Franklin Templeton ICAV

Franklin USD Investment Grade Corporate Bond UCITS ETF

2 June 2023

(A sub-fund of Franklin Templeton ICAV, an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds with registered number C167746 authorised by the Central Bank of Ireland pursuant to the UCITS Regulations).

Prospective investors should refer to the annex to this Supplement regarding the Sub-Fund's environmental and / or social characteristics.

This Supplement (the "Supplement") forms part of the Prospectus dated 1 December 2022 (the "Prospectus") in relation to Franklin Templeton ICAV (the "Fund") for the purposes of the UCITS Regulations. This Supplement should be read in the context of, and together with, the Prospectus and contains information relating to the Franklin USD Investment Grade Corporate Bond UCITS ETF (the "Sub-Fund") which is a separate sub-fund of the Fund.

The Sub-Fund is an Actively Managed Sub-Fund.

Prospective investors should review this Supplement and the Prospectus carefully and in their entirety and consider the risk factors set out in the Prospectus and in this Supplement before investing in this Sub-Fund. If you are in any doubt about the contents of this Supplement, you should consult your stockbroker, bank manager, solicitor, accountant and/or financial adviser.

The Directors, as listed in the "*Management*" section of the Prospectus accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Unless otherwise defined herein or unless the context otherwise requires, all defined terms used in this Supplement shall bear the same meaning as in the Prospectus.

Base Currency	USD.
Benchmark	Bloomberg US Corporate Bond Index.
Business Day	A day on which markets in the United Kingdom and the United States are open and/or such other day or days as the Directors may determine and notify in advance to Shareholders provided that there shall be at least one Dealing Day per fortnight.
Dealing Day	Every Business Day excluding, for the Sub-Fund, which trading of US dollar-denominated government securities and/or corporate bonds is closed, to ensure that dealing in the Sub-Fund's shares will only take place when the markets on which substantially all of the Sub-Fund's investments are traded are open (provided that a list of such closed market days in respect of the Sub-Fund will be available to Shareholders upon request from the Administrator) and/or such other day or days as the Directors may determine and notify to the Administrator and to Shareholders in advance, provided there shall be at least one Dealing Day per fortnight.
Dealing Deadline	For cash subscriptions and redemptions, 4pm (Irish time) on each Dealing Day. For in-kind subscriptions and redemptions, 4pm (Irish time) on each Dealing Day.
Dealing NAV	The Net Asset Value per Share calculated as at the Valuation Point on the relevant Dealing Day.
Investment Manager	Franklin Advisers Inc and Franklin Templeton Institutional LLC.
ISIN	IE00BFWXDX52.
Settlement Deadline	For cash and in kind subscriptions, appropriate cleared subscription monies/securities must be received by the second Business Day after the Dealing Day, or such earlier or later date as may be determined by the Fund and notified to Shareholders from time to time.
Shares Available	Currently one class of ETF Shares is available for subscription.
TER	Up to 0.35% per annum of the Net Asset Value. Further information is set out in the "*Fees and Expenses*" section of the Prospectus.
Valuation	The Net Asset Value per Share is calculated in accordance with the "*Determination of Net Asset Value*" section of the Prospectus, using the latest mid-market prices.
Valuation Point	The Sub-Fund calculates its Net Asset Value at 4pm New York time on each Business Day.
Website	www.franklintempleton.com

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective. The objective of the Sub-Fund is to provide income from the USD fixed income market while seeking to preserve capital.

Investment Policy. The Sub-Fund seeks to achieve its investment objective by investing primarily in U.S. dollar denominated corporate debt securities issued by U.S. and foreign companies. For the avoidance of doubt, investors should note that the Sub-Fund will not seek to track the performance of the Benchmark, rather the Sub-Fund will hold a portfolio of actively selected and managed investments. The Benchmark has been included as a point of reference against which the performance of the Sub-Fund may be measured.

The Investment Manager allocates the Sub-Fund’s assets among a range of market sectors and will seek to invest at least 80% of the Sub-Fund’s Net Asset Value in fixed and floating rate investment grade corporate debt securities and investments. Investment grade debt securities are securities that are rated at the time of purchase in the top four ratings categories by one or more Recognised Rating Agency or, if unrated, are determined to be of comparable quality by the Investment Manager. The Sub-Fund may invest in debt securities of any maturity or duration. Corporate issuers may include corporate or other business entities in which a sovereign or government agency may have a direct or indirect interest, including an ownership interest. The Sub-Fund may also invest in securities issued by government, municipal and supranational issuers.

The Sub-Fund’s focus on the credit quality of its portfolio is intended to reduce credit risk and help to preserve the Sub-Fund’s capital. The Sub-Fund may also invest a portion of its assets in convertible securities, preferred securities and U.S. Treasury securities and generally expects to invest a portion of its assets in cash, cash equivalents and high quality money market securities, including commercial paper and affiliated or unaffiliated money market funds. The Sub-Fund may also invest up to 20% of Net Asset Value invest in collateralised debt obligations (“**CDOs**”), collateralised loan obligations (“**CLOs**”), asset backed securities (“**ABS**”) and mortgage backed securities (“**MBS**”). These securities and obligations will not embed derivatives or leverage. Investment in U.S. Treasury securities may be temporarily higher than 20% of the Sub-Fund’s Net Asset Value due to subscription and redemption activity.

The Sub-Fund may also invest up to 40% of its Net Asset Value in non-US securities, including those issued by issuers in emerging markets.

ESG factors are an important component of the Investment Manager’s corporate credit research process and the Sub-Fund seeks to promote environmental and social characteristics as detailed further in the Annex to this Supplement.

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

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

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

Using the results of these determinations, the Sub-Fund will exclude issuers in each category (i.e. sovereign and corporate) that score in the bottom 20% of its investment universe from its portfolio.

In addition to the above, the Sub-Fund applies specific ESG exclusions, as detailed in the "*What investment strategy does this financial product follow?*" section of the Annex, to ensure that issuers involved in harmful economic activities and/or controversies are excluded from the investment universe.

The Investment Manager will engage with 5% of holdings which are considered as underperformers in terms of their aggregate exposure to applicable mandatory PAI metrics. Each engagement will be assessed on a case by case basis and the Investment Manager's priority is to engage with underperformers to encourage improvement. Where the Investment Manager does not observe improvements following engagement, such absences may form part of decisions to divest from an underperformer's securities and will be considered when making an overall ESG assessment of the Sub-Fund.

In choosing investments, the Investment Manager selects securities in various market sectors based on the Investment Manager's assessment of changing economic, market, industry and issuer conditions. The Investment Manager uses a "top-down" analysis of macroeconomic trends, combined with a "bottom-up" fundamental analysis of market sectors, industries and issuers, to try to take advantage of varying sector reactions to economic events. The Investment Manager's "top-down" analysis of macro-economic trends is derived from the Investment Manager's macro research and includes factors such as global and regional growth dynamics, the health of the corporate credit sectors, currency and central bank policies. The Investment Manager's "bottom-up" research is focused on sector specific fundamentals including default risk, valuation metrics and various financial metrics, including leverage levels, cash flow levels, earnings dynamics and margins to name a few. Both of these views are utilised when investing the Sub-Fund's assets.

The Sub-Fund's portfolio is constructed by taking into account the Investment Manager's desired duration (i.e. how sensitive the Investment Manager would like the portfolio to be to expected changes in interest rates) and yield curve (i.e. the average maturity of the debt securities which the Sub-Fund will hold) exposure, total return potential, as well as the appropriate diversification and risk profile at the issue, issuer and industry level. The Investment Manager may seek to sell a security if: (i) the security has moved beyond the Investment Manager's assessment of its fair value and there has been no meaningful positive change in the issuer's fundamental outlook; (ii) there has been a negative fundamental change in the issuer's credit outlook that changes the Investment Manager's view of the appropriate valuation; or (iii) the Investment Manager's views on macroeconomic or sector trends or valuations have changed, making that particular issuer (or that issuer's industry) less attractive for the Sub-Fund's portfolio. In addition, the Investment Manager may sell a security that still meets the Investment Manager's buy criteria if another security becomes available in the new issue or secondary market that the Investment Manager believes has the potential to deliver better returns or to improve the Sub-Fund's risk profile.

The Sub-Fund may for efficient portfolio management purposes, use FDI in order to hedge various investments, for risk management purposes and / or to seek to increase income or gain to the Sub-Fund. The Sub-Fund may also use FDI for investment purposes. These FDI may be either dealt on regulated markets or over-the-counter and will comprise swaps (interest rate swaps, credit default swaps and fixed income related total return swaps), futures contracts and options on such instruments. Any use of FDI for these purposes, are described under "*Use of Financial Derivative Instruments*" in the "*Investment Techniques*" section of the Prospectus. The global exposure relating to FDIs will not exceed 100% of the Sub-Fund's Net Asset Value.

The securities in which the Sub-Fund invests will be primarily listed or traded on Recognised Markets in the U.S. in accordance with the limits set out in the UCITS Regulations. The Sub-Fund may hold ancillary liquid assets (deposits and commercial paper) in accordance with the UCITS Regulations. The Sub-Fund may also invest in other regulated, open-ended collective investment schemes as described under "*Investment in Collective Investment Schemes*" in the "*Investment Techniques*" section of the Prospectus where the objectives of such funds are consistent with the objective of the Sub-Fund.

As at the date of this Supplement, the expected proportion of the Net Asset Value of the Sub-Fund that could be subject to total return swaps is 10%. The expected proportion is an estimate only and the actual percentage may vary over time depending on various factors such as, but not limited to, any deviation from normal market conditions. The maximum proportion of the Sub-Fund's Net Asset Value that could be subject to such transactions is 20%.

SUSTAINABLE FINANCE

As described above, the Sub-Fund seeks to promote environmental and social characteristics, within the meaning of Article 8. Investors should also refer to the Annex to this Supplement and the "*Sustainable Finance*" section of the Prospectus for further details on how the Investment Manager addresses Sustainability Risk and ESG Integration for the Sub-Fund.

SECURITIES LENDING

The expected proportion of the net assets of the Sub-Fund that could be subject to securities lending transactions is 25% of its Net Asset Value and is subject to a maximum of 45%. The expected proportion is an estimate only and the actual percentage may vary over time depending on various factors such as, but not limited to, any deviation from normal market conditions.

INVESTMENT RISKS

Investment in the Sub-Fund carries with it a degree of risk including the risks described in the "*Risk Considerations*" section of the Prospectus. The "*Principal Risks*" section describes the risks that relate generally to the Sub-Fund, whereas the "*Specific Risks*" section describes the risks associated with the investment strategy and techniques that may be employed by a given Sub-Fund. For this Sub-Fund, the Specific Risks that are relevant to the investment objective and strategy of this Sub-Fund include the following:

Specific Risks relevant to the Sub-Fund:

Active Investment Risk.

Collateralised Debt Obligations Risk.

Convertible and Hybrid Securities Risk.

Corporate Debt Securities Risk.

Counterparty Risk.

Currency Risk.

Debt Securities Risk.

Emerging Market Risk

Futures Contracts and Other Exchange-Traded Derivatives Risk.

Mortgage and Asset-Backed Securities Risk.

Over-the-Counter Derivatives Risk.

Structured Notes Risk.

Sustainability Risk.

These risks are not intended to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before purchasing Shares.

The Sub-Fund is not expected to have an above average risk profile or high volatility as a result of its use of FDIs. For information in relation to risks associated with the use of financial derivative instruments, please refer to "*Derivatives Risk"* in the "*Risk Considerations*" section of the Prospectus.

INVESTOR PROFILE

Typical investors in the Sub-Fund are expected to be institutional and retail investors who want to gain exposure to an exchange traded fund which principally invests in U.S. Dollar denominated investment grade corporate bonds.

DIVIDEND DISTRIBUTIONS

Subject to Net Income being available for distribution and any de minimis threshold, it is the current intention of the Directors to declare dividends out of the Net Income. Under normal circumstances, the Directors intend that dividends shall be paid semi-annually. Please refer to the Website for further information on the dividend payment dates. However, Shareholders should note that the Directors may, in their discretion, decide not to make such payment in respect of the Shares.

SUBSCRIPTIONS – PRIMARY MARKET

Distribution Shares, denominated in USD, are available in the Sub-Fund (the "**Shares**").

Shares will be issued on each Dealing Day at the Dealing NAV with an appropriate provision for Duties and Charges in accordance with the provisions set out below and in the Prospectus. Authorised Participants may subscribe for Shares for cash or in kind on each Dealing Day by making an application by the Dealing Deadline in accordance with the requirements set out below and in the "*Purchase and Sale Information*" section of the Prospectus. Consideration, in the form of cleared subscription monies/securities, must be received by the applicable Settlement Deadline.

REDEMPTIONS

Shareholders may effect a redemption of Shares on any Dealing Day at the appropriate Dealing NAV, subject to an appropriate provision for Duties and Charges, provided that a written redemption request is signed by the Shareholder and received by the Administrator by the Dealing Deadline on the relevant Dealing Day, in accordance with the provisions set out in this section and at the "*Purchase and Sale Information*" section of the Prospectus. Settlement will normally take place within two Business Days of the Dealing Day but may take longer depending on the settlement schedule of the underlying markets. In any event, settlement will not take place later than 10 Business Days from the Dealing Deadline.

CONVERSIONS

Shares in the Sub-Fund may not be converted for shares in another Sub-Fund.

LISTING

The Shares have been admitted to each of the Deutsche Börse Xetra, the London Stock Exchange, the Borsa Italiana and the SIX Swiss Exchange.

Product name: Franklin USD Investment Grade Corporate Bond UCITS ETF

Legal entity identifier: 549300YP1QL6V1LW2575

Environmental and/or social characteristics

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?

☐ Yes	☒ No
☐ It will make a minimum of **sustainable investments with an environmental objective:** ___%	X It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 11% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	X with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	X with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** ___%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

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

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

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

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

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

What sustainability indicators are used to measure the attainment of each 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:

- percentage of investments in green bonds;
- percentage of investments in social bonds;
- percentage of investments in sustainability bonds;
- percentage of investments in bonds issued by best-in-class issuers (the "Environmental Champions", as described under "*Does this financial product consider principal adverse impacts on sustainability factors?*" below);
- the percentage of investment in issuers having exposure to, or tying with excluded sectors and additional exclusions further described in the investment strategy section of this annex;
- exposure to the principle adverse impacts (the "PAIs") indicators compared to the benchmark Bloomberg US Corporate Bond Index; and
- the list of issuers, with which the Investment Manager engages.

While the Sub-Fund is not committing to having a fund level PAIs average better than its benchmark's average, the difference between those two metrics informs how successful the Sub-Fund is in investing into Environmental Champions and issuers of green bonds.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

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

- the efficient use of energy, raw materials, water, and land;
- the production of renewable energy;
- the reduction of waste, and greenhouse gas emissions, and lower impact of economic activities on biodiversity;
- the development of a circular economy;
- tackling inequalities and fostering social cohesion;
- social integration;
- good labour relations; or
- investments in human capital, including disadvantaged communities.

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

The Sub-Fund's sustainable investments include a minimum allocation of 10% of its Net Asset Value to sustainable investments in economic activities that contribute to environmental objectives.

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

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.

- proceeds are used on eligible environmental projects;
- framework adheres to international standards (including but not limited to, the International Capital Market Association (the "ICMA") Green Bond Principles, future European Union Green Bond Standard (the "EU GBS")); and
- issuers do not significantly harm other environmental and social objectives and, in relation to corporate issuers, demonstrate good governance practices

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

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

- proceeds are used on eligible social projects;
- framework adheres to international standards (including but not limited to, ICMA Social Bond Principles); and
- issuers do not significantly harm other environmental and social objectives while in relation to corporate issuers demonstrate good governance practices

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

The Investment Manager uses proprietary data tools and qualitative research to ensure alignment with the Do No Significant Harm (the "DNSH") principles across the portfolio.

All issuers are monitored using the Principle Adverse Impact Risk App (the "PAI Risk App"). The PAI Risk App uses data from a third-party provider to identify issuers involved in harmful economic activities and/or controversies and exclude such issuers from the investment universe.

A second proprietary tool, the Energy and Environmental Transition Index (the "EETI"), ranks the sovereign issuers in the universe according to their environmental performance including greenhouse gas emissions and intensity. Sovereign issuers falling within the bottom 20% of their peer groups based on EETI are excluded from the investment universe.

Another tool, ESG Credit App ranks corporate issuers by their greenhouse gas emissions and greenhouse gas intensity using various data points such as Scope 1 and 2 greenhouse gasses emissions, emitters' historic trajectories. Corporate issuers falling within the bottom 20% of the investment universe (i.e. climate laggards) based on the ESG Credit App are also excluded from the portfolio.

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

When deploying funds to sustainable investments, especially the 11% of the Sub-Fund's Net Asset Value committed to sustainable investments with environmental and social objectives, the Investment Manager applies additional qualitative assessment (based on internal research or on external third-party opinion) of the issuer's and of the projects' DNSH eligibility.

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

When assessing compliance of the Sub-Fund's investments with the DNSH principle, 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 Sub-Fund and other data points deemed by the Investment Manager as proxies for adverse impact. The Investment Manager performs this analysis at the level of each sustainable investment so that the relevance and materiality of the PAI indicators may vary across investments. Issuers deemed to be in breach of these indicators will not qualify as sustainable investments. While assessing eligible green and social bonds, the Investment Manager reviews and document the materiality of the relevant PAIs for the project and how the project's implementation affects the issuer's overall PAIs outlook.

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

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

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

For bonds issued by corporate issuers, the sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Alignment is monitored using data from MSCI. Breaches identified by that service provider are flagged in the investment compliance system for subsequent investigation by the Investment Manager. Where due diligence proves that the issuer is not aligned with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, it is deemed un-investible.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

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

X Yes,

PAIs indicators are considered for the purpose of:

- identifying best-in-class issuers;
- restricting Sub-Fund's investable universe;
- guiding thematic engagement; and
- applying exclusions.

Identifying best-in-class issuers

The Sub-Fund seeks exposure to in bonds issued by corporates and sovereigns deemed by the Investment Manager to be Environmental Champions. Environmental champions are identified using two proprietary ESG rankings:

- the EETI ranks sovereign issuers using various data points that include energy efficiency, natural capital conservation, renewable energy performance, using various data points, including greenhouse gas intensity (emissions normalized by gross domestic product, CO_2e/GDP); and
- the ESG Credit App ranks corporate issuers by their greenhouse gas emissions and greenhouse gas intensity using various data points such as Scope 1 and 2 greenhouse gasses emissions, emitters' historic trajectories.

Restricting Sub-Fund's investable universe

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

Guiding thematic engagement

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

Applying exclusions

The Sub-Fund also considers UNGC violations and exposure to controversial weapons for the purpose of applying specific ESG exclusions as described under "*What investment strategy does this financial product follow?*".

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

☐ No

What investment strategy does this financial product follow?

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

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

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

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

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

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

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

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

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

The binding elements of the investment strategy can be summarised as follows:

- the commitment to invest at least 11% of the Sub-Fund’s Net Asset Value into sustainable investments, mainly but not limited to, investing in green bonds and social bonds;

- the exclusion of the bottom 20% of the investment universe based on the EETI and ESG Credit App;

- the commitment to engage with the 5% of holdings which are considered as underperformers in terms of their PAIs metrics; and

- the application of the ESG exclusions further described under "*What investment strategy does this financial product follow?*".

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

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

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

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

Assessment of good governance in respect of corporate issuers is achieved on both quantitative and qualitative levels.

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

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

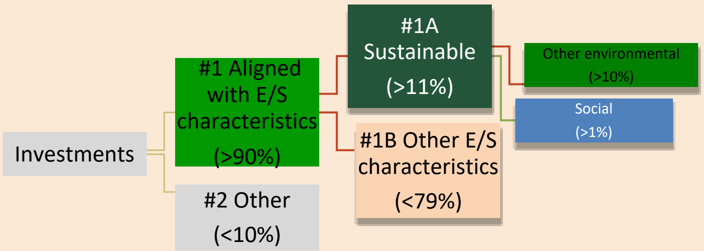
Issuers not passing PAI Risk App initial test and/or with qualitatively assessed governance deficiencies are deemed un-investible.

What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

At least 90% of the Sub-Fund’s portfolio is aligned with environmental and/or social characteristics promoted by the Sub-Fund. The remaining portion (<10%) of the portfolio is not aligned with the promoted characteristics and consists of liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) held for the purposes of servicing the day to day requirements of the Sub-Fund, as well as derivatives held for hedging, efficient portfolio management or, on an ancillary basis, for investment purposes. For the avoidance of doubt, certain money market instruments, such as government T-Bills, may be included in the 90% portion, where the Investment Manager has confirmed that such instruments are aligned with environmental and/or social characteristics promoted by the Sub-Fund.

Out of the Sub-Fund’s portfolio segment which is aligned with the promoted environmental and/or social characteristics, the Sub-Fund undertakes a further commitment to invest a minimum of 11% of its Net Asset Value to sustainable investments.



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

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

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

- While the Sub-Fund's Portfolio may use derivatives for hedging, efficient portfolio management or, on an ancillary basis, for investment purposes, it will not use derivatives to promote environmental or social characteristics.

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

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

The Sub-Fund does not commit to investing in sustainable investments with an environmental objective aligned with the EU Taxonomy.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?**

☐ Yes:

☐ In fossil gas In ☐ nuclear energy

☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

* *For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

- ***What is the minimum share of investments in transitional and enabling activities?***
The Sub-Fund does not invest in transitional and enabling activities.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentaly sustainable economic activities under the EU Taxonomy.

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

[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 objective - 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.

The Sub-Fund commits to have a minimum share of 10% of its Net Asset Value invested in sustainable investments with an environmental objective aligned with SFDR.

What is the minimum share of socially sustainable investments?

The Sub-Fund commits to have a minimum share of 1% of its Net Asset Value invested in sustainable investments with a social objective.

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 Sub-Fund, as well as derivatives held for hedging, efficient portfolio management or, on an ancillary basis, for investment purposes.

For the avoidance of doubt, this will not include certain money market instruments, such as government T-Bills, where the Investment Manager has confirmed they are aligned with environmental and/or social characteristics promoted by the Sub-Fund.

No minimum environmental or social safeguards have been put into place.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

N/A

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

N/A

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

- ***How does the designated index differ from a relevant broad market index?***

N/A

- ***Where can the methodology used for the calculation of the designated index be found?***

N/A

Where can I find more product specific information online?

More product-specific information can be found on the website: www.franklintempleton.ie/27048