

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

### **Supplement to the Prospectus**

This Supplement contains information in relation to Xtrackers ESG USD Emerging Markets Bond Quality Weighted 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”), and 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 2 September 2024**

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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 the Underlying Asset, which is the iBoxx MSCI ESG USD Emerging Markets Sovereigns Quality Weighted Index (the "**Reference Index**"). The Reference Index is designed to reflect the adjusted performance of USD denominated sovereign bonds issued by emerging market countries. The Reference Index aims to offer a targeted coverage of the USD denominated emerging market sovereign bonds universe with adjusted weights, by allocating higher weights to countries with relatively solid fundamentals and higher MSCI ESG Government Ratings while reducing weights of countries with relatively weak fundamentals and lower MSCI ESG Government Ratings, with a minimum of 20% of the eligible universe being excluded solely on the basis of the MSCI ESG Government Ratings. Further information on the Reference Index is contained under "General Description of the Underlying Asset".

### Investment Policy

In order to seek to achieve the investment objective, the Fund will adopt a Direct Investment Policy. There is no assurance that the investment objective of the Fund will actually be achieved.

The Fund will aim to track, before fees and expenses, the performance of the Reference Index by holding a portfolio mainly comprised of fixed rate USD denominated government bonds issued by emerging market countries that comprises all or a representation of the securities comprised in the Reference Index or unrelated transferable securities or other eligible assets (the "**Underlying Securities**"). The Fund is managed according to a passive approach and is an Optimised Replication Fund (as described in the Prospectus under the heading "*Direct Investment Funds following a passive approach*"). The optimised sample of securities determined will be selected with the aim of providing the most representative sample of the Reference Index based on its evaluation of the Underlying Securities against factors including, but not limited to, the correlation of the Underlying Securities to the Reference Index and the exposure, liquidity and risk of the Underlying Securities. Any unrelated transferable securities held by the Fund will typically be similar to the securities comprised in the Reference Index. 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*"). 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)

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 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 that 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 (and, for Currency Hedged Share Classes, the relevant hedging arrangement, as described under "**Share Class Currency Hedging Methodology**"), 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 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.

### **Share Class Hedging**

The "2D – EUR Hedged" and "3C – CHF Hedged" Share Classes ("**Currency Hedged Share Class**", as indicated under Description of the Shares below) are subject to currency hedging.

The Fund will seek to hedge against the currency exposures of the Underlying Securities in the portfolio which differ from the currency of the respective Currency Hedged Share Class in accordance with the "**Share Class Currency Hedging Methodology**" set out in the Prospectus.

Investors should note that the Currency Hedged Share Classes will not completely eliminate currency risk, or provide a precise hedge, and as such, investors may have exposures to currencies other than the currency of the Currency Hedged Share Class.

### **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 a 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 would not be expected to 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.

#### *Sovereign Bond Risk*

Sovereign bond indices, such as the Reference Index, provide notional exposure to the value and/or return of certain bonds which may fall significantly in case of default. Markets in these asset classes may at times become volatile or illiquid. This means that ordinary trading activity may occasionally be disrupted or impossible. Such indices may be affected and your investment may suffer a consequent loss. The possibility of default of emerging markets sovereign debt issuers is higher than that of non-emerging market issuers of sovereign debt. This may in turn negatively affect the value of your investment.

#### *Currency Hedging Risk*

In order to mitigate against the risk of movements in the currency of the Currency Hedged Share Classes against the currency of the portfolio constituents (where they are different to that of the Currency Hedged Share Classes currency), Share Class specific derivative transactions will be entered into for the purposes of acquiring currency hedges for each Currency Hedged Share Class. The return of the Share Class specific derivative transactions may not perfectly offset the actual fluctuations between the Currency Hedged Share Class currency and currency exposures of the securities that constitute the portion of the portfolio referable to the Currency Hedged Share Classes. No assurance can be given that such hedging activities will be entirely effective in achieving the purpose for which they have been entered into. While currency hedging reduces risks and losses in adverse market circumstances, it can also reduce and may completely offset gains in market circumstances that would otherwise have been beneficial had the position not been hedged. Consequently, the performance of the Currency Hedged Share Classes may differ from that of the Underlying Asset as a result of the foreign exchange hedging transactions.

#### *Emerging Markets*

Investors in the Fund should be aware of the following risks associated with an investment in emerging markets:

- (a) *Emerging Market Risk:* Investments in the markets to which the Reference Index relates are currently exposed to risks pertaining to emerging markets generally. These include risks brought about by investment ceiling limits where foreign investors are subject to certain holding limits and constraints imposed on trading of listed securities where a registered foreign investor may only maintain a trading account with one licensed securities company in the relevant market. These may contribute to the illiquidity of the relevant securities market, as well as create inflexibility and uncertainty as to the trading environment.
- (b) *Legal Risk:* The economies of most emerging markets are often substantially less developed than those of other geographic regions such as the United States of America and Europe. The laws and regulations affecting these economies are also in a relatively early stage of development and are not as well established as the laws and regulations of developed countries. Such countries' securities laws and regulations may still be in their development stages and not drafted in a very concise manner which may be subject to interpretation. In the event of a securities related dispute involving a foreign party, the laws of these countries would typically apply (unless an applicable international treaty provides otherwise). The court systems of these nations are not as transparent and effective as court systems in more developed countries or territories and there can be no assurance of obtaining effective enforcement of rights through legal proceedings and generally the judgements of foreign courts are often not recognised.
- (c) *Regulatory Risk:* Foreign investment in emerging economies' primary and secondary securities markets is often still relatively new and much of the relevant securities laws may be ambiguous and/or have been developed to regulate direct investment by foreigners rather than portfolio investment. Investors should note that because of a lack of precedent, securities market laws and the regulatory environment for primary and secondary market investments by foreign investors can be in the early stages of development, and may, in some jurisdictions, remain untested. The regulatory framework of the emerging economies' primary and secondary securities markets is often in the development stage compared to many of the world's leading stock markets, and accordingly there may be a lower level of regulatory monitoring of the activities of the emerging economies' primary and secondary securities markets.
- (d) *Taxation risk:* The Fund may invest in jurisdictions where the tax regime is not fully developed or is not

sufficiently certain, and as such changes to the tax policies may be implemented without any prior notice and may also apply retrospectively. Any changes in tax policies may reduce the after-taxation returns of the underlying assets to which the performance of the Fund is linked to.

#### *Liquidity Risk*

Primary market investors should be aware that it may take up to nine Settlement Days following the Transaction Day to receive the proceeds of redemptions requests.

#### *Concentration of the Reference Index in sovereign debt*

The Reference Index covers sovereign debt issued in emerging markets. As a result, the Reference Index may be concentrated in sovereign debt issued or guaranteed by one or more governments. Changes in the financial condition of the relevant governments, changes in specific economic or political conditions that affect the governments, and changes in general economic or political conditions can affect the value of the debt issued by the governments. Such issuer-specific changes may have an adverse impact on the performance of the Reference Index and the portfolio of transferable securities and eligible assets held by the Fund.

#### *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

Dividends may be declared and paid on the "1D" and "2D – EUR Hedged" Share Classes up to four times per annum. The Fund does not intend to make dividend payments in relation to the "1C" and "3C – CHF Hedged" Share Class.

## General Information Relating to the Fund

<b>Base Currency</b>	USD
<b>Cut-off Time</b>	Means 2:30 p.m. Dublin time on the relevant Transaction Day.
<b>Initial Offer Period</b>	The Initial Offer Period in respect of the "3C – CHF Hedged" Shares shall be from 9:00 a.m. on 3 September 2024 to 2:00 p.m. (Dublin time) on 3 March 2025 or such earlier or later date as the Directors may determine and notify periodically to the Central Bank.
<b>Minimum Fund Size</b>	USD 50,000,000
<b>Settlement Days</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.

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<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).

**Significant Market**

Means a Direct Replication Significant Market.

**Description of the Shares**

	"1D"	1C	"2D – EUR Hedged"	"3C – CHF Hedged"
<b>ISIN Code</b>	IE00BD4DX952	IE0004KLW911	IE00BD4DXB77	IE00BYVK2T98
<b>German Security Identification Number (WKN)</b>	A144GB	DBX0R0	A144GC	A2AERU
<b>Currency</b>	USD	USD	EUR	CHF
<b>Initial Issue Price</b>	N/A	N/A	N/A	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>	6 April 2016	15 June 2022	31 July 2017	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>	80,000 Shares	80,000 Shares	80,000 Shares	80,000 Shares
<b>Minimum Additional Investment Amount</b>	80,000 Shares	80,000 Shares	80,000 Shares	80,000 Shares
<b>Minimum Redemption Amount</b>	80,000 Shares	80,000 Shares	80,000 Shares	80,000 Shares

**Fees and Expenses**

	"1D"	"1C"	"2D – EUR Hedged"	"3C – CHF Hedged"
<b>Management Company Fee</b>	Up to 0.35% per annum	Up to 0.35% per annum	Up to 0.40% per annum	Up to 0.45% per annum
<b>Platform Fee</b>	Up to 0.10% per annum	Up to 0.10% per annum	Up to 0.10% per annum	Up to 0.10% per annum
<b>All-in Fee</b>	Up to 0.45% per annum	Up to 0.45% per annum	Up to 0.50% per annum	Up to 0.55% per annum



<b>Primary Market Transaction Costs</b>	Applicable	Applicable	Applicable	Applicable
<b>Transaction Costs</b>	Applicable	Applicable	Applicable	Applicable
<b>Anticipated Level of Tracking Error<sup>2</sup></b>	Up to 2.00%			

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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<sup>2</sup> The anticipated tracking error displayed represents the tracking error of the unhedged Share Classes against the Fund's Reference Index (which is also unhedged).

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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 administered by Markit Indices Limited, a subsidiary of IHS Markit Benchmark Administration Limited (together "**Markit Group**") (the "**Index Administrator**").

The objective of the Reference Index is to represent the adjusted performance of USD denominated sovereign bonds issued by emerging market countries. The Reference Index aims to offer a targeted coverage of the USD denominated emerging market sovereign bonds universe with adjusted weights, by allocating higher weights to countries with relatively solid fundamentals and higher MSCI ESG Government Ratings while reducing weights of countries with relatively weak fundamentals and lower MSCI ESG Government Ratings.

The Reference Index is a total return gross index. A total return gross index calculates the performance of the index constituents on the basis that any distributions are reinvested. The Reference Index is calculated on an end of day basis.

The eligible universe is comprised of USD denominated fixed coupon bonds and zero coupon bonds with a bond or issuer rating (as described below) of B or higher that are issued by the central governments or the central banks of emerging market countries.

#### *Credit rating:*

To be eligible for the Reference Index, bonds or issuers must have a rating of B or higher. Ratings from the following three credit rating agencies are considered for the calculation of the rating: Fitch Ratings ("Fitch"), Standard & Poor's Rating Services ("S&P") and Moody's Investors Service ("Moody's"). The rating is computed as follows:

- If the bond is rated by only a single credit rating agency, this rating is used.
- If the bond is rated by two agencies, the worst rating is used.
- If the bond is rated by all three agencies, the better of the lower two ratings is used.
- If a senior bond is not rated by any of the three credit rating agencies, the bond's issuer rating applies to the bond if available.

For the avoidance of doubt, emerging market countries that are in default on their external debt or that do not have a long term foreign debt rating from at least one of Fitch, Moody's or S&P are excluded from the Reference Index.

#### *Emerging Market Countries:*

Only issuers from countries/territories classified as emerging markets are eligible for the Reference Index. The list of emerging markets is established according to Markit Global Economic Development Classification Methodology (the "**Emerging Market Countries**") and is used to determine the eligibility of the issuer. Countries that are included on international financial sanctions lists may be excluded from the Reference index.

#### *Bond types:*

Among others, bonds with the following characteristics are included: fixed coupon bonds ("plain vanilla bonds"), zero coupon bonds and sinking fund bonds. Sinking fund bonds are bond issues in which all or part of the issuer's debt is redeemed, according to a schedule, prior to the maturity of that bond.

The Index Administrator may impose certain additional requirements on bonds to be included in the Reference Index. Such requirements may comprise of, but are not limited to: (i) minimum amount outstanding; and (ii)

minimum remaining time to maturity.

Puttable bonds are specifically excluded from the Reference Index.

*Weighting and ESG Exclusions:*

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

The Reference Index is not purely market cap weighted on a country level. Countries are weighted by their relative fundamental economic score and MSCI ESG Government Ratings.

Firstly, fundamental economic scores are calculated in accordance with the prescribed methodology of the Reference Index for all countries/territories classified as Emerging Market Countries and are based on, but not limited to, the following factors:

- GDP per capita in USD (World Economic Outlook of the IMF)
- GDP growth (World Economic Outlook of the IMF)
- Inflation (World Economic Outlook of the IMF)
- National debt in % of GDP (World Economic Outlook of the IMF)
- National debt in % of exports (World Economic Outlook of the IMF and World Development Indicators of the World Bank)
- Reserves in % of GDP (World Bank – World Development Indicators)
- History of default
- Global competitiveness (World Economic Forum – Competitiveness Index)

Following the application of all of the above financial screening criteria, the Reference Index normalises country weights such that they add up to 100% and ranks countries which are still eligible for inclusion by their MSCI Government ESG Rating. The MSCI Government ESG Rating assesses a country's exposure to and management of environmental, social and governance risks and explain how these factors might impact the long-term sustainability of its economy. The factors which measure a country's exposure to and management of ESG risks include but are not limited to: efficiency of resource utilisation, performance in relation to socio-economic factors, financial management, corruption control, political stability. These factors take into account a wide range of underlying data points, covering sub-factors including but not limited to: energy security risk, water resources, vulnerability to environmental events, higher education and technological readiness, the judicial and penal system, and governance effectiveness. By providing a long-term view on sustainability the ratings aim to complement traditional government debt analysis in order to analyse a country's credit worthiness. Starting with the lowest MSCI Government ESG Rating, countries will be excluded until the cumulative market value weight of such exclusions reaches a minimum 20% threshold (effectively a "best-in-universe" approach). The remaining eligible country weights are then normalised again so that the cumulative weightings in the Reference Index add up to 100%.

Additional caps may be applied to reduce the exposure to countries with non-investment grade ratings and to reduce the weighting of individual countries in the Reference Index.

The Index Administrator may exclude certain Emerging Market Countries from the Reference Index if

- (i) their weighting allocation is minimal and does not exceed certain thresholds determined by the Index Administrator
- (ii) A country has a low MSCI ESG Government Rating.

The Reference Index is reviewed and rebalanced once a month. Emerging Market Country weights are re-allocated every three months.

The Reference Index has a base date of 31 October 2010.

The Reference Index is calculated using bid prices (i.e. the price purchasers are prepared to pay for the bonds). Bonds which are not constituents of the Reference Index universe for the current month, but become eligible for inclusion in the Reference Index universe at the next re-balancing, are valued at ask price (i.e. the price at which a seller is willing to sell the bonds) which is included in the Reference Index.

## Further Information

IHS Markit Benchmark Administration Limited has been granted authorisation as a benchmark administrator for all Markit indices under the UK's Benchmark Regulation and is listed on the FCA's register for administrators.

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

## Disclaimer

The Reference Index referenced herein is the property of S&P Dow Jones Indices, LLC (the “**Index Provider**”) and its affiliates and has been licensed for use in connection with the Fund. Each of the Index Provider and the Company acknowledges and agrees that the Fund is not sponsored, endorsed or promoted by the Index Provider. The Index Provider makes no representation whatsoever, whether express or implied, and hereby expressly disclaims all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Reference Index or any data included therein or relating thereto, and in particular disclaims any warranty either as to the quality, accuracy and/or completeness of the Reference Index or any data included therein, the results obtained from the use of the Reference Index and/or the composition of the Reference Index at any particular time on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a credit event or similar event (however defined) with respect to an obligation, in the Reference Index at any particular time on any particular date or otherwise. The Index Provider shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Reference Index, and the Index Provider is under no obligation to advise the parties or any person of any error therein.

The Index Provider makes no representation whatsoever, whether express or implied, as to the advisability of purchasing or selling any Shares in the Fund, the ability of the Reference Index to track relevant markets' performances, or otherwise relating to the Reference Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Provider has no obligation to take the needs of any party into consideration in determining, composing or calculating the Reference Index. No party purchasing or selling any Shares in the Fund, nor the Index Provider, shall have any liability to any party for any act or failure to act by the Index Provider in connection with the determination, adjustment, calculation or maintenance of the Reference Index.

MSCI ESG Research LLC or its affiliates (“MSCI”) does not in any way sponsor, support, promote or endorse the Reference Index or the Fund, and MSCI bears no liability with respect to the Fund or the Reference Index. MSCI was not and is not involved in any way in the creation, calculation, maintenance or review of the Reference Index. “MSCI” and “MSCI ESG Research” are trademarks or service marks of MSCI and are used herein subject to license from MSCI. All goodwill and use of “MSCI” and “MSCI ESG Research” inures to the benefit of MSCI. No other use of “MSCI” and “MSCI ESG Research” is permitted without a license from MSCI. For the avoidance of doubt, MSCI is not the benchmark “administrator” for, or a “contributor”, “submitter” or “supervised contributor” to, the Reference Index, and the MSCI ESG Government Rating is not considered a “contribution” or “submission” in relation to the Reference Index, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI ESG Government Rating is provided “AS IS” without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilizing any MSCI ESG Government Rating, models, analytics or other materials or information. Without limiting any of the foregoing, in no event shall MSCI have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages in connection with the MSCI ESG Government Rating or the Reference Index.

MSCI's website ([www.msci.com](http://www.msci.com)) contains more detailed information about MSCI data.

## 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 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 ESG USD Emerging Markets Bond Quality Weighted UCITS ETF  
Legal entity identifier: 549300BQBF21JCBVKV46

## 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 \_\_\_% 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 holds a portfolio of securities that comprises all or a representation of the securities comprised in the Reference Index or unrelated transferable securities or other eligible assets. The Reference Index is designed to offer a targeted coverage of the USD denominated emerging market

sovereign bonds universe with adjusted weights, by allocating higher weights to countries with relatively solid fundamentals and higher MSCI ESG Government Ratings while reducing weights of countries with relatively weak fundamentals and lower MSCI ESG Government Ratings, with a minimum of 20% of the eligible universe being excluded solely on the basis of the MSCI ESG Government Ratings.

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

Following the application of financial screening criteria, the Reference Index normalises country weights such that they add up to 100% and ranks countries which are still eligible for inclusion by their MSCI Government ESG Rating. The MSCI Government ESG Rating assesses a country's exposure to and management of environmental, social and governance risks and explain how these factors might impact the longterm sustainability of its economy. The factors which measure a country's exposure to and management of ESG risks include but are not limited to: efficiency of resource utilisation, performance in relation to socio-economic factors, financial management, corruption control, political stability. These factors take into account a wide range of underlying data points, covering sub-factors including but not limited to: energy security risk, water resources, vulnerability to environmental events, higher education and technological readiness, the judicial and penal system, and governance effectiveness. By providing a long-term view on sustainability the ratings aim to complement traditional government debt analysis in order to analyse a country's credit worthiness. Starting with the lowest MSCI Government ESG Rating, countries will be excluded until the cumulative market value weight of such exclusions reaches a minimum 20% threshold (effectively a "best-in-universe" approach). The remaining eligible country weights are then normalised again so that the cumulative weightings in the Reference Index add up to 100%.

**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?***
  - **Country Environment Pillar Score:** The weighted average of the financial product's portfolio's market value sovereign environmental risk score, assessing issuers' overall performance on environmental risk factors as measured by MSCI.
  - **Country Social Pillar Score:** The weighted average of the financial product's portfolio's market value sovereign social risk score, assessing issuers' overall performance on social risk factors as measured by MSCI.
  - **Country Governance Pillar Score:** The weighted average of the financial product's portfolio's market value sovereign governance risk score, assessing issuers' overall performance on governance risk factors as measured by MSCI.

**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.

- ***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?***

N/A - Given the financial product does not intend to make sustainable investments and invests solely into sovereign debt, it is not expected that the financial product will be invested in sustainable economic activities that contribute to an environmental and/or social objective, in accordance with Article 2(17) of SFDR. 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 issuers follow good governance practices.

- ***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?***

N/A - Given the financial product does not intend to make sustainable investments and invests solely into sovereign debt, it is not expected that the financial product will be invested in sustainable economic activities that contribute to an environmental and/or social objective, in accordance with Article 2(17) of SFDR.

- ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

N/A - Given the financial product does not intend to make sustainable investments and invests solely into sovereign debt, indicators for adverse impacts on sustainability factors have not been taken into account for the purposes of determining sustainable economic activities that contribute to an environmental and/or social objective, in accordance with Article 2(17) of SFDR.

- ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?***

N/A - Given the financial product does not intend to make sustainable investments and invests solely into sovereign debt, it is not expected that the financial product will be invested in sustainable economic activities that contribute to an environmental and/or social objective, in accordance with Article 2(17) of SFDR.

*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):
- Investee countries subject to social violations (no. 16).
- 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 iBoxx MSCI ESG USD Emerging Markets Sovereigns Quality Weighted Index, which is designed to offer a targeted coverage of the USD denominated emerging market sovereign bonds universe with adjusted weights, by allocating higher weights to countries with relatively solid fundamentals and higher MSCI ESG Government Ratings while reducing weights of countries with relatively weak fundamentals and lower MSCI ESG Government Ratings, with a minimum of 20% of the eligible universe being excluded solely on the basis of the MSCI ESG Government Ratings.

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

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



Following the application of financial screening criteria, the Reference Index normalises country weights such that they add up to 100% and ranks countries which are still eligible for inclusion by their MSCI Government ESG Rating. The MSCI Government ESG Rating assesses a country's exposure to and management of environmental, social and governance risks and explain how these factors might impact the longterm sustainability of its economy. The factors which measure a country's exposure to and management of ESG risks include but are not limited to: efficiency of resource utilisation, performance in relation to socio-economic factors, financial management, corruption control, political stability. These factors take into account a wide range of underlying data points, covering sub-factors including but not limited to: energy security risk, water resources, vulnerability to environmental events, higher education and technological readiness, the judicial and penal system, and governance effectiveness. By providing a long-term view on sustainability the ratings aim to complement traditional government debt analysis in order to analyse a country's credit worthiness. Starting with the lowest MSCI Government ESG Rating, countries will be excluded until the cumulative market value weight of such exclusions reaches a minimum 20% threshold (effectively a "best-in-universe" approach). The remaining eligible country weights are then normalised again so that the cumulative weightings in the Reference Index add up to 100%.

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?***

Given the financial product invests solely into sovereign debt, there is no policy to assess good governance practices of investee companies. Nonetheless, the investment objective of the financial product is to track the performance before fees and expenses of the Reference Index which excludes and/or underweights countries that have an ESG Score (which assesses, amongst other things, a country's governance risks) below a certain threshold.

- ***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 0% 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.

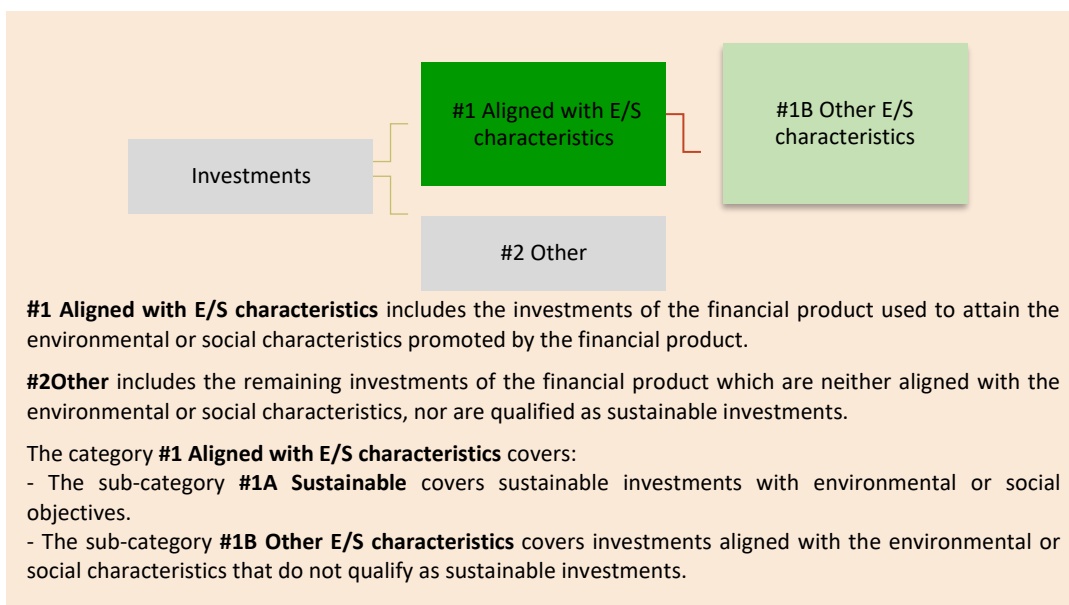


**Asset allocation** describes the share of investments in specific assets.

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

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



● **How does the use of derivatives attain the 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.

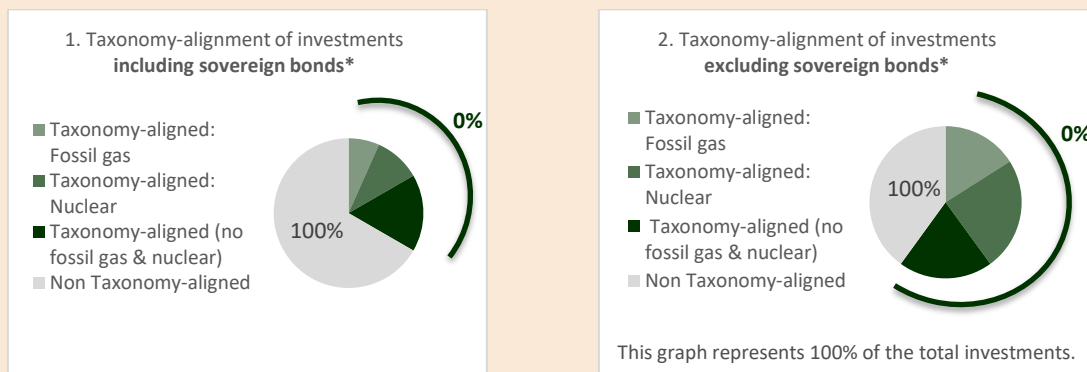
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>3</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>3</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.



### **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.



### **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 iBoxx MSCI ESG USD Emerging Markets Sovereigns Quality Weighted 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 adjusting weights, by allocating higher weights to countries with relatively solid fundamentals and higher MSCI ESG Government Ratings while reducing weights of countries with relatively weak fundamentals and lower MSCI ESG Government Ratings, with a minimum of 20% of the eligible universe being excluded solely on the basis of the MSCI ESG Government Ratings.

- ***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 track, before fees and expenses, the performance of the Reference Index by holding a portfolio mainly

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

comprised of fixed rate USD denominated government bonds issued by emerging market countries that comprises all or a representation of the securities comprised in the Reference Index or unrelated transferable securities or other eligible assets. Any unrelated transferable securities held by the financial product will typically be similar to the securities comprised in the Reference Index.

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

The Reference Index differs from a broad market index representing the performance of USD denominated sovereign bonds issued by emerging markets by adjusting weights, allocating higher weights to countries with relatively solid fundamentals and higher MSCI ESG Government Ratings while reducing weights of countries with relatively weak fundamentals and lower MSCI ESG Government Ratings.

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

Following the application of financial screening criteria, the Reference Index normalises country weights such that they add up to 100% and ranks countries which are still eligible for inclusion by their MSCI Government ESG Rating. The MSCI Government ESG Rating assesses a country's exposure to and management of environmental, social and governance risks and explain how these factors might impact the longterm sustainability of its economy. The factors which measure a country's exposure to and management of ESG risks include but are not limited to: efficiency of resource utilisation, performance in relation to socio-economic factors, financial management, corruption control, political stability. These factors take into account a wide range of underlying data points, covering sub-factors including but not limited to: energy security risk, water resources, vulnerability to environmental events, higher education and technological readiness, the judicial and penal system, and governance effectiveness. By providing a long-term view on sustainability the ratings aim to complement traditional government debt analysis in order to analyse a country's credit worthiness. Starting with the lowest MSCI Government ESG Rating, countries will be excluded until the cumulative market value weight of such exclusions reaches a minimum 20% threshold (effectively a "best-in-universe" approach). The remaining eligible country weights are then normalised again so that the cumulative weightings in the Reference Index add up to 100%.

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

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



### **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) as well as on your local country website.