An update on our ESG scores

Templeton Global Macro Views – April 2026

Not FDIC Insured | No Bank Guarantee | May Lose Value

In this issue

In Global Macro Views, Templeton Global Macro (TGM) publishes updates on its sovereign environment, social and governance (ESG) research twice a year. These updates serve to discuss changes to ESG index methodology and scoring outcomes and context, as well as to reiterate long-standing views on the relevance of these factors—and a preference to include them on a forward-looking basis—in sovereign fixed income investing.

In this **April 2026** version of the publication, we discuss an evolving country universe as we initiate active analyst coverage on Kyrgyzstan, Papua New Guinea and Bolivia. We now actively cover 103 countries, out of our universe of 130 countries. On the index methodology side, a significant change is introducing the United Nations Development Programme (UNDP) Human Development Index to replace the World Bank Human Capital Index, which had not been updated since 2020. This recalibrates the human capital category from future growth potential to current development outcomes.

Finally, we discuss the latest score updates in some detail. Here, we continue to observe parts of developed Europe on a negative score trajectory, while Asia has mixed results and a number of frontier markets are making positive strides. The number of countries showing positive momentum increased, but so did those showing negative momentum, indicating greater variability in projected paths. This is consistent with TGM's view of ongoing global shifts that will lead to diverse and potentially divergent outcomes for countries impacted.

A recap of TGM's ESG philosophy and scoring process

1. **Integration:** We believe ESG is most effective as an investment tool when fully integrated into the other components of research, including traditional economic analysis and in-person visits with policymakers, which help form our core macroeconomic views on a country. ESG factors are integrated into our analysis of economic issues such as growth and inflation, and are also actively considered in the portfolio construction process.
2. **Forward-looking:** We focus on forward-looking data points rather than current ESG performance, which is strongly correlated with income levels. We believe momentum, as measured by the change in score, is the measure that truly matters for both investment performance and for where capital can be deployed to generate the most positive impact.
3. **Focus on the tails:** ESG is an important tool for identifying investment opportunities and for highlighting areas of risk. Within TGM, we are most interested in the projected "tails," which signal major ESG shifts in either direction.
4. **Time horizon:** To benefit from ESG analysis, investors must have a sufficiently long-time horizon. While ESG factors guide a country's longer-term fundamentals, the underlying trends can be obfuscated in the short term by cyclical or temporary conditions. Conviction in an analytical view and patience to see that view come to fruition are requisites to successful ESG investing, in our view.
5. **Engagement:** Emphasis on a country's long-term fundamentals provides an effective base from which to open communications with policymakers interested in discussing best economic practices. This dialogue is important in our efforts to evaluate ESG factors, and for government officials interested in the perspectives of private markets.

TGM-ESG Index (TGM-ESGI): a brief history

Templeton Global Macro's ESG framework has been in place since 2018. While the index was first formalized and announced amid a wave of sustainable investing enthusiasm, it had evolved from a macroeconomic investment process rooted in fundamental country analysis and was the natural culmination of the team's long-standing work in this area.

Prior to 2018, the team was already incorporating governance quality and social metrics into sovereign research, drawing on insights from development economics, which views institutional strength, reform capacity and societal resilience as key drivers of long-term economic performance. Until the creation of the Templeton Global Macro-ESG Index (TGM-ESGI), these factors were captured in internal research and some published research such as the Local Markets Resilience Index (LMRI), which was introduced in 2016 and remains an occasional subject of publication.[1]

In 2018, we refined the governance and social factors and added an environmental lens to the index. This was partly because environmental risks became increasingly prominent and interconnected with other ESG factors. In prior decades, environmental factors were often viewed primarily through a governance or economic lens.

Crucially, the team also introduced forward-looking ESG scores. Analysts not only assign a current score to a country across ESG indicators, but also a medium-term projection. The difference between the two represents the expected delta, which is then aggregated at the country level. In 2018, we noted *"it has a forward-looking dimension based on our analysts' forecast of changes in ESG factors. We believe this makes it more powerful than alternative approaches that are based on only a few, disjointed indexes, and provide merely a snapshot of current conditions"*.[2]

By incorporating projected changes, the framework enables countries that are undertaking credible reforms to strengthen institutions, improve fiscal sustainability or advance environmental policies to emerge as net improvers in the index. As a result, sovereigns undertaking genuine adjustment and reform can stand out as attractive ESG investments even if current conditions remain challenging.

Beyond methodology, one of the key underpinnings of TGM-ESGI is a focus on economic materiality over normative judgments. We acknowledge that every country has its issues, and investors increasingly choose to exclude or underweight certain sovereigns based on their beliefs and preferences.

1. Global Macro Shifts Issue 5—Emerging Markets: Mapping the Opportunities (GMS-5). June 2016.
2. Global Macro Shifts Issue 9—Environmental, Social and Governance Factors in Global Macro Investing (GMS-9). February 2018.

However, these views and preferences differ for every individual, and as a team of economists, our efforts are best focused on economic impact.

Finally, we acknowledge that the emphasis on forward-looking views introduces a degree of subjectivity and potentially analyst bias in our ESG research. Projections we make for every country are underpinned by thorough analysis, but may not always align with consensus views or unfold exactly as anticipated. Nevertheless, in our index we try to accurately capture trends across the board over the long run.

TGM-ESGI methodology

TGM-ESGI currently comprises 14 main categories measuring a country's performance across environmental, social and governance factors. Within each pillar, factors are equally weighted; at the top level, E, S and G each account for one third of the index. The index has evolved over time through continuous refinements. For example, in earlier years the weighting was 40% each for social and governance and 20% for environment.

The index is created from a series of publicly available datasets, intended to produce a neutral and replicable baseline on top of which analysts can project their scores. We treat these datasets as expert opinions, produced by credible institutions, on countries' relative performance across specific themes. Here we focus on globally recognized and transparent datasets typically sourced from multilateral institutions, international organizations or research groups, many of which are widely used in academic and policy analysis.

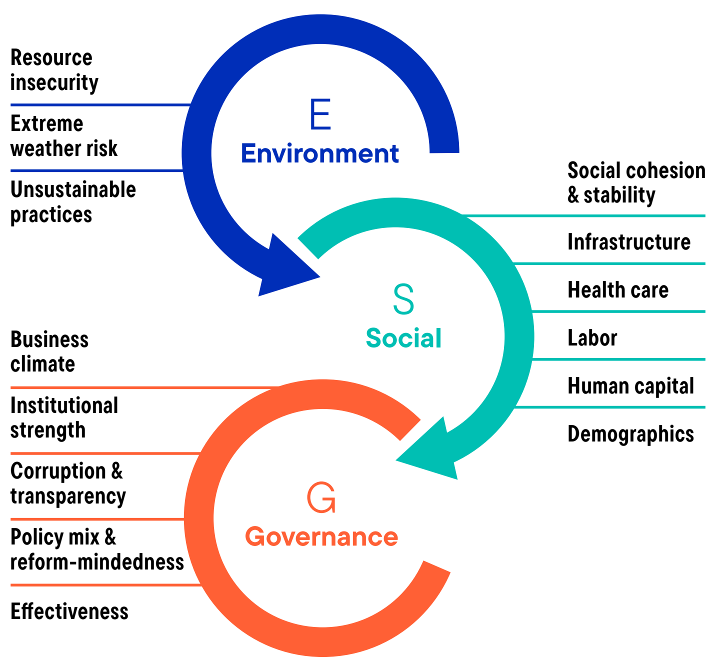
For example, governance indicators make use of the World Bank Governance Indicators, while within Unsustainable Practices, we use the Ocean Health Index for one subcategory. Currently, a total of 41 external data sources underpin TGM-ESGI. As is often the case with index aggregation, the quality and stability of underlying sources varies. Some have decades-long track records of reliable publication and stable methodology, while others may change their definitions, weightings and/or approach from year to year, or cease publication altogether.

Our task in constructing the index is to balance methodological stability with informational signals. One of the main ways we do this is by selecting high quality indexes and ensuring their general philosophy aligns with ours. Another way we have increasingly coped with potentially unstable indexes is by the introduction of composite indexes. For instance, for Unsustainable Practices we rely on a mixed dataset using World Bank, Yale, and European Commission data.

All countries are assigned a score of 0 to 100 in every category. Here the statistical approach is allowed to vary depending on the underlying dataset, effectively mixing approaches. The most common approach is to apply uniformly distributed ordinal buckets, which are most appropriate for datasets with reasonably balanced, non-skewed distributions. For others, like inequality metrics, we might opt for a relative position between the edges of the distribution so that outliers do not bias the dataset too much.

At the end of this effort, all scores aggregate to a top-level ESG index score for every country. This is the point where our analysts start their analysis, first by assessing for all countries they cover whether the index scores per category seem reasonable, and then by adjusting where necessary by up to +/- 20 points. The majority of countries will default to the index, but in particular situations—for example when datasets are slightly outdated, fail to capture the dynamics in a country or the situation has evolved—analysts can choose to deviate.

Finally, analysts assess whether the current score is likely to remain stable over the next two to three years, or whether a change in a certain direction might be expected. This partly involves a subjective assessment, but is always rooted in analysis and an understanding of the situation on the ground. Every score projection is also scrutinized in a series of whole research team discussions. This is where we believe the main strength and value-add of TGM-ESGI lies, essentially forming a quantification of our research efforts.



Scoring and index changes

TGM-ESGI is a living index, and as such, will see ongoing methodology changes and improvements. These are often practical or operational in nature, such as when an underlying index is discontinued. In other cases they may reflect evolving perspectives on what should be measured for a certain category, or additions or removals of entire categories.

In all cases, we prioritize index stability and informational signal. Changes in every edition are managed so that not too many changes happen at the same time and the impact is managed. This introduces a slow drift but avoids abrupt shocks. In case of a change of index (for example due to discontinuation), we usually endeavor to find datasets with high similarity to the formerly used one.

Changes to TGM-ESGI index composition in the last two years

In the most recent two years, TGM-ESGI saw the following updates and methodology changes:

- **September 2024 – Inequality (2.8% of overall index score), September 2024:** the GINI coefficient was replaced by an inequality index using data from the World Inequality Database, specifically four indicators: the bottom 50% and top 10% in each of wealth and income. A higher share of wealth and income in the bottom 50% leads to higher scores, while a lower share of wealth and income in the top 10% leads to higher scores. These effects sometimes work against each other.

- **March 2025 – Greenhouse gas emissions (5.5% of overall index score):** Due to the World Bank dataset being discontinued, we switched to the European Commission's Emissions Database for Global Atmospheric Research (EDGAR) database for greenhouse gas emissions, a widely accepted industry standard dataset.

- **September 2025 – Labor/Inequality (2.8% of overall index score):** We refined how we use the World Inequality Database which we introduced in September 2024, as noted above. We maintain the statistical distribution of the original dataset, if, for example, the bottom observation is 5%, the next one 20% and the rest of the countries are all in the 40%–50% range, the 20% observation does not get a TGM-ESGI score of 0 or 10 but more likely 30 or 40. However, the lower edges of the dataset have been more volatile than we expected. In order to reduce volatility and maintain signal, from September 2025 we have maintained the edges from prior to 2025 as the fixed edges of the dataset.

New changes to TGM-ESGI index composition

In this round, a total of 13 out of 41 sub-indexes were updated as new data became available. Of the 18 top-level indexes, 10 saw updates. We implemented two changes:

- **March 2026 – Human capital (4.5% of overall index score):** The World Bank Human Capital Index (HCI) (80% of the Human Capital Total Index) has not been updated since 2020, therefore we are shifting to the UNDP Human Development Index. The World Bank HCI emphasizes expected productivity based on health and education outcomes, while the UNDP HDI reflects a broader measure of development, incorporating income alongside health and education. This index has a long track record and a 0.93 correlation with the HCI, as well as a wider coverage universe. Overall the index is stable, though on country level it leads to some differences; for example, the change has positively impacted Panama, Saudi Arabia and South Africa, but negatively impacted Kenya, Uzbekistan and Vietnam.

- **March 2026 – Unsustainable practices/soil erosion (1.1% of overall index score):** Within Unsustainable Practices we drop the "soil erosion" metric (10%), given that over the years it has introduced an undesirable level of volatility; it also has a degree of overlap with "deforestation."

Changes to the country universe

In the March 2026 version of TGM-ESGI, the full country universe increases by one country from 129 to 130 as Kyrgyzstan is added to active coverage. There were also a number of shifts between the actively and passively covered country buckets: Hong Kong and Tunisia moved from active to passive coverage, while Armenia, Bolivia, Cameroon, Georgia, Laos and Papua New Guinea changed to the active coverage list. This means that analysts will now commence assigning scores to them. This brings the total active coverage universe to 103 countries.

Updated TGM-ESGI scores

Environmental, social and governance scores by country (TGM-ESGI)

Exhibit 1 summarizes the scores as of March 2026 as well as the change in scores compared to September 2025. As discussed above, these 103 countries are the subset of the total country universe that are currently actively covered using customized overlays that reflect the analytical views of our research team.

Exhibit 1: TGM-ESGI Scores: Previous and Current[3]
As of September 2025 and March 2026

	Previous TGM-ESGI Score		Current TGM-ESGI Score	Current TGM-ESGI Score by Category		
	Sep 2025	=>	Mar 2026	E	S	G
Switzerland	88	1.0	**89**	87	81	96
Norway	85	0.6	**86**	79	83	96
Sweden	86	-0.6	**85**	86	77	94
Netherlands	80	1.7	**82**	73	78	94
New Zealand	83	-1.7	**82**	64	85	96
Finland	83	-1.7	**81**	71	79	94
Ireland	80	-0.8	**79**	66	78	96
Australia	78	1.1	**80**	60	83	96
Canada	79	0.6	**79**	62	82	94
Singapore	80	-1.5	**79**	57	84	96
Austria	77	1.2	**78**	70	77	88
UK	76	2.7	**78**	73	73	88
Germany	77	-0.3	**76**	72	69	88
France	76	0.9	**76**	78	68	84
Japan	75	1.2	**76**	64	76	88
Czech Republic	75	0.0	**75**	69	72	84
Belgium	74	0.7	**74**	64	73	86
Spain	73	1.2	**75**	72	78	72
Portugal	75	-1.1	**74**	72	71	78
Lithuania	73	-1.6	**72**	67	68	82
UAE	73	-0.9	**72**	54	82	80
Latvia	75	-3.3	**72**	67	65	84
Korea	71	0.1	**72**	60	73	82
Qatar	73	-2.3	**71**	59	74	80
Seychelles	70	1.4	**71**	72	67	74
Slovenia	74	-3.6	**71**	61	77	74
Taiwan	72	-2.9	**69**	44	76	88

	Previous TGM-ESGI Score		Current TGM-ESGI Score	Current TGM-ESGI Score by Category		
	Sep 2025	=>	Mar 2026	E	S	G
US	70	-1.9	**68**	50	69	86
Costa Rica	65	3.0	**68**	73	63	68
Israel	69	-0.7	**68**	66	63	76
Italy	66	1.3	**68**	62	71	70
Croatia	71	-3.3	**67**	68	66	68
Uruguay	64	2.1	**66**	53	66	78
Slovakia	62	3.4	**66**	63	66	68
Poland	64	1.3	**65**	61	65	70
Hungary	62	2.9	**65**	69	65	62
Greece	63	1.7	**64**	66	63	64
Barbados	61	3.1	**64**	60	60	72
Romania	61	2.4	**64**	70	57	64
Saudi Arabia	58	2.2	**60**	54	63	64
Chile	61	-1.2	**60**	43	60	76
Bahrain	61	-1.3	**60**	53	62	64
Malaysia	60	-0.7	**60**	41	66	72
Oman	60	-1.0	**59**	47	62	70
Bulgaria	59	-0.1	**59**	61	58	58
Panama	51	7.4	**58**	62	62	50
Albania	58	0.0	**58**	70	49	54
Montenegro	54	1.9	**56**	48	62	58
Georgia	56	-1.8	**54**	52	45	66
Armenia	50	3.7	**53**	54	53	52
China	52	1.2	**53**	44	58	56
Jordan	55	-2.3	**53**	49	49	60
North Macedonia	50	2.7	**53**	56	53	50
Namibia	50	0.0	**50**	48	48	54

3. Current scores are the results of the research team overlaying their views on the benchmark scores, allowing for +/- 20 points deviations in each subcategory. In the TGM investment process itself, any restrictions related to ESG scores are implemented based on the unadjusted benchmark scores.

	Previous TGM-ESGI Score		Current TGM-ESGI Score	Current TGM-ESGI Score by Category		
	Sep 2025	=>	Mar 2026	E	S	G
Rwanda	49	0.7	**50**	55	36	58
Serbia	53	-3.6	**49**	42	54	52
Kazakhstan	51	-1.7	**49**	43	55	50
Brazil	47	0.1	**48**	54	48	40
Colombia	49	-1.7	**48**	56	49	38
Mongolia	47	-0.1	**47**	40	52	48
Peru	47	-0.7	**46**	48	48	42
Argentina	46	-0.3	**46**	41	55	42
Dominican Republic	45	0.0	**45**	38	46	52
Thailand	47	-1.5	**45**	38	52	46
Morocco	45	-0.6	**45**	46	40	48
Azerbaijan	39	5.3	**44**	37	52	44
Sri Lanka	46	-1.8	**44**	50	40	42
Vietnam	45	-1.8	**43**	31	51	48
Ghana	46	-3.3	**42**	43	38	46
Philippines	44	-1.9	**42**	40	43	44
Ecuador	42	-0.1	**42**	51	45	30
Mexico	43	-1.2	**42**	49	49	28
Indonesia	43	-1.2	**42**	37	43	46
South Africa	38	3.4	**41**	27	49	48
El Salvador	44	-3.2	**41**	51	38	34
Senegal	42	-1.0	**41**	47	32	44
Paraguay	42	-1.1	**40**	46	42	34
Benin	40	0.7	**40**	48	31	42
Suriname	36	3.7	**40**	40	48	32

	Previous TGM-ESGI Score		Current TGM-ESGI Score	Current TGM-ESGI Score by Category		
	Sep 2025	=>	Mar 2026	E	S	G
Uzbekistan	39	0.3	**40**	36	48	36
Türkiye	38	1.4	**39**	34	48	36
India	41	-2.0	**39**	30	42	46
Tanzania	40	-1.2	**38**	47	37	32
Ukraine	37	0.8	**38**	39	40	34
Tajikistan	35	2.3	**37**	52	37	22
Ivory Coast	36	0.3	**37**	43	27	40
Papua New Guinea	38	-1.2	**37**	50	32	28
Zambia	37	-0.6	**37**	43	34	32
Egypt	39	-2.2	**36**	43	36	30
Guatemala	37	-1.4	**36**	40	40	28
Kenya	39	-3.4	**36**	44	33	30
Kyrgyzstan	35	0.9	**36**	44	41	22
Gabon	31	1.7	**32**	39	38	20
Uganda	33	-0.6	**32**	41	30	26
Laos	32	0.0	**32**	33	38	26
Honduras	29	2.4	**31**	39	33	22
Angola	31	0.1	**31**	40	26	28
Bolivia	37	-6.4	**30**	38	39	14
Ethiopia	30	0.1	**30**	41	23	26
Mozambique	26	-0.6	**26**	41	18	18
Cameroon	24	1.8	**26**	39	23	16
Lebanon	24	-1.1	**23**	28	31	10
Nigeria	25	-1.6	**23**	22	27	20

Source: TGM-ESGI.® Our medium-term predictions are for the next two to three years (excluding countries with neutral/flat momentum). These scores are for illustrative purposes only and are not an indication of trading intent. They are subject to change.

Exhibit 2 shifts the focus to the future, charting our projected score changes as of March 2026 compared to September 2025. Meanwhile, Exhibit 3 breaks down the latest set of projected scores by their E, S and G components, sorted from largest total decline to largest total increase. Note that countries with no projected momentum are not shown in these charts. Projected changes in these charts look two to three years ahead from now, based on the assessment of our analyst team.

Exhibit 2: TGM-ESGI Scores: Projected Change[4]

As of March 2026 and September 2025

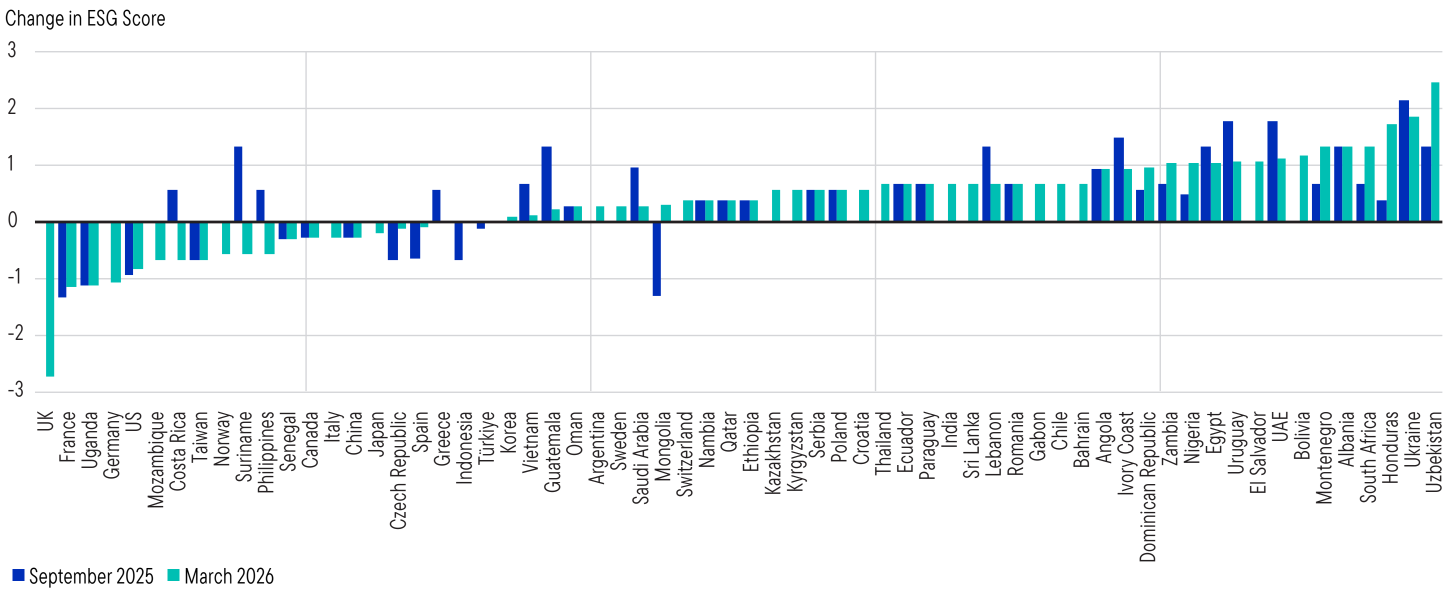
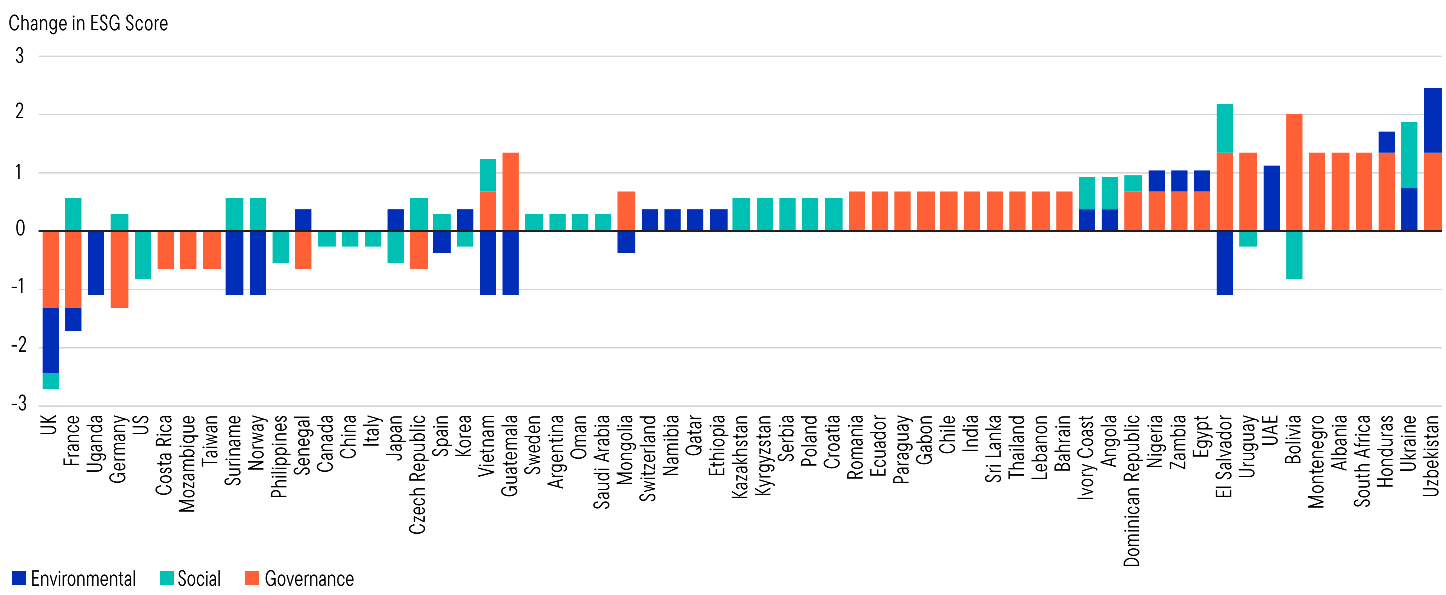


Exhibit 3: TGM-ESGI Scores: Projected Change, Broken Down by E, S and G

As of March 2026



Source: TGM-ESGI. Our medium-term productions are for the next two to three years. Charts exclude countries with neutral/flat momentum.

4. Current scores are the results of the research team overlaying their views on the benchmark scores, allowing for +/- 20 points deviations in each subcategory. In the TGM investment process itself, any restrictions related to ESG scores are implemented based on the unadjusted benchmark scores.

Main index changes

- Score changes in this round were driven by global realignment in both trade and politics. Many countries have had time to grapple with tariffs and shifts in global trade due to changes in US policy since early 2025. Some countries have been resilient and nimble in stabilizing their positioning; others are still searching for a foothold. Additionally, the recently begun United States-Israel-Iran war could have long-lasting impacts in the Middle East and beyond, but the full effects remain uncertain. Some examples of how countries have responded to these shifts and conflicts include:
  - President Claudia Sheinbaum in Mexico has navigated fresh requests from the United States for border control and pushback on cartels, with the aim of easing the trade relationship between the two countries as the United States-Mexico-Canada Agreement (USMCA) comes up for review later in 2026. Presently, relations between the United States and Mexico are much warmer than between the United States and Canada.
  - Canada, on the other hand, has been firm in resistance to changes to United States policy. This has supported a sense of national identity, as evident in the "Buy Canadian" movement, but has done little to move the needle on trade negotiations. The current account deficit for 2025 was double that of 2024,[5] and although Prime Minister Mark Carney has been pursuing closer ties with India and other trading partners, this hasn't been able to compensate for trade losses yet.
  - Japan's relations with China have been deteriorating since late 2025 and social cohesion has worsened following elections, despite Prime Minister Sanae Takaichi's popularity with a large portion of the population. These internal and external tensions are adding to uncertainty around the policy mix going forward.
  - Substantial uncertainty is ongoing in the United States-Israel-Iran war, including the duration, conflict objectives and the ultimate path to resolution. However, Iran has responded to attacks by launching its own strikes at regional neighbors, including the Gulf Cooperation Council countries. The efforts that these countries have made in recent years to project stability and openness to investment and talent inflows will likely be impacted as a result. For many other countries, the transmission channel from the conflict could be higher energy and food prices.
- Meanwhile, global uncertainty could impact revenue and fiscal balances moving forward. Many governments have announced aid to exporters hurt by shifting trade agreements while also experiencing losses in export revenue or investment inflows due to external instability. Because of frontloading imports in summer 2025, these impacts will likely not be seen on the fiscal balances until 2026.
  - Countries like Costa Rica and Honduras are starting to see deterioration in remittances flows, which is likely to undermine growth as well as the external account and fiscal balances.
  - In Zambia, a drop in copper prices due to a downshift in global growth threatens the government's plans for a primary surplus in 2026, as government revenues are linked to copper mine royalties.
- It's worth noting that a broad set of countries are seeing upgrades to their projected scores for infrastructure. Two simultaneous infrastructure investment pushes are taking place in Central and Eastern Europe (CEE) and Central Asia. In CEE, this is related to incoming European Union funding and in Central Asia, this is related to Belt and Road Initiative investment from China.
- The highest positive momentum country in this TGM-ESGI round is Uzbekistan, propelled by continued policy improvements driven by its privatization program and increasingly business-friendly reforms. The country is also focusing on digitalization that should reduce low-level corruption, and investing in renewable energy sources. Another improver worth highlighting is South Africa, where the Government of National Unity between the African National Congress and the Democratic Alliance has held despite growing pains, and is expected to begin work on productive policy. Reforms at key state-owned enterprises like Eskom and Transnet should improve energy and logistics infrastructure, leading to a stronger foundation for growth.

5. Source: Canada's balance of international payments, fourth quarter 2025. Government of Canada.

- Compared to the last round of scoring, TGM analysts saw a greater number of countries with projected positive momentum—43 in total compared to 31 previously. However, the number of countries with negative momentum also increased, to 18 in March 2026 from 12 in September 2025. The average improvement is 0.8 while the average deterioration is 0.7. The increase in both positive- and negative-momentum countries indicates greater variability in projected paths, consistent with TGM's view of ongoing global shifts that will lead to diverse and potentially divergent outcomes for countries impacted.

Templeton Global Macro Views is a complementary publication that will update and/or amplify the periodic research-based briefing on global economies called Global Macro Shifts. Both feature the analysis and views of Dr. Michael Hasenstab and senior members of Templeton Global Macro. This economics team, trained in some of the leading universities in the world, integrates global macroeconomic analysis with in-depth country research to help identify long-term imbalances that translate to investment opportunities.

Primary contributors to this issue

Michael Hasenstab, Ph.D.
Portfolio Manager,
Chief Investment Officer

Calvin Ho, Ph.D.
Portfolio Manager,
Director of Research

Vivian Guo
Senior Research Analyst,
Portfolio Manager,
Co-Head of Global Macro ESG

Jaap Willems
Senior Portfolio Analyst,
Portfolio Manager,
Co-Head Global Macro ESG

Anna Gwin
Research Associate

Diego Valderrama, Ph.D.
Senior Global Macro
Deputy Head of Research

Jens Waechter, Ph.D.
Senior Global Macro
Research Analyst

Vivek Ahuja
Portfolio Manager,
Research Analyst

Jisun Yang
Senior Research Analyst

Olin Marman
Research Analyst

Antzelos Kyriazis, Ph.D.
Research Analyst

Julian Wang
Research Associate

Amina Mamayeva
Research Associate

WHAT ARE THE RISKS?

This material reflects the analysis and opinions of the authors as of March 31, 2026, and may differ from the opinions of other portfolio managers, investment teams or platforms at Franklin Templeton Investments. It is intended to be of general interest only and should not be construed as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy. It does not constitute legal or tax advice. The views expressed and the comments, opinions and analyses are rendered as at the publication date and may change without notice. The information provided in this material is not intended as a complete analysis of every material fact regarding any country, region or market, industry or strategy. All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in emerging markets, of which frontier markets are a subset, involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Because these frameworks are typically even less developed in frontier markets, as well as various factors including the increased potential for extreme price volatility, illiquidity, trade barriers and exchange controls, the risks associated with merging markets are magnified in frontier markets. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in an investment portfolio adjust to a rise in interest rates, the value of the portfolio may decline.

Impact investing and/or environmental, social and governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

ESG scoring: While the investment manager has clearly delineated subcategories for the purpose of ESG scoring, some of the factors that are considered when scoring a country are subjective and, consequently, the investment manager's or a third party's scoring may not always accurately assess the sustainability practices of an country in a specific subcategory. In addition, the manager considers each country that issues bonds in which they may invest holistically with respect to its sustainability practices. Therefore, certain countries may engage in activities that are not sustainable and that may be contrary to the principles of ESG investing but, because of the Investment manager's holistic approach, such practices may be outweighed by other more sustainable practices resulting in the country scoring well overall on the TGM-ESGI. Similarly, some countries may have higher scores in one category and lower scores in another, which may skew the results of the final score of a country making it seem more ESG-friendly than it is. There is also the risk that the countries identified for investment by the investment manager do not act as expected when addressing ESG issues.

The companies and case studies shown herein are used solely for illustrative purposes; any investment may or may not be currently held by any portfolio advised by Franklin Templeton. The opinions are intended solely to provide insight into how securities are analyzed. The information provided is not a recommendation or individual investment advice for any particular security, strategy, or investment product and is not an indication of the trading intent of any Franklin Templeton managed portfolio. This is not a complete analysis of every material fact regarding any industry, security or investment and should not be viewed as an investment recommendation. This is intended to provide insight into the portfolio selection and research process. Factual statements are taken from sources considered reliable but have not been independently verified for completeness or accuracy. These opinions may not be relied upon as investment advice or as an offer for any particular security. **Past performance is not an indicator or a guarantee of future results.**

IMPORTANT LEGAL INFORMATION

This material is provided for general informational purposes only and should not be considered individualized investment advice, a recommendation or a solicitation to adopt any investment strategy. It does not constitute legal or tax advice. Franklin Templeton accepts no liability for losses arising from use of this material.

The views expressed are those of the investment manager as of the publication date and may change without notice. These opinions and analyses are based on certain assumptions, including market conditions that may change. They may differ from those of other portfolio managers or from the firm as a whole.

This material is not intended to provide a complete analysis of all material facts regarding any country, region or market. No assurance can be given that any forecast, projection or prediction regarding economies or financial markets will be realized. References to specific securities are for illustrative purposes only and should not be interpreted as recommendations or a solicitation to buy, sell, or hold any security.

Any research or analysis in this material has been prepared by Franklin Templeton for its own purposes and is provided incidentally. While the information included is believed to be reliable, its accuracy and completeness cannot be guaranteed, and it is subject to change without notice.

Past performance does not guarantee future results, or any profit or gain. All investments involve risks, including possible loss of principal.

Franklin Templeton offers environmental, social and governance (ESG) capabilities, though not all strategies or products incorporate ESG as part of the investment process.

Investment strategies and services may not be available in all jurisdictions. Please consult your financial professional or Franklin Templeton contact for further information.

Brazil: Issued by Franklin Templeton Brasil Ltda. **Canada:** Issued by Franklin Templeton Investments Corp. **Offshore Americas:** In the United States, this publication is made available by Franklin Templeton. **United States:** Issued by Franklin Templeton. **Investments are not FDIC insured; may lose value; and are not bank guaranteed.**

Europe: Issued by Franklin Templeton International Services S.à r.l., 8A, rue Albert Borschette, L-1246 Luxembourg. **Poland:** Issued by Templeton Asset Management (Poland) TFI S.A.; Rondo ONZ 1; 00-124 Warsaw. **Saudi Arabia:** Issued by Franklin Templeton Financial Company, 13512 Riyadh, Saudi Arabia. Regulated by CMA. License no. 23265-22. **South Africa:** Issued by Franklin Templeton Investments SA (PTY) Limited, which is authorised by the FSCA as a Financial Service Provider (No.44475). **Switzerland:** Issued by Franklin Templeton Switzerland Ltd, Talstrasse 41, CH-8001 Zurich. **Middle East & Africa (ex South Africa):** Issued by Franklin Templeton Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority. Address: Franklin Templeton, The Gate, East Wing, Level 2, Dubai International Financial Centre, P.O. Box 506613, Dubai, U.A.E. Tel: +971(04) 428 4100. **United Kingdom:** Issued by Franklin Templeton Investment Management Limited (FTIML), registered office: Cannon Place, 78 Cannon Street, London EC4N 6HL.

Australia: Issued by Franklin Templeton Australia Limited (ABN 76 004 835 849) (Australian Financial Services License Holder No. 240827), Level 47, 120 Collins Street, Melbourne, Victoria 3000. **Hong Kong:** Issued by Franklin Templeton Investments (Asia) Limited. **Japan:** Issued by Franklin Templeton Japan Co., Ltd. **South Korea:** Issued by Franklin Templeton Investment Advisors Korea Co., Ltd. **Malaysia:** Issued by Franklin Templeton Asset Management (Malaysia) Sdn. Bhd. & Franklin Templeton GSC Asset Management Sdn. Bhd. **Singapore:** Issued by Templeton Asset Management Ltd. (UEN) 199205211E.

Access your local website at www.franklinresources.com/all-sites.

FRANKLIN TEMPLETON

© 2026 Franklin Templeton. All rights reserved.

US-GTM-9725958-9625958
ESGSC-2Q26-0426