

Sustainability-related disclosures for Private Suite - Franklin Emerging Corporate Bond

This document provides you with a summary of sustainability-related information available on our website about this financial product. It is prepared in relation to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088. The information disclosed is required by law to help you understand the sustainability characteristics and/or objectives and risks of this financial product.

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<p>Summary</p>	<p>This Sub-fund promotes environmental or social characteristics. The Investment Manager identifies the sustainable investments according to SFDR on the basis of UN SDGs as described in more detail below in the section "Methodologies". No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund. The indicators used to measure the attainment of each of the environmental or social characteristic promoted by the Sub-fund are:</p> <ul style="list-style-type: none"> • the binding restrictions in the investments in securities that are on the exclusion list as result of the application of the exclusion policy. The Investment Manager excludes investment in sectors which deems to be harmful from an SRI/ESG perspective or which do not follow good governance practices. The Sub-fund complies with an exclusions policy which refers to: i) the production, maintenance, sales and storage of weapons of mass destruction (WMD); and ii) the extractive activities, production and distribution of electricity connected with thermal coal, the energy source among fuels which represents the highest contributor in terms of carbon dioxide emissions; therefore, issuers deriving at least 25% of their revenues from these activities are excluded. The exclusion is extended to those issuers in breach of the Principles of the UN Global Compact which include principles relating to human rights, labour conditions, environmental issues and anti-corruption practices; • the ESG rating of the portfolio. <p>To undertake the ESG rating analysis, sustainable characteristics of the underlying investments are defined by reference to a combination of data generated internally by the Investment Manager's proprietary models and data provided by external ESG research providers. The assessment of the good governance practices is a central pillar of the investment process adopted by the Investment Manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy. The good governance assessment takes into account sound management structures, employee relations, remuneration of staff and tax compliance.</p> <p>In order to guarantee compliance with the strategies adopted to promote environmental and social characteristics, the Investment Manager relies on external info-providers. The Investment Manager's approach includes the adoption of strategies in line with the Principles for Responsible Investing. These strategies can be integrated into different steps of the investment process and they are based on exclusion criteria (for Issuers operating in non-socially responsible sectors or exposed to ESG risk) and in the integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy. In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments that meet the ESG criteria (in terms of ESG rating coverage) should be at least 50% of the portfolio (box #1 Aligned with E/S characteristics).</p> <p>The remaining proportion (50% corresponding to the box #2 Other) of the investments (not included in the investments for promoting environmental or social characteristics) should be limited to:</p> <ul style="list-style-type: none"> • cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes; • derivatives which may be held for risk balancing purposes and efficient portfolio management but not for promoting environmental and social characteristic; • securities for which relevant data is not available.
<p>No sustainable investment objective</p>	<p>This Sub-fund promotes environmental or social characteristics, but does not have as its objective sustainable investments.</p>
<p>Environmental or social characteristics of the financial product</p>	<p>The main environmental and social characteristics promoted by the Sub-fund through the Investment Manager's ESG methodology are the following:</p> <ul style="list-style-type: none"> • Environmental: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint, climate change vulnerability), pollution & waste prevention (with reference to toxic emissions & waste, packaging material & waste, electronic waste), environmental opportunities (in clean tech, in renewable energy); • Social: human capital (labor management, health & safety, human capital development, supply chain labor standards), product liability (product safety & quality, chemical safety, consumer financial protection, privacy & data security, responsible investment, health & demographic risk), social opportunities (access to communications, access to finance, access to health care, opportunities in nutrition & health), stakeholder opposition (controversial sourcing, community relations). <p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p>
<p>Investment strategy</p>	<p>The Investment Manager's approach includes the adoption of strategies in line with the Principles for Responsible Investing. These strategies can be integrated into different steps of the investment process and they are based on exclusion criteria (for Issuers operating in non-socially responsible sectors or exposed to ESG risk) and in the integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy.</p> <p>Good governance assessment</p> <p>The investment manager assesses each mandates' corporate holdings for governance practices using its good governance test as described in the Methodologies section. If a company has been assessed as not passing the good governance test, it is not a permitted investment for the mandates and therefore cannot be purchased.</p>

	<p>If an existing holding in the mandates are later deemed to no longer meet the good governance standard, this position will be addressed in line with the in line with mandates' Guidelines.</p>
Proportion of investments	<p>In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments that meet the ESG criteria (in terms of ESG rating coverage) should be at least 50% of the portfolio (box #1 Aligned with E/S characteristics). The remaining proportion (50% corresponding to the box #2 Other) of the investments (not included in the investments for promoting environmental or social characteristics) should be limited to:</p> <ul style="list-style-type: none"> • cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes; • derivatives which may be held for risk balancing purposes and efficient portfolio management but not for promoting environmental and social characteristic; • securities for which relevant data is not available.
Monitoring of environmental or social characteristics	<p>The Investment Manager monitors on an ongoing basis the ESG scoring of the portfolio versus the benchmark. The ongoing control of the other negative screening criteria, such as the restrictions to the investment in issuers characterised by:</p> <ul style="list-style-type: none"> • an ESG rating equal to "CCC", classified according to the proprietary rating methodology of the external provider MSCI, which contemplates a range of values going from "AAA", for the best rated issuers, to "CCC" for the riskiest issuers. • a severe and serious dispute equal to "Red", classified according to the proprietary methodology of the external provider MSCI, that indicates an ongoing very severe ESG controversy (a controversy having a social and/or environmental impact) involving a company directly through its actions, products or operations (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions). is guaranteed by the ex-ante limitations to the management activity of the fund managers.
Methodologies	<p>Responsibility for the content and maintenance of the T. Rowe Price Exclusion List, the investment manager's proprietary responsible screen, lies with the investment manager. The investment manager's investment compliance team loads the TRP Exclusion List and other exclusion categories detailed in the Guidelines into the internal investment compliance system. The investment manager has incorporated binding controls into the investment compliance system, which governs active trading in any of the companies featured in the TRP Exclusion List and other exclusion categories outlined in the mandates' Guidelines.</p> <p>The investment manager uses a two-step process to assess governance practices of the investee companies:</p> <ul style="list-style-type: none"> – quantitative review using the investment manager's good governance test which consists of weighted pillars designed to measure specific corporate governance risks, rolled up to an overall rating – qualitative review undertaken by the governance team when a company's good governance test rating is red and taking into account market and sector norms.
Data sources and processing	<p>Data sources for promoting E/S characteristics The data source used to attain E/S characteristics of the mandates is the T. Rowe Price Exclusion List and other exclusion categories outlined in the mandates' Guidelines.</p> <p>Measures to ensure data quality Responsibility for the content and maintenance of the T. Rowe Price Exclusion List, the investment manager's proprietary responsible screen, lies with the investment manager. The investment manager is responsible for implementing data quality and processing controls of its internal systems. The investment compliance team monitors that the T. Rowe Price Exclusion List and other exclusion categories outlined in the mandates' Guidelines have been successfully imported and any import errors are escalated for resolution as outlined in the mandates' Guidelines.</p> <p>Data processing Responsibility for the content and maintenance of the T. Rowe Price Exclusion List, the investment manager's proprietary responsible screen, lies with the investment manager. The investment manager's investment compliance team loads the T. Rowe Price Exclusion List and other exclusion categories detailed in the Guidelines into the internal investment compliance system. The investment manager has incorporated binding controls into the investment compliance system, which governs active trading in any of the companies featured in the T. Rowe Price Exclusion List and other exclusion categories outlined in the mandates' Guidelines.</p> <p>Estimated data The investment manager typically uses a company's reported revenue data (or a bond's use of proceeds) when applying its framework for assessing whether the activity is contributing to an E/S objective. This data is obtained either directly from the company's reports, through third-party vendors (which rely on reported data), or through engagement with the issuer where it does not report publicly. In extremely rare/exceptional circumstances, the investment manager may rely on its own research to estimate the contribution to an E/S objective. However, the data that the investment manager relies on to perform the good governance tests is a mixture of reported and estimated data. In the cases where there is a complete lack of vendor data the good governance tests, the investment manager will rely on alternative or proxy indicators. If there is no appropriate alternative, and if the investment manager does not believe it can reasonably estimate it, then the investment manager would not deem the issuer to pass the affected test. Depending on the fund's strategy and/or on the issuers held in a fund at a given point in time, the proportion of data that are either reported or estimated by the third-party data vendors can vary.</p>
Limitations to methodologies and data	<p>Attainment of the E/S characteristics of the mandates depends on the content of the T. Rowe Price Exclusion List and other exclusion categories outlined in the mandates' Guidelines.</p>

	<p>Compared with traditional financial data, evaluating E/S factors brings distinct challenges. This is because many of these factors are qualitative in nature and due to many quantitative data sets being underdeveloped (i.e. limited disclosure and lack of standardisation).</p> <p>Although the level of disclosure of E/S data has improved, there is divergence among regulators on which data points will be required from corporations and the standards they must employ when disclosing. This can lead to a lack of commonality between companies on what they disclose. Because of these “disclosure gaps,” it can be very difficult to apply a consistent assessment of a company’s profile based solely on quantitative data.</p> <p>Additionally, data from a particular source, for example, the data coming from the companies directly, may be incomplete, biased or incorrect. Data comparisons can often identify such situations, but often there is not enough data to compare against. In some cases, metrics that appear to be comparable may have been derived using non-comparable measurements. Any of these issues could leave a fund’s promotion of E/S characteristics and exclusion process potentially vulnerable to data flaws.</p> <p>To help improve disclosure, the investment manager guides and encourages companies toward industry best practice disclosure standards. To this end, it advocates for disclosures aligned to the Sustainability Accounting Standards Board (“SASB”) and the Task Force on Climate-Related Financial Disclosures (“TCFD”) – both globally recognised frameworks that emphasise financial materiality.</p> <p>The investment manager believes that any limitations as described in this disclosure, in relation to data and/or methodologies, do not affect the mandates’ ability to attain its E/S characteristics. This is because the investment manager typically uses a wide range of data inputs to inform its assessment of prospective investments and monitoring on an ongoing basis, including where available, actual company-reported data. Where sufficient data is not available, cannot be estimated, or a qualitative assessment is not possible, the security will not be rated.</p>
<p>Due diligence</p>	<p>The investment manager evaluates and continually monitors existing and new investments using the following due diligence processes:</p> <p>Exclusionary screening The mandate is screened against the T. Rowe Price Exclusion List and other exclusion categories outlined in the mandates’ Guidelines. The investment manager conducts compliance reviews on an on-going basis throughout the year to ensure the mandate is subject to these exclusions and reports periodically to the client. In order to monitor potential exposure, investment compliance team utilises the internal compliance monitoring system which flags any securities within the T. Rowe Price Exclusion List and other exclusion categories outlined in the mandates’ Guidelines.</p> <p>The application of the T. Rowe Price Exclusion List to the mandate excludes or restricts holdings in companies the investment manager believes to be harmful to the environment or society. Companies are excluded according to criteria specified across the following categories:</p> <p>Controversial Weapons: Companies that have direct exposure to anti-personnel land mines, cluster munitions, incendiary weapons, biological weapons, chemical weapons and/or nuclear weapons; which is defined as either:</p> <ul style="list-style-type: none"> • the company is developing, producing, maintaining, distributing, storing or providing another service for a cluster munition, anti- personnel land mine, incendiary, biological, chemical and/or nuclear weapon; • the company is developing, producing or providing another service for a component primarily developed for use in a cluster munition, anti-personnel land mine, incendiary, biological, chemical and/or nuclear weapon; • the company is developing, producing or providing another service specialized or customized for the deployment of a cluster munition, anti-personnel land mine, incendiary, biological, chemical and/or nuclear weapon; or • the company has an ownership stake of more than 50% in a company with direct exposure to cluster munitions, anti- personnel land mines, incendiary, biological, chemical and/or nuclear weapons <p>Tabacco:</p> <ul style="list-style-type: none"> • Companies that have direct exposure to the manufacturing of tobacco and/or key tobacco components. <p>Coal:</p> <ul style="list-style-type: none"> • Companies that derive more than 5% of their revenues through the production of thermal coal. <p>Assault-style weapons:</p> <ul style="list-style-type: none"> • Companies that manufacture or retail semi-automatics or “assault-style” weapons. <p>Adult entertainment:</p> <ul style="list-style-type: none"> • Companies that derive more than 5% of their revenues through the retail or production of adult entertainment. <p>Gambling:</p> <ul style="list-style-type: none"> • Companies that derive more than 5% of their revenues from direct gambling operations. <p>Conduct-Based:</p> <ul style="list-style-type: none"> • Corporate or sovereign issuers that, in the opinion of the investment manager, have been involved in an extreme environmental, social, ethical or governance breach as determined in reference to the UN Global Compact principles and are not taking adequate steps to remediate the issue. <p>Restrictions are automated within the investment manager’s internal investment compliance system. Adherence to these are monitored by its investment compliance team on a pre-trade, post-trade and portfolio basis. Any compliance breaches identified are appropriately escalated. In addition, the constituents of the T. Rowe Price Exclusion List are monitored by the investment manager’s ESG specialists using third-party data. While changes can be made at any time, a full review is conducted quarterly. There may be circumstances where the mandate has some limited, indirect, exposure to an issuer involved in the excluded categories. An example of these circumstances could include an investment in an instrument that gives exposure to an index.</p> <p>ESG integration</p>

	<p>The investment manager incorporates ESG considerations across its investment platform. ESG factors are a component of the investment decision meaning that they are considered alongside other investment factors such as valuation, financials, industry trends, and macroeconomics.</p> <p>Integration of the ESG factors into the mandates' investment process starts with the initial research at the inception of an investment idea and continues through the life of the investment. This analysis is applied to multiple stages and includes such steps as:</p> <ul style="list-style-type: none"> • identification and monitoring of ESG data for security analysis • consideration of ESG risks or "red flags" through fundamental analysis • consideration of ESG risks and/or opportunities in portfolio construction • engagement with government officials, boards, managements, or non-financial stakeholders as appropriate <p>The process of ESG integration takes place on two levels:</p> <p>1. Research and analysis. The investment manager has dedicated specialists in ESG and regulatory research who work closely with its analysts and portfolio managers. The ESG specialists provide research at the security level and on thematic topics. Their ESG analysis is both quantitative and qualitative, using the investment manager's proprietary RIIM framework to leverage ESG datasets and generate an ESG profile for issuers under consideration. RIIM hence forms the foundation of the ESG integration process, its key benefits being:</p> <ul style="list-style-type: none"> • a uniform standard of due diligence on ESG factors across our investment platform • establishing a common language for analysts, portfolio managers, and ESG specialists to discuss how an investment is performing in relation to ESG matters and to compare securities within the investment universe <p>The quantitative set of proprietary RIIM scores is an important starting point in the ESG evaluation process, as it helps to quickly identify any outliers, both positive and negative. The ESG specialists then conduct in depth fundamental analysis on flagged issuers to determine ESG factors' materiality and potential impact on an investment. This may involve additional quantitative inputs as well as qualitative insights and is often conducted in close collaboration with the investment manager's equity and credit analysts.</p> <p>2. Portfolio manager assessment. The primary responsibility for integrating ESG factors into investment decision making lies with the investment manager's analysts and portfolio managers. The portfolio managers balance ESG factors with other investment factors in the mandates and screen their portfolios using RIIM analysis at regular intervals. They leverage the investment manager's ESG specialists research to assist them in analysing the sustainability risks and opportunities. This helps them understand the ESG characteristics of their mandates and makes them aware of any elevated exposures to specific ESG factors.</p> <p>PAI of investment decisions on sustainability factors</p> <p>The investment manager's portfolio managers are required to take into account the PAI of each investment decision on sustainability factors in relation to the selection and ongoing monitoring of investments. This is one of multiple factors that are taken into account before an investment decision is taken, and in most instances investment decisions are not made based solely on PAIs.</p> <p>The investment manager's portfolio managers are able to view the PAI profile of securities within their investment universe on a dynamic basis. Additionally, they can assess related indicators within RIIM that link to the PAI on an individual issuer basis. These select indicators are utilised based on the portfolio managers' view of their investment relevance (i.e., ability to provide investment insights). Some indicators are applied to the entire investment universe, while others are applied to the sub-industries or industries where they see investment relevance. Portfolio managers will look at each of the PAI indicators individually to determine whether or not they are providing a reasonable indication of the aggregated impact of a portfolio manager's investment decisions on that specific indicator. In conducting their evaluation of each PAI indicator, the portfolio managers endeavour to understand the severity of that indicator across their holdings in industries where that indicator will be most significant. Each of the PAI indicators has varying levels of significance across industries. The investment manager's ESG specialists will discuss the PAI profile of the mandates with the respective portfolio managers during review meetings at least once per year in order to aid in the assessment and prioritisation of the PAIs for stewardship and/or investment activity.</p> <p>Further controls</p> <p>At a higher level, the investment manager's internal audit team uses a risk-based methodology to identify key areas of focus and reviews the areas on a periodic basis based upon an overall risk score. The review may include, but is not limited to:</p> <ul style="list-style-type: none"> • factors, such as E/S information, used to make responsible investing decisions are consistently applied • data entry in internal systems is performed accurately and in a timely manner • override of exceptions within investment compliance system are documented and performed accurately
<p>Engagement policies</p>	<p>With the aim of preventing, containing and managing the main adverse impacts of investment decisions on sustainability factors, the Management Company conducts engagement actions - both individual and collective with other investors - and exercises its voting rights on the issuers in its portfolio, in order to create awareness and orient the issuers' behaviors towards specific sustainability issues, according to the times and methods formalized in its "Engagement Policy" and in the "Strategy for the exercise of the attendance and voting rights attached to the financial instruments held by the UCITS under management".</p> <p>In this case, the Company informs the issuer about the identified criticalities, directing its decisions towards their immediate reduction. If these actions are not addressed in an effective and timely manner by the issuer, the Company evaluates to initiate specific reduction or disposal initiatives, even of a progressive nature, of the investment in these issuers.</p> <p>The initiatives carried out and the decisions taken regarding these activities are reported and formalized in order to guarantee a thorough traceability of the decision-making processes and outcomes</p>

Designated reference benchmark	No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund .
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