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Publication pursuant to SFDR - Details

Xtrackers II ESG Eurozone Government Bond 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 commits to partially invest in sustainable investments. To ensure those sustainable investments do not cause significant harm to any environmental or social investment objective, the following processes are implemented:

DNSH Assessment

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.

Integration of adverse impacts on sustainability factors

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 (as defined below) 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).

Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

N/A - The financial product invests solely into sovereign debt.

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 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, euro-denominated, investment-grade sovereign debt issued in developed market countries in the European Economic and Monetary Union ("EMU"), excluding countries which do not fulfil specific ESG (environmental, social, and governance) criteria.

The Reference Index includes securities issued by EMU countries in the Parent Index (as defined below). The Parent Index is designed to measure the performance of fixed-rate, local currency, investment-grade sovereign bonds issued in developed market countries included in the Ultimate Parent Index (as defined below), excluding countries which do not fulfil specific ESG criteria. Countries excluded from the Parent Index will also be excluded from the Reference Index. The Parent Index excludes countries based on the following criteria:

Country Inclusion Criteria

The Parent Index applies a country inclusion criteria assessment by ranking countries based on the country ESG scores, which are calculated as set out in the paragraph ‘ESG Criteria and Tilting’. Countries that are identified as significant laggards (i.e. ranked in a certain lowest percentile) are removed from the Parent Index. Further information on the exclusion thresholds is available at: FTSE ESG Select Government Bond Index Series (lseg.com).

Freedom Criteria

The Parent Index also 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", "Partially Free" or "Not Free". Only countries designated as "Free" are eligible for inclusion in the Parent Index. Further information is available at: https://freedomhouse.org. Further information on the inclusion thresholds is available at: FTSE ESG Select Government Bond Index Series (lseg.com).

Social Violations

The Parent Index excludes countries that are subject to social violations as referred to in international treaties and conventions, United Nations principles and, where applicable, national law based on data from Sustainalytics. 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. The Reference Index also excludes countries that are present on the EU list of non-cooperative jurisdictions for tax purposes. For further details on which countries are present on this list, refer to the EU list of non-cooperative jurisdictions for tax purposes at: EU list of non-cooperative jurisdictions for tax purposes - Consilium (europa.eu).

ESG Criteria and Tilting

The weights of eligible constituents are adjusted in the Reference Index relative to the EMU subset of the Ultimate Parent Index by overweighting countries with lower ESG risks and underweighting countries with higher ESG risks. 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 (the "Tilted Weight").

Country ESG scores are intended to assess a country's exposure to, and management of, certain ESG risk factors and are sourced from the LSEG Sustainable Sovereign Risk Methodology (2SRM). Further information can be found on: Sustainable Sovereign Risk Methodology (lseg.com).

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

- Environmental risk: considers topics such as energy, climate, and natural capital;
- Social risk: considers topics such as inequality, employment, human capital, health, and societal well-being; and
- Governance risk: 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 other eligible constituents in the Reference Index with a specified "tilt factor" applied to each pillar score, and combined to derive a single combined ESG score for each country. This single ESG score is then used to determine each issuer's Tilted Weight in the Reference Index.

Further information on the ESG Pillars, Underlying Indicators and ESG Tilting methodology is available at: FTSE ESG Select Government Bond Index Series (lseg.com) and the LSEG Sustainable Sovereign Risk Methodology (2SRM).

Weighting and Capping

The Reference Index applies a 35% issuer market value weight cap. If the Tilted Weight of any country exceeds 35%, its weight is capped and any excess market weight is redistributed on a pro-rata basis across the other countries.

After the application of ESG tilting and issuer capping, the Reference Index is reviewed to ensure at least 20% of the least well-rated securities are eliminated from the Reference Index relative to the EMU subset of the Ultimate Parent Index. If the Reference Index does not exclude 20% by market value of the lowest scoring ESG issuers, additional issuers will be removed from the Reference Index until the minimum 20% exclusion is achieved. This may mean the Reference Index could exclude additional EMU countries compared to the Parent Index.

Minimum Green Bond Exposure Criteria

Following the application of the ESG Criteria and Weighting, a green bond tilt is implemented to each green bond's market value weighting within the Reference Index. This ensures that eligible green bonds meet a certain minimum threshold of the Reference Index, while maintaining the country weights previously calculated. The remaining bond weights are then tilted to achieve duration neutrality relative to the index duration of the EMU subset of the Ultimate Parent Index.

Green Bond eligibility is assessed by the Climate Bond Initiative ("CBI") and only bonds classified as either CBI-aligned or CBI-certified are designated as Green Bonds. CBI data is intended to identify eligible Green Bonds whose use of proceeds are in line with the Paris Agreement. The Climate Bond Initiative (CBI) provides independent analysis on green bond use of proceeds and provides opinions on the green credential of the intended proceeds allocation. Further details on the CBI green bond methodology can be found at cbi-gb-methodology-061020.pdf (climatebonds.net).

For full details on the minimum green bond exposure criteria please refer to the FTSE ESG Select World Government Bond Index – DM Ground Rules.

FTSE ESG Select Government Bond Index Series (lseg.com)

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 FTSE ESG Select EMU Government Bond Index, which is designed to reflect the performance of fixed-rate, euro-denominated, investment-grade sovereign debt issued in developed market countries in the European Economic and Monetary Union ("EMU"), excluding countries which do not fulfil specific ESG (environmental, social, and governance) criteria. The Reference Index is based on FTSE ESG Select 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, excluding countries which do not fulfil specific ESG criteria.

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 countries that are not free (assessing, amongst others, political freedom and human rights) based on Freedom House classifications, and 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 20% 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:

- **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.

Data sources and processing

The Reference Index uses data from various products provided by FTSE Fixed Income LLC, London Stock Exchange Group ("LSEG"), Freedom House, Sustainalytics and the Climate Bond Initiative. These products include the LSEG Sustainable Sovereign Risk Monitor (2SRM).

LSEG

LSEG is a smart data and analytics provider for ESG integration in Fixed Income. 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 LSEG Sustainable Sovereign Risk Monitor (2SRM), with unique scores provided for each ESG pillar. For each pillar, LSEG considers multiple drivers as explained below:

Freedom House

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", "Partially Free" or "Not Free" based on its research.

Sustainalytics
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.

Climate Bond Initiative
The Climate Bond Initiative (CBI) provides independent analysis on green bond use of proceeds and provides opinions on the green credential of the intended proceeds allocation.

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 Prospecuts 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 FTSE ESG Select EMU Government Bond Index as the reference benchmark.

Alignment with environmental and social characteristics
The Reference Index promotes environmental and social characteristics by excluding or reweighting issuers from the EMU subset of the Ultimate Parent Index by applying certain ESG criteria derived from the FTSE ESG Government Bond Index series, as of each Reference Index rebalance. The Parent Index applies certain inclusion criteria to the Ultimate Parent Index constituents. Countries excluded from the Parent Index will also be excluded from the Reference Index. Constituent weightings are adjusted in the Reference Index relative to the EMU subset of the Ultimate Parent Index by overweighting countries with lower ESG risks and underweighting countries with higher ESG risks. 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.

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 a 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

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. FTSE ESG Select Government Bond Index Series (lseg.com)

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. In the case of any inconsistency with the prospectus, the latest version of the prospectus shall prevail.

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Investments are subject to various risks, including market fluctuations, regulatory change, counterparty risk, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you may not recover the amount originally invested at any point in time. Furthermore, substantial fluctuations of the value of the investment are possible even over short periods of time.

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