

## **Xtrackers USD Corporate Bond Short Duration SRI PAB UCITS ETF**

### **Supplement to the Prospectus**

This Supplement contains information in relation to Xtrackers USD Corporate Bond Short Duration SRI PAB 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 must be read in conjunction with, the Prospectus.**

**Xtrackers (IE) plc**

**Dated 15 June 2023**

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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 Bloomberg MSCI USD Corporate SRI 0-5 Years PAB Index (the "**Reference Index**"). The Reference Index is designed to reflect the performance of the investment grade, USD-denominated, short-duration corporate bond market, excluding bonds which do not fulfill specific environmental, social, and governance ("**ESG**") criteria. 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 replicate or track, before fees and expenses, the performance of the Reference Index, by holding a portfolio mainly comprised of investment grade, USD-denominated, fixed-rate corporate bonds, 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 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 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. 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 or constituents of the Reference Index, for efficient portfolio management purposes, where such securities 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.

Investors should also note that the Fund may invest in ETFs established as collective investment schemes and authorised as UCITS in pursuit of its investment objective, subject to the investment restrictions outlined in the Prospectus. Such ETFs may include other Funds of the Company and all ETFs issued by Xtrackers and Xtrackers II which are collective investment schemes established and authorised as UCITS in Luxembourg.

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 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 Hedging**"), 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 "2C – EUR Hedged" Share Class ("**Currency Hedged Share Class**", as indicated under Description of the Shares below) is 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 Class 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 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.

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 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.

#### *Currency Hedging Risk*

In order to mitigate against the risk of movements in the currency of a Currency Hedged Share Class against the currency of the portfolio constituents (where they are different to that of the relevant Currency Hedged Share Class 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 a Currency Hedged Share Class may differ from that of the Underlying Asset as a result of the foreign exchange hedging transactions. To the extent that currency hedging is successful, the performance of the Currency Hedged Share Class is likely to move in line with the performance of the Underlying Asset and investors in the Currency Hedged Share Class will not benefit if the currency of the Currency Hedged Share Class falls against the Base Currency and/or the currency of the Underlying Asset.

#### *Concentration of the Reference Index*

The market which the Reference Index seeks to represent has a high concentration to one or more sectors. Therefore, investors should be aware that changes in the conditions affecting the concentrated sector or sectors 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) 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 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.

#### *EU Paris Aligned Benchmarks ("EU PAB") Compliance*

The Reference Index has been designed by the Index Administrator to meet the requirements set out for EU PAB in the Commission Delegated Regulation (EU) 2020/1818 supplementing Regulation (EU) 2016/1011 of the European Parliament and European Council with regards to the minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (the "**PAB Regulation**") in order to be designated as an EU PAB. Amongst other things, the PAB Regulation requires an EU PAB to reduce its greenhouse gas emissions by at least 7% year-on-year, and reduce greenhouse gas emissions by at least 50% against the Bloomberg USD Corporate 0-5 Years Index. However, investors should note that whilst the Reference Index seeks to ensure alignment with all relevant PAB Regulation requirements at each rebalance date, between these rebalances, limits may be breached and relevant targets may not be reached. Neither the Company, nor any of its service providers, makes any representation with respect to the accuracy, reliability, correctness of the way that any EU PAB standards are interpreted or implemented by the Index Administrator.

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" Shares up to four times per annum. The Fund does not intend to make dividend payments on the "2C – EUR Hedged" Shares.

## General Information Relating to the Fund

<b>Base Currency</b>	USD
<b>Cut-off Time</b>	Means 4.30 p.m. Dublin time on the relevant Transaction Day.
<b>Minimum Fund Size</b>	USD 50,000,000
<b>Settlement Date</b>	Means up to nine Business Days following the Transaction Day <sup>1</sup> .
<b>Securities Lending</b>	No

**Transparency under SFDR** 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 Business Day during the period between the relevant Dealing 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 Dealing Deadline. 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

	<b>"1D"</b>	<b>"2C – EUR Hedged"</b>
<b>ISIN Code</b>	IE00BF8J5974	IE00BFMKQ930
<b>German Security Identification Number (WKN)</b>	A2H5F5	A2JNWQ
<b>Currency</b>	USD	EUR
<b>Launch Date</b>	6 March 2018	6 November 2018
<b>Minimum Initial Investment Amount</b>	100,000 Shares	100,000 Shares
<b>Minimum Additional Investment Amount</b>	100,000 Shares	100,000 Shares
<b>Minimum Redemption Amount</b>	100,000 Shares	100,000 Shares

### Fees and Expenses

	<b>"1D"</b>	<b>"2C – EUR Hedged"</b>
<b>Management Company Fee</b>	Up to 0.06% per annum	Up to 0.11% per annum
<b>Platform Fee</b>	Up to 0.10% per annum	Up to 0.10% per annum
<b>All-in Fee</b>	Up to 0.16% per annum	Up to 0.21% per annum
<b>Primary Market Transaction Costs</b>	Applicable	Applicable
<b>Transaction Costs</b>	Applicable	Applicable
<b>Anticipated Level of Tracking Error<sup>2</sup></b>	Up to 1.00%	Up to 1.00%

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

<sup>2</sup> The anticipated tracking error displayed represents the tracking error of the unhedged Share Class 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 Bloomberg Index Services Limited (the "**Index Administrator**", which expression shall include any successor in such capacity). The Reference Index represents the performance of USD-denominated, investment grade, fixed-rate corporate bonds with at least 1 month and up to (but not including) 5 years to maturity. The Reference Index aims to comply with the minimum standards laid out for EU PAB in the PAB Regulation. The Reference Index aims to comply with the minimum standards laid out for EU PAB in the PAB Regulation. The Reference Index will set an initial 50% decarbonization of absolute greenhouse gas ("**GHG**") emissions relative to the standard Bloomberg USD Corporate 0-5 Years Index, followed by an annual 7% decarbonization trajectory of absolute GHG emissions. In addition, the Reference Index will exclude bonds which do not fulfill specific ESG criteria.

In particular, the following bonds will be excluded from the Reference Index:

- Issuers where MSCI does not have reported or estimated absolute GHG emissions data.
- Securities that are unrated by MSCI ESG Research LLC.
- Bonds issued by issuers rated BB or below by MSCI ESG Research LLC. MSCI ESG Ratings provide scores to measure a company's ESG characteristics, relative to their industry peers and takes into account over 30 Environmental, Social and Governance Key Issues.
- Issuers with a "red" MSCI ESG Controversies score or issuers which breach a MSCI Environmental Controversy Score. MSCI ESG Controversies identifies companies involved in severe ESG controversies consistent with global conventions and norms, such as, but not limited to, United Nations Global Compact, Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.
- Issuers that are classified by MSCI in their MSCI ESG Business Involvement Screening Research as breaching certain revenue thresholds in controversial activities, including, but not limited to, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, civilian firearms, oil & gas, nuclear power and weapons, and thermal coal.
- Issuers with any involvement in controversial weapons or fossil fuel reserves.

If having applied the above ESG exclusion criteria, less than 20% of the total number of issuers in the universe of eligible bonds (the "**Relevant Threshold**") are excluded, the remaining issuers are ranked according to MSCI ESG Ratings score and MSCI ESG Controversies score and those with the lowest ranking will be excluded from the Reference Index, until the number of excluded issuers is higher than the Relevant Threshold.

The MSCI GHG emissions data, MSCI ESG Ratings, MSCI ESG Controversies scores and Business Involvement Screening Research are sourced from MSCI ESG Research LLC.

The Reference Index excludes 144A tranche securities which do not have an equivalent Regulation S tranche. As such the Reference Index may contain (and therefore the Fund may be invested in) eligible 144A securities.

In addition, for bonds to be eligible for inclusion they must be rated investment grade (Baa3/BBB-/BBB- or higher) by Moody's, S&P and/or Fitch.

The bonds included in the Reference Index are weighted on each rebalancing date according to the relative market value of each issuance. On each rebalancing date, the cumulative weighting of bonds classified in the financial sector is capped at 50% of the total index weight. The excess market value over the 50% cap is redistributed on a pro rata basis to all other sectors' bonds in the Reference Index that are under the 50% cap. The weight of each issuer is capped at 2%. The excess market value of issuers exceeding 2% of the market value of the uncapped index is redistributed on a pro rata basis to all other issuers' bonds in the Reference Index that are under the 2% cap.

The Reference Index is calculated by the Index Administrator on a daily basis. Bonds in the Reference Index are priced on the bid side. New corporate issuances entering the Reference Index are priced on the offer side, and are priced at bid after the first month. The composition of the Reference Index is rebalanced on a monthly basis, on the last business day of the month. On each rebalancing date, specific rules will be applied to the universe of eligible bonds in order to determine those bonds which shall be included in the Reference Index. These rules include a minimum amount outstanding, coupon requirements, and a bond minimum and maximum time to maturity. Bonds that convert from fixed to floating rate will exit the Reference Index 1 month prior to conversion to floating-rate. The Reference Index also incorporates a semi-annual emissions exclusions process. The semi-annual process will establish which issuers should be excluded from the Reference Index to maintain compliance with the PAB Regulation, in addition to the standard monthly rebalancings.

The Reference Index is calculated on a total return basis which means that the payments from coupons are reinvested in the Reference Index. Payments from coupons and scheduled partial and unscheduled full redemptions are held as cash until the next rebalancing, when the cash is reinvested in the Reference Index.

### **Further Information**

Additional information on the Reference Index, including ESG criteria, can be found on the relevant Bloomberg website <https://www.bloomberg.com/professional/product/indices/bloomberg-fixed-income-indices>.

The Index Administrator has been granted authorisation by the UK FCA as a UK administrator for this index under the UK Benchmark Regulation and is listed on the FCA's register for administrators.

## IMPORTANT

“Bloomberg®” and the Reference Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (“**BISL**”), the administrator of the index (collectively, “**Bloomberg**”), and have been licensed for use for certain purposes by the Company as the issuer of the Fund.

The Fund is not sponsored, endorsed, sold or promoted by Bloomberg. Bloomberg does not make any representation or warranty, express or implied, to the owners of or counterparties to the Fund or any member of the public regarding the advisability of investing in securities generally or in the Fund particularly. The only relationship of Bloomberg to the Company is the licensing of certain trademarks, trade names and service marks and of the Reference Index, which is determined, composed and calculated by BISL without regard to the Company or the Fund. Bloomberg has no obligation to take the needs of the Company or the owners of the Fund into consideration in determining, composing or calculating the Reference Index. Bloomberg is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Fund to be issued. Bloomberg shall not have any obligation or liability, including, without limitation, to the Fund's customers, in connection with the administration, marketing or trading of the Fund.

BLOOMBERG DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE REFERENCE INDEX OR ANY DATA RELATED THERETO AND SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS THEREIN. BLOOMBERG DOES NOT MAKE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE COMPANY, OWNERS OF THE FUND OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE BLOOMBERG MSCI USD LIQUID INVESTMENT GRADE CORPORATE SUSTAINABLE AND SRI INDEX OR ANY DATA RELATED THERETO. BLOOMBERG DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTIES AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE REFERENCE INDEX OR ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, TO THE MAXIMUM EXTENT ALLOWED BY LAW, BLOOMBERG, ITS LICENSORS, AND ITS AND THEIR RESPECTIVE EMPLOYEES, CONTRACTORS, AGENTS, SUPPLIERS, AND VENDORS SHALL HAVE NO LIABILITY OR RESPONSIBILITY WHATSOEVER FOR ANY INJURY OR DAMAGES—WHETHER DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR OTHERWISE—ARISING IN CONNECTION WITH THE FUND OR THE REFERENCE INDEX OR ANY DATA OR VALUES RELATING THERETO—WHETHER ARISING FROM THEIR NEGLIGENCE OR OTHERWISE, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF.

## 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 USD Corporate Bond Short Duration SRI PAB UCITS ETF**  
**Legal entity identifier: 549300QIFH7Y0VUSB550**

### Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



#### **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 reflect the performance of the investment grade, USD-denominated, short-duration corporate bond market, excluding bonds which do not fulfil specific ESG (environmental, social, and governance) criteria. The Reference Index aims to comply with the minimum standards laid out for EU PAB in the PAB Regulation.

The Reference Index will set an initial 50% decarbonization of absolute greenhouse gas (“GHG”) emissions relative to the Parent Index (as defined below), followed by an annual 7% decarbonization trajectory of absolute GHG emissions. In addition, the Reference Index will exclude bonds which do not fulfil specific ESG criteria.

In particular, the following bonds will be excluded from the Reference Index:

- Issuers where MSCI does not have reported or estimated absolute GHG emissions data;
- Securities that are unrated by MSCI ESG Research LLC;
- Bonds issued by issuers rated BB or below by MSCI ESG Research LLC. MSCI ESG ratings provide scores to measure a company’s ESG characteristics, relative to their industry peers and takes into account over 30 Environmental, Social and Governance Key Issues;
- Issuers with a "red" MSCI ESG Controversies Score or issuers which breach a MSCI Environmental Controversy Score. MSCI ESG Controversies identifies companies involved in severe ESG controversies consistent with global conventions and norms, such as, but not limited to, United Nations Global Compact, Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work;
- Issuers that are classified by MSCI in their Business Involvement Screening Research as breaching certain revenue thresholds in controversial activities, including, but not limited to, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, civilian firearms, oil & gas, nuclear power and weapons, and thermal coal; and
- Issuers with any involvement in controversial weapons or fossil fuel reserves.

If having applied the above ESG exclusion criteria, less than 20% of the total number of issuers in the universe of eligible bonds (the “Relevant Threshold”) are excluded, the remaining issuers are ranked according to MSCI ESG Ratings score and MSCI ESG Controversies score and those with the lowest ranking will be excluded from the Reference Index, until the number of excluded issuers is higher than the Relevant Threshold.

The MSCI GHG emissions data, MSCI ESG ratings, MSCI ESG Controversies scores and Business Involvement Screening Research are sourced from MSCI ESG Research LLC.

**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?***

- **Total GHG Emissions:** The financial product’s portfolio’s weighted average of its issuers' total GHG emissions (Scopes 1, 2 and 3) 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.
- **Exposure to Very Severe Controversies:** The percentage of 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, and includes violations of the United Nations Global Compact, as well as the OECD Guidelines for Multinational Enterprises.
- **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.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

While the financial product does not have sustainable investment as its objective, it will invest a minimum proportion of its assets in sustainable investments as defined by Article 2 (17) SFDR.

At least 10% of the financial product’s net assets will be invested in sustainable economic activities that contribute to an environmental and/or social objective, in accordance with Article 2 (17) SFDR. Sustainable economic activities refer to the proportion of an issuer's economic activities that contribute to an environmental objective and/or a social objective, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices. The sustainability investment assessment uses data from one or multiple data providers and/or public sources to determine if an activity is sustainable. The environmental and/or social objectives are identified by activities that contribute positively to the United Nations Sustainable Development Goals (“UN SDGs”), which may include, but is not limited to, (i) Goal 1: No poverty, (ii) Goal 2: Zero hunger, (iii) Goal 3: Good health and well-being, (iv) Goal 4: Quality education, (v) Goal 5: Gender equality, (vi) Goal 6: Clean water and Sanitation, (vii) Goal 7: Affordable and clean energy, (viii) Goal 10: Reduced inequality, (ix) Goal 11: Sustainable cities and communities, (x) Goal 12: Responsible consumption, (xi) Goal 13: Climate action, (xii) Goal 14: Life below water, and (xiii) Goal 15: Life on land, are measured in terms of revenues, capital expenditure (CapEx) and/or operational

**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.

expenditure (OpEx). The extent of contribution to individual UN SDGs will vary based on the actual investments in the portfolio.

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

In accordance with Article 2 (17) SFDR, any such sustainable investments must not significantly harm any environmental or social objectives and such sustainable investment issuers must follow good governance practices. Any investment that fails to meet the do no significant harm (“DNSH”) thresholds will not be considered towards the sustainable investment share of the financial product. Such DNSH thresholds will include, but not be limited to:

- Involvement in harmful business activities;
- Violation of international norms or involvement in very severe controversies; and
- Violation of certain principal adverse indicator thresholds.

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

As part of the DNSH assessment under article 2(17) SFDR, the sustainable investment assessment integrates certain metrics related to principle adverse indicators and the Reference Index of the financial product includes criteria to reduce exposure to or to exclude securities which are negatively aligned with the following principal adverse indicators:

- Carbon footprint (no. 2);
- GHG emissions (Scope 1, 2, 3 and total) (no. 3);
- Exposure to companies active in the fossil fuel sector (no. 4);
- Share of non-renewable energy consumption and production (no. 5);
- Violation of UN Global Compact principles and OECD Guidelines for multinational enterprises (no. 10); and
- Exposure to controversial weapons (no. 14).

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

Any securities violating the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are excluded by the financial product’s Reference Index.

*The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### **Does this financial product consider principal adverse impacts on sustainability factors?**

Yes, the financial product considers the following principle adverse impacts on sustainability factors from Annex I of the draft Commission Delegated Regulation supplementing the SFDR (C(2022) 1931 final):

- Carbon footprint (no. 2);
- GHG emissions (Scope 1, 2, 3 and total) (no. 3);
- Exposure to companies active in the fossil fuel sector (no. 4);
- Share of non-renewable energy consumption and production (no. 5);
- Violation of UN Global Compact principles and OECD Guidelines for multinational enterprises (no. 10); and
- Exposure to controversial weapons (no. 14).

No



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

The investment objective of the financial product is to track the performance before fees and expenses of the “Reference Index”, which is the Bloomberg MSCI USD Corporate SRI 0-5 Years PAB Index, which is designed to reflect the performance of USD-denominated, investment grade, fixed-rate corporate bonds with at least 1 month and up to (but not including) 5 years to maturity. The Reference Index aims to comply with the minimum standards laid out for EU PAB in the PAB Regulation. The Reference Index will set an initial 50% decarbonisation of absolute greenhouse gas (“GHG”) emissions relative to the Bloomberg USD Corporate 0-5 Years Index (the “Parent Index”), followed by an annual 7% decarbonisation trajectory of absolute GHG emissions. In addition, the Reference Index will

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



exclude bonds which do not fulfil specific ESG (environmental, social, and governance) 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.

The Reference Index will set an initial 50% decarbonization of absolute greenhouse gas ("GHG") emissions relative to the Parent Index, followed by an annual 7% decarbonization trajectory of absolute GHG emissions. In addition, the Reference Index will exclude bonds which do not fulfil specific ESG criteria.

In particular, the following bonds will be excluded from the Reference Index:

- Issuers where MSCI does not have reported or estimated absolute GHG emissions data;
- Securities that are unrated by MSCI ESG Research LLC;
- Bonds issued by issuers rated BB or below by MSCI ESG Research LLC. MSCI ESG ratings provide scores to measure a company's ESG characteristics, relative to their industry peers and takes into account over 30 Environmental, Social and Governance Key Issues;
- Issuers with a "red" MSCI ESG Controversies Score or issuers which breach a MSCI Environmental Controversy Score. MSCI ESG Controversies identifies companies involved in severe ESG controversies consistent with global conventions and norms, such as, but not limited to, United Nations Global Compact, Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work;
- Issuers that are classified by MSCI in their Business Involvement Screening Research as breaching certain revenue thresholds in controversial activities, including, but not limited to, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, civilian firearms, oil & gas, nuclear power and weapons, and thermal coal; and
- Issuers with any involvement in controversial weapons or fossil fuel reserves.

If having applied the above ESG exclusion criteria, less than 20% of the total number of issuers in the universe of eligible bonds (the "Relevant Threshold") are excluded, the remaining issuers are ranked according to MSCI ESG Ratings score and MSCI ESG Controversies score and those with the lowest ranking will be excluded from the Reference Index, until the number of excluded issuers is higher than the Relevant Threshold.

The MSCI GHG emissions data, MSCI ESG ratings, MSCI ESG Controversies scores and Business Involvement Screening Research are sourced from MSCI ESG Research LLC.

Investors should note that whilst the financial product and the Reference Index seek to ensure compliance with such criteria at each rebalance or review date, between these reviews or rebalances, securities which no longer meet these criteria may remain included in (i) the Reference Index until they are removed at the subsequent rebalance or review or, (ii) the portfolio of the financial product until it is possible and practicable to divest such positions.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The financial product does not pursue a committed minimum rate to reduce the scope of investments considered prior to the application of the investment strategy.

● ***What is the policy to assess good governance practices of the investee companies?***

The investment objective of the financial product is to track the performance before fees and expenses of the Reference Index which excludes companies with very severe controversies (including governance controversies) using the MSCI ESG Controversies data, and companies that have an MSCI ESG Rating (which assesses, amongst other things, how well companies manage governance risks and opportunities) below a certain threshold or do not have an MSCI ESG Rating.

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

This financial product invests at least 90% of its net assets in investments that are aligned with the promoted environmental and social characteristics (#1 Aligned with E/S characteristics). Within this category, at least 10% of the financial product's assets qualify as sustainable investments (#1A Sustainable).

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

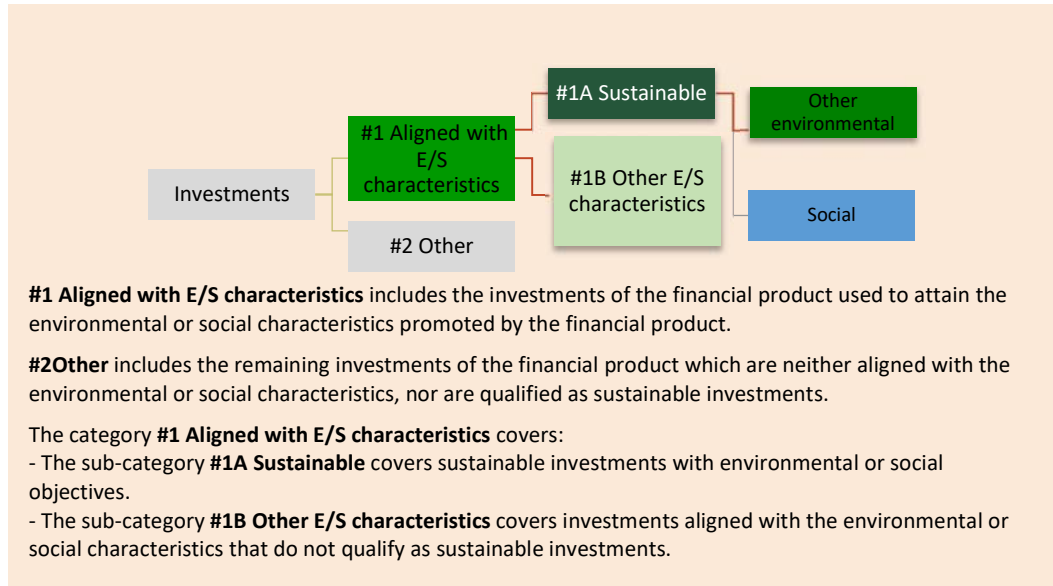


**Asset allocation** describes the share of investments in specific assets.

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.

- **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

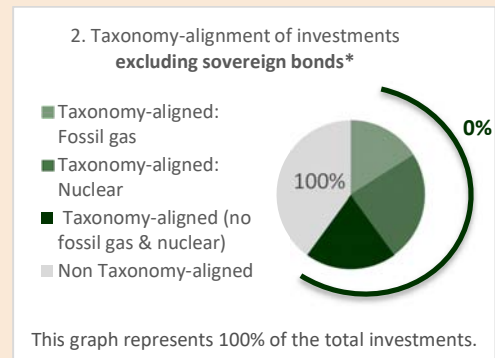
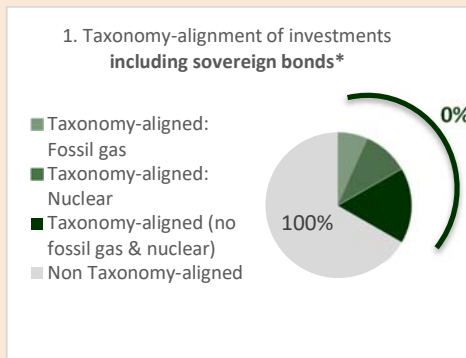


In nuclear energy



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

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.

<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.

● **What is the minimum share of investments in transitional and enabling activities?**

The financial product does not have a minimum share of investments in transitional and enabling activities, as it does not commit to a minimum proportion of environmentally sustainable investments aligned with the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The financial product does not intend to make a minimum allocation to sustainable economic activities that contribute to an environmental objective. However, the share of environmentally and socially sustainable investments will in total be at least 10%.



**What is the minimum share of socially sustainable investments?**

The financial product does not intend to make a minimum allocation to sustainable economic activities that contribute to a social objective. However, the share of environmentally and socially sustainable investments will in total be at least 10%.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The financial product predominantly promotes asset allocation in investments that are aligned with environmental and social characteristics (#1 Aligned with E/S characteristics).

Those investments included under “#2 Other”, may include ancillary liquid assets for the purpose of efficient portfolio management, which may include, secured and/or unsecured deposits and/or units or shares of other UCITS or other collective investment schemes which pursue a money market or cash strategy, or financial derivative instruments. It may also include securities which have been recently downgraded by the relevant ESG data provider but will not be removed from the Reference Index until the next Reference Index rebalance and may therefore not be removed from the portfolio until that time.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Yes. The financial product has designated the Bloomberg MSCI USD Corporate SRI 0-5 Years PAB 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 aiming to comply with the minimum standards laid out for EU PAB in the PAB Regulation. The Reference Index will set an initial 50% decarbonisation of absolute greenhouse gas (“GHG”) emissions relative to the Parent Index, followed by an annual 7% decarbonisation trajectory of absolute GHG emissions. In addition, the Reference

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

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

Index will exclude bonds which do not fulfil specific ESG (environmental, social, and governance) criteria.

● ***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 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 will set an initial 50% decarbonisation of absolute greenhouse gas (“GHG”) emissions relative to the Parent Index, which is the relevant broad market index, followed by an annual 7% decarbonisation trajectory of absolute GHG emissions. In addition, the Reference Index will exclude bonds which do not fulfil specific ESG (environmental, social, and governance) criteria.

In particular, the following bonds will be excluded from the Reference Index:

- Issuers where MSCI does not have reported or estimated absolute GHG emissions data;
- Securities that are unrated by MSCI ESG Research LLC;
- Bonds issued by issuers rated BB or below by MSCI ESG Research LLC. MSCI ESG ratings provide scores to measure a company’s ESG characteristics, relative to their industry peers and takes into account over 30 Environmental, Social and Governance Key Issues;
- Issuers with a "red" MSCI ESG Controversies Score or issuers which breach a MSCI Environmental Controversy Score. MSCI ESG Controversies identifies companies involved in severe ESG controversies consistent with global conventions and norms, such as, but not limited to, United Nations Global Compact, Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work;
- Issuers that are classified by MSCI in their Business Involvement Screening Research as breaching certain revenue thresholds in controversial activities, including, but not limited to, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, civilian firearms, oil & gas, nuclear power and weapons, and thermal coal; and
- Issuers with any involvement in controversial weapons or fossil fuel reserves.

If having applied the above ESG exclusion criteria less than 20% of the total number of issuers in the universe of eligible bonds (the "Relevant Threshold") are excluded, the remaining issuers are ranked according to MSCI ESG Ratings score and MSCI ESG Controversies score and those with the lowest ranking will be excluded from the Reference Index, until the number of excluded issuers is higher than the Relevant Threshold.

The MSCI GHG emissions data, MSCI ESG ratings, MSCI ESG Controversies scores and Business Involvement Screening Research are sourced from MSCI ESG Research LLC.

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

Full information on the Reference Index including ESG criteria, eligibility rules and constituents can be found on the relevant Bloomberg website (<https://www.bloombergindices.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) as well as on your local country website.