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## Publication pursuant to SFDR - Details

### Xtrackers ESG USD Emerging Markets Bond Quality Weighted UCITS ETF

This financial product promotes environmental and social characteristics and qualifies as a financial product in accordance with article 8(1) of Regulation (EU) 2019/2088.

Capitalised terms used in this document shall have the same meaning ascribed to them in the latest version of the prospectus of the Company (the "Prospectus"), unless the context otherwise requires.

#### **No sustainable investment objective**

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

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:

#### **DNSH Assessment**

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.

#### **Integration of adverse impacts on sustainability factors**

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.

Nevertheless, 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).

#### **Alignment 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.

#### **Environmental or social characteristics of the 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 or other eligible assets. The Reference Index is designed to offer a targeted coverage of the USD denominated emerging market sovereign bonds universe with adjusted weights, by allocating higher weights to countries with relatively solid fundamentals and higher MSCI ESG Government Ratings while reducing weights of countries with relatively weak fundamentals and lower MSCI ESG Government Ratings, with a minimum of 20% of the eligible universe being excluded solely on the basis of the MSCI ESG Government Ratings.

The weighting methodology aims to achieve an index country weight reflecting the relative fundamental strength and higher MSCI ESG Government Rating of each of the underlying index countries. Relative fundamental scores are utilised to determine the index country weights in the Reference Index.

Following the application of financial screening criteria, the Reference Index normalises country weights such that they add up to 100% and ranks countries which are still eligible for inclusion by their MSCI Government ESG Rating. The MSCI Government ESG Rating assesses a country's exposure to and management of environmental, social and governance risks and explain how these factors might impact the longterm sustainability of its economy. The factors which measure a country's exposure to and management of ESG risks include but are not limited to: efficiency of resource utilisation, performance in relation to socio-economic factors, financial management, corruption control, political stability. These factors take into account a wide range of underlying data points, covering sub-

factors including but not limited to: energy security risk, water resources, vulnerability to environmental events, higher education and technological readiness, the judicial and penal system, and governance effectiveness. By providing a long-term view on sustainability the ratings aim to complement traditional government debt analysis in order to analyse a country's credit worthiness. Starting with the lowest MSCI Government ESG Rating, countries will be excluded until the cumulative market value weight of such exclusions reaches a minimum 20% threshold (effectively a "best-in-universe" approach). The remaining eligible country weights are then normalised again so that the cumulative weightings in the Reference Index add up to 100%.

### **Investment strategy**

The investment objective of the financial product is to track the performance before fees and expenses of the "Reference Index", which is the iBoxx MSCI ESG USD Emerging Markets Sovereigns Quality Weighted Index, which is designed to offer a targeted coverage of the USD denominated emerging market sovereign bonds universe with adjusted weights, by allocating higher weights to countries with relatively solid fundamentals and higher MSCI ESG Government Ratings while reducing weights of countries with relatively weak fundamentals and lower MSCI ESG Government Ratings, with a minimum of 20% of the eligible universe being excluded solely on the basis of the MSCI ESG Government Ratings.

### **ESG Assessment**

The investment objective of the financial product is to track the performance before fees and expenses of the Reference Index, which incorporates the ESG characteristics outlined above.

### **Policy to assess Good Governance**

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 and/or underweights countries that have an ESG Score (which assesses, amongst other things, a country's governance risks) below a certain threshold.

### **Proportion of investments**

This financial product invests at least 90% of its net assets in investments that are aligned with the promoted environmental and social characteristics. Within this category, at least 0% of the financial product's assets qualify as sustainable investments in the sense of article 2(17) SFDR. Up to 10% of the investments are not aligned with these environmental or social characteristics. A more detailed description of the specific asset allocation of this financial product can be found in the Prospectus.

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.

### **Monitoring of environmental or social characteristics**

The Reference Index applies the ESG criteria outlined above. DWS performs a regular assessment of the ESG alignment of the financial product, incorporating two key elements:

- (i) That the composition of the financial product's portfolio is closely aligned with the ESG standards of the Reference Index (although some deviations may be observable due, amongst other factors, to: efficient portfolio management, portfolio optimisation, cash balances, and/or recent rebalances); and
- (ii) That the Reference Index is correctly applying the stated ESG criteria through an independent verification of the constituents of the Reference Index against an appropriate ESG data source.

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.

### **Methodologies**

The attainment of the promoted environmental and social characteristics promoted by the financial product is measured using the following sustainability indicators:

- **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.

### **Data sources and processing**

The Reference Index utilises MSCI ESG Government Ratings data.

MSCI ESG Government Ratings assess a country's exposure to and management of ESG risks and explain how these factors might impact the long-term sustainability of its economy. By providing a long-term view on sustainability the ratings aim to complement traditional government debt analysis for analysing a country's credit worthiness.

## Limitations to methodologies and data

The Reference Index's environmental, social and governance standards limit the number of securities eligible for inclusion in the Reference Index. As a result, the Reference Index, and as such the financial product, may be more heavily weighted in securities, industry sectors or countries that underperform the market as a whole or underperform other funds screened for environmental, social and governance standards, or which do not screen for such standards.

Investors should note that the determination that the financial product is subject to the disclosure requirements of a financial product under Article 8(1) of SFDR is made solely on the basis that the Reference Index promotes environmental and social characteristics. The Company is relying on the activities conducted by and information provided by the Index Administrator or other data providers to make this determination. Neither the Company, nor any of its service providers, makes any representation or otherwise as to the suitability of the Reference Index and the financial product in meeting an investor's criteria on minimum ESG standards or otherwise. Investors are advised to carry out their own review as to whether the Reference Index and the financial product accords with their own ESG criteria. Information on how the Reference Index is consistent with environmental, social and governance characteristics is contained in the Prospectus of the financial product.

Investors should note that whilst the financial product and the Reference Index seek to ensure compliance with the ESG 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 Fund until it is possible and practicable to divest such positions.

Investors should note that the Reference Index solely relies on analysis from the Index Administrator or other data providers (as applicable) in relation to sustainability considerations. Neither the Company, nor any of its service providers, makes any representation with respect to the accuracy, reliability, correctness of the sustainability related data or the way that these are implemented.

It should also be noted that analysis of issuers' ESG performance may be based on models, estimates and assumptions. This analysis should not be taken as an indication or guarantee of current or future performance.

ESG information from third-party data providers may be incomplete, inaccurate or unavailable. As a result, there is a risk that the Index Administrator or other data providers (as applicable) may incorrectly assess a security or issuer, resulting in the incorrect inclusion or exclusion of a security in the Reference Index and therefore the portfolio of the financial product.

## Due diligence

With regards to the selection of any new reference indices for Xtrackers ETFs, DWS will conduct a due diligence process that includes the assessment of sustainability risks, and endeavour to work in conjunction with benchmark providers to embed certain sustainability risks into the construction of new indexes

for both new financial products and also reference indexes considered as a potential reference index in case of substitution for an existing financial product. As part of this process, minimum ESG standards will be applied.

## Engagement policies

Active engagement with our investee issuers to drive change for the benefit of clients is a key part of DWS Group's approach to sustainable investment. DWS applies the following engagement policies.

### *Engagement Policy*

The Engagement Policy establishes inter alia the engagement framework for DWS on how to engage with its investee issuers in relation to both equity as well as debt investments.

This policy sets out types and methods of engagement, escalation strategies and expectations regarding communication with inter alia DWS as an investor and DWS on behalf of its clients on a number of topics, including ESG.

## Designated reference benchmark

The financial product has designated the iBoxx MSCI ESG USD Emerging Markets Sovereigns Quality Weighted Index as the reference benchmark.

### Alignment with environmental and social characteristics

The Reference Index promotes environmental and social characteristics by adjusting weights, by allocating higher weights to countries with relatively solid fundamentals and higher MSCI ESG Government Ratings while reducing weights of countries with relatively weak fundamentals and lower MSCI ESG Government Ratings, with a minimum of 20% of the eligible universe being excluded solely on the basis of the MSCI ESG Government Ratings.

### Alignment of the methodology with the Investment Strategy

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.

### Methodology used for calculation of the designated index

Additional information on the Reference Index, its general methodology, composition, ESG criteria, calculation and rules for periodical review and re-balancing can be found on <https://ihsmarket.com/products/indices.html>.

## Important Information

Xtrackers, Xtrackers II and Xtrackers (IE) plc are undertakings for collective investment in transferable securities (UCITS) in accordance with the applicable laws and regulations and set up as open-ended investment companies with variable capital and segregated liability between their respective compartments.

Xtrackers and Xtrackers II are incorporated in the Grand Duchy of Luxembourg, are registered with the Luxembourg Trade and Companies' Register under number B-119.899 (Xtrackers) and B-124.284 (Xtrackers II) respectively and have their registered office at 49, avenue J.F. Kennedy, L-1855 Luxembourg. Xtrackers (IE) plc is incorporated in Ireland with registered number 393802 and has its registered office at 78 Sir John Rogerson's Quay, Dublin 2, Ireland.

DWS Investment S.A. acts as the management company of Xtrackers, Xtrackers II and Xtrackers (IE) plc.

The information contained in this document is provided for information purposes only. Any investment decision in relation to an Xtrackers ETF should be based solely on the latest version of the prospectus, the audited annual and, if more recent, un-audited semi-annual reports and the Key Investor Information Document (KIID), all of which are available in English upon request or on [www.Xtrackers.com](http://www.Xtrackers.com). In the case of any inconsistency with the prospectus, the latest version of the prospectus shall prevail.

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