above.

Additionally, the Fund commits to include a minimum allocation of 1% of its portfolio to sustainable social activities. This is achieved by investing in bonds labelled as "social" or in any other securities, whose:

A) *proceeds are used on eligible social projects;*

B) *framework adheres to international standards (including but not limited to, ICMA Social Bond Principles); and*

C) *issuers do not significantly harm other environmental and social objectives while demonstrating good governance practices.*

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 data tools and qualitative research to ensure alignment with the Do No Significant Harm (DNSH) principle across the portfolio.

*Corporate issuers are monitored using the Principle Adverse Impact Risk App ("**PAI Risk App**"). The PAI Risk App uses data from MSCI to identify issuers involved in harmful economic activities and/or controversies. Issuers deemed to violate PAI #7 (activities negatively affecting biodiversity-sensitive areas), #10 (violation of the UN Global Compact principles and the principles of the OECD Guidelines for Multinational Enterprises), and #14 (exposure to controversial weapons) are excluded from the Fund's investment universe.*

*The Investment Manager also uses the Energy and Environmental Transition Index ("**EETI**") which ranks the remaining issuers in the Fund's investment universe according to their GHG emissions and intensity. Issuers falling within the bottom 20% of their peer groups with respect to PAI #1 (GHG emissions) and #3 (carbon footprint) (for corporates) and PAI #15 (GHG intensity) (for sovereigns) are excluded from the investment universe.*

Additionally, sovereign issuers are subjected to tests based on their political liberties (PAI #16) and/or corruption.

When deploying funds to sustainable investments, especially with regards to the commitment to invest 11% of the Net Asset Value (NAV) in keeping with environmental and social objectives, the Investment Manager applies additional qualitative assessment (based on internal research or on external second party opinion) of the issuer's and of the projects' DNSH eligibility.

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?

Adverse impact indicators, including PAIs and other data points deemed by the Investment Manager as proxies for adverse impact, are used to:

a. remove issuers that are considered to do significant harm from the portfolio; and

b. inform the Investment Manager about the risk associated with adverse impact and take appropriate action – that includes due diligence, qualitative scrutiny and/or engagement (for details of an engagement see sections "Principal Adverse Impact" and "Investment Strategy"of the Fund of this annex).

While assessing eligible green and social bonds, the Investment Manager reviews and documents the materiality of relevant PAIs for the project as well as how the project's implementation affects the issuer's overall PAIs outlook.

For example, while investing in a green bond whose use of proceeds targets development of renewable energy sources, (e.g. solar/PV panels), the Investment Manager ascertains that financed projects score well on PAIs linked to GHG emissions.

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

For bonds issued by sovereign countries, the Organisation for Economic Cooperation and Development (the "OECD") Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights are not applicable to such investments. For bonds issued by corporate issuers, the sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Alignment is monitored using data from MSCI. Breaches identified by these service providers are flagged in the investment compliance system for subsequent investigation by the Investment Manager.

Where due diligence proves that the issuer is not aligned with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, it is deemed un-investable.

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, PAI indicators are considered for the purpose of:

(i) *identifying issuers deemed to be "Best-in-class";*

(ii) *restricting the Fund's investment universe; and*

(iii) *guiding thematic engagement.*

Identifying Best-in-class issuers

The Fund invests in bonds issued by corporates and sovereigns deemed by the Investment Manager to be "Environmental Champions". "Environmental Champions" are identified using two proprietary ESG rankings:

- *The EETI ranks sovereign issuers energy efficiency, natural capital conservation, renewable energy performance, using various data points, including GHG Intensity (emissions normalized by gross domestic product, CO2e/GDP).*
- *The ESG Credit App ranks corporate issuers by their GHG emissions and GHG intensity using various data points such as scope 1 and 2 GHG emissions, emitters' historic trajectories.*

Restricting Fund's investible universe

Sovereign issuers falling within the bottom 20% of the investment universe based on the EETI and corporate issuers falling within the bottom 20% (i.e. climate laggards) based on the ESG Credit App are also excluded from the portfolio.

Guiding thematic engagement

The Investment Manager commits to engage with 5% of active holdings which are considered as underperformers in terms of their aggregate exposure to applicable mandatory PAI metrics.

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

What investment strategy does this financial product follow?

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

The Fund employs a proprietary ESG rating methodology with the aim to avoid investment in issuers that are lagging in the transition to support a low-carbon economy. The ESG rating methodology is applied to at least 90% of the Fund's portfolio and is binding for the portfolio construction.

In relation to corporate issuers, the Fund uses a combination of external and internal data inputs to determine 'climate transition performance' (i.e. the extent to which an issuer is responding to the threat of climate change, for example by engaging in a combination of decarbonisation of products and services, establishing *low or no emissions infrastructure, and reducing or eliminating reliance on fossil fuels, including revenue generated from fossil fuels), including but not limited to issuers' direct emissions trajectory relative to peers, decarbonisation of product and services portfolio, and the assessment of opportunities in clean technology and energy.*

In relation to government and government-related issuers, the Fund uses a combination of data inputs to determine 'climate transition performance', including but not limited to issuers' environmental risk exposure and environmental risk management. These include data relating to energy resource management, resource conservation, water resource management, environmental performance, management of environmental externalities, energy security risk, productive land and mineral resources, vulnerability to environmental events and environmental externalities.

The Fund uses a selectivity approach in order to exclude from its portfolio issuers (corporates and sovereigns) that score in the bottom 20% of its investment universe in terms of these metrics.

In addition to the above, the Fund applies specific ESG exclusions. Across the entire portfolio, the Fund shall not invest in issuers that:

- *repeatedly and seriously violate the United Nations Global Compact principles, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises;*
- *have "Not Free" status according to the Freedom House Index[1] for sovereign issuers;*
- *manufacture controversial weapons such as those that are defined as being indiscriminate; or those that manufacture components intended for use in such weapons (PAI #14 (exposoure to controversial weapons));*
- *derive more than 5% of their revenue from production of conventional weapons;*
- *manufacture tobacco or tobacco products or those that derive revenue from such products that exceeds the Investment Managers' thresholds (5%);*
- *derive more than 5% of their revenue from gambling or adult entertainment;*
- *derive more than 5% of their revenue from the mining of thermal coal and its sale to external parties;*
- *derive unacceptable levels of revenue (5%) from the most polluting fossil fuels;*
- *exceed the Investment Manager's tolerance levels for fossil fuels (30%) or thermal coal (5%) used to generate electricity or lack ambitions decarbonization targets for electricity generation; and*
- *negatively affect biodiversity-sensitive areas (PAI #7 (activities negatively affecting biodiversity-sensitive areas);*
- *score an ESG rating of CCC according to MSCI.*

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

- ***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 commitment to invest at least 11% of the Fund's portfolio into sustainable investments, mainly but not limited to, investing in green bonds and social bonds;*
2. *The exclusion of the bottom 20% of the investment universe based on the EETI and ESG Credit App;*

[1] https://freedomhouse.org/countries/freedom-world/scores

3. The commitment to engage with the 5% of active holdings which are considered as underperformers in terms of their PAI metrics; and

4. The application of the ESG exclusions further described in the investment strategy section of this annex

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

The Fund excludes from its portfolio issuers that score in the bottom 20% of its investment universe, based on EETI (sovereign issuers) and the ESG Credit App (corporate issuers).

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?***

Assessment of good governance is achieved on both quantitative and qualitative levels.

For the quantitative assessment of corporate and sovereign issuers, the issuers not following governance practice are determined using data points included into PAI Risk App and are deemed un-investible.

For the qualitative assessment of corporate issuers, the Investment Manager considers governance factors, such as board composition (including but not limited to gender, independence, skill set), governance practices or shareholders protection.

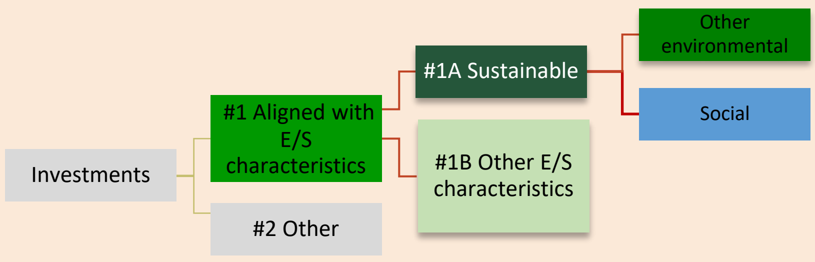
For qualitative analysis of sovereign issuers, the Investment Manager investigates factors such as political liberties, rule of law, government effectiveness, among others.

Issuers not passing PAI Risk App initial test and/or with qualitatively assessed governance deficiencies are deemed un-investible. .

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 90% of the Fund's portfolio. The remaining portion (<10%) 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).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 11% 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.

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?

For asset-based derivatives, the Investment Manager subjects the asset to all relevant ESG screenings. The ESG screenings depend on the nature of the asset.

If it is impossible to determine the ESG quality of the underlying asset because of its nature (e.g., currency forwards for hedging purposes), the Investment Manager assesses the ESG credentials of a derivative contract counterparty. If a counterparty is a subsidiary without separate ESG reporting scheme, the ESG characteristics of a parent company apply. The Fund does not engage in derivatives with financial institutions which do not meet the Investment Manager's ESG criteria. To qualify as eligible counterparty, a financial institution must meet at least two of the following criteria:

• MSCI ESG rating of BBB or above – or in absence of MSCI rating, being above industry average rating as judged by alternative third party ESG data providers;
• Signatory to the Equator Principles;
• Signatory to Task Force on Climate-Related Financial Disclosures;
• Is committed to set a SBTi Target.

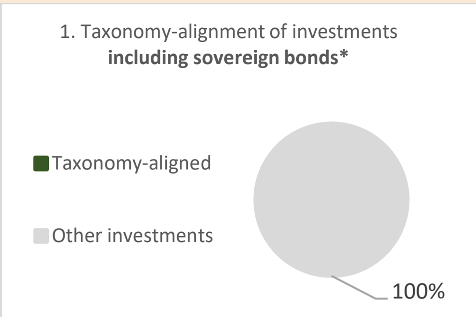
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

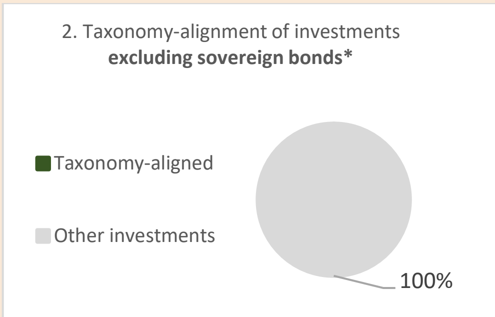
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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

The Fund does not commit to make sustainable investments with an environmental objective aligned to the EU Taxonomy and so the minimum for the Fund is 0%

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?

The Fund does not commit to making sustainable investments in transitional and enabling activities and so the minimum for the Fund is 0%

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 sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

10%

What is the minimum share of socially sustainable investments?

1%

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

The "#2 Other" investments include liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) held for the purposes of servicing the day-to-day requirements of the Fund.

No minimum environmental and/or social safeguards have been put in place.

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

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?***

  N/A

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

  N/A

- ***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:

www.franklintempleton.lu/35080