

ANNEX

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Xtrackers USD Corporate Bond SRI PAB UCITS ETF
Legal entity identifier: 254900YQ6CUXP95AXP64

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes
 No

<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input checked="" type="checkbox"/> 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 10% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with a social objective <input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments
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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 reflect the performance of fixed-rate, investment grade, US Dollar denominated corporate bonds, excluding bonds which do not fulfil specific ESG (environmental, social, and governance) criteria. The

Reference Index aims to comply with the minimum standards laid out for EU PAB in the PAB Regulation.

The Reference Index will set an initial 50% decarbonization of absolute greenhouse gas (“GHG”) emissions relative to the Parent Index (as defined below), followed by an annual 7% decarbonization trajectory of absolute GHG emissions. In addition, the Reference Index will exclude bonds which do not fulfil specific ESG criteria.

In particular, the following bonds will be excluded from the Reference Index:

- Issuers where MSCI does not have reported or estimated absolute GHG emissions data;
- Securities that are unrated by MSCI ESG Research LLC;
- Bonds issued by issuers rated BB or below by MSCI ESG Research LLC. MSCI ESG ratings provide scores to measure a company’s ESG characteristics, relative to their industry peers and takes into account over 30 Environmental, Social and Governance Key Issues;
- Issuers with a "red" MSCI ESG Controversies Score or issuers which breach a MSCI Environmental Controversy Score. MSCI ESG Controversies identifies companies involved in severe ESG controversies consistent with global conventions and norms, such as, but not limited to, United Nations Global Compact, Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work;
- Issuers that are classified by MSCI in their Business Involvement Screening Research as breaching certain revenue thresholds in controversial activities, including, but not limited to, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, civilian firearms, oil & gas, nuclear power and weapons, and thermal coal; and
- Issuers with any involvement in controversial weapons or fossil fuel reserves.

If having applied the above ESG exclusion criteria, less than 20% of the total number of issuers in the universe of eligible bonds (the “Relevant Threshold”) are excluded, the remaining issuers are ranked according to MSCI ESG Ratings score and MSCI ESG Controversies score and those with the lowest ranking will be excluded from the Reference Index, until the number of excluded issuers is higher than the Relevant Threshold.

The MSCI GHG emissions data, MSCI ESG ratings, MSCI ESG Controversies scores and Business Involvement Screening Research are sourced from MSCI ESG Research LLC.

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

- **Total GHG Emissions:** The financial product’s portfolio’s weighted average of its issuers' total GHG emissions (Scopes 1, 2 and 3) as determined by MSCI.
- **Exposure to Fossil Fuels:** The percentage of financial product’s portfolio's market value exposed to companies flagged for involvement in fossil fuels as determined by MSCI, and includes companies deriving revenue from thermal coal extraction, unconventional and conventional oil and gas extraction, oil refining, as well as revenue from thermal coal based power generation, liquid fuel based power generation, or natural gas based power generation.

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

- **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.
- **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.

● ***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 10% 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.

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.

– 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:

- Carbon footprint (no. 2);
- GHG emissions (Scope 1, 2, 3 and total) (no. 3);
- Exposure to companies active in the fossil fuel sector (no. 4);
- Share of non-renewable energy consumption and production (no. 5);
- 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.

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):

- Carbon footprint (no. 2);
- GHG emissions (Scope 1, 2, 3 and total) (no. 3);

- Exposure to companies active in the fossil fuel sector (no. 4);
- Share of non-renewable energy consumption and production (no. 5);
- 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 objective of the financial product is to track the performance before fees and expenses of the “Reference Index”, which is the Bloomberg MSCI USD Liquid Investment Grade Corporate SRI PAB Index, which is designed to reflect the performance of US Dollar denominated, investment grade, fixed-rate corporate bonds. The Reference Index aims to comply with the minimum standards laid out for EU PAB in the PAB Regulation. The Reference Index will set an initial 50% decarbonisation of absolute greenhouse gas (“GHG”) emissions relative to the Bloomberg USD Liquid Investment Grade Corporate Index (the “Parent Index”), followed by an annual 7% decarbonisation trajectory of absolute GHG emissions. In addition, the Reference Index will exclude bonds which do not fulfil specific ESG (environmental, social, and governance) criteria.

● ***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 will set an initial 50% decarbonization of absolute greenhouse gas (“GHG”) emissions relative to the Parent Index, followed by an annual 7% decarbonization trajectory of absolute GHG emissions. In addition, the Reference Index will exclude bonds which do not fulfil specific ESG criteria.

In particular, the following bonds will be excluded from the Reference Index:

- Issuers where MSCI does not have reported or estimated absolute GHG emissions data;
- Securities that are unrated by MSCI ESG Research LLC;
- Bonds issued by issuers rated BB or below by MSCI ESG Research LLC. MSCI ESG ratings provide scores to measure a company’s ESG characteristics, relative to their industry peers and takes into account over 30 Environmental, Social and Governance Key Issues;
- Issuers with a "red" MSCI ESG Controversies Score or issuers which breach a MSCI Environmental Controversy Score. MSCI ESG Controversies identifies companies involved in severe ESG controversies consistent with global conventions and norms,

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

such as, but not limited to, United Nations Global Compact, Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work;

- Issuers that are classified by MSCI in their Business Involvement Screening Research as breaching certain revenue thresholds in controversial activities, including, but not limited to, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, civilian firearms, oil & gas, nuclear power and weapons, and thermal coal; and
- Issuers with any involvement in controversial weapons or fossil fuel reserves.

If having applied the above ESG exclusion criteria, less than 20% of the total number of issuers in the universe of eligible bonds (the “Relevant Threshold”) are excluded, the remaining issuers are ranked according to MSCI ESG Ratings score and MSCI ESG Controversies score and those with the lowest ranking will be excluded from the Reference Index, until the number of excluded issuers is higher than the Relevant Threshold.

The MSCI GHG emissions data, MSCI ESG ratings, MSCI ESG Controversies scores and Business Involvement Screening Research are sourced from MSCI ESG Research LLC.

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 10% 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).

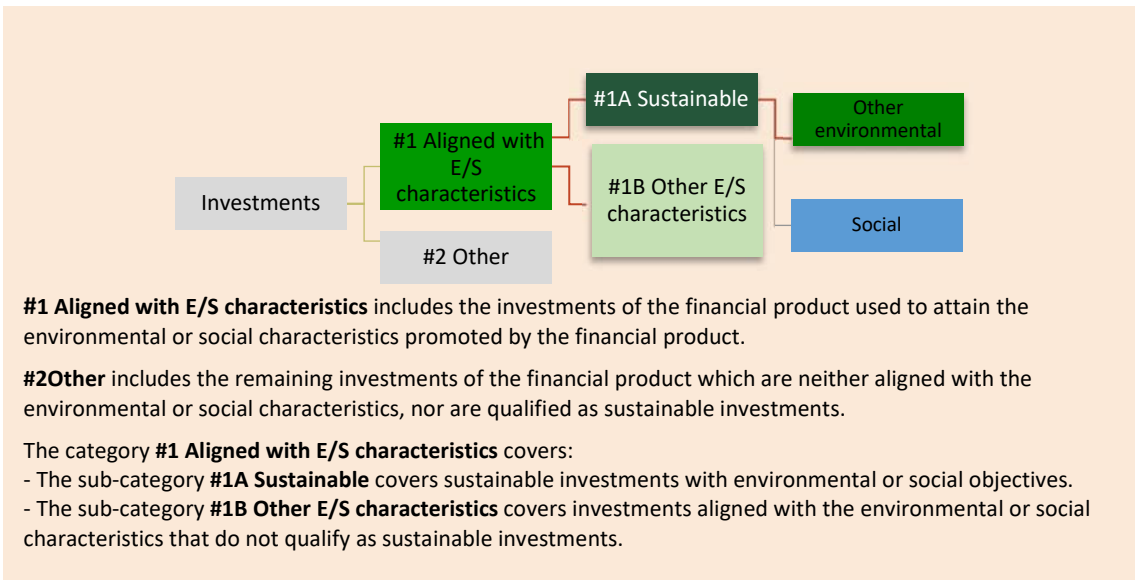
Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



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.



● **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 Taxonomy³?**

Yes:

In fossil gas In nuclear energy

³ 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.

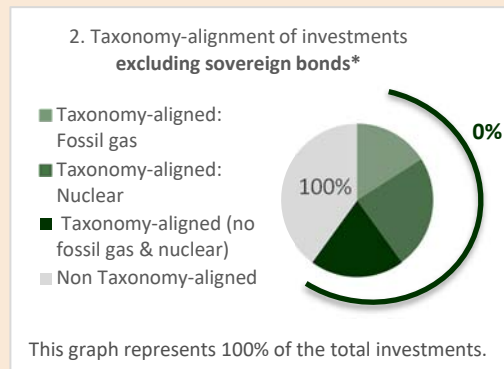
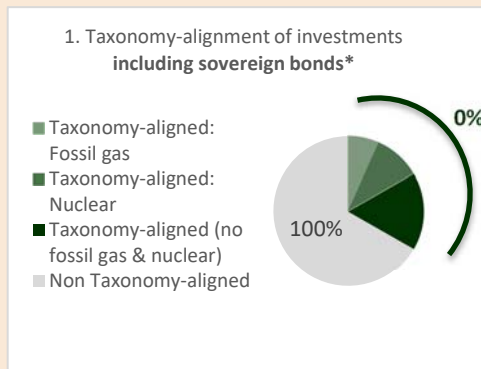
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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.

✘ 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.

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.*



* 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.

● **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 10%.

● **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 10%.

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

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

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.



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 USD Liquid Investment Grade Corporate SRI PAB Index as the reference benchmark.

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

● ***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 aiming to comply with the minimum standards laid out for EU PAB in the PAB Regulation. The Reference Index will set an initial 50% decarbonisation of absolute greenhouse gas (“GHG”) emissions relative to the Parent Index, followed by an annual 7% decarbonisation trajectory of absolute GHG emissions. In addition, the Reference Index will exclude bonds which do not fulfil specific ESG (environmental, social, and governance) criteria.

● ***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 securities 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 will set an initial 50% decarbonisation of absolute greenhouse gas (“GHG”) emissions relative to the Parent Index, which is the relevant broad market index, followed by an annual 7% decarbonisation trajectory of absolute GHG emissions. In addition, the Reference Index will exclude bonds which do not fulfil specific ESG (environmental, social, and governance) criteria.

In particular, the following bonds will be excluded from the Reference Index:

- Issuers where MSCI does not have reported or estimated absolute GHG emissions data;
- Securities that are unrated by MSCI ESG Research LLC;

- Bonds issued by issuers rated BB or below by MSCI ESG Research LLC. MSCI ESG ratings provide scores to measure a company's ESG characteristics, relative to their industry peers and takes into account over 30 Environmental, Social and Governance Key Issues;
- Issuers with a "red" MSCI ESG Controversies Score or issuers which breach a MSCI Environmental Controversy Score. MSCI ESG Controversies identifies companies involved in severe ESG controversies consistent with global conventions and norms, such as, but not limited to, United Nations Global Compact, Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work;
- Issuers that are classified by MSCI in their Business Involvement Screening Research as breaching certain revenue thresholds in controversial activities, including, but not limited to, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, civilian firearms, oil & gas, nuclear power and weapons, and thermal coal; and
- Issuers with any involvement in controversial weapons or fossil fuel reserves.

If having applied the above ESG exclusion criteria less than 20% of the total number of issuers in the universe of eligible bonds (the "Relevant Threshold") are excluded, the remaining issuers are ranked according to MSCI ESG Ratings score and MSCI ESG Controversies score and those with the lowest ranking will be excluded from the Reference Index, until the number of excluded issuers is higher than the Relevant Threshold.

The MSCI GHG emissions data, MSCI ESG ratings, MSCI ESG Controversies scores and Business Involvement Screening Research are sourced from MSCI ESG Research LLC.

● ***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.