ANNEX

Pre-contractual disclosure for financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Xtrackers EUR Corporate Green Bond UCITS ETF
Legal entity identifier: 2549007L0TWXK1EJB707

Sustainable investment objective

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, establishing a list of **environmentally sustainable economic activities**. For the time being, it does not include a list of socially sustainableeconomic 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**	☐ **No**
☒ It will make a minimum of **sustainable investments with an environmental objective:** 90% ☐ 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 **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:**	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

What is the sustainable investment objective of this financial product?

The financial product has sustainable investment as its objective and qualifies as a financial product subject to Article 9(1) SFDR by tracking the Reference Index (as defined below). 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 or other eligible assets. The Reference Index is designed to represent the performance of Euro denominated fixed income securities issued by certain corporate and agency (entities which are majority government-owned with no government guarantee, or government sponsored entities) issuers to fund projects with direct environmental benefits. The Reference Index includes fixed income securities that meet specific credit quality, liquidity, ESG and green bond eligibility and classification requirements.

The universe of eligible bonds must meet the green bond eligibility criteria. The universe of potential constituents is independently evaluated by MSCI ESG Research LLC along four dimensions to determine whether bonds should be classified as a “green bond” and therefore eligible for inclusion in the Reference Index. These eligibility criteria reflect themes articulated in the green bond principles endorsed by the International Capital Market Association in 2014, and require commitments about a bond’s:

- Stated use of proceeds: For bonds to be eligible for inclusion, the proceeds must be used for at least one of the eligible environmental categories defined by MSCI ESG Research LLC, which as of the date of the financial product’s Supplement to the Prospectus include; alternative energy, energy efficiency, pollution prevention and control, sustainable water, green buildings, and climate adaption;
- Process for green project evaluation and selection;
- Process for management of proceeds: For bonds to be eligible for inclusion, an eligible mechanism to ring-fence the net proceeds must be disclosed in the bond’s prospectus or offering documentation; and
- Commitment to ongoing reporting of the environmental performance of the use of proceeds.

Certain green bonds issued prior to 2014 that are widely accepted by investors as green bonds may still qualify for inclusion in the Reference Index, even if all principles are not satisfied. Such acceptance is assessed by MSCI ESG Research LLC and includes as a minimum conformity with principle one of the 2014 green bond principals, “stated use of proceeds”, as described above.

The Reference Index also applies an ESG screening approach where all of the issuers which breach the following ESG standards, amongst others, are excluded:

- Are associated to certain extents with controversial, civilian and nuclear weapons and tobacco;
- Are assigned an MSCI ESG Rating of 'CCC';
- Derive certain revenue thresholds from thermal coal, oil sands extraction and military defence weapons; and
- Are assigned an MSCI ESG Controversies Score of 0 (red flag).

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

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

  - **Green Bond Exposure**: The percentage of the financial product’s portfolio which is exposed to securities identified as “green bonds” as determined by Refinitiv, incorporating data and classifications from the Climate Bond Initiative. In order to be identified as a green bond the asset and issuer must meet the following requirements:

    (i) CBI Certified Green Bond: These are issued either based on issuer’s own green bond principles or CBI green bond principles and is also certified by CBI as a green.

    ii) Self-Labelled Green Bond: These are labelled as green by the issuers but do not meet CBI criteria.

(iii) CBI Verified Green Bond: These are labelled securities which also meet CBI green bond principles. These issuers issue green bonds based on their own green bond principles.

- **Exposure to Very Severe Controversies**: The percentage of the 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, including violation of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

- **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.

- **Controversial Weapons Involvement**: The percentage of the financial product's portfolio's market value exposed to companies with ties to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments as determined by MSCI.

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

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.

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 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); and
- Exposure to controversial weapons (no. 14).

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

Any 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.

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); and
- Exposure to controversial weapons (no. 14).

☐ No

What investment strategy does this financial product follow?

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

The investment objective of the financial product is to track the performance before fees and expenses of the "Reference Index", which is the Bloomberg MSCI EUR Corporate and Agency Green Bond Index, which is designed to reflect the performance of Euro denominated fixed income securities issued by certain corporate and agency (entities which are majority government-owned with no government guarantee, or government sponsored entities) issuers to fund projects with direct environmental benefits. The Reference Index includes fixed income securities that meet specific credit quality, liquidity, ESG and green bond eligibility and classification requirements.

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

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

Within the Reference Index, the universe of eligible bonds must meet the green bond eligibility criteria. The universe of potential constituents is independently evaluated by MSCI ESG Research LLC along four dimensions to determine whether bonds should be classified as a "green bond" and therefore eligible for inclusion in the Reference Index. These eligibility criteria reflect themes articulated in the green bond principles endorsed by the International Capital Market Association in 2014, and require commitments about a bond's:

- Stated use of proceeds: For bonds to be eligible for inclusion, the proceeds must be used for at least one of the eligible environmental categories defined by MSCI ESG Research LLC, which as of the date of the financial product's Supplement to the Prospectus include; alternative energy, energy efficiency, pollution

prevention and control, sustainable water, green buildings, and climate adaption;
- Process for green project evaluation and selection;
- Process for management of proceeds: For bonds to be eligible for inclusion, an eligible mechanism to ring-fence the net proceeds must be disclosed in the bond's prospectus or offering documentation; and
- Commitment to ongoing reporting of the environmental performance of the use of proceeds.

Certain green bonds issued prior to 2014 that are widely accepted by investors as green bonds may still qualify for inclusion in the Reference Index, even if all principles are not satisfied. Such acceptance is assessed by MSCI ESG Research LLC and includes as a minimum conformity with principle one of the 2014 green bond principals, "stated use of proceeds", as described above.

The Reference Index also applies an ESG screening approach where all of the issuers which breach the following ESG standards, amongst others, are excluded:
- Are associated with controversial, civilian and nuclear weapons and tobacco;
- Are assigned an MSCI ESG Rating of 'CCC';
- Derive revenues from thermal coal, oil sands extraction and military defence weapons; and
- Are assigned an MSCI ESG Controversies Score of 0 (red flag).

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

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

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.

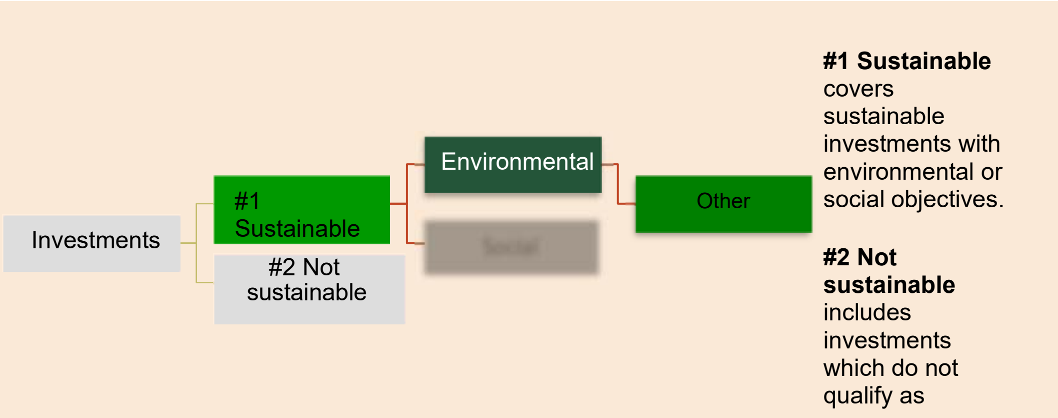
What is the asset allocation and the minimum share of sustainable investments?

Asset allocation describes the share of investments in specific assets.

This financial product invests at least 90% of its net assets in investments that are aligned with the sustainable investments with an environmental or social objective (#1 Sustainable).

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

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.



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

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 sustainable investments with environmental or social objectives (#2 Not sustainable).

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

While the financial product promotes environmental characteristics, technical screening criteria have only been defined through delegated acts, for two of the six environmental objectives under the EU Taxonomy Regulation - climate change mitigation and climate change adaptation. Until all RTS are available and in force, the management company considers that 0% of the financial product's investments are taxonomy-aligned investments.

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.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[2]?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

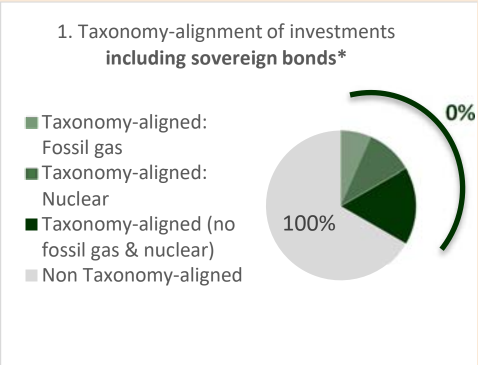
✖ No. However, there is a lack of reliable data in relation to fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy. On this basis, although it is considered that no relevant investments are made, it is possible the financial product may make some investments in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy.

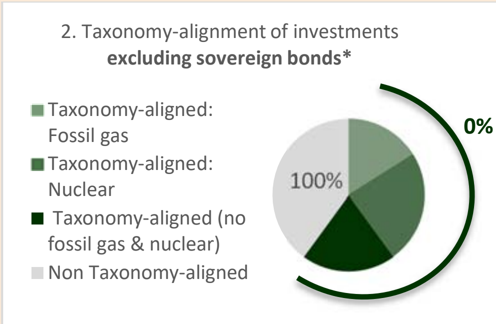
[2] *Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas 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.





This graph represents 100% of the total investments.

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

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

The 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.

are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under 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 intends to make a minimum allocation of 90% to sustainable economic activities that contribute to an environmental objective that are not aligned with the EU Taxonomy.

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

The financial product does not make a minimum allocation to sustainable economic activities that contribute to a social objective.

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

The financial product predominantly promotes asset allocation in investments that are sustainable investments with an environmental objective (#1 Sustainable).

Those investments included under "#2 Not sustainable", 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.

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

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

Yes. The financial product has designated the Bloomberg MSCI EUR Corporate and Agency Green Bond Index as the reference benchmark.

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

  The Reference Index takes into account sustainability factors in line with the sustainable investment objective by representing the performance of Euro-denominated, investment grade bonds issued by corporate or agency bodies (entities which are majority government-owned with no government guarantee, or government sponsored entities) which meet certain ESG requirements and eligibility criteria with regard to green bond classification, in which the proceeds will be exclusively and formally applied to projects or activities that promote climate or other environmental sustainability purposes through their use of proceeds, as independently evaluated by MSCI ESG Research LLC.

- ***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 track, before fees and expenses, the performance of the Reference Index by holding a portfolio of investment grade, EUR-denominated green bonds, that comprises all or a representation of the securities comprised in the Reference Index or unrelated transferable securities. 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 differs from a relevant broad market index by only including those bonds that meet certain ESG requirements and eligibility criteria with regard to green bond classification, in which the proceeds will be exclusively and formally applied to projects or activities that promote climate or other environmental sustainability purposes through their use of proceeds.

  The universe of eligible bonds must meet the green bond eligibility criteria. The universe of potential constituents is independently evaluated by MSCI ESG Research LLC along four dimensions to determine whether bonds should be classified as a "green bond" and therefore eligible for inclusion in the Reference Index. These eligibility criteria reflect themes articulated in the green bond principles endorsed by the International Capital Market Association in 2014, and require commitments about a bond's:

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The Reference Index also applies an ESG screening approach where all of the issuers which breach the following ESG standards, amongst others, are excluded:

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- Are assigned an MSCI ESG Rating of 'CCC';
- Derive revenues from thermal coal, oil sands extraction and military defence weapons; and
- Are assigned an MSCI ESG Controversies Score of 0 (red flag).

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

Full information on the Reference Index including ESG criteria, eligibility rules and constituents 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.