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 Government Bond UCITS ETF
Legal entity identifier: 254900DOBENWQS9YME93

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective:** ___%	☐ 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
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	☐ 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 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 constituents of the Reference Index or unrelated transferable securities or other eligible assets. The Reference Index is designed to represent the performance of fixed-rate, local currency, investment-grade sovereign debt issued in developed markets, excluding countries which do not fulfil specific ESG (environmental, social, and governance) criteria.

The Reference Index determines its constituents by applying certain ESG criteria derived from the FTSE ESG Government Bond Index series. Constituent weightings are adjusted in the Reference Index relative to the Parent Index (as defined below) by overweighting higher ESG performing countries and underweighting lower ESG performing countries before applying certain other inclusion criteria to the Parent Index constituents. The market value weight for each security is "tilted" by its respective country's ESG score such that the weight of each issuer in the Reference Index is a function of the market value weight and the country ESG score.

ESG Scores

Country ESG scores are calculated in respect of those countries present in the Parent Index. These ESG scores are intended to assess a country's exposure to, and management of, certain ESG risk factors as determined by the Sustainability Profile of the Beyond Ratings Sovereign Risk Monitor. Beyond Ratings is a smart data and analytics provider for (ESG) integration in Fixed Income. Further information can be found on:

https://content.ftserussell.com/sites/default/files/sovereign_risk_monitor_methodology_final_0.pdf

ESG scores for each country are established by evaluating and scoring each country's performance across the following three pillars:

• Environmental performance: considers topics such as energy, climate, and resources;

• Social performance: considers topics such as inequality, employment, human capital, health, and societal wellbeing; and

• Governance performance: considers topics such as corruption, government effectiveness, political stability, regulatory quality, rule of law, and voice & accountability.

These pillar scores are then compared on a relative basis against those other countries in the Reference Index universe with a specified "tilt factor" applied to each pillar score. The resulting pillar scores are then combined to derive a single combined ESG score for each country.

The country ESG scores are then applied to re-weight each country's market value weighting in the Reference Index relative to the Parent Index to provide higher exposures to countries that have a higher ESG score, and lower exposures to countries that have a lower ESG score.

For full details on the ESG pillars, underlying ESG indicators and ESG "tilting" methodology, please refer to the FTSE ESG Government Bond Index Series Ground Rules.

https://research.ftserussell.com/products/downloads/FTSE_ESG_Government_Bond_Index_Series_Ground_Rules.pdf

Country Inclusion Criteria

A further country inclusion criteria assessment is then performed by ranking countries based on the country ESG scores. Countries that are identified as significant laggards (i.e. ranked in a certain lowest percentile) are removed from the Reference Index. For full details on the exclusion thresholds refer to the FTSE ESG Select World Government Bond Index – DM Ground Rules.

https://research.ftserussell.com/products/downloads/FTSE_ESG_Select_World_Government_Bond_Index_Ground_Rules.pdf

Freedom Criteria

The Reference Index also applies an additional inclusion criteria based on Freedom House data. Freedom House is a nonprofit, non-governmental organisation that conducts research and advocacy on democracy, political freedom, and human rights. Freedom House classifies countries as part of its 'Freedom of the World' report as either "Free", "Partially Free" or "Not Free". Freedom House classifies each country based on its research. Only countries designated as "Free" are eligible for inclusion in the Reference Index. Further information is available at https://freedomhouse.org. For full details refer to the FTSE ESG Select World Government Bond Index – DM Ground Rules.

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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?

- **Freedom House Score**: The weighted average of the financial product's portfolio's market value score according to Freedom House's "Freedom in the World" classification and scoring process.
- **Country Environment Pillar Score:** The weighted average of the financial product's portfolio's market value sovereign environmental risk score, assessing issuers' overall performance on environmental risk factors as measured by MSCI.
- **Country Social Pillar Score:** The weighted average of the financial product's portfolio's market value sovereign social risk score, assessing issuers' overall performance on social risk factors as measured by MSCI.
- **Country Governance Pillar Score:** The weighted average of the financial product's portfolio's market value sovereign governance risk score, assessing issuers' overall performance on governance risk factors as measured by MSCI.

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?

N/A - Given the financial product does not intend to make sustainable investments and invests solely into sovereign debt, it is not expected that the financial product will be invested in sustainable economic activities that contribute to an environmental and/or social objective, in accordance with Article 2(17) of 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 issuers follow good governance practices.

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?

N/A - Given the financial product does not intend to make sustainable investments and invests solely into sovereign debt, it is not expected that the financial product will be invested in sustainable economic activities that contribute to an environmental and/or social objective, in accordance with Article 2(17) of SFDR.

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

N/A - Given the financial product does not intend to make sustainable investments and invests solely into sovereign debt, indicators for adverse impacts on sustainability factors have not been taken into account for the purposes of determining sustainable economic activities that contribute to an environmental and/or social objective, in accordance with Article 2(17) of SFDR.

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

N/A - Given the financial product does not intend to make sustainable investments and invests solely into sovereign debt, it is not expected that the financial product will be invested in sustainable economic activities that contribute to an environmental and/or social objective, in accordance with Article 2(17) of SFDR.

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.

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.

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):

- Investee countries subject to social violations (no. 16).

☐ No

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 objective of the financial product is to track the performance before fees and expenses of the "Reference Index", which is the FTSE ESG Select World Government Bond Index – DM, which is designed to reflect the performance of fixed-rate, local currency, investment-grade sovereign debt issued in developed markets, excluding countries which do not fulfil specific ESG (environmental, social, and governance) criteria. The Reference Index is based on the FTSE World Government Bond Index – DM ("Parent Index"), which is designed to reflect the performance of fixed-rate, local currency, investment-grade sovereign bonds issued in developed markets.

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 determines its constituents by applying certain ESG criteria derived from the FTSE ESG Government Bond Index series. Constituent weightings are adjusted in the Reference Index relative to the Parent Index by overweighting higher ESG performing countries and underweighting lower ESG performing countries before applying certain other inclusion criteria to the Parent Index constituents. The market value weight for each security is "tilted" by its respective country's ESG score such that the weight of each issuer in the Reference Index is a function of the market value weight and the country ESG score.

ESG Scores
Country ESG scores are calculated in respect of those countries present in the Parent Index. These ESG scores are intended to assess a country's exposure to, and management of, certain ESG risk factors as determined by the Sustainability Profile of the Beyond Ratings Sovereign Risk Monitor. Beyond Ratings is a smart data and analytics provider for (ESG) integration in Fixed Income. Further information can be found on: https://content.ftserussell.com/sites/default/files/sovereign_risk_monitor_methodology_final_0.pdf

ESG scores for each country are established by evaluating and scoring each country's performance across the following three pillars:

- Environmental performance: considers topics such as energy, climate, and resources;
- Social performance: considers topics such as inequality, employment, human capital, health, and societal wellbeing; and
- Governance performance: considers topics such as corruption, government effectiveness, political stability, regulatory quality, rule of law, and voice & accountability.

These pillar scores are then compared on a relative basis against those other countries in the Reference Index universe with a specified "tilt factor" applied to each pillar score. The resulting pillar scores are then combined to derive a single combined ESG score for each country.

The country ESG scores are then applied to re-weight each country's market value weighting in the Reference Index relative to the Parent Index to provide higher exposures to countries that have a higher ESG score, and lower exposures to countries that have a lower ESG score.

For full details on the ESG pillars, underlying ESG indicators and ESG "tilting" methodology, please refer to the FTSE ESG Government Bond Index Series Ground Rules. https://research.ftserussell.com/products/downloads/FTSE_ESG_Government_Bond_Index_Series_Ground_Rules.pdf

Country Inclusion Criteria
A further country inclusion criteria assessment is then performed by ranking countries based on the country ESG scores. Countries that are identified as significant laggards (i.e. ranked in a certain lowest percentile) are removed from the Reference Index. For full details on the exclusion thresholds refer to the FTSE ESG Select World Government Bond Index – DM Ground Rules. https://research.ftserussell.com/products/downloads/FTSE_ESG_Select_World_Government_Bond_Index_Ground_Rules.pdf

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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.

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

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

Given the financial product invests solely into sovereign debt, there is no policy to assess good governance practices of investee companies. Nonetheless, the investment objective of the financial product is to track the performance before fees and expenses of the Reference Index which excludes countries that are not free (assessing, amongst others, political freedom and human rights) based on Freedom House classifications, and excludes and/or underweights countries that have an ESG Score (which assesses, amongst other things, a country's governance risks) below a certain threshold.

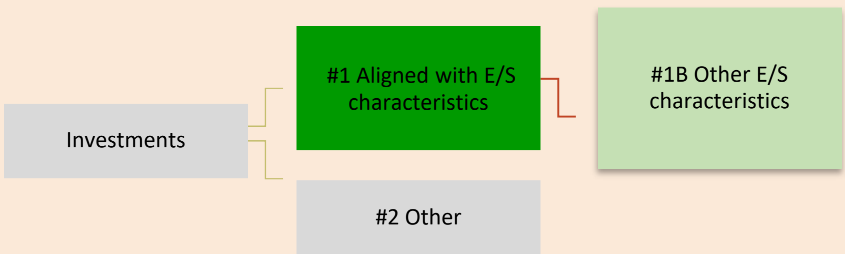
Asset allocation describes the share of investments in specific assets.

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.

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 0% of the financial product's assets qualify as sustainable investments (#1A Sustainable).

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.

#2Other 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.

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.

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.

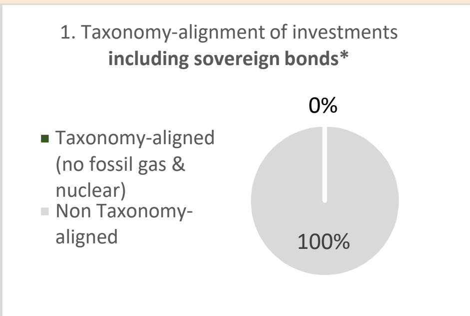
Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

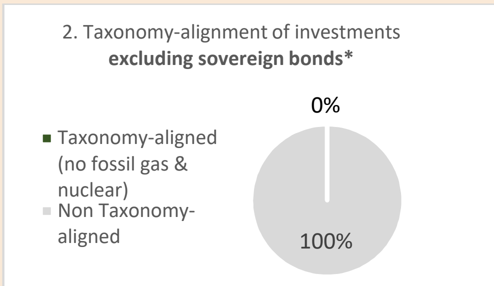
☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No.

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





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.*

[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.

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 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 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.

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.

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 FTSE ESG Select World Government Bond Index – DM 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 or reweighting issuers from the Parent Index by applying certain ESG criteria derived from the FTSE ESG Government Bond Index series, as of each Reference Index rebalance. Constituent weightings are adjusted in the Reference Index relative to the Parent Index by overweighting higher ESG performing countries and underweighting lower ESG performing countries before applying certain other inclusion criteria to the Parent Index constituents. The market value weight for each security is "tilted" by its respective country's ESG score such that the weight of each issuer in the Reference Index is a function of the market value weight and the country ESG score as outlined above.

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 performance of fixed-rate, local currency, investment-grade sovereign bonds issued in developed markets.

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These pillar scores are then compared on a relative basis against those other countries in the Reference Index universe with a specified "tilt factor" applied to each pillar score. The resulting pillar scores are then combined to derive a single combined ESG score for each country.

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

For full details on the Reference Index, ESG pillars, underlying ESG indicators and ESG "tilting" methodology, please refer to the FTSE ESG Government Bond Index Series Ground Rules.

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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.