

Franklin Templeton ICAV

Franklin Sustainable Euro Green Sovereign UCITS ETF

16 October 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 Sustainable Euro Green Sovereign UCITS ETF (the “Sub-Fund”) which is a separate sub-fund of the Fund.

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

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

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

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

Base Currency	Euro.
Benchmark	Bloomberg Global Government EUR Green Bond Index.
Business Day	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.
Dealing Day	Every Business Day excluding any day on which a market on which securities included in the relevant Benchmark are listed or traded is closed and as a result of which 25% or more of the Benchmark 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 the Sub-Fund will be available to Shareholders upon request from the Administrator) and/or such other day or days as the Directors may determine and notify to the Administrator and to Shareholders in advance, provided there shall be at least one Dealing Day per fortnight.
Dealing Deadline	1 pm (Irish time) on each Dealing Day.
Dealing NAV	The Net Asset Value per Share calculated as at the Valuation Point on the relevant Dealing Day.
Investment Manager	Franklin Templeton Investment Management Limited.
Settlement Deadline	For cash and in kind subscriptions, appropriate cleared subscription monies/securities must be received by the second Business Day after the Dealing Day, or such later date as may be determined by the Fund and notified to Shareholders from time to time.
Shares Available	Currently two classes of ETF Shares are available for subscription. Please see the " <i>Summary of Shares</i> " section below.
TER	Up to 0.20% of the Net Asset Value per annum. However, until 31 October 2024, the TER is subject to a fee waiver of 0.02% of the Net Asset Value, with the result that the effective TER until that date will be up to 0.18% of the Net Asset Value per annum. The waiver will expire on 1 November 2024. Further information is set out in the " <i>Fees and Expenses</i> " section of the Prospectus.
Valuation	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 latest mid-market prices.
Valuation Point	The Sub-Fund calculates its Net Asset Value at 4 pm New York time on each Business Day.
Website	www.franklintempleton.com

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective. The objective of the Sub-Fund is to pursue a sustainable investment objective, by providing exposure primarily to the European sovereign green bond market, whilst maximising total returns.

Investment Policy. The Sub-Fund is an Article 9 fund under SFDR. The Sub-Fund seeks to achieve its investment objective by investing at least 90% of its Net Asset Value in sustainable investments. Such investments will primarily consist of bonds which have been issued by SSA (sovereigns, sub-sovereigns, supranationals and agencies) entities. The proceeds of such investments will typically contribute to an environmental objective of reducing and eliminating carbon emissions, by engaging in activities such as, but not limited to, generation or use of renewable energy, efficient use of energy, reduction of GHG emissions, carbon efficient modes of transportation.

Under normal market conditions, the Sub-Fund will invest at least 75% of its Net Asset Value in bonds that are labelled as “green”, as described below, with up to 25% of its Net Asset Value invested in bonds (including social bonds and sustainable bonds) which are deemed by the Investment Manager to be sustainable investments. By investing in this manner, the Sub-Fund expects to provide liquidity to new and existing climate-aligned projects with environmental and social benefits.

The bonds in which the Sub-Fund will invest may be issued with any duration and have both fixed and floating rates and will be issued by governmental issuers, which include sovereigns, sub-sovereigns, supranationals and government agencies. Any non-Euro currency exposure in the Sub-Fund will be hedged back to Euro.

The strategy employs fundamental, bottom-up research analysis to select all issues and, while the focus will be on eligible “green” bonds, each investment will be subject to credit approval by the Investment Manager. The issue selection process and other actively managed techniques, such as duration and curve management, will be utilised to select investments which the Investment Manager believes will enable the Sub-Fund to outperform the Benchmark. The Investment Manager can selectively add or reduce duration exposure in specific countries depending on economic fundamentals, interest rate outlook, monetary policy, geo-political trends as well as fiscal policy.

For the avoidance of doubt, investors should note that the Sub-Fund will not seek to track the performance of the Benchmark, rather the Sub-Fund will hold a portfolio of actively selected and managed investments. The Benchmark has been included as a point of reference against which the performance of the Sub-Fund may be measured.

Identifying Green, Social or Sustainable Bonds (or bonds which are deemed by the Investment Manager to be sustainable investments). For the purpose of applying this investment policy and identifying appropriate “green” bonds, the Investment Manager will have regard to internationally recognised frameworks such as, but not limited to, the International Capital Market Association (the “ICMA”) [Green Bond Principles](#), the ICMA [Sustainability Bond Guidelines](#) or the Climate Bond Initiative's [Climate Bonds Standard](#) (collectively, the “**International Standards**”).

For identifying social and/or sustainable bonds or bonds deemed by the Investment Manager to be sustainable investments that are not labelled as green, the Sub-Fund will invest in securities which are issued by issuers that:

- 1.) provide a product or service that supports an environmental and/or social objective;
- 2.) are supported by an appropriate governance structure; and
- 3.) display good operational environmental management.

Each prospective bond is reviewed by the Investment Manager using these three criteria.

The bonds in which the Sub-Fund invests may also contribute towards positive environmental or social outcomes, such as, but not limited to, a reduced negative or a positive impact on biodiversity, implementation of the circular economy, efficient use of raw materials, water and land, social cohesion, social integration, labour relations, and economically or socially disadvantaged communities.

If a positive Second Party Opinion (“**SPO**”) is provided by a recognised provider, the Investment Manager is allowed to qualify a security as green. When an SPO is not available, the Investment Manager undertakes its own analysis, leveraging its proprietary analytical framework, to determine if the bond is aligned with any of the International Standards. Once appropriate bonds have been identified, the Investment Manager ensures that the bonds do not significantly harm any sustainable objective in order for them to qualify as sustainable investments.

In selecting investments, the Investment Manager’s key consideration is whether the entity being funded by the issue of the bonds which the Sub-Fund may purchase will be supportive of the transition to a low carbon future. The Investment Manager takes a holistic view of a proposed bond, giving due consideration to the environmental lifespan of the asset or project being financed, the carbon savings achieved, the operational environmental performance of the issuer and the lifecycle impacts of its products and services. Bonds that might not be labelled as green but are nonetheless financing solutions that contribute to a low-carbon future while at the same time reducing their own carbon intensity will be deemed to be eligible for investment by the Sub-Fund.

Whether a bond is labelled as green or not, the Investment Manager will work with issuers to establish a baseline level of post-issuance reporting from the issuers to enable the Investment Manager to track project progress. Such post-issuance reporting primarily includes environmental impact reporting, in addition to more standard financial reporting and qualitative assessments on environmental practices. Standardised metrics which facilitate this reporting, include annual energy savings, greenhouse gas emission reductions, renewable energy produced or capacity added.

The Fund applies specific ESG exclusions as further detailed in the annex to this Supplement under the heading "*What investment strategy does this financial product follow?*". If a security held by the Sub-Fund falls under at least one of the Sub-Fund’s exclusions, the Investment Manager will divest from such security as soon as reasonably possible, taking account of the Shareholders’ best interests, and at the latest within a period of six months. The Sub-Fund employs a proprietary ESG rating methodology with the aim of avoiding investment in issuers that are lagging in the transition to support a low-carbon economy. The ESG rating methodology is applied to at least 90% of the Sub-Fund’s portfolio and is binding for the portfolio construction.

The Investment Manager will also engage with issuers. The purpose of engagement is to encourage issuers to improve their ESG practices over the long run through a constructive and structured dialogue. Progress is monitored and assessed on at least an annual basis. Provided that the issuer is aligned with the binding thresholds referred to in this Supplement, divestment decisions won’t be made by the

Investment Manager solely on the basis of engagement not being successful and engagement will continue in order to seek to achieve better outcomes. However, in the event that the ESG practices of an issuer result that issuer's securities ceasing to be sustainable investments, the Sub-Fund will divest from such securities.

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

The securities in which the Sub-Fund invests will be primarily listed or traded on Recognised Markets 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.

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 total return swaps 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 has sustainable investment as its objective, within the meaning of Article 9.

The nature of the Sub-Fund's investment policy means that Sustainability Risks will be taken into account in making investment decisions as 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 Sub-Fund 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 Sub-Fund. This resulted, for example, in the Manager excluding any issuers involved in harmful economic activities and/or controversies being excluded from the Sub-Fund's investment universe, which the Manager believes will reduce the potential for volatility in the Sub-Fund 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 also refer to the annex to this Supplement and 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.

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:

Active Investment Risk.

Counterparty Risk.

Currency Risk.

Debt Securities Risk.

Europe and Eurozone Risk

Futures Contracts and Other Exchange-Traded Derivatives Risk.

Over-the-Counter Derivatives Risk.

Securitisation Risk.

Sovereign Risk.

Sustainability Risk.

Variable and Floating Rate Securities 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 European green and climate-aligned sovereign bond market by way of an exchanged traded fund.

DIVIDEND DISTRIBUTIONS

Subject to Net Income being available for distribution and any de minimis threshold, it is the current intention of the Directors to declare dividends out of the Net Income in respect of Shares in the Distributing Class. Under normal circumstances, the Directors intend that dividends shall be paid semi-annually. Please refer to the Website for further information on the dividend payment dates. However,

Shareholders should note that the Directors may, in their discretion, decide not to make such payment in respect of the Shares. Net Income in respect of the Accumulating Class will be retained and reflected in the Net Asset Value per Share of the Accumulating Class.

SUBSCRIPTIONS – PRIMARY MARKET

Shares in the Accumulation Class and Distribution Class, denominated in Euro, 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 available from 9am (Irish time) on 17 October 2023 to 5pm (Irish time) on 17 April 2024 or such other 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 Euro 25 per Share.

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

REDEMPTIONS

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

CONVERSIONS

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

LISTING

Application has been made for the Shares to be admitted to each of the Deutsche Börse Xetra and the London Stock Exchange.

SUMMARY OF SHARES

SHARE CLASSES AVAILABLE				
SHARE CLASS TYPE	SHARE CLASS NAME	SHARE CURRENCY	CLASS	ISIN
Accumulating Class	Franklin Sustainable Euro Green Sovereign UCITS ETF (Acc)	Euro		IE000P0R7WK6
Distributing Class	Franklin Sustainable Euro Green Sovereign UCITS ETF (Dis)	Euro		IE000J0G9G76

Annex

Additional Sustainable Finance Disclosure

Product Name: Franklin Sustainable Euro
Green Sovereign UCITS ETF

Legal entity identifier: 254900UNO4UQ4IFVZ469

Sustainable investment objective

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective: 75**%**

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

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: 0**%**

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 ___% 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**

**The Sub-Fund will invest a minimum of 75% of its Net Asset Value into sustainable investments with an environmental objective in economic activities that do not qualify as sustainable under the EU Taxonomy.*

***The Sub-Fund does not commit to invest a minimum portion of its Net Asset Value in sustainable investments with a social objective. However, the Sub-Fund may make sustainable investments with a social objective as part of the minimum of 90% of its Net Asset Value that will be invested into sustainable investments.*

What is the sustainable investment objective of this financial product?

The Sub-Fund has a main environmental sustainable investment objective of contributing to the reduction or elimination of carbon emissions, by *inter alia* generation or use of renewable energy, efficient use of energy, reduction of GHG emissions, carbon efficient modes of transportation.

Additionally, the sustainable investments of the Sub-Fund may contribute to other:

- positive environmental outcomes, such as but not limited to a reduced negative or a positive impact on biodiversity, implementation of the circular economy, efficient use of raw materials, water and land; and/or
- positive social outcomes, such as but not limited to, social cohesion, social integration, labour relations, and investments in economically or socially disadvantaged communities.

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.

Sustainability

indicators measure how the sustainable objectives of the financial product are attained.



The sustainable investment objective is mapped to the following United Nations Sustainable Development Goals (the “UN SDGs”):

- goal 6 Clean Water and Sanitation;
- goal 7 Affordable and Clean Energy;
- goal 8 Decent Work and Economic Growth;
- goal 9 Industry, Innovation and Infrastructure;
- goal 11 Sustainable Cities and Communities;
- goal 12 Responsible Consumption and Production;
- goal 13 Climate Action;
- goal 14 Life Below Water;
- goal 15 Life On Land; and
- goal 17 Partnerships for the Goals.

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 will be achieved by investing in fixed income securities presenting the following characteristics:

- bonds labelled as being green under any of the International Standards; and
- other eligible bonds qualifying as sustainable investments with environmental objective under the SFDR which are deemed to be supportive of a sustainable investment objective of the Sub-Fund.

Additionally, the Sub-Fund implements negative screens as part of its investment process, as explained in further detail below.

The Sub-Fund uses a variety of ways to assess its environmental and/or social performance but does not use a reference benchmark to measure the attainment of its sustainable investment objective.

● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The sustainability indicators used to measure the attainment of the sustainable investment objective are:

- the amount (in Euro) provided to eligible projects on a quarterly basis – based on allocation to green bonds;
- the percentage of investments in green bonds;
- the percentage of investments in social bonds;
- the percentage of investments in sustainable bonds;
- the percentage of investments in other eligible bonds supportive of reducing and eliminating carbon emissions and other environmental objectives; and
- the percentage of investments in issuers having exposure to, or ties with the sectors and the additional exclusions as further described below.
- the number of issuers, with which the Investment Manager engages.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

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

Sovereign issuers are subjected to tests based on their political liberties and/or corruption.

Finally, the Investment Manager applies additional qualitative assessment (based on internal research or external second party opinion) of the issuer's and the project's DNSH eligibility.

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

When assessing compliance of the Sub-Fund's investments with the Do No Significant Harm principles, the Investment Manager takes into account all mandatory PAI indicators of Table 1 of Annex I of the SFDR Regulatory Technical Standards ("RTS"), to the extent they are relevant for the investments contemplated by the Sub-Fund. The Investment Manager performs this analysis at the level of each sustainable investment so that the relevance and materiality of the PAI indicators may vary across investments. Issuers deemed to be in breach of these indicators will not qualify as sustainable investments.

While assessing eligible bonds, the Investment Manager reviews and documents the materiality of relevant PAIs for the project as well as how the project's implementation affects the issuer's overall PAIs outlook.

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

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

The OECD Guidelines for Multination Enterprises and the United Nations Guiding Principles on Business and Human Rights are only applicable to corporate issuers and not to sovereign and quasi-sovereign issuers.



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

X

Yes

PAIs indicators are considered for the purpose of:

- performing the DNSH test; and
- guiding thematic engagement.
- Applying exclusions

Performing the DNSH test

The Investment Manager uses proprietary data tools and qualitative research to ensure alignment with the DNSH principles across the portfolio using the PAIs indicators. Additionally, sovereign issuers are subjected to tests and evaluation based on their greenhouse gas emissions, political liberties and/or corruption.

Guiding thematic engagement

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

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

Applying exclusions

The Sub-Fund also considers social violations (#PAI 16) for the purpose of applying specific ESG exclusions as described in the investment strategy section.

No



What investment strategy does this financial product follow?

The Sub-Fund seeks to achieve its investment objective by investing primarily in bonds which have been labelled as “green” under any of the International Standards and are denominated in European currencies issued by SSA (sovereigns, sub-sovereigns, supranationals and agencies) entities. The proceeds of such investments will typically contribute to an environmental objective of reducing and eliminating carbon emissions, by engaging in activities such as, but not limited to, generation or use of renewable energy, efficient use of energy, reduction of GHG emissions, carbon efficient modes of transportation.

The bonds in which the Sub-Fund will invest may be issued with any duration and have both fixed and floating rates and will be issued by governmental issuers, which include sovereigns, sub-sovereigns, supranationals and government agencies. Any non-Euro currency exposure in the Sub-Fund will be hedged back to Euro.

The strategy employs fundamental, bottom-up research analysis to select all issues and, while the focus will be on eligible “green” bonds, each investment will be subject to credit approval by the Investment Manager. The issue selection process and other actively managed techniques, such as duration and curve management, will be utilised to select investments which the Investment Manager believes will enable the Sub-Fund to outperform the Benchmark. The Investment Manager can selectively add or reduce duration exposure in specific countries depending on economic fundamentals, interest rate outlook, monetary policy, geo-political trends as well as fiscal policy.

At least 75% of Sub-Fund’s Net Asset Value is invested in bonds labelled “green”, with up to 25% of its Net Asset Value invested in bonds (including social bonds and sustainable bonds) which are deemed by the Investment Manager to be sustainable investments. Green bonds are debt instruments whose proceeds are used to partially or fully finance or pre-finance of new and/or existing projects that have a beneficial impact on the environment. For the purpose of applying this investment policy and identifying appropriate bonds as being green according to any of the recognized International Standards.

If there is a positive Second Party Opinion (the “SPO”) provided by a recognized provider, the Investment Manager is allowed to qualify a security as green. When an SPO is not available, the Investment Manager does the analysis, leveraging proprietary analytical framework, to determine if the bond is aligned with any of the International Standards. Once appropriate bonds have been identified, the Investment Manager ensures that they do not significantly harm any sustainable objective in order to qualify them as sustainable investments.

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

- "Not Free" status according to the Freedom House Index for sovereign issuers;
- are involved in human rights violations and abuses, and in result which are subjected to EU sanctions
- has Corruption Perception Index (CPI) score 40 or below; and

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

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

- score an ESG rating of CCC according to MSCI (exceptions can only be made after the Investment Manager conducts a formal review and provides sufficient evidence that the CCC ESG rating cannot be justified).

If a security held by the Sub-Fund falls under at least one of the Sub-Fund’s exclusions, the Investment Manager will divest from such security as soon as reasonably possible, taking account of the Shareholders’ best interests, and at the latest within a period of six months.

● **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

The following elements of the strategy are binding and are not at the discretion of the Investment Manager:

1. the commitment to invest at least 90% of the Sub-Fund’s Net Asset Value in sustainable investments as defined above; and
2. the commitment to invest at least 75% of the Sub-Fund's Net Asset Value in bonds labelled as being "green".

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

For the qualitative assessment of sovereign issuers, the Investment Manager investigates factors such as political liberties, rule of law, government effectiveness, among others.

Sovereign issuers are monitored using the Investment Manager's principal adverse impacts Risk App (the “PAI Risk App”), which is a proprietary data tool. The PAI Risk App uses data from third-party providers to identify sovereign issuers that have breached PAI 16 (relating to social violations), and exclude such issuer from the investment universe.

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

Asset allocation describes the share of investments in specific assets.

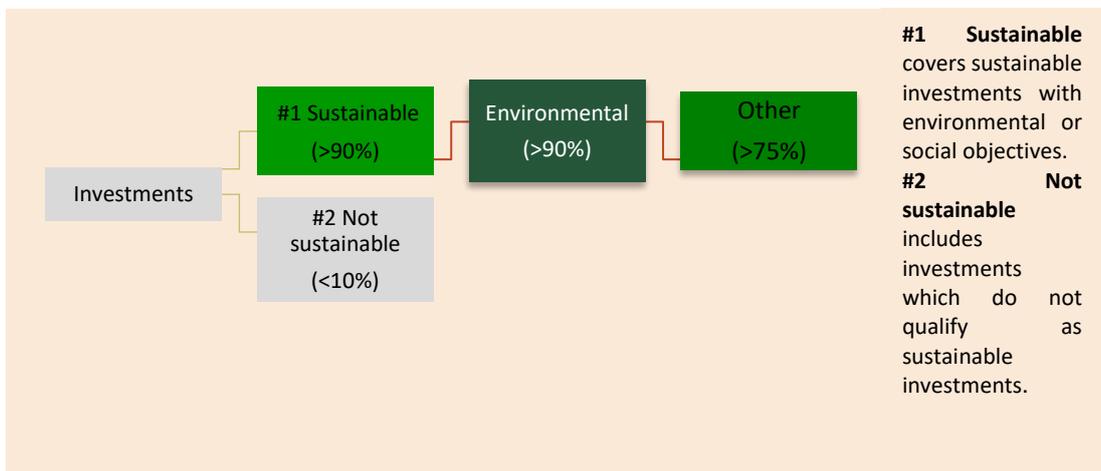


What is the asset allocation and the minimum share of sustainable investments?

The Investment Manager employs a binding proprietary ESG methodology which is applied to at least 90% of the Sub-Fund’s portfolio, such portion of the portfolio qualifying as sustainable investments. The remaining portion (<10%) of the portfolio consist of liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) as well as derivatives used for hedging purposes.

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



How does the use of derivatives attain the sustainable investment objective?

Not applicable



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

The Sub-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 Taxonomy¹?

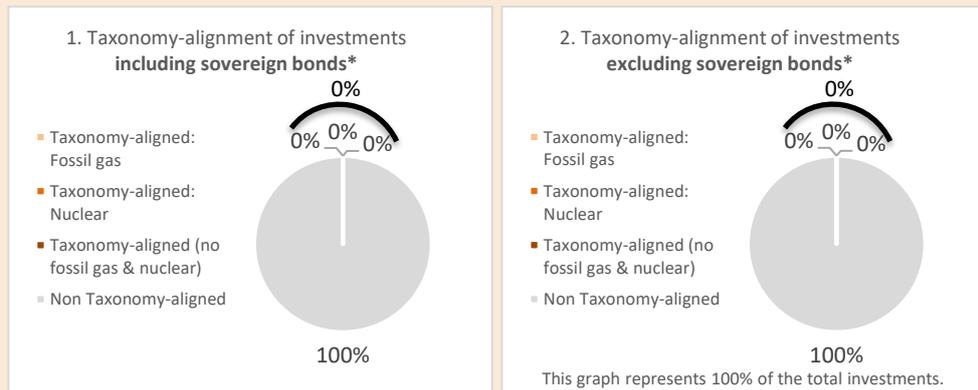
Yes:

In fossil gas In

nuclear energy

No

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



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

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

The Sub-Fund does not invest in transitional and enabling activities.



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

The Sub-Fund commits to investing a minimum of 75% of its Net Asset Value in sustainable investments with an environmental objective aligned with SFDR.



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

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - 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 fully 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.

0%. The Sub-Fund does not commit to investing a minimum portion of its Net Asset Value into sustainable investments with social objectives. However, the Sub-Fund may make sustainable investments with a social objective as part of the minimum of 90% of its Net Asset Value that it will invest in sustainable investments under SFDR.



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Other” investments include liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds) held for the purposes of servicing the day-to-day requirements of the Sub-Fund, as well as derivatives held solely for hedging purposes.

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

The Investment Manager applies minimum environmental and social safeguards by verifying that the counterparties used for derivative transactions and placement of deposits meet the EU Taxonomy Safeguards, as assessed by MSCI. Counterparties not meeting such criteria will not be used by the Sub-Fund.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

No

- *How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?*

N/A

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

N/A

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

N/A

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

N/A



Where can I find more product specific information online?

More product-specific information can be found on the website: www.franklintempleton.ie/38418