

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

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

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

Product name: Xtrackers II ESG Global Aggregate Bond UCITS ETF
Legal entity identifier: 549300BLVKFY3X3CSM08

Environmental and/or social characteristics

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

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 1% 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 financial product promotes environmental and social characteristics and qualifies as a financial product subject to Article 8(1) SFDR by tracking the Reference Index (as defined below) which includes environmental and/or social considerations. The financial product holds a portfolio of securities that comprises all or a representation of the securities comprised in the Reference Index or unrelated transferable securities. The Reference Index is designed to represent the performance of a broad-based measure of the global investment grade fixed-rate debt markets.

The Reference Index is based on the Parent Index (as defined below). The Reference Index applies criteria to the Parent Index. The Reference Index first excludes issuers with insufficient MSCI ESG Ratings. MSCI ESG ratings provide scores to measure an issuer's ESG characteristics, relative to their peers and takes into account Environmental, Social and Governance key issues. In addition, the Reference Index excludes issuers (especially companies) (i) that are involved in business activities that are inconsistent with certain social responsibility criteria as per the MSCI ESG Business Involvement Screening Research methodology, or (ii) that are deemed severely controversial as per the MSCI ESG Controversies methodology. MSCI ESG Controversies identifies companies involved in severe ESG controversies inconsistent with global conventions and norms, such as, but not limited, to United Nations Global Compact. MSCI Business Involvement Screening Research identifies issuers that breach certain revenue thresholds in controversial activities, including, but not limited to, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, civilian firearms, conventional oil & gas and nuclear power. The MSCI ESG ratings, MSCI ESG Controversies scores and Business Involvement Screening

Research are sourced from MSCI ESG Research LLC (<http://www.msci.com>).

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?**

- **Exposure to Worst-in-Class Issuers:** The percentage of the financial product's portfolio's market value exposed to companies with a rating of "CCC" as determined by MSCI. Coverage for this sustainability indicator will be limited to the corporate portion of the financial product's portfolio.
- **Government ESG Score:** The weighted average of the financial product's portfolio's market value overall sovereign environmental, social, and governance (ESG) score which assesses the performance of a country/regional issuer's overall performance on environmental risk factors as measured by MSCI. Coverage for this sustainability indicator will be limited to the government portion of the financial product's portfolio.
- **Exposure to Very Severe Controversies:** The percentage of financial product's portfolio's market value exposed to companies facing one or more Very Severe controversies related to the environment, customers, human rights, labour rights and governance as determined by MSCI, and includes violations of the United Nations Global Compact, as well as the OECD Guidelines for Multinational Enterprises. Coverage for this sustainability indicator will be limited to the corporate portion of the financial product's portfolio.

● **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?**

While the financial product does not have sustainable investment as its objective, it will invest a minimum proportion of its assets in sustainable investments as defined by Article 2 (17) SFDR.

At least 1% of the financial product's net assets will be invested in sustainable economic activities that contribute to an environmental and/or social objective, in accordance with Article 2 (17) SFDR. Sustainable economic activities refer to the proportion of an issuer's economic activities that contribute to an environmental objective and/or a social objective, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices.

The sustainability investment assessment uses data from one or multiple data providers and/or public sources to determine if an activity is sustainable. The environmental and/or social objectives are identified by activities that contribute positively to the United Nations Sustainable Development Goals ("UN SDGs"), which may include, but is not limited to, (i) Goal 1: No poverty, (ii) Goal 2: Zero hunger, (iii) Goal 3: Good health and well-being, (iv) Goal 4: Quality education, (v) Goal 5: Gender equality, (vi) Goal 6: Clean water and Sanitation, (vii) Goal 7: Affordable and clean energy, (viii) Goal 10: Reduced inequality, (ix) Goal 11: Sustainable cities and communities, (x) Goal 12: Responsible consumption, (xi) Goal 13: Climate action, (xii) Goal 14: Life below water, and (xiii) Goal 15: Life on land, are measured in terms of revenues, capital expenditure (CapEx) and/or operational expenditure (OpEx). The extent of contribution to individual UN SDGs will vary based on the actual investments in the portfolio.

● **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?**

In accordance with Article 2 (17) SFDR, any such sustainable investments must not significantly harm any environmental or social objectives and such sustainable investment issuers must follow good governance practices. Any investment that fails to meet the do no significant harm ("DNSH") thresholds will not be considered towards the sustainable investment share of the financial product. Such DNSH thresholds will include, but not be limited to:

- Involvement in harmful business activities;
- Violation of international norms or involvement in very severe controversies; and
- Violation of certain principal adverse indicator thresholds.

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

As part of the DNSH assessment under article 2(17) SFDR, the sustainable investment assessment integrates certain metrics related to principle adverse indicators and the Reference Index of the financial product includes criteria to reduce exposure to or to exclude relevant securities which are negatively aligned with the following principal adverse indicators:

- Exposure to companies active in the fossil fuel sector (no. 4);
- Violation of UN Global Compact principles and OECD Guidelines for multinational enterprises (no. 10);
- Exposure to controversial weapons (no. 14); and
- Investee countries subject to social violations (no. 16).

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

Any corporate securities violating the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are excluded by the financial product's Reference Index.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

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

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



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

Yes, the financial product considers the following principle adverse impacts on sustainability factors from Annex I of the draft Commission Delegated Regulation supplementing the SFDR (C(2022) 1931 final):

- Exposure to companies active in the fossil fuel sector (no. 4);
- Violation of UN Global Compact principles and OECD Guidelines for multinational enterprises (no. 10);
- Exposure to controversial weapons (no. 14); and
- Investee countries subject to social violations (no. 16).

No



What investment strategy does this financial product follow?

The investment objective of the financial product is to track the performance before fees and expenses of the "Reference Index", which is Bloomberg MSCI Global Aggregate Sustainable and SRI Currency Neutral Index, which is designed to reflect the performance of a broad-based measure of the global investment grade fixed-rate debt markets. The Reference Index is based on the Bloomberg Global Aggregate Index (the "Parent Index"), which is designed to reflect the global investment grade fixed-rate debt market.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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

● ***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 investment objective of the financial product is to track the performance before fees and expenses of the Reference Index.

The Reference Index is based on the Parent Index. The Reference Index applies criteria to the Parent Index. The Reference Index first excludes issuers with insufficient MSCI ESG Ratings. MSCI ESG ratings provide scores to measure an issuer's ESG characteristics, relative to their peers and takes into account Environmental, Social and Governance key Issues. In addition, the Reference Index excludes issuers (especially companies) (i) that are involved in business activities that are inconsistent with certain social responsibility criteria as per the MSCI ESG Business Involvement Screening Research methodology, or (ii) that are deemed severely controversial as per the MSCI ESG Controversies methodology. MSCI ESG Controversies identifies companies involved in severe ESG controversies inconsistent with global conventions and norms, such as, but not limited, to United Nations Global Compact. MSCI Business Involvement Screening Research identifies issuers that breach certain revenue thresholds in controversial activities, including, but not limited to, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, civilian firearms, conventional oil & gas and nuclear power. The MSCI ESG ratings, MSCI ESG Controversies scores and Business Involvement Screening Research are sourced from MSCI ESG Research LLC (<http://www.msci.com>).

Investors should note that whilst the financial product and the Reference Index seek to ensure compliance with such criteria at each rebalance or review date, between these reviews or rebalances, securities which no longer meet these criteria may remain included in (i) the Reference Index until they are removed at the subsequent rebalance or review or, (ii) the portfolio of the financial product until it is possible and practicable to divest such positions.

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

The financial product does not pursue a committed minimum rate to reduce the scope of investments considered prior to the application of the investment strategy.

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

The investment objective of the financial product is to track the performance before fees and expenses of the Reference Index which excludes companies with very severe controversies (including governance controversies) using the MSCI ESG Controversies data, and companies that have an MSCI ESG Rating (which assesses, amongst other things, how well companies manage governance risks and opportunities) below a certain threshold or do not have an MSCI ESG Rating.



What is the asset allocation planned for this financial product?

This financial product invests at least 90% of its net assets in investments that are aligned with the promoted environmental and social characteristics (#1 Aligned with E/S characteristics). Within this category, at least 1% of the financial product's assets qualify as sustainable investments (#1A Sustainable).

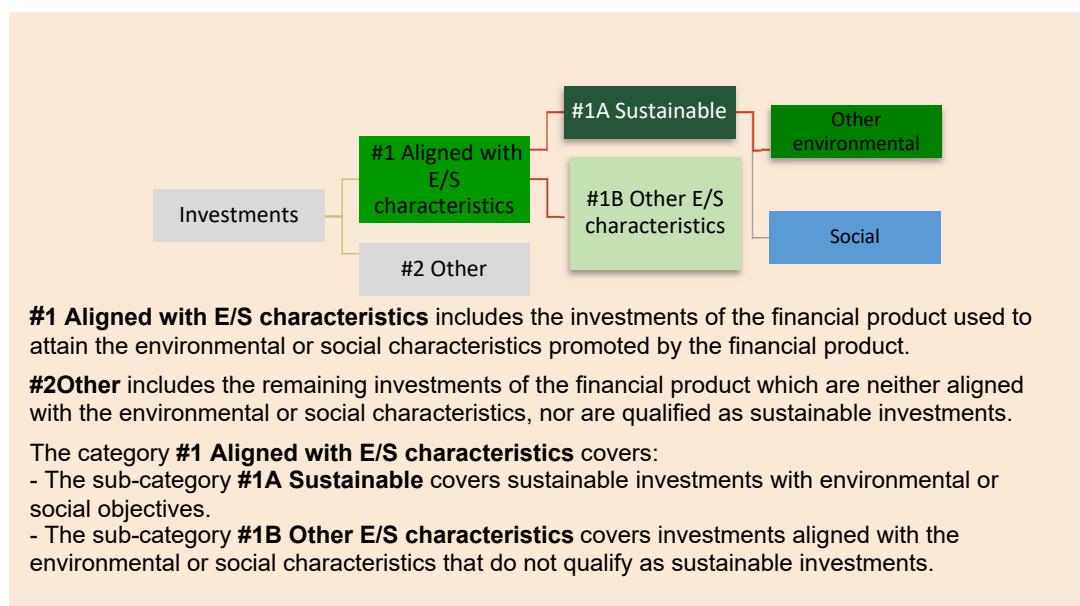
Good governance
practices include
sound management
structures, employee
relations,
remuneration of staff
and tax compliance.

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
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

Up to 10% of the investments are not aligned with these characteristics (#2 Other).



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

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

Financial derivative instruments ("FDIs") may be used for efficient portfolio management purposes. It is not intended to use FDIs for the attainment of the financial product's objective but rather as ancillary investments to, for example, invest cash balances pending rebalance or investment in constituents of the Reference Index. Any exposures obtained through the use of FDIs for these ancillary purposes will be aligned with the investment objective of the financial product and would conform to ESG standards substantially similar to those of the Reference Index, or would fall within the quoted percentage of the investments that are not aligned with the promoted environmental and social characteristics (#2 Other).



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

While the financial product promotes environmental characteristics, it is not intended that its underlying investments take into account the EU Taxonomy Regulation criteria for the environmentally sustainable economic activities of climate change mitigation and/or climate change adaptation (the only two of the six environmental objectives under the EU Taxonomy Regulation for which technical screening criteria have been defined through delegated acts). As a result, the financial product does not intend to make investments within the scope of the EU Taxonomy Regulation.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?

Yes:

In fossil gas

In nuclear energy

No.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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

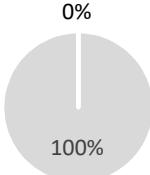
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

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.

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

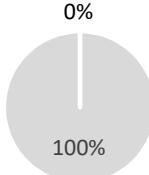
1. Taxonomy-alignment of investments including sovereign bonds*

- Taxonomy-aligned (no fossil gas & nuclear)
- Non Taxonomy-aligned



2. Taxonomy-alignment of investments excluding sovereign bonds*

- Taxonomy-aligned (no fossil gas & nuclear)
- Non Taxonomy-aligned



This graph represents x%** of the total investments.

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

** There are no investments which are aligned with the EU Taxonomy. This statement is therefore not applicable.

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

The financial product does not have a minimum share of investments in transitional and enabling activities, as it does not commit to a minimum proportion of environmentally sustainable investments aligned with the EU Taxonomy.



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

The financial product does not intend to make a minimum allocation to sustainable economic activities that contribute to an environmental objective. However, the share of environmentally and socially sustainable investments will in total be at least 1%.



What is the minimum share of socially sustainable investments?

The financial product does not intend to make a minimum allocation to sustainable economic activities that contribute to a social objective. However, the share of environmentally and socially sustainable investments will in total be at least 1%.



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

The financial product predominantly promotes asset allocation in investments that are aligned with environmental and social characteristics (#1 Aligned with E/S characteristics).

Those investments included under "#2 Other", may include ancillary liquid assets for the purpose of efficient portfolio management, which may include, secured and/or unsecured deposits and/or units or shares of other UCITS or other collective investment schemes which pursue a money market or cash strategy, or financial derivative instruments. It may also include securities which have been recently downgraded by the relevant ESG data provider but will not be removed from the Reference Index until the next Reference Index rebalance and may therefore not be removed from the portfolio until that time.

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. The financial product has designated the Bloomberg MSCI Global Aggregate Sustainable and SRI Currency Neutral Index as the reference benchmark.

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

The Reference Index promotes environmental and social characteristics by excluding constituents from the Parent Index which do not fulfil the specific ESG criteria outlined above, as of each Reference Index rebalance.

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

In order to seek to achieve the investment objective, the financial product will adopt a "Direct Investment Policy" which means that the financial product will aim to replicate the Reference Index by buying all or a representation of the securities comprised in the Reference Index or unrelated transferable securities or other eligible assets. Any unrelated transferable securities held by the financial product will typically be similar to the securities comprised in the Reference Index.

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

The Reference Index is based on the Parent Index, which is designed to reflect the global investment grade fixed-rate debt market.

The Reference Index applies criteria to the Parent Index. The Reference Index first excludes issuers with insufficient MSCI ESG Ratings. MSCI ESG ratings provide scores to measure an issuer's ESG characteristics, relative to their peers and takes into account Environmental, Social and Governance key Issues. In addition, the Reference Index excludes issuers (especially companies) (i) that are involved in business activities that are inconsistent with certain social responsibility criteria as per the MSCI ESG Business Involvement Screening Research methodology, or (ii) that are deemed severely controversial as per the MSCI ESG Controversies methodology. MSCI ESG Controversies identifies companies involved in severe ESG controversies inconsistent with global conventions and norms, such as, but not limited, to United Nations Global Compact. MSCI Business Involvement Screening Research identifies issuers that breach certain revenue thresholds in controversial activities, including, but not limited to, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, civilian firearms, conventional oil & gas and nuclear power. The MSCI ESG ratings, MSCI ESG Controversies scores and Business Involvement Screening Research are sourced from MSCI ESG Research LLC (<http://www.msci.com>).

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

Full information on the Reference Index can be found on the relevant Bloomberg website (<https://www.bloombergindices.com>).



Where can I find more product specific information online?

More product-specific information can be found on the website: www.xtrackers.com as well as on your local country website.