

# Franklin Templeton ICAV

## Franklin Global Equity SRI UCITS ETF

**1 August 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).

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 Global Equity SRI UCITS ETF (the “Sub-Fund”) which is a separate sub-fund of the Fund.

The Sub-Fund is an Index Tracking Sub-Fund and all Shares in this Sub-Fund are designated as ETF Shares.

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.

<b>Base Currency</b>	USD.
<b>Business Day</b>	As stated in the Prospectus, a day on which markets in the United Kingdom are open and/or such other day or days as the Directors may determine and notify in advance to Shareholders.
<b>Dealing Day</b>	As stated in the Prospectus, every Business Day excluding, for each Sub-Fund, any day on which a market on which securities included in the relevant Index are listed or traded is closed and as a result of which 25% or more of the Index may not be traded, 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 open (provided that a list of such closed market days in respect of each Sub-Fund will be available to Shareholders upon request from the Administrator) and/or the day preceding any such day, 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.
<b>Dealing Deadline</b>	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.
<b>Dealing NAV</b>	The Net Asset Value per Share calculated as at the Valuation Point on the Business Day following the relevant Dealing Day.
<b>Index</b>	LibertyQ Global Equity SRI Index.
<b>Index Provider</b>	MSCI.
<b>Investment Manager</b>	Franklin Advisory Services LLC and Franklin Templeton Investment Management Limited.
<b>ISIN</b>	IE00BF2B0N83.
<b>Settlement Deadline</b>	For cash and in kind subscriptions, appropriate cleared subscription monies/securities must be received by the first 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.
<b>Shares Available</b>	Currently one class of ETF Shares is available for subscription.
<b>TER</b>	Up to 0.30% per annum of the Net Asset Value. Further information is set out in the " <i>Fees and Expenses</i> " section of the Prospectus.
<b>Valuation</b>	The Net Asset Value per Share is calculated in accordance with the "Determination of Net Asset Value" section of the Prospectus, using the official closing price published by the exchange. Equities which are not denominated in the Base Currency will be converted into the Base Currency based on the 4pm London FX rate.

<b>Valuation Point</b>	The Sub-Fund calculates its Net Asset Value at 4pm New York time on each Business Day.
<b>Website</b>	<a href="http://www.franklintempleton.com">www.franklintempleton.com</a>

## INVESTMENT OBJECTIVE AND STRATEGY

**Investment Objective.** The objective of the Sub-Fund is to provide exposure to large and mid-capitalisation stocks issued by companies that are considered to be environmentally and socially responsible in developed and emerging market countries globally.

**Investment Policy.** The investment policy of the Sub-Fund is to track the performance of the Index (or such other index determined by the Directors from time to time as being able to track substantially the same market as the Index and which is considered by the Directors to be an appropriate index for the Sub-Fund to track, in accordance with the Prospectus) as closely as possible, regardless of whether the Index level rises or falls, while seeking to minimise as far as possible the tracking error between the Sub-Fund's performance and that of the Index. Any determination by the Directors that the Sub-Fund should track another index at any time shall be subject to the provision of reasonable notice to Shareholders to enable any Shareholders who wish to do so to redeem their Shares prior to implementation of this change and the Supplement will be updated accordingly.

The Index is a systematic, rules-based proprietary index that is owned and calculated by MSCI Inc. and is comprised of approximately 230 stocks selected from the MSCI ACWI SRI Index, which is comprised of approximately 540 stocks and is a free float-adjusted, market capitalisation weighted index that is designed to measure the equity market performance of companies in developed and emerging markets which demonstrate outstanding Environmental, Social and Governance (ESG) ratings and which excludes companies whose products have negative social or environmental impacts.

The MSCI ACWI SRI Index selects securities from the approximately 3,000 stocks included in the MSCI ACWI Index (the "**Parent Index**"). The MSCI ACWI SRI Index applies criteria to 100% of the Parent Index which aim to exclude companies whose products or services are considered to have negative environmental or social impacts (which the MSCI ACWI SRI Index considers to be nuclear weapons, nuclear power, thermal coal, tobacco, alcohol, gambling, military weapons, civilian firearms, GMOs and adult entertainment as well as stocks that are involved in any serious ESG controversies, as defined by the Index Provider<sup>1</sup>) and includes companies with strong sustainability profiles

The MSCI ACWI SRI Index then applies the following further exclusions to stocks which are included in the Parent Index:

- all companies that own fossil fuel reserves which are used or intended to be used for energy purposes
- all companies deriving any revenue from the mining of thermal coal and its sale to external parties and/or from the extraction of unconventional oil and gas; and
- all companies deriving 5% or more of their revenue from thermal coal-based power generation.

Following this the top 25% of issuers in each industrial sector are selected from the Parent Index and stock must have a minimum of an 'A' ESG rating from the Index Provider to be eligible to join the

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<sup>1</sup> The Index Provider's provides assessments of controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services. The evaluation framework used is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. Full details of the Index Provider's policy can be found [here](#).

MSCI ACWI SRI Index. It is expected that the portfolio ESG rating of the MSCI ACWI SRI Index will be higher than the portfolio ESG rating of the Parent Index.

The Index is comprised of stocks from 23 developed and 26 emerging markets, which have been selected from the MSCI ACWI SRI Index on the basis of multiple investment style factors, including a lower level of risk and higher risk-adjusted performance, relative to the MSCI ACWI SRI Index over the long term. The Index rules achieve this by ranking all of the stocks within the MSCI ACWI SRI Index using a simple and transparent multi-factor selection process that applies four investment style factors (quality, value, momentum and low volatility) and select the 40% of stocks which are rated most highly across these factors. The factors are common characteristics that the Investment Manager believes are important in explaining the returns and risks of those securities. The “quality” factor includes aspects such as return on equity, earnings variability, cash return on assets and leverage. The “value” factor includes aspects such as price to earnings ratio, price to forward earnings ratio, price to book value ratio and dividend yield. The “momentum” factor includes aspects such as 6-month risk-adjusted price momentum and 12-month risk-adjusted price momentum. The “low volatility” factor measures historical beta, which is a measure of the volatility of a security relative to that of the market overall.

The Index is rebalanced semi-annually and, at the time of each rebalancing, no Index Security shall comprise more than 1% of the Index. The Index is designed with this constraint in order to seek to ensure diversification and minimise security level concentrations. Further information in respect of the Index, including its rules, components and performance, is available at <https://www.msci.com/libertyq-indexes>.

In order to seek to achieve the Sub-Fund’s investment objective, the Investment Manager will aim to replicate the Index by holding all of the Index Securities in a similar proportion to their weighting in the Index. However, where full replication of the Index is not reasonably possible (for example as a result of the number of securities or the illiquidity of certain securities within the Index), the Sub-Fund will use the optimisation methodology to select Index Securities in order to build a representative portfolio that provides a return that is comparable to that of the Index but which may not track the Index with the same degree of accuracy as an investment vehicle replicating the entire Index may. Consequently, the Sub-Fund may, over certain periods, only hold a sub-set of the Index Securities. Further information on the use of optimisation or representative sampling methodology can be found under “*Index Tracking Sub-Funds*” in the “*Investment Techniques*” section of the Prospectus.

Where such securities provide similar exposure (with similar risk profiles) to certain Index Securities, the Sub-Fund may hold the securities of the following types which are not constituents of the Index: (i) equities (such as common stock or preferred stock); (ii) depositary receipts (which are securities issued by financial institutions which evidence ownership interests in a security or a pool of securities deposited with the financial institution); and (iii) p-notes (P-notes are securities issued by financial institutions that are designed to replicate the performance of certain issuers and emerging markets by giving exposure to the performance of specific stocks, in this case, Index Securities. The Sub-Fund will typically use P-notes to gain exposure to issuers in markets that the Sub-Fund is not able to access readily, such as India, Pakistan and China, due to local market restrictions, such as regulatory, trading, capital control and / or cost restrictions.), which will not embed derivatives or leverage. Such securities, which are not Index Securities, are selected by virtue of the fact that they provide substantively the same exposure by industry and by company characteristics in the case of liquidity considerations or corporate actions to certain Index Securities.

The Sub-Fund may concentrate its investments in a particular industry or group of industries where the Index is similarly concentrated.

The Sub-Fund may for efficient portfolio management purposes, and in accordance with the conditions and limits imposed by the Central Bank, use forward foreign currency exchange contracts (both deliverable and non-deliverable), index futures, currency futures, stock futures and total return swaps for hedging or in order to gain efficient exposure to an Index or its constituents for the purpose of assisting the Sub-Fund in tracking the performance of the Index for example in managing large subscriptions. Forward foreign currency exchange contracts (both deliverable and non-deliverable) and currency futures will be used for currency hedging purposes and index futures and total return swaps will be used to provide exposure to the Index and / or its constituents. Forwards, futures and total return swaps and their use 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 globally in accordance with the limits set out in the UCITS Regulations. The Sub-Fund may hold ancillary liquid assets (deposits, commercial paper and short term 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.

The Sub-Fund will use the replication and optimisation methodologies and may also invest in other regulated open-ended funds as described above in order to seek to track as closely as possible the returns of the Index after deduction of fees and expenses. It is currently anticipated that the tracking error of the Sub-Fund will be in the range of 0.5% under normal market conditions, where the tracking error is defined as the standard deviation of the delivered excess returns over an annual period. The causes of tracking error for ETFs can include but are not limited to the following: holdings/size of the Sub-Fund, cash flows, such as any delays in investing subscription proceeds into the Sub-Fund or realising investments to meet redemptions, fees, and where undertaken, any currency hedging activity and the frequency of rebalancing against the Index. For information in relation to the difficulties associated with tracking indices, please refer to "*Index Tracking Risk*" in the "*Risk Considerations*" section of the Prospectus.

The anticipated tracking error figure 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.

As at the date of this Supplement, the Sub-Fund does not routinely enter into total return swaps. The expected proportion of the net assets of the Sub-Fund that could be subject to such transactions is 20%. 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 net assets of the Sub-Fund 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 “*Sustainable Finance*” section of the Prospectus for further details on how the Investment Manager addresses sustainability risk and ESG integration for the Sub-Fund.

In line with the Index methodology, the Sub-Fund promotes environmental characteristics but does not commit to making environmentally sustainable investments as defined in the Taxonomy Regulation.

## **SECURITIES LENDING**

The expected proportion of the net assets of the Sub-Fund that could be subject to securities lending transactions is 25% 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:

Counterparty Risk.

Currency Risk.

Over-the-Counter Derivatives Risk.

Emerging Markets Risk.

Europe and Eurozone Risk.

Foreign Exchange Hedging Risk.

Futures Contracts and Other Exchange-Traded Derivatives Risk.

Russian Investment 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 Information*” 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 the markets covered by the Index by way of an exchanged traded fund.

## **SUBSCRIPTIONS – PRIMARY MARKET**

Accumulation Shares, denominated in USD, are available in the Sub-Fund (the “**Shares**”). It is not the current intention of the Directors to declare a dividend in respect of 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 three 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 Borsa Italiana, the SIX Swiss Exchange and the London Stock Exchange.

## **INDEX DISCLAIMERS**

THIS SUB-FUND IS NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY MSCI INC. (“MSCI”), ANY OF ITS AFFILIATES, ANY OF ITS INFORMATION PROVIDERS OR ANY OTHER THIRD PARTY INVOLVED IN, OR RELATED TO, COMPILING, COMPUTING OR CREATING ANY MSCI INDEX (COLLECTIVELY, THE “MSCI PARTIES”). THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES ARE SERVICE MARK(S) OF MSCI OR ITS AFFILIATES AND HAVE BEEN LICENSED FOR USE FOR CERTAIN



PURPOSES BY THE MANAGER. NONE OF THE MSCI PARTIES MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, TO THE ICAV OR OWNERS OF THE SHARES OR ANY OTHER PERSON OR ENTITY REGARDING THE ADVISABILITY OF INVESTING IN FUNDS GENERALLY OR IN THIS SUB-FUND PARTICULARLY OR THE ABILITY OF ANY MSCI INDEX TO TRACK CORRESPONDING STOCK MARKET PERFORMANCE. MSCI OR ITS AFFILIATES ARE THE LICENSORS OF CERTAIN TRADEMARKS, SERVICE MARKS AND TRADE NAMES AND OF THE MSCI INDEXES WHICH ARE DETERMINED, COMPOSED AND CALCULATED BY MSCI WITHOUT REGARD TO THIS SUB-FUND OR THE ICAV OR OWNERS OF SHARES OR ANY OTHER PERSON OR ENTITY. NONE OF THE MSCI PARTIES HAS ANY OBLIGATION TO TAKE THE NEEDS OF THE ICAV OR OWNERS OF THE SHARES OR ANY OTHER PERSON OR ENTITY INTO CONSIDERATION IN DETERMINING, COMPOSING OR CALCULATING THE MSCI INDEXES. NONE OF THE MSCI PARTIES IS RESPONSIBLE FOR OR HAS PARTICIPATED IN THE DETERMINATION OF THE TIMING OF, PRICES AT, OR QUANTITIES OF THIS SUB-FUND TO BE ISSUED OR IN THE DETERMINATION OR CALCULATION OF THE EQUATION BY OR THE CONSIDERATION INTO WHICH THIS SUB-FUND IS REDEEMABLE. FURTHER, NONE OF THE MSCI PARTIES HAS ANY OBLIGATION OR LIABILITY TO THE ICAV OR OWNERS OF THE SHARES OR ANY OTHER PERSON OR ENTITY IN CONNECTION WITH THE ADMINISTRATION, MARKETING OR OFFERING OF THIS SUB-FUND.

ALTHOUGH MSCI SHALL OBTAIN INFORMATION FOR INCLUSION IN OR FOR USE IN THE CALCULATION OF THE MSCI INDEXES FROM SOURCES THAT MSCI CONSIDERS RELIABLE, NONE OF THE MSCI PARTIES WARRANTS OR GUARANTEES THE ORIGINALITY, ACCURACY AND/OR THE COMPLETENESS OF ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. NONE OF THE MSCI PARTIES MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE ICAV, THE SUB-FUND, OWNERS OF THE SHARES, OR ANY OTHER PERSON OR ENTITY, FROM THE USE OF ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. NONE OF THE MSCI PARTIES SHALL HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS OF OR IN CONNECTION WITH ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. FURTHER, NONE OF THE MSCI PARTIES MAKES ANY EXPRESS OR IMPLIED WARRANTIES OF ANY KIND, AND THE MSCI PARTIES HEREBY EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO EACH MSCI INDEX AND ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL ANY OF THE MSCI PARTIES HAVE ANY LIABILITY FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL OR ANY OTHER DAMAGES (INCLUDING LOST PROFITS) EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

## **Appendix I**

### **Additional Sustainable Finance Disclosure**

**Product Name:** Franklin Global Equity SRI UCITS ETF

**Legal entity identifier:** 549300ZPOUIIE1XTV058

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

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

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:**

0% in economic activities that qualify as environmentally sustainable under the EU Taxonomy

0% 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 will have a minimum proportion of 10% 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**



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

Through tracking the Index, the Sub-Fund promotes the following environmental/social characteristics:

- Investment in environmentally and socially responsible companies; and
- Avoidance of investment in companies whose products have negative social or environmental impacts.

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

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

- 1) MSCI ESG Rating score of the Index relative to the broader benchmark market universe; and
- 2) Greenhouse gas (GHG) Intensity of the Index, as measured by scope 1, 2 and 3 emissions.

● ***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 to fund and promote environmentally and socially responsible companies. In order to achieve this objective, the Sub-Fund tracks the Index, which is a diversified Socially Responsible Investment (SRI) benchmark comprised of companies with strong sustainability profiles while at the same time excluding companies incompatible with values screens.

● ***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 Index uses proprietary data tools and qualitative research applied to all companies in the Index, to ensure alignment with the Do No Significant Harm (DNSH) principles.

The Index Provider assesses controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services. The framework used is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact (UNGC) and scores controversies on a 0-10 scale, with "0" being the most severe controversy.

Companies are required to have a controversy score of 4 or above to be eligible for inclusion in the Index and must maintain a controversies score above 0 to be retained in the Index.

Furthermore, the Index implements social and environmental negative screens to exclude companies based on their business activities, as further detailed under the section dedicated to the binding criteria.

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

Indicators of Principal Adverse Impacts, and other data points deemed by the Index to be proxies for principal adverse impacts, are used to remove from the Index all issuers that are considered to do significant harm.

Exclusion criteria are set out in the section dedicated to the binding elements of the investment strategy below.

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

All investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

**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.

This is achieved by the Index Provider assessing controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services. The framework used is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UNGC, and scores controversies on a 0-10 scale, with "0" being the most severe controversy.

The framework is stakeholder driven and covers the five categories/pillars of stakeholder impact, organized against 28 indicators. The specific Social pillars include human rights & community and labour rights & supply chain. Indicators within each pillar are listed below.

Human rights & community	Labor rights & supply chain
Impact on local communities	Labor management relations
Human rights concerns	Health & safety
Civil liberties	Collective bargaining & unions
Other	Discrimination & workforce diversity
	Child labor
	Supply chain labor standards
	Other

Companies are required to have a 'Controversies score' of 4 or above to be eligible for inclusion in the Index and must maintain that score above 0 to be retained in the Index.

Further details are available on the below link

[MSCI ESG Controversies Factsheet](#)

*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?

Yes

The Sub-Fund replicates the Index.

Please see the response to "How have the indicators of adverse impacts on sustainability factors been taken into account?" above.

No



## What investment strategy does this financial product follow?

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

The objective of the Sub-Fund is to provide exposure to large and mid-capitalisation stocks issued by companies that are considered to be environmentally and socially responsible in developed and emerging market countries globally.

In order to seek to achieve the Sub-Fund's investment objective, the Investment Manager will aim to replicate the Index by holding all of the Index Securities in a similar proportion to their weighting in the Index.

The Index is a systematic, rules-based proprietary index that is owned and calculated by the index Provider. It is comprised of approximately 230 stocks selected from the MSCI ACWI SRI Index, which is comprised of approximately 540 stocks. The Index is a free float-adjusted, market capitalisation weighted index designed to measure the equity market performance of developed and emerging markets companies which demonstrate outstanding ESG ratings. It also excludes companies whose products have negative social or environmental impacts.

The MSCI ESG Ratings provides research, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities. MSCI ESG Ratings provides an overall company ESG rating on a seven-point scale from 'AAA' to 'CCC'. In addition, MSCI ESG Ratings provide scores and percentiles indicating how well a company manages each key issue relative to industry peers.

Individual metrics are used per industry based on MSCI's materiality mapping framework. MSCI ESG Ratings identify six to ten key ESG issues where companies in that industry currently generate large environmental or social externalities; these are issues where some companies may be forced to internalise unanticipated costs associated with those externalities in the future.

To be included in the Index, stocks must have a minimum MSCI ESG Rating of 'A' and be included in the top 25% of issuers in their relevant industrial sector.

The Index is comprised of stocks from 23 developed and 26 emerging markets, which have been selected from the MSCI ACWI SRI Index on the basis of multiple investment style factors, including a lower level of risk and higher risk-adjusted performance relative to the MSCI ACWI SRI Index over the long term. The Index rules achieve this by ranking all of the stocks within the MSCI ACWI SRI Index using a simple and transparent multi-factor selection process that applies four investment style factors (quality, value, momentum and low volatility) and select the 40% of stocks which are rated most highly across these factors.

The factors are common characteristics that the Investment Manager believes are important in explaining the returns and risks of those securities. The "quality" factor includes aspects such as return on equity, earnings variability, cash return on assets and leverage. The "value" factor includes aspects such as price to earnings ratio, price to forward earnings ratio, price to book value ratio and dividend yield. The "momentum" factor includes aspects such as 6-month risk-adjusted price momentum and 12-month risk-adjusted price momentum. The "low volatility" factor measures historical beta, which is a measure of the volatility of a security relative to that of the market overall.

The Index is rebalanced semi-annually and, at the time of each rebalancing, no Index Security shall comprise more than 1% of the Index to ensure diversification and minimise security level concentrations.

● ***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 Sub-Fund replicates the Index, which is constructed using inclusion and exclusion

criteria, which are binding. There is no scope for any of these criteria to be bypassed.

- The socially responsible exclusions criteria based on business activities are the following:
  - **Controversial weapons** (>0% revenue) as further detailed below
  - **Civilian firearms** (≥5% revenue or any producer)
  - **Nuclear weapons** (any manufacturer of nuclear warheads or missiles, including components, and delivery platforms of nuclear weapons, including capability of use as such even if not specifically designed as such)
  - **Tobacco** (≥5% revenue or any producer)
  - **Adult Entertainment** (≥5% revenue from production, ≥15% aggregate revenue from production, distribution, and retail)
  - **Alcohol** (≥5% revenue from production, ≥15% aggregate revenue from production, distribution, and retail)
  - **Conventional weapons** (≥5% revenue from production, ≥15% aggregate revenue from systems, components, and support)
  - **Gambling** (≥5% revenue from ownership of operation, ≥15% aggregate revenue from related activities)
  - **Genetically modified organisms** (≥5% revenue)
  - **Nuclear power** (≥5% electricity generation from nuclear per year or installed capacity attribution, ≥15% aggregate revenue from related activities)
- Environmentally responsible exclusions based on business activities:
  - **Fossil fuel reserves ownership** (>0%)
  - **Fossil fuel extraction** (>0% revenue)
  - **Thermal coal power** (>5% revenue)
- Furthermore, the index excludes all the companies:
  - with evidence of owning proven & probably coal reserves and /or proven oil & natural gas reserves used for energy purposes;
  - deriving revenue from thermal coal mining or unconventional oil and gas extraction;
  - facing very severe and severe controversies pertaining to environmental issues, including environmental controversies such as toxic emissions, biodiversity & land use, water stress and operational waste;
  - that are non-compliant with the UNGC principles, UN Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work;
  - with severe controversies in respect of with gender pay ratio or gender diversity; and
  - that are involved in controversial weapons. This includes all producers of the weapons and key components of the weapons. It also includes all companies that have an indirect stake in another company that produces controversial weapons, subject to levels of ownership specified by the index provider.

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

- Companies are also required to have a controversies score of 4 or above to be eligible for inclusion in the Index.
- Companies are also required to have a minimum MSCI ESG Rating of 'A' and be included in the top 25% of issuers in their relevant industrial sector to be eligible for inclusion in the Index.

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

Whilst there is no minimum committed rate, the Index methodology achieves a reduction well in excess of 20%.

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

The Index Provider assesses controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services. The framework used is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UNGC and scores controversies on a 0-10 scale, with “0” being the most severe controversy.

Specific areas of Governance covered by these assessments include controversies related to bribery & fraud, governance structures, controversial investments, labour management relations, collective bargaining & unions, discrimination & workforce diversity.

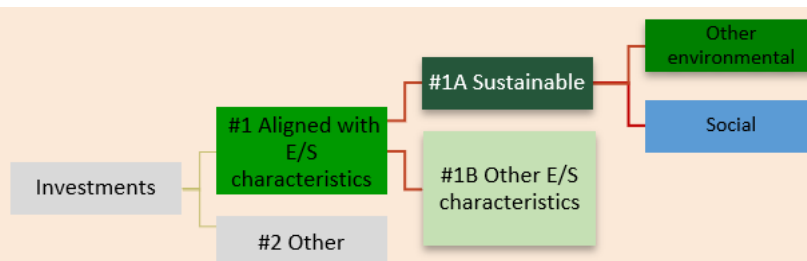
Companies are required to have a controversies score of 4 or above to be eligible for inclusion in the Index and must maintain a controversies score above 0 to be retained in the Index.



**Asset allocation** describes the share of investments in specific assets.

**What is the asset allocation planned for this financial product?**

The Investment Manager employs a binding proprietary ESG methodology which is applied to at least 90% of the Fund’s portfolio. The remaining portion (<10%) of the portfolio is not aligned with the promoted characteristics. Out of the Fund’s portfolio segment which is aligned with the promoted environmental and/or social characteristics, the Fund undertakes a further commitment to invest a minimum of 10% of its Net Asset Value to sustainable investments, which will be split between sustainable investments with an environmental objective not aligned with the EU Taxonomy and socially sustainable investments, as described below.



**#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.

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.

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

The Sub-Fund does not use derivatives to attain the environmental or social characteristics that it promotes.



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

0% of the Sub-Fund's sustainable investments has 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<sup>1</sup>?**

Yes

In fossil gas  In nuclear energy

No

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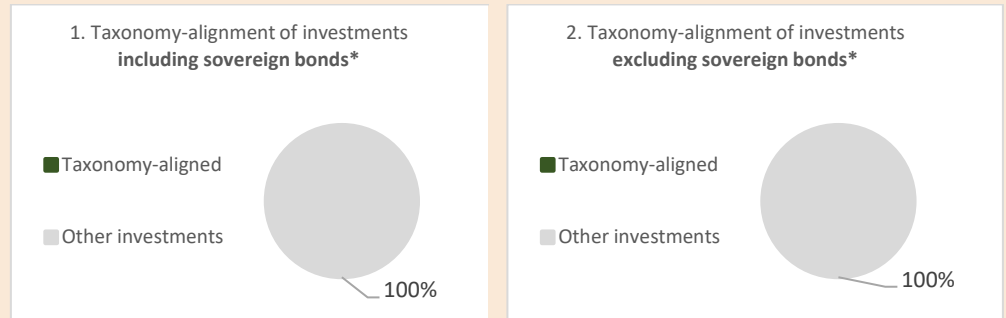
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



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.

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 minimum share of investments in transitional and enabling activities within the meaning of the Taxonomy Regulation is 0% of the Sub-Fund's Net Asset Value.



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

5% of the Sub-Fund's Net Asset Value.



**What is the minimum share of socially sustainable investments?**

5% of the Sub-Fund's Net Asset Value.



**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 cash or cash equivalents held for the purposes of servicing the day-to-day requirements of the Sub-Fund as well as derivatives used for efficient portfolio management purposes.

No minimum environmental or social safeguards have been put in place



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



**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?**

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

Yes, the LibertyQ Global Equity SRI Index.

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

A full review of the index is carried out on an annual basis, in May to coincide with the May Semi-Annual Review of the Parent Index, with all changes implemented at the end of the month.

The Index Provider uses its own internal data as of the end of the month preceding the Index reviews for the rebalancing of the Index. At each annual Index review, the eligible universe is updated and the composition of the Index is reassessed in order to target 25% free float-adjusted cumulative market capitalization of each sector of the Parent Index.

All constituents are also reviewed based on the latest ESG data on a quarterly basis to ensure they continue to meet the eligibility criteria for inclusion in the Index. Existing constituents are deleted from the index if they do not meet the required ESG eligibility criteria. Additions are only made to those sectors where the current market capitalization target is less than 22.5%, until the 25% target is reached.

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

Please see the response to the previous question.

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

As above, the Index is structured to represent the performance of companies that have high Environmental, Social and Governance (ESG) ratings relative to their sector peers, to ensure the inclusion of the best in-class companies from an ESG perspective, which is not the case for the Parent Index, which is a relevant broad market index. The Index methodology also provides for multiple activity-based exclusions, as described above, which are not features of the Parent Index.

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

Further information can be found at the following links:

1. [LibertyQ global equity SRI index \(msci.com\)](https://www.msci.com/libertyq-global-equity-sri-index)
2. [MSCI SRI Indexes Methodology](https://www.msci.com/sri-indexes-methodology)



**Where can I find more product specific information online?**

More product-specific information can be found on the Website.

[www.franklintempleton.ie/25798](http://www.franklintempleton.ie/25798)