

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 USA Biodiversity Focus SRI UCITS ETF
Legal entity identifier: 254900Q1GMM5X0HLK512

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

<p><input checked="" type="radio"/> <input type="radio"/> Yes</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___%</p> <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 <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%</p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> No</p> <p><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</p> <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 <p><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>
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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 specifically promotes, amongst others, the environmental characteristics of: a reduction in negative impact on biodiversity, a reduction in greenhouse gas intensity, and a reduction in fossil fuel production; and the social characteristics of: a reduction in human and labour rights controversy occurrences and a reduction in controversial weapon production.

In order to promote these characteristics, the financial product holds a portfolio of equity securities that comprises all, or a substantial number of, the securities comprised in the Reference Index. The Reference Index is designed to reflect the performance of the shares of companies in the USA that meet certain minimum standards with regard to biodiversity and environmental, social and governance (“ESG”) criteria.

The Reference Index is based on the Parent Index (as defined below). The Parent Index includes companies in the USA. Constituents of the Parent Index meeting certain minimum standards with regard to biodiversity and environmental, social and governance (“ESG”) criteria are eligible for inclusion in the Reference Index.

ESG and Biodiversity Exclusions

Securities from the Parent Index which do not meet certain ESG or biodiversity related criteria are excluded, including, but not limited to, those that:

- Are unrated by Institutional Shareholder Services Inc. (“ISS ESG”);
- Are assigned an ESG Rating of D+ or below by ISS ESG;
- Are identified as ‘Red’ by ISS ESG in their Norms Based Screening. ISS ESG’s Norms Based Screening assesses companies against their adherence to international norms on human rights, labour standards, environmental protection and anti-corruption established in the UN Global Compact and the OECD Guidelines;
- Are identified by ISS ESG to have ‘Severe’ or ‘Very Severe’ controversies with regard to Environmental Protection;
- Are identified by ISS ESG as having any involvement in controversial weapons;
- Are identified by ISS ESG as breaching certain revenue thresholds in controversial activities, including, but not limited to: tobacco, civilian firearms, military equipment, nuclear power, thermal coal, unconventional oil and gas extraction, fossil fuels, adult entertainment, alcohol, and gambling;
- Are identified by ISS ESG as breaching certain revenue thresholds in activities with the potential to negatively contribute to biodiversity, including, but not limited to: palm oil, genetically modified organism (GMO) agriculture, hazardous pesticides, animal welfare, animal testing, and fur involvement.

Biodiversity Impact Assessment

Constituents from the Parent Index are assessed by ISS ESG’s Biodiversity Impact Assessment Tool on their Potentially Disappeared Fraction (“PDF”), which aims to quantify the impact of companies on biodiversity by measuring the potential decline in species richness in an area over a specific period of time. Securities are ranked by PDF over enterprise value including cash (“EVIC”). The worst 20% of companies, as measured by PDF/EVIC, within each sector, as classified by the Industry Classification Benchmark (“ICB”) approach, in the Parent Index are excluded from the Reference Index. Securities for which no data is available are also excluded from the Reference Index.

For more details on the ISS ESG Biodiversity Impact Assessment Tool, please refer to: <https://www.issgovernance.com/esg/biodiversity-impact-assessment-tool/>.

SDG Impact Assessment

Potential constituents are assessed by ISS ESG’s SDG Impact Rating on their impact on biodiversity-related UN Sustainable Development Goals (“SDG”) objectives. The SDG Impact Rating measures the extent to which companies are managing negative externalities in their operations across the entire value chain to minimise negative

impacts, while at the same time making use of existing and emerging opportunities in their products and services to contribute to the achievement of the SDGs. ISS ESG calculates an aggregated SDG Impact Rating score, based on certain biodiversity-related UN SDGs, including:

- SDG 6 – Clean water and sanitation;
- SDG 7 – Affordable and clean energy;
- SDG 11 – Sustainable cities and communities;
- SDG 12 – Responsible consumption and production;
- SDG 13 – Climate action;
- SDG 14 – Life below water; and
- SDG 15 – Life on land.

The worst 20% of companies within each ICB sector in the Parent Index as measured by the aggregated SDG Impact Rating score are excluded from the Reference Index. Securities for which no data is available are also excluded from the Reference Index.

Greenhouse Gas Intensity Reduction

The Reference Index also includes a carbon emission reduction rule, whereby if having applied the above exclusion and assessment criteria, the Greenhouse Gas (“GHG”) intensity of the Reference Index has been insufficiently reduced compared to the Parent Index, constituents are excluded by descending order of GHG intensity until a relevant reduction threshold is achieved.

The Reference Index utilises ESG data provided by Institutional Shareholder Services Inc. (“ISS ESG”). ISS ESG provides expertise across a variety of sustainable and responsible investment issues, including climate change, sustainable development goal linked impacts, biodiversity impact assessments, human rights, labour standards, corruption, and controversial weapons. More information on ISS ESG is available on <https://www.issgovernance.com/esg/>. In particular, the following five components are utilised:

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ISS ESG SDG Impact Rating

The ISS ESG SDG Impact Rating determines a company’s positive or negative impact on the United Nations’ Sustainable Development Goals across three key pillars: Products & Services, Operations Management and Controversies.

ISS ESG Climate Solutions

ISS ESG Climate Solutions provide carbon and climate data, such as analyses of Scope 1, 2 and 3 emissions.

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

- **Exposure to Very Severe Controversies:** The percentage of the 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, including violation of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as determined by either MSCI or ISS ESG. Details on the provider used are available upon request.
- **Exposure to Worst-in-Class issuers:** The percentage of the financial product's portfolio's market value exposed to companies with a rating of or equivalent to "CCC", as determined by either MSCI or ISS ESG. Details on the provider used are available upon request.
- **Controversial Weapons Involvement:** The percentage of the financial product's portfolio's market value exposed to companies with ties to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments as determined by either MSCI or ISS ESG. Details on the provider used are available upon request.
- **Exposure to Fossil Fuels:** The percentage of the financial product's portfolio's market value exposed to companies flagged for involvement in fossil fuels as determined by either MSCI or ISS ESG, 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. Details on the provider used are available upon request.
- **Exposure to Biodiversity-related Controversies:** The percentage of the financial product's portfolio's market value exposed to companies facing one or more severe or very severe environmental controversies related to biodiversity, as determined by either MSCI or ISS ESG. Details on the provider used are available upon request.
- **SDG Impact Rating:** The financial product's portfolio's median score of each company's overall impact on the SDGs, based on the sum of the companies' highest positive and lowest negative SDG impact rating on a scale of -10 (significant negative impact) to 10 (significant positive impact), as measured by either MSCI or ISS ESG. Details on the provider used are available upon request.
- **Greenhouse Gas Intensity:** The financial product's portfolio's weighted average of its holding issuers' GHG Intensity (Scope 1, Scope 2 and estimated Scope 3 GHG emissions/EUR million revenue) as determined by either MSCI or ISS ESG. Details on the provider used are available upon request.

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

● ***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.

— *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 intensity of investee companies (no. 3);

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.

- Exposure to companies active in the fossil fuel sector (no. 4);
- Activities negatively affecting biodiversity-sensitive areas (no. 7);
- 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 intensity of investee companies (no. 3);
- Exposure to companies active in the fossil fuel sector (no. 4);
- Activities negatively affecting biodiversity-sensitive areas (no. 7)
- 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 Fund is to track the performance before fees and expenses of the “Reference Index”, which is the ISS STOXX® US Biodiversity Focus SRI Index, which is designed to reflect the performance of the shares of companies in the USA that meet certain minimum standards with regard to biodiversity and environmental, social and governance (“ESG”) criteria. The Reference Index is based on the STOXX US Index (the “Parent Index”). The Parent Index includes companies from the USA.

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

Constituents of the Parent Index meeting certain minimum standards with regard to biodiversity and environmental, social and governance (“ESG”) criteria are eligible for inclusion in the Reference Index.

- ***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 is designed to reflect the performance of the shares of companies in the USA that meet certain minimum standards with regard to biodiversity and environmental, social and governance (“ESG”) criteria.

ESG and Biodiversity Exclusions

Securities from the Parent Index which do not meet certain ESG or biodiversity related criteria are excluded, including, but not limited to, those that:

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The worst 20% of companies within each ICB sector in the Parent Index as measured by the aggregated SDG Impact Rating score are excluded from the Reference Index. Securities for which no data is available are also excluded from the Reference Index.

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ISS ESG Climate Solutions

ISS ESG Climate Solutions provide carbon and climate data, such as analyses of Scope 1, 2 and 3 emissions.

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 which breach certain international norm standards (including governance controversies) using ISS ESG data, and companies that have an ISS ESG Rating (which assesses, amongst other things, how well companies manage governance risks and opportunities) below a certain threshold or have missing ESG data.

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).

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

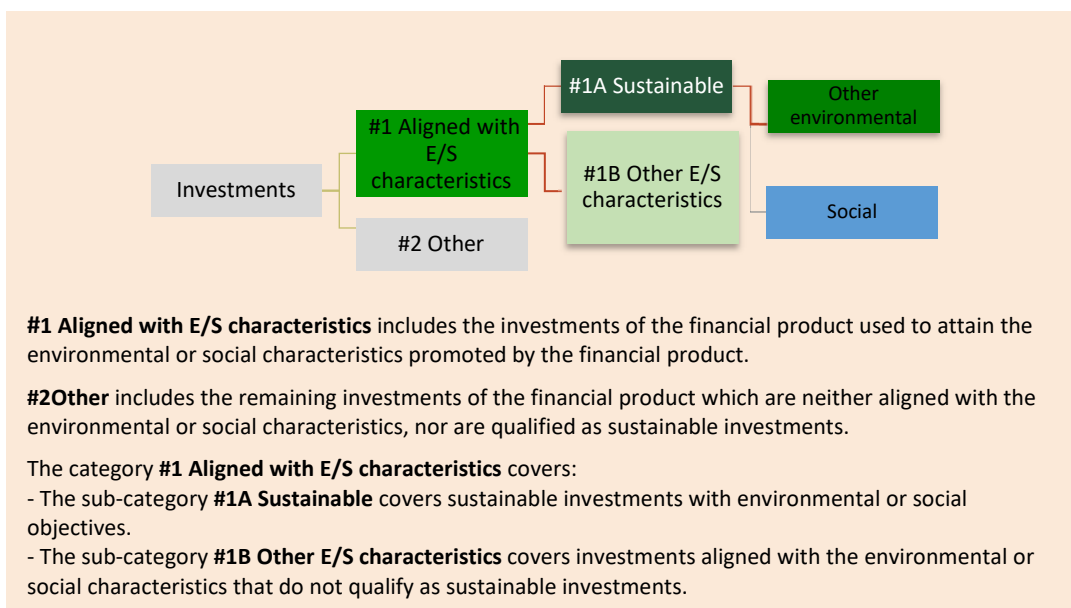
Asset allocation describes the share of investments in specific assets.



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.

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



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Financial derivative instruments (“FDIs”) may be used for efficient portfolio management purposes. It is not intended to use FDIs for the attainment of the financial product’s objective but rather as ancillary investments to, for example, invest cash balances pending rebalance or investment in constituents of the Reference Index. Any exposures obtained through the use of FDIs for these ancillary purposes will be aligned with the investment objective of the financial product and would conform to ESG standards substantially similar to those of the Reference Index, or would fall within the quoted percentage of the investments that are not aligned with the promoted environmental and social characteristics (#2 Other).



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

While the financial product promotes environmental characteristics, it is not intended that its underlying investments take into account the EU Taxonomy Regulation criteria for the environmentally sustainable economic activities of climate change mitigation and/or climate change adaptation (the only two of the six environmental objectives under the EU Taxonomy Regulation for which technical screening criteria have been defined through delegated acts). As a result, the financial product does not intend to make investments within the scope of the EU Taxonomy Regulation.

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

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

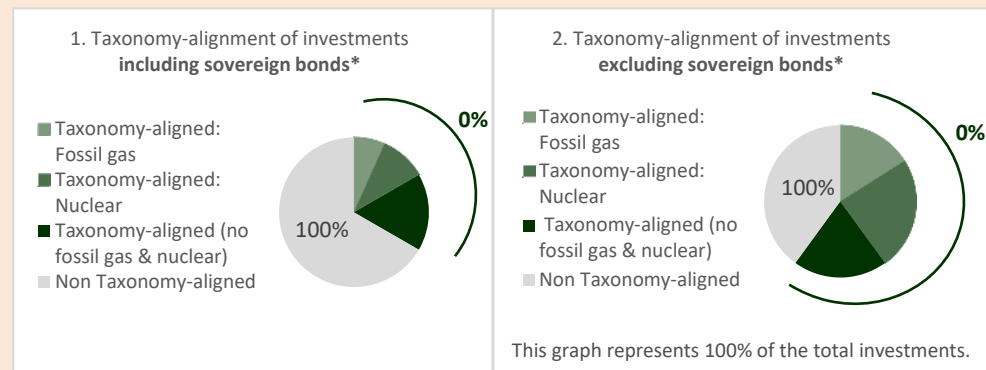
Yes:

In fossil gas


In nuclear energy

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.

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

- **What is the minimum share of 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%.

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 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?

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 ISS STOXX® US Biodiversity Focus SRI Index as the reference benchmark.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

The Reference Index promotes environmental and social characteristics by excluding companies from the Parent Index which do not fulfil the specific biodiversity-related and ESG criteria outlined above, as of each Reference Index rebalance.

- ***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 or track, before fees and expenses, the performance of the Reference Index by holding a portfolio of equity securities that comprises all, or a substantial number of, the securities comprised in the Reference Index.

- ***How does the designated index differ from a relevant broad market index?***

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The worst 20% of companies within each ICB sector in the Parent Index as measured by the aggregated SDG Impact Rating score are excluded from the Reference Index. Securities for which no data is available are also excluded from the Reference Index.

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The ISS ESG Biodiversity Impact Assessment Tool assesses and quantifies the potential impact of companies on biodiversity.

ISS ESG SDG Impact Rating

The ISS ESG SDG Impact Rating determines a company’s positive or negative impact on the United Nations’ Sustainable Development Goals across three key pillars: Products & Services, Operations Management and Controversies.

ISS ESG Climate Solutions

ISS ESG Climate Solutions provide carbon and climate data, such as analyses of Scope 1, 2 and 3 emissions.

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

Additional information on the Reference Index, its composition, calculation and rules for periodical review and re-balancing and on the general methodology can be found on www.stoxx.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.