

Base Prospectus

KraneShares ETC plc

(incorporated as a public company with limited liability under the laws of Ireland)

KraneShares ETC Securities Programme

Under the KraneShares ETC Securities Programme (the "**Programme**") described in this document (the "**Base Prospectus**"), KraneShares ETC plc (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may, from time to time during the period of twelve months after the date hereof, issue secured exchange-traded commodity ("**ETC**") securities to Authorised Participants. The ETC Securities (defined below) constitute secured, limited recourse obligations of the Issuer and will be issued in Series.

The aggregate number of ETC Securities outstanding under the Programme will not at any time exceed fifty billion (50,000,000,000), provided that the Issuer may increase such limit from time to time (subject to compliance with the relevant Transaction Documents) (the "**Programme Maximum Number of ETC Securities**"). In addition, the aggregate number of ETC Securities in a particular Series which are outstanding from time to time will not exceed the number specified in the Final Terms (defined below) for that Series (the "**Maximum Issue Size**").

Pursuant to this Base Prospectus, the Issuer is making available Series of ETC Securities, the return on which is linked to the performance of specified reference indices comprised of one or more futures contracts ("**Futures Contracts**") in respect of major global carbon allowances (each, a "**Carbon Allowance**", as specified in the Final Terms related to such Series (the "**ETC Securities**").

The quantity of each Futures Contract (together with the proportion of cash and cash equivalent assets) that backs each ETC Security is referred to as the "**Carbon Entitlement**". Through the Carbon Entitlement, ETC Securities aim to provide an investor with a similar return that the investor would have gained through investing directly in the underlying types of Carbon Allowance referenced by the Reference Index (less applicable fees). The value of the Carbon Entitlement of the ETC Securities will be calculated by reference to the value of the Futures Contracts referenced by the relevant Reference Index.

The contractual terms of any particular series of ETC Securities (each, a "**Series**") will be made up of the applicable terms and conditions (the "**Conditions**") set out in the section of this Base Prospectus entitled "*Master Terms and Conditions of the ETC Securities*", as completed in respect of each tranche of ETC Securities of a particular Series (each, a "**Tranche**") by a separate final terms document which is specific to that issuance of ETC Securities (the "**Final Terms**"). All capitalised terms used in this Base Prospectus have the meanings given to them in Condition 1 (*Definitions*) of the Conditions unless otherwise defined herein.

Full information on the Issuer and the offer of the ETC Securities is only available on the basis of the combination of the provisions set out within this Base Prospectus and the Final Terms.

Unless previously redeemed or cancelled, each ETC Security of a Series will be redeemed at the relevant Final Redemption Amount on the date specified in the Final Terms relating to each Tranche of that Series (the "**Scheduled Maturity Date**"). The ETC Securities of any Series are subject to redemption in whole at any time in certain situations. The ETC Securities of any Series may also be redeemed at the option of the Issuer at any time and for any reason, in whole but not in part. In addition, any Authorised Participant may, by the exercise of the relevant option, require the Issuer to repurchase any ETC Security held by it by delivery of aggregate Carbon Entitlement of the number of ETC Securities being repurchased in accordance with the prescribed methods for delivery.

A specified quantity of futures contracts referencing relevant Carbon Allowances ("**Futures Contracts**"), the cash balance in the Settlement Cash Account in respect of that Series of ETC Securities, cash equivalents or other assets held in the Settlement Custody Account, the rights of the Issuer against the Administrator, the Agents, the Custodian, the Authorised Participants and the Account Bank under the Transaction Documents will be available as collateral for the obligations of the Issuer to the holders of the ETC Securities of such Series (the "**ETC Holders**")

and all other obligations of the Issuer attributable to that Series of ETC Securities. As further described herein, in respect of each Series, Security will be created over the Secured Property in favour of the Security Trustee for itself and on trust for the other Secured Creditors (including the ETC Holders of such Series).

If the amounts received from the Secured Property (whether or not any security granted in respect thereof has been enforced) are insufficient to make payment of all amounts due to the holders of the ETC Securities of such Series (after meeting all the expenses, liabilities (including tax, value added tax and indemnity payments) and remuneration of the Trustee, the Security Trustee, any Receiver, the Agents, the Custodian and any other person that ranks in priority to the holders of the ETC Securities of such Series), no other assets of the Issuer will be available to meet that shortfall and all further claims of the holders of the ETC Securities of such Series will be extinguished.

Payments on the ETC Securities will be made in US dollars without deduction for or on account of taxes imposed or levied by Ireland to the extent described under "*Terms and Conditions of the ETC Securities -Taxation*" unless the withholding is required by law.

Arranger



Krane Funds Advisors, LLC

The date of this Base Prospectus is 13 September 2024.

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<i>Section of Base Prospectus</i>	<i>Pages</i>	<i>What is covered by this Section?</i>
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Section of Base Prospectus	Pages	What is covered by this Section?
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<i>Section of Base Prospectus</i>	<i>Pages</i>	<i>What is covered by this Section?</i>
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IMPORTANT INFORMATION

What is this document?

This Base Prospectus gives information on the Issuer and its Programme for the issue of ETC Securities. This Base Prospectus constitutes a base prospectus for the purposes of the Prospectus Regulation and for the purpose of giving information with regard to the Issuer and the ETC Securities which, according to the particular nature of the Issuer and the ETC Securities, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the ETC Securities.

References throughout this document to this “Base Prospectus” or this “prospectus” shall be deemed to refer (as applicable) to this document as a Base Prospectus for purposes of the Prospectus Regulation.

How do I use the Base Prospectus?

The Base Prospectus is intended to provide you with information necessary to enable you to make an informed investment decision before purchasing any ETC Securities.

The contractual terms of any particular issuance of ETC Securities will be completed by a separate Final Terms (as defined below).

This Base Prospectus also includes other general information such as information about the material risks relating to investing in the ETC Securities (see the section headed ‘*Risk Factors*’ of this document), information on the issuer of the ETC Securities, a description of the Issuers’ business activities, as well as certain financial information and material risks faced by the Issuer, the general terms and conditions of the ETC Securities and information on selling and transfer restrictions.

The section of this Base Prospectus entitled “*Frequently Asked Questions*” provides answers to the most common questions investors may have regarding the ETC Securities, the Transaction Parties, the Futures Contracts and related custody arrangements.

What information is included in the Final Terms?

A “final terms” document (the “**Final Terms**”) may be prepared in respect of each Tranche of ETC Securities. The Final Terms will complete the Conditions applicable in relation to such ETC Securities and therefore must be read in conjunction with such Conditions.

The Final Terms therefore contain vital information in regard to the ETC Securities. The Final Terms will be available on the website of the Issuer.

What other documents do I need to read?

The Base Prospectus contains all information which is necessary to enable investors to make an informed decision regarding the financial position and prospects of the Issuer and the rights attaching to the ETC Securities. Some of this information is completed in the Final Terms.

Risk Warning

The ETC Securities may not be a suitable investment for all investors.

An investment in the ETC Securities entails certain risks.

Each potential investor should determine whether an investment in the ETC Securities is appropriate in such potential investor’s particular circumstances. An investment in the ETC Securities requires a thorough understanding of the nature of the relevant transaction. Potential investors should be experienced with respect to an investment in the ETC Securities and be aware of the related risks.

An investment in the ETC Securities is only suitable for potential investors who:

- have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the ETC Securities and the information contained in this document;
- have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of the potential investor's particular financial situation and to evaluate the impact the ETC Securities will have on their overall investment portfolio;
- understand thoroughly the terms of the ETC Securities and are familiar with the behaviour of the relevant Futures Contract(s) and financial markets;
- are capable of bearing the economic risk of an investment in the ETC Securities until the maturity date of the ETC Securities;
- recognise that it may not be possible to dispose of the ETC Securities for a substantial period of time, if at all, before the maturity date; and
- are able to evaluate (either alone or with the help of a financial and legal adviser) possible scenarios for economic, interest rate and other factors that may affect the potential investor's investment and its ability to bear the applicable risks.

The ETC Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in any ETC Securities unless such potential investor has the expertise (either alone or with a financial and legal adviser) to evaluate how the ETC Securities will perform under changing conditions, the resulting effects on the value of the ETC Securities and the impact this investment will have on the potential investor's overall investment portfolio. Each of the Issuer, the Arranger and the Authorised Offerors and Authorised Participants disclaims any responsibility to advise prospective investors of any matters arising under the law of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments or deliveries on, the ETC Securities.

Other Warnings

Any decision to invest in the ETC Securities, which are exchange-traded, secured, limited recourse securities linked to the performance of a specified Reference Index, should be based on consideration by the investor of the Base Prospectus, the Issue Specific Summary and the key information document (the "KID") applicable for EEA retail investors ("**EEA Retail Investors**") of the relevant ETC Securities as a whole, including the Final Terms applicable to the relevant Series of ETC Securities.

Where information relating to the terms of the relevant offer required pursuant to the Prospectus Regulation is not contained in this Base Prospectus or the relevant Final Terms, it will be the responsibility of the relevant offeror at the time of such offer to provide the investor with such information. This does not affect any responsibility which the Issuer or others may otherwise have under applicable laws, including liabilities arising by virtue of the laws in the jurisdictions in which the ETC Securities are offered or sold.

Where a claim relating to the information contained in the Base Prospectus is

brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Union, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

An investment in the ETC Securities involves a significant degree of risk and investors should read carefully and ensure they understand the “Risk Factors” section of the Base Prospectus. The ETC Securities are not principal protected and investors could lose up to the entire value of their investment.

The ETC Securities are debt securities and do not take the form of a collective investment scheme or fund. However, there can be no assurance that the courts or regulatory authorities in any jurisdiction would not recharacterise the ETC Securities as units in a collective investment scheme or a fund. Any recharacterisation of the ETC Securities as units in a collective investment scheme or a fund may have adverse consequences (including, without limitation, adverse tax consequences) for a purchaser.

Validity

This Base Prospectus is valid for a period of twelve months from the date of approval. The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of the ETC Securities, prepare a supplement to this Base Prospectus. The obligation to prepare a supplement to this Base Prospectus in the event of any significant new factor, material mistake or inaccuracy does not apply when the Base Prospectus is no longer valid.

Responsibility

KraneShares ETC plc (LEI: 635400CDVNC4T5TAEM15), with its registered office at 4th Floor, 35 Shelbourne Road, Ballsbridge, Dublin 4, Ireland, accepts responsibility for the information contained in this Base Prospectus. To the best knowledge of the Issuer, the information contained in this Base Prospectus is in accordance with the facts and the Base Prospectus makes no omission likely to affect its import.

Krane Funds Advisors, LLC (the “**Arranger**” and the “**Investment Advisor**”) accepts responsibility for the information contained in this Base Prospectus under the heading “*Description of the Arranger and Investment Advisor*” (the “**Arranger Information**”). To the best knowledge of the Arranger, the information contained in the Arranger Information is in accordance with the facts and makes no omission likely to affect its import.

Brown Brother Harriman & Co. (the “**Custodian**”) accepts responsibility for the information contained in this Base Prospectus under the heading “*Description of the Custodian*” (the “**Custodian Information**”). To the best knowledge of the Custodian, the information contained in the Custodian Information is in accordance with the facts and makes no omission likely to affect its import.

SEI Global Services, Inc. (the “**Administrator**”) accepts responsibility for the information contained in this Base Prospectus under the heading “*Description of the Administrator*” (the “**Administrator Information**”). To the best knowledge of the Administrator, the information in the Administrator Information is in accordance with the facts and makes no omission likely to affect its import.

Citibank, N.A., London Branch, (the “**Account Bank**”) accepts responsibility for the information contained in this Base Prospectus under the heading “*Description of the Account Bank*” (the “**Account Bank Information**”). To the best knowledge of the Account Bank, the information in the Account Bank Information is in accordance with the facts and makes no omission likely to affect its import.

To the fullest extent permitted by law, no Authorised Participant accepts any responsibility for the contents of this Base Prospectus or for any other statement

made or purported to be made by it or on its behalf in connection with the Issuer or the issue and offering of the ETC Securities. Each Authorised Participant disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Base Prospectus and/or any such statement.

Save as otherwise provided above, none of the Arranger nor any Transaction Party has separately verified the information contained in this Base Prospectus and accordingly none of them makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may, at any time, be supplied in connection with the ETC Securities or their distribution and none of them accepts any responsibility or liability therefor. None of the Arranger nor any Transaction Party undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus or to advise any investor or potential investor in the ETC Securities of any information coming to their attention.

Third Party Information

The information contained in the sections entitled "*Description of the Custodian*", "*Description of the Arranger and Investment Advisor*", "*Description of the Administrator*" and "*Description of the Account Bank*" has been provided by the Custodian, the Arranger, the Administrator and the Account Bank, respectively (each, a "**third party**") and was not prepared in connection with the offering of the ETC Securities. The Issuer confirms that such information has been accurately reproduced, and as far as the Issuer is aware and is able to ascertain from information published by each third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Consent

The Issuer consents to the use of the Base Prospectus, and accepts responsibility for the content of the Base Prospectus, with respect to the subsequent resale or final placement by way of public offer of a Series of ETC Securities in any of Germany, Italy, Denmark, Finland, Norway, Sweden, Switzerland, Ireland and the Netherlands by:

- (i) any authorised participant appointed as such pursuant to an Authorised Participant Agreement (each, an "**Authorised Participant**"); or
- (ii) any other financial intermediary in respect of that Series of ETC Securities which is an investment firm within the meaning of Directive 2014/65/EU of the European Parliament and Council on Markets in Financial Instruments (as amended, the "**MiFID II Directive**") and which is authorised in accordance with the MiFID II Directive in any Member State of the European Economic Area ("**EEA**") (each, an "**Authorised Offeror**"),

in each case subject to:

(a) compliance by the Authorised Offeror or Authorised Participant with the public offer selling restrictions under the Prospectus Regulation and any applicable local regulations;

(b) compliance by the Authorised Offeror or Authorised Participant with the selling restrictions set out under the section entitled "*Subscription and Sale*" in this Base Prospectus and any other selling restrictions or terms specified by the Issuer from time to time (the "**Selling Restrictions**"); and

(c) in the case of an Authorised Offeror, the Authorised Offeror Terms set out below.

An Authorised Offeror or Authorised Participant using this Base Prospectus is required to publish on its website that it uses this Base Prospectus in accordance with the consent of the Issuer and the conditions attached thereto. However, neither the Issuer nor the Arranger has any responsibility for any of the actions of any Authorised Offeror or Authorised Participant, including

compliance by an Authorised Offeror or Authorised Participant with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

The “**Authorised Offeror Terms**” are that the relevant Authorised Offeror will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer that it will, at all times in connection with the relevant offer to the public:

- (A) (I) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “**Rules**”), including, without limitation, the MiFID II Directive, and the Rules published by the Central Bank (including the applicable requirements of the Central Bank’s Consumer Protection Code) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the ETC Securities by any person and any disclosure to any potential investor and (II) immediately inform the Issuer if at any time such Authorised Offeror becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
- (B) comply with the Selling Restrictions which would apply as if it were an Authorised Participant;
- (C) ensure that any fee (and any other commissions or benefits of any kind) received or paid by such Authorised Offeror in relation to the offer or sale of the ETC Securities does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to investors or potential investors;
- (D) hold all licences, consents, approvals and permissions required in connection with the solicitation of interest in, or offers or sales of, the ETC Securities under the Rules, including authorisation under the European Union (Markets in Financial Instruments) Regulations 2017 (as amended); and
- (E) comply with applicable anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential investor prior to initial investment in any ETC Securities by that investor) and (II) not permit any application for ETC Securities in circumstances where such Authorised Offeror has any suspicions as to the source of the application monies.

This consent applies to any such resale or final placement by way of public offer during the period of 12 months from the date of publication of this Base Prospectus unless such consent is withdrawn prior to that date by notice published on the website maintained on behalf of the Issuer at <https://kraneshares.eu/> or such other website as may be notified to ETC Holders.

Other than the right of the Issuer to withdraw the consent and the aforementioned requirements applicable to Authorised Offerors, no other conditions are attached to the consent described in this paragraph.

Separately, each Authorised Participant has represented and warranted to the Issuer in the terms of its appointment that it will (amongst other things), at all times

in connection with the relevant offer to the public:

- (1) comply with the Selling Restrictions and all relevant laws, regulations and directives (in particular the MiFID II Directive) in each jurisdiction in which it purchases, offers, sells or delivers ETC Securities or has in its possession or distributes this Base Prospectus, any Final Terms relating to the Series and/or any other offering or marketing material;
- (2) ensure that all actions or things required to be taken, fulfilled or done (including, without limitation, the obtaining of any consent or licence or the making of any filing or registration) for the subscription, sale and offer of any ETC Securities have been obtained and are in full force and effect; and
- (3) ensure that its conduct in carrying out any such offer does not (X) conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the documents constituting it or any agreement or instrument to which it is a party or by which it or any of its properties is bound or (Y) infringe any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over it or any of its assets.

In the event of an offer being made by an Authorised Offeror or Authorised Participant, the Authorised Offeror or Authorised Participant will provide information to investors on the terms and conditions of the offer at the time the offer is made (including the KID of the relevant ETC Securities (applicable for EEA Retail Investors)).

Any Authorised Offeror or Authorised Participant using the Base Prospectus and KID of the relevant ETC Securities (applicable for EEA Retail Investors) for the purpose of any offering must state on its website that it uses the Base Prospectus and KIDs (applicable for EEA Retail Investors) in accordance with the consent given and the conditions attached thereto.

Any offer or sale of ETC Securities to an investor by an Authorised Offeror or Authorised Participant will be made in accordance with any terms and other arrangements in place between such Authorised Offeror or Authorised Participant and such investor including as to price, allocations and settlement arrangements. Likewise, any purchase of ETC Securities from an investor by an Authorised Offeror or Authorised Participant will be made in accordance with any terms and other arrangements in place between such investor and such Authorised Offeror or Authorised Participant including as to price, fee and settlement arrangements. Where such information is not contained in the Base Prospectus or Final Terms, it will be the responsibility of the applicable Authorised Offeror or Authorised Participant at the time of such offer or purchase to provide the investor with that information and none of the Issuer, the Arranger, the Trustee, the Security Trustee, any Agent nor any other Authorised Offeror or Authorised Participant has any responsibility or liability for such information.

Other than as set out above, neither the Issuer nor the Arranger has authorised (nor does it authorise or consent to the use of this Base Prospectus in connection with) any resale or final placement of the ETC Securities by way of a public offer by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer, the Arranger nor any Authorised Offeror or Authorised Participant and none of the Issuer, the Arranger nor any Authorised Offeror or Authorised Participant has any responsibility or liability for the actions of any person making

such offers. Investors should enquire whether a financial intermediary is an Authorised Offeror. If an investor is offered ETC Securities by a person or entity which is not an Authorised Offeror or Authorised Participant, the investor should check with such person or entity whether such person or entity is responsible for this Base Prospectus in the context of an offer of ETC Securities to the public. If the investor is in doubt about whether it can rely on the Base Prospectus and/or who is responsible for its contents, it should take legal advice.

In respect of a Series, the Issuer authorises the Authorised Participants specified for such Series to make offers to investors on the terms and subject to the restrictions set out in this Base Prospectus and the Final Terms relating to the relevant ETC Securities. The Authorised Participant(s) in respect of each Series will be specified in the Final Terms relating to such Series. The Issuer may, from time to time, appoint additional Authorised Participants or remove Authorised Participants in respect of a Series. The list of Authorised Participants from time to time in respect of a Series will be published on the website maintained on behalf of the Issuer at <https://kraneshares.eu/> or such other website as may be notified to ETC Holders).

**No
Recommendation**

This Base Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or any Transaction Party that any recipient of this Base Prospectus should purchase the ETC Securities.

**No Investment
Advice**

This document is not, and does not purport to be, investment advice, and none of the Issuer, the Arranger nor any Transaction Party makes any recommendation as to (i) the suitability of any ETC Securities for any particular investor; (ii) the appropriate accounting treatment or possible tax consequences of an investment in any ETC Securities; or (iii) the expected performance of any ETC Securities, either in absolute terms or relative to competing investments.

None of the Issuer, the Arranger or any Authorised Participant provide investment advice and therefore do not make any personal recommendations to investors or their representatives regarding investments in the ETC Securities.

The provision of this document to prospective investors is not based on any prospective investor's individual circumstances and should not be relied upon as an assessment of suitability for any prospective investor of the ETC Securities. Potential investors of ETC Securities should ensure that they understand the nature of the ETC Securities and the risks relating to an investment in the ETC Securities and should consider the suitability of the ETC Securities as an investment in the light of their own circumstances and financial condition.

Any evaluation of the suitability for an investor of an investment in ETC Securities issued under the Programme depends upon that prospective investor's particular financial and other circumstances, as well as on the specific terms of the relevant ETC Securities. This document identifies in general terms certain information that a prospective investor should consider prior to making an investment in the ETC Securities. A prospective investor should conduct its own thorough analysis (including its own accounting, legal, regulatory, financial and tax analysis) prior to deciding whether to invest in any ETC Securities issued under the Programme. Even if the Issuer, the Arranger or any Transaction Party possesses information as to the objectives of any prospective investor in relation to any transaction, series of transactions or trading strategy, this will not be deemed sufficient for any assessment of suitability for such person of the ETC Securities. Any trading or investment decisions a prospective investor takes are in reliance on its own analysis and judgment and/or that of its advisers and not in reliance on the Issuer,

the Arranger, any Transaction Party or any of their respective Affiliates.

An investment in the ETC Securities is suitable for investors who:

- (i) are either EEA Retail Investors or professional investors (in each case, subject to the Selling Restrictions) and seeking to achieve investment objectives which align with those of the relevant ETC Securities in the context of the investor's overall portfolio;
- (ii) are expected to be able to make an investment decision based on the information set out in this Base Prospectus and the relevant KID (applicable for EEA Retail Investors) or, alternatively, to obtain appropriate professional advice;
- (iii) are able to bear capital and income risk and view investment in the ETC Securities as a medium to long term investment, although the ETC Securities may also be suitable for shorter term exposure where sought by an investor; and
- (iv) have an asset base sufficiently substantial as to enable them to sustain any loss of an investment in the relevant ETC Securities and have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant ETC Securities including, without limitation, any currency exposure arising from the currency for payments being different to the prospective investor's currency.

If a prospective investor is in any doubt as to whether the ETC Securities are a suitable investment for it, it should consult with appropriate advisors prior to deciding whether or not to make an investment in the ETC Securities. The provision of this document to prospective investors is not based on any prospective investor's individual circumstances and should not be relied upon as an assessment of suitability for any prospective investor of the ETC Securities, even if the Issuer, the Arranger or a Transaction Party possesses information as to the objectives of any prospective investor in relation to any transaction, series of transactions or trading strategy. Any trading or investment decisions a prospective investor takes are in reliance on its own analysis and judgement and/or that of its advisors.

The Issuer, the Arranger, any Authorised Participant and any Authorised Offeror may, in its discretion, disregard interest shown by a prospective investor even though that investor satisfies the foregoing suitability standards.

Investment activities of certain investors are subject to investment laws and regulations or review or regulation by certain authorities. Each prospective investor in the ETC Securities must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the ETC Securities:

- (i) is fully consistent with its (or, if it is acquiring the ETC Securities in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition;
- (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (and, if it is acquiring the ETC Securities in a fiduciary capacity, the beneficiary);
- (iii) is not a breach of any legal, contractual or regulatory restrictions applicable

to it; and

- (iv) is a fit, proper and suitable investment for it (or, if it is acquiring the ETC Securities in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the ETC Securities.

None of the Issuer, the Arranger, any Transaction Party nor any Affiliate of such persons has or assumes responsibility for the lawfulness of the acquisition of the ETC Securities by a prospective purchaser of the ETC Securities (whether for its own account or for the account of any third party), whether under the laws of the jurisdiction of its incorporation or any jurisdiction in which it operates (if different), or for compliance by that prospective purchaser (or any such third party) with any law, regulation or regulatory policy applicable to it.

Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of ETC Securities under any applicable risk-based capital or similar rules.

None of the Issuer, the Arranger, any Transaction Party nor any Affiliate of such persons has or assumes responsibility for the lawfulness of the acquisition of the ETC Securities by a prospective purchaser of the ETC Securities (whether for its own account or for the account of any third party), whether under the laws of the jurisdiction of its incorporation or any jurisdiction in which it operates (if different), or for compliance by that prospective purchaser (or any such third party) with any law, regulation or regulatory policy applicable to it.

The ETC Securities involve a significant degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment.

It is the responsibility of potential investors to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, regulatory, financial, tax, accounting and other business evaluation of the merits and risks of investing in the ETC Securities and should not rely on receiving any advice from the Issuer, the Arranger or any Transaction Party in that regard. In this regard, potential investors should refer to the section of this Base Prospectus headed “Risk Factors”.

Key Information Document

The Directors will ensure that a KID is issued in respect of each Series of ETC Securities, pursuant to Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products, as may be amended from time to time (the “**PRIIPs Regulation**”) for EEA Retail Investors. EEA Retail Investors can refer to the KID for the relevant ETC Securities for details of, principally, the purpose of the ETC Securities, the summary risk indicator, performance scenarios, the summary cost indicator and recommended holding period for the relevant ETC Securities in accordance with the PRIIPs Regulation.

No Representations

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the ETC Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, any Authorised Offeror, or any Transaction Party.

Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or any Transaction Party since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of

the Issuer or any Transaction Party since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Approval

The requirement to publish a prospectus under the Prospectus Regulation (as defined below) only applies to ETC Securities which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under the Prospectus Regulation, (a "**Non-Exempt Offer**").

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as the competent authority in Ireland under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the "**Prospectus Regulation**").

The Central Bank only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval relates only to the ETC Securities which are admitted to trading on a regulated market for the purpose of the MiFID II Directive and/or which are to be offered to the public in any Member State of the EEA.

Such approval should not be considered as an endorsement of the Issuer or of the quality of the ETC Securities that are subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the ETC Securities.

The Issuer has also requested the Central Bank to notify its approval of this Base Prospectus in accordance with Article 25 of the Prospectus Regulation to the competent authority in each of:

- (i) Germany;
- (ii) Italy;
- (iii) Denmark;
- (iv) Finland;
- (v) Norway;
- (vi) Sweden; and
- (vii) The Netherlands,

by providing each of them, *inter alia*, with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Regulation. The Issuer may in due course request the Central Bank to provide competent authorities in other Member States of the EEA with such certificates whether for the purpose of making a public offer in such Member States or for admission to trading of all or any Series of ETC Securities on a regulated market therein or both.

At the date of this Base Prospectus, a base prospectus relating to the Programme has been prepared for the review of the Financial Conduct Authority ("**FCA**") in the United Kingdom (the "**UK Base Prospectus**"). However, this Base Prospectus has

not been submitted to the FCA for its approval. Therefore as at the date of this Base Prospectus, this Base Prospectus has not been approved by the FCA and UK investors should refer instead to the UK Base Prospectus for relevant considerations relating to the United Kingdom once approved by the FCA.

Admission to Trading

Applications have been made for the ETC Securities to be admitted to listing on the *Deutsche Börse* and to trading on the regulated market thereof (such regulated market, the "**Deutsche Börse**") and the official list of the *Borsa Italiana* and to trading on the regulated market thereof (such regulated market, the "**Borsa Italiana**"). The *Deutsche Börse* and the *Borsa Italiana* are regulated markets for the purposes of the MiFID II Directive. A Series of ETC Securities may be listed and/or admitted to trading on such other or further stock exchanges as may be agreed between the Issuer and the Arranger. References in this Base Prospectus to ETC Securities being "listed" (and all related references) shall mean that such ETC Securities have been admitted to the official list of the *Deutsche Börse* and/or the *Borsa Italiana* and to trading on the regulated market(s) thereof, and/or have been admitted to the official list and to trading on the regulated or unregulated market of any other Stock Exchange. The Final Terms in relation to each Series of ETC Securities issued under the Programme will indicate the Relevant Market(s) or other regulated market(s) on which such Series are to be listed.

Distribution

THE ETC SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR UNDER THE SECURITIES LAW OF ANY STATE OR POLITICAL SUB-DIVISION OF THE UNITED STATES OF AMERICA OR ANY OF ITS TERRITORIES, POSSESSIONS OR OTHER AREAS SUBJECT TO ITS JURISDICTION INCLUDING THE COMMONWEALTH OF PUERTO RICO, AND THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER ANY FEDERAL LAWS OF THE UNITED STATES OF AMERICA. NO PERSON HAS REGISTERED NOR WILL REGISTER AS A COMMODITY POOL OPERATOR OF THE ISSUER UNDER THE COMMODITY EXCHANGE ACT OF 1936, AS AMENDED (THE "**CEA**") AND THE RULES THEREUNDER (THE "**CFTC RULES**") OF THE COMMODITY FUTURES TRADING COMMISSION (THE "**CFTC**"). ANY OFFER OR SALE OF THE ETC SECURITIES MUST BE MADE IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PURSUANT TO REGULATION S THEREUNDER ("**REGULATION S**"). THE ETC SECURITIES MAY NOT AT ANY TIME BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, PERSONS WHO ARE EITHER U.S. PERSONS AS DEFINED IN REGULATION S OR PERSONS WHO DO NOT COME WITHIN THE DEFINITION OF A NON-UNITED STATES PERSON UNDER CFTC RULE 4.7 (EXCLUDING FOR THE PURPOSES OF SUBSECTION (D) THEREOF, THE EXCEPTION TO THE EXTENT IT WOULD APPLY TO PERSONS WHO ARE NOT NON-UNITED STATES PERSONS). FOR A DESCRIPTION OF FURTHER RESTRICTIONS ON THE OFFER, SALE AND TRANSFER OF THE ETC SECURITIES, PLEASE REFER TO THE "UNITED STATES" SUB-SECTION IN THE "SUBSCRIPTION AND SALE" SECTION OF THIS BASE PROSPECTUS.

ETC SECURITIES MAY NOT BE LEGALLY OR BENEFICIALLY OWNED BY ANY ENTITY THAT IS, OR THAT IS USING THE ASSETS OF, (A)(I) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**")) THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY REQUIREMENTS OF TITLE I OF ERISA, (II) A "PLAN" TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), APPLIES, OR (III) AN ENTITY WHOSE UNDERLYING ASSETS

INCLUDE "PLAN ASSETS" (AS DETERMINED PURSUANT TO THE "PLAN ASSETS REGULATION" ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR AT 29 C.F.R. SECTION 2510.3-101 AS MODIFIED BY SECTION 3(42) OF ERISA) OR OTHERWISE UNDER ERISA BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY (ANY SUCH PLAN OR ENTITY DESCRIBED IN (I), (II) OR (III), A "**BENEFIT PLAN INVESTOR**") OR (B) A NON-U.S. PLAN, GOVERNMENTAL PLAN, CHURCH PLAN OR OTHER PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW OR REGULATION THAT IS SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (A "**SIMILAR LAW**") UNLESS ITS ACQUISITION AND HOLDING AND DISPOSITION OF SUCH ETC SECURITY, OR ANY INTEREST THEREIN, HAS NOT AND WILL NOT CONSTITUTE A VIOLATION OF SUCH SIMILAR LAW (ANY SUCH PLAN OR ENTITY DESCRIBED IN (A) OR (B), A "**PLAN INVESTOR**").

The distribution of this Base Prospectus and the offering or sale of the ETC Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Trustee, the Security Trustee, the Authorised Participants, all Authorised Offerors and the Arranger to inform themselves about and to observe any such restrictions.

This Base Prospectus may not be used for the purposes of any offer of, or invitation by anyone to subscribe for, or purchase, any ETC Securities in any jurisdiction in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or invitation.

For a description of certain restrictions on offers and sales of ETC Securities and on the distribution of this Base Prospectus, see "*Master Terms and Conditions of the ETC Securities*" and the section entitled "*Subscription and Sale*".

Issuer Obligations No person other than the Issuer will be obliged to ensure payment or discharge of principal, interest or any other obligations in respect of the ETC Securities of any Series and the ETC Securities issued under the Programme will not be guaranteed by, or be the responsibility of, any other person or entity. In particular, the ETC Securities do not represent an interest in and will not be obligations of, or insured or guaranteed by the Arranger, the Administrator, any other Transaction Party or any Affiliate or any company associated with any of them.

The Issuer is not and will not be regulated by the Central Bank of Ireland (the "**Central Bank**") as a result of issuing the ETC Securities. Any investment in the ETC Securities does not have the status of a bank deposit and as such, will not be within the scope of any deposit scheme operated by the Central Bank and are not otherwise insured or guaranteed protection by any government, government agency or other body.

No offer This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Arranger to subscribe for, or purchase, any ETC Securities.

CFTC The Arranger will file a notice with the National Futures Association claiming an exemption from registration as a "commodity pool operator" (a "**CPO**") with the U.S. Commodity Futures Trading Commission (the "**CFTC**") with respect to the ETC Securities pursuant to CFTC Rule 4.13(a)(3). The Arranger is not and will not be required to deliver a CFTC disclosure document to prospective investors, nor will it be required to provide investors with certified annual reports that satisfy the requirements of CFTC rules applicable to registered CPOs. The CFTC does not pass upon the merits of participating in a pool or upon the adequacy or accuracy of an offering memorandum. Consequently, the CFTC has not reviewed or approved

this offering or this Base Prospectus.

The Arranger will rely on the exemption under CFTC Rule 4.13(a)(3) with respect to the ETC Securities on the basis that, among other things, (i) each investor will be (A) a "qualified eligible person" as defined in CFTC Rule 4.7(a)(2)(xi); (ii) the aggregate initial margin, premiums and required minimum security deposit required to establish the ETC Securities' commodity interest positions, determined at the time the most recent position is established, will not exceed 5 percent of the ETC Securities' liquidation value, or the aggregate net notional value of such positions will not exceed 100 percent of the ETC Securities' liquidation value, in each case after taking into account unrealized profits and unrealized losses on any commodity interest positions; and (iii) the ETC Securities are not part of an investment company and will be exempt from registration under the 1933 Act and will be offered and sold without marketing to the public in the U.S. Furthermore, it is understood that all investors in the ETC Securities will be non-"U.S. Person" (as defined in Regulation S under the Securities Act and CFTC Regulation 4.7).

IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS BASE PROSPECTUS YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER.

IT SHOULD BE REMEMBERED THAT THE PRICE OF ETC SECURITIES AND THE INCOME, IF ANY, PAYABLE FROM THEM CAN GO DOWN AS WELL AS UP.

The ETC Securities are not units in an authorised collective investment scheme for the purposes of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 or under the Central Bank's Alternative Investment Fund Rulebook.

Benchmark Administrators

The value of the Carbon Entitlement for the ETC Securities is intended to track the level of the relevant Reference Index, provided by the relevant benchmark administrator, each as specified in the related Final Terms.

As at the date of this Base Prospectus, the Issuer is making available one Series of ETC Securities in respect of which the relevant Reference Index shall be the S&P Global Carbon Credit Index (the "**Global Carbon Index**"), administered by S&P Dow Jones Indices Limited ("**S&P**") (the "**KraneShares Global Carbon Strategy ETC Securities**").

Under Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"), benchmark administrators were required to apply for authorisation or registration as an administrator before 1 January 2020. Upon such authorisation or registration, the benchmark administrator or the benchmark will appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to article 36 of the Benchmark Regulation (the "**Benchmark Register**").

The level of the Global Carbon Index shall be as determined and provided by S&P as administrator of the Global Carbon Index. S&P is registered as a benchmark administrator in the UK under the Benchmarks Regulation as it forms part of UK domestic law by virtue of the EU Withdrawal Act (the "**UK Benchmark Regulation**"). Third country benchmarks and/or administrators that have not been authorised or registered in the EU by ESMA will require approval by equivalence, recognition or endorsement in the EU to be added to the EU's Benchmark Register. S&P does not appear on the EU's Benchmark Register. However, as far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that supervised entities may use a benchmark provided by S&P as a reference for a financial instrument, a financial contract or for measuring the performance of an investment fund in the EU and accordingly S&P is not currently required to obtain recognition, endorsement or equivalence in the EU .

The terms and conditions of the ETC Securities set out the actions that will be taken in the event that a benchmark materially changes or ceases to be provided in accordance with article 28 of the Benchmark Regulation.

S&P is the licensor of the Global Carbon Index. The KraneShares Global Carbon Strategy ETC Securities are not sponsored, endorsed, promoted or sold by S&P in any way and S&P makes no express or implied representation, guarantee or assurance with regard to: (a) the advisability of investing in the KraneShares Global Carbon Strategy ETC Securities; (b) the quality, accuracy and/or completeness of the Global Carbon Index; and/or (c) the results obtained or to be obtained by any person or entity from the use of the Global Carbon Index. S&P does not guarantee the accuracy and/or the completeness of the Global Carbon Index and shall not have any liability for any errors or omissions with respect thereto. Notwithstanding S&P's obligations to its licensees, S&P reserves the right to change the methods of calculation or publication with respect to the Global Carbon Index and S&P shall not be liable for any miscalculation of or any incorrect, delayed or interrupted publication with respect to the Global Carbon Index. S&P 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 of (or inability to use) the Global Carbon Index.

Fees, Costs and Charges

This Base Prospectus and the Final Terms relating to the ETC Securities contain certain information relating to fees, costs and charges applicable to the ETC Securities. If a prospective investor is advised by third parties (in particular companies providing services related to financial instruments, such as credit institutions and investment firms) when acquiring the ETC Securities, or if the third parties mediate the purchase, such third parties may have to provide such prospective investor with a breakdown of costs and charges or expense ratios that are not laid out in the cost details in this Base Prospectus or the Final Terms relating to the ETC Securities.

In particular, such differences may result from regulatory requirements governing how such third parties determine, calculate and report costs and charges. These requirements may arise for example in the course of national implementation of the MiFID II Directive. Prospective investors should note that the information provided by third parties on all relevant costs and charges may vary from one party to the other due to these third parties additionally invoicing the costs of their own services (e.g. a surcharge or, where applicable, recurrent brokering or advisory fees, depositary fees, etc.).

Data Protection Legislation

Prospective investors should note that, by virtue of making an investment in the Issuer and the associated interactions with the Issuer and its Affiliates and delegates (including completing any documentation relating to an investment in the ETC Securities, and including the recording of electronic communications or phone calls where applicable), or by virtue of providing the Issuer with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Issuer and its Affiliates and delegates with certain personal information which constitutes personal data within the meaning of the Data Protection Legislation. ("**Data Protection Legislation**" means the EU data protection regime introduced by the General Data Protection Regulation (Regulation 2016/679)).

The Issuer has prepared a Privacy Notice ("**PN**") outlining the Issuer's data protection obligations and the data protection rights of individuals under the Data Protection Legislation. The full PN is available on the Issuer's website at <https://kraneshares.eu/>.

The PN contains information on the following matters in relation to data protection:

- that investors will provide the Issuer with certain personal information which constitutes personal data within the meaning of the Data Protection Legislation;
- that the Issuer shall act as a data controller in respect of this personal data and the fact that Affiliates and delegates, such as the Arranger, the Administrator and the Registrar may act as data processors;

- a description of the lawful purposes for which the personal data may be used, namely (i) where this is necessary for the performance of the contract to purchase ETC Securities issued by the Issuer; (ii) where this is necessary for compliance with a legal obligation to which the Issuer is subject; and/or (iii) where this is necessary for the purposes of the legitimate interests of the Issuer or a third party and such legitimate interests are not overridden by the individual's interests, fundamental rights or freedoms;
- details on the transmission of personal data, including (if applicable) to entities located outside the EEA;
- details of data protection measures taken by the Issuer;
- an outline of the various data protection rights of individuals as data subjects under the Data Protection Legislation;
- information on the Issuer 's policy for retention of personal data; and
- contact details for further information on data protection matters.

Given the specific purposes for which the Issuer envisages using personal data, under the provisions of the Data Protection Legislation, it is not anticipated that individual consent will be required for such use. However, as outlined in the PN, individuals have the right to object to the processing of their data where the Issuer has considered this to be necessary for the purposes of its or a third party's legitimate interests.

Interpretation

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "**dollars**", "**U.S. dollars**", "**USD**", "**\$**" and "**U.S.\$**" are to the lawful currency of the United States of America, references to "**sterling**", "**pounds sterling**", "**GBP**" and "**£**" are to the lawful currency of the United Kingdom and references to "**euro**", "**EUR**" and "**€**" are to the lawful currency of those Member States of the European Union that have adopted the single currency of the European Union. All references in this Base Prospectus to any time shall be expressed using the 24-hour clock convention.

The term "**Affiliate**" as used in this Base Prospectus means, in relation to any person or entity, any other person or entity controlled, directly or indirectly, by the person or entity, any other person or entity that controls, directly or indirectly, the person or entity or any other person or entity directly or indirectly under common control with the person or entity. For these purposes, "**control**" of any entity or person means the power, directly or indirectly, either to (i) vote 10 per cent. or more of the securities having ordinary voting power for the election of directors of the relevant person or entity or (ii) direct or cause the direction of the management and policies of such person or entity whether by contract or otherwise.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

All references in this Base Prospectus to any time shall be expressed using the 24-hour clock convention.

INTRODUCTION TO THE PROGRAMME

The Issuer has established the Programme, under which ETC Securities in Series, each linked to the performance of a specified Reference Index may be issued from time to time.

The ETC Securities will maintain exposure to Futures Contracts in respect of Carbon Allowances that are substantially the same as those included in the Reference Index in respect of such ETC Securities. Each Reference Index will be an index comprised of futures contracts on emission allowances issued by various “cap and trade” regulatory regimes that seek to reduce greenhouse gas emissions over time.

Each Reference Index will be designed to measure the performance of a portfolio of liquid carbon credit futures that require “physical delivery” of emission allowances issued under cap and trade regimes. An emission allowance or carbon credit is a unit of emissions (typically one ton of CO₂) that the owner of the allowance or credit is permitted to emit. A cap and trade regime seeks to gradually reduce such emission allowances or carbon credits over time to incentivise companies to reduce greenhouse gas emissions in an effort to curb climate change.

KraneShares Global Carbon Strategy ETC Securities

As at the date of this Base Prospectus, the Issuer is making available one Series of ETC Securities in respect of which the relevant Reference Index shall be the S&P Global Carbon Credit Index (the “**Global Carbon Index**”), administered by S&P Dow Jones Indices Limited (“**S&P**”) (the “**KraneShares Global Carbon Strategy ETC Securities**”).

The Global Carbon Index offers broad coverage of cap and trade carbon allowances by tracking the most traded carbon credit futures contracts. The Global Carbon Index introduces a new measure for hedging risk and going long the price of carbon while supporting responsible investment. Responsible investment involves considering environmental, social and governance (ESG) issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship).

Currently, the Global Carbon Index covers the major European and North American cap and trade programs: European Union Allowances (“**EUA**”), California Carbon Allowances (“**CCA**”), the Regional Greenhouse Gas Initiative (“**RGGI**”), and United Kingdom Allowances (“**UKA**”).

The Global Carbon Index includes only carbon credit futures that mature in December of the next one to two years and that have a minimum average monthly trading volume over the previous six months of at least \$10 million. The Global Carbon Index weights eligible Futures Contracts based on their average monthly trading volume during the relevant six-month period, subject to a 5% minimum weight per regime and a 65% maximum weight to any one of the following geographic regions:

- (1) Europe, the Middle East and Africa,
- (2) the Americas, and
- (3) the Asia-Pacific.

In addition, no single Futures Contract expiring in a particular year will receive an allocation of less than 5% or more than 60% at the semi-annual rebalancing or annual reconstitution of the Global Carbon Index.

As the global carbon credit market grows, additional Futures Contracts are expected to enter the Global Carbon Index (and the portfolio of Futures Contracts maintained by the Issuer to back the KraneShares Global Carbon Strategy ETC Securities) when they have a minimum average monthly trading volume of at least \$10 million over the relevant six-month period.

Subscription

The Issuer has entered into Authorised Participant Agreements and has agreed with Authorised Participants to issue ETC Securities to those Authorised Participants on an on-going basis (each offer made to the Issuer by an

Authorised Participant to subscribe for ETC Securities, a “**Subscription**”). Authorised Participants may sell the ETC Securities on an exchange or in an off-exchange transaction or may hold the securities themselves.

Each Series of ETC Securities issued under the Programme will be linked to, and provide exposure to a Reference Index, as specified in the related Final Terms and will be backed by Futures Contracts, cash and other assets held with a broker or in a segregated custody account of the Issuer with the Custodian (as applicable).

The Futures Contracts backing each Series of ETC Securities will be completely separate (or "ring-fenced") from the Futures Contracts backing each other Series of ETC Securities, through the holding of such Futures Contracts in separate segregated accounts with its broker StoneX Financial Inc. (together with any other broker that may be appointed in the future for such purpose, the “**Broker**”) on behalf of the Issuer for the account of each Series.

The first tranche of each Series of ETC Securities is issued on the related series issue date (the “**Series Issue Date**”) by the Issuer to one or more Authorised Participants. The ETC Securities can thereafter be issued on a daily basis to Authorised Participants by submitting a subscription order to the Transfer Agent on behalf of the Issuer in accordance with the relevant Authorised Participant Agreement (each, a “**Subscription Order**”).

The Issuer may only issue ETC Securities of a Series to the Authorised Participants appointed in respect of such Series. In addition, subject to the satisfaction of certain conditions, only an Authorised Participant may at any time require the repurchase of an ETC Security by submitting a Buy-Back Order to the Transfer Agent (on behalf of the Issuer).

Upon a Subscription of ETC Securities, an Authorised Participant must procure the delivery to the Custodian (in accordance with the instructions of the Transfer Agent upon acceptance of the related Subscription Order) of a quantity of cash in USD equal to the aggregate Cash Value per ETC Security for the ETC Securities to be issued and pay a Subscription Fee of up to USD 1000.00 to the settlement cash account established by the Custodian (the “**Settlement Cash Account**”) by such time as separately agreed with the Transfer Agent.

Upon delivery of the cash representing the Subscription Settlement Amount to the Custodian, the Issuer issues the ETC Securities and the Transfer Agent delivers them to the relevant Authorised Participant via the Clearing Systems. The Issuer shall use a portion of such cash to purchase Futures Contracts on margin, and such Futures Contracts shall form part of the pool of assets available to meet the Issuer’s obligations under the ETC Securities of the relevant Series. The balance of the cash representing the Subscription Settlement Amount not invested in Futures Contracts will be transferred in cash to the Issuer by the Custodian and retained in the Settlement Cash Account, and may, on the advice of the Investment Advisor, be invested by the Issuer in cash and cash equivalents, including money market funds and repurchase agreements, and exchange traded funds identified by the Investment Advisor retained in the Settlement Custody Account (see further "*Transaction Structure, Cash Flow and Flow of Funds – Collateralisation*" below).

Subject to the offering restrictions set out under the section of this Base Prospectus entitled “*Subscription and Sale*”, Authorised Participants may offer ETC Securities to retail clients, professional clients or other eligible counterparties. It is intended that Authorised Participants of a Series will sell ETC Securities in the secondary market to investors who have either directly approached the Authorised Participant or to investors on a stock exchange on which the ETC Securities are admitted for trading for a purchase price and on such other terms and conditions as agreed between the Authorised Participant and such investor(s) in respect of the ETC Securities.

ETC Securities can also be bought or sold by investors for cash on any stock exchange or market on which they are admitted to trading or in private off-exchange transactions. Details of the exchanges on which a particular Series of ETC Security can be traded are set out in the related Final Terms. Market makers provide liquidity on those stock exchanges and for those transactions but only Authorised Participants can apply directly to the Issuer for the issuance of ETC Securities.

Repurchase (“Buy-Back”)

Subject to the applicable Buy-Back Conditions being satisfied (including payment of the applicable Buy-Back Fee), Authorised Participants may request that the Issuer repurchase their ETC Securities by submitting a Buy-Back Order to the Transfer Agent. An ETC Holder wishing to have their ETC Securities repurchased must make arrangements with an Authorised Participant (either through an exchange or over-the-counter) for such Authorised

Participant to purchase such ETC Securities from the ETC Holder or for such Authorised Participant to effect a Buy-Back Order with the Issuer. Any such repurchases will be made in accordance with such terms and other arrangements in place between such Authorised Participant and such ETC Holder, including as to price, fee, and settlement arrangements.

Upon settlement of a Buy-Back Order which is determined to be valid and accepted by the Issuer, the Authorised Participant or ETC Holder will be entitled to receive, in exchange for delivery of the ETC Securities the subject of the Buy-Back Order and payment of the applicable Buy-Back Fee, a cash payment in USD equal to the product of (i) the Cash Value per ETC Security and (ii) the number of ETC Securities subject to the Buy-Back as of the Buy-Back Trade Date (as determined by the Administrator on the basis of valuations as of the Buy-Back Trade Date), to the specified Cash Account of the Authorised Participant.

RISK FACTORS

Warnings

Investment in the ETC Securities will involve a significant degree of risk. Investors may lose the value of their entire investment or part of it.

Each prospective purchaser of, or investor in, ETC Securities should be familiar with instruments having characteristics similar to the ETC Securities and should fully understand the terms of the ETC Securities and the nature and extent of its exposure to risk of loss.

Investment in the ETC Securities is only suitable for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the information contained in this Base Prospectus and in the applicable Final Terms and the merits and risks of an investment in the ETC Securities in the context of the investor's own financial, tax and regulatory circumstances and investment objectives.

Before making an investment decision, prospective purchasers of ETC Securities should read the entire Base Prospectus and the relevant Final Terms and consider carefully, in the light of their own financial circumstances and investment objectives, all the detailed information set out herein and therein and, in particular, the material risk factors set out below, as well as conducting without any reliance on the Issuer, the Arranger, any Transaction Party or any of their Affiliates, their own independent investigation and analysis regarding the Issuer, the ETC Securities, the Futures Contracts and all other relevant persons and such legal, accounting, regulatory, tax, market and economic factors as they deem appropriate, in order to reach their own views prior to making any investment decision.

Potential investors are also advised to seek the advice of their bank or an independent financial and / or legal and / or tax advisor and / or any other professional advisor before making any investment decision and to observe any local sales restrictions.

The Issuer believes that the risk factors set out below represent the principal risks inherent in investing in the ETC Securities issued under the Programme, about which prospective ETC Holders should be aware. Such factors may affect the ability of the Issuer to fulfil its obligations under the ETC Securities issued under the Programme. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with ETC Securities issued under the Programme are also described below.

Prospective investors should note that the risks relating to the Issuer and the ETC Securities described in this section are risks that the Issuer believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the ETC Securities.

The inability of the Issuer to pay any amounts on or in connection with any ETC Securities may occur for reasons other than those outlined below and the Issuer does not represent that the factors below regarding the risks of investment in the ETC Securities are exhaustive.

The risks described may have a negative impact on the performance and liquidity of the ETC Securities. Please note that several risk factors may simultaneously affect the performance of the ETC Securities without any binding statement being made about their interaction. In addition, other currently unknown or unforeseeable risks may also have a negative impact on the value of the ETC Securities or the ability of the Issuer to fulfil its obligations.

All capitalised terms used in this "Risk Factors" section shall have the meanings given to them in other sections of this Base Prospectus unless otherwise defined below.

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1 Risks related to the ETC Securities

1.1 Carbon Emission Allowance and Cap and Trade Risk

Cap and trade regimes and related markets are new and based on scientific principles that are subject to debate. Cap and trade regimes have arisen primarily due to relative international consensus with respect to scientific evidence indicating a correlation between the rise in global temperatures and extreme weather events, on the one hand and the rise in greenhouse gas ("GHG") emissions in the atmosphere, on the other hand. If this consensus were to break down, cap and trade regimes and the value of the ETC Securities may be negatively affected. Additionally, if the science supporting the relationship or the acceptable level of GHG concentrations is questioned, it may negatively affect cap and trade regimes and the value of the ETC Securities.

There is no assurance that cap and trade regimes in respect of Carbon Allowances will continue to exist. Cap and trade was designed to attempt to put a cap on pollution by putting a price on carbon emissions, but the approach may not prove to be an effective method of reduction in GHG emissions or in achieving climate change objectives. As a result or due to other factors, cap and trade regimes may be terminated or may not be renewed upon their expiration. The European Union Emissions Trading System ("EU ETS") is organized into a number of phases, each with a predetermined duration. Currently, the EU ETS is in Phase III. There can be no assurance that the EU ETS will enter into a new phase as scheduled.

New technologies may arise that may diminish or eliminate the need for cap and trade markets. Ultimately, the cost of emissions credits is determined by the cost of actually reducing emissions levels. If the price of credits becomes too high, it will be more economical for companies to develop or invest in green technologies, thereby suppressing the demand for credits and adversely affecting the value of the ETC Securities.

Cap and trade regimes set emission limits (i.e., the right to emit a certain quantity of GHG emissions), which can be allocated or auctioned to the parties regulated under the regime up to the total emissions cap. This allocation may be larger or smaller than is needed for a stable price of credits and can lead to large price volatility and may impact the value of the ETC Securities. Depending upon the industries covered under the cap and trade regime, unpredictable demand for their products and services can affect the value of GHG emissions credits. For example, very mild winters or very cool summers can decrease demand for electric utilities and therefore require fewer carbon credits to offset reduced production and GHG emissions.

If fines or other penalties for non-compliance are not enforced, incentives to purchase GHG credits will deteriorate, which could result in a decline in the price of emissions credits and may adversely impact the value of the ETC Securities.

The economic health of GHG emitting companies and their ability to pass on the cost of emissions credits to consumers can affect the price of the carbon credit futures. If the price of emissions can be passed on to the end customer with little impact upon consumer demand, it is likely that industries may continue emitting and purchase any shortfall in the market at the prevailing price. If, however, the producer is unable to pass on the cost, it may be incentivised to reduce production in order to decrease its need for offsetting emissions credits, which could adversely affect the price of carbon credit futures and the ETC Securities.

1.2 Futures Strategy Risk

Successful use of Futures Contracts draws upon the Investment Advisor's skill and experience with respect to such instruments and is subject to special risk considerations. The primary risks associated with the use of futures contracts include: (a) an imperfect correlation between the change in market value of the reference asset and the price of the futures contract; (b) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures contract when desired; (c) losses caused by unanticipated market movements; (d) the inability to predict correctly the direction of market prices, interest rates, exchange rates and other economic

factors; and (e) if the Issuer has insufficient cash, it may have to sell investments from its portfolio to meet daily variation margin requirements, and the Issuer may have to sell investments at a loss. For the avoidance of doubt, an investor in ETC Securities cannot lose more than their initial investment.

As a futures contract the Issuer owns approaches its settlement date, the Issuer may sell that futures contract and reinvest the proceeds in a similar contract with a more distant settlement date. This process is referred to as “rolling” a futures contract. The successful use of such a strategy depends upon the Investment Advisor’s skill and experience. Although the Issuer will attempt to roll from an expiring futures contract to another contract that the Investment Advisor believes will generate the greatest yield for the Issuer, the Issuer nevertheless may incur a cost to “roll” the contract. In a futures market where current month expiring contracts trade at a lower price than next month’s contract, a situation referred to as “contango,” absent the impact of the overall movement in prices, the Issuer may experience an adverse impact because it would be selling less expensive contracts and buying more expensive contracts. In the event of a prolonged period of contango, and absent the impact of rising or falling Carbon Allowance prices, there could be a significant negative impact on the value of the ETC Securities when the Issuer “rolls” its futures contract positions.

1.3 Risks related to assets acquired using the balance of proceeds

As the Futures Contracts acquired by the Issuer via a broker will be traded on margin, the Issuer will not be required to use the full proceeds raised by the issue of the ETC Securities to purchase relevant underlying Futures Contracts. The balance of the proceeds of the issuance of a Series of ETC Securities not used to acquire relevant Futures Contracts will be retained by the Issuer in the Settlement Cash Account held with the Custodian. The Issuer may also, on the advice of the Investment Advisor, invest in cash, cash equivalents, including money market funds and repurchase agreements, and exchange traded funds identified by the Investment Advisor.

The Investment Advisor will aim to select assets with a low risk profile; however, as with all investments, these assets are subject to the risk that they may fall in value. In particular, we note that the Issuer may invest the proceeds of the ETC Securities in the upcoming KraneShares Sustainable Ultra Short Duration Index ETF; the State Street Institutional U.S. Government Money Market Fund (GMVXX; NASDAQ), the State Street Institutional Treasury Money Market Fund (TRIXX; NASDAQ); the Blackrock Liquidity Funds Treasury Trust Fund (TTTXX) or any such exchange traded funds that the Issuer may choose on the advice of the Investment Advisor from time to time (each an “ETF” and, together the “ETFs”). An investment in the ETFs involves the risk of total loss and the ETF is subject to a number of additional principal risks that may affect the ETF’s performance, net asset value (“NAV”) and trading price, including:

- **Fixed Income Securities Risk.** Fixed income securities are subject to credit risk and interest rate risk. Credit risk refers to the possibility that the issuer of a security will not make timely interest payments or repay the principal of the debt issued (i.e., default on its obligations). A downgrade or default on securities held by an ETF could adversely affect the ETF’s performance. Generally, the longer the maturity and the lower the credit quality of a security, the more sensitive it is to credit risk. Interest rate risk refers to fluctuations in the value of a debt resulting from changes in the level of interest rates. When interest rates go up, the prices of most debt instruments generally go down; and when interest rates go down, the prices of most debt instruments generally go up. Debt instruments with longer durations tend to be more sensitive to interest rate changes, typically making them more volatile. Interest rates have recently increased and may continue increasing, thereby heightening the risks associated with rising interest rates.
- **ESG Risk.** An ETF, such as the KraneShares Sustainable Ultra Short Duration Index ETF, may implement an ESG strategy. Issuers with businesses with high ESG ratings may be difficult to identify and investments in them may be volatile. Even companies with high ESG ratings may not necessarily compare favourably with respect to the ESG practices of other issuers. The ESG investment strategy limits the types and number of investment opportunities available and, as a result, the strategy may underperform other strategies that do not have an ESG focus. The ESG investment strategy may result in the ETF’s investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards. Investing based on ESG criteria is qualitative and subjective by nature and there is no guarantee that the criteria used by the ETF will reflect the beliefs or values of any particular investor.

- **Non-Diversified Fund Risk.** Where an ETF is non-diversified it invests a greater portion of its assets in fewer issuers than a diversified fund. Accordingly, changes in the market value of a single portfolio holding could cause greater fluctuations in the ETF's share price than would occur in a diversified fund. This may increase the ETF's volatility and cause the performance of a single portfolio holding or a relatively small number of portfolio holdings to have a greater impact on the ETF's performance.
- **New Fund Risk.** If the ETF does not grow in size, it will be at greater risk than larger funds of wider bid-ask spreads for its shares, trading at a greater premium or discount to NAV, liquidation and/or a stop to trading.
- **Liquidity Risk.** An ETF's investments are subject to liquidity risk, which exists when an investment is or becomes difficult or impossible to purchase or sell at an advantageous time and price. If a transaction is particularly large or if the relevant market is or becomes illiquid, it may not be possible to initiate a transaction or liquidate a position, which may cause the ETF to suffer significant losses and difficulties in meeting redemptions. Liquidity risk may be the result of, among other things, market turmoil, the reduced number and capacity of traditional market participants, or the lack of an active trading market. Markets for securities or financial instruments could be disrupted by a number of events, including, but not limited to, an economic crisis, natural disasters, new legislation or regulatory changes inside or outside the United States. Liquid investments may become less liquid after being purchased by the ETF, particularly during periods of market stress. In addition, if a number of securities held by the ETF stop trading, it may have a cascading effect and cause the ETF to halt trading. Volatility in market prices will increase the risk of the ETF being subject to a trading halt.

With regards to money market funds, although these seeks to preserve the value of investments at \$1.00 per share, they cannot guarantee that they will do so. The Issuer may potentially invest in money market funds that hold U.S. Treasuries. Direct obligations of the U.S. Treasury have historically involved little risk of loss of principal if held to maturity. However, due to fluctuations in interest rates, the market value of such securities may vary during the life of the ETC Securities. In addition, notwithstanding that U.S. Treasury obligations are backed by the full faith and credit of the United States, circumstances could arise that could prevent the timely payment of interest or principal, such as reaching the legislative "debt ceiling." Such non-payment could result in losses for the money market funds.

With regards to the Custodian's "Cash Management Service", when cash is placed in an overnight deposit, there is deposit exposure to the particular institutional bank with which such cash is placed.

Any losses arising on the assets acquired using the balance of proceeds may have a significant negative impact on the value of the ETC Securities.

1.4 Carbon Allowances Prices Risk

The price of Carbon Allowances fluctuates widely and may be affected by numerous factors. Supply and demand of Carbon Allowances is largely determined by the policies of supranational political entities such as the European Union and the national allocation plans of individual countries. The balance of supply and demand of Carbon Allowances may also be affected by the introduction of additional industries into relevant programmes such as the EU Emissions Trading Scheme ("EU ETS"). For example, in 2012 the introduction of the aviation sector into the EU ETS led to a significant increase in demand for Carbon Allowances from producers and expanded the number of Carbon Allowances available under the relevant national allocation plans.

Other factors that may lead to increased volatility include:

- developments in technology resulting in increased energy efficiency;
- global political and financial events that impact economic activity or affect investors' expectations of economic activity;

- speculative activity of hedge funds and other parties trading Carbon Allowances, including carbon emission producers and suppliers engaging in hedging activities; and
- shifts in seasonal weather patterns resulting from climate change.

Such volatility could result in the value of a given Series of ETC Securities being less than the price at which they were issued, and could result in a total or partial loss for investors. Investors should be aware that the ETC Securities can go down in price as well as up but an investor cannot lose more than their initial investment.

1.5 Climate Change Regulatory Risk

Regulatory risk related to changes in regulation and enforcement of cap and trade regimes could adversely affect market behaviour. Cap and trade markets relating to GHG emissions are relatively recent, the first such regime arising in 2001. Accordingly, historical performance of these markets may not be indicative of future performance, and future performance of cap and trade markets may be hard to predict. In addition, as cap and trade markets and carbon credit markets develop, new regulation with respect to these markets may arise, which may have a negative effect on the value and liquidity of the cap and trade markets and the value of the ETC Securities.

1.6 Commodity Linked Derivatives Risk

The value of a commodity-linked derivative investment typically is based upon the price movements of a physical commodity and may be affected by changes in overall market movements, volatility of an index, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments. Investments in commodity-linked derivatives may be subject to greater volatility than non-derivative based investments. Commodity-linked derivatives also may be subject to credit and interest rate risks that in general affect the values of debt securities. This increased volatility may result in return on ETC Securities being less than investors expect.

1.7 Concentration Risk

The assets underlying a Series of ETC Securities are expected to be concentrated in an industry or group of industries to the extent that the Reference Index concentrates in a particular industry or group of industries. The securities of companies in an industry or group of industries could react similarly to market developments. Thus, the value of the ETC Securities is subject to loss due to adverse occurrences that may affect that industry or group of industries or sector. In particular each Reference Index will be concentrated in carbon credit futures. The prices and performance of carbon credit futures may be particularly affected by developments in the energy sector.

Investments in, and/or exposure to, the energy sector, which includes energy commodities such as oil, gasoline, and carbon credits, may be highly volatile and can change quickly and unpredictably due to a number of factors, including the legislative or regulatory changes, adverse market conditions, increased competition affecting the energy sector, financial, accounting and tax matters and other events that the Issuer cannot control. In addition, the value of energy commodities may fluctuate widely due to changes in supply and demand.

The energy sector is typically cyclical and highly dependent upon commodities and energy prices. Issuers in this sector are usually subject to substantial government regulation and contractual fixed pricing, which may increase the cost of business and limit these issuers' earnings, and a significant portion of their revenues depends on a relatively small number of customers, including governmental entities and utilities.

The ETC Securities will accordingly be more greatly affected by any market volatility in the energy sector compared to securities set up with broader exposure to various markets. Should there be an overall drop in value of assets exposed to the energy sector, returns to investors of the ETC Securities may be less than they would have received by investing in securities with more diversified sector exposure.

1.8 Geographic Focus Risk

The Issuer's investments are expected to be focused in a particular country, countries, or region to approximately the same degree as the relevant Reference Index and, therefore the Issuer may be susceptible to adverse market,

political, regulatory, and geographic events affecting that country, countries or region. Such geographic focus also may subject the ETC Securities to a higher degree of volatility than would be the case if the relevant investments were more geographically diversified.

The ETC Securities will accordingly be more greatly affected by any volatility in those countries or regions compared to securities set up with broader exposure to various markets. Should there be an overall drop in value of assets exposed to those countries or regions, returns to investors of the ETC Securities may be less than they would have received by investing in securities with more diversified geographic exposure.

1.9 Geographic Focus Risk in relation to the KraneShares Global Carbon Strategy ETC Securities

European Union Risk. Because the KraneShares Global Carbon Strategy ETC Securities are exposed to carbon credits issued under the European Union Emissions Trading System “cap and trade” program, the performance of the KraneShares Global Carbon Strategy ETC Securities also may be negatively impacted by factors affecting the European Union. The economies of the European Union are dependent to a significant extent on those of certain key trading partners, including China, the United States, and other European countries. A reduction in spending on products and services exported from the European Union, or volatility in the financial markets of member countries, may have an adverse impact on the broader European Union economy and could adversely affect the value of the KraneShares Global Carbon Strategy ETC Securities. Separately, the European Union faces issues involving its membership, structure, procedures and policies. The United Kingdom (UK) officially withdrew from the European Union on 31 January 2020. Upon the UK’s withdrawal from the European Union, the European Union and the UK entered into a transition phase, which concluded on 31 December 2020, and the UK and the European Union agreed upon a Trade and Cooperation Agreement that became fully effective on 1 May 2021. The UK, European Union and broader global economy may still experience volatility in foreign exchange markets as a result of these events. The UK’s withdrawal may also destabilise some or all of the other European Union member countries and/or the Eurozone. The exit of additional member states from the European Union would subject its currency and banking system to increased risk and would likely result in increased volatility, illiquidity and potentially lower economic growth in the affected markets. Additionally, the reintroduction of national currencies in one or more European Union countries or the abandonment of the Euro as a currency could adversely affect the value of the KraneShares Global Carbon Strategy ETC Securities.

California Risk. Because the KraneShares Global Carbon Strategy ETC Securities are exposed to carbon credits issued under the California Carbon Allowance “cap and trade” program, the performance of the KraneShares Global Carbon Strategy ETC Securities also may be negatively impacted by factors affecting California. For example, natural disasters may disrupt the local, state or regional economy or certain sectors of the economy and may impact the prices of such carbon credit futures. California’s budget and fiscal operations face certain structural impediments and rely on revenue sources which have been historically sensitive to the economic environment. California’s diverse economy is the largest in the United States and one of the largest in the world with major components including high technology, trade, entertainment, manufacturing, tourism, construction, agriculture and services. Any downturn in these sectors or related industries may adversely affect the economy of the state and the prices of such carbon credit futures.

1.10 Potential loss of investment

The ETC Securities are not principal protected and are a high-risk investment. ETC Holders are neither assured of repayment of the capital invested, nor are they assured of payment of any interest.

The Final Redemption Amount and Early Redemption Amount payable on the ETC Securities will depend upon the prices at which the relevant broker, on behalf of the Issuer, is able to sell the Futures Contract following the Final Redemption Valuation Date or an Early Redemption Trade Date.

In the event that the Futures Contract prices fall to zero or close to zero, ETC Holders may lose some or all of their investment.

1.11 Total Expense Ratio reduces the Carbon Entitlement

The Carbon Entitlement for each Series starts with the Initial Carbon Entitlement on the Series Issue Date (being the Issue Date for the first Tranche of such Series). Thereafter, the Carbon Entitlement for each ETC Security is decreased daily at a rate equal to the portion of the Total Expense Ratio applicable to such day (applying the per annum rate and dividing by 365 (or 366 in a leap year)), until the earliest to occur of: (i) a Buy-Back Trade Date relating to such ETC Security, (ii) an Early Redemption Trade Date relating to such Series and (iii) the Final Redemption Valuation Date for such Series. Such decrease will reduce how closely the ETC Securities track the level of the relevant Reference Index.

There can be no assurance that increases in the market price of the Futures Contracts for a Series will exceed the Total Expense Ratio. If it does not, the value of an ETC Holder's investment will decrease over time. Assuming a constant price of the relevant Futures Contracts from the date of issue of each Series of ETC Securities linked to such Futures Contracts, the value of the ETC Securities of such Series would gradually decline as the Carbon Entitlement in respect of the Series declines. Therefore amounts payable to ETC Holders in respect of the ETC Securities may not be comparable to the yields which could be earned if ETC Holders had invested directly in the relevant Futures Contracts. ETC Holders may lose part of their investment due to the application of the Total Expense Ratio, even if the price of the Futures Contracts is stable or increases slightly over time.

In addition, the Total Expense Ratio may be varied by the Issuer at the request of the Administrator from time to time with, in the case of an increase, at least 30 calendar days' prior notice given to ETC Holders in accordance with Condition 18 (*Notices*). An increase in the Total Expense Ratio in respect of a Series will reduce the Carbon Entitlement of such Series by more than would have been the case (and at a faster rate) had the Total Expense Ratio not been increased, causing the value of the ETC Securities to decline at a faster rate. Any such reduction operates as an increased charge on holders of ETC Securities and will widen the gap between the yield earned by ETC Holders as compared to the yields that could be earned by investing directly in the Futures Contracts.

Where the market price of the Futures Contracts has not increased sufficiently over time to increase or maintain the value of the Futures Contracts comprising the Carbon Entitlement per ETC Security of the relevant Series notwithstanding the increased Total Expense Ratio deducted since the time the purchaser purchased the ETC Securities, the value of the Carbon Allowances available to realise on an early or final redemption of the relevant ETC Securities will be lower, which would reduce the purchaser's return on the ETC Securities.

1.12 Limited recourse obligations

In respect of each Series, the Transaction Parties and the ETC Holders will have recourse only to the Secured Property in respect of that Series, subject always to the security for such Series, and not to any other assets of the Issuer. Assets held in relation to any particular Series of ETC Securities are not available to satisfy the claims of holders of a different Series of ETC Securities.

As a result of the limited recourse provisions of the ETC Securities, if, following realisation in full of the Secured Property relating to such Series (whether by way of liquidation or enforcement) and application of the available proceeds as provided for in Condition 5 (*Security and Application of Proceeds*), any outstanding claim against the Issuer relating to such Series remains unpaid, then such outstanding claim will be extinguished and no obligation will be owed by the Issuer in respect thereof.

As a result, if the amount received or recovered in respect of the Secured Property for a given Series of ETC Securities is less than the principal amount of the Issuer's obligations in respect of such Series, an ETC Holder of such Series will incur a loss corresponding to its proportionate share of the amount of any such extinguished claims.

The Minimum Redemption Amount plus the Specified Interest Amount operates as a minimum repayment amount on the early or final redemption of the ETC Securities of a Series.

In the event that the proceeds of liquidation of the Futures Contract for any Series of ETC Securities is insufficient to fund the Nominal Amount and the Specified Interest Amount of such ETC Securities in full, due to their limited

recourse nature, the holders of such ETC Securities may not receive payment of the Nominal Amount and/or the Specified Interest Amount in full and may receive substantially less.

In respect of each ETC Security, payment of the Specified Interest Amount to ETC Holders will rank in priority to payment of the Nominal Amount, such that if the proceeds of liquidation of the Futures Contract are insufficient to pay the Specified Interest Amount and the Nominal Amount in full, the Specified Interest Amount will be paid first and any remaining proceeds will be applied proportionately towards payment of the Nominal Amount.

1.13 **Non-petition**

The obligations of the Issuer under the ETC Securities are its corporate obligations only. As such, no personal liability will attach to or be incurred by the shareholders, officers, agents, employees or directors of the Issuer, or any of them, under or by reason of any of the obligations, covenants or agreements of the Issuer contained in any ETC Security or Transaction Document or implied therefrom.

None of the Transaction Parties, the ETC holders or any person acting on behalf of any of them may, at any time, bring, institute or join with any other person in bringing, instituting or joining insolvency, administration, bankruptcy, winding-up, examinership or any other similar proceedings (whether court-based or otherwise) in relation to the Issuer or any of its assets ("**Insolvency Proceedings**") (save for lodging a claim in the liquidation of the Issuer which is initiated by another non-Affiliated party or taking proceedings to obtain a declaration as to the obligations of the Issuer, provided such proceedings do not constitute insolvency or liquidation proceedings) and none of them will have any claim arising with respect to the assets and/or property attributable to any other securities issued by the Issuer (save for any further securities which form a single Series with the ETC Securities).

As a result of such provisions, the ability of the Transaction Parties and the ETC Holders to pursue claims against the Issuer under the ETC Securities and the Transaction Documents is excluded following extinguishment of such claims pursuant to the limited recourse provisions. The ability of the Transaction Parties and the ETC Holders to pursue any claims against the shareholders, officers, agents, employees or directors of the Issuer is excluded at all times. The ability of the Transaction Parties and the ETC Holders to bring Insolvency Proceedings against the Issuer as a means of seeking payment of their claims is also excluded.

There is a risk that the Issuer may become subject to claims or other liabilities (whether in respect of the ETC Securities or otherwise) which are not themselves subject to limited recourse or non-petition limitations, which would mean that the beneficiaries of such claims or liabilities would have the ability to pursue such claims or take insolvency proceedings against the Issuer, notwithstanding that such actions are not permitted to the Transaction Parties or the ETC Holders. If any such claims are successful, there may be insufficient assets of the Issuer available to satisfy its claims under the ETC Securities and the Transaction Documents. If insolvency proceedings are brought against the Issuer by such third parties, the ETC Holders would need to lodge a claim in such proceedings in respect of the Issuer's obligations under the ETC Securities and may not receive the full amount of such obligations.

1.14 **No guarantee**

No person other than the Issuer will be obliged to make payments on the ETC Securities of any Series and the ETC Securities issued under the Programme will not be guaranteed by, or be the responsibility of, any other person or entity. In particular, the ETC Securities do not represent an interest in and will not be obligations of, or insured or guaranteed by, the Arranger, any Transaction Party or any Affiliate or any company associated with any of them.

The ETC Securities will not have the status of a bank deposit and will not be within the scope of any deposit protection scheme or any client money protection scheme and are not insured or guaranteed by any government, government agency or other body. If the assets of the Issuer are insufficient to satisfy its obligations under the ETC Securities, the ETC Holders will not have recourse to any other party and may suffer a loss of some or all of their investment.

1.15 No right to Futures Contract

Investing in the ETC Securities will not make an investor the owner of the Futures Contracts, nor give an investor any right to ownership or any right to require delivery of any of the Futures Contracts, other than the security interests granted by the Issuer in favour of the Security Trustee for itself and as trustee for the other Secured Creditors (including the ETC Holders).

Likewise, ETC Holders have no independent right to enforce or sell the Futures Contracts and must rely on the Security Trustee to do so when permitted under the terms of the ETC Securities and the Security Document and instructed by the Trustee (which has in turn been instructed by the ETC Holders).

As a result the ETC Holders have no ownership interest (legal or beneficial) in the Futures Contracts backing the ETC Securities. The rights of the ETC Holders under the ETC Securities to receive any payments in accordance with the Conditions are contractual only.

1.16 Limited enforcement rights

ETC Holders should note that, notwithstanding they may be owed payments under the ETC Securities, their rights of direct action against the Issuer to enforce those rights are limited as the right to take such action is generally instead vested in the Trustee.

If the Issuer fails to make a payment or delivery when due, only the Trustee may pursue the remedies available under the Trust Deed to enforce the rights of the ETC Holders and the Trustee is only required to do so if so directed by an Extraordinary Resolution of the ETC Holders of the relevant Series or a direction in writing by the holders of a specified percentage of the outstanding ETC Securities of the relevant Series.

No ETC Holder may proceed directly against the Issuer unless the Trustee fails or neglects to do so within a reasonable time after having become bound to do so (having been directed by the ETC Holders) and such failure is continuing.

In circumstances where the Trustee is not directed to enforce the rights of the ETC Holders, an ETC Holder will have no right to proceed directly against the Issuer and may therefore not be able to realise the value of its investment.

Furthermore, the Conditions specify that only the Security Trustee may exercise the right to enforce the Security on behalf of ETC Holders if a default in payment by the Issuer has occurred. The Security Trustee may enforce the Security at its discretion, but will only be required to enforce the Security on behalf of the ETC Holders if it is directed to do so by the Trustee and provided the Trustee has itself been instructed by a specified portion of the ETC Holders and the Security Trustee has been secured and/or pre-funded and/or indemnified to its satisfaction.

In circumstances where the Security Trustee is not directed to enforce the Security, an ETC Holder will have no right to proceed directly against the Issuer and may therefore not be able to realise the value of its investment.

1.17 Events of Default and other Early Redemption Events

The ETC Securities of a Series may become due and payable prior to their Scheduled Maturity Date at their Early Redemption Amount in connection with the occurrence of an Issuer Call Redemption Event pursuant to Condition 7(c) (*Issuer Call Redemption Event*), any of the events set out in Condition 7(d) (*Early Redemption Events*) or any of the events set out in Condition 12 (*Events of Default*) and as summarised in the section headed "*Key Terms of the ETC Securities*" in the paragraph therein headed "*Early Redemption of ETC Securities*". A triggering of these events may not be expected by an ETC Holder and will result in the ETC Holder's investment coming to an end. This will deprive the ETC holder of the opportunity to trade the affected ETC Securities for gain with third parties on the secondary market.

1.18 Currency

The ETC Securities are denominated in USD and the Early Redemption Amount and Final Redemption Amount (as applicable) will be paid in USD; however, the underlying Futures Contracts, cash, cash equivalents (including money market funds and repurchase agreements) and exchange traded funds identified by the Investment Advisor may be denominated in other currencies, including EUR and British Sterling Pounds. Accordingly the value of any portion of the underlying collateral denominated in another currency may be affected by changes in the exchange rate between USD and that other currency, which could ultimately result in returns for investors being less than anticipated. The Issuer may from time to time decide to enter into currency hedging strategies including future and forward contracts on currencies to mitigate investor exposure in this regard.

2 Risks relating to the Issuer's service providers

2.1 Performance risk

The Issuer's ability to meet its obligations with respect to the ETC Securities will be dependent upon the performance by each of the Administrator, the Custodian, the Arranger and the Investment Advisor of their respective obligations under the Administration Agreement, the Custody Agreement, the Fees and Expenses Agreement and the Investment Advisory Agreement, respectively, as well as by the Principal Paying Agent, any other Paying Agents, the Account Bank and any other service providers to the Issuer in respect of the ETC Securities making the relevant payments and/or deliveries to, or on behalf of, the Issuer and upon all parties to the Transaction Documents (other than the Issuer) performing their respective obligations thereunder. A failure by any of these service providers to perform their respective obligations may have adverse consequences on the availability, liquidity and value of the ETC Securities.

2.2 Risks relating to the Authorised Participants

Only Authorised Participants may deal with the Issuer in applying for ETC Securities to be issued. There can be no assurance that there will at all times be an Authorised Participant to deal with the Issuer in applying for ETC Securities.

In such an event, it may also be difficult or impossible for ETC Holders to sell ETC Securities on the Relevant Stock Exchanges at a price close to the Cash Value per ETC Security or within a reasonable time period.

An ETC Holder wishing to realise on the value of its ETC Securities may need to submit a Buy-Back Order, which an ETC Holder cannot do directly with the Issuer. A Buy-Back may also take longer and be more costly (due to payment of the applicable Buy-Back Fee) than a sale of such ETC Securities on an exchange. Alternatively, such ETC Holder must make arrangements with an Authorised Participant (either through an exchange or over-the-counter) for such Authorised Participant to purchase such ETC Securities from the ETC Holder. Any such purchases will be made in accordance with such terms and other arrangements in place between such Authorised Participant and such ETC Holder, including as to price, fee, and settlement arrangements.

The ETC Holder will not have recourse against any of the Issuer, the Arranger, the Trustee, the Security Trustee, any Agent nor any other Authorised Offeror or Authorised Participant in respect of any loss suffered by the investor in relation to any such transactions with Authorised Participants.

In the event there is no Authorised Participant, such ETC Holder may need to sell its ETC Securities over-the-counter or on an exchange.

2.3 No investigation of effectiveness of Security under other laws

No investigation has been made as to the effectiveness of the security granted to the Security Trustee under the Irish Law Security Trust Deed as against the Custodian in the United States or any other jurisdiction. The laws of certain jurisdictions may affect some or all of the assets comprising the Secured Property in relation to any Series. In the event that the laws of a jurisdiction do not recognise the security granted by the Irish Law Security Trust Deed or such security has not been fully perfected in such jurisdiction, such security may not be effective in relation to assets located or deemed to be located in that jurisdiction and/or such assets may be subject to claims which

would otherwise rank after claims secured by the Irish Law Security Trust Deed. Where the Irish Law Security Trust Deed is determined to be not effective against the Custodian in the United States or any other jurisdiction, this may affect the ability of the Security Trustee to enforce the security in respect of the Secured Property and ultimately may result in returns on the ETC Securities being less than expected.

3 Market risks

3.1 Market price of the ETC Securities

The bid and offer prices for ETC Securities at any time are likely to be different than the Cash Value per ETC Security. This is because the bid and offer prices reflect market liquidity and other market conditions at a particular time, whereas the Cash Value per ETC Security is based solely on value of the Futures Contracts positions and cash and cash equivalent assets underlying the ETC Securities.

The level of the Cash Value per ETC Security and the secondary market price of the ETC Securities can go down as well as up throughout the term of the ETC Securities.

The Cash Value per ETC Security and the market price of the ETC Securities on any Valuation Day may not reflect their future performance.

General movements in local and international markets and factors that affect the investment climate and investor sentiment could all affect the level of trading and, therefore, the market price of the ETC Securities. These factors may have different effects on each Series of ETC Securities as they may impact the markets for different types of Carbon Allowances in differing ways. Furthermore, future governmental or multilateral policies may have an adverse effect on trade relations and economic conditions globally, which may impact the market price of the ETC Securities.

The market price of each Series of ETC Securities will be affected by these and other factors beyond the Issuer's control, including, but not limited to:

- (i) the market price, value and/or volatility of the Futures Contract;
- (ii) the value and volatility of Carbon Allowances in general;
- (iii) global supply and demand of the Carbon Allowances relating to such Series;
- (iv) global or regional political conditions and economic, financial and political, regulatory or judicial events that affect markets generally and which may affect the market price of the Carbon Allowances relating to such Series;
- (v) market perception, interest rates, yields, foreign exchange rates and factors affecting the exchange(s) or quotation system(s) on which the Futures Contracts relating to such Series may be traded;
- (vi) investors' expectations with respect to the future rates of inflation and movements in world equity, financial and property markets;
- (vii) the creditworthiness of the Transaction Parties; and
- (viii) liquidity in the ETC Securities on the secondary market.

Carbon Allowance prices are generally more volatile than prices in other asset classes and the secondary market price of the ETC Securities may demonstrate similar volatility.

As a result, there can be no assurance as to the future value and market price of the ETC Securities and should the value and/or market price in respect of a Series of ETC Securities decline, the ETC Holders of such Series may suffer a partial or full loss of their investment.

3.2 Risks related to trading ETC Securities on the secondary market

The ETC Securities will not pay periodic interest. The ETC Securities will have a long term and investors will not receive any payments under the Conditions in respect of the ETC Securities prior to the Scheduled Maturity Date unless the ETC Securities redeem early. As a result, the only means through which an ETC Holder can realise value from an ETC Security prior to the Scheduled Maturity Date or the occurrence of an Early Redemption are by (i) submitting a Buy-Back Order to the Issuer (which the ETC Holder must do through an Authorised Participant) or (ii) selling such ETC Security at its then market price to an Authorised Offeror or Authorised Participant or to other investors on the secondary market.

The price (if any) provided by an Authorised Participant for the purchase or sale of ETC Securities in the secondary market (whether in an on-exchange or off-exchange transaction) will be determined at the absolute discretion of that Authorised Participant by reference to such factors as it sees fit. An Authorised Participant may maintain such bid/ask spread as it determines in its absolute discretion.

Any price provided by an Authorised Participant or other secondary market price may take into account fees, charges, duties, taxes, commissions and/or other factors. Any price given by an Authorised Participant will be quoted as of a particular date and time and will not therefore reflect any subsequent changes in the market price of the ETC Securities and/or any other factors relevant to the determination of the price.

The price at which an investor may be able to sell ETC Securities at any time may be substantially less than the price paid by the investor. This may occur as a result of, among other things: (i) there being limited liquidity for the ETC Securities (which may have a severely adverse effect on their market price, as described in the Risk Factor entitled "*Limited Liquidity*" below); (ii) the market price being volatile; or (iii) the Futures Contract not having performed sufficiently to increase or maintain the market value of the ETC Securities by such amount as is necessary to negate the decrease in Carbon Entitlement (due to application of the Total Expense Ratio) since the time the investor purchased the ETC Securities. Where the market price of the ETC Securities is volatile, it may fall rapidly and ETC Holders may not be able to sell their ETC Securities quickly and/or at a price such that the ETC Holder is able to prevent or minimise any loss of their investment.

ETC Securities will not automatically be placed with purchasers by the relevant Authorised Participant(s) immediately upon issue. To the extent that the Authorised Participants hold ETC Securities at any time, they may exercise their rights under them in such manner as they see fit in their own interests and need not have regard to the interests of other holders of ETC Securities or any other person. In particular, the Authorised Participants may vote at any meeting of holders of ETC Securities or approve any resolution as they see fit (including with respect to any changes to the terms of the ETC Securities proposed by the Issuer).

The market for trading of ETC Securities of one Series may differ from the market, if any, of any other Series of ETC Securities and the performance of one Series of ETC Securities may not be indicative of how any other Series of ETC Securities will perform.

As a result, there can be no assurance at any time that an investor will be able purchase or sell ETC Securities at a suitable price or at all. If an ETC Holder wishing to sell its ETC Securities is unable to find a buyer at a price equal to the amount the ETC Holder has paid to acquire the ETC Securities, such ETC Holder may be unable to sell such ETC Securities without suffering a partial or full loss of their investment.

3.3 Limited liquidity

The ETC Securities are especially sensitive to commodity, currency or market risks and are designed for specific investment objectives or strategies. Upon initial issuance of each Series of ETC Securities, no secondary market for such Series will exist. There can be no guarantee that a market will develop and any market in such ETC Securities may not be liquid. The ETC Securities will generally have a more limited secondary market and more price volatility than conventional debt securities. Potential investors should be willing to hold the ETC Securities until maturity.

While each Authorised Participant appointed in respect of a Series may make a market for the ETC Securities of such Series, an Authorised Participant is under no obligation to do so and there can be no assurance that

Authorised Participants would purchase ETC Securities on any day or at any particular price. Authorised Participants may discontinue making a market at any time and/or may make a market on a different platform or offer only one-way markets. The ETC Securities will also be subject to restrictions on transfer as described under “Subscription and Sale”.

Although the ETC Securities have been admitted for trading on regulated market(s), there is no assurance that an active trading market will develop. Likewise, there is no guarantee that the ETC Securities will remain listed and the trading of the ETC Securities on the relevant market may be suspended. Accordingly, there is no assurance as to the development or liquidity of any trading market for any Series of ETC Securities.

Even if a market develops, liquidity is not guaranteed, or it may be discontinued at any time. Investors may not be able to sell their ETC Securities easily or at prices that will provide them with a yield or return comparable to similar investments that have a developed secondary market, including due to changes in the bid/ask spread for the ETC Securities. The “bid/ask spread” is the difference between the bid price (i.e. the price at which a holder can sell ETC Securities) and the ask price (i.e. the price at which a holder can buy ETC Securities). The bid/ask spread will vary from time to time based on trading volume and market liquidity. Bid/ask spread generally decreases if the ETC Securities have high trading volume and market liquidity and increases if the ETC Securities have low trading volume, low market liquidity and high market volatility.

The liquidity in Series of ETC Securities which are not listed and exchange-traded may be less than for Series of ETC Securities which are exchange-traded, as an ETC Holder will only be able to sell ETC Securities in off-exchange secondary market transactions and will not be able to sell such ETC Securities in secondary market transactions on an exchange.

As a result, prospective purchasers of the ETC Securities should recognise that they may not be able to make any transfer of the ETC Securities for a substantial period of time, if at all. Illiquidity may have a severely adverse effect on the market value of the ETC Securities.

Investment in the ETC Securities is therefore only suitable for investors who are capable of bearing the economic risk of an investment in the ETC Securities for potentially extended periods.

3.4 Cost of trading the ETC Securities

Investors buying or selling ETC Securities in the secondary market will incur brokerage commissions or other charges. Brokerage commissions are often a fixed amount and may be a significant proportional cost for investors seeking to buy or sell relatively small amounts of ETC Securities.

Due to such trading costs, investors intending to trade the ETC Securities frequently, or in relatively small amounts may incur significant trading costs which will have an impact on the return on the investment in the ETC Securities.

4 Risks relating to the Reference Index

4.1 Index-linked securities

The ETC Securities are index-linked securities. Whilst a “Cash Value per ETC Security” is calculated and ascribed to the ETC Securities of each Series in respect of each Valuation Day, the return on such Series of ETC Securities at redemption is funded solely through the sale of the Issuer’s holdings of Futures Contract(s) comprised in the basket tracked by the Relevant Reference Index exclusively in respect of such Series of ETC Securities.

A Series of ETC Securities may trade quite differently from the performance of the Reference Index to which such ETC Securities are linked and changes in the level of the Reference Index may not result in a comparable change in the market price or in the Cash Value per ETC Security of such ETC Securities. Accordingly, the return investors may receive on the ETC Securities through indirect exposure to the Reference Index may not correlate with (and therefore be less than) any return payable had the investors obtained direct exposure to the Reference Index itself.

4.2 Not an investment in the Futures Contracts and/or Carbon Allowances

The Reference Index to which a Series of ETC Securities is linked will reference the underlying Futures Contract(s) comprised in the relevant Reference Index. However, prospective investors should be aware that an investment in a Series of ETC Securities is not the same as a direct investment in the relevant Futures Contract(s), Carbon Allowance(s) to which such Futures Contract(s) relate, or Reference Index to which such Series of ETC Securities is linked. As a result, changes in the price of a Futures Contract or Carbon Allowance will not necessarily result in correlated changes in the level of the Reference Index, nor will it necessarily change to the same degree. In addition, the rules for calculation of the Reference Index may include deductions for fees, a currency hedging component and/or other factors that affect how closely the Reference Index tracks the price of the Futures Contracts and/or Carbon Allowances referenced by the Reference Index and may also permit the Index Administrator to make certain adjustments to the level of the Reference Index. Any such deductions and adjustments may cause the level of the Reference Index to diverge from the price of the Futures Contracts and/or Carbon Allowances referenced by the Reference Index.

4.3 The negative performance of one or more components of a Reference Index may outweigh a positive performance of one or more other components

Prospective investors should note that even in the case of the performance of one or more components which would, when taken alone, have a positive impact on the level of the Reference Index, the level of the Reference Index may still decrease if the performance of one or more of the other components of the Reference Index taken as a whole have a negative impact on the level which outweighs the positive effect of such component(s). If the rules of the Reference Index give greater weight to certain components of the Reference Index than other components, the level of the Reference Index and therefore the Cash Value per ETC Security of the ETC Securities linked to such Reference Index will generally be affected more by changes in the value or price of such weighted components.

4.4 Role of the Administrator of the Reference Index

The administrator of a Reference Index is responsible for the composition, calculation and maintenance of that Reference Index. The administrator of the Reference Index will have no involvement in the offer and sale of the ETC Securities linked to such Reference Index and will have no obligations or duties to the Issuer, the Trustee or any ETC Holder with respect to any action taken by it as index administrator. The administrator of the Reference Index has no obligation to take into account and will not take into account the interests of any ETC Holders or the impact on the Cash Value per ETC Security of any ETC Securities when making determinations and taking actions with respect to the Reference Index.

The administrator of a Reference Index may license the Reference Index, and any of its sub-indices or strategies similar to the Reference Index for use by other market participants, for publication in newspapers and periodicals, for distribution by information and data dissemination services and for various other purposes. Such licensing may contribute to an increased level of investment in the Reference Index or similar strategies and this may have an impact on the level of the Reference Index and the Cash Value per ETC Security of the ETC Securities linked to such Reference Index.

4.5 Change in composition or discontinuance of the Reference Index

The administrator of a Reference Index may add, delete or substitute the components of the Reference Index or make other changes to the methodology for determining the components to be included in the Reference Index or for valuing the Reference Index. A Reference Index may also be subject to periodic rebalancing whereby the composition of such Reference Index and/or the weighting of each component of such Reference Index may change.

The composition of a Reference Index may therefore change over time to satisfy the eligibility criteria applicable to the Reference Index or components currently included in the Reference Index fail to satisfy such criteria. Such changes to the composition of the Reference Index by the index administrator may affect the level of the Reference Index as a newly added component or a component which becomes more heavily weighted within the Reference Index may perform significantly worse or better than the component it replaces or which has a corresponding

decrease to its weighting. As the Cash Value per ETC Security of the ETC Securities is linked to the level of the Reference Index, changes in the composition of the Reference Index may have an adverse effect on the Cash Value per ETC Security of the ETC Securities and/or may result in a Market Value Redemption Event and lead to the early redemption of the ETC Securities.

The rules of a Reference Index may confer on the index administrator in certain circumstances the right to make determinations, calculations, modifications and/or adjustments to the Reference Index and the eligible components of the Reference Index and related matters, which involve, in certain circumstances, a degree of discretion. An index administrator will generally, as far as reasonably practicable, exercise any such discretion with the aim of preserving the overall methodology of the relevant Reference Index. The exercise of such discretion may result in the level of the Reference Index on any day being different to that which it may have been had the index administrator not determined to exercise such discretion. Whilst an index administrator is typically required to act reasonably and in good faith in exercising its discretion, there can be no assurance that the exercise of any such discretion by the index administrator will not affect the level of the Reference Index and/or alter the volatility of the Reference Index and have an adverse effect on the Cash Value per ETC Security of the relevant Series of ETC Securities.

If the index administrator discontinues or suspends calculation or publication of the Reference Index, under the terms of the ETC Securities, the Reference Index may, in certain circumstances, be substituted with a Replacement Reference Index. If the Reference Index is replaced with a Replacement Reference Index, the relevant ETC Holders will be exposed to fluctuations in the movements of the Replacement Reference Index and not the Reference Index originally specified in the relevant Final Terms.

The Issuer is not affiliated to the administrator of any Reference Index in any way and has no ability to control or predict its actions, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the calculation of the Reference Index.

5 Risks relating to taxation

5.1 Taxation and no gross-up

Each ETC Holder will assume and be solely responsible for any and all Taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local Taxes or other like assessment or charges that may be applicable to any payment to it in respect of the ETC Securities.

In the event that any withholding or deduction for or on account of Tax is imposed on payments made by the Issuer or any Paying Agent in respect of the ETC Securities, the ETC Holders will be subject to such tax or deduction and will not be entitled to receive payment of any additional amounts to compensate for such withholding or deduction. No Event of Default under the ETC Securities will occur as a result of any such withholding or deduction and therefore there will be no obligation of the Issuer to redeem the ETC Securities in such circumstances.

Such withholding or deduction could result in a significant reduction to an investor's return on the ETC Securities. Prospective investors should consult their selling agent for details of fees, expenses, commissions or other costs and their own tax advisors in order to understand fully the tax implications specific to investment in any ETC Securities.

5.2 Irish taxation position of the Issuer

The Issuer has been advised that it should fall within the Irish regime for the taxation of qualifying companies as set out in Section 110 of the Taxes Consolidation Act 1997 (as amended) ("**Section 110**"), and as such should be taxed only on the amount of its retained profit after deducting all amounts of interest and other revenue expenses due to be paid by the Issuer, subject to the Issuer meeting all relevant conditions of Section 110.

If, for any reason, the Issuer is not or ceases to be entitled to the benefits of Section 110, then profits or losses could arise in the Issuer which could have tax effects not contemplated in the cash flows connected with the ETC

Securities and as such adversely affect the tax treatment of the Issuer. This may in turn adversely affect the Issuer's ability to fully meet its obligations under the ETC Securities, resulting in losses to the ETC Holders.

5.3 Uncertain tax treatment of ETC Securities

The tax treatment of the ETC Securities, including but not limited to the question of whether the ETC Securities should be treated as debt securities or units in a collective investment scheme for tax purposes, is fundamentally unclear in some jurisdictions. None of the Issuer nor any Transaction Party makes any representation or warranty or accepts any responsibility or liability to the ETC Holders as to the tax consequences of the acquisition, holding or disposal of the ETC Securities (or any activities relating to such trading activity).

The tax consequences of an investment in the ETC Securities (including the related impact on the income received by individual ETC Holders from ETC Securities) may differ depending: (i) on the structure and/or location of the relevant ETC Holders; (ii) the tax laws of the prospective investor's jurisdiction; and/or (iii) the tax laws of the Issuer's country of incorporation.

Should any relevant tax authorities determine that the tax treatment of the ETC Securities is different than the tax treatment claimed by the Issuer or any ETC Holder, such determination could lead to more tax being payable by the Issuer or such ETC Holder.

In the event such determination results in any withholding or deduction for or on account of Tax being imposed on payments made by the Issuer or any Paying Agent to an ETC Holder in respect of the ETC Securities, there will not be any corresponding increased payment made by the Issuer to such ETC Holder to compensate for such withholding or deduction.

In addition, if any such determination materially increases the cost to the Issuer of performing its obligations under the ETC Securities or otherwise materially adversely impacts the Issuer, the Issuer may determine to exercise its right to redeem the ETC Securities early. As a result of any such Early Redemption, ETC Holders may receive less, or substantially less, than their initial investment, particularly if such Early Redemption occurs at a time when the relevant Cash Value per ETC Security has decreased.

Prospective investors' attention is drawn to the section entitled "*Taxation*" of this Base Prospectus and the other tax disclosures in this Base Prospectus. Such disclosures are of a general nature, are not exhaustive and do not constitute tax or legal advice. Prospective investors are therefore advised to consult with their tax advisers as to their specific consequences of the acquisition, holding or disposal of the ETC Securities.

5.4 OECD Model GloBE Rules and the Commission's Proposed Directive on GloBE Rules

In December 2022, the Council of the European Union adopted a directive to implement the GloBE Rules in the EU (the "Minimum Tax Directive"). The Minimum Tax Directive introduces a minimum effective tax rate of 15% for MNE groups and large-scale domestic groups which have annual consolidated revenues of at least €750 million and entities which have revenues of €750 million on a standalone basis.

The Minimum Tax Directive is required to be implemented by all EU Member States. It contains an income inclusion rule (the "IIR") and an undertaxed profit rule (the "UTPR"). The IIR works by imposing a top-up tax on a parent entity, or intermediate parent entity, in respect of the low-taxed income of group entities. The UTPR acts as a backstop to the IIR and applies in situations where the parent does not apply an IIR, or where a low level of taxation arises in the jurisdiction of the parent.

The directive allows Member States to impose a domestic top-up tax (a "QDTP") if the effective tax rate of an in-scope entity or group in that jurisdiction is under 15%. This is intended to allow the jurisdiction where the entity or group is based, to charge and collect additional tax, instead of allowing other jurisdictions to collect such additional tax by way of the IIR and/or the UTPR.

The legislation implementing the Minimum Tax Directive in Ireland was included in Finance (No.2) Act 2023. Ireland has opted to apply a QDTP to constituent entities located in Ireland.

The Issuer will be within the scope of the rules if it has an ultimate parent entity which prepares a set of financial statements in which the assets, liabilities, income, expenses and cash flows of the Issuer, and any other entities in

which the ultimate parent entity has a controlling interest, are presented as those of a single economic unit. The revenues of that consolidated group must exceed the €750 million financial thresholds. The Issuer will also be in scope of the QDIT if its revenues on a standalone basis exceed the €750 million financial thresholds.

If the Issuer is within scope of the rules, the Issuer should not be subject to the IIR unless it has ownership interests in an entity which is part of the same consolidated group as the Issuer. The Issuer should not be subject to the UTPR, as the UTPR allocates any top-up tax based on the value of tangible assets and the number of employees. The Issuer should have no employees and negligible amounts of tangible assets. The Issuer could be subject to the QDIT. The application of the QDIT to entities such as the Issuer is currently the subject of consultation with the Irish Revenue Commissioners. The Revenue Commissioners of Ireland are expected to publish guidance on the legislation in 2024. Until such guidance is published, it is not possible to determine definitively the impact (if any) of the rules on the Issuer's Irish tax position and the amount of any related tax liability.

Technical guidance on implementation of the GloBE Rules has continued to be issued from the OECD. This has taken the form of a commentary on the rules. Discussions also remain ongoing on various open issues related to implementation, including ensuring coordination and consistency in the application of the rules across jurisdictions, as well as providing further administrative guidance. It is possible that further changes to the GloBE Rules, Minimum Tax Directive and the related Irish legislation may be made in the future.

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5.5 Outbound Payments

Ireland has implemented new taxation measures to apply to outbound payments. Outbound payments for these purposes include payments of interest, royalties and distributions. The proposed new measures are intended to apply only to transactions between entities that are associated. If implemented, the measures would apply to outbound payments to jurisdictions on the EU list of non-cooperative jurisdictions, as well as to payments to "no-tax", and "zero-tax" jurisdictions (referred to as "specified territories"). The relevant measures have been developed in the context of the OECD BEPS process and the recommendations of the European Commission for Ireland to step up actions to address features of the tax system that facilitate aggressive tax planning.

An entity will be associated with an Irish company if it has a direct or indirect majority share (i.e. more than 50%) of the voting rights, capital ownership or profits of the Irish company. Entities will also be associated if one entity has control of another entity through the board of directors. Where an Irish company makes payments of interest, royalties or distributions to associated entities in specified territories, withholding tax will apply at the standard Irish rate applicable to that payment. Exemptions from withholding tax on, for example, quoted Eurobonds, would be disapplied provided that, in the case of quoted Eurobonds held through a clearing system, it is reasonable to consider that the Irish company is not, and should not be, aware that interest is paid to an associated entity. Payments which the recipient or ultimate owner takes into account for the purposes of calculating a controlled foreign company charge or the payments are within the charge to tax under the proposed OECD GloBE rules (i.e. where the payments are not in fact subject to zero tax) are excluded from the rules.

5.6 EU Anti-Tax Avoidance Directive I and EU Anti-Tax Avoidance Directive II

As part of its anti-tax avoidance package, and to provide a framework for a harmonised implementation of the BEPS conclusions across the EU, the EU Council adopted Council Directive (EU) 2016/1164 ("**ATAD I**") on 12 July 2016. The EU Council adopted Council Directive (EU) 2017/952 ("**ATAD II**") on 29 May 2017 to provide for minimum standards for counteracting hybrid mismatches involving EU member states and third countries.

EU member states were required to implement ATAD I by 31 December 2018 (subject to derogations for EU member states which have equivalent measures in their domestic law) and Ireland has implemented the relevant provisions of ATAD I, including the interest limitation rule which applies to companies with respect to their accounting periods commencing on or after 1 January 2022.

EU member states were required to implement ATAD II by 31 December 2019 (except for measures relating to reverse hybrid mismatches, which were required to be implemented by 31 December 2021) and Ireland has implemented the relevant provisions of ATAD II.

ATAD I and ATAD II contain various measures that could, depending on their implementation and application in Ireland, potentially result in certain payments made by the Issuer ceasing to be fully deductible for Irish tax purposes. There are two measures of particular relevance:

- first, ATAD I provides for an interest limitation rule which restricts the deductible exceeding borrowing costs of an entity to 30 per cent. of its earnings before interest, tax, depreciation and amortisation. Ireland has implemented the interest limitation rule to apply to companies with respect to their accounting periods commencing on or after 1 January 2022. However, the interest limitation rule only applies to the net or 'exceeding' borrowing costs of an entity (being the amount by which its borrowing costs exceed its taxable interest revenues and other economically equivalent taxable revenues). The Issuer may have exceeding borrowing costs if and to the extent its income is not considered to be interest revenues and other economically equivalent taxable revenues. It is possible that income from financial assets other than debt securities and loans would not be considered to be interest revenues and other economically equivalent taxable revenues. If the Issuer does have exceeding borrowing costs, the interest limitation rule may nonetheless permit the Issuer to deduct exceeding borrowing costs in an amount in excess of 30 per cent. (and potentially up to 100 per cent.) of its earnings before interest, tax, depreciation and amortisation, if certain conditions are satisfied; and
- second, ATAD II provides for hybrid mismatch rules. These rules are designed to neutralise arrangements where amounts payable between 'associated entities' are deductible from the income of one entity but are not taxable for the other or the same amounts are deductible for two associated entities. Associated for these purposes includes direct and indirect participation in terms of voting rights or capital ownership of 25 per cent. or more or an entitlement to receive 25 per cent. or more (50 per cent. in certain circumstances) of the profits of that entity, as well as entities that are part of the same consolidated group for financial accounting purposes or enterprises that have a significant influence in the management of the taxpayer. The anti-hybrid rules have been in effect in Ireland since 1 January 2020.

6 Risks relating to the Issuer

6.1 Special Purpose Vehicle

The Issuer is a special purpose vehicle with the sole business of establishing the Programme, issuing the ETC Securities, holding the Futures Contracts for each Series through its Broker and entering into and performing its obligations under the Transaction Documents. As such, the Issuer has, and will have, no assets other than (i) the small sums of money raised by issuing shares on the date of its incorporation (ii) such fees (if any) as are payable to it in connection with the issue of any Series of ETC Securities from time to time and (iii) any rights, property or other assets on which Series of ETC Securities issued under the Programme are secured.

If the assets on which a Series of ETC Securities are secured are not sufficient to meet sums payable by the Issuer in respect of that Series, there are no other assets that are available to the Issuer to make those payments. In such circumstances, the ETC Holders would not receive the full amounts owing to them under the ETC Securities, which may result in ETC Holders receiving less, or substantially less, than their initial investment.

6.2 No regulation of the Issuer by any regulatory authority

The Issuer is not required to be licensed, registered or authorised under any current securities, commodities, insurance or banking laws of its jurisdiction of incorporation and will operate without supervision by any regulatory authority in any jurisdiction. In particular, the Issuer is not and will not be regulated by the Central Bank as a result of issuing the ETC Securities. Therefore, many of the requirements attendant to such licensing, registration or authorisation (which may be viewed as providing additional investor protection) will not apply to the Issuer or the ETC Securities.

There can be no assurance that regulatory authorities in one or more jurisdictions will not determine that the Issuer is required to be licensed, registered or authorised under the securities, commodities, insurance or banking laws of that jurisdiction or that legal or regulatory requirements with respect thereto will not change in the future so as to bring the Issuer's activity relating to the ETC Securities within the scope of such laws.

Any such change could have an adverse impact on the Issuer or the holders of ETC Securities as a result of additional obligations, requirements or restrictions being applied to the Issuer and/or the ETC Securities. Owing to the special purpose nature of the Issuer, the Issuer may be unable to comply with the additional requirements imposed by the regulatory authorities.

Any change in regulatory oversight could therefore have an adverse impact on the Issuer and/or the holders of ETC Securities including, without limitation, the Issuer consequently exercising its right to redeem any affected ETC Securities. The ETC Securities may therefore be redeemed early, which may result in ETC Holders receiving less, or substantially less, than their initial investment.

6.3 Insolvency

The Issuer has agreed not to engage in activities other than the issue of ETC Securities and related and incidental matters. Any issue of ETC Securities must be on terms that provide for the claims of the ETC Holders and Transaction Parties in respect of such ETC Securities to be limited to the proceeds of the assets on which such ETC Securities are secured (see "*Limited recourse obligations*" above). In addition, there are restrictions on the ETC Holders and Transaction Parties bringing insolvency proceedings against the Issuer (see "*Limited recourse obligations*" above). If such provisions are upheld, it would be unlikely that the Issuer could become insolvent.

However, notwithstanding the restrictions described in Condition 6 (*Restrictions*) of the ETC Securities and the limited recourse and non-petition provisions, should the Issuer have outstanding liabilities to third parties which it is unable to discharge or should the limited recourse or non-petition provisions be found to be unenforceable in a particular jurisdiction and as a result the Issuer becomes or is declared insolvent according to the law of any country having jurisdiction over it or any of its assets, the insolvency laws of that country may determine the validity of the claims of ETC Holders and may prevent ETC Holders from enforcing their rights or delay such enforcement.

In particular, depending on the jurisdiction concerned and the nature of the assets and security, the security created in favour of the Security Trustee may be set aside or ranked behind certain other creditors and the assets subject to such security may be transferred to another person free of such security, with the result that the Issuer has insufficient assets remaining to fully satisfy its obligations under the ETC Securities.

In addition, certain jurisdictions (including Ireland) have procedures designed to facilitate the survival of companies in financial difficulties. In such jurisdictions, the rights of the Security Trustee to enforce the security may be limited or delayed by such procedures, which could result in delays or reductions in the amounts payable to the ETC Holders.

6.4 Not a bank deposit

The Issuer is not regulated by the Central Bank of Ireland by virtue of the issue of the ETC Securities. Any investment in the ETC Securities does not have the status of a bank deposit in Ireland and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland.

7 Regulatory risks

7.1 Regulatory Requirement Events

The global financial crisis of 2008 onwards led to an increased regulation of financial activities. The United States of America, the European Union, the UK and other jurisdictions have implemented, and are still in the process of implementing, various reform measures. Such regulatory changes and the method of their implementation may have a significant effect on the operation of financial markets.

Government or regulatory intervention in the financial markets (including the imposition of any economic sanctions or export controls that may impact any Transaction Party in the future) could result in the Issuer or any Transaction Party being unable to perform its obligations in relation to the ETC Securities and/or ETC Holders being unable to hold ETC Securities.

In many cases, it is uncertain how such regulatory reform would affect the Issuer, the treatment of instruments such as the ETC Securities or the activities of other parties that have roles with respect to the ETC Securities, such as (without limitation) the Administrator and the Trustee.

In addition, under the Conditions of the ETC Securities, the Issuer may be required to amend the Conditions and/or the terms of any Transaction Document in order to ensure compliance with all Relevant Regulatory Laws, and the Issuer is permitted to do so without the consent of the ETC Holders.

Any amendments made as a result of a Regulatory Requirement Event may not be beneficial to the Issuer or the ETC Holders and could put the Issuer (and, indirectly, the ETC Holders) in a position that is less advantageous than the position existing immediately prior to effecting such amendments, including by reducing the amounts payable to the ETC Holders under the ETC Securities.

7.2 Recharacterisation as Collective Investment Scheme and Undertakings for Collective Investment in Transferable Securities (UCITS)

The ETC Securities are issued in the form of debt securities and are listed as non-equity securities on each Relevant Stock Exchange. The Issuer has determined that the ETC Securities are not units in a collective investment scheme for the purposes of the Directive of 13 July 2009 of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to Undertakings for Collective Investment in Transferable Securities (No 2009/65/CE), as amended (the “**UCITS Directive**”) as locally implemented in Ireland, Germany, Italy, Denmark, Finland, Norway, Sweden or the Netherlands.

However, there can be no assurance that the courts or regulatory authorities in any jurisdiction would not apply a different interpretation, including recharacterising the ETC Securities as units in a collective investment scheme or a fund. Any such difference in interpretation may have adverse consequences (including, without limitation, adverse tax consequences) for an investor in the ETC Securities.

Prospective investors should consult their professional advisors on the implications, and in particular the tax implications, of investment in the ETC Securities and any risk of recharacterisation of the ETC Securities.

7.3 Legality of Purchase

The purchase of the ETC Securities by any prospective purchaser may be subject to investment laws, regulations and/or restrictions or review by certain authorities (including controls and/or position limits on the Relevant Stock Exchanges). None of the Issuer, the Trustee, the Security Trustee, the Authorised Participants, any other Transaction Party or any Affiliates of such persons are responsible for compliance by a prospective purchaser of the ETC Securities (whether for its own account or for the account of any third party) with such investment laws, regulations and/or restrictions.

If an investor acquires ETC Securities in contravention of such laws, regulations and/or restrictions, this may result in adverse consequences (including, without limitation, adverse tax consequences) for an investor outside of the Programme.

7.4 Change of law and jurisdiction

In respect of each Series the ETC Securities, the Trust Deed, and all Transaction Documents (other than the Custody Agreement and the Account Bank Agreement) below will be governed by Irish law as in effect as at the date of this Base Prospectus or as at the date of entry into such documents.

No assurance can be given as to the impact of any possible judicial decision or change to Irish law or administrative practice after the date of this Base Prospectus or the date of entry into such documents.

It is not possible to predict the consequences of any such changes. Any such change could have a significant adverse effect on the terms, price and/or liquidity of the ETC Securities. For example, such changes in law may include changes in statutory, tax and regulatory regimes during the life of the ETC Securities, which could materially adversely impact the value of any ETC Securities affected.

In addition, should any such changes relate to a Relevant Regulatory Law, they may constitute a Regulatory Requirement Event and result in the Issuer making amendments to the Conditions of the ETC Securities or the Transaction Documents (as described under *Regulatory Requirement Events* above).

If any change in law or regulation materially increases the cost to the Issuer of performing its obligations under the ETC Securities and/or the Transaction Documents or makes it illegal for the Issuer to do the same or to hold, acquire or dispose of the Carbon Allowances, or otherwise materially adversely impacts the Issuer, the Issuer may determine to exercise its right to redeem the ETC Securities. As a result of any such Early Redemption, ETC Holders may receive less, or substantially less, than their initial investment.

7.5 Risk of recharacterisation of the Issuer as an Alternative Investment Fund

The Issuer does not consider the Issuer or the ETC Securities to constitute an alternative investment fund ("**AIF**") within the Central Bank's interpretation of that term as defined in the EU Directive 2011/61/EU on Alternative Investment Fund Managers ("**AIFMD**"). The Central Bank has stated that, pending any future clarification at the European Union ("**EU**") level, it assumes that certain special purpose vehicles ("**SPVs**") that are set up to invest in financial assets and that finance the purchase of those assets by an issue of debt securities are not AIFs. However, the definition of AIFs in AIFMD is broad and there is only limited guidance as to how such definitions should be applied in the context of a special purpose vehicle such as the Issuer.

Were the Issuer to be found to be an AIF, any service provider to the Issuer found to be managing an AIF within the meaning of AIFMD would need to be appropriately regulated, and the Issuer's strategy and operations might be affected or limited by the requirements of AIFMD. Owing to the special purpose nature of the Issuer, it would be unlikely that either the Issuer or the relevant service provider could fully comply with the requirements of AIFMD. To the extent compliance is possible, such compliance would result in additional costs for the Issuer or other affected entities which may adversely affect the value of the ETC Securities and the costs associated with the structure.

Such recharacterisation of the Issuer could also constitute a Regulatory Requirement Event under the Conditions of the ETC Securities, thus giving rise to a right for the Issuer to make such modifications that it determines are required to be made to the Conditions and/or the Transaction Documents in order to ensure compliance with such regulatory requirements. In such circumstances, the Issuer may determine to exercise its right to redeem the ETC Securities. As a result of any such Early Redemption, ETC Holders may receive less, or substantially less, than their initial investment.

Furthermore, any recharacterisation of the Issuer as an AIF may have adverse consequences (including, without limitation, adverse tax consequences) for an investor.

POTENTIAL CONFLICTS OF INTEREST

Arranger and Investment Advisor

As at the date of this Base Prospectus, Krane Funds Advisors, LLC is the Arranger and Investment Advisor. Krane Funds Advisors, LLC and any Affiliate of Krane Funds Advisors, LLC (“**Krane entities**” and each a “**Krane entity**”) may enter into business dealings, from which they may derive revenues and profits in addition to any fees derived in connection with the Programme, without any duty to account therefor. Accordingly, each Krane entity may choose to take steps that it deems appropriate in the normal course of its business without regard to the consequences for the purchasers of the ETC Securities or any other person. If such activities have an adverse effect on the level of the Reference Index, adversely affect the price and liquidity of any component of the Reference Index and/or the asset(s) comprised in the Secured Property, or ultimately adversely affect the Cash Value per ETC Security of a Series of ETC Securities, the ETC Security holder has no recourse to the Krane entity for any losses. The Arranger and Investment Advisor also acts as investment advisor to the upcoming KraneShares Sustainable Ultra Short Duration Index ETF, shares in which may be one of the assets purchased using the balance of proceeds following the purchase of the Futures Contracts. Krane Funds Advisors, LLC has in place conflicts of interest policies that are designed to prevent conflicts of interest arising and to mitigate the effect of conflicts of interest, should they arise.

Transaction Parties

Transaction Parties, Authorised Offerors and/or any of their respective Affiliates may engage in trading and market-making activities and may hold long or short positions in the ETC Securities, the Futures Contracts of any Series of ETC Securities and other financial instruments or products based on or related to such Futures Contracts for their own accounts or for other accounts under their management. Transaction Parties, Authorised Offerors and any of their respective Affiliates may also issue securities or enter into financial instruments in relation to the Futures Contracts. Such activities could present certain conflicts of interest, could adversely affect the price and liquidity of the ETC Securities and may have an adverse effect on the value of the ETC Securities.

So far as the Issuer is aware, no Transaction Party has an interest material to the offer.

A Transaction Party, Authorised Offeror and/or any of their respective Affiliates may be entitled to receive fees or other payments under or in connection with other products linked to the Futures Contracts or otherwise and to exercise all rights, including rights of termination or resignation, which they may have, even though so doing may have a detrimental effect on investors in the ETC Securities.

A Transaction Party, Authorised Offeror and/or any of their respective Affiliates may, from time to time, by virtue of such activities and their status as underwriter, Administrator or otherwise, possess or have access to information relating to the Futures Contracts and/or the other Transaction Parties or Authorised Offerors. There is no obligation on any Transaction Party or Authorised Offeror to disclose to any investor in the ETC Securities any such information.

A Transaction Party, Authorised Offeror and/or any of their respective Affiliates may, as an issuer or counterparty of Futures Contracts, engage in activities designed to reduce its exposure to the risk of adverse price movements that may impact on the prices of Carbon Allowances and / or Futures Contracts on any particular day, meaning the Reference Index may be different from the level which it would otherwise have been, whether directly or indirectly. Such activities may have an adverse effect on the value of the ETC Securities.

The Administrator

SEI Global Services, Inc. and its Affiliates may act in a number of capacities in respect of the ETC Securities including, without limitation, as Administrator. SEI Global Services, Inc. and its Affiliates acting in such capacities in connection with such ETC Securities shall have only the duties and responsibilities expressly agreed to by such entities in the relevant capacity and shall not, by virtue of acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to each such capacity. SEI Global Services, Inc. and its Affiliates in their various capacities in connection with the

ETC Securities may enter into business dealings, from which they may derive revenues and profits in addition to any fees, without any duty to account therefor.

In addition, SEI Global Services, Inc. and any of its Affiliates may hold positions in respect of any of the ETC Securities and in any Carbon Allowance.

In its role as Administrator in respect of ETC Securities of any Series, SEI Global Services, Inc., in accordance with the provisions of the Administration Agreement, makes various non-discretionary determinations that affect the ETC Securities of such Series, including determining, among other things, the Early Redemption Amount or Final Redemption Amount payable upon any redemption of ETC Securities. The value of the ETC Securities of any Series could be adversely affected by such determinations. In making its calculations the Administrator will depend upon timely and accurate provision of information and certain constituent values of the Cash Value per ETC Security calculation which are provided to the Administrator by various parties. Any consequent variation in the Cash Value per ETC Security could result in a change to the value of the ETC Securities.

Authorised Participants

The Authorised Participants and/or their respective Affiliates may be active traders in the commodities and financial markets. The trading activities of the Authorised Participants and/or their Affiliates, including their trading in Futures Contracts or Carbon Allowances may influence the value of one or more of the Futures Contracts or underlying Carbon Allowances, which could impact the amount payable on the relevant ETC Securities and thus could be adverse to the interests of the ETC Holders.

These trading activities may present a conflict between: (i) the interests of the ETC Holders; and (ii) the interests of the Authorised Participants in facilitating transactions (including options and other derivatives transactions) relating to Carbon Allowances, both in their proprietary accounts and for their customers in accounts under their management.

These trading activities could give rise to conflicts of interest which are adverse to the interests of the ETC holders and could adversely affect the market value of the ETC Securities. With respect to any of the activities described above, none of the Authorised Participants or any of their respective Affiliates has any obligation to the Issuer to take the needs of any buyers, sellers or holders of the ETC Securities into consideration at any time.

FREQUENTLY ASKED QUESTIONS

This section is intended to answer some of the questions which a prospective investor may have when considering an investment in ETC Securities. It is not intended to be a summary of or a complete description of the information contained in this Base Prospectus and an investment in ETC Securities should only be made after careful consideration of this Base Prospectus.

All capitalised terms used in this “Frequently Asked Questions” section shall have the meanings given to them in other sections of this Base Prospectus unless otherwise defined below.

What are ETC Securities?

ETC Securities are secured, limited recourse debt securities issued by KraneShares ETC plc, a public limited liability company established under the laws of Ireland as a special purpose vehicle for the purpose of issuing the ETC Securities. The ETC Securities offer investors a means of investing in futures contracts on emission allowances issued by various “cap and trade” regulatory regimes that seek to reduce greenhouse gas emissions over time without the necessity of taking delivery of the underlying Carbon Allowances, and to enable investors to buy and sell that interest through the trading of a security on a stock exchange.

ETC Securities provide exposure to the performance of a specified basket comprising one or more Carbon Allowances comprised in a reference index (the “**Reference Index**”) to which such ETC Securities are linked. The ETC Securities are backed by holdings of futures contracts in relation to the particular type of Carbon Allowances comprised in such basket, in quantities proportionate to the weightings of such Carbon Allowances in such Reference Index.

The weighting of each Carbon Allowance is fixed as of the Series Issue Date for the relevant Series and is rebalanced periodically to reflect rebalances in the Reference Index.

At the date of this Base Prospectus, only one Series of ETC Securities is being offered by the Issuer – the KraneShares Global Carbon ETC Securities, which provide weighted exposure to a basket comprising a quantity of Futures Contracts for which the Reference Index is the Global Carbon Index. For further information on the KraneShares Global Carbon Strategy ETC Securities and details on the composition and calculation of the Global Carbon Index, please see the section headed “*Description of the Futures Contracts – Global Carbon Index*” below.

What assets back the ETC Securities?

The Issuer will use the proceeds of the ETC Securities to invest in Futures Contracts in relation to Carbon Allowances. As the Issuer will not be required to use the full proceeds raised by the issue of the ETC Securities to purchase relevant underlying Futures Contracts, the balance of the proceeds of the issuance will be held in cash or may also, on the advice of the Investment Advisor, be invested in cash and cash equivalents. The funds held either in cash, cash equivalents, US government debt and the exchange traded funds will be used to cover any margin calls associated with the Futures Contracts over the life of the ETC Securities.

How does the product give exposure to Carbon Allowances?

The ETC Securities of each Series are backed by Futures Contracts in relation to Carbon Allowances held on behalf of the Issuer. The Futures Contracts will provide the Issuer with a return based on the movements of the relevant Reference Index (less fees, expenses and other adjustments) for an amount equal to the issue proceeds of the relevant ETC Securities.

Upon any Early Redemption or Final Redemption in full of the ETC Securities, each ETC Holder will be entitled to receive a cash payment in USD of the Early Redemption Amount or Final Redemption Amount for the relevant Series, calculated by reference to the price of the Futures Contract at the relevant redemption date.

In the case of any repurchase of ETC Securities, an Authorised Participant will be entitled to receive an amount in USD equal to the aggregate Cash Value per ETC Security of the ETC Securities being repurchased as of the Buy-Back Trade Date.

Who is the Custodian?

The Custodian is Brown Brothers Harriman & Co. (“BBH”).

BBH has provided U.S. custody services to institutional investors for over 100 years and global custody services since the early 1960s. BBH was one of the first U.S. banks to provide cross-border custody services when the firm’s major institutional clients began to acquire securities outside their own countries. As the leading provider of global custody services, BBH maintains one of the most extensive subcustodian networks in the industry, with representation in 93 markets through 152 subcustodians.

Who is an Authorised Participant and what do they do?

Each Authorised Participant is a financial intermediary which is licensed and authorised in each jurisdiction from which it conducts its business to perform the role of an Authorised Participant and which has entered into an Authorised Participant Agreement with the Issuer. Each Authorised Participant will represent to the Issuer that it has and will maintain all licences and regulatory approvals required for it to carry on its business in all relevant jurisdictions.

The Authorised Participant Agreements between each Authorised Participant and the Issuer provide for, among other things, the right of each Authorised Participant to request from the Issuer a further Subscription of, or for the Issuer to buy back, ETC Securities of any Series.

Generally, the Authorised Participants are the only entities permitted to buy ETC Securities directly from the Issuer or to request that the Issuer buy back ETC Securities.

Authorised Participants may, but do not have to, act as market makers for the ETC Securities by buying and selling ETC Securities to and from investors either on exchanges or in over-the-counter transactions. Details of the Authorised Participants appointed from time to time are listed on the Issuer website: <https://kraneshares.eu/>.

The Issuer has appointed appropriate market makers to provide market making services in respect of each Series of ETC Securities on each Stock Exchange on which such Series of ETC Securities is listed.

Subject to the offering restrictions set out under the section of this Base Prospectus entitled “*Subscription and Sale*”, Authorised Participants may offer ETC Securities to retail clients, professional clients or other eligible counterparties. It is intended that Authorised Participants of a Series will sell ETC Securities in the secondary market to investors who have either directly approached the Authorised Participant or to investors on a stock exchange on which the ETC Securities are admitted for trading for a purchase price and on such other terms and conditions as agreed between the Authorised Participant and such investor(s) in respect of the ETC Securities.

Who is the Trustee and what does it do?

The Trustee is Waystone Corporate Services (IE) Limited and is an independent entity whose role is to act as trustee on behalf of ETC Holders in accordance with the Trust Deed for each Series. As Trustee for holders of ETC Securities, the Trustee is, among other things, given fiduciary powers to make certain determinations, agree amendments and exercise rights to enforce the terms of the ETC Securities on behalf of the ETC Holders.

Who is the Security Trustee and what does it do?

The Security Trustee is Waystone Corporate Services (IE) Limited and as Security Trustee its role is to hold the Security on trust for itself, the ETC Holders and the other Secured Creditors, take actions on behalf of the ETC Holders and the other Secured Creditors to enforce the Security and distribute the proceeds of any enforcement among the Secured Creditors in accordance with the Security Document.

What is the Carbon Entitlement?

The Carbon Entitlement per ETC Security is the quantity of each Futures Contract (together with the proportion of cash and cash equivalent assets) that backs each ETC Security.

Each Series of ETC Series is assigned an initial Carbon Entitlement on the issue date of the first Tranche of the Series. Thereafter, the Carbon Entitlement reduces daily by the Total Expense Ratio (applying the per annum rate and dividing by 365, or 366 in a leap year) in order to fund payment by the Issuer of the Operational Fee to the Arranger in respect of the fees, expenses and amounts payable to the service providers of the Issuer for the account of that Series of ETC Securities. Whenever new ETC Securities are issued or existing ETC Securities are repurchased, this will be done according to the then prevailing Carbon Entitlement, thereby ensuring that all ETC Securities of the same Series have the same Carbon Entitlement and are fully fungible.

When will the Carbon Entitlement of an ETC Security be published?

The Carbon Entitlement for the ETC Securities of each Series will be published on the Issuer’s website at <https://kraneshares.eu/> on each Business Day.

What is the Cash Value per ETC Security and do you have a worked example?

The Cash Value per ETC Security is the value of the Carbon Entitlement as determined by the Administrator. Each ETC Security has a notional entitlement to a quantity of Futures Contracts and cash on deposit and cash equivalent assets or the proceeds thereof, and that Carbon Entitlement reduces each day by the Total Expense Ratio to reflect the accrual of the Operational Fee. Except in the case of Buy-Backs, most ETC Holders will realise the value of their ETC Securities by Authorised Participants selling their ETC Securities on a stock exchange in return for cash.

Worked Examples of calculation of Cash Value per ETC Security

The following worked example shows how the Cash Value per ETC Security is calculated. Note that the numbers used in this worked example are for illustrative purposes only. The price may go up or down and past performance should not be taken as an indication of future performance. The fee levels for any particular Series of ETC Securities may differ from the fee levels used in the worked example.

1.	<ul style="list-style-type: none"> • On 26 September 2024 (the “Series Issue Date”), a new Series of ETC Securities is issued for U.S.\$25 each. • The initial Cash Value per ETC Security is U.S.\$25 matching the Issue Price.
2.	<p>To determine the Cash Value per ETC Security for the next day (i.e.27 Sept 2024), the Administrator does the following:</p> <p>It first calculates the Carbon Entitlement per ETC Security for 27 Sept 2024 by applying a daily deduction (the “TER Deduction Multiple”) (expressed in decimals) to the previous day’s (i.e. 26 Sept 2024) Carbon Entitlement per ETC Security.</p> <ul style="list-style-type: none"> • The daily TER Deduction Multiple is determined by the annual Operational Fee percentage, the Total Expense Ratio. The level of the fees, and in turn the level of the Total Expense Ratio, may vary from time to time. • For the purposes of this example, the Total Expense Ratio will be set at 0.78% per annum. To calculate the TER Deduction Multiple, the Administrator : <ul style="list-style-type: none"> i. Subtracts the Total Expense Ratio (i.e. 0.78%) from one; and ii. Raises it to the power of 1/366. This gives a TER Deduction Multiple equal to 0.999978547 $TER\ Deduction\ Multiple(t) = [1 - Total\ Expenses\ Ratio]^{(1/N)}$ <p>Where N = 365 (or 366 in a leap year)</p> $TER\ Deduction\ Multiple [1 - Total\ Expense\ Ratio]^{(1/366)}$ $TER\ Deduction\ Multiple = 0.9922\%^{(1/366)}$ $TER\ Deduction\ Multiple = 0.99997863014$

	<p>iii. which is then multiplied by the opening Cash Value per ETC Security to give a reduced Cash Value per ETC Security for the relevant date – in this example, 27 Sept 2024.</p> <p><i>Opening Cash Value per ETC Security = 24.9995</i></p> <p><i>Cash Value per ETC Security with applied TER = 24.9995 * 0.99997863014 = 24.9989</i></p> <p>iv. Finally, the Cash Value per ETC Security is adjusted in accordance with the profit and loss performance of the Futures Contracts to provide the closing Cash Value per ETC Security.</p> <p>The Total Expense Ratio is applied daily (including non-Business Days). Hence, the calculation of the Cash Value per ETC Security for a Valuation Day immediately following a non-Business Day will need to reflect the Total Expense Ratio applied for more than one previous day.</p>																																																						
<p>3.</p>	<p>The table below extrapolates from the worked example above over a period of 7 days (5 Valuation Days, plus 2 non-Business Days/non-Valuation Days making up the weekend). It is based on a hypothetical 1% daily gain in the value of the underlying Carbon Entitlement per ETC Security.</p> <table border="1" data-bbox="268 862 1369 1709"> <thead> <tr> <th data-bbox="268 862 411 1111">Date</th> <th data-bbox="411 862 587 1111">Opening Cash Value per ETC Security (1)</th> <th data-bbox="587 862 802 1111">TER Deduction Multiple (2)</th> <th data-bbox="802 862 1002 1111">Prior Day Carbon Futures Market Value (3)</th> <th data-bbox="1002 862 1169 1111">Current Day Futures P&L (4)</th> <th data-bbox="1169 862 1369 1111">Closing Cash Value per ETC Security (5)</th> </tr> </thead> <tbody> <tr> <td data-bbox="268 1111 411 1182">Thurs 26 Sept 24</td> <td data-bbox="411 1111 587 1182">\$25</td> <td data-bbox="587 1111 802 1182">0.99997863014</td> <td data-bbox="802 1111 1002 1182">\$25</td> <td data-bbox="1002 1111 1169 1182">\$0.25</td> <td data-bbox="1169 1111 1369 1182">\$25.24947</td> </tr> <tr> <td data-bbox="268 1182 411 1256">Fri 27 Sept 24</td> <td data-bbox="411 1182 587 1256">\$25.24947</td> <td data-bbox="587 1182 802 1256">0.99997963014</td> <td data-bbox="802 1182 1002 1256">\$25.25</td> <td data-bbox="1002 1182 1169 1256">\$0.2525</td> <td data-bbox="1169 1182 1369 1256">\$25.50143</td> </tr> <tr> <td data-bbox="268 1256 411 1330">Sat 28 Sept24</td> <td data-bbox="411 1256 587 1330"></td> <td data-bbox="587 1256 802 1330"></td> <td data-bbox="802 1256 1002 1330"></td> <td data-bbox="1002 1256 1169 1330"></td> <td data-bbox="1169 1256 1369 1330"></td> </tr> <tr> <td data-bbox="268 1330 411 1404">Sun 29 Sept24</td> <td data-bbox="411 1330 587 1404"></td> <td data-bbox="587 1330 802 1404"></td> <td data-bbox="802 1330 1002 1404"></td> <td data-bbox="1002 1330 1169 1404"></td> <td data-bbox="1169 1330 1369 1404"></td> </tr> <tr> <td data-bbox="268 1404 411 1478">Mon 30Sept24</td> <td data-bbox="411 1404 587 1478">\$25.50143</td> <td data-bbox="587 1404 802 1478">0.99993589041</td> <td data-bbox="802 1404 1002 1478">\$25.5025</td> <td data-bbox="1002 1404 1169 1478">\$0.255025</td> <td data-bbox="1169 1404 1369 1478">\$25.75482</td> </tr> <tr> <td data-bbox="268 1478 411 1552">Tue 1Oct24</td> <td data-bbox="411 1478 587 1552">\$25.75482</td> <td data-bbox="587 1478 802 1552">0.99997863014</td> <td data-bbox="802 1478 1002 1552">\$25.75753</td> <td data-bbox="1002 1478 1169 1552">\$0.257575</td> <td data-bbox="1169 1478 1369 1552">\$26.01184</td> </tr> <tr> <td data-bbox="268 1552 411 1626">Wed 2Oct24</td> <td data-bbox="411 1552 587 1626">\$26.01184</td> <td data-bbox="587 1552 802 1626">0.99997863014</td> <td data-bbox="802 1552 1002 1626">\$26.015100</td> <td data-bbox="1002 1552 1169 1626">\$0.260151</td> <td data-bbox="1169 1552 1369 1626">\$26.27144</td> </tr> <tr> <td data-bbox="268 1626 411 1709">Thu 3Oct24</td> <td data-bbox="411 1626 587 1709">\$26.27144</td> <td data-bbox="587 1626 802 1709">0.99997863014</td> <td data-bbox="802 1626 1002 1709">\$26.275251</td> <td data-bbox="1002 1626 1169 1709">\$0.262753</td> <td data-bbox="1169 1626 1369 1709">\$26.53362</td> </tr> </tbody> </table> <p>(1) Opening Cash Value per ETC Security in US\$</p> <p><i>Initial Investment Value or Prior Day Closing Investment Value</i></p> <p>(2) TER Deduction Multiple</p> <p>$[1 - Total\ Expenses\ Ratio]^{(1/N)}$</p> <p>(3) Prior Day Carbon Futures Market Value</p>	Date	Opening Cash Value per ETC Security (1)	TER Deduction Multiple (2)	Prior Day Carbon Futures Market Value (3)	Current Day Futures P&L (4)	Closing Cash Value per ETC Security (5)	Thurs 26 Sept 24	\$25	0.99997863014	\$25	\$0.25	\$25.24947	Fri 27 Sept 24	\$25.24947	0.99997963014	\$25.25	\$0.2525	\$25.50143	Sat 28 Sept24						Sun 29 Sept24						Mon 30Sept24	\$25.50143	0.99993589041	\$25.5025	\$0.255025	\$25.75482	Tue 1Oct24	\$25.75482	0.99997863014	\$25.75753	\$0.257575	\$26.01184	Wed 2Oct24	\$26.01184	0.99997863014	\$26.015100	\$0.260151	\$26.27144	Thu 3Oct24	\$26.27144	0.99997863014	\$26.275251	\$0.262753	\$26.53362
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	<p><i>Priod Day Accumulated P&L on Open Futures Contracts per Broker Statement</i></p> <p>(4) Current Day Futures P&L</p> <p><i>Prior Day Carbon Futures Market Value X 1%</i></p> <p>(5) Closing Cash Value per ETC Security</p> <p><i>Opening Investment Value X TER Deduction Multiplier + Current Day Futures P&L</i></p>
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How do I buy and sell ETC Securities?

Only Authorised Participants may request the issuance of ETC Securities directly with the Issuer at the Cash Value per ETC Security on the relevant date. Once an Authorised Participant creates ETC Securities with the Issuer it can then (i) choose to hold the ETC Securities itself; (ii) sell those ETC Securities on one of the stock exchanges on which the ETC Securities are admitted to trading; (iii) sell those ETC Securities in private off exchange transactions (OTC); or (iv) redeem the ETC Securities directly with the Issuer.

Investors other than Authorised Participants can buy and sell ETC Securities on any of the stock exchanges on which they are admitted to trading or in private transactions (OTC) in the same way as they buy and sell other listed securities.

In addition, subject to the satisfaction of certain conditions, Authorised Participants can also sell ETC Securities directly with the Issuer by submitting a Buy-Back Order to the Transfer Agent.

Transactions in ETC Securities other than those directly with the Issuer can be done at any point during the trading day. Such purchases of ETC Securities will generally be done at a “bid price” and any sales of ETC Securities intraday will generally be done at an “offer price”. The bid and offer prices of an ETC Security are expected to be close to the level of the latest Cash Value per ETC Security, however, they may not match exactly the level of the Cash Value per ETC Security because bid and offer prices also take account of other market conditions such as market liquidity (supply and demand) at the time that the investor is looking to buy or sell their ETC Securities.

Can I lose all of my initial investment?

Yes, an investor may lose all of their initial investment by virtue of the movements in the price of the underlying Carbon Allowances or the occurrence of other events as described in the section of this Base Prospectus entitled “Risk Factors”.

Can I lose more than my initial investment?

An investor who buys and holds their ETC Securities cannot lose more than their initial investment.

What is the minimum investment?

Subject to any minimum Subscription Amount as specified in the Final Terms, the minimum investment is one ETC Security, which has a value as described above under “What is the cash value of an ETC Security?”.

What are the costs of purchasing and holding the product?

The Issuer charges a Subscription Fee in an amount up to US\$1000.00 to Authorised Participants in connection with each Subscription carried out by an Authorised Participant directly with the Issuer. This fee covers the costs incurred by the Issuer in connection with the processing and settlement of each Subscription Order and may be passed on by the Authorised Participant to investors.

The Carbon Entitlement for each Series of ETC Securities is reduced daily by a Total Expense Ratio expressed as a percentage and representing an amount equal to the *per diem* Operational Fee in respect of the Series. By deducting the Operational Fee from the Carbon Entitlement, the operational costs of the Issuer are effectively passed on to investors and are payable periodically by the Issuer to the Arranger in respect of amounts due to the Issuer's service providers. The Operational Fee is paid to the Arranger from the Settlement Cash Account, in consideration for its services as Arranger and also its agreement to pay amounts due to the other service providers of the Issuer in connection with the Programme.

Investors who buy ETC Securities on exchange or in OTC transactions other than with the Issuer may also be charged additional costs in respect of those transactions.

What are the costs of redeeming the product?

Buy-Back Fees:

The Issuer charges a Buy-Back Fee in connection with each Buy-Back carried out by an Authorised Participant. The applicable Buy-Back Fee will be no greater than US\$1000.00.

The Buy-Back Fee represents the Issuer's costs of complying with the relevant Buy-Back Order. The amount payable will also include the cost of the Issuer or its agents performing any required KYC Procedures with respect to the relevant Authorised Participant or individual ETC Holder submitting the Buy-Back Order. The amount of the Buy-Back Fee will be notified to the Authorised Participant upon receipt of the Buy-Back Order by the Issuer (or the Transfer Agent on the Issuer's behalf) and is required to be paid in USD to the Issuer on or before the Buy-Back Settlement Date as a condition of acceptance of the Buy-Back Order.

TRANSACTION PARTIES

A number of other parties have roles in connection with the Programme:

Arranger

The Arranger of the Programme is Krane Funds Advisors, LLC, which is a SEC registered investment adviser located at 280 Park Avenue, 32nd Floor, New York, NY 10017.

Pursuant to a fees and expenses agreement between the Issuer and the Arranger dated 11 September 2024 (the "**Fees and Expenses Agreement**"), the Arranger agreed, in respect of each Series, to perform certain services for the Issuer as Arranger (the "**Arranger Support**") and to ensure the payment of all fees, Taxes and expenses of the Issuer, including all amounts payable to each other Transaction Party under the Transaction Documents and any other service providers of the Issuer in connection with the Programme for the account of each Series (excluding any indemnities granted by the Issuer in favour of the other service providers) (the "**Expenses**").

In consideration of the Arranger Support to be provided by the Arranger and the settlement of the Expenses, the Issuer may, in respect of each Series, pay to the Arranger a fee (the "**Operational Fee**"), as agreed with the Arranger from time to time.

Authorised Participants

The Authorised Participant(s) in respect of each Series are such entities which, from time to time, are party to an authorised participant agreement with the Issuer providing for, among other things, the right to request from the Issuer a further Subscription of, or for the Issuer to buy back, ETC Securities in respect of such Series (each, an "**Authorised Participant Agreement**").

Generally, the Authorised Participants are the only entities permitted to buy ETC Securities directly from the Issuer or to request that the Issuer buy back ETC Securities. Authorised Participants may also act as market makers by buying and selling ETC Securities from and to investors on an over-the-counter basis or via a stock exchange. However, not all market makers need to be Authorised Participants.

The Issuer has appointed appropriate market makers to provide market making services in respect of each Series of ETC Securities on each Stock Exchange on which such Series of ETC Securities is listed.

The agreement with market makers includes an obligation for market makers to use commercially reasonable endeavours to enter into an agreement with each Stock Exchange on which the ETC Securities are listed (an "**Exchange Agreement**") (where this is required or permitted by the rules of the relevant Stock Exchange), and to the extent such market makers have become a party to an Exchange Agreement, such market makers undertake that they shall use commercially reasonable endeavours to provide a bid and offer price in respect of each Series of ETC Securities listed on such Stock Exchange and to provide market making services in respect of each such Series, including adequate liquidity in respect of all relevant currency listings, subject always to compliance with the applicable maximum spreads.

The Authorised Participant(s) appointed for a Series will be specified in the Final Terms for such Series and at any time, the current Authorised Participant(s) for each Series will be published on the website maintained on behalf of the Issuer at <https://kraneshares.eu/> (or such other website as may be notified to ETC Holders).

Custodian

The Issuer has appointed Brown Brothers Harriman & Co. to act as Custodian pursuant to a custody agreement (the "**Custody Agreement**").

The Custodian will establish and maintain for the Issuer in relation to the relevant Series of ETC Securities: (i) a cash account into which Subscription Settlement Amounts and Buy-Back Settlement Amounts can be paid in connection with any Subscription or Buy-Back of ETC Securities, together with any cash amounts not invested by the Issuer in the

relevant underlying Futures Contracts or cash equivalent assets (the “**Settlement Cash Account**”); and (ii) a segregated custody account into which can be deposited cash, cash equivalents, including money market funds and repurchase agreements, and exchange traded funds identified by the Investment Advisor, invested in by the Issuer (the “**Settlement Custody Account**”).

Transfer Agent

The Issuer has appointed Brown Brothers Harriman Fund Administration Services (Ireland) Limited as Transfer Agent pursuant to a transfer agency agreement (the “**Transfer Agency Agreement**”).

The Transfer Agent will, among other things, manage the settlement of Subscription Orders and Buy-Back Orders in respect of ETC Securities.

Administrator

The Issuer has appointed SEI Global Services, Inc. as Administrator in respect of each Series.

Pursuant to an administration agreement between, among others, the Issuer and the Administrator (the “**Administration Agreement**”), the Administrator will perform certain administrative functions for the Issuer in relation to each Series of ETC Securities, including, among other things, assisting in the making of certain non-discretionary determinations and calculations in accordance with the Terms and Conditions of the ETC Securities, including, without limitation, the determination and publication of the Carbon Entitlement, the Cash Value per ETC Security and the Total Expense Ratio on a daily basis and calculation of any Early Redemption Amount and the Final Redemption Amount.

Trustee

Waystone Corporate Services (IE) Limited will act as trustee for the holders of each Series of ETC Securities (the “**Trustee**”) pursuant to a trust deed (the “**Trust Deed**”) (in accordance with the Master Trust Terms as supplemented in relation to any Series), by which each Series of ETC Securities is constituted. As Trustee for holders of ETC Securities, the Trustee is, among other things, given fiduciary powers to make certain determinations, agree amendments and exercise rights to enforce the terms of the ETC Securities on behalf of the ETC Holders.

Security Trustee

Waystone Corporate Services (IE) Limited will act as security trustee (the “**Security Trustee**”) pursuant to an Irish law security trust deed (the “**Irish Law Security Trust Deed**” and the “**Security Document**”).

The Security Trustee will, among other things, hold the Security on behalf of the ETC Holders and the other Secured Creditors, take actions on behalf of the ETC Holders and the other Secured Creditors to enforce the Security and distribute the proceeds of any enforcement among the Secured Creditors in accordance with the applicable payment priorities provided in the Conditions.

Principal Paying Agent

Citibank N.A., London Branch acts as principal paying agent (the “**Principal Paying Agent**”) pursuant to an agency agreement between, among others, the Issuer, the Administrator, the Trustee, the Principal Paying Agent, and each relevant Paying Agent (as may be required by the rules of any Relevant Stock Exchange) (the “**Agency Agreement**”). The Principal Paying Agent will, among other things, be responsible for making payments to the ETC Holders under the ETC Securities in respect of which it has been appointed from time to time.

Upon any Early Redemption or Final Redemption of the ETC Securities, the proceeds of liquidation of the Futures Contracts and related cash and cash equivalent assets will be paid into an account held by the Principal Paying Agent for onward distribution to the ETC Holders.

The Issuer may, in respect of any Series of ETC Securities, in accordance with the terms of the Trust Deed applicable to such Series, appoint additional Paying Agents to perform the functions or services in respect of any Series of ETC

Securities. For so long as the ETC Securities are represented by a Global Registered Security which is registered in the name of a nominee for, and deposited with, a common safekeeper (in respect of ETC Securities issued in global registered form using the new safekeeping structure) or a common depository (in respect of ETC Securities issued in classic global note form) for a Clearing System, the Principal Paying Agent will act as paying agent in respect of the ETC Securities.

As at the date of this Base Prospectus, no Paying Agent has been appointed in respect of any Individual Securities which may be issued. The Issuer shall pay or cause to be paid all payments in respect of any such Individual Securities in accordance with the Conditions.

Registrar

Citibank Europe plc will act as registrar (the "**Registrar**") in respect of each Series of ETC Securities.

As Registrar, it will provide registrar services to the Issuer in connection with the ETC Securities, including maintaining the Register for each Series of ETC Securities which constitutes the record of all ETC Securities of such Series issued by the Issuer.

Corporate Services Provider

Waystone Corporate Services (IE) Limited acts as corporate services provider for the Issuer pursuant to a corporate services agreement (the "**Corporate Services Provider**" and the "**Corporate Services Agreement**"). The Corporate Services Provider provides the registered office and company secretary of the Issuer and performs various administrative and corporate functions on behalf of the Issuer, such as maintenance of the company's registers, record keeping, making of statutory filings and other secretarial functions.

Dependence Upon Transaction Parties

The Issuer's ability to meet its obligations with respect to the ETC Securities will be dependent upon the performance by the Custodian, the Principal Paying Agent, any other Paying Agents, the Administrator, the Account Bank and any other service providers to the Issuer in respect of the ETC Securities of the obligations they have undertaken to the Issuer, and their making relevant payments and/or deliveries to, or on behalf of, the Issuer and upon all parties to the Transaction Documents (other than the Issuer) performing their respective obligations thereunder.

TRANSACTION STRUCTURE, CASH FLOW AND FLOW OF FUNDS

Structure

On each Series Issue Date, the Authorised Participants will be required to procure the delivery to the Custodian (for the account of the Issuer) (in accordance with instructions provided by the Transfer Agent upon acceptance of the Subscription Order), as subscription proceeds for the issue of ETC Securities, of a quantity of cash sufficient to cover the aggregate Initial Carbon Entitlement for the ETC Securities to be issued and pay a Subscription Fee of up to US\$1000.00 to the Settlement Cash Account by such time as separately agreed with the Transfer Agent.

The Subscription Fee covers the Issuer's administrative costs related to the processing and settlement of the Subscription Order. Following issuance of the ETC Securities, the Subscription Fee proceeds will be distributed by the Issuer to the entitled service providers.

Upon any Buy-Back of ETC Securities, the opposite flow of assets takes place, with the Authorised Participant paying the Buy-Back Fee to the Settlement Cash Account and delivering the ETC Securities being repurchased to the account of the Issuer with the Transfer Agent, in exchange for a cash payment in USD equal to the value of the Buy-Back Settlement Amount (as determined by the Administrator on the basis of the relevant Cash Value per ETC Security as of the Buy-Back Trade Date), to the specified Cash Account of the Authorised Participant.

Collateralisation

The ETC Securities will gain exposure to relevant underlying Futures Contracts through investment via a broker in Futures Contracts in respect of carbon credits referenced in the Reference Index. Such Futures Contracts will be traded on organised exchanges either in an open outcry environment or through an electronic trading platform.

Futures Contracts have standardised terms that are determined by the exchange, rather than by market participants. This standardisation enhances liquidity, by making it possible for large numbers of market participants to trade the same instrument. Most futures contracts (by volume) are liquidated prior to expiry to avoid physical delivery. The purpose of the physical delivery provision is to ensure convergence between the futures price and the cash market price (however some futures are only cash settled).

Futures Contracts that are traded on an exchange are cleared through a clearing organisation (clearing house), which acts as the buyer to all sellers and the seller to all buyers. The underlying obligors to the Futures Contracts is the party who promises delivery of the Carbon Allowance on maturity of the Futures Contracts. These parties may be different for each type of Futures Contract; however, when the Issuer buys or sells a Futures Contract via its Broker, they are technically buying from, or selling to, the clearing organisation rather than the party with whom they executed the transaction on the trading floor or through an electronic trading platform.

Futures traders are not required to put up the entire value of a contract. Rather, they are required to post a margin that is typically between 10 per cent. and 25 per cent. of the total reference value of the Futures Contract. Thereafter, the position is "*marked to the market*" daily. If the Futures Contract position loses value, the amount of money in the margin account will decline accordingly. If the amount of money in the margin account falls below the specified maintenance margin, the futures trader will be required to post additional margin to bring the account up to the initial margin level. On the other hand, if the Futures Contract position is profitable, the profits will be added to the margin account. Because only a margin is required, this is known as an un-collateralised position.

Futures exchanges and clearing houses in the United States are subject to regulation by the Commodity Futures Trading Commission (CFTC). Exchanges may adopt rules and take other actions that affect trading, including imposing speculative position limits, maximum price fluctuations and trading halts and suspensions, and requiring liquidation of contracts in certain circumstances. Futures markets outside the United States are generally subject to regulation by comparable regulatory authorities.

As the Futures Contracts acquired by the Issuer via its Broker will be traded on margin, the Issuer will not be required to use the full nominal amount raised by the issue of the ETC Securities to purchase relevant underlying Futures Contracts. The balance of the proceeds of the issuance of a Series of ETC Securities not used to acquire

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relevant Futures Contracts will be transferred in cash to the Issuer by the Custodian and retained in the Settlement Cash Account held with the Custodian. The Issuer may also, on the advice of the Investment Advisor, invest in cash, cash equivalents, including money market funds and repurchase agreements and exchange traded funds identified by the Investment Advisor. The Issuer may also, on the advice of the Investment Advisor, determine that any cash balances may be subject to the "Cash Management Service" provided by the Custodian whereby they are placed in overnight deposits with approved institutional banks in several jurisdictions.

In particular the Issuer, acting on the advice of the Investment Advisor, may invest in Premier Class units in the State Street Institutional U.S. Government Money Market Fund (GMVXX; NASDAQ); the State Street Institutional Treasury Money Market Fund (TRIXX; NASDAQ); and/or the Blackrock Liquidity Funds Treasury Trust Fund (TTTXX).

The investment objectives of both State Street Institutional U.S. Government Money Market Fund and State Street Institutional Treasury Money Market Fund are to seek to maximize current income, to the extent consistent with the preservation of capital and liquidity and the maintenance of a stable \$1.00 per share net asset value. Both State Street Institutional U.S. Government Money Market Fund and State Street Institutional Treasury Money Market Fund are sub-funds of the State Street Institutional Investment Trust, which is an open-end management investment company organised as a business trust under the laws of the Commonwealth of Massachusetts, with its principal address at P.O. Box 5049, Boston, Massachusetts 02206, United States of America.

Units in the State Street Institutional U.S. Government Money Market Fund are listed on The Nasdaq Stock Market¹. The Nasdaq Stock Market (NASDAQ) is a stock exchange based in the United States established in 1971 and registered with the US Securities and Exchange Commission (SEC). It is made up of over 3,700 listed companies and is the largest U.S. equities exchange venue by volume. The NASDAQ stock market's regular trading hours are Monday to Friday 9:30 am to 4:30 pm EST (2:30pm to 9pm GMT).

Full details on the State Street Institutional U.S. Government Money Market Fund are available at <https://www.ssga.com/us/en/institutional/cash/funds/state-street-institutional-us-government-money-market-fund-premier-class-gvmxx> and <https://www.nasdaq.com/market-activity/mutual-fund/gvmxx>. Full details of the State Street Institutional Treasury Money Market Fund are available at <https://www.ssga.com/us/en/institutional/cash/funds/state-street-institutional-treasury-money-market-fund-investment-class-trvxx>.

The investment objective of the Blackrock Liquidity Funds Treasury Trust Fund is to maximise income in a manner consistent with the preservation of the liquidity and stability of its principal. The Blackrock Liquidity Funds Treasury Trust Fund invests 100% of its total assets in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed as to principal and interest by the U.S. Treasury. Full details on the Blackrock Liquidity Funds Treasury Trust Fund are available at <https://www.blackrock.com/cash/en-us/products/282697/blf-treasury-trust-fund>.

The Issuer may also, acting on advice of the Investment Advisor, invest in the upcoming KraneShares Sustainable Ultra Short Duration Index ETF, which seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of a specific fixed income securities index. The ETF's current index is the Solactive ISS Paris Aligned Select 0-1 Year USD Corporate IG Index (the "**Underlying Index**"). The Underlying Index is designed to measure the performance of U.S. dollar denominated investment grade corporate debt securities with a maturity of up to one year that are compatible with the principal objective of the Paris Agreement, which seeks to limit temperature increases in this century to well below 2 degrees Celsius, preferably to 1.5 degrees Celsius, above pre-industrial levels. The Underlying Index is designed to meet the standards for a "Paris-Aligned Benchmark" ("**PAB**") under the European Union's Low Carbon Benchmark Regulation, which are designed to align with the principal objective of the Paris Agreement.

¹ The Nasdaq Stock Market is recognised as equivalent to a "regulated market" as defined under MiFID II by virtue of Commission Implementing Decision (EU) 2017/2320 of 13 December 2017 on the equivalence of the legal and supervisory framework of the United States of America for national securities exchanges and alternative trading systems in accordance with Directive 2014/65/EU of the European Parliament and of the Council.

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The Issuer may also use futures and forward contracts on currencies to manage its exposure to currencies.

While the Issuer generally seeks to obtain exposure to the same carbon credit Future Contracts that are in the relevant Reference Index, the Issuer may not replicate the Reference Index. For example, the Issuer may invest in carbon credit Futures Contracts with different maturity dates (i.e., not one of the next two Decembers), the Issuer may weight the carbon credit Futures Contracts differently than the relevant Reference Index, or the Issuer may purchase carbon credit Futures Contracts on different dates than the rebalancing date for the relevant Reference Index.

On any date, the relevant pool of Futures Contracts held by the Issuer in respect of each Series of ETC Securities is expected to comprise an entitlement to amount of Carbon Allowances no less than the aggregate of the Carbon Entitlement for all outstanding ETC Securities of such Series.

With respect to each Series, the Issuer's main assets are:

- (i) its rights against the relevant broker relating to the Futures Contracts and any other cash, cash equivalents or other assets held under the Custody Agreement;
- (ii) its contractual rights under each of the documents into which the Issuer will enter in respect of such Series, including the Trust Deed, the Security Document, the Agency Agreement, the Administration Agreement, the Authorised Participant Agreements and the Custody Agreement (together, the "**Transaction Documents**" and each party to a Transaction Document other than the Issuer, a "**Transaction Party**"); and
- (iii) the Settlement Cash Account and the Settlement Custody Account in respect of the relevant Series of Securities, all amounts from time to time standing to the credit thereof (together with all interest accruing from time to time thereon and the debts represented thereby).

The assets backing each Series have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the ETC Securities.

For illustrative purposes only, an indicative sample of the portfolio of Futures Contracts and other assets that may be acquired using the proceeds of a hypothetical Series of KraneShares Global Carbon Strategy ETC Securities is set out at Annex 1 (*Sample portfolio of Futures Contracts*).

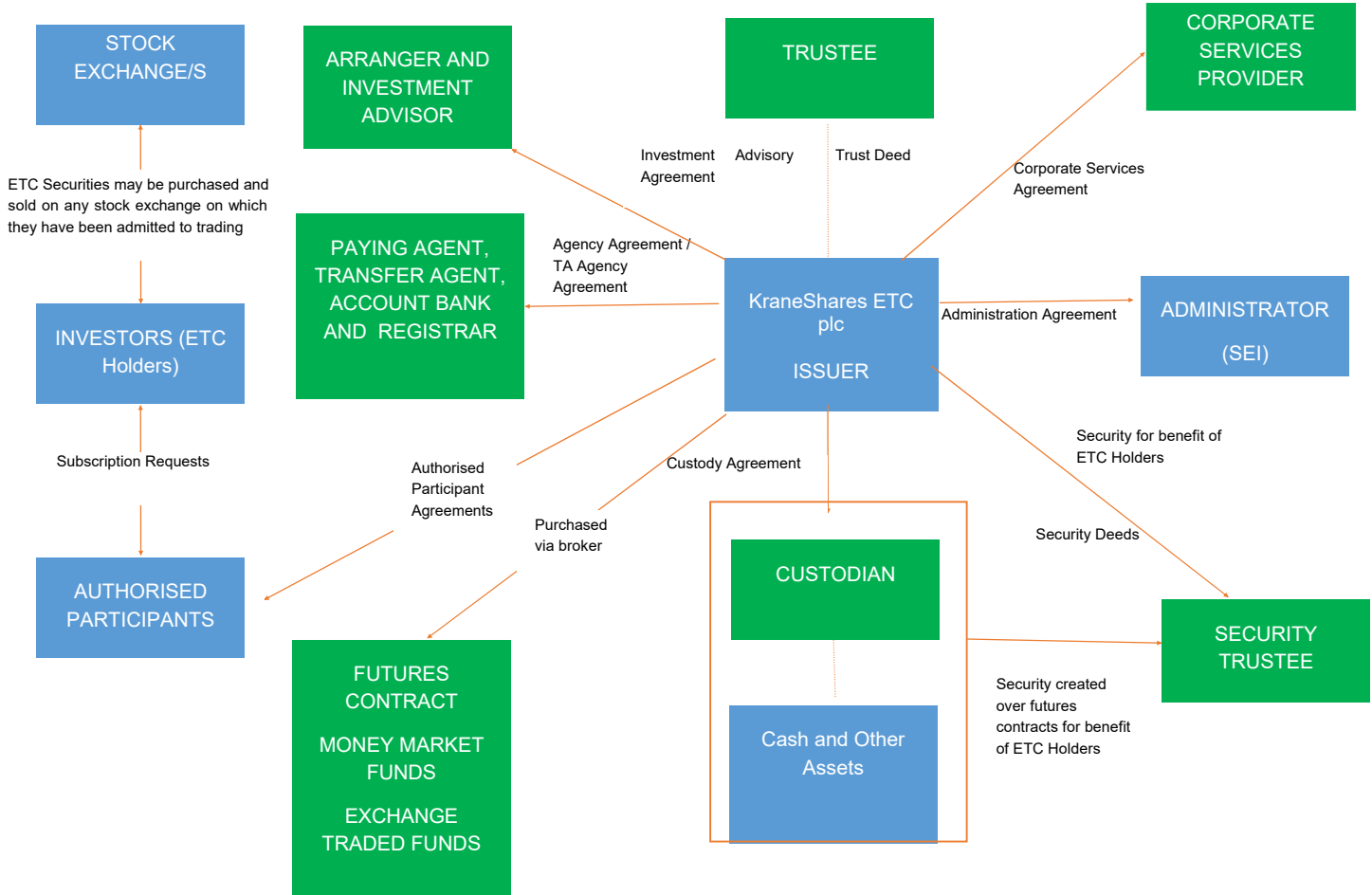
Cash Flow

At any given time, the value of the Futures Contracts and the assets held for the purpose of satisfying possible future margin calls for a Series should at least be equal to the aggregate Carbon Entitlement for all ETC Securities still outstanding for such Series. Such underlying assets will fund the delivery of any future Buy-Back Settlement Amounts and the payment of any Early Redemption Amount or Final Redemption Amount in respect of each ETC Security.

The Issuer funds payments under the ETC Securities on any Early Redemption or Final Redemption from the proceeds of the liquidation of the underlying assets held on behalf of the Issuer in respect of the relevant Series. The Issuer, or its designated representative, will dispose of the underlying assets during a specified Early Redemption Disposal Period or a specified Final Redemption Disposal Period (as applicable).

Simplified Transaction Diagram

A diagrammatic representation of the principal aspects of the structure appears below:



Carbon Entitlement and Total Expense Ratio

Each ETC Security of a Series will have a “**Carbon Entitlement**”, which consists of a quantity of each relevant Futures Contract (together with a proportion of the cash and cash equivalent assets held for that Series) that back each ETC Security. The Carbon Entitlement is adjusted pursuant to the Total Expense Ratio as described below.

On the Series Issue Date, each ETC Security is ascribed with an initial Carbon Entitlement (the “**Initial Carbon Entitlement**”) as specified in the Final Terms. Whenever new ETC Securities are issued or existing ETC Securities redeemed, this will be done according to the then prevailing Carbon Entitlement, thereby ensuring that all ETC Securities of the same Series have the same Carbon Entitlement at all times and are fully fungible.

The Carbon Entitlement for each Series of ETC Securities is reduced daily by a ratio (the “**Total Expense Ratio**”) expressed as an annual percentage.

Each Series of ETC Securities will be ascribed with an initial Total Expense Ratio as specified in the Final Terms of the first Tranche issued. The Total Expense Ratio reflects the amounts anticipated to be payable by the Issuer in respect of each Series on account of:

TRANSACTION STRUCTURE, CASH FLOW AND FLOW OF FUNDS

- (1) the costs of printing any ETC Securities of such Series or any publication, marketing or advertising materials in respect of such ETC Securities;
- (2) the costs of producing and translating the required legal and/or marketing documentation in relation to each issuance of ETC Securities, including without limitation, the Final Terms, Issue Specific Summary and Key Information Document (as applicable) for each issuance;
- (3) any fees, costs and expenses payable by the Issuer in relation to ETC Securities of such Series to the Trustee, the Security Trustee, the Authorised Participants, the Principal Paying Agent, the Custodian, the Administrator, the Arranger, the Corporate Services Provider, the Account Bank or any other Transaction Party pursuant to, or in connection with, the Transaction Documents (in each case to the extent not covered by any applicable Subscription Fees or Buy-Back Fees);
- (4) the fees payable to the Arranger in consideration of the Arranger Support, as agreed with the Arranger from time to time;
- (5) the profit amount payable to the Issuer in the amount of US\$500.00 per year;
- (6) any legal fees and disbursements relating to such ETC Securities payable to the legal advisers, auditors and other professional advisers in Ireland, Switzerland, The Netherlands or the United Kingdom to the Issuer and/or any other legal advisers and any other professional advisers properly appointed by the Issuer (subject to the prior written approval of the Arranger);
- (7) any legal fees and disbursements relating to such ETC Securities payable to the legal advisers and other professional advisers in Ireland, Switzerland, The Netherlands or the United Kingdom to the Administrator, the Trustee, the Security Trustee and/or any other legal advisers and any other professional advisers properly appointed by the Issuer (with the prior written approval of the Arranger);
- (8) any annual or issue-specific fees payable to any Relevant Stock Exchange in respect of the listing of the ETC Securities on such Relevant Stock Exchange; and
- (9) any other Taxes, fees, costs, expenses or disbursements properly incurred by the Issuer in relation to the issue of the ETC Securities which is not to be reimbursed by any other person.

The Issuer may request an increase or decrease of the Total Expense Ratio from time to time. Any increase or decrease in the Total Expense Ratio will be notified to the ETC Holders of the relevant Series in accordance with Condition 18 (*Notices*), and any increase will only take effect 30 calendar days after such notice has been given.

Transaction Security

The obligations of the Issuer to make payments under the ETC Securities and to pay any taxes, fees, costs, charges, expenses, liabilities and other amounts and pursuant to the Transaction Documents are secured pursuant to the relevant Irish Law Security Trust Deed for each Series.

Under the Irish Law Security Trust Deed, such security interest includes:

- (a) an assignment by way of security of all of the Issuer's rights (but not obligations), title, interest and benefit present and future against the Custodian;
- (b) a first fixed charge over and to the extent of the Issuer's title in each Futures Contract and other assets held by the Custodian on behalf of the Issuer from time to time, and all sums and assets derived therefrom; and
- (c) an assignment by way of security of all of the Issuer's rights (but not obligations), title, interest and benefit, present and future, in, to and under the Administration Agreement, the Authorised Participant Agreements, the Agency Agreement, the Transfer Agency Agreement and the Custody Agreement,

in favour of the Security Trustee for the benefit of the Secured Creditors (collectively, the “**Security**”).

Account Control Agreement

Pursuant to an account control agreement dated 12 September 2024 entered into by the Issuer, the Security Trustee and the Custodian (the “**Account Control Agreement**”), the Custodian and the Issuer agreed that at any time after the Security under the relevant Security Document relating to the relevant Series has become enforceable, the Security Trustee may deliver a notice of exclusive control to the Custodian and, following the delivery of such notice of exclusive control by the Security Trustee, the Custodian will, upon a reasonable opportunity to act thereon, cease complying with instructions from the Issuer concerning the Settlement Cash Account and follow the instructions of the Security Trustee concerning the Settlement Cash Account.

Enforcement of the Security

The Security over the Secured Property in respect of a Series will become enforceable if payment of the Final Redemption Amount or Early Redemption Amount, as applicable, is not made in full when due on the Scheduled Maturity Date or the relevant Early Redemption Settlement Date, as applicable.

At any time after the Security has become enforceable, the Security Trustee may, at its discretion, and shall, if so directed in writing by the Trustee, in each case subject to it having been pre-funded and/or secured and/or indemnified to its satisfaction by one or more ETC Holders (or otherwise to its satisfaction), enforce the Security.

The Conditions permit the holders of at least one-fifth in number of the ETC Securities then outstanding (or an Extraordinary Resolution of the ETC Holders) to direct the Trustee to instruct the Security Trustee to enforce the Security at any time after the Security has become enforceable. The Trustee may so instruct the Security Trustee at its discretion, but is not required to do so unless it has been so directed by an Extraordinary Resolution or in writing by the holders of at least one-fifth in number of the ETC Securities of the relevant Series then outstanding.

Pursuant to the terms of the Security Document, only the Security Trustee may enforce the Security in accordance with the Security Document and (other than as permitted by the Trust Deed and the Conditions) only the Security Trustee may, at its discretion and without further notice, take such action or step or institute such proceedings against the Issuer as it may think fit to enforce the Security, but it need not take any such action or step or institute such proceedings unless: (a) it shall have been so directed by the Trustee (the Trustee having been directed by an Extraordinary Resolution or in writing by the holders of at least one-fifth in number of the ETC Securities then outstanding) (in accordance with the Security Document) and (b) it shall have been secured and/or pre-funded and/or indemnified to its satisfaction by one or more ETC Holders (or otherwise to its satisfaction).

None of the Secured Creditors, the Other Creditors, the ETC Holders or the other Transaction Parties shall be entitled to proceed directly against the Issuer in respect of the Security Document unless the Security Trustee, having become bound to proceed in accordance with the terms of the Security Document, fails or neglects to do so within a reasonable time and such failure is continuing.

Neither the Trustee nor the Security Trustee shall in any circumstances be obliged to take any action, step or proceeding that would involve any personal liability or expense without first being indemnified and/or secured and/or pre-funded to its satisfaction whether pursuant to the Trust Deed, the Security Document, by one or more ETC Holders or otherwise.

DESCRIPTION OF THE ETC SECURITIES

Type and class

ETC Securities are secured, limited recourse obligations the return on which is linked to the performance of a specified Reference Index and which are backed by holdings of Futures Contract in respect of Carbon Allowances included in such Reference Index. The ETC Securities are designed to give investors a return equivalent (before fees and expenses) to holding Carbon Allowances.

ETC Securities will be issued in Series. Each Series of ETC Securities will provide exposure to the performance of a Reference Index for the selected ETC Securities and physically backed by the Futures Contracts comprised in such Reference Index. The quantity of each type of Futures Contract backing the Series of ETC Securities is fixed as of the Series Issue Date by reference to the weighting of such Futures Contract within the relevant Reference Index and is adjusted periodically to track adjustments to such Reference Index.

Each Series may comprise a number of different Tranches issued on identical terms other than the Issue Date, Issue Price per ETC Security and Carbon Entitlement and with the ETC Securities of each Tranche of a Series being interchangeable with all other Securities of that Series.

Form of ETC Securities

If the Global Registered Securities are stated in the applicable Final Terms to be held under the NSS, the Global Registered Securities will be delivered on or prior to the original issue date of the relevant Tranches to a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") appointed in respect of such Series (the "**Common Safekeeper**"). Depositing the Global Registered Security with the Common Safekeeper does not necessarily mean that the ETC Securities will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Registered Securities which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"). Upon registration of ETC Securities in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relevant Global Registered Security to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of ETC Securities equal to the nominal amount thereof for which it has subscribed and paid.

Individual securities ("**Individual Securities**") evidencing holdings of ETC Securities will only be available in certain limited circumstances.

For so long as the ETC Securities are represented by Global Registered Securities, the Principal Paying Agent has agreed to act as paying agent in respect of the ETC Securities.

Transfers of the holding of ETC Securities represented by any Global Registered Security pursuant to Master Condition 16 (*Transfers*) may only be made in part:

- (i) if the ETC Securities represented by the Global Registered Security are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) above, the ETC Holder has given the Registrar not less than 30 days' notice at its Specified Office of the ETC Holder's intention to effect such transfer. Where the holding of ETC Securities represented by a Global Registered Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Registered Security. Where transfers are permitted in part, Certificates issued to transferees shall be Individual

Securities unless the transferee requests otherwise and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

As the ETC Securities will be held through a clearing system, the legal “holder” will either be the entity nominated by the clearing system as the depositary for the ETC Securities or the person entered in the register as the holder. As a purchaser, your rights in relation to the ETC Securities will be governed by the contract you have with your broker, custodian or other entity through which you hold your interest in the ETC Securities and the contracts they have with the clearing system and any intermediaries in between. Accordingly, where this Base Prospectus describes a right as being owed to, or exercisable by, an ETC Holder then your ability to benefit from or exercise such right will be dependent on the terms of the contracts in such chain.

Where the ETC Securities are held through a clearing system, because rights under the ETC Securities can only be exercised by the legal holders, you must contact the custodian, broker or other entity through which you hold your interest in the ETC Securities if you wish for any vote to be cast or direction to be given on your behalf.

In certain limited circumstances, the ETC Securities may cease to be cleared in the relevant Clearing Systems and the Issuer and the relevant parties to the Transaction Documents (other than the Issuer, the “**Transaction Parties**”) may, in such circumstances, agree such procedures as they determine necessary, including in relation to the transfer of the affected ETC Securities, and will as soon as reasonably practicable give notice thereof to the relevant ETC Holders and to the Authorised Participants.

In addition, each Global Registered Security will contain provisions that modify the Terms and Conditions of the ETC Securities as they apply to the ETC Securities evidenced by the Global Registered Security. The following is a summary of certain of those provisions:

Notices

Notwithstanding Condition 18 (*Notices*), so long as the Global Registered Security is held on behalf of Euroclear, or Clearstream, Luxembourg, notices to Holders of ETC Securities represented by the Global Registered Security may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg and shall be deemed to be given to the Holders of ETC Securities on the same date as such notice is delivered to Euroclear or Clearstream, Luxembourg.

The Section of this Base Prospectus entitled “*Master Terms and Conditions of the ETC Securities*” contains further details relating to the form of ETC Securities which may be issued under the Issuer’s Programme.

Restrictions on Transfer

Interests in ETC Securities traded in any clearing system such as Euroclear or Clearstream, Luxembourg will be transferred in accordance with the procedures and regulations of that clearing system.

The ETC Securities will be freely transferable, subject to certain restrictions on sales of ETC Securities into, amongst other jurisdictions, Germany, Italy, Denmark, Finland, Norway, Sweden and the Netherlands to whose competent authority the Base Prospectus has been notified or passported.

The Section of this Base Prospectus entitled “*Subscription and Sale*” contains further details relating to the selling and transfer restrictions applicable to the ETC Securities. These restrictions are mainly targeting offerings to the public in such jurisdictions, unless certain exemptions apply although some of the restrictions are blanket prohibitions on the offering of the ETC Securities in the relevant jurisdiction.

Other than as expressly disclosed in this Base Prospectus, no action has been taken which would permit a public offering of the ETC Securities or possession or distribution of this Base Prospectus or any other offering material in any jurisdiction where action for this purpose would be required.

Maximum Amount of securities to be offered to the public/admitted to trading

The maximum amount of each Series of ETC Securities to be offered (the Maximum Issue Size) will be specified in the Final Terms related to the first Tranche of such Series.

Any acceptances of the purchase or Subscription of securities may be withdrawn up to two working days after the amount of ETC Securities to be offered to the public has been notified in the Final Terms.

Currency of the ETC Securities

The ETC Securities are denominated in USD and the Early Redemption Amount and Final Redemption Amount (as applicable) will be paid in USD. Any cash amount due to an Authorised Participant in connection with settlement of a Buy-Back of ETC Securities shall also be paid in USD.

Rating

The Issuer has not been assigned a rating and it is not intended that the ETC Securities issued under the Programme will be rated. An ETC Holder should take such steps as it considers necessary to evaluate the ongoing risks and merits of a continued investment in such ETC Security.

Scheduled Maturity

The Scheduled Maturity Date of each Series of ETC Securities will be specified in the related Final Terms.

The Scheduled Maturity Date of each Series of ETC Securities is anticipated to be no less than 60 years from the Series Issue Date.

KEY TERMS OF THE ETC SECURITIES

Obligations

Under the terms of the ETC Securities, the Issuer has the obligation to pay or deliver (as applicable):

- (a) the Operational Fee (equal to the proceeds of sale of an amount of Futures Contract representing the reduction in the Carbon Entitlement by daily application of the Total Expense Ratio for such Series) to the Arranger for onward payment of amounts owing to the relevant Transaction Parties and any other service providers to the Issuer as well as for the payment of any fees, taxes or other ongoing expenses of the Issuer in connection with the Programme and attributable to the relevant Series;
- (b) an amount in USD equal to the value of the Buy-Back Settlement Amount to an Authorised Participant upon any Buy-Back of ETC Securities; and
- (c) an amount in USD equal to the Early Redemption Amount or Final Redemption Amount to ETC Holders upon early or final redemption of the ETC Securities,

(each as further described below under *Buy-Back of ETC Securities*", *Early Redemption of ETC Securities*" and *Final Redemption of ETC Securities*", respectively, below).

Status of the ETC Securities

The ETC Securities are secured, limited recourse obligations of the Issuer and the ETC Securities of a Series rank *pari passu* and without preference amongst themselves.

Limited Recourse and Ranking

In respect of a Series, the ETC Holders will have recourse only to the Secured Property in respect of that Series, subject always to the security created pursuant to the Security Document for such Series, and not to any other assets of the Issuer.

If, following realisation in full of the Secured Property of such Series and application of available assets, any outstanding claim against, or debt, liability or obligation of, the Issuer relating to such Series remains unsatisfied, then such outstanding claim, debt, liability or obligation shall be extinguished and no obligation will be owed by the Issuer in respect thereof.

None of the Transaction Parties, the ETC Holders or any other person acting on behalf of any of them shall be entitled to take any steps (i) at any time against any of the Issuer's officers, shareholders, agents, employees, corporate service providers or directors or (ii) following extinguishment of any claims as described above, against the Issuer, in each case to recover any further sum in respect of the extinguished claim, debt, liability or obligation and no debt shall be owed to any such persons by the Issuer in respect of such further sum.

Any proceeds of the Secured Property of a Series will be applied in accordance with the applicable priority of payments set out in the terms and conditions (as described under *Payment Priorities*" below) and, as such, the rights of the ETC Holders will rank in accordance therewith. As a result of such provisions, the ETC Holders of a Series may not receive in full the Final Redemption Amount or Early Redemption Amount which would otherwise be payable in respect of each ETC Security of such Series if the proceeds of the Secured Property are insufficient to meet the claims of all secured creditors of such Series.

Payment Priorities

The claims of the ETC Holders and the other Secured Creditors in respect of the ETC Securities of a Series will rank in accordance with the following order of priorities (as applicable):

Upon Enforcement of the Security:

Upon any enforcement of the Security, and subject to Condition 5(f) (*Accumulation of Moneys*) the claims of the ETC Holders and the other Secured Creditors in respect of the ETC Securities of a Series will rank in accordance with the following order of priorities:

- (i) *first*, in payment or satisfaction of all fees, costs, charges, expenses, liabilities, claims and other amounts properly incurred by or payable to the Trustee, the Security Trustee or any receiver under or pursuant to the Trust Deed, the Security Document and/or any other Transaction Document (which for the purpose of Condition 5(c) and the Security Document shall include, without limitation, (A) any Taxes required to be paid by the Trustee or the Security Trustee in connection with the performance of their respective obligations under the Trust Deed and/or the Security Document and/or any other Transaction Document (other than any income, corporation or similar tax in respect of the Trustee's or the Security Trustee's remuneration), (B) the costs of enforcing or realising all or some of the Security, (C) the Trustee's and the Security Trustee's remuneration and (D) any fees, costs, charges, expenses, liabilities, claims and other amounts of any appointees of the Trustee and/or the Security Trustee;
- (ii) *secondly*, in payment or satisfaction of the Issuer Series Fees and Expenses;
- (iii) *thirdly*, in payment or satisfaction of any accrued and unpaid fees to the Arranger in accordance with the terms of the Fees and Expenses Agreement and as described in Condition 4 (*Total Expense Ratio and Cash Value per ETC Security*);
- (iv) *fourthly*, in payment of any Specified Interest Amounts owing to ETC Holders by the Issuer *pari passu* and rateably;
- (v) *fifthly*, in payment of any amounts (other than Specified Interest Amounts) owing to the ETC Holders by the Issuer *pari passu* and rateably; and
- (vi) *sixthly*, in payment of the balance (if any) to the Issuer for itself.

Redemption and Buy-Back of ETC Securities**Early Redemption of ETC Securities**

The ETC Securities of a Series shall become due and payable prior to their Scheduled Maturity Date at its Early Redemption Amount due to the occurrence of any of the following events if, following the occurrence of any such event, the Issuer (and/or, in the case of a Market Value Redemption Event or an Event of Default, the Trustee following requisite direction by the ETC Holders) has given notice designating an early redemption of the ETC Securities in full:

- (A) the Issuer at any time and for any reason elects to early redeem the ETC Securities in full (an "**Issuer Call Redemption Event**");
- (B) certain key service providers of the Issuer resign or their appointment in relation to such Series is terminated for any reason and no successor or replacement has been appointed within 120 calendar days (a "**Service Provider Non-Replacement Redemption Event**");
- (C) the prevailing value of an ETC Security on two consecutive non-disrupted days (calculated by the Administrator by reference to the Cash Value per ETC Security) as may be determined from time to time on each such non-disrupted day is less than or equal to 20 per cent. of the initial issue price per ETC Security as at the Series Issue Date (a "**Market Value Redemption Event**"); or

- (D) an event of default occurs in respect of such Series, including certain breaches by the Issuer of its obligations that are not cured within the applicable cure period and certain insolvency events with respect to the Issuer (each, an **“Event of Default”**).

Final Redemption of ETC Securities

No amounts are payable under the ETC Securities prior to their Scheduled Maturity Date. Unless previously redeemed in whole or purchased and cancelled by the Issuer, each ETC Security will become due and payable on the Scheduled Maturity Date for such Series at its Final Redemption Amount.

Final Redemption Amount and Early Redemption Amount

Final Redemptions or Early Redemptions of ETC Securities with the Issuer will be settled by a cash payment in USD equal to the Early Redemption Amount or Final Redemption Amount (as applicable).

The Final Redemption Amount or Early Redemption Amount per ETC Security, as applicable, will be determined by reference to the Average Futures Contracts Sale Price of the Futures Contract held in respect of the Series of ETC Securities sold during the Final Redemption Disposal Period or Early Redemption Disposal Period, as applicable, by the Issuer, net of associated fees, deductions and taxes, as follows:

The **“Final Redemption Amount”** for a Series shall be an amount (which amount may incorporate an interest redemption premium, being any excess over the issue price per ETC Security for the first tranche of such Series) denominated in USD per ETC Security equal to the greater of:

- (A) the product of (a) the Carbon Entitlement as at the Final Redemption Valuation Date and (b) the Average Futures Contracts Sale Price for each relevant Futures Contract for the period from (and including) the Final Redemption Valuation Date to (but excluding) the fifth Business Day immediately preceding the Scheduled Maturity Date (the **“Final Redemption Disposal Period”**); and
- (B) 10 per cent. of the initial issue price per ETC Security (the **“Minimum Redemption Amount”**) plus the Specified Interest Amount.

The **“Early Redemption Amount”** for a Series shall be an amount (which amount may incorporate an interest redemption premium, being any excess over the issue price per ETC Security for the first tranche of such Series) denominated in USD per ETC Security equal to the greater of:

- (A) the product of (a) the Carbon Entitlement as at the Early Redemption Trade Date, subject to postponement in certain circumstances; and (b) the Average Futures Contracts Sale Price for the period from (and including) the Early Redemption Trade Date to (but excluding) the fifth Business Day immediately preceding the Early Redemption Settlement Date (the **“Early Redemption Disposal Period”**); and
- (B) the Minimum Redemption Amount plus the Specified Interest Amount.

Payment of any Early Redemption Amount or the Final Redemption Amount is subject at all times to the limited recourse provisions set out in the terms and conditions of the ETC Securities (see the section titled *“Limited Recourse and Ranking”* under *Key Terms of the ETC Securities* above).

The Issuer will, on or prior to the Scheduled Maturity Date or Early Redemption Settlement Date, publish the determination of the Final Redemption Amount or Early Redemption Amount, as applicable, (which shall include publication of the price, volume and date of each sale of Futures Contract during the relevant Redemption Disposal Period, including information on any fees, deductions and/or taxes imposed on such sale (including any interest amount received on the proceeds of such disposal or any negative interest deducted), and the determination of the Average Futures Contracts Sale Price) on the website maintained on behalf of the Issuer at <https://kraneshares.eu/> (or such other website notified by the Issuer for such Series of ETC Securities from time to time).

Amounts payable may be calculated by reference to the level of the relevant Reference Index, as provided by the relevant index administrator, as specified in the Final Terms for the relevant Series.

Buy-Back of ETC Securities

Each ETC Security entitles an Authorised Participant, subject to compliance with the Buy-Back Conditions (defined below), to require the Issuer to repurchase the ETC Security at any time (a “**Buy-Back**”) through the Transfer Agent’s APEX platform or otherwise by electronic means made available by the Transfer Agent from time to time, a duly completed buy-back notice in the form obtainable from the Transfer Agent) (each, a “**Buy-Back Order**”) and paying to the Settlement Cash Account (i) an amount in US dollars equal to the applicable buy-back fee as directed by the Transfer Agent (the “**Buy-Back Fee**”).

The Buy-Back Fee represents the Issuer’s costs of complying with the relevant Buy-Back Order. The amount payable will also include the cost of the Issuer or its agents performing any required KYC Procedures with respect to the relevant Authorised Participant.

The amount of the Buy-Back Fee payable in respect of a Buy-Back Order submitted by an Authorised Participant shall not exceed US\$1000.00. The amount of the Buy-Back Fee will be notified to the Authorised Participant upon receipt by the Transfer Agent of the Buy-Back Order by the Issuer (or the Transfer Agent on the Issuer’s behalf) and must be paid by an Authorised Participant on or before the Buy-Back Settlement Date.

Upon any such Buy-Back, the relevant Authorised Participant entitled to receive, in exchange for delivery of the ETC Securities specified in the relevant Buy-Back Order and payment of the applicable Buy-Back Fee an amount in USD, as determined by the Transfer Agent, as being equal to the product of:

- (1) the Cash Value per ETC Security in respect of the Series as of the relevant Buy-Back Trade Date; and
 - (2) the total number of ETC Securities being bought back,
- (in respect of ETC Securities, the “**Buy-Back Settlement Amount**”).

The “**Buy-Back Conditions**” are that:

1. each Buy-Back Order must:
 - (a) relate to ETC Securities of only one Series;
 - (b) specify the Series and number of the relevant ETC Securities the Authorised Participant is requesting the Issuer to repurchase (which amount must be at least equal to the Minimum Buy-Back Amount (if any) and the Minimum Trading Amount (if any) for the relevant Series, in each case as specified in the Final Terms);
 - (c) contains a representation and warranty from the Authorised Participant to the effect that: (a) such holder is not a UCITS Fund; and (b) the request for settlement of the Buy-Back and the acceptance of the delivery of the relevant Buy-Back Settlement Amount is and will be in accordance with all laws and regulations applicable to such holder; and
 - (d) be submitted by an Authorised Participant which has complied with all compliance and identification checks reasonably required by the Issuer (“**KYC Procedures**”), and the results of such KYC Procedures have been determined to be satisfactory to the Issuer and/or its agents; and
2. all other conditions precedent to a Buy-Back of the ETC Securities must be satisfied.

The Issuer will not be obliged to accept any Buy-Back Order if, amongst other things (i) an Early Redemption Event has occurred (ii) the Transfer Agent is subject to an insolvency or similar event and no replacement has been appointed and/or (iii) a Disruption Event has occurred and the Transfer Agent has determined that any request for Subscriptions and/or Buy-Backs should be temporarily suspended.

The Issuer will only accept a Buy-Back Order and proceed to settlement if the Buy-Back Conditions are satisfied.

The Issuer is entitled, in its absolute discretion, to determine whether KYC Procedures apply to any Authorised Participant submitting a Buy-Back Order and whether such KYC Procedures have been satisfied. The Issuer shall not be responsible or liable to any person for any loss or damage suffered as a result of it or its agents conducting KYC Procedures.

If the Issuer (or the Transfer Agent on the Issuer's behalf) determines that the Buy-Back Order complies with the Buy-Back Conditions, it shall confirm to the Authorised Participant that the Buy-Back Order is valid as soon as reasonably practicable, with the date of such confirmation being the Buy-Back Trade Date.

In order for the Issuer to effect settlement of a Buy-Back on the Buy-Back Settlement Date, the Authorised Participant must have transferred the ETC Securities into an appropriate account of the Transfer Agent with the Relevant Clearing System and given correct instructions to the Transfer Agent in accordance with the Buy-Back Order form before the Buy-Back Order Cut-Off Time (as specified in the Final Terms) on the Buy-Back Trade Date. To avoid delays, the Authorised Participant should seek instructions from the Transfer Agent regarding the details of the account to which ETC Securities should be delivered prior to submitting a Buy-Back Order.

No interest or other amount shall be payable in connection with late deliveries or payments resulting from a failure by an ETC Holder to deliver ETC Securities in connection with a Buy-Back.

Suspension or Postponement of Issuance, Buy-Back or Redemption

If a Disruption Event occurs, the Issuer will have the right to postpone or suspend any request for the further issuance or Buy-Back of ETC Securities, the settlement of any Subscription or Buy-Back of ETC Securities and/or the early or final redemption of the ETC Securities, in each case by giving a Suspension Notice specifying how long such suspension and/or postponement will continue (a "**Suspended Day**" or "**Suspension Period**").

On any Suspended Day or during any Suspension Period, provided it is so specified in the Suspension Notice, the Issuer is entitled not to accept any requests for Subscriptions or Buy-Backs of ETC Securities and/or not to settle any Subscriptions and Buy-Backs of ETC Securities which have traded but are yet to settle.

The Issuer is also entitled (if specified in the Suspension Notice) to postpone any Early Redemption Trade Date, Early Redemption Settlement Date and/or payment of any Early Redemption Amount or to postpone the Final Redemption Valuation Date, the Scheduled Maturity Date and/or payment of any Final Redemption Amount.

ETC Holders should be aware that the occurrence of a Disruption Event (and any consequential Suspended Day or Suspension Period) may have an adverse effect on the calculation of the Cash Value per ETC Security and/or timing relating to a Subscription Order or Buy-Back Order or relating to the early or final redemption of the ETC Securities. No additional amount will be payable or deliverable to any Authorised Participant or any ETC Holder in connection with any postponement to the timing, or any amendment to the method of final or early redemption of the ETC Securities.

Provisions Relating to Interest

The ETC Securities will not pay periodic interest but the Early Redemption Amount or Final Redemption Amount, as applicable, may incorporate an interest redemption premium to the extent such Early Redemption Amount or Final Redemption Amount, as applicable, exceeds the Issue Price per ETC Security for the first tranche of the relevant Series.

Each of the Early Redemption Amount and the Final Redemption Amount incorporates the concept of the Nominal Amount and the Specified Interest Amount, which entitles the ETC Holder, following an Early Redemption Event or on the Scheduled Maturity Date, as applicable, to a minimum repayment of an amount in respect of each ETC Security equal to the sum of (i) 10 per cent. of the Issue Price per ETC Security as at the Series Issue Date of the relevant Series (being the Nominal Amount) and (ii) 1 per cent. of the Nominal Amount (being the Specified Interest Amount).

Due to the limited recourse nature of the ETC Securities, in respect of each ETC Security of a Series, in the event that the proceeds of liquidation of the Futures Contracts comprising the Carbon Entitlement for such ETC Security is insufficient to fund the Nominal Amount and the Specified Interest Amount of such ETC Security in full, the holder of such ETC Security may not receive payment of the Nominal Amount and/or the Specified Interest Amount in full and may receive substantially less. In respect of each ETC Security, payment of the Specified Interest Amount to ETC Holders will rank in priority to payment of the Nominal Amount.

In order to minimise the likelihood that the proceeds of liquidation of the Futures Contracts comprising the Carbon Entitlement for each ETC Security of a Series is insufficient to fund the Nominal Amount and the Specified Interest Amount of such ETC Security, the ETC Securities for such Series may be early redeemed in full at the option of the Issuer or, by power of an Extraordinary Resolution, the ETC Holders upon the occurrence of a Market Value Redemption Event.

Payments Net of Taxes

All payments in respect of the ETC Securities will be made net of and after allowance for any required withholding or deduction for, or on account of, any taxes. In the event that any withholding, reduction or deduction for, or on account of, any tax applies to payments in respect of the ETC Securities of any Series, the holders of such ETC Securities will be subject to such tax or reduction or deduction and will not be entitled to receive amounts to compensate for any such tax or reduction or deduction.

No Event of Default will occur as a result of any such withholding or deduction.

Substitution

Subject to compliance with the provisions of Condition 14(c)(*Substitution*), the Trustee may, without the consent of the ETC Holders, agree to the substitution, in place of the Issuer (or of any previous substitute) as the principal debtor under the Trust Deed, the Security Document, the other Transaction Documents to which it is a party and the ETC Securities, of any other company (incorporated in any jurisdiction) (any such company, a "**Substituted Obligor**").

The Substituted Obligor is required give notice of the substitution to the ETC Holders in accordance with Condition 18 (*Notices*) within 14 calendar days of the execution of the documents relating to the substitution and compliance with the relevant requirements.

Further Issues

New securities issued which form a single series with ETC Securities already in issue and which are expressed to be constituted by the same Trust Deed and secured by the same Security Document will, upon issue thereof by the Issuer, be secured by the same Secured Property for such ETC Securities (as increased or supplemented in connection with such issue of new securities).

ETC Holder Representation

Trustee

As trustee for holders of ETC Securities, the Trustee acts as representative of the ETC Holders and is, among other things, given fiduciary powers to make determinations, agree amendments and exercise rights to enforce the terms of the ETC Securities on behalf of the ETC Holders.

Meetings

In respect of each Series, the Trust Deed contains provisions for convening meetings of ETC Holders to consider any matter affecting their interests, including the sanctioning by extraordinary resolution of a modification of any of the terms and conditions of the ETC Securities or any provisions of the relevant Trust Deed. Such a meeting may

be convened by ETC Holders holding not less than 10 per cent. of the number of the ETC Securities of the relevant Series for the time being outstanding.

Governing Law

In respect of each Series:

- (A) the ETC Securities, the Trust Deed, and all Transaction Documents other than those listed in (B) and (C) below will be governed by Irish law;
- (B) the Account Bank Agreement will be governed by English law; and
- (C) the Custody Agreement will be governed by New York law.

In connection with any proposed substitution of the Issuer, the Trustee may, without the consent of the holders of the ETC Securities, agree to a change of the law from time to time governing such ETC Securities and/or the Issue Deed and/or the Trust Deed and/or the Security Document, provided that such change of law, in the opinion of the Trustee, would not be materially prejudicial to the interests of such ETC Holders.

Prescription

Claims against the Issuer for payment under the Conditions in respect of an ETC Security shall be prescribed and become void unless made within six years from the date on which the payment of the Redemption Amount or any other amount payable in respect of such ETC Security first became due or (if any amount of the money payable was improperly withheld or refused) the date on which payment in full of the amount outstanding was made or (if earlier) the date falling seven days after that on which notice is duly given to the ETC Holders that, upon further presentation of the ETC Security being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation (such date the "**Relevant Date**"), save that if the ETC Securities are in global form claims in respect of the Redemption Amount or any such other amounts payable in respect each ETC Security represented by the relevant Global Registered Security shall become void unless the Global Registered Security is presented for payment within a period of six years from the appropriate Relevant Date.

RETURN ON THE ETC SECURITIES

Return on Early Redemption or Final Redemption

On the Scheduled Maturity Date, each ETC Security will become due and payable at the Final Redemption Amount.

If any of the Early Redemption Events occur, each ETC Security will become due and payable at the Early Redemption Amount.

Each ETC Security represents a debt security having a principal amount equal to the Issue Price per ETC Security on the Series Issue Date of that Series. Any return in excess of the principal amount per ETC Security shall be characterised as an interest payment in respect of the ETC Securities.

In the case of any Early Redemption and on Final Redemption, the amount of an ETC Holder's return is equal to the difference between: a) the Issue Price per ETC Security at which the relevant ETC Securities are issued; and b) the Early Redemption Amount or the Final Redemption Amount (as applicable).

Return on Buy-Backs of ETC Securities

Each ETC Security entitles an Authorised Participant to require the Issuer to buy back the ETC Security and receive an amount in USD equal to the aggregate Cash Value per ETC Security of the ETC Securities to be repurchased. If an ETC Holder other than an Authorised Participant wishes to submit a Buy-Back Order, such ETC Holder must do so through an Authorised Participant.

In the case of any Buy-Back of ETC Securities, the return to an Authorised Participant is equal to the difference between:

- (a) the Cash Value per ETC Security at which the relevant ETC Securities are issued plus the relevant proportion of the Subscription Fee; and
- (b) the Cash Value per ETC Security at which the same ETC Securities are repurchased (the Buy-Back Settlement Amount) (less the relevant proportion of the Buy-Back Fee).

In the case of any Buy-Back or Early Redemption or Final Redemption of ETC Securities, the return to an investor which has purchased such ETC Securities from an Authorised Participant or Authorised Offeror, on an exchange or in an OTC transaction is equal to the difference between:

- (a) the price at which the ETC Securities were purchased by the investor; and
- (b) the Cash Value per ETC Security at which the same ETC Securities are repurchased (the Buy-Back Settlement Amount) (less the relevant proportion of the Buy-Back Fee) or the Early Redemption Amount or Final Redemption Amount, as applicable.

Return on Trades of ETC Securities

Investors can also buy and sell ETC Securities on any of the stock exchanges on which they are admitted to trading or in private transactions (OTC).

For an investor purchasing and selling in the secondary market, the amount of return is equal to the difference between:

- (a) the price at which the relevant ETC Securities are purchased; and
- (b) the price at which the same ETC Securities are subsequently sold.

DESCRIPTION OF THE GLOBAL CARBON INDEX

Cap and Trade regimes

In a “cap and trade” regime, a limit (“**cap**”) is typically set by a regulator, such as a government entity or supranational organisation, on the total amount of specific greenhouse gases, such as CO₂, that can be emitted by regulated entities, such as manufacturers or energy producers.

Capping and reducing the cap on greenhouse gases is viewed as a key policy tool for reaching climate change objectives. The regulator then issues or sells “emission allowances” to regulated entities which may then buy or sell (“**trade**”) the emission allowances on the open market. An emission allowance or carbon credit is a unit of emissions (typically one ton of CO₂) that the owner of the allowance or credit is permitted to emit.

To the extent that the regulator may then reduce the cap on emission allowances, regulated entities are thereby incentivised to reduce their emissions; otherwise they must purchase emission allowances on the open market, where the price of such allowances will likely be increasing as a result of demand, and regulated entities that reduce their emissions will be able to sell unneeded emission allowances for profit.

Commodity futures contracts linked to the value of emission allowances are known as “carbon credit futures”.

Global Carbon Index

The S&P Global Carbon Credit Index (the “**Global Carbon Index**”), is administered by S&P Dow Jones Indices Limited (“**S&P**”). The Global Carbon Index is designed to measure the performance of a portfolio of liquid carbon credit futures that require “physical delivery” of emission allowances issued under cap and trade regimes.

The complete set of rules of the Global Carbon Index are freely accessible on the S&P website at <https://www.spglobal.com/spdji/en/indices/products/sp-global-carbon-credit-index.html>. The governing rules (including the methodology of the Global Carbon Index for the selection and the re-balancing of the components of the Global Carbon Index, description of market disruption events and of adjustment rules) are based on predetermined and objective criteria set out in the rules of the Global Carbon Index.

Information on the past performance of the Global Carbon Index, including its volatility, is freely accessible on the S&P website at <https://www.spglobal.com/spdji/en/indices/commodities/sp-global-carbon-credit-index/#overview>.

The Global Carbon Index includes only carbon credit futures that mature in December of the next one to two years and that have a minimum average monthly trading volume over the previous six months of at least \$10 million.

The Global Carbon Index weights eligible carbon credit futures based on their average monthly trading volume during the relevant six-month period, subject to a 5% minimum weight per regime and a 65% maximum weight to any one of the following geographic regions: (1) Europe, the Middle East and Africa, (2) the Americas, and (3) the Asia-Pacific. In addition, no single carbon credit futures contract expiring in a particular year will receive an allocation of less than 5% or more than 60% at the semi-annual rebalancing or annual reconstitution of the Global Carbon Index.

The eligible carbon credit futures for the Global Carbon Index are selected based on the most liquid segments of the relevant markets. The Global Carbon Index is weighted according to the trade volumes of eligible constituent programs subject to a capping methodology. Capping is applied on a regional basis with regions being defined as EMEA, the Americas, and APAC, as well as on a program-level basis within each region to ensure diversification.

As of June 29, 2023, the Global Carbon Index included carbon credit futures linked to the value of emissions allowances issued under the following cap and trade regimes: the European Union Emissions Trading System; the California Carbon Allowance; Regional Greenhouse Gas Initiative; and the UK Emissions Trading Scheme cap and trade regimes. As the global carbon credit market grows, additional carbon credit futures are expected to enter the Index, and the Issuer’s portfolio when they have a minimum average monthly trading volume of at least \$10 million over the relevant six-month period.

DESCRIPTION OF THE FUTURES CONTRACTS

The carbon credit futures in the Global Carbon Index must meet all the criteria described below as of the close of business three business days prior to the rebalancing date provided that the relevant carbon credit futures data can be verified, at S&P's sole discretion, as of such date ("**constituent selection cut-off date**"). The new index composition becomes effective on the first Index Calculation Day of December.

The Global Carbon Index uses ICE Futures Pricing for all constituents. Prior to 22 December 2022, the Global Carbon Index used Oil Price Information Service (OPIS) pricing for CCA and RGGI contracts.

Futures Contracts included in the Global Carbon Index

CCA 1 Year	22 December 2022	Vintage 23 December 23 expiry	ICE
	1 December 2022	Vintage 23 December 23 expiry	OPIS
CCA 2 Year	22 December 2022	Vintage 24 December 24 expiry	ICE
	1 December 2022	Vintage 24 December 24 expiry	OPIS
RGGI 1 Year	22 December 2022	Vintage 23 December 23 expiry	ICE
	1 December 2022	December 23 expiry	OPIS
EUA 1 Year	1 December 2022	December 23 expiry	ICE
EUA 2 Year	1 December 2022	December 24 expiry	ICE
UKA 1 Year	1 December 2022	December 23 expiry	ICE
CCA 1 Year	1 December 2021	Vintage 22 December 22 expiry	OPIS
CCA 2 Year	1 December 2021	Vintage 23 December 22 expiry	OPIS
RGGI 1 Year	1 December 2021	December 22 expiry	ICE
EUA 1 Year	1 December 2021	December 22 expiry	ICE
EUA 2 Year	1 December 2021	December 23 expiry	ICE
UKA 1 Year	1 December 2021	December 22 expiry	ICE

Publication of the Global Carbon Index

The Global Carbon Index is calculated daily following the index calculation calendar below. The index is reweighted on the last Index Calculation Day of May and rebalanced on the last Index Calculation Day of November each year. The index is calculated on the basis of end-of-day futures exchange prices for the respective carbon credit futures

on each trading day defined in the index calculation calendar. Index data and carbon credit futures price information is also available from the main information vendors. The Global Carbon Index calculation calendar conforms to the New York Stock Exchange (NYSE) trading calendar: The Global Carbon Index calculates on each NYSE Trading Day (each an "**Index Calculation Day**").

Carbon Credit Selection Rules

The following selection criteria are used to determine the index constituents:

- Accessibility of Futures Markets
- Liquidity and Contract Selection
- Maturity of the Program

Accessibility of Futures Markets

The Global Carbon Index includes only carbon credit futures that can be easily accessed by institutional investors for trading purposes. Markets restricting trading within carbon credit futures are not eligible. Specifically, the following markets have been deemed eligible:

- European Union Allowance (EUA)
- UK Allowance (UKA)
- California Carbon Allowance (CCA)
- Regional Greenhouse Gas Initiative (RGGI)

S&P may consult with the S&P Global Carbon Credit Index Advisory Committee to review potential carbon credit futures for inclusion or existing carbon credit futures for exclusion dependent on the developments in the respective markets. Any decision as to the eligibility or ineligibility of a carbon credit futures contract will be published and the index rules will be updated accordingly.

EUA Emissions Allowances

A European Union Allowance ("**EUA**") is the official name for Europe's emission allowances, which in 2008 was defined as the official Kyoto allowance for countries in the EU. One EUA entitles the holder to emit one ton of carbon dioxide or carbon-equivalent greenhouse gas. The EU member states issue new EUAs on 28 February in every year to each company subjected to the EU's emission trading scheme. These awards follow the allocation plan approved by the European Commission and are based on the Kyoto protocol's obligations. EUAs are awarded for one year at a time. By April 30, companies are obliged to surrender ("pay") the number of EUAs corresponding to their actual emissions in the preceding year. EUAs can also be saved from one year to another if a company releases less carbon dioxide than the EUAs it holds. Further information about EUA futures can be found on the EU ETS website (https://ec.europa.eu/clima/policies/ets_en).

California Carbon Allowance

A California Carbon Allowance ("**CCA**") is the official name for California's Air Resources Board's emission allowances. Similar to the EU's Emissions Trading System, California operated a cap and trade programme as part of its strategy to reduce greenhouse gas (GHG) emissions, beginning in 2012 (the Programme). One CCA entitles the holder to emit one ton of carbon dioxide or carbon-equivalent greenhouse gas. The Programme applies to emissions that cover approximately 80 percent of the State's GHG emissions. Emission caps and number of allowances issued decrease each year to reduce emissions. Unlike the EU's ETS, auctions in CCA are subject to price caps and floors. CCAs are issued with a specific vintage and must be used within a certain period of time (unlike EUAs, which can be saved without expiry).

Further information about CCA can be found on the California's Air Resources Board's website (<https://ww2.arb.ca.gov/our-work/programs/compliance-offset-program>).

UK Allowances

A UK Allowance ("**UKA**") is the official name for the UK's emissions allowances. The UK Emissions Trading Scheme (UK ETS) replaced the UK's participation in the European Union Emissions Trading Scheme (EU ETS) on 1 January 2021. The UK, Scottish and Welsh Governments and the Northern Ireland Department of Agriculture, Environment and Rural Affairs – collectively making up the UK ETS Authority – established the scheme to increase the climate ambition of the UK's carbon pricing policy, while protecting the competitiveness of UK businesses. The UK ETS is established through The Greenhouse Gas Emissions Trading Scheme Order 2020. One UKA entitles the holder to emit one tonne of carbon dioxide equivalent gas.

Further information about UKA can be found on the UK Government's website (<https://www.gov.uk/government/publications/uk-emissions-trading-scheme-markets/uk-emissions-trading-scheme-markets>).

Regional Greenhouse Gas Initiative

The Regional Greenhouse Gas Initiative ("**RGGI**") is a cooperative, market-based effort among the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont to cap and reduce CO₂ emissions from the power sector. It represents the first cap and invest regional initiative implemented in the United States.

Within the RGGI states, certain power plants must acquire one RGGI CO₂ allowance for every short ton of CO₂ they emit. The RGGI states distribute these allowances at quarterly auctions, where they can be purchased by power plants and other entities. Some states hold a limited number of allowances in set-aside accounts to sell at a fixed price or otherwise distribute outside of the auction process. Once an allowance is distributed, it can be held and traded, which creates a secondary market for allowances.

Further information about RGGI can be found on the RGGI website (<https://www.rggi.org/>).

Liquidity and Contract Selection

The Global Carbon Index includes only carbon credit futures that are liquid to ensure that the index can be replicated. Programs whose carbon credit futures have limited trading volume are not eligible in the index. Specifically, the following rules are applied regarding liquidity and selection for the carbon credit futures.

"*Expiry*" refers to the year that a given futures contract matures, while "*Vintage*", where applicable, refers to the year that the allowance may be used for compliance. Note that "*Current*" and "*Next*" expiries are from the perspective of the index basket at a given date. Hence, immediately after rebalancing in November, "*Current*" references the next calendar year, and the "*Next*" references the year after that. For example, in December 2022, "*Current*" references 2023 while "*Next*" refers to 2024.

- Current or Next Year December Expiry
- Current or Next Year Vintage Matching the Current or Next Future's Year of Expiry, respectively
- Minimum of \$10 Million for Average Monthly Program Trade Volume (Prior Six-Month Period as described in section Index Weights)

S&P may consult the S&P Global Carbon Credit Index Advisory Committee to review potential carbon credit futures for inclusion or existing carbon credit futures for exclusion dependent on changes in overall liquidity within carbon credit markets. Any decision as to the eligibility or ineligibility of a carbon credit futures contract will be published and the index rules will be updated accordingly.

Maturity of the Program

The Global Carbon Index includes only carbon credit futures that belong to cap and trade programs with recognisable stability regarding the sustainability and future existence of the program. Carbon credit futures that are part of unstable or extremely uncertain cap and trade programs are not eligible for the index.

S&P may consult with the S&P Global Carbon Credit Index Advisory Committee to review potential carbon credit futures for inclusion or existing carbon credit futures for exclusion dependent on the viewed stability of respective carbon credit markets by the industry. Any decision as to the eligibility or ineligibility of a carbon credit futures contract will be published and the index rules will be updated accordingly.

Index Calculation

Pricing Data

Carbon credit futures pricing is sourced from ICE Futures Pricing for European Union Allowance (EUA) and UK Allowance (UKA) futures as well as California Carbon Allowance (CCA) and Regional Greenhouse Gas Initiative (RGGI) physically settled futures contracts from 22 December 2022.

More details on the ICE Futures Pricing information used for EUA futures contracts can be found at <https://www.ice.com/products/197/EUA-Futures/specs>.

More details on the ICE Futures Pricing information used for UKA futures contracts can be found at <https://www.ice.com/products/80216150/UKA-Futures>.

More details on the ICE Futures Pricing information used for CCA and RGGI physically settled futures contracts can be found at <https://www.ice.com/products/Futures-Options/US-Environmental/Physical-Environmental>.

More details on the Oil Price Information Service (OPIS) used for CCA and RGGI physically settled futures contracts prior to 22 December 2022 can be found at <https://www.opisnet.com/about/methodology/#carbon-market-pricing>.

Index Rebalancing and Reweighting

The Global Carbon Index is rebalanced once a year on the last Index Calculation Day of November (the "rebalancing date"), is reweighted once a year on the last Index Calculation Day of May (the "reweighting date") and currently consists of European Union Allowance (EUA), UK Allowance (UKA), California Carbon Allowance (CCA), and Regional Greenhouse Gas Initiative (RGGI) carbon credit futures.

DESCRIPTION OF THE FUTURES CONTRACTS

- *Rebalancing Process.* Three business days before the last Index Calculation Day of November (“constituent selection cut-off date”), the constituents of the index are determined, and an updated membership list with constituent weights is published. On the last Index Calculation Day of each November, S&P publishes the final membership with closing prices for the carbon credit futures and various analytics based on the securities.
- *Reweighting Process.* In addition to the November rebalancing, the Global Carbon Index is reweighted on the last Index Calculation Day of May after the close of business. The constituent weights are re-set to match the November rebalancing weights and new contract units are calculated based on latest contract prices.

Index Data

An index level is calculated if there is at least one security available that matches all inclusion criteria. If no more securities qualify for the index, then its level will remain constant. If at least one security becomes available again, the index calculation will be resumed from the last calculated level. Calculation occurs on a daily basis as soon as the consolidated quotes are available. Price quotes are provided, and the indices are calculated on every Index Calculation Day. Index calculation is based on market prices. In the event that no new quotes for a particular security are received, the index will continue to be calculated based on the last available prices. This might be the case in periods of market stress or disruption, as well as in illiquid or fragmented markets. Note that the index converts all constituent pricing into United States dollars daily using the respective mid-rates for given currencies.

TERMS OF THE OFFER

Reasons for the offer and use of proceeds

The ETC Securities are designed to offer investors a means of investing in Futures Contracts linked to Carbon Allowances without the necessity of taking physical delivery of such Carbon Allowances, and to enable investors to buy and sell that interest through trading of a security on a stock exchange.

The net proceeds from the issue of a Series of ETC Securities will be an amount of cash as indicated in Part B of the relevant Final Terms which will ultimately be used to invest in Futures Contracts tracking the value of Carbon Allowances. As the Futures Contracts acquired by the Issuer via a broker will be traded on margin, the Issuer will not be required to use the full proceeds raised by the issue of the ETC Securities to purchase relevant underlying Futures Contracts. The balance of the proceeds of the issuance of a Series of ETC Securities not used to acquire relevant Futures Contracts will be retained in the Settlement Cash Account held with the Custodian. The Issuer may also, on the advice of the Investment Advisor, invest in cash, cash equivalents, including money market funds and repurchase agreements, and exchange traded funds identified by the Investment Advisor.

Terms and Conditions of the Offer

The Issuer may elect for any reason or for no reason to refuse to accept any Subscription Order.

In particular, the Issuer may refuse to accept a Subscription order if, amongst other things (i) an Early Redemption Event has occurred; (ii) the Transfer Agent is subject to an insolvency or similar event and no replacement has been appointed and/or (iii) a Disruption Event has occurred and the Transfer Agent has determined that any request for Subscriptions and/or Buy-Backs should be temporarily suspended.

An Authorised Participant must also pay a subscription fee in an amount up to US\$1000.00 as notified to the Authorised Participant upon acceptance of the related Subscription Order by the Issuer (or the Transfer Agent on the Issuer's behalf) (the "**Subscription Fee**") to the Settlement Cash Account by such time as separately agreed with the Transfer Agent.

To be valid, each Subscription Order submitted by an Authorised Participant must be delivered in accordance with the terms of the applicable Authorised Participant Agreement.

In addition, the Issuer will only accept a Subscription Order if the following conditions are met:

- (a) the Subscription Order is determined to be valid by or on behalf of the Issuer;
- (b) the acceptance of such Subscription Order will not cause the Programme Maximum Number of ETC Securities or the Maximum Issue Size of the relevant Series to be exceeded;
- (c) the number of ETC Securities that are the subject of the Subscription Order is (i) at least equal to the Minimum Subscription Amount (if any) for the relevant Series; and (ii) at least equal to the Minimum Trading Amount (if any) for the relevant Series (each as defined below); and
- (d) all other conditions precedent to an issue of the ETC Securities are satisfied.

Any valid Subscription Orders received by the Subscription Order Cut-Off Time (as specified in the Final Terms) on a business day will generally enable the Authorised Participant to be registered as the holder of the ETC Securities within two business days.

The Issuer may elect at any time to repurchase all or some of the ETC Securities. Subject to satisfaction of the Buy-Back Conditions, Authorised Participants may also request that the Issuer buys back ETC Securities of a Series at any time.

During the life of the ETC Securities, ETC Holders can buy and sell ETC Securities through financial intermediaries on each stock exchange on which the ETC Securities are listed and exchange traded from time to time.

Minimum Denomination

Each ETC Security has a face value on issue equal to the issue price per ETC Security as determined on the Series Issue Date (the “**Issue Price Per ETC Security**”).

For the purposes of the Prospectus Regulation, the Issue Price per ETC Security of each Series shall be regarded as the minimum denomination of each ETC Security of such Series (the “**Minimum Denomination**”). The ETC Securities are being treated by the Issuer as having a Minimum Denomination of less than the USD equivalent of €100,000.

Issue Price Per ETC Security

The Issue Price per ETC Security on the Series Issue Date will be the issue price per ETC Security as determined by the Administrator by reference to the relevant Reference Index on the Series Issue Date, as specified in the Final Terms, subject to any applicable fees and commissions of the person offering such ETC Security.

The Issue Price per ETC Security for any subsequent tranche of ETC Securities issued after the Series Issue Date will be the issue price per ETC Security as determined by the Administrator by reference to the relevant Reference Index as of the Subscription Trade Date relating to such tranche. Only an Authorised Participant of a Series may request that the Issuer issues further ETC Securities of the relevant Series.

Minimum Trading Amount

The number of ETC Securities which may be transferred by an ETC Holder in a single transaction must be equal to at least the minimum amount (if any) specified in the Final Terms (the “**Minimum Trading Amount**”) and an integral multiple thereof.

Minimum Subscription Amount

Each Subscription Order must relate to a number of ETC Securities at least equal to the minimum subscription amount (if any) specified in the Final Terms for the relevant Series (the “**Minimum Subscription Amount**”).

Minimum Buy-Back Amount

Each Buy-Back Order must relate to a number of ETC Securities at least equal to the minimum amount (if any) specified in the Final Terms for the relevant Series (the “**Minimum Buy-Back Amount**”).

Authorised Offerors and Authorised Participants

An investor intending to acquire or acquiring any ETC Securities from an Authorised Offeror or Authorised Participant will do so, and offers and sales of the ETC Securities to an investor by an Authorised Offeror or Authorised Participant will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror or Authorised Participant and such investor including as to price, allocations and settlement arrangements. Likewise, any purchase of ETC Securities from an investor by an Authorised Offeror or Authorised Participant will be made in accordance with any terms and other arrangements in place between such investor and such Authorised Participant including as to price, fee and settlement arrangements.

Investors should not have any credit risk to Authorised Offerors or Authorised Participants where purchasing ETC Securities from or selling ETC Securities to Authorised Offerors or Authorised Participants through trades on a Relevant Stock Exchange (as defined in the Conditions), as such trades are settled on a delivery-versus-payment basis through the Clearing Systems. Where investors or ETC Holders enter into over-the-counter transactions with Authorised Offerors or Authorised Participants for the sale or purchase of ETC Securities, the extent to which such an investor or ETC Holder is exposed to credit risk to the Authorised Offeror or Authorised Participant (or to other risks relating to Subscription Orders or Buy-Back Orders placed by the Authorised Participant, including, without

limitation, the risks described in the Risk Factors section of this Base Prospectus entitled “*Disruption Events*”; “*Risk of delay and suspensions in relation to Buy-Backs due to Settlement Disruption Events or Events of Default*”; “*Buy-Back Orders are subject to the Buy-Back Conditions*”) will depend upon the specific terms of the arrangements between the investor or ETC Holder and the Authorised Offeror or Authorised Participant, including as to price, fees, and settlement arrangements (which may be on a delivery free of payment basis).

None of the Issuer, the Arranger nor any Transaction Party (other than, where applicable, the Authorised Participants) will be a party to any such arrangements with investors and, accordingly, this Base Prospectus and any Final Terms may not contain such information and, in such case, an investor must obtain such information from the relevant Authorised Offeror or Authorised Participant.

Investors should however note the following:

Amount of the offer: The number of ETC Securities subject to the offer will be determined on the basis of the demand for the ETC Securities and prevailing market conditions and be published.

Offer Price: Such price as is individually agreed between an Authorised Offeror or Authorised Participant and the relevant purchaser.

Offer Period: ETC Securities may be offered at any time during the period from and including the date of the Base Prospectus to (but excluding) the date falling 12 months after the date of the Base Prospectus unless such consent is withdrawn prior the date falling 12 months after the date of the Base Prospectus by notice published on the Issuer’s website at <https://kraneshares.eu/> (or such other website as may be notified to ETC Holders).

Estimated expenses charged to the investor

By the Issuer

Total Expense Ratio, Subscription Fees and Buy-Back Fees

The initial Total Expense Ratio for each Series shall be set out in the Final Terms of the first tranche of ETC Securities for that Series.

The Total Expense Ratio in respect of a Series may be varied by the Issuer from time to time, provided that no increase may take effect unless the ETC Holders of such Series have been given at least 30 calendar days’ prior notice in accordance with Condition 18 (*Notices*).

The Total Expense Ratio from time to time in respect of each Series and any proposed change to the Total Expense Ratio of any Series shall be published on the website maintained on behalf of the Issuer at <https://kraneshares.eu/> (or such other website as may be notified to ETC Holders).

A Subscription Fee of up to US\$1000.00 will be charged by the Issuer to the relevant Authorised Participant in respect of each Subscription of ETC Securities, which cost may be passed on to the investor. The amount payable will be as notified to the Authorised Participant upon acceptance of the related Subscription Order by the Issuer (or the Transfer Agent on the Issuer’s behalf). The Subscription Fee represents the Issuer’s costs of complying with the relevant Subscription Order.

In connection with any Buy-Back of ETC Securities, the applicable Buy-Back Fee will be no greater than US\$1000.00. The Buy-Back Fee represents the Issuer’s costs of complying with the relevant Buy-Back Order.

The amount of the Buy-Back Fee will be notified to the Authorised Participant upon receipt of the Buy-Back Order by the Issuer (or the Transfer Agent on the Issuer’s behalf) and must be paid on or before the Buy-Back Settlement Date.

Issuer Profit Amount

The Total Expense Ratio, Subscription Fees and Buy-Back Fees collected by the Issuer are for the purpose of enabling the Issuer to make payment to the Transaction Parties in respect of the services provided to the Issuer in

connection with the Programme. In order to ensure that the Issuer's participation in the programme is to its corporate benefit, the Issuer will charge, in respect of each Series of ETC Securities issued under the Programme, an annual profit amount of US\$500.00 in respect of the issuance of the ETC Securities (the "**Issuer Profit Amount**"). The Issuer Profit Amount will be a component of the Total Expense Ratio and will be paid into the Share Capital Account of the Issuer by the Arranger. The Issuer Profit Amount in respect of each Series of ETC Securities will be retained by the Issuer as a profit. Any amounts remaining in the Share Capital Account in respect of such Issuer Profit Amounts following the final redemption of the last Series of ETC Securities, payment of any outstanding liabilities and the costs of winding up the Issuer will be available for distribution to the Issuer's sole shareholder, Waystone Corporate Services (IE) Limited, as trustee for the beneficiaries of the trust fund established for charitable purposes by it under the Declaration of Trust.

No other costs will be charged to investors by the Issuer.

By Authorised Offerors and Authorised Participants

Additional expenses, if any, to be charged to the investor by any Authorised Offeror or Authorised Participant will be disclosed by such Authorised Offeror or Authorised Participant at the time of the relevant offer by such Authorised Offeror or Authorised Participant to such investor.

Listing and Admission to Trading

Application will be made for ETC Securities issued under the Programme within 12 months of this Base Prospectus (i) to be admitted to listing on the *Borsa Italiana* and to trading on the regulated market thereof and/or (ii) to be admitted to listing on the *Deutsche Börse* and to trading on the regulated market thereof.

Application may also be made for the ETC Securities to be admitted to listing and trading on other regulated markets within the European Union.

There can be no guarantee that such application will be successful or, if successful, that such admission to trading will be maintained.

Issue Specific Summary

An issue-specific summary prepared in accordance with Article 8 of the Prospectus Regulation (each, an "**Issue Specific Summary**") will be appended to the Final Terms for each Series of ETC Securities.

Publication of a Supplement

If the Issuer publishes a supplement to this Base Prospectus pursuant to Article 23 of the Prospectus Regulation which relates to the Issuer or the ETC Securities, investors who have already agreed to purchase ETC Securities before the supplement is published shall have the right to withdraw their acceptances by informing the relevant distributor in writing within 3 working days (or such other longer period as may mandatorily apply in the relevant country) of publication of the supplement. The terms and conditions of the ETC Securities and the terms on which they are offered and issued will be subject to the provisions of any such supplement.

Further Securities

Pursuant to Condition 17 (*Further Issues*), subject to Condition 5 (*Security and Application of Proceeds*), the Issuer may (without the consent of the Trustee or any ETC Holder), from time to time, create and issue further securities that have the same terms and conditions as an existing Series of ETC Securities in all respects (other than the issue date, issue price and Carbon Entitlement) and so that such further issue shall be consolidated and form a single series with the ETC Securities and the Issuer may incur further obligations relating to such ETC Securities (the "**Further Securities**"). These Further Securities are backed by the same assets as the existing ETC Securities and are fungible with same.

SETTLEMENT PROCEDURES

Subscription Settlement

In respect of each Series of ETC Securities, on any day (other than a Saturday or a Sunday) on which (i) the Clearing Systems, (ii) each Relevant Stock Exchange and (iii) commercial banks in London and Dublin are open for business (each, a “**Business Day**”), an Authorised Participant may request the Issuer to issue further ETC Securities to such Authorised Participant by submitting a Subscription Order to the Issuer via the Transfer Agent on behalf of the Issuer.

Each Subscription will be settled on such date after the Subscription Trade Date (which shall be a Settlement Day) as separately agreed between the Issuer and the Authorised Participant, as specified in the Final Terms of the relevant Tranche (the “**Subscription Settlement Date**”). Any valid Subscription Orders received by the Subscription Order Cut-Off Time (as specified in the Final Terms) on a Business Day will generally enable the Authorised Participant to be registered as the holder of the ETC Securities within two Business Days.

In the event that the Transfer Agent is unable to settle the Subscription Order and does not reasonably expect to be able to settle the Subscription Order in the foreseeable future, the Subscription Order may be cancelled, subject to the agreement of the Authorised Participant and the Transfer Agent on behalf of the Issuer, each acting in good faith and in a commercially reasonable manner.

In connection with each Subscription, the Authorised Participant will also be required to pay the applicable Subscription Fee, in the amount notified to the Authorised Participant upon acceptance of the related Subscription Order by the Issuer (or the Transfer Agent on the Issuer’s behalf), which amount shall not exceed US\$1000.00, to the Settlement Cash Account by such time as separately agreed with the Transfer Agent.

Buy-Back Settlement

On any Business Day, provided that the Buy-Back Conditions are met, an Authorised Participant may request that the Issuer buys back ETC Securities from such Authorised Participant by submitting a Buy-Back Order to the Transfer Agent on the Issuer’s behalf.

Prior to settlement of a Buy-Back, the Authorised Participant will be required to deliver to the Transfer Agent on behalf of the Issuer the relevant ETC Securities being bought back. In order for the Issuer to effect settlement of a Buy-Back on the Buy-Back Settlement Date, the Authorised Participant must have first transferred the ETC Securities into an appropriate account of the Transfer Agent with the Relevant Clearing System and given correct instructions to the Transfer Agent in accordance with the Buy-Back Order form by the Buy-Back Order Cut-Off Time (as specified in the Final Terms) on the Buy-Back Trade Date. To avoid delays, the Authorised Participant should contact the Transfer Agent for details of the Issuer’s account with the Transfer Agent prior to submitting a Buy-Back Order.

No interest or other amount shall be payable in connection with late deliveries or payments resulting from a failure by an Authorised Participant to deliver ETC Securities in connection with a Buy-Back Order.

In connection with each Buy-Back, the Authorised Participant will also be required to pay, as directed by the Transfer Agent the applicable Buy-Back Fee to the Settlement Cash Account.

The amount of the Buy-Back Fee will be notified to the Authorised Participant upon receipt of the Buy-Back Order by the Issuer (or the Transfer Agent on the Issuer’s behalf), and will be no greater than US\$1000.00.

Settlement of Early Redemptions and Final Redemptions

Final Redemptions or Early Redemptions of ETC Securities will be settled through the Clearing Systems to ETC Holders in accordance with Condition 10(b).

Settlement of trades

Investors may sell the ETC Securities from time to time in the secondary market to third parties or Authorised Participants.

See the section of this Base Prospectus entitled “*Clearing System Settlement Arrangements*” for details on settlement of trades in ETC Securities through the Clearing Systems.

Any offer or sale of ETC Securities to a prospective purchaser by an Authorised Offeror or Authorised Participant will be made in accordance with any terms and other arrangements in place between such Authorised Offeror or Authorised Participant and such prospective purchaser including as to price, allocations and settlement arrangements. Where such information is not contained in the Base Prospectus or Final Terms, it will be the responsibility of the applicable financial intermediary at the time of such offer to provide the prospective purchaser with that information and neither the Issuer, the Administrator or other Authorised Offeror or Authorised Participant has any responsibility or liability for such information.

Settlement on the *Deutsche Börse*

For the purpose of good delivery of the ETC Securities on the *Deutsche Börse*, Clearstream Banking *Aktiengesellschaft* (“**Clearstream Frankfurt**”) will issue, for each series and the relevant number of ETC Securities, a Global Registered Certificate (each a “**Global Registered Certificate**”) in the German language created under German law. Whenever the number of ETC Securities represented by the Global Registered Certificate of a Series changes, Clearstream Frankfurt will amend the relevant Global Registered Certificate accordingly.

Settlement on the *Borsa Italiana*

All ETC Securities traded on the *Borsa Italiana S.p.A.* are eligible for settlement through the normal Monte Titoli S.p.A. settlement systems on the deposit accounts opened with Monte Titoli S.p.A.

MASTER TERMS AND CONDITIONS OF THE ETC SECURITIES

The following is the text of the terms and conditions (the “Conditions”) that, subject to completion in accordance with the provisions of the Final Terms of the relevant Series, shall be applicable to each Series of ETC Securities.

Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the relevant Final Terms and/or Pricing Terms or (ii) these terms and conditions as so completed, shall be endorsed on the ETC Securities. For the avoidance of doubt, in the case of (i) above the blanks in the text of these terms and conditions shall be deemed to be completed by the information contained in the relevant Final Terms and/or Pricing Terms as if such information were inserted in such provisions; alternative or optional provisions in these terms and conditions which are not specified or which are expressly disappplied or deleted in the relevant Final Terms and/or Pricing Terms shall be deemed to be deleted from these terms and conditions; and all provisions of these terms and conditions which are inapplicable to the ETC Securities (including instructions, explanatory notes and text set out in square brackets) shall be deemed to be deleted from these terms and conditions, as required to give effect to the terms of the relevant Final Terms and/or Pricing Terms.

All references in these Conditions to the “Final Terms” shall be understood to include references to the “Pricing Terms” with respect to each Tranche of the Securities.

Italicised paragraphs contained in the Conditions are included as instructions, guidance or disclosure only and do not form part of the Conditions of the ETC Securities.

These terms and conditions apply separately to each Series and, accordingly, references in these terms and conditions to “**ETC Securities**” are to the ETC Securities of the relevant Series only and references to any defined term that applies in respect of each Series is to such defined term as it relates to such relevant Series (unless specified otherwise or unless the context otherwise requires).

A non-binding translation of the following text of the terms and conditions may be prepared in relation to each Series. The English language version of the terms and conditions shall be binding and shall prevail in all circumstances. Any such translations will not be reviewed and approved by the Central Bank or any another similar body in any other jurisdiction.

Copies of the relevant Issue Deed, Trust Deed, Security Document and Conditions referred to in these terms and conditions are available for inspection during normal business hours at the Specified Office of the Issuer and each of the Paying Agents and on the website of the Issuer at the following link: <https://kraneshares.eu/> and will be sent to an ETC Holder on request to the Issuer, the Principal Paying Agent or a Paying Agent.

References to any time in the Conditions or any Transaction Document are expressed using the 24-hour-clock convention. References in the Conditions or any Transaction Document to a party publishing any value, rate, level, notice or other information shall be deemed to include any agent, delegate or appointee of such party publishing such value, rate, level, notice or other information on behalf of that party.

References in these Conditions to any Authorised Participant subscribing for ETC Securities or requiring the Issuer to repurchase ETC Securities held by it by submitting a Subscription Order or Buy-Back Order (as applicable) directly with the Issuer shall be read as including (as applicable) reference to the Arranger subscribing for ETC Securities (on such terms as agreed between the Arranger and the Issuer as to fee and settlement arrangements, but otherwise in accordance with the terms provided in these Conditions in relation to Subscriptions and the subscription conditions and procedures described in the Base Prospectus) or requiring the Issuer to repurchase any ETC Securities held by the Arranger (on such terms as agreed between the Arranger and the Issuer as to fee and settlement arrangements but otherwise in accordance with the terms provided in these Conditions in relation to Buy-Backs and the Buy-Back procedures (including the Buy-Back Conditions) described in the Base Prospectus). Other than as provided above, any ETC Securities subscribed for by the Arranger shall be held by it solely in its capacity as an investor (and not, for the avoidance of doubt, as an Authorised Participant) and subject to the Conditions applicable to the ETC Securities, with the exception of the Arranger’s additional right to submit Buy-Back Orders directly with the Issuer on the same terms as Authorised Participants.

1. **Definitions**

In the Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Administration Agreement” means the administration agreement dated 12 September 2024 between the Administrator and the Issuer as amended, supplemented, novated or replaced from time to time.

“Administrator” means SEI Global Services, Inc. and any successor or replacement thereto as administrator under the Administration Agreement in respect of a Series.

“Administrator/Benchmark Event” means any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Reference Index or the administrator or sponsor of the Reference Index (as applicable) has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that the Issuer, the Administrator or any other entity is not, or will not be, permitted under any applicable law or regulation to use the Reference Index (as applicable) to perform its or their respective obligations under the ETC Securities.

“Affiliate” means, in relation to any person or entity, any other person or entity controlled, directly or indirectly, by the person or entity, any other person or entity that controls, directly or indirectly, the person or entity or any other person or entity directly or indirectly under common control with the person or entity. For these purposes, **“control”** of any entity or person means the power, directly or indirectly, either to (i) vote 10 per cent. or more of the securities having ordinary voting power for the election of directors of the relevant person or entity or (ii) direct or cause the direction of the management and policies of such person or entity whether by contract or otherwise.

“Agency Agreement” means, in respect of a Series, the agency agreement in the form of the Master Agency Terms dated on or about the Series Issue Date created by entry into of the Issue Deed for the first Tranche of such Series by the Issuer, the Administrator, the Trustee, the Principal Paying Agent, each relevant Paying Agent (as may be required by the rules of any Relevant Stock Exchange), the Registrar and any other parties specified in such Issue Deed as being a party to such Agency Agreement, as amended and/or supplemented by such Issue Deed and as such Agency Agreement is amended, supplemented, novated or replaced from time to time.

“Agents” means the Administrator, the Custodian, the Principal Paying Agent, any other Paying Agent(s), the Registrar, the Transfer Agent and such other agent(s) as may be appointed from time to time in relation to the ETC Securities under the Administration Agreement, the Custody Agreement, the Agency Agreement, the Transfer Agency Agreement or any other agreement with the Issuer under which such agent is appointed from time to time in relation to the ETC Securities, as applicable, and any successor or replacement thereto and **“Agent”** means any of them.

“Appointee” means any agent, delegate, sub-delegate or nominee appointed by the Trustee or the Security Trustee under the Trust Deed or the Security Document, as applicable.

“Arranger” means Krane Funds Advisors, LLC in its capacity as arranger under the Programme and any successor and/or replacement thereto.

“Authorised Participant” means, in respect of a Series, any authorised participant that is appointed as an Authorised Participant for such Series under an Authorised Participant Agreement, and any successor or replacement thereto.

“Authorised Participant Agreement” means, in respect of a Series and in respect of an Authorised Participant, the authorised participant agreement entered into by the Issuer and the relevant Authorised Participant and any other parties thereto relating to such Authorised Participant’s appointment as such, as amended, supplemented, novated or replaced from time to time.

"Average Futures Contracts Sale Price" means, in respect of a Redemption Disposal Period, a price determined by the Administrator, as specified in the Final Terms for such Series as being equal to:

(i) the Net Redemption Sale Proceeds in respect of such Redemption Disposal Period;

divided by

(ii) the total number of Futures Contracts as at the start of such Redemption Disposal Period.

"Business Day" means, in respect of a Series, each day (other than a Saturday or a Sunday) on which (i) the Clearing Systems and (ii) commercial banks in London and Dublin are open for business.

"Buy-Back" has the meaning ascribed thereto in Condition 7(e)(*Purchases and Buy-Backs*).

"Buy-Back Conditions" has the meaning ascribed thereto in Condition 7(e)(*Purchases and Buy-Backs*).

"Buy-Back Fee" has the meaning ascribed thereto in Condition 7(e)(*Purchases and Buy-Backs*).

"Buy-Back Order" has the meaning ascribed thereto in Condition 7(e)(*Purchases and Buy-Backs*).

"Buy-Back Order Cut-Off Time" means, in respect of a Series and a Buy-Back Order in respect of ETC Securities of such Series, such time as specified in the Final Terms for the first Tranche of such Series as the cut-off time for receipt of such Buy-Back Order.

"Buy-Back Settlement Amount" means an amount in USD determined by the Administrator as being equal to the product of (i) the Cash Value per ETC Security as of the relevant Buy-Back Trade Date and (ii) the total number of ETC Securities being bought back.

"Buy-Back Settlement Date" means, in respect of a Buy-Back of ETC Securities, the date (which shall be a Settlement Day) on which the broker instructs the delivery of an amount of the relevant Futures Contracts representing the Buy-Back Settlement Amount from the account(s) of the Issuer to or to the order of the Transfer Agent.

"Buy-Back Trade Date" means a Business Day on which a Buy-Back Order is submitted by an Authorised Participant by the relevant Cut-Off Time and determined to be valid and accepted and processed by or on behalf of the Issuer in accordance with Condition 7(e)(*Purchases and Buy-Backs*).

"Cash Account" means a cash account of the Arranger, an Authorised Participant or ETC Holder with a bank in London able to accept USD-denominated transfers.

"Carbon Entitlement" means the quantity of each Futures Contract (together with cash and cash equivalent assets) that backs each individual ETC Security, which, as at the Series Issue Date, will be specified in the relevant Final Terms of the first Tranche of ETC Securities for such Series and as determined by the Administrator thereafter.

"Cash Value per ETC Security", in relation to a Series of ETC Securities, shall have the meaning ascribed thereto in Condition 4(b) (*Determination of Cash Value per ETC Security*).

"Clearing System" means any of Euroclear, Clearstream, Luxembourg, or any replacement clearing system and **"Clearing Systems"** shall be construed accordingly.

"Clearstream, Luxembourg" means Clearstream Banking, *société anonyme*, Luxembourg.

"Common Depositary" means, in relation to a Series of ETC Securities issued in classic global note form, the common depositary on behalf of Euroclear and Clearstream, Luxembourg appointed in respect of such Series.

“Common Safekeeper” means, in relation to a Series of ETC Securities held under the new safekeeping structure, the common safekeeper for Euroclear and Clearstream, Luxembourg appointed in respect of such Series.

“Conditions” means these terms and conditions, as supplemented and/or varied or completed, as applicable, in respect of a Series or a particular Tranche by Part A of the relevant Final Terms and the provisions of any Global Registered Security.

“Corporate Services Agreement” means the corporate services agreement in respect of the Issuer dated 12 September 2024 entered into by the Issuer and the Corporate Services Provider as amended, supplemented, novated or replaced from time to time.

“Corporate Services Provider” means, with respect to the Issuer, Waystone Corporate Services (IE) Limited and any successor or replacement thereto.

“Custodian” means Brown Brothers Harriman & Co. and any successor or replacement thereto, as custodian under the Custody Agreement.

“Custody Agreement” means the custody agreement dated 12 September 2024 between the Issuer and the Custodian as amended, supplemented, novated or replaced from time to time.

“Cut-Off Time” means, in respect of a Series, the Buy-Back Order Cut-Off Time or the Subscription Order Cut-Off Time, as applicable.

“Denomination” has the meaning ascribed thereto in Condition 2 (*Form, Denomination and Title*).

“Disrupted Redemption Method” has the meaning given to it in Condition 8(c)(i) (*Postponement relating to the Final Redemption or Early Redemption of the ETC Securities*).

“Disruption Event” has the meaning given to it in Condition 8(a) (*Disruption Events*).

“Disruption Postponable Date” has the meaning given to it in Condition 8(c)(i) (*Postponement relating to the Final Redemption or Early Redemption of the ETC Securities*).

“Early Redemption” means, in relation to a Series of ETC Securities, a redemption in accordance with these Conditions of all outstanding ETC Securities of such Series following the occurrence of (i) an Issuer Call Redemption Event, (ii) an Early Redemption Event or (iii) an Event of Default.

“Early Redemption Amount” means an amount (which amount may incorporate an interest redemption premium, being any excess over the Issue Price per ETC Security for the first Tranche of the Series on the Series Issue Date) per ETC Security determined by the Administrator and denominated in USD equal to the greater of:

- (i) the product of (a) the Carbon Entitlement as at the Early Redemption Trade Date and (b) the Average Futures Contracts Sale Price for the relevant Redemption Disposal Period; and
- (ii) the Nominal Amount plus the Specified Interest Amount.

“Early Redemption Event” has the meaning given to it in Condition 7(c) (*Issuer Call Redemption Event*) and Condition 7(d) (*Early Redemption Events*).

“Early Redemption Settlement Date” means, subject to postponement in accordance with Condition 8(c) (*Postponement relating to the Final Redemption or Early Redemption of the ETC Securities*), the fifteenth Business Day following the receipt by the Issuer of the Net Redemption Sale Proceeds, provided that if such date is not a Settlement Day, the Early Redemption Settlement Date shall be the next following Settlement Day.

“Early Redemption Trade Date” means, subject to postponement in accordance with Condition 8(c) (*Postponement relating to the Final Redemption or Early Redemption of the ETC Securities*), the earlier of (i) the date of occurrence of an Early Redemption Event determined in accordance with Condition 7(c) (*Issuer Call Redemption Event*) or Condition 7(d) (*Early Redemption Events*) and (ii) the date of an Event of Default Redemption Notice, provided that if such date is not a Business Day, the Early Redemption Trade Date shall be the next following Business Day.

“Eligible Buy-Back Trade Date” means each Business Day.

“ETC Holder” or **“holder”** means each person who is for the time being a holder of the ETC Securities (being each person who is for the time being shown in the Register as the holder of a particular number of ETC Securities or, in the case of a joint holding, the person first named in the Register) save that, in respect of the ETC Securities of any Series, for so long as such ETC Securities are represented by a Global Registered Security deposited with a common depository for, and registered in the nominee name of, a common depository for Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg, as applicable) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular number of the ETC Securities shall be deemed to be the holder of such number of ETC Securities (and the registered holder of such Global Registered Security shall be deemed not to be the holder) for all purposes other than with respect to (a) the payment of principal, premium (if any) or interest (if any) and (b) the Provisions for Meetings of ETC Holders;

“ETC Securities” means, unless the context otherwise requires, the securities in the form of notes issued in respect of a particular Series, the return on which is linked to the performance of a specified Reference Index and which are backed by holdings of Futures Contracts included in such Reference Index as specified in the Final Terms related to such Series.

“Euroclear” means Euroclear Bank, S.A./N.V. and any successor thereto.

“Event of Default” has the meaning given to it in Condition 12 (*Events of Default*).

“Event of Default Redemption Notice” has the meaning given to it in Condition 12 (*Events of Default*).

“Extraordinary Resolution” means, in respect of a Series, either:

- (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast, provided that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the aggregate number of the ETC Securities of such Series who for the time being are entitled to receive notice of a meeting held in accordance with the Trust Deed shall, for all purposes, be as valid and effectual as an Extraordinary Resolution passed at a meeting of such ETC Holders duly convened and held in accordance with the relevant provisions of the Trust Deed; or
- (ii) a resolution given by way of electronic consents by a majority of at least 75 per cent. of the votes cast by or on behalf of the holders of not less than 75 per cent. of the aggregate number of the ETC Securities of such Series who for the time being are entitled to receive notice of a meeting held in accordance with the Trust Deed communicated through the electronic communications systems of the relevant Clearing System(s) to the Paying Agent or another specified agent and/or the Trustee in accordance with their operating rules and procedures by or on behalf of the holders.

“Fees and Expenses Agreement” means the fees and expenses agreement entered into on 11 September 2024, as amended and/or restated from time to time between *inter alios* the Issuer and the Arranger pursuant to which the Arranger agreed, in exchange for the payment of the Operational Fee, to perform certain services for the Issuer as Arranger (the **“Arranger Support”**) and to ensure the payment of all fees, taxes and other expenses of the Issuer, including, without limitation, all amounts payable to each other Transaction Party under the Transaction Documents and to any other service providers of the Issuer,

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(but excluding any indemnities granted by the Issuer in favour of the other service providers) in respect of the ongoing fees and expenses of the Issuer in connection with the Programme.

“Final Redemption” means, in relation to a Series of ETC Securities, a redemption in accordance with these Conditions of all outstanding ETC Securities of such Series upon the occurrence of the Scheduled Maturity Date for such Series.

“Final Redemption Amount” means an amount (which amount may incorporate an interest redemption premium, being any excess over the Issue Price per ETC Security for the first Tranche of the Series on the Series Issue Date) per ETC Security determined by the Administrator and denominated in USD equal to the greater of:

- (i) the product of (a) the Carbon Entitlement as at the Final Redemption Valuation Date and (b) the Average Futures Contracts Sale Price for the relevant Redemption Disposal Period; and
- (ii) the Nominal Amount plus the Specified Interest Amount.

“Final Redemption Valuation Date” means, subject to postponement in accordance with Condition 8(c) (*Postponement relating to the Final Redemption or Early Redemption of the ETC Securities*), the date falling 40 Business Days prior to the Scheduled Maturity Date.

“Final Terms” means, in respect of a Series and a Tranche, the final terms issued specifying the relevant issue details of such Tranche of ETC Securities for such Series, in the form and on the same terms as set out in the Issue Deed relating to the first Tranche of ETC Securities for such Series (and with the final terms for each Tranche of a Series resulting in the same terms and conditions as the ETC Securities in all respects other than the Issue Date and Carbon Entitlement and so that such further Tranche shall be consolidated and form a single series with the ETC Securities pursuant to Condition 17 (*Further Issues*), provided that, for the avoidance of doubt, different issue dates and updated references to the number of ETC Securities of the Series and updated references to other variables as they stand at or around the issue date of the Tranche shall not result in different terms and conditions or to the final terms for the Tranche being deemed to be on different terms or in a different form).

“Futures Contracts” means futures contracts in respect of major global carbon allowances.

“Global Carbon Index” means the S&P Global Carbon Credit Index administered by S&P Dow Jones Indices Limited and published on the website of S&P Dow Jones Indices Limited (“**S&P**”) as index administrator at <https://www.spglobal.com/spdji/en/indices/commodities/sp-global-carbon-credit-index/#overview> and displayed on Bloomberg ticker GLCARB.

“Global Registered Security” means, in respect of each Series, the registered certificate substantially in the form set out in Schedule 1 (*Form of Global Registered Security (other than Global Registered Security held under the NSS)*) of the Master Trust Terms or, as the case may be, in the form set out in Schedule 2 (*Form of Global Registered Security (Global Registered Security held under the NSS)*) of the Master Trust Terms representing the ETC Securities of one or more Tranches of such Series.

“Individual Securities” means ETC Securities in individual, definitive registered form and any registered certificate representing one or more ETC Securities of the same Series and, save as provided in the Conditions, comprising the entire holding by an ETC Holder of ETC Securities of that Series being substantially in the form set out in Schedule 3 (*Form of Individual Security*) of the Master Trust Terms.

“Initial Early Redemption Event” has the meaning given to it in Condition 7(b)(iii) (*Early Redemption*).

“Irish Law Secured Property” means, in respect of a Series, the Secured Assets and the Secured Agent Rights which are secured pursuant to the Irish Law Security Trust Deed for such Series.

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“Irish Law Security Trust Deed” means, in respect of a Series, the Irish law security trust deed entered into as a deed in the form of the Master Irish Law Security Trust Terms dated on or about the Series Issue Date created by entry into of the Issue Deed for the first Tranche of such Series by the Issuer, the Security Trustee and any other parties specified in such Issue Deed as being a party to such Irish Law Security Trust Deed, as amended and/or supplemented by such Issue Deed and as such Irish Law Security Trust Deed is amended, supplemented, novated or replaced from time to time.

“Issue Date” means, in respect of a Tranche of ETC Securities, the date on which the ETC Securities of such Tranche are due to be issued to the relevant Authorised Participant(s) or, if applicable, the Arranger, which has subscribed for such Tranche of ETC Securities, as specified in the Final Terms relating to such Tranche.

“Issue Deed” means, in respect of a Series, the issue deed made between, amongst others, the Issuer, the Trustee, the Security Trustee and any other parties specified therein and which constitutes such Series (as amended, supplemented, novated or replaced from time to time) and which will be entered into at the time of the first Tranche of ETC Securities for that Series and which will apply, without further action and without the need for re-execution or execution of a new Issue Deed, to any further Tranches of that Series.

“Issue Price per ETC Security” means the issue price per ETC Security, as determined by the Administrator by reference to the relevant Reference Index on such Issue Date.

“Issuer” means KraneShares ETC plc, a public limited liability company incorporated and registered in Ireland with registration number 760531, or any replacement or successor thereto.

“Issuer Call Redemption Event” has the meaning given to it in Condition 7(c) (*Issuer Call Redemption Event*).

“Issuer Call Redemption Notice” has the meaning given to it in Condition 7(c) (*Issuer Call Redemption Event*).

“Issuer Profit Amount” means, in respect of each Series, the annual profit amount payable to the Issuer in the amount of USD 500.00 in respect of the issuance of the ETC Securities.

“Issuer Series Fees and Expenses” means, in respect of a Series, any fees, Taxes, expenses and other amounts payable by the Issuer pursuant to the Transaction Documents and/or properly incurred by the Issuer, including for the avoidance of doubt, the Operational Fee, in each case, relating to such Series and (in the case of the Principal Paying Agent) reimbursement in respect of any proper payment of Redemption Amounts and default interest (if any) made to the Authorised Participant and any other amounts due to the Principal Paying Agent, Transfer Agent and Custodian.

“KYC Procedures” has the meaning ascribed thereto in Condition 7(e) (*Purchases and Buy-Backs*).

“Market Value Event Notice” has the meaning given to it in Condition 7(d)(iii) (*Market Value Redemption Event*).

“Market Value Redemption Event” has the meaning given to it in Condition 7(d)(iii) (*Market Value Redemption Event*).

“Market Value Redemption Notice” has the meaning given to it in Condition 7(d)(iii) (*Market Value Redemption Event*).

“Master Agency Terms” means, in respect of a Series, the master agency terms relating to the Programme specified in the Issue Deed in relation to such Series, as amended, supplemented, novated or replaced from time to time in respect of that Series, whether in the Issue Deed or otherwise in accordance with the Conditions.

“Master Irish Law Security Trust Terms” means, in respect of a Series, the master Irish law security trust terms relating to the Programme specified in the Issue Deed in relation to such Series, as amended,

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supplemented, novated or replaced from time to time in respect of that Series, whether in the Issue Deed or otherwise in accordance with the Conditions.

“Master Terms and Conditions” means, in respect of a Series, the master terms and conditions relating to the Programme specified in the Issue Deed in relation to such Series, as amended, supplemented, novated or replaced from time to time in respect of that Series, whether in the Issue Deed or otherwise in accordance with the Conditions.

“Master Trust Terms” means, in respect of a Series, the master trust terms relating to the Programme specified in the Issue Deed in relation to such Series, as amended, supplemented, novated or replaced from time to time in respect of that Series, whether in the Issue Deed or otherwise in accordance with the Conditions.

“Minimum Buy-Back Amount” means the minimum buy-back amount as specified in the Final Terms for the relevant Series.

“Minimum Subscription Amount” means the minimum subscription amount as specified in the Final Terms for the relevant Series.

“Minimum Trading Amount” means, in respect of any Series, the minimum number (if any) of ETC Securities which may be transferred by an ETC Holder in a single transaction, as specified in the Final Terms.

“Net Redemption Sale Proceeds” means, in respect of a Redemption Disposal Period, an amount denominated in USD equal to the Total Redemption Sale Proceeds.

“Nominal Amount” means, in respect of a Series, an amount equal to 10 per cent. of the Issue Price per ETC Security for the first Tranche of such Series on the Series Issue Date, as shall be specified in the Final Terms for each Tranche of such Series.

“Non-Disrupted Day” means the Series Issue Date and each day thereafter that is a Business Day and is not a Suspended Day or a day which falls within a Suspension Period.

“Obligor” means each person that has an obligation to the Issuer pursuant to the Secured Property.

“Operational Fee” means, in respect of each Series, the operational fee payable by the Issuer to the Arranger in exchange for the Arranger’s services and its undertaking to ensure payment of all fees, Taxes and expenses of the Issuer attributable to such Series, including, without limitation, any amounts due to the relevant Transaction Parties under the Transaction Documents and other service providers to the Issuer and the Issuer Profit Amount, as calculated by the Administrator on the basis of the Total Expense Ratio.

“Other Creditor” means, in respect of a Series, each person that is entitled to the benefit of Other Issuer Obligations for such Series.

“Other Issuer Obligations” means the obligations and duties of the Issuer owed to any party under the Transaction Documents other than the Secured Issuer Obligations and **“Other Issuer Obligation”** means any of them.

“outstanding” means, in relation to the ETC Securities:

- (i) on the Series Issue Date, the ETC Securities issued on such date; and
- (ii) on any day thereafter, all the ETC Securities issued on or prior to such day except:

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- (a) those that have been redeemed in accordance with Condition 7 (*Redemption, Purchase and Options*);
- (b) those that have been cancelled for any reason;
- (c) those in respect of which the date for redemption has occurred and the redemption moneys have been duly paid to the Trustee or to the Principal Paying Agent and which remain available for payment against presentation and surrender of ETC Securities;
- (d) those that have become void or in respect of which claims have become prescribed;
- (e) those which have been issued and which are pending settlement to an Authorised Participant but in respect of which either the settlement date for which has not yet been reached or the relevant Authorised Participant has not delivered in full the relevant subscription amount to the Custodian for the purposes of such settlement;
- (f) those that have been purchased, settled and cancelled as provided in Condition 7(e) (*Purchases and Buy-Backs*);
- (g) those mutilated or defaced ETC Securities that have been surrendered in exchange for replacement ETC Securities;
- (h) (for the purpose only of determining how many ETC Securities are outstanding and without prejudice to their status for any other purpose) those ETC Securities alleged to have been lost, stolen or destroyed and in respect of which replacement ETC Securities have been issued; and
- (i) any Global Registered Security to the extent that it shall have been exchanged for one or more Individual Securities pursuant to its provisions,

provided that for the purposes of (I) ascertaining the right to attend and vote at any meeting of the ETC Holders, (II) the determination of how many ETC Securities are outstanding for the purposes of the Conditions, the Trust Deed and the Security Document and (III) the exercise of any discretion, power or authority that the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the ETC Holders, those ETC Securities that are beneficially held by or on behalf of the Issuer and not cancelled shall (unless no longer so held) be deemed not to remain outstanding.

“Paying Agent” means the Principal Paying Agent and any other paying agent appointed by the Issuer under the Agency Agreement with its Specified Office in any city where a Stock Exchange on which the ETC Securities are listed requires there to be a Paying Agent and specified in the Final Terms (including any successor or replacement thereto).

“Post-enforcement Minimum Accumulated Amount” has the meaning given to it in Condition 5(f) (*Accumulation of Moneys*).

“Principal Paying Agent” means Citibank N.A., London Branch and any successor or replacement thereto or any delegate or sub-delegate thereof in its capacity as principal paying agent under the Agency Agreement.

“Proceedings” has the meaning given to it in Condition 21(b) (*Jurisdiction*).

“Programme” means the KraneShares ETC Securities Programme of the Issuer.

“Programme Maximum Number of ETC Securities” means fifty billion (50,000,000,000).

“Qualifying Assets” shall have the meaning given to it in section 110(1) of the TCA.

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“Record Date” means the Business Day immediately prior to the date on which any payment is required to be made in accordance with the Conditions.

“Redemption” means, in respect of any Series of ETC Securities, any Early Redemption or Final Redemption of the ETC Securities of such Series.

“Redemption Amount” means the Final Redemption Amount or Early Redemption Amount, as applicable.

“Redemption Disposal Period” means:

- (i) in respect of an early redemption of the ETC Securities, the period from (and including) the Early Redemption Trade Date to (but excluding) the fifth Business Day immediately preceding the Early Redemption Settlement Date (the **“Early Redemption Disposal Period”**); or
- (ii) in respect of a final redemption of the ETC Securities, the period from (and including) the Final Redemption Valuation Date to (but excluding) the fifth Business Day immediately preceding the Scheduled Maturity Date (the **“Final Redemption Disposal Period”**).

“Redemption Notice” means an Event of Default Redemption Notice, and Issuer Call Redemption Notice, a Market Value Event Notice or a Service Provider Non-Replacement Redemption Notice.

“Reference Index” means, in respect of a Series, the reference index to which such Series is linked, as specified in the Final Terms related to such Series, and **“relevant Reference Index”** shall be construed accordingly.

“Reference Index Event” means:

- (i) a permanent or indefinite cessation in the provision of the relevant Reference Index by the relevant Reference Index Source (and no successor index administrator will continue to provide the Reference Index); or
- (ii) the occurrence of an Administrator/Benchmark Event.

“Reference Index Source” means any screen or other source on which the relevant Reference Index is expected to be displayed or published, as such screen or source may be replaced or succeeded pursuant to Condition 9 (*Successor Reference Index, Successor Reference Index Source and Reference Index Event*), and at the date of the Base Prospectus means, the website of S&P Dow Jones Indices Limited as index administrator, and **“relevant Reference Index Source”** shall be construed accordingly.

“Registrar” means any such person appointed by the Issuer from time to time to maintain the registers of persons holding the ETC Securities.

“Regulatory Requirement Amendments”, for a Series, has the meaning given to it in Condition 19 (*Regulatory Requirement Amendments*).

“Regulatory Requirement Amendments Certificate”, for a Series, has the meaning given to it in Condition 19(iv) (*Regulatory Requirement Amendments*).

“Regulatory Requirement Event” means, for a Series, that, as a result of a Relevant Regulatory Law:

- (i) the ETC Securities or any of the transactions contemplated by the Conditions and the Transaction Documents are not, or will cease to be, compliant with one or more Relevant Regulatory Laws;
- (ii) the Issuer and/or any Transaction Party is not, or will cease to be, compliant with one or more Relevant Regulatory Laws; or

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- (iii) the Issuer and/or any Transaction Party is not, or will cease to be, able to continue to transact future business (as issuer of ETC Securities or as a transaction party to the Issuer pursuant to the Programme) in compliance with all Relevant Regulatory Laws.

“Relevant Clearing System” means, in respect of a Series, each of the Clearing Systems and any additional or alternative clearing system approved by the Issuer, the Trustee and the Principal Paying Agent for such Series.

“Relevant Date” has the meaning given to it in Condition 11 (*Prescription*).

“Relevant Regulatory Law” means, in respect of a Series:

- (i) the Dodd-Frank Act, the Bank Holding Company Act of 1956 and the Federal Reserve Act of 1913 (or similar legislation in other jurisdictions) and the implementation or adoption of, or any change in, any law, regulation or rule related thereto and any formal or informal technical guidelines and regulatory technical standards, further regulations, official guidance or official rules or procedures with respect thereto;
- (ii) Regulation 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC Derivatives, central counterparties and trade repositories, including as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by The Over the Counter Derivatives, Central Counterparties and Trade Repositories (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018, The Trade Repositories (Amendment and Transitional Provision) (EU Exit) Regulations 2018, and The Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018) and the implementation or adoption of, or any change in, any law, regulation or rule related thereto and any formal or informal technical guidelines and regulatory technical standards, further regulations, official guidance or official rules or procedures with respect thereto;
- (iii) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), including as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, and the implementation or adoption of, or any change in, any law, regulation or rule related thereto and any formal or informal technical guidelines and regulatory technical standards, further regulations, official guidance or official rules or procedures with respect thereto;
- (iv) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, including as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, and the implementation or adoption of, or any change in, any law, regulation or rule related thereto and any formal or informal technical guidelines and regulatory technical standards, further regulations, official guidance or official rules or procedures with respect thereto;
- (v) Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and/or Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019 (2019/328) (as applicable) and the implementation or adoption of, or any change in, any law, regulation or rule related thereto and any formal or informal technical guidelines and regulatory technical standards, further regulations, official guidance or official rules or procedures with respect thereto;
- (vi) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and/or Part I of the UK Banking Act 2009 and any other law or regulation applicable in the UK relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings) (as applicable) and the implementation or adoption of, or any change in, any law, regulation or rule related thereto and any formal or informal technical guidelines and regulatory

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technical standards, further regulations, official guidance or official rules or procedures with respect thereto;

- (vii) Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market and the implementation or adoption of, or any change in, any law, regulation or rule related thereto and any formal or informal technical guidelines and regulatory technical standards, further regulations, official guidance or official rules or procedures with respect thereto;
- (viii) Council Directive (EU) 2017/952 of 29 May 2017 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries and the implementation or adoption of, or any change in, any law, regulation or rule related thereto and any formal or informal technical guidelines and regulatory technical standards, further regulations, official guidance or official rules or procedures with respect thereto;
- (ix) Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014;
- (x) the implementation or adoption of, or any change in, any applicable law, regulation, rule, guideline, standard or guidance of any jurisdiction (whether within the European Union or not) after the Relevant Regulatory Law Reference Date, and with applicable law, regulation, rule, guideline, standard or guidance for this purpose meaning (a) any similar, related or analogous law, regulation, rule, guideline, standard or guidance to those in paragraphs (i) to (viii) above or any law or regulation that imposes a financial transaction tax or other similar tax or (b) any law, regulation, rule, guideline, standard or guidance of any jurisdiction that is changed or that is implemented as a result of the UK's departure from the E.U. (or, where such change or implementation occurs in the UK only, after the UK's departure from the E.U.);
- (xi) any arrangements or understandings that any Transaction Party or any of its Affiliates may have made or entered into with any regulatory agency with respect to its or any of their legal entity structure or location with regard to (a) any of paragraphs (i) to (ix) above or (b) the United Kingdom's departure from the E.U.; or
- (xii) any change in any of the laws, regulations, rules, guidelines, standards or guidance referred to in paragraphs (i) to (ix) above as a result of the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction after the Relevant Regulatory Law Reference Date or as a result of the public or private statement or action by, or response of, any court, tribunal or regulatory authority with competent jurisdiction or any official or representative of any such court, tribunal or regulatory authority acting in an official capacity with respect thereto.

"Relevant Regulatory Law Reference Date" means, for a Series, the date specified in the Final Terms.

"Relevant Stock Exchange" means, in respect of a Series, the London Stock Exchange or any other stock exchange on which the Issuer has agreed a Series of ETC Securities are to be listed, as specified in the Final Terms for such Series.

"RIS" means a regulated information service for the purposes of giving information relating to the ETC Securities and/or the rules of the Relevant Stock Exchange chosen by the Issuer (or an agent acting on the Issuer's behalf) from time to time.

"Scheduled Maturity Date" means, in respect of a Series, the date specified in the Final Terms of the first Tranche of ETC Securities for that Series, subject to postponement in accordance with Condition 8(c) (*Postponement relating to the Final Redemption or Early Redemption of the ETC Securities*) and provided

that if such date is not a Business Day, the Scheduled Maturity Date shall be the next following Business Day.

“Secondary Early Redemption Event” has the meaning given to it in Condition 7(b)(iii) (*Early Redemption*).

“Secured Agent Rights” means, in respect of a Series, the rights and interest of the Issuer in and under the Agency Agreement, the Transfer Agency Agreement, the Administration Agreement, the Authorised Participant Agreements and the Custody Agreement for such Series and the rights, title and interest of the Issuer in all property, assets and sums derived from such agreements.

“Secured Assets” means, in respect of a Series, (i) the Issuer’s rights against the Custodian; (ii) the Settlement Cash Account and all funds standing to the credit of the Settlement Cash Account; (iii) all property, assets and sums held by the Principal Paying Agent and/or the Custodian in connection with such Series and/or any Transaction Document; (iv) the Issuer’s rights against each Transaction Party under each Transaction Document; and (v) any other property, assets and/or sums which have been charged, assigned, pledged and/or otherwise made subject to the security created by the Issuer in favour of the Security Trustee for the benefit of the Secured Creditors pursuant to each Security Document, and that, in each case, have not been released in accordance therewith.

“Secured Creditor” means, in respect of a Series, each person that is entitled to the benefit of Secured Issuer Obligations for such Series.

“Secured Issuer Obligations” means, in respect of a Series, the obligations and duties of the Issuer (i) under the Trust Deed, the Security Document and each ETC Security, (ii) to pay the Taxes (other than any income, corporation or similar tax), fees, expenses or other amounts due to the Principal Paying Agent and the Paying Agents pursuant to the Agency Agreement, due to the Custodian pursuant to the Custody Agreement, due to the Administrator pursuant to the Administration Agreement, due to the Account Bank pursuant to the Account Bank Agreement and due to any other party pursuant to any other agreement in respect of which the Issuer and the Security Trustee have agreed as constituting Secured Issuer Obligations and (iii) to pay any other amount payable by the Issuer that is listed in Condition 5(c) (*Application of Proceeds of Enforcement of Security*), in each case to the extent such amounts relate to such Series, and **“Secured Issuer Obligation”** means any of them.

“Secured Property” means, in respect of a Series, the Irish Law Secured Property.

“Security” has the meaning given to it in Condition 5(a).

“Security Document” means, in respect of a Series, the Irish Law Security Trust Deed.

“Security Trustee” means Waystone Corporate Services (IE) Limited and any successor or replacement thereto as security trustee under the Security Document in respect of any Series of ETC Securities.

“Series” means, in respect of ETC Securities, all ETC Securities having the same ISIN, WKN or other similar identifier.

“Series Issue Date” means, in respect of a Series, the issue date of the first Tranche of such Series.

“Service Provider Non-Replacement Redemption Event” has the meaning given to it in Condition 7(d)(ii) (*Service Provider Non-Replacement Redemption Event*).

“Service Provider Non-Replacement Redemption Notice” has the meaning given to it in Condition 7(d)(ii) (*Service Provider Non-Replacement Redemption Event*).

“Settlement Cash Account” means, in respect of a Series, a cash account denominated in US dollars opened with the Custodian (and any successor or replacement thereto) in the name of the Issuer and operated by the Issuer, the Administrator or the Transfer Agent (in each case, as authorised by the Issuer),

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into which amounts received by or on behalf of the Issuer shall be paid from time to time, including but not limited to, the Net Redemption Sale Proceeds.

"Settlement Day" means, in respect of a Series, each day (other than a Saturday or a Sunday) on which (i) the Clearing Systems and (ii) commercial banks in London and Dublin are open for business.

"Share Capital Account" means a cash account denominated in US dollars opened with the Account Bank (and any successor or replacement thereto) in the name of the Issuer established for holding, *inter alia*, the Issuer's share capital and the Issuer Profit Amount.

"Specified Interest Amount" means, in respect of an ETC Security, 1 per cent. of the Nominal Amount and which shall represent interest payable by the Issuer in connection with the Final Redemption Amount or Early Redemption Amount, as the case may be.

"Specified Office" means, in relation to any Agent, the office identified in respect of such Agent in the relevant Transaction Document or any other office approved by the Trustee and notified to ETC Holders in accordance with Condition 18 (*Notices*).

"Stock Exchange" means any of the Borsa Italiana, the Deutsche Börse, the London Stock Exchange or any other stock exchange on which the Issuer has agreed a Series of ETC Securities are to be listed, as specified in the Final Terms for such Series.

"Subscription" means an offer by the Arranger or by an Authorised Participant (on such terms as agreed with the Issuer as to fee and settlement arrangements) to the Issuer to subscribe for ETC Securities, being an offer on terms referred to in a Subscription Order and these Conditions and (in the case of a Subscription Order made by an Authorised Participant) in accordance with the provisions of the relevant Authorised Participant Agreement.

"Subscription Fee" means, in connection with each Subscription, the fee payable by the Authorised Participant to the Settlement Cash Account by such time as separately agreed with the Transfer Agent and in such amount as notified to the Authorised Participant upon acceptance of the related Subscription Order by the Issuer (or the Transfer Agent on the Issuer's behalf), which amount shall not exceed USD 1,000.00.

"Subscription Order" means a request for the Issuer to issue ETC Securities delivered by an Authorised Participant in accordance with the relevant Authorised Participant Agreement.

"Subscription Order Cut-Off Time" means, in respect of a Series and a Subscription Order for ETC Securities of such Series, such time as specified in the Final Terms for the first Tranche of such Series as the cut-off time for receipt of such Subscription Order.

"Subscription Settlement Amount" means, in respect of a Subscription for ETC Securities and the related Subscription Settlement Date, an amount calculated as the product of the Cash Value per ETC Security in respect of the relevant Subscription Trade Date and the aggregate number of ETC Securities to be issued pursuant to the relevant Subscription Order.

"Subscription Settlement Date" means, subject to the relevant Authorised Participant Agreement, such date after the Subscription Trade Date (which shall be a Settlement Day) as separately agreed between the Issuer and the Authorised Participant, as specified in the Final Terms of the relevant Tranche.

"Subscription Trade Date" means a Business Day on which a Subscription Order is submitted by the Authorised Participant by the relevant Cut-Off Time and determined to be valid and accepted and processed by or on behalf of the Issuer in accordance with the relevant Authorised Participant Agreement.

"Substituted Obligor" has the meaning given to it in Condition 14(c) (*Substitution*).

"Suspended Day" has the meaning given to it in Condition 8(b)(i)(Y) (*Determination of Disruption Events and Suspension Notices*).

"Suspension Notice" has the meaning given to it in Condition 8(b)(i) (*Determination of Disruption Events and Suspension Notices*).

"Suspension Period" has the meaning given to it in Condition 8(b)(i)(Y) (*Determination of Disruption Events and Suspension Notices*).

"Tax" means any present or future tax, duty, assessment or charge of whatsoever nature (including, without limitation, any tax on income, profits, gains, net wealth, asset values or turnover, value added tax, stamp duty, stamp duty reserve tax, excise, severance, sales, use, transfer, documentary, recording tax or duty or any other similar tax, duty or charge) imposed, levied, collected, withheld or assessed by any government, applicable tax authority or jurisdiction.

"TCA" means the Taxes Consolidation Act, 1997, of Ireland (as amended).

"Total Expense Ratio" has the meaning given to it in Condition 4(d)(i) (*Total Expense Ratio*).

"Total Redemption Sale Proceeds" means, in respect of a Redemption Disposal Period, an amount denominated in USD equal to the aggregate proceeds following the sale of all Futures Contracts and liquidation of all cash equivalent and other non-USD assets as at the final day of such Redemption Disposal Period for the relevant amount of ETC Securities being redeemed.

"Tranche" means, in relation to ETC Securities of a Series, the ETC Securities that are subscribed for on the same Subscription Trade Date and issued on the same Issue Date.

"Transaction Document" means, in respect of a Series, each of the Issue Deed, the Trust Deed, each Security Document, the Administration Agreement, the Agency Agreement, the Transfer Agency Agreement, the Custody Agreement, each Authorised Participant Agreement and any other document specified by the Issuer, from time to time, to be a **"Transaction Document"** in respect of such Series, in each case as amended, supplemented, novated and/or replaced from time to time and **"Transaction Documents"** means all such documents.

"Transaction Party" means a party to a Transaction Document (other than the Issuer).

"Transfer Agency Agreement" means the transfer agency agreement dated 13 September 2024 between the Issuer and the Transfer Agent as amended, supplemented, novated or replaced from time to time.

"Transfer Agent" means Brown Brothers Harriman Fund Administration Services (Ireland) Limited and any successor or replacement thereto or any delegate or sub-delegate thereof in its capacity as transfer agent under the Transfer Agency Agreement.

"Trust Deed" means, in respect of a Series, the trust deed entered into as a deed in the form of the Master Trust Terms dated on or about the Series Issue Date created by entry into of the Issue Deed for the first Tranche of such Series by the Issuer, the Trustee, the Administrator and any other parties specified in such Issue Deed as being a party to such Trust Deed, as amended and/or supplemented by such Issue Deed and as such Trust Deed is amended, supplemented, novated or replaced from time to time.

"Trustee" means Waystone Corporate Services (IE) Limited and any successor or replacement thereto as trustee under the Trust Deed in respect of any Series of ETC Securities.

"Valuation Day" means, in respect of a Series, the Series Issue Date and each Non-Disrupted Day thereafter.

"VAT" means (i) value added tax chargeable in accordance with (but subject to derogations from) Council Directive 2006/112/EC, (ii) any other tax of a similar fiscal nature and any other form of tax levied by

reference to added value or sales, (iii) any similar tax charged from time to time in substitution for or in addition to any of the above, and (iv) in the case of (i), (ii) and (iii) above, any interest, penalties, costs and expenses reasonably related thereto.

“**Website**” means the website maintained by or on behalf of the Issuer at <https://kraneshares.eu/> (or such other website as may be notified to ETC Holders in accordance with Condition 18 (*Notices*) from time to time).

2. **Form, Denomination and Title**

- (a) *Form*: The ETC Securities of each Series issued under the Programme will be issued in registered form and will be represented by a global note in registered form (either in global registered form using the new safekeeping structure or in classic global note form as specified in the Final Terms) (the “**Global Registered Security**”).

The Global Registered Security will (a) if the ETC Securities are intended to be issued in global registered form using the new safekeeping structure, be registered in the name of a nominee for, and shall be deposited on its issue date with a Common Safekeeper on behalf of, Euroclear and Clearstream, Luxembourg; and (b) if the ETC Securities are intended to be issued in classic global note form, be registered in the name of a nominee for, and shall be deposited on its issue date with a Common Depository on behalf of, Euroclear and Clearstream, Luxembourg.

- (b) *Denomination*: the Issue Price per ETC Security of each Series on the Series Issue Date shall be regarded as the denomination of each ETC Security of such Series (the “**Denomination**”). All ETC Securities of the same Series shall have the same Denomination.
- (c) *Title*: For so long as ETC Securities are represented by a Global Registered Security deposited with a Common Depository or Common Safekeeper for, and registered in the name of, a common nominee of, Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg, as applicable) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular number of the ETC Securities shall be deemed to be the holder of such number of ETC Securities (and the registered holder of such Global Registered Security shall be deemed not to be the holder) for all purposes other than with respect to (a) the payment of principal, premium (if any) or interest (if any) and (b) the Provisions for Meetings of ETC Holders.

Title to the Global Securities shall pass by and upon registration in the register which in relation to Global Securities the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). The registered holder of a Global Registered Security may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Registered Security regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

- (d) *Individual Securities*: ETC Securities in individual, definitive registered form (“**Individual Securities**”) will only be issued in the limited circumstances set out in Condition 16(b) (*Transfer of ETC Securities Represented by Permanent Global Registered Securities*).
- (e) *Transfer of ETC Securities in definitive registered form*: Title to Individual Securities shall only pass by and upon registration of the transfer in the Register, which the Issuer shall procure to be kept in accordance with Clause 9 (*Additional Duties of the Registrar*) of the Agency Agreement.

One or more ETC Securities in individual, definitive registered form may be transferred upon the surrender (at the Specified Office of the Registrar) of the Individual Security representing such ETC Securities to be transferred, together with the form of transfer endorsed on such Individual Security, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar may reasonably require. In the case of a transfer of part only of a holding of ETC Securities

represented by one Individual Security, a new Individual Security shall be issued to the transferee in respect of the part transferred and a further new Individual Security in respect of the balance of the holding not transferred shall be issued to the transferor.

- (f) **Closed Periods:** No ETC Holder may require the transfer of an ETC Security to be registered (i) during the period of 15 calendar days ending on the due date for Final Redemption of that ETC Security, (ii) during the period of 15 calendar days prior to any date on which ETC Securities may be redeemed following the occurrence of (i) an Issuer Call Redemption Event, (ii) an Early Redemption Event or (iii) an Event of Default or (iii) during the period of seven days ending on (and including) any Record Date.
- (g) **Exercise of Buy-Back:** In the case of an exercise of an Authorised Participant's right to submit a Buy-Back Order in respect of a holding of ETC Securities represented by a single Individual Security, a new Individual Security shall be issued to the holder in respect of the balance of the holding not subject to the exercise of such Buy-Back.
- (h) Each new Individual Security to be issued pursuant to Conditions 2(e) (*Transfer of ETC Securities in definitive registered form*) and 2(g) (*Exercise of Buy-Back*) will be available for delivery within five Business Days of surrender of the relevant Individual Security and, if applicable, receipt of the relevant request for exchange, form of transfer or Buy-Back Order together with such other evidence (if any) as may be required pursuant to the relevant Condition. Delivery of new Individual Securities shall be made at the Specified Office of the Registrar to whom surrender of such Individual Security and, if applicable, delivery of such request, form of transfer or Buy-Back Order shall have been made or, at the option of the holder making such delivery and surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Buy-Back Order or otherwise in writing, shall be mailed at the risk of the holder entitled to the new Individual Security to such address as may be so specified.

3. **Constitution and Status**

The ETC Securities are constituted by the Trust Deed for the relevant Series and secured by each Security Document for the relevant Series. The ETC Securities are secured, limited recourse obligations of the Issuer, at all times ranking *pari passu* and without any preference among themselves, secured in the manner described in Condition 5 (*Security and Application of Proceeds*) and recourse in respect of which is limited in the manner described in Condition 5(g) (*Shortfall after Application of Proceeds (Limited Recourse) and Non-Petition*) and Condition 13 (*Enforcement*). The ETC Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement and each Security Document.

4. **Total Expense Ratio and Cash Value Per ETC Security**

(a) **Determination of Cash Value per ETC Security**

In respect of each Series and each calendar day up to (and including) the Early Redemption Trade Date or Final Redemption Valuation Date, as applicable, the Administrator shall calculate the Cash Value per ETC Security for such Valuation Day.

The "**Cash Value per ETC Security**" in respect of a Valuation Day shall be an amount per ETC Security expressed in USD and determined by the Administrator as being equal to the value of the Carbon Entitlement per ETC Security in respect of the relevant Valuation Day (the Cash Value per ETC Security as of the Issue Date is equal to the Issue Price per ETC Security).

(b) **Total Expense Ratio**

- (i) The "**Total Expense Ratio**" is the rate per annum at which the Operational Fee payable by the Issuer in respect of each Series is calculated. The Total Expense Ratio reflects the amounts anticipated to be payable by the Issuer in respect of each Series on account of:

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- (1) the costs of printing any ETC Securities of such Series and any publication, marketing or advertising materials in respect of such ETC Securities;
 - (2) the costs of producing and translating the required legal and/or marketing documentation in relation to each issuance of ETC Securities, including without limitation, an issue specific summary for each issuance;
 - (3) any fees, costs and expenses payable by the Issuer in relation to ETC Securities of such Series to the Trustee, the Security Trustee, the Authorised Participants, the Principal Paying Agent, the Custodian, the Administrator, the Corporate Services Provider, the Account Bank or any other Transaction Party pursuant to, or in connection with, the Transaction Documents (in each case to the extent not covered by any applicable Subscription Fees or Buy-Back Fees);
 - (4) any legal fees and disbursements relating to such ETC Securities payable to the legal advisers, auditors and other professional advisers in Ireland or the United Kingdom to the Issuer and/or any other legal advisers and any other professional advisers properly appointed by the Issuer (subject to the prior written approval of the Arranger);
 - (5) any legal fees and disbursements relating to such ETC Securities payable to the legal advisers and other professional advisers in Ireland or the United Kingdom to the Administrator, the Trustee, the Security Trustee and/or any other legal advisers and any other professional advisers properly appointed by the Issuer (subject to the prior written approval of the Arranger);
 - (6) any annual or issue-specific listing fees payable to any Relevant Stock Exchange in respect of the listing of the ETC Securities on such Relevant Stock Exchange;
 - (7) the fees payable to the Arranger in consideration of the Arranger Support, as agreed with the Arranger from time to time;
 - (8) the Issuer Profit Amount; and
 - (9) any other Taxes, fees, costs, expenses or disbursements properly incurred by the Issuer in relation to the issue of the ETC Securities which is not to be reimbursed by any other person.
- (ii) The initial Total Expense Ratio for each Series shall be set out in the Final Terms of the first Tranche of ETC Securities for that Series and the Total Expense Ratio shall cease to apply to an ETC Security for a Series on the earliest to occur of (i) a Buy-Back Trade Date relating to such ETC Security, (ii) an Early Redemption Trade Date relating to such Series and (iii) the Final Redemption Valuation Date for such Series.
 - (iii) The Total Expense Ratio in respect of a Series may be varied by the Issuer from time to time, provided that no increase in the Total Expense Ratio in respect of a Series will take effect unless ETC Holders of such Series have been given at least 30 calendar days' prior notice in accordance with Condition 18 (*Notices*).
 - (iv) The Total Expense Ratio in respect of each Series from time to time and any proposed change to the Total Expense Ratio of any Series shall be published on the Website.

5. **Security and Application of Proceeds**

(a) **Security**

- (i) The Secured Issuer Obligations are secured pursuant to the Irish Law Security Trust Deed in favour of the Security Trustee for the benefit of itself and as trustee for the other Secured Creditors by:

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- (I) an assignment by way of security of all of the Issuer's rights (but not obligations), title, interest and benefit present and future against the Custodian;
- (II) a first fixed charge over and to the extent of the Issuer's title in each of its accounts (other than the Share Capital Account);
- (III) an assignment by way of security of all of the Issuer's rights (but not obligations), title, interest and benefit, present and future, in, to and under the Administration Agreement, the Authorised Participant Agreements, the Agency Agreement, the Transfer Agency Agreement and the Custody Agreement; and
- (IV) a first fixed charge over and to the extent of the Issuer's title in all sums, Futures Contracts and/or any other property held now or in the future by the Principal Paying Agent and/or the Custodian to meet payments and/or deliveries due in respect of any Secured Issuer Obligation or Other Issuer Obligation relating to the ETC Securities,

(collectively, the "**Security**").

- (ii) The Security is granted to the Security Trustee as continuing security for the Secured Issuer Obligations. In accordance with each Security Document, prior to any enforcement of the Security, the Security shall be automatically released without the need for any notice or other formalities (and without liability to the Security Trustee) with respect to sums and/or Futures Contracts held by or on behalf of the Issuer, the Custodian, the Administrator, the Principal Paying Agent and/or any Paying Agent(s), as applicable, to the extent required for payment of any sum or delivery of any Futures Contracts in respect of the ETC Securities and/or under the Transaction Documents which is due and payable or deliverable and which, for the avoidance of doubt, shall include, without limitation amounts payable in respect of the Redemption Amount or any other amount payable in accordance with these Conditions or under the Trust Deed.

(b) ***Money Received by a Paying Agent Prior to Enforcement of Security***

- (i) Pursuant to the terms of the Trust Deed, the Issuer agrees, on any date on which a payment of the Redemption Amount or any other amounts payable under these Conditions in respect of any ETC Security becomes due, unconditionally to pay the relevant Paying Agent (or to the order of the Principal Paying Agent) in same day funds, in accordance with the Trust Deed, the Redemption Amount or such other amounts payable in respect of each such ETC Security which is due and payable on that date. Notwithstanding anything to the contrary in these Conditions or the Trust Deed,
 - (A) payment of the Redemption Amount or any such other amounts due under each ETC Security pursuant to these Conditions made to the Transfer Agent in accordance with the terms of the Transfer Agency Agreement shall, to that extent, satisfy the Issuer's obligation to make payment of the Redemption Amount or such other amount in respect of each such ETC Security except to the extent that there is failure by such Paying Agent to pass such payment to the relevant ETC Holders (whether via payment through the Clearing System or otherwise); and
 - (B) a payment of any Redemption Amounts or any other amounts payable in respect of the ETC Securities made after the due date or as a result of the ETC Securities becoming repayable following an Event of Default or the occurrence of an Issuer Call Redemption Event or any other Early Redemption Event shall be deemed to have been made when the full amount due has been received by a relevant Paying Agent and notice to that effect has been given to the ETC Holders, except to the extent that there is failure by such Paying Agent to pass such payment to the relevant ETC Holders (whether via payment through the Clearing System or otherwise).

Under the terms of the Trust Deed, the Trustee holds the benefit of this covenant on trust for itself and the ETC Holders according to their respective interests.

- (ii) Save for any moneys received in connection with the enforcement of all or part of the Secured Property (in which case the waterfalls set out in Condition and 5(c) (*Application of Proceeds of Enforcement of Security*) shall apply, respectively), all moneys held by or on behalf of the Issuer in relation to the Issuer's

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covenant to pay the Redemption Amounts or any other amounts payable pursuant to Condition 5(b)(i) will, despite any appropriation of all or part of them by the Issuer, be held by the party holding such funds on trust to apply them:

- (A) first, in payment or satisfaction of the fees, costs, charges, expenses, liabilities, claims and other amounts properly incurred by or payable to the Trustee and the Security Trustee under or pursuant to the Transaction Documents (including, without limitation, (I) any Taxes (other than any income, corporation or similar tax in respect of the Trustee's and/or the Security Trustee's remuneration), (II) the costs of enforcing any rights of the holders of the ETC Securities and (III) sums required to be paid by the Trustee and/or the Security Trustee in connection with the performance of its obligations under the Transaction Documents (including any fees, costs, charges, expenses, liabilities, claims and other amounts of any appointees of the Trustee and/or the Security Trustee) and the Trustee's and the Security Trustee's remuneration);
- (B) secondly, in payment of any amounts owing to the Principal Paying Agent, the Account Bank and any other Agent including reimbursement in respect of any proper payment of Redemption Amounts made to the ETC Holders;
- (C) thirdly, in payment of any amounts owing to the holders of ETC Securities *pari passu* and rateably; and
- (D) fourthly, in payment of any balance to the Issuer for itself.

If a Paying Agent holds any moneys in respect of ETC Securities that have become void or in respect of which claims have become prescribed, such Paying Agent will hold them on trust for the ETC Holders according to their respective interests.

(c) **Application of Proceeds of Enforcement of Security**

Pursuant to the terms of each Security Document and subject to Condition 5(f) (*Accumulation of Moneys*), the Security Trustee shall apply the proceeds derived from the realisation of the Secured Property following enforcement of the Security (after taking account of any Taxes incurred, payable, withheld or deducted by or on behalf of the Issuer) as follows:

- (i) *first*, in payment or satisfaction of all fees, costs, charges, expenses, liabilities, claims and other amounts properly incurred by or payable to the Trustee, the Security Trustee or any receiver under or pursuant to the Trust Deed, the Security Document and/or any other Transaction Document (which for the purpose of this Condition 5(c) and the Security Document shall include, without limitation, (A) any Taxes required to be paid by the Trustee or the Security Trustee in connection with the performance of their respective obligations under the Trust Deed and/or the Security Document and/or any other Transaction Document (other than any income, corporation or similar tax in respect of the Trustee's or the Security Trustee's remuneration), (B) the costs of enforcing or realising all or some of the Security, (C) the Trustee's and the Security Trustee's remuneration and (D) any fees, costs, charges, expenses, liabilities, claims and other amounts of any appointees of the Trustee and/or the Security Trustee);
- (ii) *secondly*, in payment or satisfaction of the Issuer Series Fees and Expenses;
- (iii) *thirdly*, in payment or satisfaction of any accrued and unpaid fees to the Arranger in accordance with the terms of the Fees and Expenses Agreement and as described in Condition 4 (*Total Expense Ratio and Cash Value per ETC Security*);
- (iv) *fourthly*, in payment of any Specified Interest Amounts owing to ETC Holders by the Issuer *pari passu* and rateably;

- (v) *fifthly*, in payment of any amounts (other than Specified Interest Amounts) owing to the ETC Holders by the Issuer *pari passu* and rateably; and
- (vi) *sixthly*, in payment of the balance (if any) to the Issuer for itself.

(d) **Enforcement of the Security**

The Security shall become enforceable if payment of the Redemption Amount in respect of any ETC Security is not made in full when due on the Scheduled Maturity Date or the relevant Early Redemption Settlement Date (if applicable).

(e) **Realisation of Security**

At any time after the Security has become enforceable, the Security Trustee may, at its discretion, and shall, if so directed in writing by the Trustee (the Trustee having been directed in writing by the holders of at least one-fifth in number of the ETC Securities then outstanding or by an Extraordinary Resolution of the ETC Holders), in each case subject to it having been pre-funded and/or secured and/or indemnified to its satisfaction by one or more ETC Holders (or otherwise to its satisfaction), enforce the Security.

To do this, the Security Trustee may, at its discretion,

- (i) enforce, terminate and/or realise any relevant Transaction Document (other than the Corporate Services Agreement and any Authorised Participant Agreements) relating to the ETC Securities and any Secured Agent Rights in accordance with its or their terms, and/or take action against the relevant Obligor(s); and/or
- (ii) take possession of and/or realise all or part of the Secured Property over which the Security shall have become enforceable and may, in its discretion, but subject to the following sentence, sell, call in, collect and convert into money all or part of the Secured Property, in such manner and on such terms as it thinks fit, in each case without any liability as to the consequence of such action and without having regard to the effect of such action on individual ETC Holders; and/or
- (iii) take any other actions specified in the relevant Security Document.

The Security Trustee may, in writing and in accordance with the terms of the Security Document, appoint a receiver in respect of all or part of the Secured Property relating to the ETC Securities over which any Security shall have become enforceable and may remove any receiver so appointed and appoint another in its place. No delay or waiver of the right to exercise these powers shall prejudice their future exercise.

Neither the Security Trustee nor any receiver appointed by it or any attorney or agent of the Security Trustee will, by reason of taking possession of any Secured Property relating to the ETC Securities or any other reason (including refraining to act) and whether or not as mortgagee in possession, be liable to account for anything except actual receipts or be liable for any loss or damage arising from the realisation of such Secured Property or from any act or omission in relation to such Secured Property or otherwise unless such loss or damage shall be caused by its own fraud, wilful default or gross negligence.

The Security Trustee shall not be required to take any action, step or proceeding in relation to the enforcement of the Security that would involve any personal liability or expense without first being indemnified and/or secured and/or pre-funded to its satisfaction by one or more ETC Holders (or otherwise to its satisfaction).

(f) **Accumulation of Moneys**

If the amount of the moneys at any time available to the Security Trustee for payment of the Redemption Amount in respect of each ETC Security in accordance with Condition 5(c) (*Application of Proceeds of Enforcement of Security*) is less than 10 per cent. of the aggregated Redemption Amount of all ETC Securities outstanding (and with the number of ETC Securities outstanding being as determined on the

Early Redemption Trade Date or Final Redemption Valuation Date, as applicable) (the “**Post-enforcement Minimum Accumulated Amount**”), the Security Trustee shall not be obliged to make any payments in accordance with Condition 5(c) (*Application of Proceeds of Enforcement of Security*) and may, at its discretion (and shall if so instructed by the Trustee), accumulate such moneys until the accumulations, together with any other funds for the time being under the control of the Security Trustee and available for such payment (and, for the avoidance of doubt, the Security Trustee shall not be required to exercise any form of investment discretion with respect to such deposits), amount to at least the Post-enforcement Minimum Accumulated Amount. If such accumulated moneys amount to less than the Post-enforcement Minimum Accumulated Amount, all such moneys in the name or under the control of the Security Trustee may be placed on deposit at such bank or financial institution and in such currency as the Security Trustee may think fit (having reasonable regard to the standing and respectability of the bank or financial institution) in light of the cash needs of the transaction and not for the purposes of generating income. Moneys held by the Security Trustee may at its election be placed on deposit into an account bearing a market rate of interest (and for the avoidance of doubt, the Security Trustee shall not be required to obtain best rates or be responsible for any loss occasioned by such deposits or exercise any other form of investment discretion with respect to such deposits). If such moneys are placed on deposit with a bank or financial institution which is a subsidiary, holding company, Affiliate or associated company of the Security Trustee, it need only account for an amount of interest equal to the standard amount of interest payable by it on a deposit to an independent customer. The Security Trustee shall accumulate such moneys until the accumulations, together with any other funds for the time being under its control and available for such payment, amount to at least the Post-enforcement Minimum Accumulated Amount and then such accumulations and funds (after deduction of, or provision for, any applicable Taxes) shall be applied as specified in Condition 5(c) (*Application of Proceeds of Enforcement of Security*).

(g) Shortfall after Application of Proceeds (Limited Recourse) and Non-Petition

- (i) In respect of the ETC Securities, the Transaction Parties and the ETC Holders shall have recourse only to the Secured Property in respect of the ETC Securities, subject always to the Security, and not to any other assets of the Issuer. If, following realisation in full of the Secured Property (whether by way of liquidation or enforcement) and application of available assets as provided in this Condition 5, the Trust Deed and the Security Document, as applicable, any outstanding claim against, or debt, liability or obligation of the Issuer in respect of the Secured Issuer Obligations or Other Issuer Obligations remains unpaid, then such outstanding claim, debt, liability or obligation shall be extinguished and no debt shall be owed by the Issuer in respect thereof. None of the Transaction Parties, the ETC Holders or any other person acting on behalf of any of them shall be entitled to take any steps (i) at any time against any of the Issuer’s officers, shareholders, agents, employees, corporate service providers or directors or (ii) following extinguishment in accordance with this Condition 5(g), against the Issuer, in each case to recover any further sum in respect of the extinguished claim, debt, liability or obligation and no debt shall be owed to any such persons by the Issuer in respect of such further sum.
- (ii) It being expressly agreed and understood that the ETC Securities and the Transaction Documents are corporate obligations of the Issuer, each party agrees that no personal liability shall attach to or be incurred at any time by the shareholders, officers, agents, employees, corporate service providers or directors of the Issuer, or any of them, under or by reason of any of the obligations, covenants or agreements of the Issuer contained in the ETC Securities or any Transaction Document or implied therefrom, and any and all personal liability of every such shareholder, officer, agent, employee, corporate service provider or director for breaches by the Issuer of any such obligations, covenants or agreements, either at law or by statute or constitution, of every such shareholder, officer, agent, employee, corporate service provider or director, is hereby deemed expressly waived by the Transaction Parties and the ETC Holders.
- (iii) None of the Transaction Parties, the ETC Holders or any person acting on behalf of any of them may, at any time, bring, institute or join with any other person in bringing, instituting or joining any insolvency, administration, bankruptcy, winding-up, liquidation, examinership or any other similar proceedings (whether court-based or otherwise) in relation to the Issuer or any of its assets, and none of them shall have any claim arising with respect to the sums, assets and/or property (i) attributable to any other securities issued by the Issuer (save for any further securities which form a single series with the ETC

Securities) or (ii) not attributable to any particular Series, save for lodging a claim in the liquidation of the Issuer which is initiated by another non-Affiliated party or taking proceedings to obtain a declaration as to the obligations of the Issuer (provided such proceedings do not constitute insolvency or liquidation proceedings) and without limitation to the Security Trustee's right to enforce and/or realise the security constituted by the Security Document (including by appointing a receiver or an administrative receiver but provided that such actions do not constitute insolvency or liquidation proceedings).

The provisions of this Condition 5(g) shall survive notwithstanding any redemption of the ETC Securities or the termination or expiration of any Transaction Document.

(h) ***Issuer's Rights as Beneficial Owner of Secured Property***

Without prejudice to Condition 14(a) (*Meetings of ETC Holders*), at any time before any Security in respect of the ETC Securities becomes enforceable, the Issuer may, with the sanction of an Extraordinary Resolution or with the prior written consent of the Security Trustee (acting upon instructions from the Trustee):

- (i) take such action in relation to the Secured Property relating to the ETC Securities as it may think expedient; and
- (ii) exercise any rights incidental to the ownership of the Secured Property which are exercisable by the Issuer and, in particular (but, without limitation, and without responsibility for their exercise), all rights to enforce any such ownership interests in respect of such property.

The Issuer shall not exercise any rights with respect to the Secured Property, unless it has the consents referred to above or is directed to do so by an Extraordinary Resolution and, if such direction or consent is given, the Issuer shall act only in accordance with such direction or consent, provided that, prior to the enforcement of the Security, the Issuer may release or modify the rights and assets which are comprised in the Secured Property without any further action or consent being required from the ETC Holders or the Security Trustee to the extent necessary in connection with any of the circumstances described in Condition 5(a) (*Security*) in relation to which the Security is released.

6. **Restrictions**

So long as any of the ETC Securities remain outstanding, the Issuer shall not, without the prior written consent of the Trustee and except as provided for or contemplated in the Conditions or any other Transaction Document:

- (a) engage in any business other than (a) the issuance of series of securities (including any Series) and any amendment, exchange, repurchase, cancellation or reissue or resale of the same, (b) the acquisition and holding of related assets from or comprising the proceeds of such issue and (c) the entry into of related agreements and transactions (including the Transaction Documents for that Series or the same for any other series) and the performing of acts required thereunder or which relate or are incidental thereto or reasonably necessary (in the opinion of the Issuer) in connection therewith or in furtherance thereof, and provided that:
 - (i) each series of securities shall be secured on assets of the Issuer other than the Issuer's rights under the Corporate Services Agreement, the Issuer's share capital and Issuer Profit Amounts (and any account to which such amounts are credited) and any assets securing any other series of securities; and
 - (ii) each series of securities and any related agreements entered into by the Issuer (other than any agreements pursuant to which the Issuer engages any financial, legal, accounting or other adviser) contain provisions that (A) limit the recourse of any holder of such securities and of any party to any agreement entered into by the Issuer relating specifically to such securities to assets other than those which do not relate to such series of securities and those to which any other series of securities have recourse and

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(B) prevent any persons from instituting any form of insolvency or similar proceedings with respect to the Issuer or any of its directors; and

(iii) the terms of any such series of securities comply with all applicable laws.

For the avoidance of doubt, acts incidental or reasonably necessary in connection therewith or in furtherance thereof shall include (without limitation): (1) the appointment of auditors, administrators, corporate administrators, banks, advisors or any other service provider necessary to maintain the Issuer and/or keep it operating and/or to comply with any laws, regulations or rules applicable to it, (2) the amendment or termination of any related agreement to the relevant series of securities, (3) the entry into, amendment or termination of any agreement relating to the Issuer generally and not to any specific series of securities but which is to facilitate the issuance by the Issuer of securities and its ongoing administration of the same and (4) entering into any arrangements with any party relating to the Programme or any other issue of securities (including the issue of any separate series of securities and/or the entry into of a termination fee side letter with the Administrator) to entitle that party to receive any payment from the Issuer provided that such payments are not made from the secured property of any series of securities;

- (b) cause or permit the terms of the Security granted under the Security Document and the order of priority specified in the Conditions, the Trust Deed and the Security Document, as applicable, to be amended, terminated or discharged (other than as contemplated by the Trust Deed, the Security Document and/or the Conditions);
- (c) release any party to the Trust Deed, the Security Document or any other Transaction Document (other than an Authorised Participant Agreement) from any existing obligations thereunder (other than as contemplated by the Trust Deed, the Security Document and/or the Conditions);
- (d) have any subsidiaries;
- (e) sell, transfer or otherwise dispose of the Secured Property or any right or interest therein or thereto or create or allow to exist any charge, lien or other encumbrance over the Secured Property (to the extent it relates to the Issuer) except in accordance with the Conditions, the Trust Deed, the Security Document and any other Transaction Document;
- (f) consent to any variation of, or exercise any powers or consent or waiver pursuant to, the terms of the Conditions, the Trust Deed, the Security Document or any other Transaction Document (other than any Authorised Participant Agreement and other than as contemplated by the Conditions, the Trust Deed, the Security Document or the Transaction Documents);
- (g) acquire any asset at any time that is not regarded as a Qualifying Asset or carry out any other business apart from the holding, managing or both the holding and the management (in each case in Ireland) of Qualifying Assets (and activities which are ancillary to that business);
- (h) make an election under Section 110(6) of the TCA;
- (i) carry on a "specified property business" within the meaning of Section 110 of the TCA;
- (j) apply to become part of a VAT group for the purposes of Section 15(1) of the Value-Added Tax Consolidation Act 2010;
- (k) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person (other than as contemplated by the Trust Deed and the Conditions for any Series);
- (l) have any employees;

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- (m) issue any shares other than such shares in the capital of the Issuer as were issued at the date of initial establishment of the Programme and which are ultimately held on charitable trust by its holders or make any distribution to its shareholders in excess of EUR 3,000 per annum;
- (n) open or have any interest in any account with a bank or financial institution unless such account (A) is a Settlement Cash Account; (B) relates to the issuance of a Series of ETC Securities and such Series of securities has the benefit of security over the Issuer's interest in such account; (C) is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it, which includes the Share Capital Account; or (D) is otherwise reasonably necessary (in the opinion of the Issuer) in relation to any Series of ETC Securities or the operation of the Issuer in relation to the issuance of ETC Securities;
- (o) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities);
- (p) guarantee, act as surety for or become obligated for the debts of any other entity or person or enter into any agreement with any other entity or person whereby it agrees to satisfy the obligations of such entity or person or any other entity or person;
- (q) acquire any securities or shareholdings whatsoever from its shareholders or enter into any agreements whereby it would be acquiring the obligations and/or liabilities of its shareholders; or
- (r) except as contemplated by any Transaction Document and/or the Conditions relating to a Series, advance or lend any of its moneys or assets, including, but not limited to, the rights, property or other assets comprising the Secured Property for such Series, to any other entity or person.

So long as any of the ETC Securities remain outstanding, the Issuer shall not, without the prior written consent of the Security Trustee (acting upon instructions of the Trustee) and except as provided for or contemplated in the Conditions or any other Transaction Document:

- (a) cause or permit the terms of the Security granted under the Security Document and the order of priority specified in the Conditions, the Trust Deed and the Security Document, as applicable, to be amended, terminated or discharged (other than as contemplated by the Trust Deed, the Security Document and/or the Conditions);
- (b) release any party to the Trust Deed, the Security Document or any other Transaction Document (other than an Authorised Participant Agreement) from any existing obligations thereunder (other than as contemplated by the Trust Deed, the Security Document and/or the Conditions);
- (c) sell, transfer or otherwise dispose of the Secured Property or any right or interest therein or thereto or create or allow to exist any charge, lien or other encumbrance over the Secured Property (to the extent it relates to the Issuer) except in accordance with the Conditions, the Security Document and any other Transaction Document;
- (d) consent to any variation of, or exercise any powers or consent or waiver pursuant to, the terms of the Conditions, the Security Document or any other Transaction Document (other than any Authorised Participant Agreement and other than as contemplated by the Conditions relating to the relevant Series, the Trust Deed relating to the relevant Series, the Security Document or the Transaction Documents relating to the relevant Series); or
- (e) subject as provided in Condition 5(a) (*Security*), incur any other indebtedness for borrowed moneys, other than issuing further ETC Securities (which may or may not form a single series with the ETC Securities of any other series and may or may not be guaranteed by a third party) and creating or incurring further obligations relating to such Series, provided that, in the case of ETC Securities that are to form a single series with any existing series:

- (i) such further ETC Securities and obligations are secured *pari passu* upon the Secured Property relating to the Series with which such ETC Securities are to form a single series (as such Secured Property may be increased in connection with the issue of such further securities), all in accordance with the Conditions of the relevant Series; and
- (ii) if further ETC Securities which are to form a single series with a Series are being issued, the relevant Authorised Participant has delivered or procured the delivery to or to the order of the Issuer an amount of for each further ETC Security to be issued equal to the Cash Value per ETC Security as at the relevant Subscription Trade Date.

7. Redemption, Purchase and Options

(a) Final Redemption

- (i) Unless previously redeemed in whole or purchased and cancelled by the Issuer as provided below, each ETC Security shall become due and payable on the Scheduled Maturity Date at its Final Redemption Amount. Where the Scheduled Maturity Date is postponed in accordance with Condition 8(c) (*Postponement relating to the Final Redemption or Early Redemption of the ETC Securities*), the Final Redemption Amount in respect of each such ETC Security shall not become due and payable until the postponed Scheduled Maturity Date.
- (ii) Subject to Condition 8(c)(iv) (*Postponement relating to the Final Redemption or Early Redemption of the ETC Securities*), the Issuer will, on or prior to the Scheduled Maturity Date, publish on the Website (or procure the publication on the Website of) the determination of the Final Redemption Amount, and the determination of the Average Futures Contracts Sale Price in respect of the Redemption Disposal Period).
- (iii) The Issuer shall as soon as reasonably practicable give notice to each Transaction Party and the ETC Holders in accordance with Condition 18 (*Notices*) of the occurrence of the Final Redemption Valuation Date.

(b) Early Redemption

- (i) If (A) an Issuer Call Redemption Event occurs, (B) any of the other Early Redemption Events listed in Condition 7(d) (*Early Redemption Events*) occur or (C) an Event of Default Redemption Notice is issued, each ETC Security outstanding as at the Early Redemption Trade Date shall become due and payable on the Early Redemption Settlement Date at its Early Redemption Amount. Where the Early Redemption Settlement Date is postponed in accordance with Condition 8(c) (*Postponement relating to the Final Redemption or Early Redemption of the ETC Securities*), the Early Redemption Amount in respect of each such ETC Security shall not become due and payable until the postponed Early Redemption Settlement Date.
- (ii) Subject to Condition 8(c)(iv) (*Postponement relating to the Final Redemption or Early Redemption of the ETC Securities*), the Issuer will, on or prior to the Early Redemption Settlement Date, publish on the Website the determination of the Early Redemption Amount.
- (iii) Notwithstanding anything to the contrary in the Conditions or any Transaction Document and provided that no Early Redemption Trade Date or Final Redemption Valuation Date has already occurred, if at any time following notice being given that an Issuer Call Redemption Event or any other Early Redemption Event is to occur (the "**Initial Early Redemption Event**") a notice is given that an event or circumstance which would otherwise constitute or give rise to an Issuer Call Redemption Event or any other Early Redemption Event occurs (the "**Secondary Early Redemption Event**") in respect of which the Early Redemption Trade Date relating thereto occurs (or would occur) prior to the date that would have been the Early Redemption Trade Date in respect of the Initial Early Redemption Event, the Secondary Early Redemption Event shall prevail and all references to the "Early Redemption Event" in the Conditions and the Transaction Documents shall be construed accordingly.

- (iv) The Issuer shall as soon as reasonably practicable give notice to each Transaction Party and the ETC Holders in accordance with Condition 18 (*Notices*) of the Early Redemption Trade Date, the Early Redemption Settlement Date of the ETC Securities.

(c) ***Issuer Call Redemption Event***

The Issuer may, on giving an irrevocable notice to the Transfer Agent and the ETC Holders in accordance with Condition 18 (*Notices*), elect to early redeem the ETC Securities in full and designate an Early Redemption Trade Date for such purposes, provided that the date designated as the Early Redemption Trade Date shall not be earlier than the 30th calendar day following the date of the relevant notice and shall not be on or after the Final Redemption Valuation Date (such notice an “**Issuer Call Redemption Notice**”). An “**Early Redemption Event**” in the form of an “**Issuer Call Redemption Event**” will occur on the Early Redemption Trade Date designated in the Issuer Call Redemption Notice. The Issuer shall give a copy of the Issuer Call Redemption Notice to each of the Transaction Parties on the same date as such notice is given to the Transfer Agent and the ETC Holders.

(d) ***Early Redemption Events***

Each of the following events shall be an early redemption event (and with an Issuer Call Redemption Event and each of the following events each being an “**Early Redemption Event**”):

- (i) **Service Provider Non-Replacement Redemption Event:** if any of the Transfer Agent, the Custodian, the Principal Paying Agent, all of the Authorised Participants resigns or their appointment in relation to the ETC Securities is terminated for any reason and no successor or replacement has been appointed within 120 calendar days of the date of notice of resignation or termination or the date the appointment was automatically terminated in accordance with the Custody Agreement, the Agency Agreement or the Authorised Participant Agreements, as applicable, the Issuer may (but shall not be obliged to) give the Transaction Parties and the ETC Holders in accordance with Condition 18 (*Notices*) notice that the ETC Securities are to be early redeemed in full (such notice, a “**Service Provider Non-Replacement Redemption Notice**”) and designate a date on which an Early Redemption Event occurs for such purposes, provided that such designated date is at least four Business Days following the date of the Service Provider Non-Replacement Redemption Notice (such event, a “**Service Provider Non-Replacement Redemption Event**”).

A Service Provider Non-Replacement Redemption Event will occur on the date so designated in the Service Provider Non-Replacement Redemption Notice; and

- (ii) **Market Value Redemption Event:** if the prevailing Cash Value per ETC Security on two consecutive Non-Disrupted Days (calculated by the Administrator by reference to each ETC Security’s Carbon Entitlement) is less than or equal to 20 per cent. of the Issue Price per ETC Security as at the Series Issue Date, the Administrator shall give notice of the same to the Issuer, copied to each other Transaction Party (a “**Market Value Event Notice**”). The Issuer shall, as soon as reasonably practicable after receipt of a Market Value Event Notice, give notice thereof to the ETC Holders in accordance with Condition 18 (*Notices*).

Following receipt of a Market Value Event Notice (or notice of the same from the Issuer):

- (A) the Issuer may (but shall not be obliged to) give the Transaction Parties and the ETC Holders in accordance with Condition 18 (*Notices*) notice that the ETC Securities are to be early redeemed in full and designate in such notice a date on which an Early Redemption Event occurs for such purposes; or
- (B) the Trustee shall, if so directed by an Extraordinary Resolution (provided that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction by one or more ETC Holders (or otherwise to its satisfaction)), give notice to the Issuer (copied to each Transaction Party and the ETC Holders in accordance with Condition 18 (*Notices*))

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that the ETC Securities are to be early redeemed in full and designate in such notice a date on which an Early Redemption Event occurs for such purposes,

each, a "**Market Value Redemption Notice**", provided that no Market Value Redemption Notice may be delivered on or after the fourth Business Day prior to the Final Redemption Valuation Date and the date designated as the date of occurrence of the Early Redemption Event for such purposes must be at least four Business Days following the date of the Market Value Redemption Notice (such event, a "**Market Value Redemption Event**").

A Market Value Redemption Event will occur on the date so designated in the Market Value Redemption Notice.

(e) **Purchases and Buy-Backs**

- (i) *At the option of the Issuer:* The Issuer may (without the consent of the Trustee, the Security Trustee or any ETC Holder), from time to time, elect to buy back all or some of the ETC Securities from Authorised Participants or other ETC Holders.
- (ii) *At the option of ETC Holders:* The Issuer shall, at the option of the Arranger, any Authorised Participant, provided the applicable Buy-Back Conditions are satisfied, repurchase any ETC Security the subject of a valid Buy-Back Order by transfer of the relevant Buy-Back Settlement Amount on the relevant Buy-Back Settlement Date in accordance with Condition 7(e)(x)(*Settlement of Buy-Back*) (each, a "**Buy-Back**").
- (iii) *Buy-Back Orders:* In order to exercise the option contained in Condition 7(e)(ii), the Authorised Participant must, before the Buy-Back Settlement Date:
 - (1) deliver to the Issuer such ETC Securities as are being repurchased by depositing them to an account of the Transfer Agent with the Relevant Clearing System as notified by the Transfer Agent;
 - (2) pay to the Settlement Cash Account an amount in US dollars equal to the applicable buy-back fee as directed by the Transfer Agent (the "**Buy-Back Fee**"); and
 - (3) deliver or send through the Transfer Agent's APEX platform (confirmed in writing) or otherwise by electronic means made available by the Transfer Agent from time to time, a duly completed buy-back notice in the form obtainable from the Transfer Agent (a "**Buy-Back Order**") to the Transfer Agent.

The Buy-Back Fee payable by any Authorised Participant or ETC Holder will be an amount equal to the Issuer's costs of complying with the Buy-Back Order (including the cost of the Issuer or its agents performing any required KYC Procedures). The amount of the Buy-Back Fee will be notified to the Authorised Participant following receipt of the Buy-Back Order by the Issuer (or the Transfer Agent on the Issuer's behalf), and will be no greater than USD 1,000.00.

Any Buy-Back Order and ETC Securities delivered, and Buy-Back Fee paid, on a day which is not an Eligible Buy-Back Trade Date or after the relevant Cut-Off Time on any Eligible Buy-Back Trade Date shall be deemed to have been delivered or paid (as applicable) on the next following Eligible Buy-Back Trade Date. Any Buy-Back Order, once delivered, is irrevocable. No ETC Securities, once so delivered and accompanied by a duly completed Buy-Back Order in accordance with this Condition 7(e) may be withdrawn; provided, however, that if, prior to the relevant Buy-Back Settlement Date, the ETC Securities so deposited become immediately due and payable, such ETC Securities shall, without prejudice to the exercise of the Buy-Back option, be returned to the relevant Authorised Participant.

The Issuer will not be obliged to accept any Buy-Back Order if (i) an Early Redemption Event has occurred (ii) the Transfer Agent is subject to an insolvency or similar event and no replacement has been appointed and/or (iii) a Disruption Event has occurred and the Transfer Agent has determined that any Buy-Backs should be temporarily suspended.

In relation to any Buy-Back Order, such order may be cancelled in certain circumstances including, without limitation, where an Early Redemption Trade Date or the Final Redemption Valuation Date (as applicable) has occurred prior to the settlement of such Buy-Back or where the Issuer or the Authorised Participant (or, if applicable, the ETC Holder) has failed to perform its obligations with respect to the Buy-Back for a prolonged period of time. In the event of any such cancellation, the ETC Securities shall be returned to the relevant Authorised Participant.

- (iv) *Buy-Back Conditions*: The Issuer will only accept a Buy-Back Order if the Issuer (or the Transfer Agent on the Issuer's behalf) determines that the following conditions are met:
 - (1) The Buy-Back Order:
 - (A) relates to ETC Securities of only one Series;
 - (B) specifies the Series and number of the relevant ETC Securities the Authorised Participant is requesting the Issuer to repurchase;
 - (C) relates to a number of ETC Securities equal to at least the Minimum Buy-Back Amount and at least the Minimum Trading Amount (if any) and an integral multiple thereof for the relevant Series, in each case as specified in the Final Terms;
 - (D) contains a representation and warranty from the Authorised Participant or ETC Holder (as applicable) to the effect that: (a) such holder is not a UCITS Fund; and (b) the request for settlement of the Buy-Back and the acceptance of the delivery of the relevant Buy-Back Settlement Amount is and will be in accordance with all laws and regulations applicable to such holder; and
 - (E) has been submitted by an Authorised Participant which has complied with all compliance and identification checks reasonably required by the Issuer ("**KYC Procedures**"), and the results of such KYC Procedures have been determined to be satisfactory to the Issuer and/or its agents; and
 - (2) all other conditions precedent to a Buy-Back of the ETC Securities are satisfied,

(together, the "**Buy-Back Conditions**").

8. **Disruption Events and Postponement or Suspension**

(a) **Disruption Events**

The Issuer may (but is not obliged to), with respect to any day, determine that one or more of the following disruption events has occurred or exists on such day (each such event a "**Disruption Event**"):

- (i) *Service Provider Disruption*: save as otherwise agreed in the relevant Transaction Document(s), if any of the Administrator, the Transfer Agent, the Custodian, the Principal Paying Agent, and/or all of the Authorised Participants resign or their appointment is terminated for any reason and a successor or replacement has not yet been appointed, for such time until a successor or replacement has been appointed or a Service Provider Non-Replacement Redemption Event has occurred in accordance with Condition 7(d)(ii) (*Service Provider Non-Replacement Redemption Event*); and/or
- (ii) *Issuer Call Disruption*: if an Issuer Call Redemption Notice has been given in accordance with Condition 7(c) (*Issuer Call Redemption Event*) on or prior to such day.

(b) **Determination of Disruption Events and Suspension Notices**

(i) If the Issuer determines that a Disruption Event has occurred or exists with respect to any day, it may (but shall not be obliged to) on the immediately following Business Day give notice of the postponement and/or suspension of:

- (A) any request for the Subscription and/or Buy-Back of ETC Securities;
- (B) the settlement of any Subscription and/or Buy-Back of ETC Securities that has traded but has yet to settle;
- (C) any Early Redemption Trade Date (whether or not such date has yet been designated), any Early Redemption Settlement Date and/or the payment of any Early Redemption Amount in connection therewith; and/or
- (D) the Final Redemption Valuation Date, the Scheduled Maturity Date and/or the payment of any Final Redemption Amount in connection therewith,

to the Issuer, the Authorised Participants, the Administrator, the Transfer Agent, the Trustee, the Security Trustee and the Principal Paying Agent, specifying:

- (X) the Disruption Event which has occurred or is existing on the relevant day;
- (Y) whether the suspension and/or postponement relating to such Disruption Event will be in respect of a single day (a **"Suspended Day"**) or for as long as the Disruption Event continues (a **"Suspension Period"**); and
- (Z) which of the dates and/or events set out in Conditions 8(b)(i)(A) to (D) will be postponed and/or suspended on such Suspended Day or during such Suspension Period, as applicable (and, in determining this, the Transfer Agent shall consider whether the relevant Disruption Event would disrupt the actions required to be performed by the Issuer, any Authorised Participant, and/or any other Transaction Party in connection with a Subscription of ETC Securities, a Buy-Back of ETC Securities, the Final Redemption of the ETC Securities and/or any Early Redemption of the ETC Securities),

such notice, a **"Suspension Notice"**. If the Suspension Notice is in respect of a Suspension Period, such period will end when the Transfer Agent notifies the Issuer, the Authorised Participants, the Administrator, the Transfer Agent, the Trustee, the Security Trustee and the Principal Paying Agent that such suspension and/or postponement is over.

- (ii) The Transfer Agent is not under any obligation to monitor whether or not a Disruption Event has occurred or is continuing with respect to any day unless a Suspension Notice has been given in respect of a Suspension Period in which case the Transfer Agent's obligation to monitor the relevant Disruption Event will continue until it has determined that such Disruption Event has ceased (following which it will give notification of the end of the Suspension Period in accordance with Condition 8(b)(i)). The Transfer Agent shall have no liability to the Issuer, the Trustee, the Security Trustee, any ETC Holder, any Authorised Participant or any other person for any determination or non-determination that it makes in respect of the occurrence or existence of a Disruption Event.
- (iii) Neither the Trustee nor the Security Trustee shall have any duty to monitor, enquire or satisfy itself as to whether a Disruption Event has occurred.
- (iv) The Issuer shall, as soon as reasonably practicable after receipt by it of a Suspension Notice, give notice thereof to the ETC Holders in accordance with Condition 18 (*Notices*).

(c) **Postponement relating to the Final Redemption or Early Redemption of the ETC Securities**

- (i) If, in respect of a Disruption Event, the Issuer has specified in the related Suspension Notice that the Final Redemption Valuation Date, the Scheduled Maturity Date, any Early Redemption Trade Date and/or any Early Redemption Settlement Date (a “**Disruption Postponable Date**”) shall be postponed until following the end of the Suspended Day or Suspension Period, then if any Disruption Postponable Date does occur on the Suspended Day or during the Suspension Period, such Disruption Postponable Date shall be deemed to have been postponed until the first following Non-Disrupted Day, provided that if no such Non-Disrupted Day has occurred on or prior to the 10th Business Day following such Disruption Postponable Date, the Issuer, acting in good faith and in consultation with the Transfer Agent, shall determine an appropriate method for redeeming the ETC Securities and determining the Final Redemption Valuation Date, Scheduled Maturity Date, Early Redemption Trade Date and/or Early Redemption Settlement Date, as applicable, for the purposes of such redemption of the ETC Securities (a “**Disrupted Redemption Method**”). For the avoidance of doubt, if any Disruption Postponable Date is postponed in accordance with this Condition 8(c)(i), then any other dates or periods determined by reference to such Disruption Postponable Date that have yet to occur or conclude as at the time of such postponement shall also be postponed or adjusted accordingly.
- (ii) The Issuer shall, as soon as reasonably practicable following determination of any Disrupted Redemption Method, notify each Transaction Party and the ETC Holders of the details of such Disrupted Redemption Method in accordance with Condition 18 (*Notices*).
- (iii) No additional amount shall be payable or deliverable to any Authorised Participant or any ETC Holder in connection with any postponement to the timing, or any amendment to the method, in each case in accordance with Condition 8(c)(i), of final or early redemption of the ETC Securities.
- (iv) If any postponement has occurred in accordance with this Condition 8(c), the Issuer shall ensure that its obligation to publish on the Website information relating to the Final Redemption Amount (pursuant to Condition 7(a)(ii) (*Final Redemption*)) or the Early Redemption Amount (pursuant to Condition 7(b)(ii) (*Early Redemption*)), as applicable, is met in a timely manner taking into account any postponement to the Scheduled Maturity Date or the Early Redemption Settlement Date, as applicable.

9. **Successor Reference Index, Successor Reference Index Source and Reference Index Event**

(a) **Successor Reference Index**

If on any Business Day, the Administrator determines, in consultation with the Issuer, that the relevant Reference Index has been replaced by a successor reference index acceptable to the Administrator, then the Administrator shall notify such determination to the Issuer and each Transaction Party and, with effect from the first Business Day following the date of such notice, such successor reference index shall be deemed to be the Reference Index for purposes of the relevant Series, but provided that it shall not affect any calculations or determinations already made using the Reference Index being replaced. The Issuer shall, as soon as reasonably practicable thereafter, notify the ETC Holders of the same in accordance with Condition 18 (*Notices*).

(b) **Successor Reference Index Source**

If on any Business Day the Administrator determines that the relevant Reference Index Source no longer displays the Reference Index notwithstanding that the Reference Index continues to be determined, then the Administrator will notify such determination to the Issuer and each Transaction Party specifying a replacement index source that does display such Reference Index and, with effect from the first Business Day following the date of such notice, such successor reference index source shall be deemed to be the Reference Index Source for purposes of the relevant ETC Securities but provided that it shall not affect any calculations or determinations already made using the Reference Index displayed on the Reference Index Source being replaced. The Issuer shall, as soon as reasonably practicable thereafter, notify the ETC Holders of the same in accordance with Condition 18 (*Notices*).

(c) **Reference Index Event**

If at any time the Administrator determines that a Reference Index Event has occurred and gives notice of such determination (including a description in reasonable detail of the facts relevant to such determination) to the Issuer and each Transaction Party, then for the purposes of the relevant ETC Securities, the Reference Index shall be:

- (i) such other reference index for the relevant Series as the Administrator determines has replaced the Reference Index in customary market usage for the purposes of determining a reference price for such Series in the primary over-the-counter market, exchange or trading facility for the trading of such Series or for the individual Futures Contracts or other asset comprised in such Series; or
- (ii) if the Administrator determines that there is no replacement reference index that can be determined in accordance with Condition 9(d)(i), then such other reference index for the relevant Series as the Administrator determines as most comparable to the Reference Index acting in a commercially reasonable manner,

(the “**Replacement Reference Index**”) provided that in each case, the Administrator must also have determined that no Reference Index Event would have occurred or be occurring in respect of such Replacement Reference Index if such Replacement Reference Index were the Reference Index. The Administrator shall, as soon as reasonably practicable following notification of the occurrence of a Reference Index Event and, in any event, by no later than the final day of any Redemption Disposal Period that had already commenced at the time of such notification, give notice of the Replacement Reference Index determined by it to the Issuer and each Transaction Party.

None of the Issuer, the Administrator, the Trustee or any other Transaction Party shall have any duty to monitor, enquire or satisfy itself as to whether a Reference Index Event has occurred.

10. **Payments, Deliveries, Agents and Calculations**

(a) **Payments Net of Taxes**

All payments in respect of the ETC Securities shall be made net of and after allowance for any withholding or deduction for, or on account of, any Taxes. In the event that any withholding, reduction or deduction for, or on account of, any Tax applies to payments in respect of the ETC Securities, the ETC Holders will be subject to such Tax or reduction or deduction and shall not be entitled to receive amounts to compensate for any such Tax or reduction or deduction. No Event of Default shall occur as a result of any such withholding or reduction or deduction.

(b) **Payments**

- (i) *Global Registered Security*: For as long as the ETC Securities are represented by a Global Registered Security registered in the name of a nominee on behalf of the Clearing Systems and deposited with a common safekeeper, common depository, central depository or nominee, as applicable, on behalf of the Clearing Systems, the obligations of the Issuer under the Conditions to make payments in respect of the ETC Securities will be discharged by payment to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January), subject to and in accordance with the terms of such Global Registered Security and provided that any presentation of the Global Registered Security for such purpose is made to the Principal Paying Agent or any other Paying Agent appointed for the Series outside the United States. Each of the persons shown in the records of the Clearing System as owning ETC Securities represented by such Global Registered Security must look solely to the Clearing System for its share of any payment made by the Issuer to or to the order of the holder of the Global Registered Security. Payments made to any person shown in the records of the Clearing System as owning any ETC Security represented by the

Global Registered Security shall be subject to and made in accordance with the rules of the Clearing System.

- (ii) **Individual Securities:** Payments of the Redemption Amount in respect of each Individual Security shall, subject to Condition 10(c) (*Payments Subject to Fiscal Laws*), be made against presentation and surrender of the relevant Individual Securities as the Specified Office of any of the Transfer Agents or of the Registrar by transfer to an account nominated by such person shown in the Register in the relevant currency maintained by the payee with a bank.

(c) **Payments Subject to Fiscal Laws**

All payments in respect of the ETC Securities are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the ETC Holders in respect of such payments.

(d) **Calculations and Determinations**

Each party shall, as soon as practicable on such date and/or at such time as it is required in accordance with these Conditions, make such calculation or determination as is required of it in accordance herewith.

(e) **Determination or Calculation by Security Trustee**

If at any time after the Security has become enforceable pursuant to Condition 5(e) (*Enforcement of the Security*) any determination or calculation relating to the Carbon Entitlement, the Cash Value per ETC Security, the Final Redemption Amount or Early Redemption Amount has not been made when required pursuant to the Conditions and the Transaction Documents, then the Security Trustee may (and shall following an instruction from the Trustee) appoint an agent to make the relevant determination or calculation, provided that the Security Trustee shall have been pre-funded and/or secured and/or indemnified to its satisfaction. Any such agent appointed in accordance with the terms of this Condition 10(e) shall act as agent of the Issuer. Any such determination or calculation made by any such agent shall for the purposes of the Conditions and the Transaction Documents be deemed to have been made by the original party. In doing so, the relevant agent shall apply the provisions of the Conditions and/or the relevant Transaction Document(s), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in the circumstances. The Security Trustee shall not be liable to the Issuer, the ETC Holders, any Transaction Party or any other person (i) if it does not appoint an agent to make the determinations or calculations referred to in this Condition 10(e) or (ii) if it does appoint an agent, for any calculations and determinations (or any delay in making any calculation or determination) so made, unless in either case the Security Trustee has acted fraudulently, with gross negligence or in wilful default.

(f) **Appointment of Agents**

Save as provided below, the Agents act solely as agents of the Issuer. The Agents do not assume any obligation or relationship of agency or trust for or with any ETC Holder. Any Agent may resign its appointment at any time, without giving any reason and without being responsible for any losses or liabilities incurred in connection with such resignation, by giving the relevant notice. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate (or consent to the variation or termination of) the appointment of the Administrator, the Principal Paying Agent, any Paying Agent(s) and/or the Custodian and to appoint additional or other Paying Agents or any Registrar. Without prejudice to the provisions for the automatic termination of the appointment of an Agent in connection with the occurrence of an insolvency or similar event or proceedings in the relevant Transaction Documents, the Issuer shall use reasonable endeavours to at all times maintain, (i) a Principal Paying Agent, (ii) a Custodian, (iii) an Administrator, and (iv) such Paying Agents or other agents as may be required by any Relevant Stock Exchange on which the ETC Securities may be listed, in each case, as approved by the Trustee. Notice of any change of Paying Agent or any change to the Specified Office of an Agent shall be given to the ETC Holders by the Issuer in accordance with Condition 18 (*Notices*).

(g) **Business Day Convention and Non-Business Days**

If any date for payment in respect of any ETC Security is not a Business Day, the holder shall not be entitled to payment until the next following Business Day or to any interest or other sum in respect of such postponed payment.

11. **Prescription**

Claims against the Issuer for payment under the Conditions in respect of an ETC Security shall be prescribed and become void unless made within six years from the date on which the payment of the Redemption Amount or any other amount payable in respect of such ETC Security first became due or (if any amount of the money payable was improperly withheld or refused) the date on which payment in full of the amount outstanding was made or (if earlier) the date falling seven days after that on which notice is duly given to the ETC Holders that, upon further presentation of the ETC Security being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation (such date the "**Relevant Date**"), save that if the ETC Securities are in global form claims in respect of the Redemption Amount or any such other amounts payable in respect each ETC Security represented by the relevant Global Registered Security shall become void unless the Global Registered Security is presented for payment within a period of six years from the appropriate Relevant Date.

12. **Events of Default**

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, or shall, if so directed in writing by the holders of at least one-fifth in number of the ETC Securities then outstanding or if so directed by an Extraordinary Resolution (provided that in each case the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction by one or more ETC Holders (or otherwise to its satisfaction), give notice to the Issuer (copied to each Transaction Party and the ETC Holders in accordance with Condition 18 (*Notices*)) (such notice an "**Event of Default Redemption Notice**") that the ETC Securities shall become due and payable at their Early Redemption Amount on the Early Redemption Settlement Date:

- (a) the Issuer does not perform or comply with any one or more of its material obligations (other than a payment obligation) under the ETC Securities, the Security Document or the Trust Deed, which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 calendar days after notice of such default shall have been given to the Issuer by the Trustee (and, for these purposes, a failure to perform or comply with an obligation shall be deemed to be remediable notwithstanding that the failure results from not doing an act or thing by a particular time); or
- (b) any order shall be made by any competent court or any resolution passed for the winding-up or dissolution of the Issuer, save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (c) an examiner is appointed in respect of the Issuer.

Notwithstanding the above, no Event of Default Redemption Notice may be given if an Early Redemption Trade Date or Final Redemption Valuation Date has occurred.

The Issuer shall, as soon as reasonably practicable after receipt of any Event of Default Redemption Notice, give notice thereof to the ETC Holders in accordance with Condition 18 (*Notices*).

The Issuer has undertaken in the Trust Deed that, on each anniversary of the issue date of the first Series issued under the Programme and also within 14 calendar days after any request by the Trustee, it will send to the Trustee a certificate signed by a director of the Issuer to the effect that as at a date not more than five calendar days prior to the date of the certificate no Event of Default, Issuer Call Redemption

Event or other Early Redemption Event, Disruption Event, substitution of the Reference Index or Reference Index Source or other event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default, has occurred.

13. **Enforcement**

Pursuant to the terms of the Trust Deed, only the Trustee may, at its discretion and without further notice, take such action or step or institute such proceedings against the Issuer as it may think fit to enforce the rights of the holders of the ETC Securities against the Issuer, whether the same arise under general law, the Trust Deed, the ETC Securities, any other Transaction Document or otherwise, but, in each case, it need not take any such action or step or institute such proceedings unless (a) in accordance with the terms of the Trust Deed, the Trustee is so directed by an Extraordinary Resolution or in writing by the holders of at least one-fifth in number of the ETC Securities then outstanding and (b) it is secured and/or pre-funded and/or indemnified to its satisfaction by one or more ETC Holders (or otherwise to its satisfaction). None of the holders of the ETC Securities shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails or neglects to do so within a reasonable time and such failure is continuing.

Pursuant to the terms of the Security Document, only the Security Trustee may enforce the Security in accordance with the Security Document and (other than as permitted by the Trust Deed and the Conditions) only the Security Trustee may, at its discretion and without further notice, take such action or step or institute such proceedings against the Issuer as it may think fit to enforce the Security, but it need not take any such action or step or institute such proceedings unless (a) it shall have been so directed by the Trustee (the Trustee having been directed by an Extraordinary Resolution or in writing by the holders of at least one-fifth in number of the ETC Securities then outstanding) (in accordance with the Security Document) and (b) it shall have been secured and/or pre-funded and/or indemnified to its satisfaction by one or more ETC Holders (or otherwise to its satisfaction).

None of the Secured Creditors, the Other Creditors, the ETC Holders or the other Transaction Parties shall be entitled to proceed directly against the Issuer in respect of the Security Document unless the Security Trustee, having become bound to proceed in accordance with the terms of the Security Document, fails or neglects to do so within a reasonable time and such failure is continuing. The Trustee, the Security Trustee, the ETC Holders and the other Transaction Parties acknowledge and agree that only the Security Trustee may enforce the Security over the Secured Property in accordance with, and subject to the terms of, the Security Document.

Neither the Trustee nor the Security Trustee shall in any circumstances be obliged to take any action, step or proceeding that would involve any personal liability or expense without first being indemnified and/or secured and/or pre-funded to its satisfaction whether pursuant to the Trust Deed, the Security Document, by one or more ETC Holders or otherwise.

14. ***Meetings of ETC Holders, Modification, Waiver, Substitution and Entitlement***

(a) ***Meetings of ETC Holders***

The Trust Deed contains provisions for convening meetings of ETC Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed (the "**Provisions for Meetings of ETC Holders**").

The Issuer or (subject to being indemnified and/or secured and/or prefunded to its satisfaction) the Trustee may at any time convene a meeting. If the Trustee receives a written request by ETC Holders holding at least 10 per cent. in number of the ETC Securities of any Series for the time being outstanding and is indemnified to its satisfaction against all costs and expenses, it shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction) convene a meeting of the ETC Holders of that Series.

The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in the number of ETC Securities of the relevant Series for

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the time being outstanding, or at any adjourned meeting two or more persons being or representing ETC Holders whatever the number of the ETC Securities held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the ETC Securities; (ii) to vary any method of, or basis for, calculating the Final Redemption Amount or Early Redemption Amount; (iii) to vary the currency or currencies of payment or denomination of the ETC Securities; (iv) to take any steps that, as specified in the Trust Deed, may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply; (v) to modify the provisions concerning the quorum required at any meeting of ETC Holders or the majority required to pass an Extraordinary Resolution; (vi) to modify the provisions of the Trust Deed concerning the special quorum provisions; or (vii) to modify Clause 3 (*Security and Secured Property*) or Clause 5 (*Application of Moneys*) of the Irish Law Security Trust Deed, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. in number of the ETC Securities of the relevant Series, or at any adjourned meeting not less than 25 per cent. in number of the ETC Securities of the relevant Series for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on ETC Holders (whether or not they were present at the meeting at which such resolution was passed).

Notwithstanding anything to the contrary in these Conditions, neither the approval of ETC Holders by way of an Extraordinary Resolution or otherwise or the consent of the Trustee is required (without limitation) for:

- (i) any change to the Total Expense Ratio at any time (provided that in the case of an increase of the Total Expense Ratio, at least 30 calendar days' prior notice has been given to ETC Holders in accordance with Condition 18 (*Notices*));
- (ii) any appointment of an additional or replacement Transaction Party provided such appointment or replacement is effected in accordance with the Conditions;
- (iii) the substitution of the Reference Index with a successor Reference Index, the substitution of the Reference Index Source with a successor Reference Index Source or the determination of a replacement Reference Index following the occurrence of a Reference Index Event, in each case pursuant to Condition 9 (*Successor Reference Index, Successor Reference Index Source and Reference Index Event*);
- (iv) any determination as to the occurrence or existence of a Disruption Event and any determination and application of any postponement, suspension and/or Disrupted Redemption Method in connection with such Disruption Event, in each case pursuant to Condition 8 (*Disruption Events and Postponement or Suspension*);
- (v) any amendment to any term of the Conditions or any Transaction Document which relates to an operational or procedural issue;
- (vi) any modification relating to changes required or additional documents to be entered into to comply with requirements of the Relevant Clearing System or any listing requirements;
- (vii) any amendment to any term of any Authorised Participant Agreement in accordance with the terms therein;
- (viii) any increase to the Programme Maximum Number of ETC Securities;
- (ix) any amendment to the name of the Programme; or
- (x) anything that the Issuer is permitted to do without the prior written consent of the Security Trustee pursuant to Condition 6 (*Restrictions*).

(b) **Modification of the Relevant Transaction Documents**

Without prejudice to Condition 14(a) (*Meetings of ETC Holders*), the Trustee may agree, without the consent of the ETC Holders, to (i) any modification to these Conditions, the Trust Deed and/or any other Transaction Document which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or (ii) any other modification, and any waiver or authorisation, of any breach or proposed breach of any of these Conditions or any of the provisions of the Trust Deed and/or any other Transaction Document that is in the opinion of the Trustee not materially prejudicial to the interests of the ETC Holders. Any such modification, authorisation or waiver shall be binding on the ETC Holders and shall be notified by the Issuer to the ETC Holders in accordance with Condition 18 (*Notices*) as soon as reasonably practicable.

Without prejudice to Condition 14(a) (*Meetings of ETC Holders*), the Security Trustee may, only if directed by the Trustee to do so, agree to (i) any modification to the Security Document that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification, and any waiver or authorisation of any breach or proposed breach of any term of the Security Document that is not materially prejudicial to the interests of the Secured Creditors. Any such modification, authorisation or waiver shall be binding on the Secured Creditors and will be notified by the Issuer to the ETC Holders in accordance with Condition 18 (*Notices*) as soon as reasonably practicable.

(c) **Substitution**

The Trustee may, without the consent of the ETC Holders, agree to the substitution, in place of the Issuer (or of any previous substitute) as the principal debtor under the Trust Deed, the Security Document, the other Transaction Documents to which it is a party and the ETC Securities, of any other company (incorporated in any jurisdiction) (any such substitute company being the "**Substituted Obligor**"), provided that:

- (i) a deed is executed or undertaking given by the Substituted Obligor to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the Trust Deed, the Security Document and the ETC Securities (with such consequential amendments as the Trustee may deem appropriate) as if the Substituted Obligor had been named in the Trust Deed, the Security Document and the ETC Securities as the principal debtor in place of the Issuer;
- (ii) the Substituted Obligor assumes all rights, obligations and liabilities in relation to the Secured Property, acknowledges the Security created in respect thereof pursuant to the Security Document and takes all such action as the Trustee may require so that the Security constitutes a valid charge, pledge or other security interest over the Secured Property as was originally created by the Issuer for the obligations of the Substituted Obligor;
- (iii) any director of the Substituted Obligor certifies that the Substituted Obligor will be solvent immediately after such substitution (in which case the Trustee need not have regard to the Substituted Obligor's financial condition, profits or prospects or compare them with those of the Issuer);
- (iv) the Trustee will be satisfied (if it requires, by reference to legal opinions) that (A) all necessary governmental and regulatory approvals and consents necessary for or in connection with the assumption by the Substituted Obligor of liability as principal debtor in respect of, and of its obligations under, the ETC Securities and any Transaction Document have been obtained and (B) such approvals and consents are at the time of substitution in full force and effect;
- (v) the Issuer and the Substituted Obligor will execute and the Issuer shall procure that the Authorised Participants and any other Transaction Party will execute such other deeds, documents and instruments (if any) as the Trustee may require in order that such substitution is fully effective;

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- (vi) in connection with any proposed substitution of the Issuer, the Trustee may, without the consent of the holders of the ETC Securities, agree to a change of the law from time to time governing such ETC Securities and/or the Issue Deed and/or the Trust Deed and/or the Security Document, provided that such change of law, in the opinion of the Trustee, would not be materially prejudicial to the interests of such ETC Holders;
- (vii) the Issuer and the Substituted Obligor comply with such other requirements as the Trustee may direct in the interests of the ETC Holders; and
- (viii) legal opinion(s) satisfactory to the Trustee is/are provided concerning any proposed substitution.

An agreement by the Trustee pursuant to this Condition 14(c) and the Trust Deed shall, if so expressed, release the Issuer (or a previous substitute) from any or all of its obligations under the Trust Deed, the ETC Securities and the other Transaction Documents. The Substituted Obligor shall give notice of the substitution to the ETC Holders in accordance with Condition 18 (*Notices*) within 14 calendar days of the execution of such documents and compliance with such requirements.

On completion of the formalities set out in this Condition 14(c) and the Trust Deed, the Substituted Obligor shall be deemed to be named in these Conditions, the Trust Deed, the other Transaction Documents and the ETC Securities as the principal debtor in place of the Issuer (or of any previous substitute) and these Conditions, the Trust Deed, the other Transaction Documents and the ETC Securities shall be deemed to be amended as necessary to give effect to the substitution.

(d) ***Entitlement of the Trustee***

In accordance with the terms of the Security Document, in connection with the exercise of its functions (including, but not limited to, those referred to in this Condition 14) the Trustee will have regard to the interests of the ETC Holders as a class and will not have regard to the consequences of such exercise for individual ETC Holders and the Trustee will not be entitled to require, nor shall any ETC Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual ETC Holders. So long as the ETC Securities are in global form and the Global Registered Security is held by or on behalf of the Clearing System, in considering the interests of ETC Holders, the Trustee may have regard to any information provided to it by the Clearing System or its operator as to the identity (either individually or by category) of its accountholders or participants with entitlements to any such Global Registered Security and may consider such interests on the basis that such accountholders or participants were the holder(s) thereof.

(e) ***Entitlement of the Security Trustee***

In accordance with the terms of the Security Document, in connection with the exercise of its functions (including, but not limited to, those referred to in this Condition 14) the Security Trustee will have regard to the interests of the ETC Holders as a class and will not have regard to the consequences of such exercise for individual ETC Holders or the other Secured Creditors and the Security Trustee will not be entitled to require, nor shall any ETC Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual ETC Holders. So long as the ETC Securities are in global form and the Global Registered Security is held by or on behalf of the Clearing System, in considering the interests of ETC Holders, the Security Trustee may have regard to any information provided to it by the Clearing System or its operator as to the identity (either individually or by category) of its accountholders or participants with entitlements to any such Global Registered Security and may consider such interests on the basis that such accountholders or participants were the holder(s) thereof.

15. **Replacement of ETC Securities**

If an ETC Security is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the Specified Office of the Registrar (in such capacity the "**Replacement Agent**"), in each case on payment by the claimant of the

fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed ETC Security is subsequently presented for payment there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such ETC Security) and otherwise as the Issuer may require. Mutilated or defaced ETC Securities must be surrendered before replacements will be issued.

16. **Transfers**

(a) Transfers

Legal title to the ETC Securities, unless otherwise agreed between the Issuer and the Clearing Systems, will be held by a nominee for the Clearing Systems. It is intended that ownership of the entitlements to interests in the ETC Securities will, subject to the applicable rules, procedures and practices of the Clearing Systems transfer upon the entry of such transfer in their systems and the associated crediting of book-entry accounts in the Clearing Systems and of their respective participants, as recorded in the Register maintained by the Registrar in accordance with the provisions of the Agency Agreement and the Trust Deed.

All transactions in respect of the ETC Securities (including, without limitation, transfers of the ETC Securities) in the open market or otherwise must be effected through an account with a Relevant Clearing System. All transfers of the ETC Securities shall be subject to and made in accordance with the rules, procedures and practices in effect of the Relevant Clearing System.

(b) Transfer of ETC Securities Represented by Permanent Global Registered Securities

If the ETC Securities are to be represented by a Global Registered Security on issue, transfers of the holding of ETC Securities represented by such Global Registered Security pursuant to Condition 2(c) (*Title*) may only be made in part:

- (i) if the ETC Securities represented by such Global Registered Security are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) above, the holder of the ETC Securities represented by such Global Registered Security has given the Registrar not less than 30 days’ notice at its Specified Office of such holder’s intention to effect such transfer. Where the holding of ETC Securities represented by such Global Registered Security is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Registered Security. Where transfers are permitted in part, Certificates issued to transferees shall be Individual Securities unless the transferee requests otherwise and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

17. **Further Issues**

Subject to Condition 5 (*Security and Application of Proceeds*), the Issuer may (without the consent of the Trustee or any ETC Holder), from time to time, in accordance with the Trust Deed, the Conditions and the Agency Agreement, create and issue further securities either:

- (a) having the same terms and conditions as the ETC Securities in all respects (other than the issue date and initial Carbon Entitlement) and so that such further issue shall be consolidated and form a single series with the ETC Securities and the Issuer may incur further obligations relating to such ETC Securities; or

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- (b) that are not consolidated and do not form a single Series with the ETC Securities and that are secured on separate assets than the ETC Securities and that are issued upon such terms as the Issuer may determine at the time of their issue and in respect of which the Issuer may incur further obligations relating to such securities.

Any new securities forming a single series with the ETC Securities and which are expressed to be constituted by the Trust Deed and secured by the Security Document for the Series of which such ETC Securities form a part will, upon the issue thereof by the Issuer, be constituted by the Trust Deed and secured by the Security Document without any further formality and irrespective of whether or not the issue of such securities contravenes any covenant or other restriction in the Trust Deed or the Programme Maximum Number of ETC Securities and shall be secured by the Secured Property (as increased and/or supplemented in connection with such issue of such new securities) and references in these Conditions to “**ETC Securities**”, “**Secured Assets**”, “**Secured Agent Rights**”, “**Secured Property**”, “**Secured Issuer Obligations**”, “**Other Issuer Obligations**”, “**Secured Creditors**”, “**Other Creditors**” and any other defined term where the context so requires shall be construed accordingly.

18. Notices

All notices to holders of ETC Securities shall be valid if:

- (a)
- (i) for so long as the ETC Securities are in definitive form:
 - (A) published in a daily newspaper with general circulation in the country of the Relevant Stock Exchange; and/or
 - (B) published on the website of one or more RIS(s) approved for such purposes by the applicable Relevant Stock Exchange(s),

and, in each case, any such notice shall be conclusively presumed to have been received by the holders; or

- (ii) for so long as the ETC Securities are in global form represented by a Global Registered Security, given by their being delivered (so long as the Global Registered Security is held on behalf of a Relevant Clearing System) to such Relevant Clearing System or otherwise to the holder of the Global Registered Security, and any such notice shall be deemed to have been given to the holders of the ETC Securities on the Business Day immediately following the day on which the notice was given to the Clearing System or the holder of the Global Registered Security; and
- (b) to the extent not satisfied by publication in accordance with Condition 18(a)(i) or (ii) (as the case may be), for so long as the ETC Securities are listed on any Relevant Stock Exchange, published in accordance with the rules and regulations of such Relevant Stock Exchange or other relevant authority.

If any such publications above are not practicable, notice shall be validly given if published in a leading daily newspaper with general circulation in the relevant country. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

19. Regulatory Requirement Amendments

If the Administrator determines that a Regulatory Requirement Event has occurred, it may notify the Issuer of any modifications that it determines are required to be made to the Conditions and/or any Transaction Document (except for the Authorised Participant Agreement) (such amendments, the “**Regulatory Requirement Amendments**”) in order to cause (as applicable):

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- (a) the ETC Securities and the transactions contemplated by the Conditions and the Transaction Documents to be compliant with all Relevant Regulatory Laws;
- (b) the Issuer and each Transaction Party to be compliant with all Relevant Regulatory Laws; or
- (c) the Issuer and each Transaction Party to be able to continue to transact future business (as issuer of ETC Securities or as a transaction party to the Issuer pursuant to the Programme) in compliance with all Relevant Regulatory Laws.

The Administrator shall immediately send a copy of any such notice to all Transaction Parties (other than the Authorised Participants).

If the Issuer receives such a notice from the Administrator, it shall, without the consent of the Security Trustee or the ETC Holders, promptly make the Regulatory Requirement Amendments, provided that:

- (i) no Early Redemption Trade Date or Early Redemption Settlement Date has occurred in respect of the ETC Securities;
- (ii) the Regulatory Requirement Amendments will not:
 - (A) amend the date of maturity or redemption of the ETC Securities;
 - (B) reduce or cancel the Redemption Amount, the Nominal Amount or the Specified Interest Amount payable on redemption of the ETC Securities;
 - (C) vary any method of, or basis for, calculating the Final Redemption Amount or the Early Redemption Amount; or
 - (D) have a material adverse effect on the validity, legality or enforceability of the Security or on the priority and ranking of the Security;
- (iii) the Regulatory Requirement Amendments are agreed to by each party to the affected Transaction Documents (in each case, such consent not to be unreasonably withheld or delayed) and the Trustee; and
- (iv) the Administrator certifies in writing (such certificate, a "**Regulatory Requirement Amendments Certificate**") to the Trustee that (A) the purpose of the Regulatory Requirement Amendments is solely as set out in Conditions 20(a) to 20(c) and (B) the Regulatory Requirement Amendments satisfy the requirements of paragraph (ii) above.

The Trustee may rely, without further enquiry and without liability to any person for so doing, on a Regulatory Requirement Amendments Certificate. Upon receipt of a Regulatory Requirement Amendments Certificate, the Trustee shall agree to the Regulatory Requirement Amendments without seeking the consent of the ETC Holders or any other party and concur with the Issuer (at the Issuer's expense) in effecting the Regulatory Requirement Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be required to agree to the Regulatory Requirement Amendments if, in the opinion of the Trustee (acting reasonably), the Regulatory Requirement Amendments would (x) expose the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (y) impose more onerous obligations upon it or expose it to any additional duties or responsibilities or reduce or amend the protective provisions afforded to the Trustee in the Conditions or any Transaction Document of any Series.

None of the Administrator, the Trustee or the Security Trustee shall have any duty to monitor, enquire or satisfy itself as to whether any Regulatory Requirement Event has occurred. The Administrator shall not

have any obligation to give, nor any responsibility or liability for giving or not giving, any notice to the Issuer and the Transaction Parties that a Regulatory Requirement Event has occurred.

Any Regulatory Requirement Amendments will be binding on the Issuer, the Transaction Parties and the ETC Holders.

20. Clearing Systems

None of the Issuer nor any Transaction Party will have any responsibility for the performance by the Clearing Systems (or their participants or indirect participants) of any of their respective obligations under the rules and procedures governing their operations.

Where the ETC Securities are held in a Clearing System, a reference in these Conditions to a deposit or return of such ETC Securities shall be deemed to refer to the taking of such action by an account holder in the Clearing System as is required to deposit or return such account holder's interest in the ETC Securities in or to the relevant account in the Clearing System.

21. Governing Law and Jurisdiction

(a) Governing Law

The Issue Deed, the Trust Deed, the Irish Law Security Trust Deed, the Agency Agreement and the ETC Securities (including these Conditions and any Global Registered Security), and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, the laws of Ireland.

(b) Jurisdiction

The courts of Ireland are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with any ETC Securities and, accordingly, any legal action or proceedings arising out of or in connection with any ETC Securities ("**Proceedings**") may be brought in such courts. The parties to the Trust Deed have irrevocably submitted to the jurisdiction of such courts and waived any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the Trustee, the Security Trustee and the ETC Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Service of Process

In respect of a Series, each of the Trustee, the Security Trustee and the Custodian agrees to appoint, on or around the Series Issue Date, a process agent as its agent to receive, for and on its behalf, service of process in any Proceedings in Ireland. The process agent in respect of each such party appointing a process agent shall either (i) be the party specified as its process agent for the Series in the Issue Deed for the first Tranche for such Series or (ii) if no such process agent is specified in such Issue Deed in respect of such party, be notified to the Trustee as soon as reasonably practicable following its appointment. Service of process on any such process agent shall be deemed valid service upon the party appointing such process agent, whether or not it is forwarded to and received by the appointing party. Each party appointing a process agent shall inform the Trustee in writing of any change in its process agent's address within 28 calendar days of such change. If for any reason any such process agent ceases to be able to act as such or no longer has an address in Ireland, each party who has appointed such process agent irrevocably agrees to appoint a substitute process agent in Ireland reasonably acceptable to the Trustee and to deliver to the Trustee a copy of the substitute process agent's written acceptance of that appointment, within 14 calendar days. Each party appointing a process agent irrevocably consents to any process in any Proceedings anywhere being served by mailing a copy by

registered post to such process agent. However, nothing in this Condition 21(c) shall affect the right to serve process in any other manner permitted by law.

22. **Administrator, Registrar and Paying Agents**

(a) *Administrator, Registrar and Paying Agents solely agents of Issuer.* In acting under the Administration Agreement, the Agency Agreement and/or the Principal Paying Agency Agreement, as the case may be, in connection with the ETC Securities, the Administrator, the Registrar and the Paying Agents respectively act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any fiduciary duties or any obligations towards or relationship of agency or trust for or with any of the ETC Holders.

(b) *Administrator, Registrar and Paying Agents:* The Specified Offices of the Administrator, the Registrar and the Paying Agents are set out below.

The Administrator is SEI Global Services, Inc. and its Specified Office is at 1 Freedom Valley Drive Oaks, PA 19456, United States.

The Registrar is Citibank Europe plc and its Specified Office is at 1 North Wall Quay, Dublin, Ireland.

The Principal Paying Agent is Citibank N.A., London Branch and its Specified Office is at Citigroup Centre, Canada Square, London E14 5AL, United Kingdom.

Subject to Condition 10(f) (*Appointment of Agents*), the Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of the Administrator, the Registrar or any Paying Agent (having given the requisite period of notice) and to appoint a successor administrator, registrar or principal paying agent and additional or successor paying agents at any time. Notice of any change in the Administrator, the Registrar or any Paying Agent, or in any of their Specified Offices, shall promptly be given to the ETC Holders in accordance with the Notices Condition.

(c) *Maintenance of Registrar and Paying Agents:* The Issuer shall at all times maintain:

(i) a Registrar; and

(ii) for so long as the ETC Securities are listed on any stock exchange or admitted to trading by any other relevant authority, a paying agent with a Specified Office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

DESCRIPTION OF TRANSACTION DOCUMENTS

The following is a summary of certain provisions of certain Transaction Documents relating to the Programme and the ETC Securities and should be read in conjunction with the rest of this Base Prospectus. The summaries below are of certain provisions of the Transaction Documents and do not purport to be complete and are subject to the detailed provisions of the relevant Transaction Documents.

Capitalised terms used in the summaries below but not defined therein shall have the meanings given to such terms in the Conditions.

Trust Deed

The Trust Deed relating to a Series will be entered into as a deed by the Issuer, the Trustee, the Administrator and each other party thereto upon the execution of the Issue Deed. The Issue Deed will incorporate and may amend and/or supplement the Master Trust Terms. The Trust Deed for a Series contains the provisions setting out the various obligations of the Issuer and the Trustee with respect to such Series. Each Trust Deed and any non-contractual obligations arising out of or in connection with them will be governed by and construed in accordance with the laws of Ireland.

The Trust Deed will constitute the ETC Securities of the relevant Series and will set out the covenants of the Issuer, including, *inter alia*, its covenant to pay, provisions relating to its duty to provide various persons with information, to prepare and display certain information, only to do such things as are contemplated within such Trust Deed (most importantly, in relation to the issue of the ETC Securities) and its duties with respect to its obligations under the ETC Securities.

Each Trust Deed will also set out the basis for the remuneration and indemnification of the Trustee in respect of its duties, the conditions for appointment, retirement and removal and contains provisions which are supplemental to certain statutory provisions and which set out the powers of the Trustee and the extent of its duties. The Trustee in respect of a Series may retire upon giving not less than 90 calendar days' prior written notice to the Issuer, and the ETC Holders may by Extraordinary Resolution remove any Trustee, provided that the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. If the sole trust corporation in respect of a Series gives notice of retirement or an Extraordinary Resolution is passed for its removal, the Issuer will use all reasonable endeavours to procure that another trust corporation is appointed as the Trustee for such Series but if it fails to do so before the expiry of such 90 calendar day notice period, the Trustee will have the power to appoint a new Trustee (provided that such new Trustee shall be a trust corporation of recognised international standing).

Irish Law Security Trust Deed

In respect of each Series, by executing the relevant Issue Deed, the Issuer and the Security Trustee will be deemed to have entered into an Irish Law Security Trust Deed governed by the laws of Ireland on the terms set out in the Master Irish Law Security Trust Terms as amended or supplemented by such Issue Deed. The Security in respect of a Series is constituted pursuant to the Irish Law Security Trust Deed relating to such Series and the Irish Law Security Trust Deed will set out, *inter alia*, provisions relating to the creation and enforcement of the Security, the appointment of receivers, the rights of the Security Trustee in relation to the Irish Law Secured Property and provisions relating to the application of the net proceeds derived from the realisation of the Irish Law Secured Property (whether by way of liquidation or enforcement).

The Irish Law Security Trust Deed and any non-contractual obligations arising out of or in connection with it is governed by, and shall be construed in accordance with, Irish law.

Administration Agreement

The Administration Agreement sets out the duties, rights and obligations of the Administrator in relation to the relevant Series and the basis for its liability, remuneration and indemnification. It also sets out the basis for the appointment, resignation and termination of the Administrator.

The Administrator does not act as guarantor of the ETC Securities. Moreover, the Administrator is not responsible for the making of any trading or investment decisions on behalf of the Issuer, or the effect of any such decisions on the performance of the Issuer.

The Administration Agreement and any non-contractual obligations arising out of or in connection with it is governed by, and shall be construed in accordance with, Irish law.

Custody Agreement

The Custody Agreement sets out the terms on which the Custodian will agree to hold certain of the underlying assets of the ETC Securities including the cash, cash equivalents, US government treasuries, and the exchange traded funds shares.

Authorised Participant Agreements

In relation to each Series, the Issuer will have entered into an Irish law governed Authorised Participant Agreement with one or more Authorised Participants, as such agreement may be amended, supplemented, novated or replaced from time to time. Each Authorised Participant Agreement sets out the provisions relating to the subscription by each Authorised Participant of ETC Securities of the relevant Series and Buy-Back of ETC Securities of such Series by the Issuer. Each Authorised Participant Agreement also sets out the terms on which an Authorised Participant may offer, sell or deliver ETC Securities and contains certain representations, warranties and undertakings of the Authorised Participant in relation thereto.

Pursuant to the Authorised Participant Agreement, on the Series Issue Date, the Issuer agrees to issue, and the Authorised Participant agrees to subscribe and pay for, the number of ETC Securities as separately agreed between the Issuer and the Authorised Participant.

Only an Authorised Participant may submit a Subscription Order and the Issuer will only accept any Subscription Order or Buy-Back Order if all conditions precedent to a Subscription or Buy-Back of the ETC Securities have been satisfied. The Issuer may elect for any reason or for no reason to refuse to accept any Subscription Order. In accordance with the terms of the Authorised Participant Agreement, the Issuer will not be obliged to accept any Subscription Order or Buy-Back Order if, amongst other things (i) an Early Redemption Event has occurred (ii) the Transfer Agent is subject to an insolvency or similar event and no replacement has been appointed (iii) a Disruption Event has occurred and the Transfer Agent has determined that any request for Subscriptions and/or Buy-Backs should be temporarily suspended.

In addition, each Subscription Order must relate to a number of ETC Securities corresponding to at least the Minimum Trading Amount (if any) and be an integral multiple thereof and at least the Minimum Subscription Amount (if any) for the relevant Series, each as specified in the Final Terms.

In relation to any Subscription Order or Buy-Back Order, such order may be cancelled in certain circumstances including, without limitation, where an Early Redemption Trade Date or the Final Redemption Valuation Date (as applicable) has occurred prior to the settlement of such Subscription or Buy-Back or where either the Issuer or the Authorised Participant has failed to perform its obligations with respect to the relevant Subscription or Buy-Back for a prolonged period of time.

The Authorised Participant Agreement sets out the conditions for appointment and resignation of the relevant Authorised Participant. The Issuer may at any time terminate the appointment of the relevant Authorised Participant with immediate effect if (i) the relevant Authorised Participant commits any material breach of its obligations (which shall include, without limitation, a repeated failure to pay the Subscription Fee, Buy-Back Fee owed to the Issuer) which to the extent remediable has not been remedied within 15 calendar days of the relevant Authorised Participant becoming aware of, or its receiving notice from the Issuer of such breach, (ii) if the Issuer determines, in good faith and in a commercially reasonable manner, that the conduct of such Authorised Participant is detrimental to the reputation or development potential of the business of the Issuer or any other Transaction Party or the relationships of those entities with third parties or (iii) the Authorised Participant is subject to an insolvency or similar event (provided, in such circumstances, it would be permissible under any applicable law for the Issuer to terminate the Authorised Participant's appointment as a result of such event).

Each Authorised Participant Agreement and any non-contractual obligations arising out of or in connection with it is governed by, and shall be construed in accordance with, Irish law.

Fees and Expenses Agreement

Pursuant to the Fees and Expenses Agreement and in respect of each Series of ETC Securities, the Issuer will pay to the Arranger an amount equal to the Operational Fee in respect of that Series. The Operational Fee is payable by the Issuer to the Arranger for its services under the Fees and Expenses Agreement. In consideration of the payment by the Issuer of the Operational Fees, the Arranger will agree to pay to the Issuer's order all fees, taxes and expenses of the Issuer, including, without limitation, all amounts payable to each other Transaction Party under the Transaction Documents and any other service providers to the Issuer in respect of the ongoing fees and expenses of the Issuer in connection with the Programme. The Arranger shall be under no obligation to pay or otherwise reimburse the Issuer in respect of any indemnity granted by the Issuer in favour of a Secured Creditor in respect of any Series of ETC Securities in connection with the Programme. In addition, the Arranger will assist the Issuer in making certain determinations in accordance with the Conditions and the Transaction Documents.

The Fees and Expenses Agreement and any non-contractual obligations arising out of or in connection therewith is governed by, and construed in accordance with, Irish law.

DESCRIPTION OF THE ISSUER

General

The legal and commercial name of the Issuer is KraneShares ETC plc. The Issuer was incorporated on 25 March 2024 as a public limited liability in Ireland under the Irish Companies Act 2014 and is registered with the Companies Registration Office of Ireland with registration number 760531. The LEI (legal entity identifier) of the Issuer is 635400CDVNC4T5TAEM15. The Issuer has been incorporated for an indefinite period. The registered office of the Issuer is at 4th Floor, 35 Shelbourne Road, Ballsbridge, Dublin 4, Ireland. The telephone number of the Issuer is +353 1 619 2300.

Ownership and Control of the Issuer

The authorised share capital of the Issuer is €1,000,000 divided into 1,000,000 ordinary shares of €1 each. The issued share capital of the Issuer is €25,000. All of the issued shares are held by the Corporate Services Provider (the "**Share Trustee**") on trust for charitable purposes pursuant to a declaration of trust dated 14 May 2024 (the "**Declaration of Trust**"). The Share Trustee has no beneficial interest in and derives no benefit (other than its fees for acting as Share Trustee) from its holding of the shares in the Issuer.

Principal Activities of the Issuer

The Issuer has been established as a special purpose vehicle for the purpose of issuing ETC securities backed by carbon allowances. The Issuer has not been assigned a rating and the ETC Securities are unrated.

In accordance with the Trust Deed, so long as any of the ETC Securities remain outstanding, the Issuer shall not, without the prior written consent of the Trustee, incur any other indebtedness for borrowed monies or engage in any business (other than acquiring and holding the Secured Property, issuing further Series of ETC Securities and entering into related agreements and transactions as provided for in Condition 6), or, *inter alia*, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in the Conditions and the Trust Deed) or issue any shares (other than such shares as were in issue on the date of this Prospectus).

Other than the subscription monies received in respect of the issued share capital (to the extent not applied in discharge of certain establishment expenses of the Issuer), the Issuer has, and will have, no assets other than a small amount of profit received by the Issuer in connection with the issue of each Series of ETC Securities and in respect of a Series of ETC Securities, any rights, property, sums or other assets on which such Series of ETC Securities issued under the Programme are secured.

The ETC Securities are obligations of the Issuer alone and not of the Trustee, any Transaction Party or any other person. Furthermore, they are not guaranteed in any way by any other party.

Save in respect of the proceeds of any deposits and investments made from amounts representing the Issuer's issued and paid-up share capital and a small amount of profit in connection with the issue of ETC Securities, the Issuer does not expect to accumulate any surpluses. Fees and expenses payable on a monthly basis by the Issuer to the Arranger will be paid out of the proceeds of the relevant Series of ETC Securities and funded by way of the monthly sale of Futures Contracts deducted on a daily basis from the Carbon Entitlement of the ETC Securities of such Series at a rate equal to the portion of the Total Expense Ratio applicable to each day. Agreed fees and expenses payable to the Issuer's service providers, including the Corporate Services Provider, the Trustee, the Security Trustee, the Custodian, the Administrator and other Agents will be paid by the Issuer out of the proceeds of the sale of Futures Contracts mentioned in the previous sentence. None of the above-mentioned Transaction Parties may have recourse to assets of the Issuer which are held as security for ETC Securities of any Series other than the ETC Securities of the Series in respect of which the claim arises. Additionally, the above-mentioned Transaction Parties have agreed that the payments of outstanding fees (if any) shall be limited to amounts available, following application in accordance with the terms of the Trust Deed, to discharge such liabilities.

In accordance with Article 41.6(c) of Directive 2006/43/EC of the European Parliament and of the Council and any relevant implementing measures of Ireland, the Issuer does not consider it appropriate to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee. This is because the Issuer's principal business consists of the issue of ETC Securities and the application of the Secured Property towards making payments in respect of the relevant ETC Securities and paying certain fees, expenses and other related amounts and as such, the Issuer is not conducting an operating business.

Management of the Issuer

The Issuer's Constitution provides that the Board of Directors of the Issuer will consist of at least two Directors. As at the date of this Base Prospectus, the Directors of the Issuer are as follows:

Name of Director	Biography
Matthew Henry Tracey (d.o.b. 24 August 1990)	<p>Matthew Tracey is a Director within the Corporate Services Finance division of Waystone in Dublin and brings with him a solid background in client relationship management, overseeing deal documentation and the operational flows of numerous corporate services transactions. Matthew also serves as an independent director on Section 110 vehicles and trading companies.</p> <p>Prior to joining Waystone, Matthew spent three years as a Senior Associate with Bank of New York Mellon Corporate Trust department. In this client-facing role, he was responsible for all aspects of transactions executed from the Dublin office, including the management of portfolios of structured finance products including CLOs, CDOs, ABS/MBS, repos, asset finance, commercial paper, structured notes and SPVs.</p> <p>Matthew works with a wide array of products from equities and bonds to more complex instruments; listed and OTC derivatives, structured products and real assets. His experience and understanding of complex products is key to his role at Waystone.</p> <p>Matthew holds a Master's degree in Finance from UCD Michael Smurfit Business School and a Bachelor's degree in Finance from University College Cork.</p>
Benjamin Murahwi (d.o.b. 2 July 1991)	<p>Benjamin Murahwi is an Associate Director within the Structured Finance division of Waystone in Dublin and brings with him a solid background in the financial services industry, specifically Structured Finance and Funds.</p> <p>Prior to joining Waystone, Benjamin held position of Accounting Manager at another Corporate Service Provider. Throughout his career, he has gained extensive experience performing the accounting and operational functions for various portfolios of structured finance vehicles and Funds including CLOs, multi-issuance vehicles, SPVs, commercial paper, structured notes and Private Equity Funds.</p> <p>Benjamin has added significant value to the Waystone's Structure Finance division since joining.</p> <p>Benjamin holds a degree in Accounting from the University of Cape Town and is a member of the South African Institute of Chartered Accountants.</p>
Jonathan Adam Krane (d.o.b. 12 December 1968)	<p>Jonathan Krane is the founder and CEO of KraneShares, an asset management firm delivering China and climate focused exchange traded funds to global investors. He has spent the last 20 years working with companies in China. KraneShares is majority owned by China International Capital Corporation (CICC).</p>

	Jonathan received an MBA from Columbia Business School and a BA from Connecticut College. He is on the board of Connecticut College and is a member of the Young Presidents Organization (YPO). Jonathan is also the author of The Wall Street Journal Best Seller, The China Dream.
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The Company Secretary of the Issuer is Waystone Corporate Services (IE) Limited.

The business address of the Directors and the Company Secretary of the Issuer is at Unit 10 & 11, Cahir Road, Cashel, Co. Tipperary, Ireland.

The Corporate Services Provider of the Issuer is Waystone Corporate Services (IE) Limited. Pursuant to the Corporate Services Agreement, its duties include the provision of certain management, administrative, secretarial, accounting and related services. The appointment of the Corporate Services Provider may be terminated and the Corporate Services Provider may retire upon three months' notice, subject to the appointment of an alternative Corporate Services Provider on similar terms to the existing Corporate Services Provider.

Financial Information

The financial year of the Issuer ends on 31 December in each year. The Issuer produces audited annual financial statements and semi-annual unaudited financial statements. The Issuer has not prepared or submitted its first financial statements.

The Issuer's financial statements for future periods will be made available within 4 months from each financial year end and within 3 months from the end of each semi-annual period from the registered office of the Issuer.

The auditors of the Issuer are Grant Thornton Ireland. The auditors of the Issuer are chartered accountants who are members of the Institute of Chartered Accountants in Ireland and are qualified to practise as auditors in Ireland.

The Issuer agrees in the relevant Trust Deed to provide the Trustee with a certificate of the Issuer signed by any duly authorised signatory of the Issuer, on an annual basis and upon request, to the effect that having made all reasonable enquiries, to the best of the knowledge and information of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate, the Issuer has complied with all of its obligations under the Transaction Documents and no Event of Default, Issuer Call Redemption Event or other Early Redemption Event, Disruption Event, substitution of the Reference Index or Reference Index Source or other event pursuant to which the Security has become enforceable has occurred since the Certification Date of the last such certificate or (if none) the date of the relevant Issue Deed or, if such event has occurred, giving details of it.

DESCRIPTION OF THE ARRANGER AND INVESTMENT ADVISOR

Krane Funds Advisors, LLC

Krane Funds Advisors, LLC ("**Krane**"), which is a signatory to the United Nations Principles for Responsible Investment², is a SEC registered investment adviser located at 280 Park Avenue, 32nd Floor, New York, NY 10017 and serves as arranger and investment advisor to the Issuer. Founded in 2013, the Arranger offers innovative investment solutions with domestic and international product capabilities through NYSE listed funds and UCITS ETFs to institutional and retail clients globally.

With approximately USD 9 billion under management, the Arranger provides industry-leading, differentiated, and high-conviction investment strategies that offer access to key market trends tailored to three key pillars: China, Climate, and Uncorrelated Assets. A signatory of the United Nations-supported Principles for Responsible Investing, the Arranger has a strong focus on climate strategy and is the market leader in publicly traded carbon ETFs.

The Arranger formed a strategic partnership in 2017 with China International Capital Corporation (CICC) when they acquired a majority ownership stake.

² The six UN Principles for Responsible Investment are:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

DESCRIPTION OF THE ADMINISTRATOR

The information in this section has been accurately reproduced from information published by SEI Global Services, Inc. (the "Administrator") and has been included to provide disclosure for where the Administrator acts as the Issuer's administrator. So far as the Issuer is aware and is able to ascertain from information published by the Administrator, no facts have been omitted which would render the reproduced information misleading.

SEI Global Services, Inc.

The Administrator's Global Fund Services ("SGFS") division provides fund accounting, transfer agency, and fund administration services. SGFS has been providing a variety of fund administration services to the asset management industry for over 30 years. Over the past decade, as a leading global provider of outsourced investment operations solutions, SGFS division has continued to expand its offering to include a variety of other vehicles such as managed accounts, closed-end funds, common and collective funds, exchange traded funds, separate accounts, trust accounts and variable annuities.

Services

The Administrator's services on behalf of the Issuer include, among other tasks, (in consultation with the Arranger as appropriate) the making of certain determinations and calculations in accordance with the Conditions of the ETC Securities (including daily calculation of the Carbon Entitlement and Cash Value per ETC Security for each Series, determining any Early Redemption Amounts and the Final Redemption Amount), delivering notices and publishing information regarding such determinations and calculations on behalf of the Issuer, calculating the Operational Fee payable by the Issuer in respect of each Series and instructing payments due from the Issuer to the Transaction Parties under the Transaction Documents and any other service providers to the Issuer.

DESCRIPTION OF THE CUSTODIAN

The information in this section has been accurately reproduced from information published by Brown Brothers Harriman & Co. (the "Custodian") and has been included to provide disclosure for where the Custodian acts as the Issuer's custodian. So far as the Issuer is aware and is able to ascertain from information published by the Custodian, no facts have been omitted which would render the reproduced information misleading.

Brown Brothers Harriman & Co.

BBH has provided U.S. custody services to institutional investors for over 100 years and global custody services since the early 1960s. BBH was one of the first U.S. banks to provide cross-border custody services when the firm's major institutional clients began to acquire securities outside their own countries. As the leading provider of global custody services, BBH maintains one of the most extensive subcustodian networks in the industry, with representation in 93 markets through 152 subcustodians.

DESCRIPTION OF THE ACCOUNT BANK

*The information in this section has been accurately reproduced from information published by Citibank, N.A., London Branch (the "**Account Bank**") and has been included to provide disclosure for where the Account Bank acts as the Issuer's account bank. So far as the Issuer is aware and is able to ascertain from information published by the Account Bank, no facts have been omitted which would render the reproduced information misleading.*

Citibank, N.A., London Branch

Citibank, N.A. is a national association formed through its Articles of Association; it obtained its charter, 1461, on 17 July 1865, and is governed by the laws of the United States, having its principal office situated at 388 Greenwich Street, New York, NY10013, USA, and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with a foreign company number FC001835 and branch number BR001018.

The London Branch is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the Prudential Regulation Authority. It is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority.

TAXATION

The following is a summary of certain aspects of the tax treatment in respect of payments of the Issuer and amounts paid in respect of the ETC Securities by the Issuer (or an agent appointed by it) in accordance with the terms and conditions of such ETC Securities, based on the laws and practices currently in force, which are subject to change after the date of this Base Prospectus and which changes could be made on a retrospective basis. It is limited to the country of incorporation of the Issuer and those countries in which admission to trading may be sought or offers for which a prospectus is required under the Prospectus Regulation may be made pursuant to this Base Prospectus.

Investors should be aware that the tax legislation of an investor's Member State and Ireland may have an impact on the income received from the ETC Securities.

It does not relate to any other tax consequences or to withholdings in respect of payments by other persons (such as custodians, depositaries or other intermediaries) unless otherwise specified. Particular rules may apply to certain classes of taxpayers holding the ETC Securities. The summary does not purport to be exhaustive and does not constitute tax or legal advice and the comments below are of a general nature only. With respect to certain structured financial instruments, such as the ETC Securities, it may be the case that in certain jurisdictions there is currently neither case law nor comments of the financial authorities as to the tax treatment of such financial instruments. Accordingly, there is a risk that the relevant financial authorities and courts or the paying agents in such jurisdictions may adopt a view different from that summarised below. Each investor should consult a tax adviser as to the tax consequences relating to its particular circumstances resulting from the purchase, holding, sale and redemption of the ETC Securities and the receipt of payments thereon under the laws of their country of residence, citizenship or domicile.

All payments in respect of the ETC Securities by the Issuer or by an agent appointed by the Issuer will be subject to any applicable withholding taxes.

None of the Issuer, the Administrator or any other Transaction Party makes any representation or warranty as to the tax consequences to any investor of the acquisition, holding or disposal of the ETC Securities. The tax consequences for each investor in the ETC Securities can be different and therefore investors and counterparties are advised to consult with their tax advisers as to their specific consequences.

Information Reporting

Information relating to the ETC Securities, their holders and beneficial owners may be required to be provided to tax authorities in certain circumstances pursuant to domestic or international reporting and transparency regimes. This may include (but is not limited to) information relating to the value of the ETC Securities, amounts paid or credited with respect to the ETC Securities, details of the holders or beneficial owners of the ETC Securities and information and documents in connection with transactions relating to the ETC Securities. In certain circumstances, the information obtained by a tax authority may be provided to tax authorities in other countries.

Germany

The following is a general description of certain tax considerations relating to the purchasing, holding and disposing of the ETC Securities. It does not purport to be a complete analysis of all tax considerations relating to the ETC Securities. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular ETC Holder of the ETC Securities. The discussions that follow are based upon the applicable German laws in force and their interpretation on the date of this Base Prospectus. These tax laws and interpretations are subject to change that may occur after such date, even with retrospective effect.

Prospective ETC Holders should consult their own tax advisers as to the particular tax consequences of subscribing, purchasing, holding and disposing the ETC Securities, including the application and effect of any federal, state or local taxes, under the tax laws of Germany and each country of which they are residents or citizens.

Taxation of capital gains of ETC Securities

German individual investors and German corporate investors are subject to German personal or corporate income tax and solidarity surcharge on any capital gains from the sale of ETC Securities.

The German Ministry of Finance on 22 December 2009 has issued a tax circular regarding the taxation of capital income in Germany and the new German flat income tax (*Abgeltungsteuer*) (circular no. IV C 1 – S 2252/08/10004 as most recently amended on 12 April 2018), (the “**Tax Circular**”). Pursuant to this Tax Circular gains or losses from a note instrument, eligible for listings on stock exchanges, that neither provide for the payment of interest, nor for a guaranteed repayment of principal as of maturity, would be treated by the German tax authorities as gains or losses from a debt instrument in the form of a speculative certificate (*Risikozertifikat*) and thus, be subject to German income taxation.

As a consequence of the court case of the German Federal Tax Court (BFH) dated 24 April 2012 structured financial instruments which mirror the performance of an underlying investment without any additional embedded leverage (“**Delta 1-instrument**”) should not qualify as a so-called “Derivative Instrument” (*Termingeschäft*) but rather as a so called “other financial instrument” (*Sonstige Kapitalforderung*). Securities which provide for a short exposure or an embedded leverage may therefore qualify as a Derivative Instrument (*Termingeschäft*).

As a consequence, German individual investors and German corporate investors are subject to German personal or corporate income tax and solidarity surcharge on any capital gains from the sale or other disposal of the ETC Securities which do not provide for any ongoing interest payments.

The tax rate in respect of such capital gains for German individual investors who hold ETC Securities as private assets (*Privatvermögen*) is 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax) which will be levied on the gross income. However, taxpayers are entitled to apply for a tax assessment on the basis of the personal income tax rate applicable on their net taxable income (including from other sources of income). No expenses related to the capital gains except for a lump-sum tax allowance of EUR 801 for individuals and EUR 1602 for married couples subject to German joint taxation will be deductible. If ETC Securities are held in custody with a German credit institution or financial service institution (including a German branch of a foreign financial institution) as disbursing agent (*inländische auszahlende Stelle*), a flat withholding tax (*Abgeltungsteuer*) at a rate of 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon (the solidarity surcharge has been partially abolished as of 1 January 2021; however, it continues to apply for capital investment income unless the individual income tax burden for an individual holder is lower than 25 per cent) and, if applicable, church tax) is deducted. Payment of the flat withholding tax satisfies any income tax liability of an individual investor in respect of such income (unless the investor elects for the tax assessment of such income). Losses from the sale of ETC Securities can be set off only against other capital income (*Einkünfte aus Kapitalvermögen*) of the investor.

Losses which cannot be set off in the same calendar year can be carried forward to a limited extent, if a tax loss certificate has been provided by the German paying agent, if applicable. However, if the losses result from the full or partial non recoverability of a repayment claim with respect to notes including a default or a (voluntary) waiver such losses together with other losses of such kind (i.e. losses from the transfer of worthless assets to a third party or from any other default) of the same year and loss carry forwards of previous years can only be offset up to an amount of €20,000 (“**Limited Loss Deduction**”). Any exceeding loss amount can be carried forward and offset against future investment income, but again subject to the €20,000 limitation. Given that the Limited Loss Deduction will not be applied by the disbursing agent (as defined above), holders suffering losses which are subject to the Limited Loss Deduction are required to declare such losses in their income tax return.

If the ETC Securities are held as business assets, all capital gains from the sale or other disposal of the ETC Securities by German investors will be subject to German personal or corporate income tax and Solidarity Surcharge thereon based on the applicable tax rate for the investor. In such case gains will also be subject to German trade tax. Withholding tax on such gains is deducted at the rates mentioned above but does not satisfy any income tax liability of the investor in respect of such gains.

Applicability of the Investment Tax Act (*Investmentsteuergesetz*)

The Issuer believes that good arguments exist that holders of ETC Securities will not be considered as holding a unit in an Alternative Investment Fund (“AIF”) and therefore not be subject to the German Investment Tax Act (*Investmentsteuergesetz*). In principle, under the German Investment Tax Act, only vehicles are considered an investment fund (*Investmentfonds*), if such vehicle is a collective investment vehicle within the meaning of the AIFMD. As the Issuer believes that the criteria of “principle of risk diversification” and certain other criteria of a collective investment vehicle in the form of an AIF are not fulfilled, ETC Securities should not be treated as units of an investment fund (*Investmentfonds*) pursuant to the provisions of the German Investment Tax Act.

In this context it has to be noted that according to a circular published by the German regulator BaFin also “performance tracking debt instruments” may qualify as units in an Alternative Investment Fund (“AIF”). This may also be relevant in the context of its application of the German Investment Tax Act. Further, the German Investment Tax Act in its version as of 1 January 2018 extends the scope of its application with respect to instruments issued by certain tax exempt investment vehicles (even if such vehicle does not qualify as an AIF). Investors should therefore carefully analyse any changes to the application or interpretation of the German Investment Tax Act.

If the competent German tax authorities were to take a different view to that of the Issuer and would treat ETC Securities as units in an investment fund pursuant to the German Investment Tax Act, German tax resident Security Holders may become subject to a taxation regime which is different from the German taxation described above (in particular including the allocation of deemed taxable income during the holding period of the ETC Securities).

Gift or inheritance tax

A transfer of the ETC Securities by way of gift or on death will be subject to German inheritance or gift tax if the ETC Holder, or their heir, donee or other beneficiary, is a German resident for German gift or inheritance tax purposes according to the specific rules of the German Gift and Inheritance Tax Act. This may in particular be the case if the ETC Holder, heir, donee or other beneficiary is:

- an individual having at the time of the donation or death his or her residence or habitual abode in Germany or if the individual is a German citizen who has not been living abroad for more than 5 years without having a residence in Germany; or
- a corporation having its seat or central place of management in Germany, or
- the ETC Securities constitute business assets attributable to a permanent establishment or a permanent representative in Germany.

Other taxes

No stamp, issue, registration or similar direct or indirect taxes or duties will be payable in Germany in connection with the issue, delivery or execution of the ETC Securities, the Global Registered Security or any interest therein. No net asset tax is currently levied in Germany. There is in particular no German Value Added Tax (VAT) payable when ETC Holders acquire or sell ETC Securities.

The European Commission and certain Member States (including Germany) are currently intending to introduce a financial transaction tax (“FTT”) (presumably on secondary market transactions involving at least one financial intermediary). It is currently uncertain when the proposed FTT will be enacted by the participating Member States and when the FTT will enter into force with regard to dealings with ETC Securities.

OECD Common Reporting Standard

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard (“CRS”) to address the issue of offshore tax evasion on a global basis. Aimed at maximising efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions and automatically exchange with exchange partners on an annual basis financial information with respect to all reportable accounts identified by

financial institutions on the basis of common due diligence and reporting procedures. Germany has enacted a law implementing the CRS, which has entered into force on 1 January 2016 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that ETC Holders hold the ETC Securities through a German financial institution (as meant in the (German implementation of the CRS), ETC Holders may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the German implementation of the CRS.

Italy

The following is a summary of current Italian law and practice relating to the taxation of ETC Securities. The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of ETC Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of ETC Securities are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of ETC Securities.

As clarified by the Italian tax authorities with resolution No. 72/E of 12 July 2010 - dealing with the Italian tax treatment of investment in secured exchange commodities - the Italian tax consequences of the purchase, ownership and disposal of the ETC Securities depends on whether they represent:

- (a) a securitized debt claim, implying a static "use of capital" (impiego di capitale), through which the subscriber of the ETC Securities transfers to the Issuer a certain amount of capital for the purpose of obtaining a remuneration on the same capital and subject to the right to obtain its (partial or entire) reimbursement at maturity; or*
- (b) a securitized derivative financial instrument or bundle of derivative financial instruments not entailing a "use of capital", through which the subscriber of the ETC Securities invests indirectly in underlying financial instruments or assets for the purpose of obtaining a profit deriving from the negotiation of such underlying financial instruments or assets.*

Although no definitive treatment has been determined, the ETC Securities are expected to be treated as derivative financial instruments under the existing Italian tax law and practice, since the investment in the ETC Securities does not entail a "use of capital" to the extent that (i) they do not provide for the accrual of any periodical remuneration on the amount invested and (ii) the profits for the investors in ETC Securities only depends on the value of the Futures Contracts. If the ETC Securities would not be treated as derivative financial instruments under the Italian Tax Law or, for whatever reasons, the Italian tax authorities would consider that ETC Securities do not qualify as derivative financial instruments under the Italian Tax Law the taxation to be applied to investors in ETC Securities may significantly differ from the following (see para. "Taxation of ETC Securities qualifying as atypical securities" below).

Tax treatment of the ETC Securities

Based on the principles stated by the Italian tax authorities in resolution No. 72/E of 12 July 2010, any income in respect of ETC Securities, qualifying as securitised derivative financial instruments not entailing a "use of capital", would be subject to Italian taxation as capital gains or capital losses.

Capital Gains Tax

- (a) Any capital gain or capital loss obtained in respect of the ETC Securities, if actually realised or in any case accounted in the statutory financial statement, would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the ETC Holder, also as part of the net value of production for IRAP purposes) if realised by Italian resident corporations or similar commercial entities (including the Italian permanent establishment of foreign entities to which the relevant ETC Securities are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the relevant ETC Securities are connected.*

(b) Where an Italian resident ETC Holder is (i) an individual not holding ETC Securities in connection with an entrepreneurial activity (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any income realised by such ETC Holders from the investment in the ETC Securities would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Under some conditions and limitations, ETC Holders may set off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the "tax declaration" regime (*regime della dichiarazione* provided for by Article 5 of the Legislative Decree No. 461 of 21 September 1997, the Decree No. 461), which is the default regime for taxation of capital gains realised by ETC Holders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual holding ETC Securities not in connection with an entrepreneurial activity. The relevant ETC Holder must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual holding ETC Securities under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each transaction regarding ETC Securities (the "*risparmio amministrato*" regime provided for by Article 6 of the Legislative Decree No. 461 of 21 September 1997, the Decree No. 461). Such separate taxation of capital gains is allowed subject to (i) ETC Securities being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express valid election for the *risparmio amministrato* regime being punctually made in writing by the relevant ETC Holder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on ETC Securities (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the ETC Holder or using funds provided by the ETC Holder for this purpose. Under the *risparmio amministrato* regime, where a capital loss is realised on the ETC Securities, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the ETC Holder is not required to declare the capital gains in its annual tax return.

Any capital gains realised or accrued by Italian ETC Holders under (i) to (iii) above who have entrusted the management of their financial assets, including ETC Securities, to an authorised intermediary and have validly opted for the so-called "*risparmio gestito*" regime (regime provided by Article 7 of Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the ETC Holder is not required to declare the capital gains realised in its annual tax return.

(c) Any capital gains or losses realised by an ETC Holder which is an Italian resident collective investment scheme (other than an Italian pension fund) will be included in the result of the relevant portfolio accrued at the end of the tax period. The Italian investment fund will not be subject to taxation on such result.

(d) Any capital gains or losses realised by a ETC Holder which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax.

(e) Capital gains realised on the ETC Securities by non-Italian resident holders are not subject to Italian taxation, provided that:

(i) the ETC Securities are held outside of Italy; or

(ii) if the ETC Securities are held in Italy:

a. the subscription of the ETC Securities is concluded - even through the intervention of an intermediary - on regulated markets; or

b. the relevant holder complies with certain filing requirements and is: (i) a person (either an individual or a corporation) resident in a State allowing for adequate exchange of information with Italy included in the "white list" provided by Italian Ministerial Decree 4 September 1996, as amended from time; (ii) an institutional investor, even

though not subject to tax, established in a State allowing for adequate exchange of information with Italy included in the “white list” provided by Italian Ministerial Decree 4 September 1996, as amended from time to time; (iii) is an international body set up in compliance with international treaties entered into force in Italy (e.g., BEI, BERS, etc.); or (iv) is a central bank or an organization also managing official State reserves.

In all other cases, capital gains realised by non-Italian resident holders are subject to the 26 per cent. *imposta sostitutiva*, unless a Tax Treaty against double taxation, if applicable, prevents Italy to tax such capital gains.

Taxation of ETC Securities qualifying as atypical securities

The tax treatment of the ETC Securities as derivative instruments described above has been confirmed by the *Italian tax authorities with resolution No. 72/E of 12 July 2010*.

If the ETC Securities would not be treated as derivative financial instruments under the Italian Tax Law or, for whatever reasons, the Italian tax authorities would consider that ETC Securities do not qualify as derivative financial instruments but rather are to be classified as debt instruments implying a “use of capital” (*impiego di capitale*) representing so-called “atypical securities” (*titoli atipici*) pursuant to Article 8 of Law Decree no. 512 of 30 September 1983 (as subsequently amended), a different tax treatment would apply. In particular, interest and other proceeds deriving from “atypical securities” issued by non-Italian resident issuers earned by Italian resident ETC Holders qualify as income from capital and are subject to a 26 per cent. withholding tax applied by the Italian resident intermediary intervening in the relevant collection or in the disposal of the ETC Securities.

Otherwise, if the ETC Securities are held abroad or no Italian intermediaries intervene in the collection of the related proceeds, redemption or negotiation of the ETC Securities, the 26 per cent final withholding tax is paid directly by the taxpayer and the proceeds are required to be reported on the annual tax return.

The above 26 per cent. withholding does not apply to proceeds realized by (a) a non-Italian tax resident holder of the ETC Securities; and (b) to an Italian tax resident holder of the ETC Securities which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution. In this case, proceeds realized by Italian tax resident investors would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the ETC Holder, also as part of the net value of production for IRAP purposes).

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding Euro 1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding Euro 100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned in (a) to (c) above on the value exceeding, for each beneficiary, Euro 1,500,000.

The payment of the gift and inheritance taxes should be made directly by the relevant heir or donee and not by means of withholding by a tax agent.

An anti-avoidance rule is provided by Law no. 383 of 18 October 2001 for any gift of assets (such as the ETC Securities) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Legislative Decree no. 461 of 21 November 1997 (see para. “*Capital Gains Tax*”, let. (b) above). In

particular, if the beneficiary of the gift sells the ETC Securities for consideration within five years from the receipt thereof as a gift, the same beneficiary is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift had never taken place.

Transfer Tax

Contracts relating to the transfer of securities (such as ETC Securities) are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of Euro 200; (ii) private deeds are subject to Euro 200 registration tax only in case of use, cross-reference event or voluntary registration.

Italian Financial Transaction Tax (IFTT)

Italian shares and other participating instruments, as well as depositary receipts representing those shares and participating instruments irrespective of the relevant issuer (cumulatively referred to as In-Scope Shares), may be subject to a 0.2 per cent. IFTT calculated on the value of the shares or depositary receipts, as determined according to Article 4 of Ministerial Decree of 21 February 2013, as amended (the IFTT Decree).

Holders on derivative transactions or transferable securities and certain equity-linked securities mainly having as underlying or mainly linked to In-Scope Shares are subject to IFTT at a rate ranging between Euro 0.01875 and Euro 200 per counterparty, depending on the notional value of the relevant derivative transaction or transferable securities, calculated pursuant to Article 9 of the IFTT Decree.

IFTT applies upon subscription, negotiation or modification of the derivative transactions or transferable securities. The tax rate may be reduced to a fifth if the transaction is executed on certain qualifying regulated markets or multilateral trading facilities.

Considering their relevant nature, transactions concerning ETC Securities are not subject to the IFTT.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011, converted with Law No. 214 of 22 December 2011 (Decree No. 201), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by Italian established financial intermediaries to their clients for the ETC Securities deposited therewith. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed Euro 14,000 for taxpayers other than individuals. The stamp duty is determined applies on the market value or, if no market value figure is available, the nominal value or redemption amount of the ETC Securities held.

The stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree No. 201, Italian resident individuals, non-commercial entities and partnerships and similar entities holding the ETC Securities outside the Italian territory are required to pay an annual additional tax at a rate of 0.2 per cent which cannot exceed Euro 14,000 for taxpayers other than individuals. This tax is calculated on the market value of the ETC Securities at the end of the relevant year or, if no market value figure is available, the nominal value or the redemption value of such ETC Securities held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Tax Monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, converted into Law no. 227 of 4 August 1990, as subsequently amended, Italian resident individuals, non-commercial entities and partnerships and similar entities who, during the fiscal year, hold investments abroad must, in certain circumstances, disclose the aforesaid and the transactions

related thereto to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as required for the income tax return).

The above reporting obligation is not required if the financial assets are deposited for management with certain Italian financial intermediaries, or if one of such intermediaries intervenes as a counterpart in their transfer, provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

Ireland

Introduction

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposition of the ETC Securities. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the ETC Securities. The summary relates only to the position of persons who are the absolute beneficial owners of the ETC Securities and may not apply to certain other classes of persons such as dealers in securities.

The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this Base Prospectus, which are subject to prospective or retroactive change. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the ETC Securities should consult their own advisors as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the ETC Securities including, in particular, the effect of any state or local tax laws.

Income Tax

In general, persons who are resident in Ireland are liable to Irish taxation on their world-wide income whereas persons who are not resident in Ireland are only liable to Irish taxation on their Irish source income. All persons are under a statutory obligation to account for Irish taxation on a self-assessment basis and there is no requirement for the Irish Revenue Commissioners to issue or raise an assessment.

ETC Securities issued by the Issuer may be regarded as property situate in Ireland (and hence Irish source income) on the grounds that a debt is deemed to be situate where the debtor resides. However, the interest earned on such notes is exempt from income tax if paid to a person who is not a resident of Ireland and who for the purposes of Section 198 of the Taxes Consolidation Act 1997 (as amended) ("**TCA 1997**") is regarded as being a resident of a relevant territory. A relevant territory for this purpose is a Member State of the European Communities (other than Ireland) or not being such a Member State a territory with which Ireland has entered into a double tax treaty that has the force of law or, on completion of the necessary procedures, will have the force of law and such double tax treaty contains an article dealing with interest or income from debt claims. A list of the countries with which Ireland has entered into a double tax treaty is available on www.revenue.ie.

Relief from Irish income tax may also be available under other exemptions contained in Irish tax legislation or under the specific provisions of a double tax treaty between Ireland and the country of residence of the ETC Holder.

If the above exemptions do not apply it is understood that there is a long standing unpublished practice whereby no action will be taken to pursue any liability to such Irish tax in respect of persons who are regarded as not being resident in Ireland except where such persons:

- (a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- (b) seek to claim relief and / or repayment of tax deducted at source in respect of taxed income from Irish sources; or

- (c) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that this practice will continue to apply.

Withholding Taxes

In general, withholding tax (currently at the rate of 20%) must be deducted from interest payments made by an Irish company such as the Issuer. However, Section 246 TCA 1997 (“**Section 246**”) provides that this general obligation to withhold tax does not apply in respect of, *inter alia*, interest payments made by the Issuer to a person, who by virtue of the law of the relevant territory, is resident for the purposes of tax in a relevant territory (see above for details). This exemption does not apply if the interest is paid to a company in connection with a trade or business which is carried on in Ireland by the company through a branch or agency.

Apart from Section 246, Section 64 TCA 1997 (“**Section 64**”) provides for the payment of interest on a “Quoted Eurobond” without deduction of tax in certain circumstances. A Quoted Eurobond is defined in Section 64 as a security which:

- (a) is issued by a company;
- (b) is quoted on a recognised stock exchange (this term is not defined but is understood to mean an exchange which is recognised in the country in which it is); and
- (c) carries a right to interest.

There is no obligation to withhold tax on Quoted Eurobonds where:

- (a) the person by or through whom the payment is made is not in Ireland and the Notes are not held by an “associated entity” that is resident in either a zero-tax territory or a territory included in Annex 1 of the Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes (together, a “Specified Territory”); or
- (b) the payment is made by or through a person in Ireland, and
 - i. the Quoted Eurobond is held in a recognised clearing system (Euroclear, Clearstream Banking SA, Clearstream Banking AG and the Depository Trust Company of New York have, amongst others, been designated as recognised clearing systems) and it is reasonable to consider that the Issuer is not, and should not be, aware that the Notes are held by an “associated entity” that is resident in a Specified Territory; or
 - ii. the person who is the beneficial owner of the Quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration to this effect and the person is not an “associated entity” of the Issuer that is resident in a Specified Territory.

In certain circumstances, Irish encashment tax may be required to be withheld at the standard rate (currently at the rate of 25%) from interest on any of the ETC Securities, where such interest is collected by a person in Ireland on behalf of any holder of ETC Securities.

Capital Gains Tax

An ETC Holder will not be subject to Irish taxes on capital gains provided that such ETC Holder is neither resident nor ordinarily resident in Ireland and such ETC Holder does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the ETC Securities are attributable.

Capital Acquisitions Tax

If the ETC Securities are comprised in a gift or inheritance taken from an Irish domiciled, resident or ordinarily resident disponer or if the donee / successor is resident or ordinarily resident in Ireland, or if any of the ETC Securities are regarded as property situate in Ireland, the donee / successor may be liable to Irish capital acquisitions tax. As a result, a donee / successor may be liable to Irish capital acquisitions tax, even though neither the disponer nor the donee / successor may be domiciled, resident or ordinarily resident in Ireland at the relevant time.

Stamp duty

For as long as the Issuer is a qualifying company within the meaning of Section 110 TCA 1997, no Irish stamp duty will be payable on either the issue or transfer of the ETC Securities, provided that the money raised by the issue of the ETC Securities is used in the course of the Issuer's business.

The Netherlands

Introduction

The following is a summary of certain Dutch tax consequences of the purchase, ownership and disposition of the ETC Securities. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the ETC Securities. The summary relates only to the position of persons who are the absolute beneficial owners of the ETC Securities and may not apply to certain other classes of persons such as dealers in securities. The summary is based upon Dutch tax laws and the practice of the Dutch Tax Authorities as in effect on the date of this Base Prospectus, which are subject to prospective or retrospective change. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the ETC Securities should consult their own advisors as to the Dutch or other tax consequences of the purchase, beneficial ownership and disposition of the ETC Securities including, in particular, the effect of any state or local tax laws.

Private individuals

An investor in the ETC Securities, who is an individual resident or deemed to be resident in the Netherlands will be subject to regular Dutch income tax on the income derived from the ETC Securities and the gains realized upon the acquisition, redemption and/or disposal of the ETC Securities, if:

(a) such investor in the ETC Securities has an enterprise or an interest in an enterprise, to which enterprise the ETC Securities are attributable; and/or

(b) such income or capital gain forms "a benefit from miscellaneous activities" (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities with respect to the ETC Securities exceed "normal active asset management" (*normaal, actief vermogensbeheer*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a "lucrative interest" (*lucratief belang*)) that the investor has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such investor (or a related person), whether within or outside an employment relation, where such lucrative interest provides the investor, economically speaking, with certain benefits that have a relation to the relevant work or services.

If either of the abovementioned conditions (a) or (b) applies, income derived from the ETC Securities and the gains realized upon the acquisition, redemption and/or disposal of the ETC Securities will in general be subject to Dutch income tax at the progressive rates up to 49.5%.

If the abovementioned conditions (a) and (b) do not apply, an investor in the ETC Securities who is an individual, resident or deemed to be resident in the Netherlands will not be subject to taxes on income and capital gains in the Netherlands. Instead, such individual is generally taxed at a flat rate of 30% on deemed income from "savings and investments" (*sparen en beleggen*), which deemed income is determined on the basis of the amount included in the individual's "yield basis" (*rendementsgrondslag*) at the beginning of the calendar year (minus a tax-free

threshold). For the 2021 tax year, the deemed income derived from savings and investments amounted to 1.9% of the individual's yield basis up to €100,000, 4.5% of the individual's yield basis exceeding €100,000 up to and including €1,000,000 and 5.69% of the individual's yield basis in excess of €1,000,000. The percentages to determine the deemed income will be reassessed every year.

Corporate entities

An investor in the ETC Securities that is resident or deemed to be resident in the Netherlands for corporate income tax purposes, and that is:

- a corporation;
- another entity with a capital divided into shares;
- a cooperative (association); or
- another legal entity that has an enterprise or an interest in an enterprise to which the ETC Securities are attributable,

but which is not:

- a qualifying pension fund;
- a qualifying investment fund (*fiscale beleggingsinstelling*) or a qualifying exempt investment institution (*vrijgestelde beleggingsinstelling*); or
- another entity exempt from corporate income tax,

will in general be subject to regular corporate income tax, generally levied at a rate of 25% (15% over profits up to €245,000; 2021 tax rates) over income derived from the ETC Securities and the gains realized upon the acquisition, redemption and/or disposal of the ETC Securities.

Gift, Estate and Inheritance Taxes

Gift tax may be due in the Netherlands with respect to an acquisition of the ETC Securities by way of a gift by an investor in the ETC Securities who is resident or deemed to be resident of the Netherlands at the time of the gift.

Inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of the ETC Securities by way of an inheritance or bequest on the death of an investor in the ETC Securities who is resident or deemed to be resident of the Netherlands, or by way of a gift within 180 days before his death by an investor in the ETC Securities who is resident or deemed to be resident in the Netherlands at the time of his death.

For purposes of Dutch gift and inheritance tax, an individual with the Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual not holding the Dutch nationality will be deemed to be resident of the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Value Added Tax

No Dutch value added tax will arise in respect of or in connection with the subscription, issue, placement, allotment or delivery of the ETC Securities.

Other Taxes and Duties

No Dutch registration tax, capital tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the ETC Securities.

Switzerland

Swiss Tax Resident ETC Holders

If the ETC Securities are held as private assets, the ETC Securities should generally generate capital gains exempt from tax or non-tax deductible capital losses. It can, however not be ruled out, that, as a result of the Minimum Denomination, the Swiss tax authorities treat the ETC Securities as a structured product, combining bond and option components. In that case and provided that the ETC Securities qualify as transparent products within the meaning of the Swiss federal tax authorities (which is the case for most structured products), any proceeds received by the ETC Holder upon sale or redemption of the ETC Securities would have to be allocated between the bond and option component of the ETC Securities (with the share of the profit attributed to the bond component being characterised as taxable interest income and the share of the profit attributed to the option component as tax capital gain or non-tax-deductible loss).

If the ETC Securities are held as business assets, any profit derived from the ETC Securities in excess of their book value is subject to ordinary (individual or corporate) income tax. Contrary to individual income tax, corporate income tax is generally a flat rate tax (the rate of which also varies depending on the cantons and commune of seat of the corporation).

Swiss Withholding Tax

Payments under the ETC Securities will not be subject to Swiss withholding tax (35 per cent.), provided that the Issuer of the ETC Securities is at all times domiciled and effectively managed outside of Switzerland and provided that the Issuer does not have any business activity in Switzerland.

Stamp Taxes (Issuance Stamp Tax, Securities Transfer Tax)

The issue of the ETC Securities is not subject to the Swiss federal issuance stamp tax.

Sale or purchase of ETC Securities may be subject to securities transfer stamp tax (0.3 per cent. in relation to foreign securities) if the ETC Securities have to be characterised as structured products, if a Swiss securities dealer (e.g. a Swiss bank or broker) is involved as an intermediary or as a counterparty in such transactions and if no specific (full or half) exemption is available. Exemptions may be available in relation to specific parties (e.g. a half exemption applies in relation to a party qualifying as an exempt investor, e.g. collective investment scheme or foreign pension funds) or in relation to specific transactions (e.g. full exemption applies in case of redemptions, or in relation to specific types of securities).

United Kingdom

The following summary is intended only as a general guide to the UK withholding tax treatment of amounts payable to investors by the Issuer in respect of the ETC Securities. It does not purport to be a complete analysis of all potential UK tax consequences of holding ETC Securities. It is based on current UK tax law and what is understood to be the current practice (which may not be binding on HM Revenue & Customs (“HMRC”)) as at the date of this Base Prospectus, and both of which are subject to change, possibly with retrospective effect.

Investors and prospective investors are strongly urged to seek tax advice from appropriate professional advisers regarding the tax consequences of an investment in ETC Securities, including as to how any ETC Securities will be classified for tax purposes and the tax consequences of such classification.

Investors and prospective investors in ETC Securities should be aware that the particular terms of issue of any Series of ETC Securities as specified in the relevant Final Terms may affect how payments to investors by the Issuer in respect of that Series of ETC Securities are treated for UK withholding tax purposes

Investors and prospective investors who may be liable to taxation in jurisdictions other than the UK in respect of their acquisition, holding or disposal (including redemption) of ETC Securities should also consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdiction), since the following comments relate only to the UK withholding tax treatment of payments made to investors by the Issuer in respect of ETC Securities. In particular, investors and prospective investors should be aware that they may be liable to taxation under the laws of the UK and other jurisdictions in relation to payments in respect of the ETC Securities even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

Withholding Tax

Payments made to investors by the Issuer in respect of any ETC Securities (ie, of Early Redemption Amounts or Final Redemption Amounts) which to any extent fail to be treated as payments of interest for UK income tax purposes may be made without deduction or withholding for or on account of UK income tax where such payments do not constitute “yearly interest” and / or do not arise in the UK (that is, where they do not have a “**UK source**”), in each case for the purposes of section 874 of the Income Tax Act 2007 (the “**ITA**”).

Payments of interest (for UK income tax purposes) in respect of any ETC Securities may have a “UK source” if the Underlying Metal in relation to such ETC Securities is located in warehouses in the UK, as well as in other circumstances.

If payments made by the Issuer in respect of any ETC Securities, which are treated as payments of interest for UK income tax purposes, have a “UK source”, and constitute “yearly interest” for the purposes of section 874 of the ITA (such that, prima facie, UK income tax should be withheld therefrom), such payments may nevertheless be made without deduction or withholding for or on account of UK income tax if such ETC Securities are “listed” on a “recognised stock exchange”, in each case within the meaning of section 1005 of the ITA, or are admitted to trading on a multilateral trading facility operated by an EEA-regulated recognised stock exchange (within the meaning of section 987 of the ITA). This is as a result of the exemption from withholding tax for quoted Eurobonds set out in section 882 of the ITA. On the basis of information published by HMRC regarding which stock exchanges are so recognised, the London Stock Exchange, amongst other stock exchanges, is a recognised stock exchange for these purposes and, therefore, payments of interest (for UK income tax purposes) in respect of an ETC Security may be made without withholding or deduction for or on account of UK income tax if, and for so long as, such ETC Security is listed on the London Stock Exchange (meaning for these purposes that it is admitted to trading on the main or professional services market of the London Stock Exchange and included in the official UK list) or any other such recognised stock exchange (or is admitted to trading on a multilateral trading facility operated by an EEA-regulated recognised stock exchange (within the meaning of section 987 of the ITA)).

Payments of “yearly interest” with a “UK source” made by the Issuer in respect of any ETC Securities that are not listed on a recognised stock exchange or admitted to trading on a multilateral trading facility operated by an EEA-regulated recognised stock exchange may be made without deduction or withholding for or on account of UK income tax if such payments are “excepted payments” within the meaning of any of sections 933 to 937 ITA 2007.

The UK withholding tax treatment of any payments of “yearly interest” which have a “UK source” and which are not “excepted payments”, and which are made in respect of any Series of ETC Securities which are neither listed on such a recognised stock exchange nor admitted to trading on such a multilateral trading facility, will depend upon the specific circumstances, including the extent to which an applicable double taxation treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to ETC Securities, and on the specific terms of such ETC Securities.

United States

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as “FATCA”, a “foreign financial institution” may be required to withhold on certain payments it makes (“*foreign passthru payments*”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Ireland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the ETC Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the ETC Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the ETC Securities, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining “foreign passthru payments” are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the ETC Securities, no person will be required to pay additional amounts as a result of the withholding.

FATCA is particularly complex and its application is uncertain at this time. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the ETC Securities.

SUBSCRIPTION AND SALE

Generally, only Authorised Participants may subscribe for ETC Securities from the Issuer. The Authorised Participant(s) in respect of each Series of ETC Securities will be specified in the relevant Final Terms.

This document has been approved as a Base Prospectus by the Central Bank in its capacity as competent authority under the Prospectus Regulation. The Issuer has requested the Central Bank to provide the competent authorities in Germany, Italy, Finland, Denmark, Norway, Sweden and the Netherlands with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Regulation. The Issuer may in due course request the Central Bank to provide competent authorities in additional Member States within the EEA with such certificates. The provisions set out in this section "*Subscription and Sale*" should be construed accordingly.

Selling Restrictions

Public Offer Selling Restriction under the Prospectus Regulation

In relation to each Member State of the EEA, each Authorised Participant represents and agrees in the relevant Authorised Participant Agreement that with effect from and including the date of this Prospectus (the "**Relevant Effective Date**") it has not made and will not make an offer of ETC Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms to the public in any Member State of the EEA (each, a "**Relevant Member State**"), except that it may, with effect from and including the Relevant Effective Date, make an offer of such ETC Securities to the public in that Relevant Member State:

- i. other than pursuant to Article 1(4) of the 2017 Prospectus Regulation in a Member State (a "**Non-exempt Offer**"), following the date of publication of the Base Prospectus in relation to such ETC Securities which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period (if any) beginning and ending on the dates (if any) specified in such prospectus or final terms, as applicable;
- ii. at any time to a legal entity which is a qualified investor as defined in the Prospectus Regulation;
- iii. at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Issuer or Transfer Agent on its behalf for any such offer; or
- iv. at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of ETC Securities referred to in paragraphs (ii) to (iv) above shall require the Issuer or any Authorised Participant to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a base prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of the provision above, the expression an "offer of ETC Securities to the public" in relation to any ETC Securities in any Relevant Member State means the communication in any form and by any means, presenting sufficient information on the terms of the offer and the ETC Securities to be offered so as to enable an investor to decide to purchase or subscribe for those ETC Securities.

United States

The ETC Securities have not been and will not be registered under the Securities Act or under the securities law of any state or political sub-division of the United States of America or any of its territories, possessions or other areas subject to its jurisdiction including the Commonwealth of Puerto Rico (collectively, the "**United States**"). No person has registered nor will register as a commodity pool operator of the Issuer under the CEA and the CFTC Rules of the CFTC, and the Issuer has not been and will not be registered under any United States federal

laws. The ETC Securities are being offered and sold in reliance on an exemption from the registration requirements of the Securities Act pursuant to Regulation S thereunder ("**Regulation S**").

Accordingly, the ETC Securities may not at any time be offered, sold or otherwise transferred except (i) in an "Offshore Transaction" (as such term is defined under Regulation S) and (ii) to or for the account or benefit of, a Permitted Transferee.

A "**Permitted Transferee**" means any person who is not any of:

- (a) a U.S. person as defined in Rule 902(k)(1) of Regulation S;
- (b) a person who comes within any definition of U.S. person for the purposes of the CEA or any CFTC rule, guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a "Non-United States person" as such term is defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception to the extent that it would apply to persons who are not "Non-United States persons", shall be considered a U.S. person); or
- (c) a "resident of the United States" for purposes of, and as defined in implementing regulations proposed or issued under, Section 13 of the Bank Holding Company Act of 1956, as amended ("**BHC Act**").

Transfers of ETC Securities within the United States or to any person other than a Permitted Transferee (a "**Non-Permitted Transferee**") are prohibited.

The foregoing restrictions on the offer, sale or other transfer of ETC Securities to a Non-Permitted Transferee may adversely affect the ability of an investor in the ETC Securities to dispose of the ETC Securities in the secondary market, if any, and significantly reduce the liquidity of the ETC Securities. As a result, the value of the ETC Securities may be materially adversely affected.

As defined in Rule 902(k)(1) of Regulation S, "**U.S. person**" means:

- (a) Any natural person resident in the United States;
- (b) Any partnership or corporation organized or incorporated under the laws of the United States;
- (c) Any estate of which any executor or administrator is a U.S. person;
- (d) Any trust of which any trustee is a U.S. person;
- (e) Any agency or branch of a foreign entity located in the United States;
- (f) Any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- (g) Any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and
- (h) Any partnership or corporation if (I) organized or incorporated under the laws of any foreign jurisdiction; and (II) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in §230.501(a) of the Code of Federal Regulations, Title 17) who are not natural persons, estates or trusts.

As defined in CFTC Rule 4.7, "**Non-United States person**" means:

- (a) A natural person who is not a resident of the United States;
- (b) A partnership, corporation or other entity, other than an entity organized principally for passive investment, organized under the laws of a foreign jurisdiction and which has its principal place of business in a foreign jurisdiction;
- (c) An estate or trust, the income of which is not subject to United States income tax regardless of source;
- (d) An entity organized principally for passive investment such as a pool, investment company or other similar entity; provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of part 4 of the Commodity Futures Trading Commission's regulations by virtue of its participants being Non-United States persons; and
- (e) A pension plan for the employees, officers or principals of an entity organized and with its principal place of business outside the United States.

As modified in the definition of "Permitted Transferee" above, the definition of "Non-United States person" excludes for purposes of sub-section (d) above, the exception in the proviso to the extent that it would apply to persons who are not "Non-United States persons".

As defined in the CFTC's proposed rule regarding the application of certain swap provisions of the CEA in cross-border transactions (81 Fed. Reg. 71946 (Oct. 11, 2016), "**U.S. person**" means:

- (a) A natural person who is a resident of the United States;
- (b) An estate of a decedent who was a resident of the United States at the time of death;
- (c) A corporation, partnership, limited liability company, business or other trust, association, joint-stock company, fund, or any form of entity similar to any of the foregoing, in each case:
 - (i) that is organized or incorporated under the laws of the United States; or
 - (ii) that has its principal place of business in the United States, including any branch of the legal entity ("**legal entity**");
- (d) A pension plan for the employees, officers, or principals of a legal entity, unless the pension plan is primarily for foreign employees of such entity;
- (e) A trust governed by the laws of a state or other jurisdiction in the United States, if a court within the United States is able to exercise primary supervision over the administration of the trust;
- (f) A legal entity (other than a limited liability company, limited liability partnership or similar entity where all of the owners of the entity have limited liability) that is owned by a U.S. person and for which such person(s) bears unlimited responsibility for the obligations and liabilities of the legal entity, including any branch of the legal entity; or
- (g) An individual account or joint account (discretionary or not) where the beneficial owner (or one of the beneficial owners in the case of a joint account) is a U.S. person. as defined in the final regulations issued under Section 13 of the BHC Act, 17 CFR 225.10(d)(8), "**resident of the United States**" means a "U.S. person" as defined in Regulation S.

Each person who offers, sells or otherwise transfers ETC Securities has exclusive responsibility for ensuring that its offer, sale or other transfer is not to or for the account or benefit of any person other than a Permitted Transferee as such term is defined as of the date of such offer, sale, pledge or other transfer.

The ETC Securities have not been approved or disapproved by the United States Securities and Exchange Commission (“**SEC**”) or any other regulatory agency in the United States, nor has the SEC or any other regulatory agency in the United States passed upon the accuracy or adequacy of this document or the merits of the ETC Securities. Any representation to the contrary is a criminal offence. Furthermore, the ETC Securities do not constitute, and have not been marketed as, contracts for the sale of a commodity for future delivery (or options thereon) subject to the CEA, and neither trading in the ETC Securities nor this document has been approved by the CFTC under the CEA, and no person other than a Permitted Transferee may at any time trade or maintain a position in the ETC Securities.

Each Authorised Participant represents and agrees in the relevant Authorised Participant Agreement that it has complied and will comply with the aforementioned transfer and selling restrictions and it will have sent to each dealer to which it sells ETC Securities a confirmation or other notice setting forth the above restrictions on offers and sales of the ETC Securities. Each Authorised Participant has further represented and agreed that it has not offered, sold or delivered and will not at any time offer, sell or deliver the ETC Securities of any identifiable Tranche except in accordance with Rule 903 of Regulation S, and that none of it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to such ETC Securities, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Terms used in this paragraph have the meanings given to them under Regulation S.

In addition, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”), each Tranche of ETC Securities must be issued and delivered outside the United States and its possessions in connection with their original issue and any other sale. Each Authorised Participant represents that it has not offered, sold or delivered, and agrees that it will not offer, sell or deliver, directly or indirectly, any ETC Securities of any Tranche within the United States or its possessions in connection with their original issue or otherwise. Further, in connection with the original issue of any Tranche of ETC Securities or otherwise, each Authorised Participant represents that it has not communicated, and agrees that it will not communicate, directly or indirectly, with a prospective purchaser if either of such Authorised Participant or such purchaser is within the United States or its possessions or otherwise involve such Authorised Participant’s U.S. office in the offer or sale of such ETC Securities. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the C Rules.

The Arranger will file a notice with the National Futures Association claiming an exemption from registration as a “commodity pool operator” (a “**CPO**”) with the U.S. Commodity Futures Trading Commission (the “**CFTC**”) with respect to the ETC Securities pursuant to CFTC Rule 4.13(a)(3). The Arranger is not and will not be required to deliver a CFTC disclosure document to prospective investors, nor will it be required to provide investors with certified annual reports that satisfy the requirements of CFTC rules applicable to registered CPOs. The CFTC does not pass upon the merits of participating in a pool or upon the adequacy or accuracy of an offering memorandum. Consequently, the CFTC has not reviewed or approved this offering or this Base Prospectus.

The Arranger will rely on the exemption under CFTC Rule 4.13(a)(3) with respect to the ETC Securities on the basis that, among other things, (i) each investor will be (A) a “qualified eligible person” as defined in CFTC Rule 4.7(a)(2)(xi); (ii) the aggregate initial margin, premiums and required minimum security deposit required to establish the ETC Securities’ commodity interest positions, determined at the time the most recent position is established, will not exceed 5 percent of the ETC Securities’ liquidation value, or the aggregate net notional value of such positions will not exceed 100 percent of the ETC Securities’ liquidation value, in each case after taking into account unrealized profits and unrealized losses on any commodity interest positions and (iii) the ETC Securities are not an investment company will be exempt from registration under the 1933 Act and will be offered and sold without marketing to the public in the U.S. Furthermore, it is understood that all investors in the ETC Securities will be non-“U.S. Person” (as defined in Regulation S under the Securities Act and CFTC Regulation 4.7).

United Kingdom

In accordance with the selling restrictions set out in the section of this base prospectus entitled "Subscription and Sale", each Authorised Participant represents and agrees in the relevant Authorised Participant Agreement that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any ETC Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such ETC Securities in, from or otherwise involving the UK.

On this basis, this document is only being distributed to and is only directed at (i) persons who are outside of the United Kingdom; (ii) persons who have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA may otherwise lawfully be communicated or caused to be communicated (all such persons falling within (i)-(iv) together being referred to as "relevant persons"). The ETC Securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such ETC Securities will be engaged in only with relevant persons. This document and its contents should not be acted upon or relied upon in the United Kingdom by persons who are not relevant persons.

Any person (an "**investor**") intending to acquire or acquiring any ETC Securities from any person (an "**offeror**") should be aware that, in the context of an offer to the public as defined in section 102B of the FSMA, the Issuer may only be responsible to the investor for this Base Prospectus under section 90 of the FSMA if the Issuer has authorised the offeror to make the offer to the investor. Each investor should therefore enquire whether the offeror is so authorised by the Issuer. If the offeror is not authorised by the Issuer, the investor should check with the offeror whether anyone is responsible for this Base Prospectus for the purposes of section 90 of the FSMA in the context of the offer to the public, and, if so, who that person is. If the investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice. Where information relating to the terms of the relevant offer required pursuant to the Prospectus Regulation is not contained in this Base Prospectus or the relevant Final Terms, it will be the responsibility of the relevant offeror at the time of such offer to provide the investor with such information. This does not affect any responsibility which the Issuer or others may otherwise have under applicable laws, including liabilities arising by virtue of the laws in the jurisdictions in which the ETC Securities are offered or sold.

Ireland

Each Authorised Participant represents and agrees in the relevant Authorised Participant Agreement that:

- (a) it has not and will not underwrite the issue of, or place the ETC Securities otherwise than in conformity with the provisions of European Union (Markets in Financial Instruments) Regulations 2017 (as amended, the "**MiFID II Regulations**") including, without limitation, Regulation 5 (Requirement for Authorisation (and certain provisions relating to MTFs and OTFs)) thereof, any rules or codes of conduct made under the MiFID II Regulations and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it has not and will not underwrite the issue of, or place, the ETC Securities, otherwise than in conformity with the provisions of the Irish Companies Act, the Irish Central Bank Acts 1942 to 2018 (as amended)

and any codes of practice made under Section 117(1) of the Irish Central Bank Act 1989 (as amended);
and

- (c) it has not and will not underwrite the issue of, or place or otherwise act in Ireland in respect of the ETC Securities, otherwise than in conformity with the provisions of the Market Abuse Regulation ((EU) 596/2014, as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Irish Companies Act.

Switzerland

The ETC Securities do not constitute participations in a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 (the "**CISA**"). Therefore, the ETC Securities are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority ("**FINMA**") and investors in the ETC Securities will not benefit from protection under the CISA or supervision by the FINMA.

Except in the circumstances described below, the Issuer has not authorised any resale or final placement of the ETC Securities in a public offering, by any person and under any circumstances (nor do they authorise or consent to any use of the Base Prospectus, as completed by the relevant Final Terms, in this regard). Such unauthorised offers are not being made on behalf of the Issuer by Authorised Participants and neither the Issuer nor the Authorised Participant is responsible or liable for the activities of any person making such an offer. Investors should ascertain in respect of any financial intermediary whether such intermediary is approved as an Authorised Participant. If an investor receives an offer of ETC Securities from a person or entity not approved as an Authorised Participant, the investor should inquire of such person or entity whether any person assumes responsibility for the contents of this Base Prospectus in a public offering of ETC Securities. In case of any doubt on the part of the investor as to whether it can rely on the contents of the Base Prospectus and who is responsible for its contents, the investor should seek legal advice.

Any person subsequently offering, selling or recommending the ETC Securities will be required to confirm, represent and agree that:

- (a) it has only made and will only make an offer of the ETC Securities to the public in Switzerland, other than pursuant to an exemption under Article 36 para. 1 of the Swiss Federal Financial Services Act ("**FinSA**") or where such offer does not qualify as a public offer in Switzerland, if and as from the date on which this Base Prospectus, as completed by the relevant Final Terms, (i) has been filed in Switzerland with a review body (*Prüfstelle*) approved by the FINMA as a foreign prospectus that is considered approved according to Article 54 para. 2 FinSA, (ii) entered on the list of approved prospectuses according to Article 64 para. 5 FinSA, (iii) deposited with this review body and published according to Article 64 FinSA, and (iv) consent has been granted to it to use this Base Prospectus for a public offer in Switzerland in accordance with Article 36 para. 4 FinSA; or

- (b) it has not offered and will not offer, directly or indirectly, ETC Securities to the public in Switzerland, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in Switzerland, this Base Prospectus, as completed by the relevant Final Terms, or any other offering material relating to the ETC Securities, other than pursuant to an exemption under Article 36 para. 1 FinSA or where such offer or distribution does not qualify as a public offer in Switzerland.

For these purposes "public offer" refers to the respective definitions in Article 3(g) and (h) in FinSA and as further detailed in the Swiss Federal Financial Services Ordinance ("**FinSO**").

The ETC Securities qualify as debt instruments with a "derivative character" (as such expression is understood under FinSA). Accordingly, if ETC Securities are offered to private clients within the meaning of FinSA in Switzerland a key information document under Article 58 FinSA or Article 59 para. 2 FinSA in respect of the ETC Securities must be prepared and published. According to Article 58 para. 2 FinSA, no key information document is required if ETC Securities are acquired for private clients under an asset management agreement. For this purpose, a private client means a person who is not one (or more) of the following: (i) a professional client as

defined in Article 4 para. 3 FinSA (not having opted-in on the basis of Article 5 para. 5 FinSA or Article 5 para. 1 FinSA; or (ii) an institutional client as defined in Article 4 para. 4 FinSA; or (iii) a private client with an asset management agreement according to Article 58 para. 2 FinSA. For these purposes "offer" refers to the interpretation of such term in Article 58 FinSA.

ETC Securities to be offered to non-qualified investors within the meaning of the CISA may only be offered or advertised in Switzerland within the limit set out in the FinSA and its implementing ordinance, the FinSO.

The provision of financial services in connection with the ETC Securities may only be made in compliance with the provisions of the FinSA and its implementing ordinance, the FinSO, as amended from time to time, and in particular in compliance with the rules of conduct set out in Article 8 et seq. FinSA.

Denmark

Each Authorised Participant represents and agrees in the relevant Authorised Participant Agreement that it has not offered or sold and will not offer or sell, directly or indirectly, any of the Securities to the public in Denmark unless in compliance with Chapter 3 or Chapter 14, as applicable, of the Danish Capital Markets Act (Consolidation Act no 931 of 6 September 2019, as amended or replaced from time to time) and Regulation (EU) 2017/1129 of 14 June 2017, which applies from 21 July 2019.

For the purposes of this provision, an offer of the ETC Securities to the public in Denmark means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities.

Finland

Each Authorised Participant represents and agrees in the relevant Authorised Participant Agreement that it has not offered or sold and will not offer or sell, directly or indirectly, any of the Securities to the public in Finland other than in compliance with all applicable provisions of the laws of Finland and especially in compliance with the Finnish Securities Market Act (746/2012) and any regulation or rule made thereunder, as supplemented and amended from time to time.

For the purpose of this provision, an offer of the ETC Securities to the public in Finland means a communication to persons in any form and by any means, presenting or intended to present sufficient information on the terms of the offer and the Securities to be offered, so as to enable an investor to decide to purchase or subscribe for the Securities.

Norway

Each Authorised Participant represents and agrees in the relevant Authorised Participant Agreement that it has not offered or sold and will not offer or sell, directly or indirectly, any of the ETC Securities to the public in Norway unless in compliance with the Norwegian Securities Trading Act of 29 June 2007 No. 75 (as amended), particularly Chapter 7, as applicable, and the Norwegian Securities Trading Regulation of 29 June 2007 No. 876 (as amended), particularly Chapter 7, as applicable, supplemented or replaced from time to time, issued pursuant thereto.

For the purposes of this provision, an offer of the ETC Securities to the public in Norway means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities.

Sweden

Each Authorised Participant represents and agrees in the relevant Authorised Participant Agreement, that it will not (directly or indirectly) offer for Subscription or purchase or issue invitations to subscribe for or purchase or sell ETC Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms, or distribute any draft or definitive document in relation to any such offer, invitation or

sale in Sweden, except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (Sw. lag (1991:980) *om handel med finansiella instrument*).

General

These selling restrictions may be modified by the agreement of the Issuer and the Authorised Participants following a change in a relevant law, regulation or directive. Any such modification may be set out in a supplement to this Base Prospectus if required.

None of the Issuer or any Authorised Participant represents that the ETC Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Each Authorised Participant agrees in the relevant Authorised Participant Agreement that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers ETC Securities or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Authorised Participants to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver ETC Securities or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Issuer consents to the use of this Base Prospectus, and has accepted responsibility for the content of this Base Prospectus, with respect to the subsequent resale or final placement of ETC Securities by any Authorised Offeror or Authorised Participant in Ireland and, subject to the public offer selling restrictions under the Prospectus Regulation, applicable local regulations and/or completing the appropriate passporting procedure pursuant to the Prospectus Regulation, any of Germany, Italy, Denmark, Finland, Norway, Sweden and the Netherlands. This consent is valid for 12 months from the date of publication of this Base Prospectus.

Investors should be aware that information on the terms and conditions of the offer by any Authorised Offeror or Authorised Participant shall be provided at the time of the offer by such Authorised Offeror or Authorised Participant. Any Authorised Offeror or Authorised Participant using this Base Prospectus and KIDs (applicable for EEA Retail Investors) for the relevant ETC Securities for the purpose of any offering must state on its website that it uses this Base Prospectus and KIDs (applicable for EEA Retail Investors) in accordance with the consent given and the conditions attached thereto.

CLEARING SYSTEM SETTLEMENT ARRANGEMENTS

The ETC Securities will be cleared through the clearing system(s) specified in the relevant Final Terms in accordance with the rules and procedures of the Relevant Clearing System.

The International Securities Identification Number (ISIN) and any Common Code and/or other applicable clearing system identification numbers will also be specified in the relevant Final Terms.

Issue

The ETC Securities will be issued in registered form.

If the Global Registered Securities are stated in the applicable Final Terms to be held under the new safekeeping system the Global Registered Securities will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Global Registered Securities which are not held under the new safekeeping system may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

All ETC Securities of the same Series shall have the same Nominal Amount.

Form and Title

Title to the ETC Securities shall pass by registration in the Register.

If the Final Terms state that the ETC Securities are to be represented by a Global Registered Certificate on issue, the following will apply in respect of transfers of ETC Securities held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the ETC Securities within a clearing system whilst they are held on behalf of such clearing system but will limit the circumstances in which the ETC Securities may be withdrawn from the relevant clearing system.

Transfers of the holding of ETC Securities represented by any Global Registered Security pursuant to Master Condition 16 (*Transfers*) may only be made in part:

- (i) if the ETC Securities represented by the Global Registered Security are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) above, the ETC Holder has given the Registrar not less than 30 days' notice at its Specified Office of the ETC Holder's intention to effect such transfer. Where the holding of ETC Securities represented by a Global Registered Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Registered Security. Where transfers are permitted in part, Certificates issued to transferees shall be Individual Securities unless the transferee requests otherwise and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

Relevant Clearing System

Custodial or safekeeping links have been (or will be) established with the Relevant Clearing System. At the date of this Base Prospectus, settlement of transactions in the ETC Securities will take place within Euroclear and Clearstream, Luxembourg.

Euroclear and Clearstream, Luxembourg

CLEARING SYSTEM SETTLEMENT ARRANGEMENTS

Euroclear and Clearstream, Luxembourg each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants.

Euroclear and Clearstream, Luxembourg provide to their respective participants ("**Participants**"), services including:

- (a) safekeeping and administration;
- (b) clearance and settlement of internationally traded securities; and
- (c) securities lending and borrowing.

Persons who clear through or maintain a custodial relationship with a Participant can access these services either directly or indirectly.

Distributions of principal with respect to book-entry interests in the ETC Securities held through Euroclear and Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of the relevant Participant in accordance with the Relevant Clearing System's procedures applicable to ETC Securities traded on the relevant platform.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("**Alternative Clearing System**") as the holder of an ETC Security represented by a Global Registered Security must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the underlying ETC Securities, and in relation to all other rights arising under the Global Registered Securities, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the ETC Securities for so long as the ETC Securities are represented by such Global Registered Security and such obligations of the Issuer will be discharged by payment to the holder of the underlying ETC Securities, as the case may be, in respect of each amount so paid.

Eurosystem eligibility

Where the Final Terms indicate that a Series of ETC Securities is "intended to be held in a manner which would allow Eurosystem eligibility", such designation simply means that the ETC Securities are intended upon issue to be deposited with one of the ICSDs as Common Safekeeper (and registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper) and does not necessarily mean that the ETC Securities will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied of Eurosystem eligibility. At the date of this Base Prospectus, Euroclear will be the Common Safekeeper.

Where the Final Terms indicate that a Series of ETC Securities is not "intended to be held in a manner which would allow Eurosystem eligibility", should the Eurosystem eligibility criteria be amended in the future such that the ETC Securities are capable of meeting them, the ETC Securities may then be deposited with one of the ICSDs as Common Safekeeper (and registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper). Note that this does not necessarily mean that the ETC Securities will then be recognized as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied of Eurosystem eligibility.

Records

ETC Securities may be accepted for clearance through any Relevant Clearing System (which are the entities in charge of keeping the records). ETC Securities will be cleared through the Relevant Clearing System in whole

CLEARING SYSTEM SETTLEMENT ARRANGEMENTS

numbers of ETC Securities only (for these purposes an ETC Security may be referred to as a unit by the Relevant Clearing System).

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

KraneShares ETC plc

Issue of KraneShares [Global Carbon Strategy] / [●] ETC Securities

under its KraneShares ETC Securities Programme (the “ETC Securities”)

Part A – Contractual Terms

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the base prospectus dated 13 September 2024 (the “**Base Prospectus**”) [and the Supplement[s] to the Base Prospectus dated [●] [and [●]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (Regulation (EU) 2017/1129) (the “**Prospectus Regulation**”).]

[These Final Terms (the “**Final Terms**”) constitute the final terms of the ETC Securities described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such [Base Prospectus] [prospectus] [(as so supplemented)]. Full information on the Issuer and the offer of the ETC Securities is only available on the basis of the combination of these Final Terms and the [Base Prospectus] [prospectus]. The [Base Prospectus] [prospectus] [, any Supplement[s] to the [Base Prospectus] [prospectus]][and any translations of the Summary] [is] [are] available for viewing on the website maintained on behalf of the Issuer at <https://kraneshares.eu/>, at the registered office of the Issuer and at the Specified Office of the Principal Paying Agent [and copies may be obtained from the offices of each additional Paying Agent]. A summary of the individual issue is annexed to these Final Terms.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] [and the Supplement[s] to the Base Prospectus dated [●] [and [●]]] which [together] constitute[s] a base prospectus for the purposes of the UK version of Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Prospectus Regulation**”).]

[These Final Terms (the “**Final Terms**”) constitute the final terms of the ETC Securities described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with such [Base Prospectus] [prospectus] [(as so supplemented)]. Full information on the Issuer and the offer of the ETC Securities is only available on the basis of the combination of these Final Terms and the [Base Prospectus] [prospectus]. The [Base Prospectus] [prospectus] [, any Supplement[s] to the [Base Prospectus] [prospectus]][and any translations of the Summary] [is] [are] available for viewing on the website maintained on behalf of the Issuer at [●], at the registered office of the Issuer and at the Specified Office of the Principal Paying Agent [and copies may be obtained from the offices of each additional Paying Agent]. A summary of the individual issue is annexed to these Final Terms.]

[These Final Terms have been prepared for the purpose of filing with the FCA for the purposes of the UK Prospectus Regulation and the Prospectus Regulation Rules only.]³

³ Include for exempt offers.

[UK MiFIR product governance / Retail investors, professional investors and ECPs target market: Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the ETC Securities has led to the conclusion that: (i) the target market for the ETC Securities is retail clients, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”), and eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”) and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”); and (ii) all channels for distribution of the ETC Securities are appropriate. Any person subsequently offering, selling or recommending the ETC Securities (a “**distributor**”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the ETC Securities (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under the Prospectus Regulation and/or the UK Prospectus Regulation, as applicable.]

GENERAL TERMS

1.	Issuer:	KraneShares ETC plc
2.	Series:	KraneShares [Global Carbon Strategy] / [●] ETC Securities
3.	Aggregate Number of ETC Securities to which these Final Terms apply:	[●]
4.	Maximum Issue Size ⁴ :	10,000,000,000
5.	Issue Price per ETC Security as at Series Issue Date:	[USD [●]]
6.	Issue Price per ETC Security as at Subscription Trade Date:	[USD [●]]
7.	Estimate of total net proceeds of the issue:	[USD [●]]
8.	Reference Index	[S&P Global Carbon Credit Index] / [●]
9.	Reference Index Source	[https://www.spglobal.com/spdji/en/indices/commodities/sp-global-carbon-credit-index/#overview and displayed on or Bloomberg ticker GLCARB] / [●]
10.	Administrator of Reference Index	[S&P Dow Jones Indices Limited] / [●]

⁴ This is the maximum number of ETC Securities of the Series that can be outstanding at any time.

FORM OF FINAL TERMS

11.	Initial Carbon Entitlement per ETC Security as at Series Issue Date:		Position (Number of Futures Contracts Held per ETC Security as at Series Issue Date)	Exposure as at Series Issue Date (USD)	% of Basket as at Series Issue Date
		European Union Allowance (EUA) 2024 Future (MOZ24 Comdty)	[•]	[•]	[•]
		California Carbon Allowance (CCA) Vintage 2024 Future (CDBZ24 Comdty)	[•]	[•]	[•]
		Regional Greenhouse Gas Initiative (RGGI) Vintage 2024 Future (RJOZ24 Comdty)	[•]	[•]	[•]
		California Carbon Allowance (CCA) Vintage 2025 Future (BCYZ25 Comdty)	[•]	[•]	[•]
		UK Allowance	[•]	[•]	[•]

FORM OF FINAL TERMS

		<table border="1"> <tr> <td>e (UKA) 2024 Future (UKEZ4 Comdty)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>European Union Allowance (EUA) 2025 Future (MOZ25 Comdty)</td> <td>[•]</td> <td>[•]</td> <td>[•]</td> </tr> </table>	e (UKA) 2024 Future (UKEZ4 Comdty)				European Union Allowance (EUA) 2025 Future (MOZ25 Comdty)	[•]	[•]	[•]								
e (UKA) 2024 Future (UKEZ4 Comdty)																		
European Union Allowance (EUA) 2025 Future (MOZ25 Comdty)	[•]	[•]	[•]															
		<p>As the Futures Contracts are traded on margin the Issuer would not be required to use the full proceeds of the issuance of the ETC Securities to acquire the Futures Contracts positions. The balance of the proceeds would be retained by the Issuer and invested in the following additional underlying assets:</p> <table border="1"> <thead> <tr> <th>Underlying Assets as at the Series Issue Date</th> <th>USD</th> </tr> </thead> <tbody> <tr> <td>Future Contracts margin requirements as at Series Issue Date</td> <td>[•]</td> </tr> <tr> <td>KraneShares Sustainable Ultra Short Duration Index ETF</td> <td>[•]</td> </tr> <tr> <td>Money Market Funds</td> <td>[•]</td> </tr> <tr> <td>[Euro FX Futures]</td> <td>[•]</td> </tr> <tr> <td>[BRITISH STERLING POUND]</td> <td>[•]</td> </tr> <tr> <td>[EURO]</td> <td>[•]</td> </tr> <tr> <td>USD Cash on deposit</td> <td>[•]</td> </tr> </tbody> </table>	Underlying Assets as at the Series Issue Date	USD	Future Contracts margin requirements as at Series Issue Date	[•]	KraneShares Sustainable Ultra Short Duration Index ETF	[•]	Money Market Funds	[•]	[Euro FX Futures]	[•]	[BRITISH STERLING POUND]	[•]	[EURO]	[•]	USD Cash on deposit	[•]
Underlying Assets as at the Series Issue Date	USD																	
Future Contracts margin requirements as at Series Issue Date	[•]																	
KraneShares Sustainable Ultra Short Duration Index ETF	[•]																	
Money Market Funds	[•]																	
[Euro FX Futures]	[•]																	
[BRITISH STERLING POUND]	[•]																	
[EURO]	[•]																	
USD Cash on deposit	[•]																	
12.	Issue Date:																	
	(i) Series Issue Date:	[•]																
	(ii) Tranche Issue Date (if not the first Tranche of ETC Securities of the Series):	Same as the date of these Final Terms as specified at the top of page 1.																
	(iii) Date on which Board approval for issuance of ETC Securities																	

FORM OF FINAL TERMS

	obtained ⁵ :	[●]
13.	Scheduled Maturity Date:	[●]
14.	Relevant Regulatory Law Reference Date ⁶ :	[●]
15.	Name and address of Relevant Clearing System(s):	[Euroclear]/[Clearstream, Frankfurt][Clearstream, Luxembourg]/[●]
TRANSACTION PARTIES AS AT TRANCHE ISSUE DATE		
16.	Additional Paying Agent(s):	<i>[Where a Paying Agent is applicable in addition to the Principal Paying Agent [●]]/[●]</i> <i>[Give name and address of institution(s)]</i>
17.	Principal Paying Agent and Account Bank:	[Citibank N.A., London Branch]
18.	Registrar:	[Citibank Europe plc]
19.	Custodian:	Brown Brothers Harriman & Co.
20.	Transfer Agent:	Brown Brothers Harriman Fund Administration Services (Ireland) Limited
21.	Authorised Participant(s) for the relevant Series:	As at the Series Issue Date: [Flow Traders] [and] [Jane Street] List available on Issuer's website at: https://kraneshares.eu/
PROVISIONS RELATING TO FEES		
22.	Total Expense Ratio (as at the Series Issue Date):	[●]% per annum
PROVISIONS RELATING TO REDEMPTION		
23.	Nominal Amount:	USD [●]
24.	Minimum Redemption Amount at Scheduled Maturity Date:	USD [●], being an amount equal to 10 per cent. of the Issue Price per ETC Security as at the Series Issue Date
25.	Specified Interest Amount payable at Scheduled Maturity Date:	USD [●], being an amount equal to 1 per cent. of the Nominal Amount
26.	Final Redemption Valuation Date ⁷ :	40 Business Days prior to Scheduled Maturity Date
GENERAL PROVISIONS APPLICABLE TO THE ETC SECURITIES		
26.	Offer:	See below Part B, Section 6

⁵ If this is not the first Tranche of a Series, include the board approval date for the first Tranche of such Series.

⁶ This should generally be the trade date for the first Tranche of the Series.

⁷ The date falling 40 Business Days prior to the Scheduled Maturity Date.

FORM OF FINAL TERMS

DETAILS OF THE UNDERLYING	
	<p>Past Performance:</p> <p>Information on the past performance of the Reference Index and the ETC Securities can be electronically found at the following website[s]:</p> <p>[https://www.spglobal.com/spdji/en/indices/commodities/sp-global-carbon-credit-index/#overview]</p> <p>[https://kraneshares.eu/]</p>
LISTING AND ADMISSION TO TRADING APPLICATION	
<p>These Final Terms comprise the final terms required to list and have admitted to trading the ETC Securities described herein pursuant to KraneShares ETC plc's KraneShares ETC Securities Programme.</p>	

Signed on behalf of the Issuer:

By:

Duly authorised

Part B – Other Information

1 LISTING

(i) Listing and admission to trading: [Application has been made for the ETC Securities to be admitted to the [official list of the London Stock Exchange] and for the ETC Securities to be admitted to trading on the regulated market thereof.] Please note that admission to the UK Official List and to trading on the London Stock Exchange is not admission to trading under the Prospectus Regulation, but is admission to trading for the purposes of the UK Prospectus Regulation.]

[Application has been made for the ETC Securities to be admitted to the *Deutsche Börse* for the ETC Securities to be admitted to trading on the regulated market thereof. Application has also been made for the ETC Securities to be admitted to the *Borsa Italiana*.]

Application may be made for the ETC Securities to be listed on additional stock exchanges and admitted to trading on additional markets from time to time.

Application may be made for the ETC Securities to be listed on additional stock exchanges and admitted to trading on additional markets from time to time.

(ii) Estimate of total expenses of the issue: USD [●]

(iii) Estimate of total expenses related to admission to trading for the relevant Tranche: USD [●]

2 NOTIFICATION

The Central Bank has provided the competent authorities of Germany, Finland, Denmark, Norway, Sweden, Italy, and The Netherlands with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Regulation.

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save as discussed in “*Subscription and Sale*”, so far as the Issuer is aware, no person involved in the offer of the ETC Securities has an interest material to the offer.]/[●]

4 REASONS FOR THE OFFER

Reasons for the offer: [See section headed “*Reasons for the offer and use of proceeds*” in the Base Prospectus.]/[●]

5 OPERATIONAL INFORMATION

ISIN:	[●]
Common Code:	[●]

CFI:	[•]
FISN:	[•]
SEDOL:	[•]
WKN (if applicable):	[•]
Trading Method:	Unit
Delivery:	Delivery [free of][against] payment
Settlement Date:	Same as Tranche Issue Date
Form:	Registered Notes: [The Global Notes will be registered in the name of a [nominee]/[Common Safekeeper]/[depository] for [Euroclear and Clearstream, Luxembourg] Common Safekeeper: [Euroclear/Clearstream, Luxembourg]
[Intended to be held in a manner which would allow Eurosystem eligibility:]	[Yes. Note that the designation "Yes" simply means that the securities are intended upon issue to be deposited with one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper), and does not necessarily mean that the securities will be recognized as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as "No" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the securities are capable of meeting them the securities may then be deposited with one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper). Note that this does not necessarily mean that the securities will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
Countries where the Base Prospectus has been notified:	The Central Bank has provided the competent authorities of Germany , Italy, Denmark, Finland, Norway. Sweden and The Netherlands with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Regulation.

6 TERMS OF ANY OFFER

Offer Price:	[USD [•]] [Such price as is individually agreed between an
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FORM OF FINAL TERMS

	Authorised Offeror or Authorised Participant and the relevant purchaser]
Conditions to which the offer is subject:	In the event of an offer being made by an Authorised Offeror or Authorised Participant, the Authorised Offeror or Authorised Participant will provide information to investors on the terms and conditions of the offer at the time the offer is made.
Description of the time period, including any possible amendments during which the offer will be open and a description of the application process:	In respect of any ETC Securities, offers may be made at any time during the period from and including the date of the Base Prospectus to (but excluding) the date falling 12 months after the date of the Base Prospectus. There is no application process for potential purchasers. Instead, each Authorised Offeror or Authorised Participant may offer to investors in agreed transactions.
Subscription Order Cut-Off Time:	[3.00 p.m. London]/[●].
Buy-Back Order Cut-Off Time:	[3.00 p.m. London]/[●].
Description of possibility to reduce Subscriptions and manner for refunding excess amount paid by applicants:	Not applicable given the manner in which ETC Securities will be offered. The ETC Securities will not be the subject of an offer that asks for applications from potential purchasers and then reduces subscriptions and refunds any excess amount should those potential purchasers not be allocated ETC Securities.
Details of the minimum and/or maximum amount of application:	
(i) Minimum Subscription Amount:	[[●] / [Not applicable]]
(ii) Minimum Buy-Back Amount:	[[●] / [Not applicable]]
(iii) Minimum Trading Amount:	[The minimum number of ETC Securities that may be traded is [●]] / [Not applicable]
Details of the method and time limits for paying up and delivering the ETC Securities:	As individually agreed between a purchaser and the relevant Authorised Offeror or Authorised Participant.
Manner in and date on which results of the offer are to be made public:	The Issuer will sell all ETC Securities of a Series to one or more Authorised Participants on their issue. The Authorised Participants may act as market makers on stock exchanges and may also offer to eligible professional investors in the EU in over-the-counter transactions during the offer period. The Authorised Participants are likely to hold ETC Securities in inventory. The number of ETC Securities issued will not vary based on the results of any offer (with any offer being agreed on an individual basis) and, as a result, there is no necessity to notify the public of the results of any

FORM OF FINAL TERMS

	offer.
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	Not applicable given the manner in which ETC Securities will be offered
Tranche(s) which has/have been reserved for certain countries:	Not applicable given the manner in which ETC Securities will be offered
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	As described above, there will be no formal offer period prior to issue and there will be no applications process whereby allotments are required to be made. As a result, no notification of allotments is required. No dealing by an investor may take place until such investor has been delivered the relevant ETC Securities.
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[●] / [Not applicable]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:	Any Authorised Offeror or Authorised Participant is entitled to make an offer in Germany, Denmark, Finland, Norway, Sweden, Ireland, Italy, The Netherlands and Switzerland, subject to the conditions set out in the Base Prospectus.

ANNEX – SUMMARY OF THE INDIVIDUAL ISSUE

[Issue specific summary to be inserted]

GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations (if any) which are necessary in Ireland at the date of this Base Prospectus in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 20 August 2024.
2. There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer, in each case, since the date of its incorporation.
3. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), since the date of its incorporation, which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.
4. The ETC Securities represent indebtedness of the Issuer. ETC Securities may be accepted for clearance through Euroclear and/or Clearstream, Luxembourg.

The International Securities Identification Number (ISIN), Common Code, Stock Exchange Daily Official List (SEDOL) and (where applicable) the WKN and identification number for each Series of ETC Securities will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

The address of any other Clearing System that is a Relevant Clearing System for a Series of ETC Securities will be specified in the relevant Final Terms.

5. The Issuer will provide post-issuance information in relation to the Cash Value per ETC Security in respect of each calendar day up to (and including) the Early Redemption Trade Date or Final Redemption Valuation Date, as applicable, by no later than the immediately following Business Day on the website maintained on behalf of the Issuer at <https://kraneshares.eu/> (or such other website as may be notified to ETC Holders in accordance with Condition 18 (*Notices*)).
6. The Arranger will arrange payment of the expenses of the Issuer relating to the admission to trading of ETC Securities on the relevant Stock Exchanges on which the ETC Securities are traded.
7. For so long as ETC Securities may be issued pursuant to this Base Prospectus and for so long as any listed ETC Securities remain outstanding, copies of the current version of each of the documents specified below (together with all earlier versions of such documents to the extent that there are ETC Securities of any Series outstanding in respect of which the version in question of such document is still relevant) will be available in physical format, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Issuer and each of the Paying Agents and (ii) in electronic format on the website of the Issuer at <https://kraneshares.eu/>:
 - (a) each Issue Deed;
 - (b) the Master Terms and Conditions;
 - (c) the Master Trust Terms;
 - (d) the Master Agency Terms;

- (e) the Master Irish Law Security Trust Terms;
 - (f) this Base Prospectus together with any supplement hereto;
 - (g) each set of Final Terms;
 - (h) each KID;
 - (i) each Issue Specific Summary;
 - (j) the Memorandum and Articles of Association of the Issuer;
 - (k) the most recent annual and interim reports of the Issuer; and
 - (l) such other documents (if any) as may be required by the rules of any Relevant Stock Exchange.
8. Matheson LLP is acting solely in its capacity as listing agent for the Issuer in relation to the ETC Securities and is not itself seeking admission of the ETC Securities to the Official List of the *Deutsche Börse*, the *Borsa Italiana*, or any other Relevant Stock Exchange or to trading on the regulated or unregulated markets of any such exchanges for the purposes of the Prospectus Regulation.
9. Any website referred to herein is not incorporated by reference and does not form part of this Base Prospectus.

GLOSSARY

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ANNEX 1

Sample portfolio of Futures Contracts

The ETC Securities will gain exposure to relevant underlying Carbon Entitlements through investment in Futures Contracts. As the Futures Contracts acquired by the Issuer will be traded on margin, the Issuer will not be required to use the full proceeds raised by the issue of the ETC Securities to purchase relevant underlying Futures Contracts. The balance of the proceeds of the issuance of a Series of ETC Securities not used to acquire relevant Futures Contracts will be retained by the Issuer in cash with the Custodian. The Issuer may also, on the advice of the Investment Advisor, invest in cash and cash equivalents, including money market funds and repurchase agreements (see further "*Transaction Structure, Cash Flow and Flow of Funds – Collateralisation*" above).

The below tables sets out an indicative portfolio of underlying assets in respect of a hypothetical Series of KraneShares Global Carbon Strategy ETC Securities with a nominal amount of \$313,611,527. In this hypothetical case the relevant Futures Contracts in which the Issuer invests are below:

European Union Allowance (EUA) 2024 Future	MOZ24 Comdty	2,524	152,453,619	48.61%
California Carbon Allowance (CCA) Vintage 2024 Future	CDBZ24 Comdty	2,241	93,741,030	29.89%
Regional Greenhouse Gas Initiative (RGGI) Vintage 2024 Future	RJOZ24 Comdty	1,176	19,897,920	6.34%
California Carbon Allowance (CCA) Vintage 2025 Future	BCYZ25 Comdty	412	18,288,680	5.83%
UK Allowance (UKA) 2024 Future	UKEZ4 Comdty	339	15,302,576	4.88%
European Union Allowance (EUA) 2025 Future	MOZ25 Comdty	221	13,857,002	4.42%
			313,540,827	100%

In this hypothetical case, the proceeds of issuing the ETC Securities not required to acquire the relevant Futures Contracts positions have been notionally invested as set out below.

KraneShares Sustainable Ultra Short Duration Index ETF	KCSH	3,000,000	75,000,000	24.30%
USD Cash Management (Including U.S. Money Market Funds, Non-U.S. Money Market funds, CMS)	USD	138,000,000	138,000,000	44.72%
Euro FX Futures	ECH4 Curncy	1125	152,627,344	48.67%
British Sterling Pound	GBP	11,900,000	15,093,287	4.81%
Euro	EUR	7,000,000	7,593,591	2.42%
USD Cash & Equivalents*	USD	-79,761,758	-79,761,758	-25.85%
			308,552,464	99%

* Includes USD cash deposits & cash in margin accounts (\$69,676,097), and implied short USD exposure from Euro FX futures

Note that the foregoing represents an indicative portfolio in which a hypothetical Series of KraneShares Global Carbon Strategy ETC Securities could invest. The Issuer is not obliged to invest in the above proportions. Holdings, Futures Contracts and collateral are subject to change.

ARRANGER AND INVESTMENT ADVISOR		ISSUER	
Krane Funds Advisors, LLC 280 Park Ave, 32nd Floor New York, NY 10017 United States		KraneShares ETC plc 4th Floor, 35 Shelbourne Road Ballsbridge Dublin 4 Ireland	
TRUSTEE AND SECURITY TRUSTEE		ADMINISTRATOR	
Waystone Corporate Services (IE) Limited Unit 10 & 11, Cahir Road, Cashel, Co. Tipperary, Ireland		SEI Global Services, Inc. 1 Freedom Valley Drive Oaks PA 19456 United States	
ACCOUNT BANK AND PRINCIPAL PAYING AGENT	REGISTRAR	CUSTODIAN	
Citibank N.A., London Branch Citigroup Centre Canada Square London E14 5LB United Kingdom	Citibank Europe plc 1 North Wall Quay Dublin Ireland	Brown Brothers Harriman & Co. 140 Broadway New York New York 10005-1101 United States	
TRANSFER AGENT			
Brown Brothers Harriman Fund Administration Services (Ireland) Limited 30 Herbert Street Dublin 2 Ireland			
LEGAL ADVISERS			
<i>to the Arranger and the Issuer in respect of Irish law</i> Matheson LLP 70 Sir John Rogerson's Quay Dublin 2 Ireland			
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