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# Invesco EUR AAA CLO UCITS ETF (the “Fund”)

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Sustainability-related disclosures

## Contents

02	Summary
03	No sustainable investment objective Environmental or social characteristics of the financial product Investment strategy
05	Proportion of investments Monitoring of environmental or social characteristics and methodologies to measure how social or environmental characteristics promoted by the financial product are met Data sources and processing Limitations to methodologies and data
06	Due diligence Engagement policies

# Summary

The Fund's objective is to seek to provide consistent income and capital preservation over the long term. In order to achieve the investment objective, the Fund will invest in AAA-rated (or equivalently rated by a nationally recognised statistical rating organisation) tranches of Euro denominated floating rate debt securities issued by collateralised loan obligations ("CLOs").

This Fund promotes environmental and/or social characteristics but does not have as its objective sustainable investment. The Sub-Investment Manager utilises a proprietary ESG ratings framework to assess managers of CLOs. The framework addresses to what extent CLO managers consider ESG factors when assessing the issuers of the loans held by their CLOs. It also addresses some specific issues directly, including the level of activity in the fossil fuel sector, violations of UNGC principles or OECD guidelines and lack of GHG reduction targets. The managers of all CLOs held by the Fund must be assessed using this framework, thereby ensuring that CLO Debt Securities selected for investment by the Fund will comprise loans from issuers that have been assessed on these ESG issues. By positively screening CLO managers using this framework, this shifts the Fund's investment towards CLOs where these ESG issues are addressed and results in the Fund promoting the following environmental and social characteristics: reducing the use of non-renewable energy resources, respecting the protection of internationally proclaimed human rights, and limiting the emission of greenhouse gasses over time.

A minimum of 80% of the Fund's NAV will be selected according to the binding elements of the investment strategy on the basis that they align with the environmental and social characteristics of the Fund. Up to 20% of the Fund's NAV may not be aligned with the environmental and/or social characteristics of the Fund, this portion of the Fund may be invested in financial derivative instruments for hedging and/or efficient portfolio management purposes cash or other short-term instruments, such as money market instruments and CIS for ancillary liquidity purposes and managing redemptions. This portion may also comprise CLO Debt Securities that were aligned at the time of investment with the Fund's environmental and social characteristics and subsequently ceased to be aligned.

The Sub-Investment Manager measures the Fund's attainment of the environmental and social characteristics by monitoring the Fund's exposure to CLOs managed by CLO managers who do not have a composite ESG score less than or equal to 4, as based on the Sub-Investment Managers' proprietary ESG ratings framework.

The Sub-Investment Manager uses a proprietary CLO manager ESG rating framework to screen investments. There is no reliance on data from third party data providers. The managers of all CLOs held by the Fund must be assessed using this framework. The Sub-Investment Manager does not estimate any of the data.

The Sub-Investment Manager uses a proprietary CLO manager ESG rating framework to screen investments. The Sub-Investment Manager relies on the accuracy of the information obtained from the CLO manager. In placing reliance on CLO managers, there may be risks associated with errors in the information provided. Such errors may be undetectable by Invesco and can result in holdings that are inconsistent with the stated investment objective and/or policy of the Fund. The Funds could incur unexpected costs as a result of such errors, for which losses Invesco, acting in good faith, will not be held liable.

The Fund does not use engagement to attain the environmental and social characteristics.

## No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

## Environmental or social characteristics of the financial product

The Sub-Investment Manager utilises a proprietary ESG ratings framework to assess managers of CLOs. The framework addresses to what extent CLO managers consider ESG factors when assessing the issuers of the loans held by their CLOs. It also addresses some specific issues directly, including the level of activity in the fossil fuel sector, violations of UNGC principles or OECD guidelines and lack of GHG reduction targets. The managers of all CLOs held by the Fund must be assessed using this framework, thereby ensuring that CLO Debt Securities selected for investment by the Fund will comprise loans from issuers that have been assessed on these ESG issues. By positively screening CLO managers using this framework, this shifts the Fund's investment towards CLOs where these ESG issues are addressed and results in the Fund promoting the following environmental and social characteristics: reducing the use of non-renewable energy resources, respecting the protection of internationally proclaimed human rights, and limiting the emission of greenhouse gases over time.

## Investment strategy

The Fund's objective is to seek to provide consistent income and capital preservation over the long term.

In order to achieve the investment objective, the Fund will primarily invest in AAA-rated (or equivalently rated by a nationally recognised statistical rating organisation) tranches of Euro denominated floating rate debt securities issued by CLOs.

The Fund will invest in floating rate debt tranches of CLOs ("**CLO Debt Securities**"). The Fund may also invest in floating rate debt tranches of static CLOs. The Fund will not invest in fixed rate debt tranches or equity tranches. The Fund may invest in CLO Debt Securities of any maturity and tranche size. The Fund may invest up to 10% of its net assets in securities that are denominated in currencies other than Euro. Exposure to exchange-rate fluctuations resulting from these investments will be hedged back to Euro at the Investment Manager's discretion.

At least 80% of the CLO Debt Securities in which the Fund will invest will be AAA-rated (as rated by at least one rating agency) CLO Debt Securities. Up to 20% of CLO Debt Securities in which the Fund will invest may be below AAA-rated subject to such CLO Debt Securities being rated investment grade and predominantly comprising AA-rated CLO Debt Securities. If a security is downgraded subsequent to its purchase by the Fund, the Investment Manager will take such action as required as soon as reasonably practicable, taking due account of the interests of its Shareholders.

The Fund may also invest a portion of its assets in cash or other short-term instruments, such as money market instruments or, money market funds, for the purpose of liquidity management purposes and managing redemptions.

### Investment Approach

The Investment Manager is responsible for the selection of securities and the day-to-day portfolio management of the Fund. The Investment Manager has delegated responsibility to the Sub-Investment Manager to review and approve the list of CLO managers to which the Fund may be exposed.

The investment approach comprises two steps, CLO Manager Selection and Security Selection:

#### CLO Manager Selection

The Investment Manager can only select CLO Debt Securities from CLO managers approved by the Sub-Investment Manager at the time of purchase. The Sub-Investment Manager's approval of CLO managers is based on a comprehensive evaluation of each CLO manager's style, behaviour, and track record. The Sub-Investment Manager also utilises its proprietary ESG ratings framework to rate and assign an ESG score to each CLO manager. While the list of approved CLO managers may be amended by the Sub-Investment Manager over time, the Investment Manager will not be required to divest any CLO Debt Securities if the CLO manager is no longer included on the approved list.

#### Security Selection

The Investment Manager employs a combination of approaches in selecting securities for the Fund. The Investment Manager takes into account three primary considerations in its security selection process. The Investment Manager may at its discretion give more weight to some considerations over others, as the Investment Manager deems appropriate to attain the investment objective of the Fund and to better respond to varying market conditions and risks:

- **Portfolio Stress Testing:** involves examining the cash flows and structural features of a CLO, such as payment waterfalls, tranche priority, and coverage tests to evaluate the resilience of the CLO Debt Securities, identify potential vulnerabilities, and make informed decisions about which securities to include in the portfolio.
- **Documentation review:** understanding risks embedded in key transaction terms, including CLO portfolio concentration limits, coverage ratios, post-reinvestment criteria, discount purchase provisions, and trading plans. These assessments help the Investment Manager identify potential risks and ensure that the terms of the CLO align with the Fund's investment strategy and risk tolerance.
- **Relative value assessment:** comparing the pricing, yield, and risk characteristics of different CLO Debt Securities relative to each other, considering current market conditions, and evaluating potential risk-adjusted returns. The Investment Manager uses this assessment to select securities that offer the best combination of risk and return, aiming to construct a well diversified and high-performing portfolio.

CLO Debt Securities are issued by special purpose vehicles ("SPVs"). For the purposes of SFDR, SPVs are expressly excluded from the types of companies to which good governance applies. However, the Sub-Investment Manager's proprietary ESG ratings framework evaluates CLO manager's underlying issuer investment processes to ensure CLO manager consideration of good governance criteria. This criteria relates to sound management structures, employee relations, remuneration of staff and tax compliance. The CLO managers of all CLO Debt Securities held by the Fund must be assessed using this framework.

### **Proportion of investments**

A minimum of 80% of the Fund's NAV will be selected according to the binding elements of the investment strategy, on the basis that they align with the environmental and social characteristics of the Fund.

Up to 20% of the Fund's NAV will be invested in financial derivative instruments for hedging and/or efficient portfolio management purposes, cash or other short-term instruments, such as money market instruments (Euro-denominated government bonds and short-dated government bonds), CIS (money market funds) for ancillary liquidity purposes and managing redemptions. This portion may also comprise CLO Debt Securities that were aligned at the time of investment with the Fund's environmental and social characteristics and subsequently ceased to be aligned.

### **Monitoring of environmental or social characteristics and methodologies to measure how the social or environmental characteristics promoted by the financial product are met**

The Sub-Investment Manager measures the Fund's attainment of the environmental and social characteristics by monitoring the Fund's exposure to CLOs managed by CLO managers who do not have a composite ESG score less than or equal to 4, as based on the Sub-Investment Managers' proprietary ESG ratings framework.

CLO managers are reassessed on an annual basis. If a CLO manager which previously met the criteria, fails to meet them on reassessment, the Sub-Investment Manager will engage with the CLO manager to propose actions to improve their ESG score. No new investments in CLO Debt Securities managed by the CLO manager will be made unless the CLO Manager's ESG score has improved to be less than or equal to 4.

### **Data sources and processing**

The Sub-Investment Manager uses a proprietary CLO manager ESG rating framework to screen investments. There is no reliance on data from third party data providers. The managers of all CLOs held by the Fund must be assessed using this framework. The Sub-Investment Manager does not estimate any of the data.

### **Limitations to methodologies and data**

The Sub-Investment Manager uses a proprietary CLO manager ESG rating framework to screen investments. The Sub-Investment Manager relies on the accuracy of the information obtained from the CLO manager. In placing reliance on CLO managers, there may be risks associated with errors in the information provided. Such errors may be undetectable by Invesco and can result in holdings that are inconsistent with the stated investment objective and/or policy of the Fund. The Funds could incur unexpected costs as a result of such errors, for which losses Invesco, acting in good faith, will not be held liable.

### **Due diligence**

For each investment opportunity, the Sub-Investment Manager undertakes a comprehensive due diligence review that includes meeting with and reviewing the CLO manager. In addition, the Sub-Investment Manager actively stays connected with CLO market participants. Through annual due diligence check-ins, meetings at CLO industry conferences, working with CLO arrangers and investment banks, or conversations with peers, the Sub-Investment Manager is able to keep track of the non-quantifiable factors within the CLO market.

### **Engagement policies**

The Fund does not use engagement to attain the environmental and social characteristics.

Version	Date	Details of change
1.0	26 September 2025	Creation of the document