

## **Xtrackers MSCI Europe Small Cap ESG UCITS ETF**

### **Supplement to the Prospectus**

This Supplement contains information in relation to Xtrackers MSCI Europe Small Cap ESG UCITS ETF (the **"Fund"**), a sub-fund of Xtrackers (IE) plc (the **"Company"**) an umbrella type open-ended investment company with segregated liability between sub-funds and with variable capital governed by the laws of Ireland and authorised by the Central Bank of Ireland (the **"Central Bank"**).

**This Supplement forms part of, may not be distributed unless accompanied by (other than to prior recipients of the prospectus of the Company dated 15 June 2023 (the "Prospectus"), the first addendum to the Prospectus dated 1 December 2023 (the "Addendum")), and must be read in conjunction with, the Prospectus and the Addendum.**

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

**Xtrackers (IE) plc**

**Dated 28 July 2025**

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**IMPORTANT INFORMATION**

**The Fund is an ETF. The Shares of this Fund are fully transferable to investors and will be listed for trading on one or more stock exchanges.**

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## TERMS OF THE SHARES REPRESENTING INTERESTS IN THE FUND

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### Investment Objective

The investment objective of the Fund is to track the performance before fees and expenses of an index which is designed to reflect the performance of the shares of small capitalisation companies across European developed markets, which meet certain minimum environmental, social and governance (“ESG”) criteria.

### Investment Policy

In order to seek to achieve the investment objective, the Fund will adopt a Direct Investment Policy and will aim to replicate or track before fees and expenses, the performance of the MSCI Europe Small Cap Low Carbon SRI Screened Select Index (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 (the “**Underlying Securities**”). Further information on the Reference Index is contained under “General Description of the Underlying Asset”. The Investment Manager reserves the right to exclude from the portfolio of the Fund any securities from the Reference Index that do not comply with the Investment Manager’s policies or standards (examples of which are described in the Prospectus under the heading “*Direct Investment Funds following a passive approach*”).

The Fund is managed according to a passive approach and is a Full Replication Fund (as described in the Prospectus under the heading “Direct Investment Funds following a passive approach”). Full disclosure on the composition of the Fund’s portfolio will be available on a daily basis at [www.Xtrackers.com](http://www.Xtrackers.com).

There is no assurance that the investment objective of the Fund will actually be achieved.

The Underlying Securities are listed or traded on markets and exchanges which are set out at Appendix I of the Prospectus, with the Underlying Securities being bought by the Fund from any broker or counterparty who trades on the markets and exchanges listed at Appendix I of the Prospectus.

As further described in the ‘Efficient Portfolio Management and Financial Derivative Instruments’ section below and in the Prospectus, the Fund may also invest in securities which are not constituents of the Reference Index and/or financial derivative instruments (“**FDIs**”) related to a constituent or constituents of the Reference Index, for efficient portfolio management purposes, where such securities and/or FDIs would achieve a risk and return profile similar to that of the Reference Index, a constituent of the Reference Index or a sub-set of constituents of the Reference Index.

The Fund may invest in ancillary liquid assets which will include secured and/or unsecured deposits, and/or units or shares of other UCITS or other collective investment schemes which pursue a money market/cash strategy or which are related to the Reference Index or constituents of the Reference Index.

The investments and liquid assets the Fund may hold on an ancillary basis will, together with any fees and expenses, be valued by the Administrator on each Valuation Day in order to determine the Net Asset Value of the Fund in accordance with the rules set out in the main part of the Prospectus.

The value of the Fund’s Shares is linked to the Reference Index, the performance of which may rise or fall. Hence, investors should note that the value of their investment could fall as well as rise and they should accept that there is no guarantee that they will recover their initial investment. The return that the Shareholder may receive will be dependent on the performance of the Reference Index.

The Fund will have no Final Repurchase Date. However, the Directors may decide to terminate the Fund in accordance with the terms set out in the Prospectus and/or the Articles of Association.

### Efficient Portfolio Management and Financial Derivative Instruments

The Fund may employ techniques and instruments relating to transferable securities from time to time under the conditions and within the limits laid down by the Central Bank and the conditions set out in the Prospectus and this Supplement for efficient portfolio management purposes.

The Fund may also invest in FDIs subject to the conditions and limits laid down by the Central Bank for efficient portfolio management purposes and as described in the Prospectus. For details of any FDIs the Fund may use,

please refer to the section entitled **"Use of Derivatives by Direct Investment Funds"** set out in the Prospectus.

The Company employs a risk management process which enables it to accurately measure, monitor and manage at any time the risks attached to the Fund's FDI positions and their contribution to the overall risk profile of the portfolio of assets of the Fund. The Company will, on request, provide supplementary information to Shareholders relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments in respect of the relevant Fund.

### **Calculation of Global Exposure**

The Fund will employ the commitment approach to assess the Fund's global exposure and to ensure that the Fund's use of derivative instruments is within the limits specified by the Central Bank. Global exposure will be calculated daily. While the Fund may be leveraged through the use of the FDIs, any such leverage will not be in excess of 100% of the Fund's Net Asset Value.

### **Investment Restrictions**

The general investment restrictions set out under "Investment Restrictions" in the Prospectus apply to the Fund.

Further, the Fund will not invest more than 10% of its assets in units or shares of other UCITS or other collective investment schemes in order to be eligible for investment by UCITS governed by the UCITS directive.

The Directors may from time to time impose such further investment restrictions as shall be compatible with or in the interests of Shareholders, in order to comply with the laws and regulations of the countries where Shareholders are located. Such investment restrictions will be included in an updated Supplement.

### **Borrowing**

The Company may only borrow, for the account of the Fund, up to 10% of the Net Asset Value of the Fund provided that such borrowing is for temporary purposes. The assets of the Fund may be charged as security for any such borrowings.

### **Specific Risk Warning**

Investors should note that the Fund is not capital protected or guaranteed and that the capital invested is not protected or guaranteed and investors in this Fund should be prepared and able to sustain losses up to the total capital invested.

### *Environmental, Social and Governance Standards*

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 Fund, 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 Fund 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 (as further described under the heading "General Description of the Underlying Asset", where applicable) 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 Fund 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 Fund accords with their own ESG criteria. Information on how the Reference Index is consistent with environmental, social and governance characteristics is contained under "General Description of the Underlying Asset".

Investors should note that whilst the Fund and the Reference Index seek to ensure compliance with the criteria outlined under "General Description of the Underlying Asset" 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.

### *Sustainability Data Risks*

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 companies' 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 Fund.

Investors will also bear some other risks as described under the section "Risk Factors" in the Prospectus.

### **Profile of a Typical Investor**

Prospective investors in the Fund should ensure that they understand fully the nature of the Fund, as well as the extent of their exposure to risks associated with an investment in the Fund and should consider the suitability of an investment in the Fund.

Investment in the Fund may be appropriate for investors who have knowledge of, and investment experience in this type of financial product and understand and can evaluate the strategy and characteristics in order to make an informed investment decision. Further, they may have free and available cash for investment purposes and are looking to gain exposure to the securities making up the Reference Index. As the Net Asset Value per Share of the Fund will fluctuate and may fall in value, investment in the Fund should be viewed as suitable for investors who seek a return over the medium to long term. However, prospective investors should be prepared and able to sustain losses up to the total amount of capital invested.

The Prospectus sets out statements on taxation regarding the law and practice in force in the relevant jurisdiction at the date of the Prospectus. The statements are by way of a general guide to potential investors and Shareholders only and do not constitute legal or tax advice to Shareholders or potential investors. Shareholders and potential investors are therefore advised to consult their professional advisers concerning any investment in the Fund particularly as the tax position of an investor and the rates of tax may change over time.

### **Dividend Policy**

The Fund does not intend to make dividend payments.

### **General Information Relating to the Fund**

<b>Base Currency</b>	EUR
<b>Cut-off Time</b>	Means 3.30 p.m. Dublin time on the relevant Transaction Day.
<b>Initial Offer Period</b>	The Initial Offer Period in respect of the "1C" Shares shall be from 9:00 a.m. on 29 July 2025 to 4:30 p.m. (Dublin time) on 23 January 2026 or such earlier or later date as the Directors may determine and notify in advance to the Central Bank.
<b>Fund Classification (InvStG)</b>	Equity Fund, target minimum percentage of 70%.
<b>Minimum Fund Size</b>	EUR 50,000,000.

<b>Settlement Day</b>	Means up to nine Settlement Days following the Transaction Day <sup>1</sup> .
<b>Securities Lending</b>	No
<b>Transparency under SFDR</b>	The Fund promotes, among other characteristics, environmental and social characteristics and is subject to the disclosure requirements of a financial product under Article 8(1) of SFDR. Information on how the Reference Index is consistent with environmental, social and governance characteristics is contained under "General Description of the Reference Index". Please also refer to "Environmental, Social and Governance Standards" under "Specific Risk Warning" above, to the section entitled "Sustainability-related disclosures under SFDR and EU Taxonomy Regulation" set out in the Prospectus and the annex to this Supplement.
<b>Significant Market</b>	Means a Direct Replication Significant Market.

#### Description of the Shares

Class	"1C"
<b>ISIN Code</b>	IE000ER61U30
<b>German Security Identification Number (WKN)</b>	DBX0WF
<b>Currency</b>	EUR
<b>Initial Issue Price</b>	The Initial Issue Price will be calculated as corresponding to an appropriate fraction of the closing level of the Reference Index on the Launch Date. The Launch Date shall be the final day of the Initial Offer Period. The Initial Issue Price is available from the Administrator.
<b>Launch Date</b>	To be determined by the Board of Directors. The Launch Date will be available from the Administrator and via the website: <a href="http://www.Xtrackers.com">www.Xtrackers.com</a>
<b>Minimum Initial Investment Amount</b>	EUR 50,000
<b>Minimum Additional Investment Amount</b>	EUR 50,000
<b>Minimum Redemption Amount</b>	EUR 50,000
<b>Currency Hedged Share Class</b>	No

#### Fees and Expenses

Class	"1C"
<b>Management Company Fee</b>	Up to 0.15% per annum
<b>Platform Fee</b>	Up to 0.10% per annum
<b>All-in Fee</b>	Up to 0.25% per annum
<b>Primary Market Transaction Costs</b>	Applicable
<b>Transaction Costs</b>	Applicable
<b>Anticipated Level of Tracking</b>	Up to 1.00% per annum

<sup>1</sup> In the case that a Significant Market is closed for trading or settlement on any Settlement Day during the period between the relevant Transaction Day and the expected settlement date (inclusive), and/or settlement in the base currency of the Fund is not available on the expected settlement date, there may be corresponding delays to the settlement times indicated in this Supplement subject to the regulatory limit on settlement periods of 10 Business Days from the Cut-off Time. Earlier or later times may be determined by the Management Company at its discretion, whereby notice will be given on [www.Xtrackers.com](http://www.Xtrackers.com).

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This section headed "Fees and Expenses" should be read in conjunction with the section headed "Fees and Expenses" in the Prospectus.

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## GENERAL DESCRIPTION OF THE UNDERLYING ASSET

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This section is a brief overview of the Reference Index. It contains a summary of the principal features of the Reference Index and is not a complete description of the Reference Index. In case of inconsistency between the summary of the Reference Index in this section and the complete description of the Reference Index, the complete description of the Reference Index prevails. Information on the Reference Index appears on the website identified below in "Further Information". Such information may change from time to time and details of the changes will appear on that website.

### General Description of the Reference Index

The Reference Index is based on the MSCI Europe Small Cap Index (the "**Parent Index**"), which is administered by MSCI Limited (the "**Index Administrator**"). The Parent Index is designed to reflect the performance of small-capitalisation companies in European developed markets.

### ESG Exclusion Criteria

The Reference Index applies an ESG exclusion approach where all of the companies from the Parent Index which breach the following ESG criteria, are excluded:

- Companies which are unrated or missing relevant coverage by MSCI ESG Research;
- Companies which are assigned an MSCI ESG Rating of BB or below;
- Companies which have any involvement in controversial weapons, as categorised by MSCI ESG Research;
- Companies which have an MSCI ESG Controversies score of 0, or have an insufficient MSCI ESG Controversies score related to certain environmental controversies;
- Companies which are classified by MSCI in their Business Involvement Screening Research or Climate Change Metrics as breaching certain revenue thresholds in controversial activities, including, but not limited to, civilian firearms, nuclear weapons, tobacco, adult entertainment, alcohol, conventional weapons, gambling, genetically modified organisms, nuclear power, fossil fuel reserves ownership, fossil fuel extraction, fossil fuel power generation, unconventional oil and gas extraction, oil and gas, thermal coal mining and thermal coal power; and
- Companies which fail to comply with the United Nations Global Compact principles.

Such exclusions comprise the requirements as laid out in Article 12(1)(a) to (g) of the Commission Delegated Regulation (EU) 2020/1818 ("**PAB Exclusions**").

The Reference Index utilises data from MSCI ESG Research to apply certain ESG criteria using the following products: MSCI ESG Ratings, MSCI ESG Controversies Score, MSCI ESG Business Involvement Screening Research and MSCI Climate Change Metrics.

### *MSCI ESG Ratings*

MSCI ESG Ratings provide research, data, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities. MSCI ESG Ratings provides an overall company ESG rating.

### *MSCI ESG Controversies*

MSCI ESG Controversies provides assessments of controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services.

### *MSCI ESG Business Involvement Screening Research*

MSCI ESG Business Involvement Screening Research ("**BISR**") aims to enable institutional investors to manage ESG standards and restrictions. MSCI ESG BISR is utilised to identify and exclude companies involved in industries with a high potential for negative environmental, health and/or social impact based on the value-based criteria and thresholds from the MSCI SRI Indexes methodology.

### *MSCI Climate Change Metrics*

MSCI Climate Change Metrics provides climate data & tools to support institutional investors seeking to



integrate climate risk & opportunities into their investment strategy and processes.

### **GHG Intensity Reduction Criteria**

The Reference Index also includes carbon emission reduction criteria, whereby if having applied the above exclusions, 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 as determined by MSCI Climate Change Metrics.

### **Security Selection and Weighting**

Securities from the Parent Index which pass the ESG Exclusion Criteria outlined above will constitute the eligible universe (the "**Eligible Universe**"). The GHG Intensity Reduction Criteria may then be applied to exclude additional securities from the Eligible Universe until the relevant GHG intensity reduction is achieved relative to the Parent Index. After the ESG Exclusion and GHG Intensity Reduction Criteria are applied, the remaining securities are weighted in proportion of their free float-adjusted market capitalisation.

The Reference Index is reviewed and rebalanced on at least a quarterly basis and may also be rebalanced at other times in order to reflect corporate activity such as mergers and acquisitions or based on certain changes to issuers' ESG metrics.

The Reference Index is a total return net index. A total return net index calculates the performance of the index constituents on the basis that any dividends or distributions are reinvested net of applicable withholding tax.

The Reference Index is calculated in EUR on an end of day basis.

### **Further Information**

MSCI Limited has been granted authorisation by the UK FCA as a UK administrator for all MSCI equity indices under the UK's Benchmarks Regulation and is listed on the FCA's register for administrators.

Additional information on the Reference Index, its composition, calculation and rules for periodical review and re-balancing and the general methodology behind the MSCI indices can be found on [www.msci.com](http://www.msci.com). Index constituents can be viewed under <https://www.msci.com/constituents>.

## IMPORTANT

XTRACKERS MSCI EUROPE SMALL CAP ESG UCITS ETF (AN "MSCI SUB-FUND") IS NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY MSCI INC. AND ITS SUBSIDIARIES (WHICH INCLUDE MSCI LIMITED) ("MSCI"), ANY OF ITS AFFILIATES, ANY OF ITS INFORMATION PROVIDERS OR ANY OTHER THIRD PARTY INVOLVED IN, OR RELATED TO, COMPILING, COMPUTING OR CREATING ANY MSCI INDEX (COLLECTIVELY, THE "MSCI PARTIES"). THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES ARE SERVICE MARK(S) OF MSCI OR ITS AFFILIATES AND HAVE BEEN LICENSED FOR USE FOR CERTAIN PURPOSES BY DWS INVESTMENTS UK LIMITED. NONE OF THE MSCI PARTIES MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, TO THE ISSUER OR OWNERS OF AN MSCI SUB-FUND OR ANY OTHER PERSON OR ENTITY REGARDING THE ADVISABILITY OF INVESTING IN FUNDS GENERALLY OR IN AN MSCI SUB-FUND PARTICULARLY OR THE ABILITY OF ANY MSCI INDEX TO TRACK CORRESPONDING STOCK MARKET PERFORMANCE. MSCI OR ITS AFFILIATES ARE THE LICENSORS OF CERTAIN TRADEMARKS, SERVICE MARKS AND TRADE NAMES AND OF THE MSCI INDEXES WHICH ARE DETERMINED, COMPOSED AND CALCULATED BY MSCI WITHOUT REGARD TO AN MSCI SUB-FUND OR THE ISSUER OR OWNERS OF AN MSCI SUB-FUND OR ANY OTHER PERSON OR ENTITY. NONE OF THE MSCI PARTIES HAS ANY OBLIGATION TO TAKE THE NEEDS OF THE ISSUER OR OWNERS OF AN MSCI SUB-FUND OR ANY OTHER PERSON OR ENTITY INTO CONSIDERATION IN DETERMINING, COMPOSING OR CALCULATING THE MSCI INDEXES. NONE OF THE MSCI PARTIES IS RESPONSIBLE FOR OR HAS PARTICIPATED IN THE DETERMINATION OF THE TIMING OF, PRICES AT, OR QUANTITIES OF AN MSCI SUB-FUND TO BE ISSUED OR IN THE DETERMINATION OR CALCULATION OF THE EQUATION BY OR THE CONSIDERATION INTO WHICH AN MSCI SUB-FUND IS REDEEMABLE. FURTHER, NONE OF THE MSCI PARTIES HAS ANY OBLIGATION OR LIABILITY TO THE ISSUER OR OWNERS OF AN MSCI SUB-FUND OR ANY OTHER PERSON OR ENTITY IN CONNECTION WITH THE ADMINISTRATION, MARKETING OR OFFERING OF AN MSCI SUB-FUND. ALTHOUGH MSCI SHALL OBTAIN INFORMATION FOR INCLUSION IN OR FOR USE IN THE CALCULATION OF THE MSCI INDEXES FROM SOURCES THAT MSCI CONSIDERS RELIABLE, NONE OF THE MSCI PARTIES WARRANTS OR GUARANTEES THE ORIGINALITY, ACCURACY AND/OR THE COMPLETENESS OF ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. NONE OF THE MSCI PARTIES MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE ISSUER OF AN MSCI SUB-FUND, OWNERS OF AN MSCI SUB-FUND, OR ANY OTHER PERSON OR ENTITY, FROM THE USE OF ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. NONE OF THE MSCI PARTIES SHALL HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS OF OR IN CONNECTION WITH ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. FURTHER, NONE OF THE MSCI PARTIES MAKES ANY EXPRESS OR IMPLIED WARRANTIES OF ANY KIND, AND THE MSCI PARTIES HEREBY EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO EACH MSCI INDEX AND ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL ANY OF THE MSCI PARTIES HAVE ANY LIABILITY FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL OR ANY OTHER DAMAGES (INCLUDING LOST PROFITS) EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

NO PURCHASER, SELLER OR HOLDER OF THIS SECURITY, PRODUCT OR AN MSCI SUB-FUND, OR ANY OTHER PERSON OR ENTITY, SHOULD USE OR REFER TO ANY MSCI TRADE NAME, TRADEMARK OR SERVICE MARK TO SPONSOR, ENDORSE, MARKET OR PROMOTE THIS SECURITY WITHOUT FIRST CONTACTING MSCI TO DETERMINE WHETHER MSCI'S PERMISSION IS REQUIRED. UNDER NO CIRCUMSTANCES MAY ANY PERSON OR ENTITY CLAIM ANY AFFILIATION WITH MSCI WITHOUT THE PRIOR WRITTEN PERMISSION OF MSCI.

## ANNEX

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Xtrackers MSCI Europe Small Cap ESG UCITS ETF  
Legal entity identifier: 254900TFVV5PWT2P1544

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?



Yes



No

☐ It will make a minimum of **sustainable investments with an environmental objective: \_\_\_\_%**

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective: \_\_\_\_%**

☒ 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 5% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☒ with a social objective

☐ It promotes E/S characteristics, but **will not make any sustainable investments**

**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, the environmental characteristics of: reduction in greenhouse gas ("GHG") 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 small-capitalisation companies across European developed markets which meet certain minimum environmental, social and governance ("ESG") criteria.

The Reference Index is based on the Parent Index (as defined below). The Reference Index excludes companies from the Parent Index which do not fulfil certain minimum ESG criteria.

### **ESG Exclusion Criteria**

The Reference Index applies an ESG Exclusion approach, where all of the companies from the Parent Index which breach the following ESG criteria, are excluded:

- Companies which are unrated or missing relevant coverage by MSCI ESG Research;
- Companies which are assigned an MSCI ESG Rating of BB or below;
- Companies which have any involvement in controversial weapons as categorised by MSCI ESG Research;
- Companies which have an MSCI ESG Controversies score of 0, or have an insufficient MSCI ESG Controversies score related to certain environmental controversies;
- Companies which are classified by MSCI in their Business Involvement Screening Research or Climate Change Metrics as breaching certain revenue thresholds in controversial activities, including, but not limited to, civilian firearms, nuclear weapons, tobacco, adult entertainment, alcohol, conventional weapons, gambling, genetically modified organisms, nuclear power, fossil fuel reserves ownership, fossil fuel extraction, fossil fuel power generation, unconventional oil and gas extraction, oil and gas, thermal coal mining and thermal coal power; and
- Companies which fail to comply with the United Nations Global Compact principles.

Such exclusions comprise the requirements as laid out in Article 12(1)(a) to (g) of the Commission Delegated Regulation (EU) 2020/1818 ("PAB Exclusions").

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#### *MSCI ESG Controversies*

MSCI ESG Controversies provides assessments of controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services.

#### *MSCI ESG Business Involvement Screening Research*

MSCI ESG Business Involvement Screening Research (**BISR**) aims to enable institutional investors to manage ESG standards and restrictions. MSCI ESG BISR is utilised to identify and exclude companies involved in industries with a high potential for negative environmental, health and/or social impact based on the value-based criteria and thresholds from the MSCI SRI Indexes methodology.

#### *MSCI Climate Change Metrics*

MSCI Climate Change Metrics provides climate data & tools to support institutional investors seeking to integrate climate risk & opportunities into their investment strategy and processes.

### **GHG Intensity Reduction Criteria**

The Reference Index also includes carbon emission reduction criteria, whereby if having applied the above exclusions, 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 as determined by MSCI Climate Change Metrics.

### **Security Selection and Weighting**

Securities from the Parent Index which pass the ESG Exclusion Criteria outlined above will constitute the eligible

universe (the “Eligible Universe”). The GHG Intensity Reduction Criteria may then be applied to exclude additional securities from the Eligible Universe until the relevant GHG intensity reduction is achieved relative to the Parent Index. After the ESG Exclusion and GHG Intensity Reduction Criteria are applied, the remaining securities are weighted in proportion of their free float-adjusted market capitalisation.

The Reference Index is a total return net index. A total return net index calculates the performance of the index constituents on the basis that any dividends or distributions are reinvested net of applicable withholding tax.

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

● ***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 as determined by MSCI, including violation of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Typically, such exposure is expected to be 0%.
- **Exposure to Worst-in-Class issuers:** The percentage of the financial product’s portfolio’s market value exposed to companies with a rating of “CCC” as determined by MSCI. Typically, such exposure is expected to be 0%.
- **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 MSCI. Typically, such exposure is expected to be 0%.
- **Greenhouse Gas Intensity:** The financial product’s portfolio’s weighted average of its holding issuers’ GHG Intensity ((i) Scope 1 carbon emissions, namely emissions generated from sources that are controlled by the company that issues the underlying assets, (ii) Scope 2 carbon emissions, namely emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the company that issues the underlying assets and (iii) estimated Scope 3 carbon emissions, namely all indirect emissions that are not covered by points (i) and (ii) that occur in the value chain of the reporting company, including both upstream and downstream emissions, in particular for sectors with a high impact on climate change and its mitigation) GHG emissions/EUR million revenue as determined by MSCI.
- **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 MSCI, and includes companies deriving revenue from thermal coal extraction, unconventional and conventional oil and gas extraction, oil refining, as well as revenue from thermal coal based power generation, liquid fuel based power generation, or natural gas based power generation

● ***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 5% 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 are calculated as the product of an issuer’s weight within the financial product and the proportion of such issuer’s economic activities which contribute to an environmental objective and/or a social objective (an activity-based approach), 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.

Sustainable economic activities that contribute to an environmental and/or social objective can be defined as 1) economic activities contributing to the objectives set out under the EU Taxonomy Regulation including, but not limited to, climate change mitigation and adaptation, or 2) economic activities that are not environmentally sustainable under the EU Taxonomy, but which contribute to an environmental or social objective as defined under Article 2(17) SFDR. The environmental and/or social objectives under Article 2(17) SFDR, which are not defined under the EU Taxonomy, include the United Nations Sustainable Development Goals (“UN SDGs”), of (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. Such environmentally or socially sustainable investments are identified by their activities which contribute positively to the UN SDGs as 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.

For the avoidance of doubt, while this Fund may contribute to the environmental objectives of climate change mitigation and climate change adaptation, it measures such contribution in the manner outlined above and not against the technical screening criteria set down in the EU Taxonomy Regulation. As such, it does not commit a minimum proportion of sustainable investments with an environmental objective aligned with the EU Taxonomy Regulation.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How 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; which harm any of the environmental and/or social objectives identified by their contribution to a UN SDG;
- Violation of international norms (such as the United Nations Global Compact principles) or involvement in very severe controversies (as assessed using MSCI ESG Controversies, amongst others). The MSCI ESG Controversies analysis provides assessments of controversies concerning the negative environmental, social and/or governance impact of company operations, products and services. Identified controversy cases include alleged company violations of existing laws and/or regulations or an alleged company action or event that violates commonly accepted international norms, including global norms and conventions, such as the International Labour Organization (“ILO”) Fundamental Conventions. A case can be a single event such as a spill, accident or regulatory action, or a set of closely linked events or allegations such as health and safety fines at the same facility, multiple allegations of anticompetitive behaviour related to the same product line, multiple community protests at the same company location or multiple individual lawsuits alleging the same type of discrimination. The categorisation

of a controversy case as being very severe (MSCI ESG Controversies Score of 0) is based on a combination of the assessed severity of the controversy as well as the assessments of the company's alleged role and the status of the case remediation; and

- Violation of certain principal adverse indicator thresholds, as further detailed under the section entitled "How have the indicators for adverse impacts on sustainability factors been taken into account?" below.

-- *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 the following 14 mandatory principal adverse indicators on sustainability factors applicable to investments in investee companies from Table 1 of Annex I of the Commission Delegated Regulation (EU) 2022/1288 supplementing SFDR: PAI 1 GHG emissions; PAI 2 carbon footprint; PAI 3 GHG intensity of investee companies; PAI 4 exposure to companies active in the fossil fuel sector; PAI 5 share of non-renewable energy consumption and production; PAI 6 energy consumption intensity per high impact climate sector; PAI 7 activities negatively affecting biodiversity-sensitive areas; PAI 8 emissions to water; PAI 9 hazardous waste and radioactive waste ratio; PAI 10 violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises; PAI 11 lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises; PAI 12 unadjusted gender pay gap; PAI 13 board gender diversity; and PAI 14 exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons). DWS has established quantitative thresholds and/or qualitative values to determine if an issuer significantly harms any of the environmental or social objectives. These values are set based upon various external and internal factors, such as data availability or market developments and may be adapted going forward. For further information on these thresholds, please refer to '5.2. Step 2: Do No Significant Harm – Assessment' of the Procedure Document on ESG Methods, Data Sources and Data Processing available via the following link: [https://etf.dws.com/en-lu/AssetDownload/Index/2bf90132-87c2-40f6-91e9-e732407c4562/202403\\_DWS%20Procedure%20Document\\_Final.pdf](https://etf.dws.com/en-lu/AssetDownload/Index/2bf90132-87c2-40f6-91e9-e732407c4562/202403_DWS%20Procedure%20Document_Final.pdf)

In addition to the integration of principal adverse indicators in the DNSH assessment, the financial product 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);
- Exposure to companies active in the fossil fuel sector (no. 4);
- 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 not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do not 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) by tracking the Reference Index which includes relevant considerations:
- Carbon footprint (no. 2) – as considered through the exclusion of potential constituents breaching certain revenue thresholds in certain controversial activities and the GHG Intensity Reduction Criteria, whereby if having applied the ESG exclusions, the 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;
  - GHG intensity of investee companies (no. 3) – as considered through the GHG Intensity Reduction Criteria, whereby if having applied the ESG exclusions, the 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;
  - Exposure to companies active in the fossil fuel sector (no. 4) - as considered through the exclusion of potential constituents classified by MSCI in their Business Involvement Screening Research or Climate Change Metrics as breaching certain revenue thresholds in controversial activities, including, fossil fuel reserves ownership, fossil fuel extraction, fossil fuel power generation, unconventional oil and gas extraction, oil and gas, thermal coal mining, and thermal coal power;
  - Violation of UN Global Compact principles and OECD Guidelines for multinational enterprises (no. 10) - as considered through the application of exclusions of companies that fail to comply with the United Nations Global Compact principles or have an MSCI Controversies Score of 0; and
  - Exposure to controversial weapons (no. 14) - as considered through the exclusion of potential constituents that have any involvement in controversial weapons, as categorised by MSCI ESG Research.

Information relating to the principal adverse impacts considered by the financial product will be made available in its annual financial statements.

☐ No



### What investment strategy does this financial product follow?

The investment objective of the financial product is to track the performance before fees and expenses of the “Reference Index”, which is the MSCI Europe Small Cap Low Carbon SRI Screened Select Index, which is designed to reflect the performance of the shares of small capitalisation companies across European developed markets, which meet certain minimum environmental, social and governance (“ESG”) criteria. The Reference Index is based on the MSCI Europe Small Cap Index (the “**Parent Index**”). The Parent Index is designed to reflect the performance of small-capitalisation companies in European developed markets. The Reference Index excludes companies from the Parent Index which do not meet certain minimum ESG criteria.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The investment objective of the financial product is to track the performance before fees and expenses of the Reference Index, which excludes companies from the Parent Index which do not meet

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



certain minimum ESG criteria.

### **ESG Exclusion Criteria**

The Reference Index applies an ESG Exclusion approach where all of the companies from the Parent Index which breach the following ESG criteria, are excluded:

- Companies which are unrated or missing relevant coverage by MSCI ESG Research;
- Companies which are assigned an MSCI ESG Rating of BB or below;
- Companies which have any involvement in controversial weapons, as categorised by MSCI ESG Research;
- Companies which have an MSCI ESG Controversies score of 0, or have an insufficient MSCI ESG Controversies score related to certain environmental controversies;
- Companies which are classified by MSCI in their Business Involvement Screening Research or Climate Change Metrics as breaching certain revenue thresholds in controversial activities, including, but not limited to, civilian firearms, nuclear weapons, tobacco, adult entertainment, alcohol, conventional weapons, gambling, genetically modified organisms, nuclear power, fossil fuel reserves ownership, fossil fuel extraction, fossil fuel power generation, unconventional oil and gas extraction, oil and gas, thermal coal mining and thermal coal power; and
- Companies which fail to comply with the United Nations Global Compact principles.

Such exclusions comprise the requirements as laid out in Article 12(1)(a) to (g) of the Commission Delegated Regulation (EU) 2020/1818 ("PAB Exclusions").

The Reference Index utilises data from MSCI ESG Research to apply certain ESG criteria using the following products: MSCI ESG Ratings, MSCI ESG Controversies Score, MSCI ESG Business Involvement Screening Research and MSCI Climate Change Metrics.

#### **MSCI ESG Ratings**

MSCI ESG Ratings provide research, data, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities. MSCI ESG Ratings provides an overall company ESG rating.

#### **MSCI ESG Controversies**

MSCI ESG Controversies provides assessments of controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services.

#### **MSCI ESG Business Involvement Screening Research**

MSCI ESG Business Involvement Screening Research (BISR) aims to enable institutional investors to manage ESG standards and restrictions. MSCI ESG BISR is utilised to identify and exclude companies involved in industries with a high potential for negative environmental, health and/or social impact based on the value-based criteria and thresholds from the MSCI SRI Indexes methodology.

#### **MSCI Climate Change Metrics**

MSCI Climate Change Metrics provides climate data & tools to support institutional investors seeking to integrate climate risk & opportunities into their investment strategy and processes.

### **GHG Intensity Reduction Criteria**

The Reference Index also includes carbon emission reduction criteria, whereby if having applied the above exclusions, 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 as determined by MSCI Climate Change Metrics.

#### **Security Selection and Weighting**

Securities from the Parent Index which pass the ESG Exclusion Criteria outlined above will constitute the eligible universe (the “Eligible Universe”). The GHG Intensity Reduction Criteria may then be applied to exclude additional securities from the Eligible Universe until the relevant GHG intensity reduction is achieved relative to the Parent Index. After the ESG Exclusion and GHG Intensity Reduction Criteria are applied, the remaining securities are weighted in proportion of their free float-adjusted market capitalisation.

The Reference Index is reviewed and rebalanced on at least a quarterly basis and may also be rebalanced at other times in order to reflect corporate activity such as mergers and acquisitions or based on certain changes to issuers’ ESG metrics.

The Reference Index is a total return net index. A total return net index calculates the performance of the index constituents on the basis that any dividends or distributions are reinvested net of applicable withholding tax.

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 policy of the financial product is to assess good governance practices of investee companies using MSCI ESG Ratings and MSCI ESG Controversies data. The Management Company, Investment Manager, and/or the Sub-Portfolio Manager (“DWS”) ensure during the design of the financial product and the index due diligence that minimum standards with regard to the good governance practices of investee companies are included as ESG criteria within the methodology of the Reference Index. DWS also performs a regular assessment of the ESG alignment of the financial product and Reference Index, including good governance criteria.

MSCI ESG Ratings provide research, data, analysis, and ratings of how well companies manage environmental, social and governance risks and opportunities. MSCI ESG Ratings provides an overall company ESG rating. The inclusion of governance criteria in the MSCI ESG Rating ensures that any securities which pass the ESG criteria implemented by the financial product, by having an MSCI ESG Rating above ‘CCC’, have been assessed to not breach key issues including: board composition, pay, ownership, accounting, business ethics, and tax transparency.

MSCI ESG Controversies provides assessments of controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services. The financial product will utilise MSCI ESG Controversies to exclude companies with an MSCI Controversies Score of 0 which are companies which have very severe controversies, including governance controversies such as: bribery and fraud, governance structures, and controversial investments.

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



## What is the asset allocation planned for this financial product?

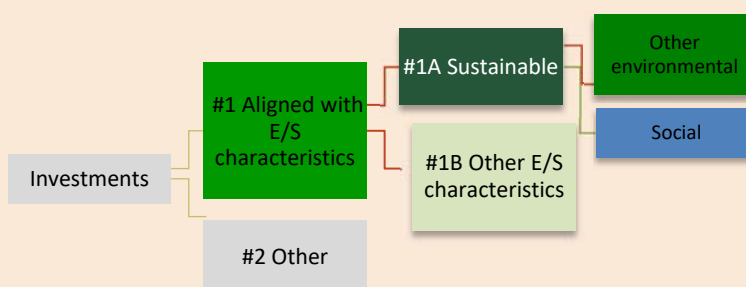
This financial product invests at least 90% of its net assets in investments that are aligned with the promoted environmental and social characteristics (#1 Aligned with E/S characteristics). Within this category, at least 5% of the financial product's assets qualify as sustainable investments (#1A Sustainable).

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

**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.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## 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 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.



## 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. As a result, the financial product does not intend to make investments within the scope of the EU Taxonomy Regulation.

- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>2</sup>?

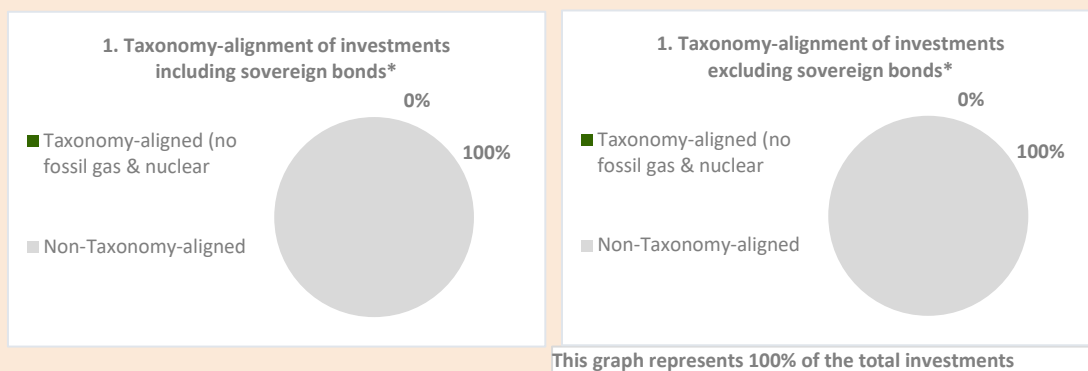
Yes:

☐ 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.

- 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.

<sup>2</sup> 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.

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 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 5%.



### **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 5%.



### **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 MSCI Europe Small Cap Low Carbon SRI Screened Select Index as the reference benchmark.

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

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

The Reference Index promotes environmental and social characteristics by excluding companies from the Parent Index which do not fulfil the specific 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?***

The Reference Index is based on the Parent Index, which is designed to reflect the performance of small-capitalisation companies in European developed markets.

The Reference Index is based on the Parent Index and is designed to exclude companies from the

Parent Index which do not meet certain minimum ESG criteria.

### **ESG Exclusion Criteria**

The Reference Index applies an ESG Exclusion approach, where all of the companies from the Parent Index which breach the following ESG criteria, are excluded:

- Companies which are unrated or missing relevant coverage by MSCI ESG Research;
- Companies which are assigned an MSCI ESG Rating of BB or below;
- Companies which have any involvement in controversial weapons, as categorised by MSCI ESG Research;
- Companies which have an MSCI ESG Controversies score of 0, or have an insufficient MSCI ESG Controversies score related to certain environmental controversies;
- Companies which are classified by MSCI in their Business Involvement Screening Research or Climate Change Metrics as breaching certain revenue thresholds in controversial activities, including, but not limited to, civilian firearms, nuclear weapons, tobacco, adult entertainment, alcohol, conventional weapons, gambling, genetically modified organisms, nuclear power, fossil fuel reserves ownership, fossil fuel extraction, fossil fuel power generation, unconventional oil and gas extraction, oil and gas, thermal coal mining and thermal coal power; and
- Companies which fail to comply with the United Nations Global Compact principles.

Such exclusions comprise the requirements as laid out in Article 12(1)(a) to (g) of the Commission Delegated Regulation (EU) 2020/1818 ("PAB Exclusions").

The Reference Index utilises data from MSCI ESG Research to apply certain ESG criteria using the following products: MSCI ESG Ratings, MSCI ESG Controversies Score, MSCI ESG Business Involvement Screening Research and MSCI Climate Change Metrics.

#### **MSCI ESG Ratings**

MSCI ESG Ratings provide research, data, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities. MSCI ESG Ratings provides an overall company ESG rating.

#### **MSCI ESG Controversies**

MSCI ESG Controversies provides assessments of controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services.

#### **MSCI ESG Business Involvement Screening Research**

MSCI ESG Business Involvement Screening Research (BISR) aims to enable institutional investors to manage ESG standards and restrictions. MSCI ESG BISR is utilised to identify and exclude companies involved in industries with a high potential for negative environmental, health and/or social impact based on the value-based criteria and thresholds from the MSCI SRI Indexes methodology.

#### **MSCI Climate Change Metrics**

MSCI Climate Change Metrics provides climate data & tools to support institutional investors seeking to integrate climate risk & opportunities into their investment strategy and processes.

### **GHG Intensity Reduction Criteria**

The Reference Index also includes carbon emission reduction criteria, whereby if having applied the above exclusions, 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 as determined by MSCI Climate Change Metrics.

### **Security Selection and Weighting**

Securities from the Parent Index which pass the ESG Exclusion Criteria outlined above will constitute the eligible universe (the “Eligible Universe”). The GHG Intensity Reduction Criteria may then be applied to exclude additional securities from the Eligible Universe until the relevant GHG intensity reduction is achieved relative to the Parent Index. After the ESG Exclusion and GHG Intensity Reduction Criteria are applied, the remaining securities are weighted in proportion of their free float-adjusted market capitalisation.

The Reference Index is reviewed and rebalanced on at least a quarterly basis and may also be rebalanced at other times in order to reflect corporate activity such as mergers and acquisitions or based on certain changes to issuers’ ESG metrics.

The Reference Index is a total return net index. A total return net index calculates the performance of the index constituents on the basis that any dividends or distributions are reinvested net of applicable withholding tax.

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

Additional information on the Reference Index, its composition, ESG criteria, calculation and rules for periodical review and re-balancing and on the general methodology behind the MSCI indices can be found on <http://www.msci.com>.



### **Where can I find more product specific information online?**

More product-specific information can be found on the website: [www.xtrackers.com](http://www.xtrackers.com) by searching for the name of the financial product and accessing the downloads section as well as on your local country website.