



Article 10 (SFDR) Website disclosure for an Article 8 fund

**Franklin Templeton Investment Funds – Franklin Mutual
European Fund (the “Fund”)**

Version	Date of publication	Date of update (if any)	Explanation (if any)
1.0	27 March 2024		

**Product name: Franklin Templeton
Investment Funds – Franklin Mutual
European Fund**

**Legal entity identifier:
JJQ58E37C5M7D0I35584**

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 will make a minimum of **sustainable investments with a social objective: ___%**

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



A. Summary

The Fund promotes environmental and social characteristics in accordance with Article 8 of the Sustainable Finance Disclosure Regulation (the “SFDR”).

In its implementation of the Fund’s environmental, social and governance (“ESG”) strategy, the Investment Manager promotes reduced portfolio greenhouse gas intensity, avoids investment in issuers of certain controversial practices, and promotes gender diversity on company boards.

The Fund’s environmental or social characteristics are assessed both quantitatively and qualitatively, by means of sustainability indicators as well as of the Investment Manager’s proprietary research and engagement process further described in the Website disclosure’s dedicated sections.

As part of its investment decision making process, the Fund’s ESG strategy also uses binding criteria for the selection of underlying assets and applies specific ESG exclusions.



B. No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective a sustainable investment.



C. Environmental or social characteristics of the financial product

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

The environmental and social characteristics promoted by the Fund include *inter alia* the reduction of greenhouse gas (“GHG”) intensity and board gender diversity. The Investment Manager seeks to attain these characteristics by:

- maintaining lower portfolio GHG intensity (scope 1+2) compared to both the MSCI Europe Value Index (the “Benchmark”) and MSCI All Country Europe Index (the “Investment Universe”), whichever of the two is lowest,
- engaging with certain investee companies to promote gender diversity, notably female representation, on the board of directors,
- implementing negative screens to avoid certain controversial practices as part of its investment process, as further detailed in section “What investment strategy does this financial product follow?” below.

No reference benchmark has been designated to attain the environmental and/or social characteristics promoted.



D. Investment strategy

What investment strategy does this financial product follow and how is the strategy implemented in the investment process on a continuous basis?

The Investment Manager employs a bottom-up investment philosophy, focused on identifying companies trading at significant discounts to their estimate of fundamental value. Portfolio managers and analysts are opportunistic in their search for investment ideas, conducting rigorous, fundamental research.

The Fund's portfolio construction process incorporates specific sustainability-related considerations, which in particular includes the reduction of portfolio carbon intensity. In this respect the Fund commits to maintain a minimum of 20% reduction in portfolio GHG intensity (scope 1+2) relative to both the Benchmark and the Investment Universe, whichever of the two is the lowest.

The Fund also applies specific sustainability-related exclusions and does not invest in companies which according to the Investment Manager's analysis:

- derive more than 10% of revenue from the manufacture or sale of weapons;
- derive any revenue from being involved with the production or distribution of controversial weapons;
- derive more than 5% of revenue from tobacco production;
- derive more than 5% of revenue from thermal coal, including thermal coal extraction or coal-based power generation;
- are involved in serious violations of United Nations Global Compact ("UNGC" Principles, without positive perspective. The seriousness of UNGC violations will be based on an assessment of the nature of harm and the scale of impact of the event, practices, products or businesses on the environment, society and economy, along with an assessment of the company's role, whether direct or indirect. The presence or not of a positive perspective will be based on the Investment Manager's proprietary assessment, including any possible discussions with the company, regarding the issue;
- derive more than 10% of revenue from unconventional oil & gas extraction. This includes revenue from the production of oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane, as well as revenue from onshore or offshore oil and gas production in the Arctic region. It excludes revenue from conventional oil and gas production including deepwater, shallow water, and other onshore/offshore oil and gas;
- have no female director on the board of directors;
- do not meet the Fund's anti-corruption and anti-bribery guidelines.

If a security held by the Fund falls under at least one of the Fund's exclusions, the Investment Managers will divest from such security as soon as practicably possible. Divestment will normally occur within a period of one month, unless market conditions such as limitations on liquidity require a longer divestment period taking into account Shareholders' best interests.

The Fund also commits to engage with investee companies which have at least one female director encouraging them to meet "2 or 30%" minimum threshold for board gender diversity. Failure to achieve or present a clear and credible plan to achieve the "2 or 30%" threshold within 3 years from establishment of the position will also result in divestment from the company.

Additionally, when presented the opportunity, the Fund will vote to separate the roles of CEO and of the chair of the board of directors of investee companies.

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 can be summarized as follows:

- commitment to reduce portfolio GHG intensity (sum of scope 1+2) by at least 20% relative to both the Benchmark and the Investment Universe, whichever of the two is lowest;
- the exclusion of certain sectors and companies further detailed in the section “What investment strategy does this financial product follow and how is the strategy implemented in the investment process on a continuous basis?” above;
- commitment to engage with certain investee companies to encourage a minimum of 2 females or 30% of the board, whichever is greater, as a minimum gender diversity threshold for the company’s board and will not invest in any companies that have no female directors.
- commitment to vote to separate the roles of CEO and Chair of the board of directors of the investee companies, when presented the opportunity.

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

Governance is a key factor in the Investment Manager’s ESG analysis and stretches across both corporate governance factors and operational governance factors. The Investment Manager regularly engages with all portfolio companies on a variety of factors including governance and considers its proxy voting policies to be an important tool to encourage good governance.

The Fund does not invest in companies deemed to have unacceptable governance practices according to the Investment Manager’s assessment. Among the factors assessed is a review of board structure and independence, the strength of board oversight over key management processes, the remuneration policy, as well as accounting policies and shareholder rights. Indicators including qualified auditors’ opinions, allegations of bribery, corruption or fraud, labor-related controversies, and significant tax-related controversies may also be considered.

Does this financial product consider principal adverse impacts on sustainability factors?

Yes

The Fund specifically considers the following principal adverse impacts (the “PAIs”):

- **Greenhouse gas intensity;**
- **Board gender diversity;**
- **Controversial weapons;**
- **Greenhouse gas (GHG) intensity**

The Fund commits to maintaining a portfolio GHG intensity (scope 1+2), at least 20% below that of the Benchmark and of the Investment Universe, whichever is the lowest.

- **Board gender diversity**

The Investment Manager will engage with the investee companies to encourage a minimum of 2 females, or 30% of the board, whichever is greater, as a minimum board gender diversity threshold (below referred to as “2 or 30%” threshold). The Fund does not invest in companies which have no female directors. In cases where the company has at least one female director but does not meet the “2 or 30%” threshold, the Investment Manager will engage with the company and may vote against key committee members unless the company is in the process of rectifying the shortcoming. Failure to achieve, or present a clear and credible plan to achieve, the “2 or 30%” threshold within 3 years from establishment of the position will result in divestment from this company as soon as practicably possible. Divestment will normally occur within a period of one month, unless market conditions such as limitations on liquidity require a longer divestment period taking into account Shareholders' best interests.

- **Controversial weapons**

The Fund does not invest in companies that are involved in the production or distribution of controversial weapons.

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

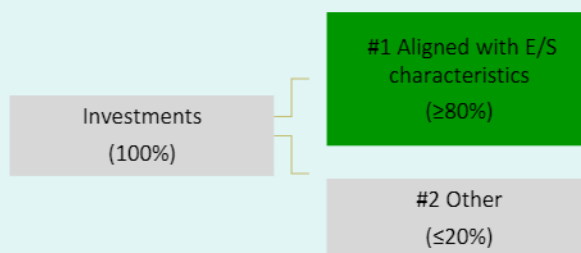
No



E. Proportion of investments

What is the planned asset allocation for this financial product?

At least 80% of the Fund's portfolio is aligned with environmental and/or social characteristics promoted by the Fund. The remaining portion (<20%) of the portfolio is not aligned with the promoted characteristics and typically consists of liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) as well as securities held for investment purposes which are involved in special situations, such as merger arbitrage and stressed or distressed credit.



#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.

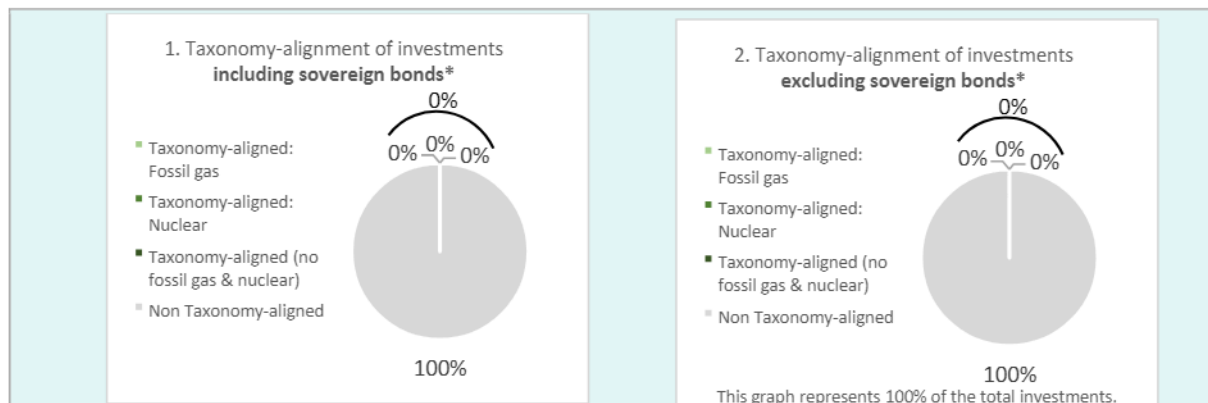
How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Not applicable

What is the minimum share of investments with an environmental objective aligned with the EU Taxonomy? (including what the minimum share of transitional and enabling activities is)

The Fund does not commit to invest in any sustainable investment within the meaning of the EU Taxonomy.

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
 **Considering that the commitment to make sustainable investments aligned with the Taxonomy is set at a minimum of 0%, the percentage of any sovereign bonds in the portfolio will not impact the result of the calculation.

As the Fund does not commit to invest any sustainable investment within the meaning of the EU Taxonomy, the minimum share of investments in transitional and enabling activities within the meaning of the EU Taxonomy is therefore also set at 0%.

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

The Fund does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.

What is the minimum share of sustainable investments with a social objective?

Not applicable.

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 as well as securities held for investment purposes which are involved in special situations, including merger arbitrage, stressed and distressed debt issuers. No minimum environmental and/or social safeguards have been put in place.



F. Monitoring of environmental or social characteristics

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

The sustainability indicators used to measure the attainment of the environmental and/or social characteristics promoted are:

- Fund's weighted GHG intensity (scope 1+2), in percentage points, compared to both the Benchmark and Investment Universe;
- percentage of investments in companies having exposure to, or ties with excluded sectors and/or with additional exclusions as further detailed in section "What investment strategy does this financial product follow?" below;
- percentage of Fund's votes in favor of separation of the roles of CEO and Chair of the board of directors of the invested companies, when presented with the opportunity;
- percentage of investments in companies that have at least one female director on the board of directors, while promoting at least two female directors, or 30% of the board, whichever is greater.

How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?

The Fund's portfolio construction and management process incorporates specific consideration of various PAI's, including a commitment to a reduced portfolio carbon intensity, on a scope 1 & 2 basis.

The sustainability indicators (including PAI indicators) are monitored throughout the lifecycle of the product.

- **Initial investment phase**

Sustainability indicators are captured from the start of the Investment Manager's research process during the due diligence, research, and modelling phases. An ESG materiality matrix is included with the model in each research analyst's report.

More information on the methodology can be found under the section "D. Investment Strategy".

- **Holding period**

Once investments have been made, ongoing monitoring and reporting are performed. The Investment Manager regularly reviews the portfolio to ensure ongoing compliance with the policies and analyses the investments exposure at both a portfolio and security level for possible adverse impact. The Investment Manager is responsible for the execution of the ESG due diligence activities.

- **Divestment**

The portfolio managers are responsible for managing portfolio positioning and risk exposures, including the relevant PAI and ESG considerations, on a continuous basis. The Investment Manager monitors all holdings for compliance with the fund's investment strategy and will divest from any holdings which at any time cease to meet those requirements. Divestment will normally occur within a period of one month, unless market conditions such as limitations on liquidity require a longer divestment period taking into account Shareholders' best interests. Engagement may be used as a tool in lieu of divestment where the fund's strategy allows. Additionally, the portfolio managers are responsible for managing overall portfolio exposures and metrics, in order to ensure continued compliance with portfolio metrics.

- **Control mechanisms**

The Investment Manager is responsible for implementing the ESG policies and overseeing the investment process across all investments. All binding elements of the Fund's ESG commitments are regularly reviewed and monitored as part of our Investment Compliance process.



G. Methodologies

What is the methodology to measure the attainment of the environmental or social characteristics promoted by the financial product using the sustainability indicators?

The Investment Manager utilizes a combination of proprietary in-house analysis with support from 3rd party data sources, including MSCI. The Risk & Analytics team reports to the portfolio managers on the Fund's overall sustainability indicators, on both an absolute basis and relative to the Fund's benchmark and investment universe, where applicable.



H. Data sources and processing

What are the data sources used to attain each of the environmental or social characteristics including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?

- **Data sources**

The Investment Manager utilizes a combination of proprietary in-house analysis with support from third-party data sources to measure the attainment of the social or environmental characteristics being promoted by the Fund, which are listed under "Section C. Environmental or social characteristics of the financial product." Third-party data sources may include company reports and engagement, MSCI, Sustainalytics, ISS, Bloomberg, CDP, S&P Trucost, brokers specializing in ESG research, proxy research providers (ISS and Glass Lewis), and the Fund's internal research database.

The Investment Manager uses their judgement, experience, and discussions with companies and others to make holistic decisions rather than solely rely on external data to make assessments. For certain automated processes and most ESG- and PAI-related portfolio analytics, including all benchmark data, a centralized technology department in Franklin Templeton is responsible for data quality control and for saving and managing the data quality.

- **Data processing**

Data is collected and processed in multiple ways. For certain automated processes, including most ESG- and PAI-related portfolio analytics and all benchmark data, data is fed automatically from Franklin Templeton's central data platform directly to the Investment Manager's Risk & Analytics team, which generates reports on a regular basis on various sustainability indicators, and there is a process in place for the Risk & Analytics team to flag to the Investment Management team the relevant indicators which are nearing their limit.

- **Estimation of data**

The proportion of data that is estimated varies significantly by data field and will vary over time. The Investment Manager has chosen data fields which are believed by the Investment Manager to generally be relatively reliable with lower proportions of estimated data than other sustainability fields. Where reported data does not exist, the Investment Manager generally relies on third-party estimates, unless the manager's proprietary research indicates these estimates are inaccurate.



I. Limitations to methodologies and data

What are the limitations to the methodologies and data sources? (including how such limitations do not affect the attainment of the environmental or social characteristics and the actions taken to address such limitations)

- **Limitations to methodologies and data sources**

There are limitations in terms of the completeness and quality of data due to the voluntary nature of reporting by companies currently. The Investment Manager expects this to change materially over the next few years.

- **Mitigation measures**

The sustainability data fields chosen to be considered by the Fund are believed by the Investment Manager to generally be more reliable with lower proportions of estimated data than other sustainability fields. The Investment Manager may engage with investee companies to increase their knowledge of the companies' ESG metrics.



J. Due diligence

What is the due diligence carried out on the underlying assets and what are the internal and external controls in place?

The Fund carries out due diligence on the underlying assets in the investment process on a regular basis as described under the section "F. Monitoring of environmental or social characteristics".



K. Engagement policies

Is engagement part of the environmental or social investment strategy?

- Yes
 No

If so, what are the engagement policies? (including any management procedures applicable to sustainability-related controversies in investee companies)

Analysts are primarily responsible for engagement with investee companies, with oversight by the firm's Chief Investment Officer and ESG Ambassador. The analyst engages with relevant management or board members to discuss concerns. Engagement typically includes multiple topics, both sustainability related and not, and will generally be a dialog, although may include written communication as well. Analysts are responsible for recording the engagement in the firm's research database, which also tracks ESG engagements.

Proxy voting is likewise initially considered by the analyst responsible for the investment, with oversight and approval by the Chief Investment Officer and ESG Ambassador. The Investment Manager's [proxy voting policy](#) is applied, modified as necessary for this strategy to meet the specific commitments of this Fund.



L. Designated reference benchmark

Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?

- Yes
 No