

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

**Product name: iShares EUR Corp Bond ex-Financials 1-5yr ESG UCITS ETF  
Legal entity identifier: 549300F8MC1C17K7SP68**

**Environmental and/or social characteristics**

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

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

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

☒ ☒ ☐ Yes

- ☐ It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**
- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☒ ☐ ☒ No

- ☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments
- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☒ with a social objective
- ☐ It promotes E/S characteristics, but **will not make any sustainable investments**



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

The Fund is passively managed and seeks to promote the following environmental and social characteristics by tracking the performance of the Bloomberg MSCI Euro Corporate ex Financials 1-5 Year Sustainable SRI Index, its Benchmark Index:

1. exclusion of issuers deemed to be involved in certain activities considered to have negative environmental and/or social outcomes;
2. exclusion of issuers deemed to be involved in very severe ESG related controversies;
3. exclusion of issuers considered to be lagging industry peers in their high exposure and failure to manage significant ESG risks (based on an ESG rating); and
4. exposure to investments qualifying as sustainable investments.

These environmental and social characteristics are incorporated through the selection of constituents in the Fund's Benchmark Index (as described below). The Benchmark Index excludes issuers based on their involvement in certain activities deemed to have negative environmental or social outcomes. Issuers are excluded from the Benchmark Index based on their involvement in the following business lines/activities (or related activities):

- alcohol
- tobacco
- gambling
- adult entertainment
- genetically modified organisms
- nuclear power
- civilian firearms
- nuclear weapons

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- controversial weapons
- thermal coal
- unconventional oil and gas
- weapons systems/components/support systems/services

The index provider defines what constitutes "involvement" in each restricted activity. This may be based on percentage of revenue, a defined total revenue threshold, or any connection to a restricted activity regardless of the amount of revenue received.

Issuers belonging to sectors with an MSCI ESG rating will only be included in the Benchmark Index if their issuers have an MSCI ESG rating and the rating is BBB or higher. An MSCI ESG rating is designed to measure an issuer's resilience to long-term industry material ESG risks and how well it manages ESG risks and opportunities relative to industry peers. The index provider may consider the following environmental themes when determining an issuer's ESG score as part of the ESG rating methodology: climate change mitigation based on greenhouse gas emissions, waste and other emissions, land use and biodiversity. The index provider may also consider the following social themes when determining an issuer's ESG score as part of the ESG rating methodology: access to basic services, community relations, data privacy and security, human capital, health and safety and product governance. The MSCI ESG rating methodology recognises that certain environmental and social issues are more material based on the type of activity that the issuer is involved in by weighting the issues differently in the scoring methodology. Those issuers with higher MSCI ESG scores are determined by the index provider to be those issuers that may be better positioned to manage future ESG-related challenges and risks compared to their industry peers.

The Benchmark Index also excludes issuers with a 'red' MSCI ESG controversy score (based on an MSCI controversy score). An MSCI controversy score measures an issuer's involvement (or alleged involvement) in serious controversies based on an assessment of an issuer's operations and/or products which are deemed to have a negative ESG impact. An MSCI controversy score may consider involvement in adverse impact activities in relation to environmental issues such as biodiversity and land use, energy and climate change, water stress, toxic emissions and waste issues. An MSCI controversy score may also consider involvement in adverse impact activities in relation to social issues such as human rights, labour management relations, discrimination and workforce diversity.

For more information on where details of the methodology of the Benchmark Index can be found (including further details of the exclusionary screens applied by the index provider) see Where can the methodology used for the calculation of the designated index be found? below.

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

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

The following sustainability indicators form part of the ESG selection criteria of the Benchmark Index tracked by the Fund:

1. The exclusion of Issuers Involved in certain activities deemed to have negative environmental and/or social outcomes as described above (see What environmental and/or social characteristics are promoted by this financial product?).
2. The exclusion of issuers identified as being involved in ESG related controversies as described above (see What environmental and/or social characteristics are promoted by this financial product?).
3. The exclusion of issuers with a weighted-average industry-adjusted MSCI ESG rating below the minimum threshold as described above (see What environmental and/or social characteristics are promoted by this financial product?).
4. The Fund's Investments qualifying as sustainable investments as described below (see What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?).



5. The consideration of the principal adverse impacts on sustainability factors as identified in the table below (see Does this financial product consider principal adverse impacts on sustainability factors?).

The ESG selection criteria of the Benchmark Index is applied by the index provider at each index rebalance. At each index rebalance (or as soon as possible and practicable thereafter), the portfolio of the Fund is also rebalanced in line with its Benchmark Index. Where the Fund's portfolio ceases to meet any of these characteristics in between index rebalances, the Fund's portfolio will be re-aligned at the next index rebalance (or as soon as possible and practicable thereafter) in accordance with the Benchmark Index.

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

The Fund's investments qualifying as sustainable may be in:

- (1) fixed income securities which have been classified as "green bonds";
- (2) issuers involved in activities deemed to contribute to positive environmental and/or social impacts; or
- (3) issuers which have committed to one or more active carbon emissions reduction target(s) approved by the Science Based Targets initiative (SBTi).

To be classified as a green bond, a bond's proceeds must be exclusively and formally applied to fund projects that fall within one or more qualifying environmental categories including alternative energy, energy efficiency, pollution prevention and control, sustainable water, green building and climate adaptation.

The Fund's Investments will also be assessed against their revenue exposure to positive sustainable impacts in line with the United Nations' Sustainable Development Goals, the European Union Taxonomy and other sustainability-related frameworks. The positive environmental impacts considered as part of this assessment may relate to themes such as climate change and natural capital and identify issuers that may derive revenues from activities (or related activities) such as alternative energy, energy efficiency and green building, sustainable water, pollution prevention and control and sustainable agriculture. The positive societal impacts considered as part of this assessment may relate to themes such as basic needs and empowerment and identify issuers that may derive revenues from activities (or related activities) such as nutrition, major disease treatments, sanitation, affordable real estate, SME finance, education and connectivity.

Issuers will also be assessed on their commitment to one or more active carbon emissions reduction target(s) approved by the SBTi. The SBTi seeks to provide a clearly defined pathway for companies and financial institutions to reduce greenhouse gas (GHG) emissions to align with the goals of the Paris Agreement and help prevent the worst impacts of climate change.

The sustainable Investments within the Fund may contribute to either an environmental objective or a social objective or a combination of the two. The combination of sustainable investments with an environmental or social objective may change over time depending on the activities of the issuers within the Benchmark Index. The assessment of the Fund's investments qualifying as sustainable is determined on or around each index rebalance, where the Fund's portfolio is rebalanced in line with its Benchmark Index.



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

At each index rebalance, all investments qualifying as sustainable are assessed against certain minimum environmental and social indicators.

As part of the assessment, issuers are assessed on their involvement in activities deemed to have highly negative environmental and social impacts. Where an issuer has been identified as being involved in activities with highly negative environmental and social impacts, it shall not be eligible as a sustainable investment.

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For bonds qualifying as green bonds, the assessment will be conducted at an issuance level based on the use of the proceeds of the bonds which must be formally and exclusively applied to promote climate or other environmental sustainability purposes. In addition, certain minimum safeguards and eligibility exclusions are incorporated in the selection of green bonds to avoid exposure to bonds associated with activities deemed to have highly negative environmental and societal impacts.

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

The mandatory indicators for adverse impacts on sustainability factors (as set out in the Regulatory Technical Standards (RTS) under the SFDR) are considered at each index rebalance through the assessment of the Fund's investments qualifying as sustainable.

Following this assessment, the following investments in issuers shall not qualify as sustainable investments: (1) issuers deemed to be deriving at least 1% of their revenue from thermal coal which is significantly carbon intensive and a major contributor to greenhouse gas emissions (taking into account indicators relating to GHG emissions) (2) issuers that have been deemed to be involved in severe ESG related controversies (taking into account indicators relating to greenhouse gas emissions, biodiversity, water, waste and social and employee matters), and (3) issuers which are deemed to be lagging industry peers based on their high exposure and failure to manage significant ESG risks (taking into account indicators relating to greenhouse gas emissions, biodiversity, water, waste, unadjusted gender pay gap and board gender diversity).

In respect of green bonds, the indicators for adverse impacts on sustainability factors are taken into account at each index rebalance and are assessed at the issuance level based on an assessment of the use of proceeds of the bonds which must be formally and exclusively applied to promote climate or other environmental sustainability purposes. In addition, minimum safeguards and eligibility exclusions are applied in the selection of green bonds to ensure the proceeds of which are not applied to activities with highly negative environmental and social outcomes. This includes through the minimum safeguards and eligibility exclusions of bonds with the use of proceeds linked to thermal coal extraction and power generation, significant biodiversity loss and controversial weapons.

At each index rebalance, the Benchmark Index also excludes: (1) companies with a "red" MSCI ESG controversy flag which includes companies determined to be in violation of international and/or national standards (taking into account indicators concerning violations of United Nations Global Compact principles and OECD Guidelines for Multinational Enterprises), and (2) companies determined to have any tie to controversial weapons (taking into account indicators concerning ties to controversial weapons).

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

The Fund's Benchmark Index excludes issuers with a "red" ESG controversy flag which excludes issuers which have been determined by the index provider to be in violation of the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. The Benchmark Index applies the above exclusionary criteria at each index rebalance.

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

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

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




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

☐ No

Yes, the Fund takes into consideration principal adverse impacts on sustainability factors by tracking the Benchmark Index which incorporates certain ESG criteria in the selection of index constituents. The Investment Advisor has determined that those principal adverse impacts (PAIs) marked as "X" in the table below are considered as part of the selection criteria of the Benchmark Index at each index rebalance.

The Fund's annual report will include information on the principal adverse impacts on sustainability factors set out below.

	FAI Description	Benchmark Index Selection Criteria		
		Exclusion of issuers based on certain environmental screens (listed above)	Exclusion of issuers based on an MSCI ESG controversy score	Exclusion of issuers determined to have any tie to controversial weapons
Greenhouse Gas (GHG) emissions	1. (a) GHG emissions (Scope 1/2)			
	1. (b) GHG emissions (Scope 3)			
	2. Carbon footprint			
	3. GHG intensity			
	4. % in Fossil Fuels	X		
	5. Non-Renewable / Renewable %			
	6. High impact sector energy consumption			
Biodiversity	7. Negative impact to Biodiversity sensitive areas		X	
Water	8. Emissions to Water		X	
Waste	9. Hazardous Waste		X	
Social and employee matters	10. UNGC+OECD Violations		X	
	11. UNGC+OECD Process, Monitoring			
	12. Unadjusted gender pay gap			
	13. Board gender diversity			
	14. Controversial weapons			X

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

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

The investment policy of the Fund is to invest in a portfolio of fixed income securities that as far as possible and practicable consists of the component securities of the Benchmark Index and thereby comply with the ESG characteristics of its Benchmark Index. The index methodology of its Benchmark Index is described above (see 'What environmental and/or social characteristics are promoted by this financial product?' above).

By investing in the constituents of its Benchmark Index, the Fund's investment strategy enables it to comply with the ESG requirements of its Benchmark Index as determined by the index provider. In the event that any investments cease to comply, the Fund may continue to hold such investments only until such time as the relevant securities cease to form part of the Benchmark Index and it is possible and practicable (in the Investment Advisor's view) to liquidate the position.

The Fund may use optimisation techniques in order to achieve a similar return to the Benchmark Index which means that it is permitted to invest in securities that are not underlying constituents of the Benchmark Index where such securities provide similar performance (with matching risk profile) to certain securities that make up the Benchmark Index. If the Fund does so, its investment strategy is to invest only in issuers in the Benchmark Index or in issuers that meet the ESG requirements of the Benchmark Index at the time of purchase. If such securities cease to comply with the ESG requirements of the Benchmark Index, the Fund may hold such securities only until the next portfolio rebalance and when it is possible and practicable (in the Investment Manager's view) to liquidate the position.

The strategy is implemented at each portfolio rebalance of the Fund, which follows the index rebalance of its Benchmark Index.

#### Governance Processes

The Investment Advisor carries out due diligence on the index providers and engages with them on an ongoing basis with regard to index methodologies including their assessment of good governance criteria set out by the SFDR which include sound management structures, employee relations, remuneration of staff and tax compliance at the level of investee companies.

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

The binding elements of the investment strategy are that the Fund will invest in a portfolio of fixed income securities that as far as possible and practicable consists of the component securities of the Benchmark Index and thereby comply with the ESG characteristics of its Benchmark Index.

As the Fund is able to use optimisation techniques and may invest in securities that are not underlying constituents of the Benchmark Index, where it does so, its investment strategy is to invest only in issuers in the Benchmark Index or in issuers that meet the ESG requirements of the Benchmark Index at the time of purchase.

In the event that any investments cease to comply, the Fund may continue to hold such investments only until such time as the relevant securities cease to form part of the Benchmark Index and/or it is possible and practicable (in the Investment Advisor's view) to liquidate the position.

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

There is no committed minimum rate to reduce the scope of the Fund's investments.

The Fund's Benchmark Index seeks to reduce the number of constituents from the starting universe through the application of the ESG selection criteria. However, there is no minimum rate of reduction applied or targeted by the index provider in the selection of constituents for the Benchmark Index.

The rate of reduction may vary over time depending on the issuers that make up the starting universe. For example, if issuers in the starting universe engage in fewer activities that are excluded from the starting universe based on the ESG selection criteria applied by the Benchmark Index, the rate of reduction may reduce over time. Conversely, if the index provider increases the ESG selection criteria in the Benchmark Index as ESG standards evolve, the rate of reduction may increase over time.

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

Good governance checks are incorporated within the methodology of the Benchmark Index. At each index rebalance, the index provider excludes companies from the Benchmark Index based on an ESG controversy score (which measures an issuer's involvement in ESG related controversies) which includes the exclusion of companies that are classified as violating United Nations Global Compact principles (see What environmental and/or social characteristics are promoted by this financial product? above).

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



Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- turnover reflecting the share of revenue from green activities of investee companies

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

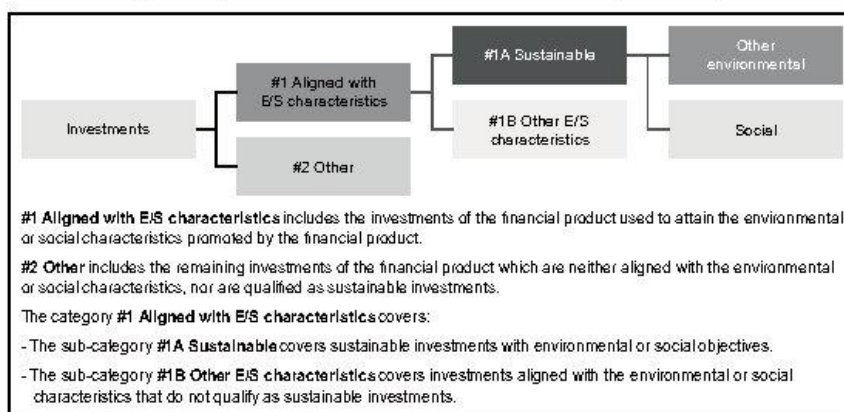
The Fund seeks to invest in a portfolio of securities that as far as possible and practicable consists of the component securities of the Benchmark Index.

It is expected that at least 80% of the Fund's assets will be invested in either securities within the Benchmark Index or in securities that meet the ESG selection criteria of the Benchmark Index. As such, at each index rebalance, the portfolio of the Fund will be rebalanced in line with its Benchmark Index so that at least 80% of the Fund's assets will be aligned with the ESG characteristics of the Benchmark Index (this includes 20% of the Fund's assets that are qualified as sustainable investments) (as determined at that rebalance).

In the event that any investments cease to comply with the ESG requirements of the Benchmark Index, the Fund may continue to hold such investments until such time as the relevant securities cease to form part of the Benchmark Index (or otherwise cease to meet the ESG selection criteria of the Benchmark Index) and it is possible and practicable (in the Investment Manager's view) to liquidate the position.

The assessment of the Fund's investments qualifying as sustainable is determined on or around each index rebalance, where the Fund's portfolio is rebalanced in line with its Benchmark Index. Where any investment ceases to qualify as a sustainable investment between index rebalances, the Fund's holdings in sustainable investments may fall below the minimum proportion of sustainable investments.

The Fund may invest up to 20% of its assets in other investments ("#2 Other").



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

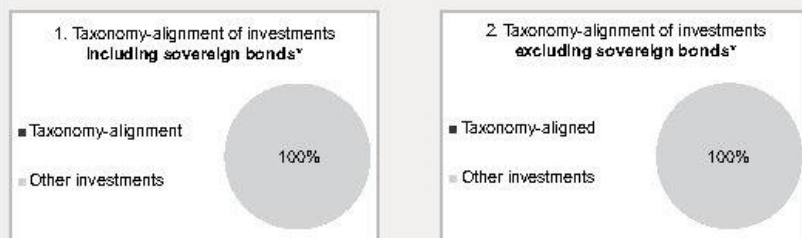
The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management in connection with the environmental or social characteristics promoted by the Fund. Where the Fund uses derivatives for promoting environmental or social characteristics, any ESG rating or analyses referenced above will apply to the underlying investment.



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

The Fund does not currently commit to investing more than 0% of its assets in sustainable investments with an environmental objective aligned with the EU Taxonomy.

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



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



**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

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



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

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

This Fund does not currently commit to investing more than 0% of its assets in investments in transitional and enabling activities within the meaning of the Taxonomy Regulation.



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

A minimum of 20% of the Fund's assets will be invested in sustainable investments. These sustainable investments will be a mix of sustainable investments with an environmental objective that is not committed to align with the EU Taxonomy or a social objective or a combination of the two. The combination of sustainable investments with an environmental or social objective may change over time depending on the activities of the Issuers within the Benchmark Index. The assessment of the Fund's investments qualifying as sustainable is determined on or around each index rebalance, where the Fund's portfolio is rebalanced in line with its Benchmark Index.



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

A minimum of 20% of the Fund's assets will be invested in sustainable investments. These sustainable investments will be a mix of sustainable investments with an environmental objective that is not committed to align with the EU Taxonomy or a social objective or a combination of the two. The combination of sustainable investments with an environmental or social objective may change over time depending on the activities of the Issuers within the Benchmark Index. The assessment of the Fund's investments qualifying as sustainable is determined on or around each index rebalance, where the Fund's portfolio is rebalanced in line with its Benchmark Index.



● **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

Other holdings may include cash, money market funds and derivatives. Such investments may only be used for the purpose of efficient portfolio management, except for derivatives used for currency hedging for any currency hedged share class.

Any ESG rating or analyses applied by the index provider will apply only to the derivatives relating to individual issuers used by the Fund. Derivatives based on financial indices, interest rates, or foreign exchange instruments will not be considered against minimum environmental or social safeguards.



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

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

Yes, this Fund seeks to achieve the environmental and social characteristics it promotes by tracking the performance of the Bloomberg MSCI Euro Corporate ex Financials 1-5 Year Sustainable SRI Index, its Benchmark Index, which incorporates the index provider's ESG selection criteria.

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

At each index rebalance, the index provider applies the ESG selection criteria to exclude issuers that do not meet such ESG selection criteria.

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

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At each index rebalance (or as soon as reasonably possible and practicable thereafter), the portfolio of the Fund is also rebalanced in line with its Benchmark Index.

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

As a result of the application of the ESG selection criteria of the Benchmark Index, the portfolio of the Fund is expected to be reduced compared to the Bloomberg Euro Corporate ex-Financials 1-5 Bond Index, a broad market index comprised of fixed income securities.

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

The methodology of the Fund's Benchmark Index can be found on the index provider's website at: <https://www.bloomberg.com/professional/product/indices/bloomberg-fixed-income-indices/#/ucits>.



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

**More product-specific information can be found on the website:**

For further details specific to this Fund, please refer to the sections of this prospectus entitled 'Investment Objective' and 'Investment Policy', 'SFDR' and also the product page for the Fund, which can be found by typing the name of the Fund into the search bar on the iShares website: [www.iShares.com](http://www.iShares.com)