

# Franklin Templeton ICAV

## Franklin Future of Food UCITS ETF

**16 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 Future of Food 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.

An investment in the Sub-Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

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>	Every Business Day (excluding any day on which a market on which securities included in the Index are listed or traded is closed, as a result of which 25% or more of the Index may not be traded, provided that a list of such closed market days 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.
<b>Dealing Deadline</b>	For cash subscriptions and redemptions, 4 pm (Irish time) on each Dealing Day.  For in-kind subscriptions and redemptions, 4 pm (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>Distributions</b>	It is not the current intention of the Directors to declare a dividend in respect of the Accumulation Shares.
<b>ESG Data Provider</b>	ISS (Institutional Shareholder Services).
<b>Index</b>	Solactive Sustainable Food Index-NR.
<b>Index Provider</b>	Solactive.
<b>Investment Manager</b>	Franklin Advisory Services LLC and Franklin Templeton Investment Management Limited.
<b>ISIN</b>	IE000ZOKLHY7
<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 " <i>Determination of Net Asset Value</i> " 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 4 pm London FX rate.

<b>Valuation Point</b>	The Sub-Fund calculates its Net Asset Value at 4 pm 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 Sub-Fund seeks to provide exposure to companies that are involved in sustainable practices across the food industry 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.

Index Securities are selected from the Solactive GBS Developed Markets All Cap Index (the "**Parent Index**"). The Index is comprised of global equity securities issued by companies from developed markets and is designed to measure the equity performance of those companies related to the food industry that utilize technology, efficient production and supply practices, and/or demonstrate innovation with the aim of creating a sustainable food ecosystem. To be included in the Index, such securities have, or are expected to have, exposure to the provision of products and/or services within the food industry. These companies operate in industry categories such as sustainable and healthy food, agriculture machinery, smart farming, aquaculture, packaging solutions and food supply, crop protection & nutrients or water technology.

The selection of Index Securities from the Parent Index is based on screening publicly available information such as financial news, business profiles and company publications using ARTIS®, the Index Provider's proprietary natural language processing algorithm. ARTIS® screens the publicly available information for key words that the Index Provider has selected to describe each of the industry categories set out in the previous paragraph.

Each company identified by ARTIS® receives a score that reflects the extent of its exposure to the industry category which, in turn, is based on a combination of the frequency the relevant key word is used in respect of that company and the weighting applied to the key word. Key words that are considered to be particularly relevant for each category are weighted more heavily, so that the more frequently that such words are identified in respect of a company, the more the score for that company will increase. The companies are ranked by their score, with the top ranked securities selected from each industry category to go through the next stage ESG evaluations.

The relevant companies identified for each industry category are then evaluated by the ESG Data Provider based on the below criteria:

- Contribution to [UN Sustainable Development Goals](#) ("SDGs"). The Index is designed to align with the aims of the SDGs. Each of the remaining securities' contribution to all 17 of the SDGs is

evaluated. Index Securities are required to make a positive contribution to SDG 2 (Zero Hunger), SDG 9 (Industry, Innovation & Infrastructure), SDG 12 (Responsible Consumption & Production), SDG 13 (Climate Action), SDG 14 (Life Below Water) or SDG 15 (Life on Land). Conversely, any securities that are deemed by the ESG Data Provider to be a major obstructor to any of the 17 SDGs will be excluded from the Index.

- The Index's methodology also applies a range of value-based social and environmental exclusions. Securities that generate significant revenues from fossil fuels, tobacco, alcohol, gambling, adult entertainment and both controversial and conventional weapons are excluded. Additionally, companies with higher-than-average carbon emissions (expressed as total carbon emissions per million EUR of revenue) relative to their peer group and companies that are deemed by the ESG Data Provider to negatively affect biodiversity-sensitive areas are excluded. Norms-based screening is applied to investments, based on compliance with relevant international norms and standards such as those issued by the Organisation for Economic Co-operation and Development (OECD) and the [UN Global Compact](#) and will screen out companies involved in significant ESG controversies. Furthermore, companies with poor governance (including companies with no female board representation) are excluded along with those whose products have a negative social or environmental impact.

The Index is modified market capitalisation weighted. Constituent weights for the Index Securities are determined by their score and their market capitalisation. A final check at this stage is performed on the aggregate weight of Index constituents which are classified as sustainable investments for the purposes of SFDR by the ESG Data Provider. If the aggregated weights of such index constituents is less than 20% of the Index, the weights are rescaled to give an aggregate weight of 20%. The Index is rebalanced on a semi-annual basis. Further details on the Index and weights are available at: <https://www.solactive.com/indices/?index=DE000SLOH9U5>

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 liquidity 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 the replication and optimisation methodologies 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); and (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). 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.

In addition, the Sub-Fund may from time to time hold securities which are not Index Securities in certain circumstances, such as where securities, such as shares, bonds or warrants are issued to the Sub-Fund following corporate actions in respect of Index Securities or where securities have been removed

from the Index but, due to market conditions, it is not possible for the Sub-Fund to sell such securities at the time of their removal from the Index. The Sub-Fund will seek to sell such securities as soon as practicable in the best interests of Shareholders.

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), currency futures, equity futures and equity index futures 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. Equity index futures and equity futures may be used to provide exposure to the Index and / or its constituents. Forwards and futures and their use for these purposes are described under "*Use of Financial Derivative Instruments*" in the "*Investment Techniques*" section of the Prospectus. 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 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.

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 before deduction of fees and expenses. It is currently anticipated that the tracking error of the Sub-Fund will be in the range of 1% 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 Asset Value 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 Asset Value of the Sub-Fund that could be subject to such transactions is 20%.

## **SUSTAINABLE FINANCE**

As described above, the Sub-Fund promotes 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.

The nature of the Index means that Sustainability Risks will be taken into account in making investment decisions to the extent of the Index construction described above. The Manager's assessment of the potentially adverse impact of these Sustainability Risks on the returns of the Sub-Fund highlighted the possibility of significant volatility in the performance of the Index where investee companies were the subject of serious environmental or social controversies, which could, in turn, have had a materially negative impact on the returns of the Fund. This resulted for example in the Index Provider excluding any companies deemed by the ESG Data Provider to be a major obstructor to any of the 17 SDGs or violators of the UN Global Compact from the Index, which the Manager believes will reduce the potential for volatility in the Index through the exclusion of companies which are most likely to be involved in such serious controversies which could adversely affect the value of their securities. Investors should refer to the "*Sustainable Finance*" section of the Prospectus for further details with respect to Sustainability Risk and ESG Integration for the Sub-Fund.

## **SECURITIES LENDING**

The expected proportion of the Net Asset Value 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 "*General 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:

Concentration Risk.

Counterparty Risk.

Currency Risk.

Foreign Exchange Hedging Risk.

Futures Contracts and Other Exchange-Traded Derivatives Risk.

Index License Risk.

Index-Related Risk.

Index Tracking Risk.

Over-the-Counter Derivatives Risk.

Passive 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 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 the markets covered by the Index by way of an exchange traded fund.

## **SUBSCRIPTIONS – PRIMARY MARKET**

Accumulation Shares, denominated in USD, are available in the Sub-Fund (the “**Shares**”).

Shares will be available from 9am to 5pm (Irish time) on 19 June 2023 or such earlier or later date as the Directors may determine and notify the Central Bank (the “**Initial Offer Period**”). During the Initial Offer Period Shares will be available at approximately USD 25 per Share.

Following the Initial Offer Period, 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**

Application has been or will be made for the Shares to be admitted to the Deutsche Börse Xetra, Borsa Italiana and the London Stock Exchange.

## **INDEX DISCLAIMERS**

Solactive AG (“Solactive”) is the licensor of the Index. The financial instruments that are based on the Index are not sponsored, endorsed, promoted or sold by Solactive in any way and Solactive makes no

express or implied representation, guarantee or assurance with regard to: (a) the advisability in investing in the financial instruments; (b) the quality, accuracy and/or completeness of the Index; and/or (c) the results obtained or to be obtained by any person or entity from the use of the Index. Solactive does not guarantee the accuracy and/or the completeness of the Index and shall not have any liability for any errors or omissions with respect thereto. Notwithstanding Solactive's obligations to its licensees, Solactive reserves the right to change the methods of calculation or publication with respect to the Index and Solactive shall not be liable for any miscalculation of or any incorrect, delayed or interrupted publication with respect to the Index. Solactive shall not be liable for any damages, including, without limitation, any loss of profits or business, or any special, incidental, punitive, indirect or consequential damages suffered or incurred as a result of the use (or inability to use) of the Index.



ANNEX II

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Franklin Future of Food UCITS ETF

Legal entity identifier: 254900T2UOKB4G772S89

**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**

<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>
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### What environmental and/or social characteristics are promoted by this financial product?



The Sub-Fund tracks the performance of the Solactive Sustainable Food Index-NR (the "Index"). By tracking the Index, the Sub-Fund promotes the following environmental and social characteristics:

- Providing exposure to companies that are involved in sustainable practices across the food industry
- Providing exposure to companies that are deemed to be aligned with the most relevant United Nations Sustainable Development Goals (UN SDGs) for the food industry-related

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

- Excluding companies which receive significant revenues from fossil fuels.
- Excluding companies which are involved in the production of weapons, alcohol, gambling, adult entertainment, tobacco or are in violation of international standards including the UN Global Compact (UNGC).
- Excluding companies which are involved in serious Environmental, Social and Governance (ESG) ESG controversies.

Moreover, the Sub-Fund has a minimum allocation of 20% of its Net Asset Value in sustainable investments, of which a minimum of 15% have an environmental objective (not aligned with the EU Taxonomy) and a minimum of 5% have a social objective.

The Index has been designated as a reference benchmark to determine whether the financial product is aligned with the environmental and/or social characteristics that it promotes.

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

- 1) The percentage of the portfolio contributing to the UN SDGs named below in the response to "*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*".
- 2) The percentage of the Portfolio aligned with E/S characteristics identified above in the response to "*What environmental and/or social characteristics are promoted by this financial product?*".

● ***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 promote the provision of products or services related to the sustainable production of food whilst supporting the following UN Sustainable Development Goals:

- SDG 2 – Zero Hunger
- SDG 9 – Industry, Innovation & Infrastructure
- SDG 12 – Responsible Consumption & Production
- SDG 13 – Climate Action
- SDG 14 – Life Below Water
- SDG 15 – Life On Land

To achieve this objective, the sustainable investments will comprise securities issued by companies that are:

- a) utilising technology, employing sustainable practices, and demonstrating innovation within the food industry; and/or
- b) mitigating the damage already caused to the environment by reliance on traditional approaches to producing food.

Companies included in the Index are required to demonstrate strong ESG ratings and therefore companies whose products have a negative social or environmental impact are excluded.

**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.

***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?***

Indicators of principal adverse impacts (PAIs) and other data points deemed by the Index to be proxies for PAIs are used to remove all issuers that are considered to cause significant harm from the Index, as further described in the below section “How have the indicators for adverse impacts on sustainability factors been taken into account?”.

In addition, the Index methodology applies value-based social and environmental exclusions. All the exclusions applied by the Index methodology are described under the section “*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?*”.

Furthermore, the integration of the ESG Data Provider’s climate peer group ESG analysis also ensures that all companies are assessed by their impact on the environment in terms of climate emissions and norms based screening is applied on investments based on compliance with relevant international norms and standards such as those issued by the Organisation for Economic Co-operation and Development (OECD) and the UNGC.

Finally, the ESG Data Provider evaluates and scores all companies based on their approach to governance practices. This allows for those companies with the worst governance score (D or below) to be eliminated from the Index and are therefore not included in the portfolio.

Any company which is deemed to be a significant obstacle to positive environmental or social outcomes is excluded from the Index. This also ensures that companies that are particularly damaging to the theme of the Index are also excluded.

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

The PAI indicators are incorporated within the Index methodology to ensure issuers do not cause significant harm and the ones below are deemed to be material to the Sub-Fund:

- Exposure to companies active in the fossil fuel sector (PAI #4): all companies deriving significant revenue from the fossil fuel sector are excluded from the Index.
- Activities negatively affecting biodiversity-sensitive areas (PAI #7): all companies that are involved in controversies negatively affecting biodiversity-sensitive areas are excluded from the Index.
- Violations of UN Global Compact Principles (PAI #10): Norms based screening means screening of investments based on compliance with relevant international norms and standards such as those issued by the Organisation for Economic Co-operation and Development (OECD) and the UN Global Compact. Companies that perform badly in relation to these standards will be excluded from the Index.
- Board Gender Diversity (PAI #13): all companies where there is no female representation on the Board are excluded from the Index.
- Controversial Weapons (PAI #14): all companies with any involvement in controversial weapons are excluded from the Index.

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

*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.*



The Index Provider excludes all companies with verified ongoing failure to respect established international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights.

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



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

X

Yes, The PAI indicators are considered for the purpose of restricting the investable universe and are incorporated within the Index methodology. Further details on the consideration of PAIs are provided under the section “How have the indicators for adverse impacts on sustainability factors been taken into account?”

No

**What investment strategy does this financial product follow?**

The objective of the Sub-Fund is to provide exposure to companies that are involved in sustainable practices across the food industry globally. In order 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.

Index Securities are selected from the Solactive GBS Developed Markets All Cap Index (the "Parent Index"). The Index is comprised of global equity securities issued by companies from developed markets and is designed to measure the equity performance of those companies related to the food industry that utilize technology, efficient production and supply practices, and/or demonstrate innovation with the aim of creating a sustainable food ecosystem. To be included in the Index, such securities have, or are expected to have, exposure to the provision of products and/or services within the food industry. These companies operate in industry categories such as sustainable and healthy food, agriculture machinery, smart farming, aquaculture, packaging solutions and food supply, crop protection & nutrients or water technology.

The selection of Index Securities from the Parent Index is based on screening publicly available information such as financial news, business profiles and company publications using ARTIS®, the Index Provider's proprietary natural language processing algorithm. ARTIS® screens the publicly available information for key words that the Index Provider has selected to describe each industry category

Each company identified by ARTIS® receives a score that reflects the extent of its exposure to the industry category which, in turn, is based on a combination of the frequency the relevant key word is used in respect of that company and the weighting applied to the key word. Key words that are considered to be particularly relevant for each category are weighted more heavily, so that the more frequently that such words are identified in respect of a company, the more the score for that company will increase. Companies are then reviewed by the Index Provider to ensure their relevance to the industry category based on their actual business operations and companies that do not have relevant business exposure to the theme are removed from the selection process. The remaining companies are ranked by their score, with the top ranked securities selected from each industry category to go through the next stage ESG evaluations.

The relevant companies identified for each industry category are then evaluated by the ESG Data Provider based on the below criteria:

- Contribution to UN Sustainable Development Goals ("SDGs"). The Index is designed to align with the aims of the SDGs. Each of the remaining securities' contribution to all 17 of the SDGs is evaluated. Index Securities are required to make a positive contribution to SDG 2 (Zero Hunger), SDG 9 (Industry, Innovation & Infrastructure), SDG 12 (Responsible Consumption & Production), SDG 13 (Climate Action), SDG 14 (Life Below Water) or SDG 15 (Life on Land). Conversely, any securities that are deemed by the ESG Data Provider to be a major obstructor to any of the 17 SDGs will be excluded from the Index.
- The Index's methodology also applies a range of value-based social and environmental exclusions. Securities that generate significant revenues from fossil fuels, tobacco, alcohol, gambling, adult entertainment and both controversial and conventional weapons are excluded. Additionally, companies with higher-than-average carbon emissions (expressed as total carbon emissions per million EUR of revenue) relative to their peer and companies that are deemed by the ESG Data Provider to negatively affect biodiversity-sensitive areas are excluded. Norms-based screening is applied to investments, based on compliance with relevant international norms and standards such as those issued by the Organisation for Economic Co-operation and Development (OECD) and the UN Global Compact and will screen out companies involved in significant ESG controversies. Furthermore, companies with poor governance (including companies with no female board representation) are excluded along with those whose products have a negative social or environmental impact.

The Index is modified market capitalisation weighted. Constituent weights for the Index Securities are determined by their score and their market capitalisation. A final check at this stage is performed on the aggregate weight of Index constituents which are classified as sustainable investments for the purposes of SFDR by the ESG Data Provider. If the aggregated weights of such index constituents is less than 20% of the Index, the weights are rescaled to give an aggregate weight of 20%. The Index is rebalanced on a semi-annual basis. Further details on the Index and weights are available at: <https://www.solactive.com/documents/equity-index-methodology/> Further Index-related exclusions criteria are detailed in the section below *“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?”*.

● ***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 aims to replicate the Index.

Any company deemed to be a significant obstacle to any of the 17 UN SDGs is excluded from the universe by the Index Provider.

The construction of the Index incorporates the below exclusion list:

1. Socially responsible exclusions based on business activities:
  - Controversial Weapons
  - Conventional Weapons
  - ESG Controversies
  - Violations of international norms including UNGC
  - Tobacco
  - Adult Entertainment
  - Alcohol
  - Gambling
2. Environmentally responsible exclusions based on business activities:
  - Environmental Harm
  - Fossil Fuels
  - Biodiversity

The integration of the ESG Data Provider’s climate peer group analysis also ensures that all companies are assessed by their impact on the environment in terms of climate emissions. This evaluation determines those companies with higher-than-average carbon emissions per peer group to be screened out.

Furthermore, the ESG Data Provider evaluates and scores all companies based on their approach to ESG practices. All companies with the worst governance score (D or below) are excluded from the Index. The ESG Data Provider’s governance rating assesses key governance metrics, including business ethics, corporate governance and other issues.

The rating is based on a 12 points scale from A+ (excellent performance) to D- poor performance.

Any company where there is no female representation on the Board is also excluded from the Index.

In order to be a constituent of the Index, a company must make a positive contribution to SDG 2 (Zero Hunger), SDG 9 (Industry, Innovation & Infrastructure), SDG 12 (Responsible Consumption & Production), SDG 13 (Climate Action), SDG 14 (Life Below Water) or SDG 15 (Life On Land).

The Sub-Fund will invest a minimum of 20% of its Net Asset Value in sustainable investments, of which a minimum of 15% have an environmental objective (not aligned with the EU Taxonomy) and a minimum of 5% have a social objective.

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

The universe will be reduced by a minimum of 20%. At 30 November 2022, the Parent Index contained a total of 6,687 constituents compared to the Index which comprised of 60 constituent companies, i.e., a reduction of almost 99%.

● **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.

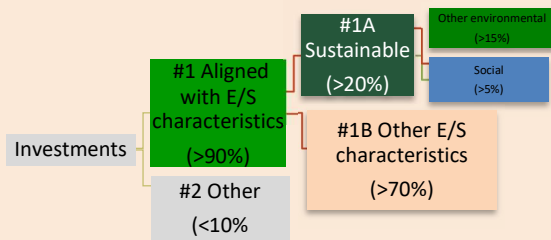
Companies which perform poorly relative to international norms including the UN Global Compact or are involved in any other ESG controversies are also excluded from the Index.

The ESG Data Provider evaluates and scores all companies based on their approach to governance practices. All companies with the worst governance score (D or below) are excluded from the Index.



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

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



**#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.

At least 90% of the Sub-Fund's portfolio is aligned with environmental and/or social characteristics promoted by the Fund. A maximum of 10% of the Net Asset Value is not aligned with the promoted characteristics and it includes cash or cash equivalents as well as derivatives.

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 20% of its Net Asset Value in sustainable investments, of which a minimum of 15% have an environmental objective (not aligned with the EU Taxonomy) and a minimum of 5% have a social objective.

● **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?**

The Fund does not invest 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<sup>1</sup>?**

Yes:

In fossil gas In  nuclear energy

No

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.

<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.



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.

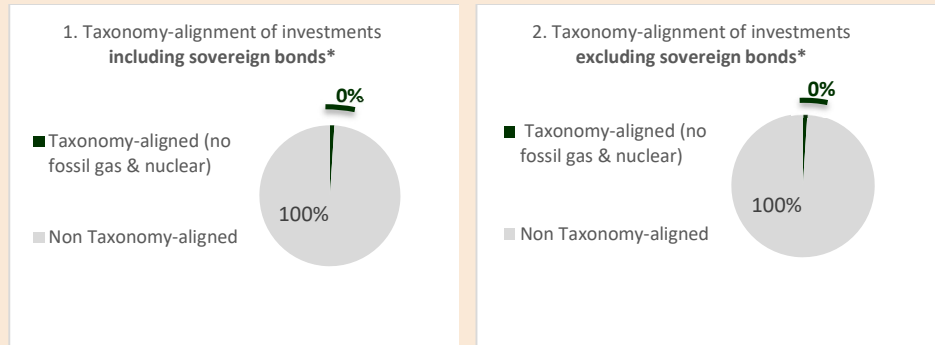
**Transitional activities**

are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



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

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



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

**What is the minimum share of investments in transitional and enabling activities?**

The Fund does not invest in transitional and enabling activities



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

15% 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 in respect of these investments.

**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?**

Yes – the Solactive Sustainable Food Index-NR



**Reference benchmarks**

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

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

All constituents are reviewed at the semi-annual Index rebalance based on the latest ESG data to ensure they continue to meet the eligibility criteria for inclusion in the Index. Existing constituents are removed from the Index if they do not meet the required ESG eligibility criteria.

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

As described in the previous answer, the Index is rebalanced semi-annually to ensure the objectives of the Index are met.

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

Broad market indices are market capitalisation weighted with no exclusion criteria beyond size and investability.

The Index is focused on companies that are employing sustainable practices and utilising technology and demonstrating innovation within the food industry as well as mitigating the damage caused to the environment by traditional methods of food production. Index weights are also adjusted by a company's contribution to the UN Sustainable Development Goals.

The Index methodology also includes a range of value-based social and environmental exclusions as well as exclusions of companies which have a poor level of governance and those companies which are in violation of international standards including the UN Global Compact.

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

For further information on the Index, please refer to the Index methodology at <https://www.solactive.com/documents/equity-index-methodology>



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

More product-specific information can be found on the website: [www.franklintempleton.ie/36451](http://www.franklintempleton.ie/36451)