

Franklin U.S. Opportunities Fund (the "Fund")

Legal Entity Identifier: YWFJZZO29TGGRF43SH58



**FRANKLIN
TEMPLETON**

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

YES

NO

It made **sustainable investments with an environmental objective**: 0.00%

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 made **sustainable investments with a social objective**: 0.00%

It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 33.67% 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 promoted E/S characteristics, but **did not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not



To what extent were the environmental and/or social characteristics promoted by this financial product met?

The environmental and/or social ("E/S") characteristics promoted by the Fund were specific to each company and industry in which the Fund operated. These characteristics consisted of inter alia, support of human capital, diversity and inclusion, employee satisfaction and/or environmental-related aspects (e.g., carbon emissions, water usage, and e-waste). Franklin Advisers, Inc. (the "Investment Manager") sought to attain these characteristics by excluding certain issuers and sectors considered by the Investment Manager as harmful for the society while favouring issuers with a good environmental, social and governance (the "ESG") profile, as captured by its proprietary ESG methodology.

The Fund allocated 99.16% of its assets to investments aligned with E/S characteristics.

How did the sustainability indicators perform?

The Fund successfully met the E/S characteristics it promoted by not owning companies rated B under the Investment Manager's proprietary criteria, as well as avoiding excluded companies as identified through the Investment Manager's analysis.

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

Sustainability KPI Name	Sustainability KPI historical comparison		
	2025	2024	2023
The share of companies rated AAA by proprietary ESG methodology	7.45%	10.44%	12.74%
The share of companies rated AA by proprietary ESG methodology	53.57%	50.93%	56.20%
The share of companies rated A by proprietary ESG methodology	38.99%	38.64%	30.14%

Sustainability KPI Name	Sustainability KPI historical comparison		
	2025	2024	2023
The share of companies rated B by proprietary ESG methodology	0.00%	0.00%	0.93%
The share of companies having exposure to, or tying with excluded sectors and additional exclusions	0.00%	0.00%	0.00%

... And compared to previous periods?

The performance of the sustainability indicators were largely consistent with the prior period. The portfolio's allocation to the highest rated names (AAA) declined slightly due to the closure of some positions in AAA names in favour of increasing positions in AA rated securities. These moves were driven by assessments of risk/reward and relative valuation, rather than ESG concerns.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The sustainable investments made by the Fund are in equity securities issued by companies which derive at least 25% of their revenues from products or services that address at least one of the 17 United Nations Sustainable Development Goals (UN SDGs) (source: MSCI and internal assessment); or gain and maintain Science Based Target Initiative (SBTi) approved carbon emission reduction targets or equivalent and are thus considered as contributing to fighting against climate change.

The Fund's sustainable investments tended to be either those with carbon reduction plans, or those supporting SDG 3 – Good Health and Well Being.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

The Investment Manager uses a combination of third-party (MSCI) Do No Significant Harm ("DNSH") test, United Nations Global Compact (UNGC) compliance test, Principal Adverse Impacts (PAI) considerations, and other ESG factors deemed material by the Investment Manager and which are embedded in the Investment Manager's fundamental research and proprietary ESG analysis to review if investments cause significant harm to any sustainable investment objective.

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

When assessing compliance of the Fund's sustainable investments with the DNSH 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.

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

The Fund's sustainable investments portion will not be invested in companies that, according to MSCI, do not observe the main international conventions (UNGC principles (the "UNGC Principles"), Organisation for Economic Cooperation and Development (the "OECD") Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights). Exceptions can only be made after formal review of alleged violations has been carried out and where the Investment Manager either disagrees with the conclusion that the company is complicit in violations of the principles of such conventions or has determined that the company has made and implemented positive changes deemed satisfactory to appropriately address the deficiency/violation.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union 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.

How did this financial product consider principal adverse impacts on sustainability factors?

The Fund specifically considered the following principal adverse impacts (the "PAIs"):

- Scope 1 and Scope 2 greenhouse gas emissions;
- Scope 1+2 and material Scope 3 greenhouse gas emissions intensity; and
- Board gender diversity.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



The consideration of the specified PAIs was tied to the Fund's fundamental investment analysis as well as the Fund's ESG assessment of investee companies. The Investment Manager believes that these PAIs were applicable to the widest range of the Fund's investments and represented the largest opportunity set for engagement.

With regards to greenhouse gas emissions, the Investment Manager was committed to engage with the investee companies to ensure they were establishing and committing to greenhouse gas emissions reductions plans, that are in accord with science based long term goals of net-zero emissions by 2050. The Investment Manager worked with companies to move them up to the scale of committing to align with net zero targets, aligning their emissions with net zero, being aligned to achieve net zero, and reaching net zero emissions. While the Investment Manager understood that, in the short-term, absolute emissions may increase for some companies as they work on transition plans, therefore, the consideration of greenhouse gas emission intensity helped the Investment Manager to monitor that overall companies' greenhouse gas emissions were trending in a direction aligned with greenhouse gas emissions reductions over time.

With regards to board gender diversity, the Investment Manager was committed to engage with the investee companies to ensure their boards are representative of the customers they serve as the Investment Manager believed this helped them to better understand their consumer base, create better products, and ultimately be more efficient companies. Initially, the Investment Manager worked to identify companies that did not have board gender diversity and set time-based thresholds for drafting a plan to increase board gender diversity. The Investment Manager believed it is reasonable to increase the acceptable level of board gender diversity over time and engaged with companies that were laggards relative to their industry peers.

For the above PAIs, the Investment Manager initially baselined the portfolio and investee companies and looked to drive improvement on both fronts over time through engagement. The Fund was engaged with investee companies to set and follow science-based emissions reductions targets and sought to follow a portfolio coverage approach, with increasing weight in companies that have achieved net zero greenhouse gas emissions, were aligned with net zero or are aligning. The goal for the portfolio is to achieve 100% in these categories by 2040. For board gender diversity, the Fund engaged with all companies that lacked any gender diversity with an expectation for them to develop at minimum a plan to increase board gender diversity within 18 months. The Investment Manager intends to increase the expectations of board gender diversity over time. Consequences of a lack of improvement on these measures for investee companies eventually include divestment if the Investment Manager does not see a path for improvement.

Finally, the Fund excluded companies that produce or distribute controversial weapons or who failed to comply with the United Nations Global Compact Principles (the "UNGC Principles") without positive outlook for remediation.



What were the top investments of this financial product?

The largest investments of this Fund during the reference period, excluding cash, were:

Largest investments	Sector	% of Assets	Country
NVIDIA CORP	Information Technology	7.48%	United States
Meta Platforms Inc	Communication Services	6.70%	United States
AMAZON.COM INC	Consumer Discretionary	6.50%	United States
APPLE INC	Information Technology	5.24%	United States
MICROSOFT CORP	Information Technology	5.11%	United States
MASTERCARD INC	Financials	3.22%	United States
Broadcom Inc	Information Technology	2.82%	United States
Eli Lilly & Co	Health Care	2.76%	United States
AXON ENTERPRISE INC	Industrials	2.54%	United States
NETFLIX INC	Communication Services	2.13%	United States
ALPHABET INC	Communication Services	2.08%	United States
SERVICENOW INC	Information Technology	1.94%	United States
INTUITIVE SURGICAL INC	Health Care	1.77%	United States

The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is - 2024-07-01 - 2025-06-30.



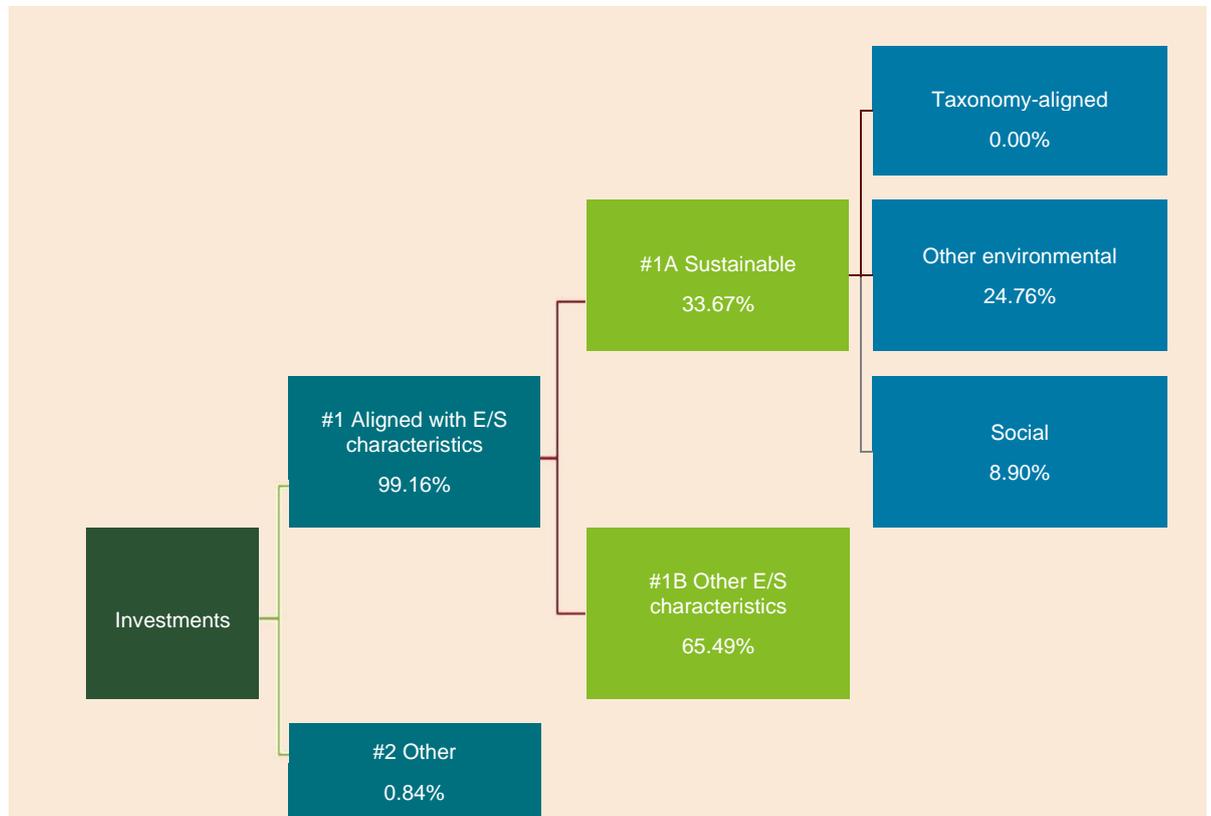
What was the proportion of sustainability-related investments?

The proportion of sustainable investments was 33.67%.

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

99.16% of the Fund's portfolio was aligned with the E/S characteristics promoted by the Fund. The remaining portion (0.84%) was not aligned with the promoted characteristics and consisted primarily of liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) not aligned with the promoted 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.

#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 environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Investment Category	Asset Allocation historical comparison		
	2025	2024	2023
#1 Aligned with E/S characteristics	99.16%	98.78%	99.07%
#2 Other	0.84%	1.22%	0.93%
#1A Sustainable	33.67%	N/A	N/A
#1B Other E/S characteristics	65.49%	98.78%	99.07%
Taxonomy-aligned	N/A	N/A	N/A
Other environmental	24.76%	N/A	N/A
Social	8.90%	N/A	N/A

● ***In which economic sectors were the investments made?***

The top sectors and sub-sectors of this Fund during the reference period, excluding cash, were:

Top sector	% of Assets
Information Technology	38.45%
Communication Services	13.83%
Consumer Discretionary	12.59%
Health Care	11.08%
Industrials	10.93%
Financials	6.71%
Consumer Staples	2.75%
Materials	2.26%
Real Estate	0.55%
Top sub-sector	% of Assets
Software	17.42%
Semiconductors & Semiconductor Equipment	13.48%
Interactive Media & Services	9.68%
Broadline Retail	6.50%
Technology Hardware, Storage & Peripherals	5.24%
Entertainment	3.51%
Capital Markets	3.49%
Aerospace & Defense	3.27%
Financial Services	3.22%
Health Care Equipment & Supplies	2.96%
Pharmaceuticals	2.90%
Hotels, Restaurants & Leisure	2.75%
Health Care Providers & Services	2.62%
Specialty Retail	2.10%
Life Sciences Tools & Services	1.99%

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully 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.

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 the green operational activities of investee companies.



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

Not applicable.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy?¹

- Yes
 In fossil gas In nuclear energy
 No

The graphs below show in green the percentage of investments that were 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 was the share of investments made in transitional and enabling activities?

Not applicable.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

Not applicable.

are sustainable investments with an environmental objective that **do not**



What was the share of sustainable investments with an environmental objective not aligned with the EU taxonomy?

24.76%

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -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.

take into account the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.



What was the share of socially sustainable investments?

8.90%



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

The proportion of investments under ‘#2 Other’ was 0.84% and included liquid assets held for the purposes of servicing the day-to-day requirements of the Fund. It also includes investments for which there is insufficient data for them to be considered ESG-related investments. Due to the neutral nature of the asset, no minimum safeguards have been put in place.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

Through its ESG analysis, the Investment Manager identified companies that would be excluded under the binding criteria and avoided investing in them. The Fund did not invest in companies that, according to the Investment Manager’s analysis:

- Seriously violate the UNGC Principles (without positive perspective) - for that purpose, the Fund did not invest in companies which the Investment Manager assessed as fail under the UNGC Principles;
- Generate more than 10% of revenue from the production and/or distribution of weapons;
- Are involved in the production, distribution or wholesale trading of dedicated and/or key components of banned weapons (i.e., antipersonnel mines, biological and chemical weaponry, cluster munitions and nuclear weapons);
- Manufacture tobacco or tobacco products or those that derive more than 5% of their revenue from such products;
- Generate more than 10% of their revenue from thermal coal extraction or coal-based power generation.

For companies where engagement was applicable related to specific PAIs the Investment Manager initiated engagements, encouraging, amongst others, companies to set targets for emissions reductions in line with the Paris Agreement or to improve the gender diversity of the board. The Investment Manager believes that given the timeframe from engagement companies should have additional time to begin implementing improvement plans before undertaking additional steps, including divestment.

Finally, the Investment Manager did make use of its proprietary ESG rating methodology. This rating assigned to issuers by the Investment Manager comprises four grades: AAA (best in class/very good), AA (good), A (fair) and B (needs improvement). Based on this proprietary framework, the Fund did not invest in companies that were rated B.



How did this financial product perform compared to the reference benchmark?

Not applicable.

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