

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 II Eurozone Government Green Bond UCITS ETF
 Legal entity identifier: 25490001WFLHO43NY710

Sustainable investment objective

Does this financial product have a sustainable investment objective?

Yes		No	
<input checked="" type="checkbox"/>	It will make a minimum of sustainable investments with an environmental objective: 90%	<input 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 ___% of sustainable investments
<input type="checkbox"/>	in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/>	with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input checked="" type="checkbox"/>	in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/>	with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/>	with a social objective	<input type="checkbox"/>	with a social objective
<input checked="" type="checkbox"/>	It will make a minimum of sustainable investments with a social objective: 0%	<input type="checkbox"/>	It promotes E/S characteristics, but will not make any sustainable investments

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.



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 Reference Index is designed to represent the performance of sovereign green bonds that are denominated in EUR. The Reference Index rules aim to offer a broad coverage of the green sovereign bond universe, meeting certain minimum environmental, social and governance ("ESG") criteria. 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 determines its constituents by applying the following ESG selection criteria:

- (1) **Freedom House Global Freedom Status:** The Reference Index applies an inclusion criterion based on Freedom House data. Freedom House is a non-profit, 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", "Partly Free" or "Not Free". Freedom House classifies each country based on its research. Only sovereign bonds issued by countries designated as "Free" or Partly Free are eligible for inclusion in the Reference Index. Further information surrounding the methodology is available under the header "Reports" at <https://freedomhouse.org>.
- (2) **Sustainalytics Country-Risk Category:** Country-Risk Scores are used to determine the Sustainalytics Country-Risk Category. The Country-Risk Scores calculate the degree of unmanaged

ESG risk a country may have. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) and, for 95% of cases, a maximum score below 50. Issuers are then grouped into one of five risk categories; negligible (0-10), low (10-20), medium (20-30), high (30-40) and severe (40+). All issuers with a Sustainalytics Country-Risk Category of "severe" will be excluded from the Reference Index. In the case of category change, the country will be added or removed during monthly rebalancing. Further information on Country-Risk Category can be found on the Sustainalytics website (<https://www.sustainalytics.com/>) under ESG Risk Ratings.

- (3) **Green Bond classification:** The Reference Index leverages external independent data sources for determining any 'green' bond classification. Only those bonds that have been classified by the Climate Bond Initiative ("CBI") as 'Green Bonds' in adherence with the CBI's Climate Bond Taxonomy are eligible. The criteria goes beyond self-labelling conventions, and evaluates the credibility of an asset and its environmental impact. The CBI's Climate Bond Taxonomy determines if each Green Bond's use of generated proceeds will help in the wider effort of transitioning to a low carbon economy. The CBI verifies if any generated greenhouse gas emissions are consistent with the greater goal of achieving the 2-degree global warming target as set by the COP 21 Paris Agreement. The CBI Taxonomy has been developed based on the latest climate science, including research from the Intergovernmental Panel on Climate Change, the International Energy Agency, and has benefited from the input of hundreds of technical experts from around the world.

The Reference Index uses inclusion criteria based on Morningstars Sustainalytics data. Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. In particular, the Reference Index uses the following ESG Products: Sustainalytics ESG Risk Rating Scores, Controversies, Country Ratings, Global Standards Screening, and Product Involvement, Controversial Weapons Involvement For details on Sustainalytics ESG Research's full suite of ESG products, please refer to: <http://www.sustainalytics.com>.

- **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.
- **Government ESG Score:** The weighted average of the financial product's portfolio's market value ESG Government score which indicates the overall environmental, social, and governance (ESG) performance of a country/region as determined by either MSCI or Sustainalytics, details on the provider used are available upon request.

● **How do sustainable investments 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 social violations; 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

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

integrates certain metrics related to principle adverse indicators and the Reference Index of the financial product includes criteria to exclude securities which are negatively aligned with the following principal adverse indicators:

- 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?

N/A –The financial product invests solely in sovereign debt.



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

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 iBoxx EUR Eurozone Sovereigns Green Bonds Capped Index, which is designed to reflect the performance of Sovereign Green bonds that are denominated in EUR. The Reference Index rules aim to offer a broad coverage of the Green sovereign bond universe, meeting certain minimum ESG criteria, whilst upholding minimum standards of investability and liquidity.

- ***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.

The Reference Index determines its constituents by applying the following ESG selection criteria:

- (1) **Freedom House Global Freedom Status:** The Reference Index applies an inclusion criterion based on Freedom House data. Freedom House is a non-profit, 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", "Partly Free" or "Not Free". Freedom House classifies each country based on its research. To calculate the Reference Index, only countries designated as "Free" or Partly Free are eligible for inclusion in the Reference Index. Further information surrounding the methodology is available under the header "Reports" at <https://freedomhouse.org>.
- (2) **Sustainalytics Country-Risk Category:** Country-Risk Scores are used to determine the Sustainalytics Country-Risk Category. The Country-Risk Scores calculate the degree of unmanaged ESG risk a country may have. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) and, for 95% of cases, a maximum score below 50. Issuers are then grouped into one of five risk categories; negligible (0-10), low (10-20), medium (20-30), high (30-40) and severe (40+). All issuers with a Sustainalytics Country-Risk Category of "severe" will be excluded from the Reference Index. In the case of category change, the country will be added or removed during monthly rebalancing. Further information on Country-Risk Category can be found on the Sustainalytics website (<https://www.sustainalytics.com/>) under ESG Risk Ratings.

- (3) **Green Bond classification:** The Reference Index leverages external independent data sources for determining any 'green' bond classification. Only those bonds that have been classified by the Climate Bond Initiative ("CBI") as 'Green Bonds' in adherence with the CBI's Climate Bond Taxonomy are eligible. The criteria goes beyond self-labelling conventions, and evaluates the credibility of an asset and its environmental impact. The CBI's Climate Bond Taxonomy determines if each Green Bond's use of generated proceeds will help in the wider effort of transitioning to a low carbon economy. The CBI verifies if any generated greenhouse gas emissions are consistent with the greater goal of achieving the 2-degree global warming target as set by the COP 21 Paris Agreement. The CBI Taxonomy has been developed based on the latest climate science, including research from the Intergovernmental Panel on Climate Change, the International Energy Agency, and has benefited from the input of hundreds of technical experts from around the world.

The Reference Index uses inclusion criteria based on Morningstars Sustainalytics data. Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. In particular, the Reference Index uses the following ESG Products: Sustainalytics ESG Risk Rating Scores, Controversies, Country Ratings, Global Standards Screening, and Product Involvement, Controversial Weapons Involvement For details on Sustainalytics ESG Research's full suite of ESG products, please refer to: <http://www.sustainalytics.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.

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.

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

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).

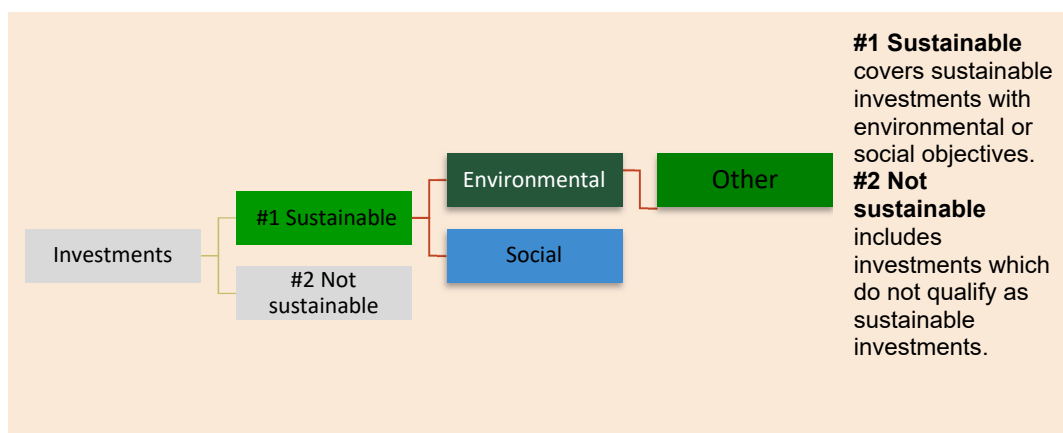
Up to 10% of the investments are not aligned with these characteristics (#2 Not sustainable).

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 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).



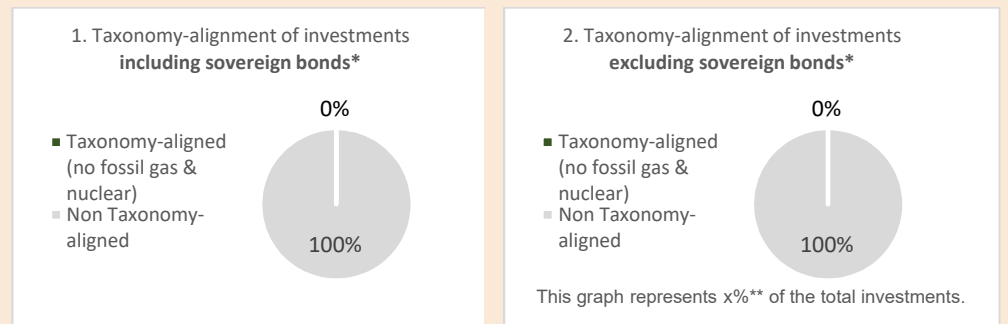
● **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

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.

● **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.

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

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

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully 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.

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.



● **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 intend to 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?**

Yes. The financial product has designated the iBoxx EUR Eurozone Sovereigns Green Bonds Capped 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 aiming to offer a broad coverage of the Green sovereign bond universe, meeting certain minimum ESG criteria.

The Reference Index only includes those bonds that have been classified by the Climate Bond Initiative ("CBI") as 'Green Bonds' in adherence with the CBI's Climate Bond Taxonomy.

With regards to ESG criteria, the Sustainalytics Country-Risk Category and the Freedom House Global Freedom Status are used to exclude certain countries. All issuers with a Sustainalytics Country-Risk Category of "severe" will be excluded from the Reference Index and only countries designated as "Free" or "Partly Free" are eligible for inclusion in the Reference Index, amongst other things.

● **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.

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

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

● **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 have been classified by the Climate Bond Initiative ("CBI") as 'Green Bonds' in adherence with the CBI's Climate Bond Taxonomy and that meet certain minimum ESG criteria.

Climate Bond Initiative ("CBI")

The Reference Index leverages external independent data sources for determining any 'green' bond classification. Only those bonds that have been classified by the CBI as 'Green Bonds' in adherence with the CBI's Climate Bond Taxonomy are eligible. The criteria goes beyond self-labelling conventions, and evaluates the credibility of an asset and its environmental impact. The CBI's Climate Bond Taxonomy determines if each Green Bond's use of generated proceeds will help in the wider effort of transitioning to a low carbon economy. The CBI verifies if any generated greenhouse gas emissions are consistent with the greater goal of achieving the 2-degree global warming target as set by the COP 21 Paris Agreement. The CBI Taxonomy has been developed based on the latest climate science, including research from the Intergovernmental Panel on Climate Change, the International Energy Agency, and has benefited from the input of hundreds of technical experts from around the world.

Sustainalytics Country-Risk Category

Country-Risk Scores are used to determine the Sustainalytics Country-Risk Category. The Country-Risk Scores calculate the degree of unmanaged ESG risk a country may have. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) and, for 95% of cases, a maximum score below 50. Issuers are then grouped into one of five risk categories; negligible (0-10), low (10-20), medium (20-30), high (30-40) and severe (40+). All issuers with a Sustainalytics Country-Risk Category of "severe" will be excluded from the Reference Index. In the case of category change, the country will be added or removed during monthly rebalancing. Further information on Country-Risk Category can be found on the Sustainalytics website (<https://www.sustainalytics.com/>) under ESG Risk Ratings.

Freedom House Global Freedom Status

The Reference Index also applies an additional inclusion criterion based on Freedom House data. Freedom House is a non-profit, 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", "Partly Free" or "Not Free". Freedom House classifies each country based on its research. To calculate the Reference Index, only countries designated as "Free" or "Partly Free" are eligible for inclusion in the Reference Index. Further information surrounding the methodology is available under the header "Reports" at <https://freedomhouse.org>.

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

Further details regarding the Reference Index (including its constituents) are available on the Index Administrator's website at <https://ihsmarkit.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.