
Invesco EUR Corporate Bond ESG Short Duration Multi-Factor UCITS ETF (the “Fund”)

Sustainability-related disclosures

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Summary

The Fund follows an environmental, social and governance (ESG) integrated multi-factor strategy. While strict ESG filters are applied, the investment team aims at earning factor premiums, using their proven multi-factor investment approach which considers Carry, Value and Low Volatility in the fixed income market.

The Fund invests in EUR denominated corporate bonds. The consideration of sustainability criteria is an integral part of every step of our investment process. The investment process of the Fund is based on three building blocks: ESG Policy, bond selection and engagement.

1

ESG Approach

- Using integrated ESG screening combined with additional ESG criteria
- Implement ESG criteria using Moody's ESG data

2

Bond Selection

- Multi-factor selection process focused on EUR investment grade corporate bonds using a proprietary multi-factor investment approach which exploits premiums using the factors Carry, Value and Low Volatility

3

Engagement

- Entering into an active dialogue with companies that have weaknesses in the field of ESG

The Fund meets the Article 8 requirements of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR). It promotes, among other things, environmental and/or social characteristics while also ensuring that investee companies follow good governance practices. The ESG criteria are designed to ensure compliance with international conventions:

- UN Global Compact,
- UNGPs,
- OECD Guidelines for Multinational Enterprises,
- ILO Conventions,
- UNEP Stockholm Convention,
- OSPAR Convention,
- Montreal Protocol on substances that deplete the ozone layer,
- United Nations -Agenda 21 -1992,
- UN Convention on Biological Diversity, and
- The 2001 Stockholm Convention on Persistent Organic Pollutants

The investment team regularly reviews the ESG criteria in the Fund and will adapt the criteria if new knowledge on ESG is obtained. In particular, the Fund excludes securities based on:

- Level of involvement in Coal extraction and production;
- Level of involvement in conventional and unconventional Oil and Gas such as Arctic oil and gas exploration, oil sands extraction and Shale energy extraction;
- Level of involvement in Tobacco production and tobacco-related products;
- Level of involvement with recreational cannabis;
- Companies involved in the manufacture or sales of military or civil firearms.

Whilst the Fund does not have sustainable investment as its objective, the Fund aims to allocate at least 50% of its portfolio in sustainable investments.

No sustainable investment objective

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

However, a minimum of 50% of the Fund's NAV will be allocated to sustainable investments (as further explained under "Environmental and social characteristics of the product").

The Fund relies on the quantitative and qualitative research and/or engagement of the Investment Manager and Invesco's ESG team to take into account principal adverse impacts (PAI) indicators defined in Table 1 of Annex I of the regulatory technical standards for Regulation 2019/2088 (RTS) and to assess whether the sustainable investments of the Fund cause significant harm to the relevant environmental or social investment objective. Where a company is determined to cause such significant harm, it can still be held within the Fund's portfolio but will not be considered a "sustainable investment" within the Fund. Please find below the table and metrics used to assess the DNSH.

PAI Indicators used to assess Do No Significant Harm (DNSH)

| PAI No. | PAI Indicator | Portfolio Rollups |
|--------------|--|---|
| 1,2,3 | ISS Scope 1 Emissions ISS Scope 2 Emissions ISS Scope 3 Emissions ISS Scope 1 Emissions (EUR) ISS Scope 2 Emissions (EUR) ISS Scope 3 Emissions (USD) | 1. Total Emissions (Financed) Scope 1+2 2. Carbon Footprint Scope 1+2 3. Total Emissions Scope 1+2+3 4. Carbon Footprint Scope 1+2+3 5. WACI 1+2 6. WACI 1+2+3 |
| 4 | SA Carbon – Fossil Fuel-Level of Involvement Range-SFDR | % of the Fund exposed to any fossil fuels revenue |
| 5 | SA Share of Non-Renewable Energy Production_Percentage-SFDR | Adjusted Weighted Average |
| | SA Share of Non-Renewable Energy Consumption_Percentage-SFDR | Adjusted Weighted Average |
| 6 | SA Energy Consumption Intensity _Agriculture, Forestry & Fishing-SFDR | Adjusted Weighted Average |
| | SA Energy Consumption Intensity _Construction-SFDR | Adjusted Weighted Average |
| | SA Energy Consumption Intensity _Electricity, Gas, Steam & Air Conditioning Supply-SFDR | Adjusted Weighted Average |
| | SA Energy Consumption Intensity _Manufacturing-SFDR | Adjusted Weighted Average |
| | SA Energy Consumption Intensity _Mining & Quarrying-SFDR | Adjusted Weighted Average |
| | SA Energy Consumption Intensity _Real Estate Activities-SFDR | Adjusted Weighted Average |
| | SA Energy Consumption Intensity _Transportation & Storage-SFDR | Adjusted Weighted Average |
| | SA Energy Consumption Intensity _Water Supply, Sewerage, Waste Management & Remediation Activities-SFDR | Adjusted Weighted Average |
| | SA Energy Consumption Intensity _Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles-SFDR | Adjusted Weighted Average |
| 7 | SA Activities Negatively Affecting Biodiversity Areas-SFDR | % Weight of Portfolio |
| 8 | SA Emissions to Water _Tonnes-SFDR | $((\text{Market Value}/\text{EVIC}) * (\text{Tonnes of Emissions to water})) / \text{Million EUR Invested}$; Same as Carbon footprint calculation |
| 9 | SA Hazardous Waste Production _Tonnes-SFDR | $((\text{Market Value}/\text{EVIC}) * (\text{Tonnes of Hazardous Waste})) / \text{Million EUR Invested}$; Same as Carbon footprint calculation |
| 10 | SA Breach of UN Global Compact Principles & OECD Guidelines for Multinational Enterprises-SFDR | % Weight of Portfolio |

| PAI No. | PAI Indicator | Portfolio Rollups |
|----------------------------|--|---|
| 11 | SA Lack of Processes & Compliance Mechanisms to Monitor Compliance with UN Global Compact Principles & OECD Guidelines for MNEs-SFDR | % Weight of Portfolio |
| 12 | SA Unadjusted Gender Pay Gap _Percentage of Male Employees Gross Hourly Earnings-SFDR | Adjusted Weighted Average |
| 13 | SA Board Gender Diversity _Percentage of Female Board Members-SFDR | Adjusted Weighted Average |
| 14 | SA Controversial Weapons-Evidence of Activity-SFDR | % Weight of Portfolio |
| Sovereign | | |
| 15 | SA Carbon Emissions Intensity-SFDR | Weighted Average |
| 16 | SA Any Country Social Violations-SFDR | No. of Countries involved in Violations; % of countries involved in violations |
| Optional Indicators | | |
| E | Lack of Carbon Emission Reduction Initiatives-SFDR | % Weight of Portfolio |
| S | Lack of Human Rights Policy-SFDR | % Weight of Portfolio |

The Fund also excludes companies, sectors or countries from the investment universe when such companies violate international norms and standards according to the definitions of the International Labour Organisation (ILO), the OECD or the United Nations. All issuers considered for investment will be screened for compliance with, and excluded if they do not meet, UN Global Compact principles, based on third-party data and the investment team's proprietary analysis and research.

Environmental or social characteristics of the financial product

The Fund will have various environmental and social characteristics with a particular focus on environmental issues (such as carbon emissions) as further described below.

The Fund aims to select companies that display excellence in sustainable management and sustainable products or processes, fulfilling ecological and social requirements particularly well, ranging from climate efficiency and pollution to labour safety and satisfaction.

A minimum of 50% of the Fund's NAV will be allocated to sustainable investments. To determine if an investment should be considered a sustainable investment, there is a three-step process. First, several qualitative checks are performed for the Fund and the selection criteria includes:

- Alignment with the UN Sustainable Development Goals (SDGs): In scope are companies that at least derive 25% of their revenues from social goods & services. Such social goods and services can be linked to SDGs; or
- Article 9 CIS investments: underlying holdings of Invesco CIS funds that are categorised as Article 9 under SFDR; or
- Best in class approach: Companies that score in the top 25% within their respective peer group for either Energy transition score & ESG score; or
- GICS® classification: Any issuer that operates within the "Food Products Industry" or "Healthcare Sector" as defined under the global industry classification standards (GICS®).

Note that Invesco relies on third-party data providers to assess issuer's performance on the above criteria. In addition, it should be noted that the full weight in the portfolio will count as sustainable investments when meeting the above criteria.

Second and as disclosed in the section above, the Fund relies on the quantitative and qualitative research and/or engagement of the Investment Manager and Invesco's ESG team to take into account the mandatory PAI indicators and to assess whether the sustainable investments of the Fund cause significant harm (DNSH) to a relevant environmental or social investment objective.

Where a company is determined to cause such significant harm, it can still be held within the Fund but will not count toward the "sustainable investments" within the Fund. Please refer to section "No sustainable investment objective" for more information on the PAIs and metrics used to assess the DNSH as well as how the Fund considers international norms and standards.

The Fund applies, in addition to the regulatory mandated exclusions with regards to controversial weapons and sovereign debt sanctions, additional exclusions based on the following factors, which may be periodically updated:

- Level of involvement in Coal extraction and production;
- Level of involvement in conventional and unconventional Oil and Gas such as Arctic oil and gas exploration, oil sands extraction and Shale energy extraction;
- Level of involvement in Tobacco production and tobacco-related products;
- Level of involvement with recreational cannabis;
- Companies involved in the manufacture or sales of military or civil firearms.

Third, companies will be excluded if they are assessed as being in violation of any of the UN Global Compact's principles or significant controversies in community involvement, human rights, labour rights, pollution or biodiversity, based on third-party data and the investment team's proprietary analysis and research. Exclusions apply on a continuous basis during the life of the Fund.

Investment Strategy

The investment team, the Invesco Systematic and Factor-Based Investing (hereafter “SFI”) team applies an integrated ESG (environmental, social, governance) investment approach and has been managing customised sustainable investment solutions for more than 30 years. With many years of experience, the team offers different approaches to integrate ESG criteria into the portfolio at different stages of the investment process across all asset classes.

The team’s research shows implementing ESG considerations in the fixed income context has notable implications on the portfolio characteristics. In particular, higher ESG ratings tend to lower the spread of fixed income securities. There are different approaches managers can circumvent this bias. One is to simply accept it, a strategy common for passive managers. The result is a lower expected return for the investor. On the other hand, active strategies tend to compensate by using bonds with higher spreads (carry factor), which in turn might translate into higher drawdown risks.

The team, however, follows an integrated factor approach. By buying securities with attractive factor characteristics that adhere to ESG criteria, the team is able to construct well-balanced and ESG-compliant fixed income portfolios.

The team applies both best-in-class criteria as well as exclusionary and negative criteria further described below:

- **Best-in-Class criteria:** By applying best-in-class criteria, companies are identified that display excellence in sustainable management and sustainable products or processes. They fulfil ecological and social requirements particularly well, ranging from climate efficiency and low water consumption to labour safety and satisfaction.
- **Exclusion and negative criteria:** By applying these criteria, companies, sectors or countries are excluded from the investment universe which fail to fulfil certain ESG criteria or that violate international norms and standards according to the definitions of the International Labour Organisation (ILO), the OECD or the United Nations.

Using data provided by Moody’s ESG Solutions (formerly known as Vigeo Eiris), the investment team is able to define a set of ESG criteria. Exclusion criteria and negative criteria can be used to eliminate companies that fail to meet certain ESG criteria, with positive criteria, companies can be identified, which are particularly characterised by sustainable economic development, positive products or processes.

With the integrated best-in-class approach, the investment team also focuses on the best performing companies in their sector with respect to the company’s overall ESG profile.

The Fund uses the following exclusion criteria:

| Controversial Activities | Excluded If | |
|-------------------------------------|---|-------|
| Coal | Revenues derived from thermal coal mining | >=5% |
| | Revenues derived from burning coal for power generation | >=5% |
| | Proportion in electricity generation fuel mix from coal | >=10% |
| | Structural increase of thermal coal activities over 3 years | Yes |
| | On the Urgewald Coal Exit list | Yes |
| Unconventional oil & gas | Revenues that comes from projects or the extraction of tar sands and oil shale, as well as the proportion of reserves in tar sands or oil shale | >0% |
| | Involvement in fracking activities | Yes |
| | Involvement in arctic drilling activities | Yes |
| | Involvement in coalbed methane, extra heavy oil and ultra deep drilling | Yes |
| | On the Urgewald Global Oil & Gas list | Yes |
| Fossil fuel industry | Revenues derived from fossil fuel industries including upstream (exploration and production), midstream (processing and transport), power generation from fossil sources as well as supporting activities to the fossil fuel industry | >=5% |
| | Structural increase of fossil activities over 3 years | Yes |
| Biodiversity | Controversies in the field of endangering biodiversity | Yes |
| Pollution | Controversies in the field of preventing and managing of accidental pollution or soil pollution | Yes |
| Community involvement | Controversies in the field of community involvement (including e.g. impact of operations on the local economy, responsible tax strategy, transfer of technology and skills) | Yes |

| Controversial Activities | | Excluded If |
|----------------------------------|--|--------------------|
| Nuclear power | Revenues from nuclear power | >=5% |
| | Proportion in electricity generation fuel mix from nuclear power | >=5% |
| Civilian Firearms | Manufacture or sale of civilian firearms or related products | >=5% |
| | Manufacture of civilian firearms or related products | >=5% |
| Military | Sales that are related to military sales including key parts or services for conventional weapons | >= 5% |
| | Controversial weapons | >0% |
| Tobacco | Revenue from production and distribution, including e-cigarettes | >=5% |
| | Support to Tobacco industry | >=25% |
| GMOs | Production of genetically modified organisms | >=5% |
| Stem cell research | Research on human embryonic stem cells or on human foetal stem cells | Yes |
| Labour & human rights | Controversies regarding human rights in the community in particular freedom of association & collective bargaining | Yes |
| | Controversies in integrating social standards into supply chain | Yes |
| | Controversies with respect to child & forced labour | Yes |
| Corruption | Controversies in the field of corruption | Yes |
| Cannabis | Turnover from involvement in Involvement in recreational cannabis (production, distribution, services) | >=5% |
| UN Global Compact | Non-compliant with UN Global Compact principles | Yes |
| Gambling | Revenues from production and distribution | >=10% |
| | Revenues from production | >=5% |
| Adult Entertainment | Revenues from pornography and adult entertainment services or facilitating access | >=10% |
| | Revenues from pornography and adult entertainment services | >=5% |

Definition of Controversial Weapons: Even though there is no official definition of the concept of controversial weapons, investors and stakeholders typically refer to weapons of mass destruction (nuclear, chemical and biological weapons) and some conventional weapons when they use the term controversial. These weapons are collectively referred to as controversial weapons because, in particular, they may be considered to be excessively injurious, to have indiscriminate effects or to damage the natural environment. International Humanitarian Law (IHL) prohibits or restricts the use of some weapons. Three rules of customary international law, binding on all States, apply to all weapons: the prohibition of weapons of a nature to cause superfluous injury or unnecessary suffering; the prohibition of weapons which are indiscriminate by nature; and the prohibition of weapons causing widespread, long-term and severe damage to the natural environment. Explicitly, those weapons include anti-personnel mines, cluster munitions, chemical weapons, biological weapons, nuclear weapons, incendiary weapons, non-detectable fragments, blinding lasers, white phosphorous and depleted uranium beyond others. The screening covers companies providing full weapon systems and platforms, or key parts and services, for controversial weapons.

Definition of Key Parts or services for Weapons: Key parts include subsystems of the whole weapon system (e.g. if the system is a rocket, the motor, fins, and random are some of its key parts) as well as end products that are essential to weapon systems, such as combat equipment. Key services include services that are essential to weapon systems and combat, such as communication, testing or flight simulation training services, design services. Other examples of important subsystems for a weapons system, could be the barrel for a gun, ammunition magazines, engines and transmission for weapons platform, the fuze for munition, the guidance package for a missile, arming devices for warheads, targeting radars, etc. Definition of support to the tobacco industry: Support includes the supply of products that do not contain tobacco themselves, but that are specifically manufactured for use in the consumption of tobacco products or their production: e.g. tobacco sorting machines, filters, pipes, cigarette paper, tobacco flavours and the packaging of tobacco products.

For the best-in-class approach, the SFI team uses the ESG score from Moody's ESG Solutions data. The score considers the issuers' ESG performance provided through 5 types of deliverables:

- Company Reports: including scores, ratings, risk analysis and ESG opinions
- Continuous Alerts: analysis of the impact of events likely to either positively or negatively affect the ESG Score
- Sector Reports: status and trends of the 36 sectors under review
- Scores & Ratings: social, environmental and governance KPIs, controversies
- Controversy Reports

During the construction of the portfolio, the Fund aims to reduce the aggregated Scope 1 and 2 greenhouse gas emission intensity by at least 30% compared to the market cap weighted benchmark.

The minimum reduction rate of the investment universe as a result of the above ESG screening is 50%. However, it is expected that the size of the investment universe of the Fund will be reduced by more than 50% in terms of number of issuers after the application of the above ESG screening.

The ETF does not invest in sovereigns of countries that practice the death penalty, as it is the ultimate cruel, inhuman and degrading punishment and a violation of the right to life.

The Fund primarily invests into corporate bonds to achieve the investment objective. Derivatives can be used for investment purposes, hedging and efficient portfolio management. Those derivatives can be FX forwards, interest rate futures and index CDX. Derivatives used for those purposes do not have to fulfill all criteria outlined above. Derivatives, which are utilized to gain exposure to capital markets have to fulfil the ESG criteria on a constituent's level. This includes derivatives used for efficient portfolio management. The product does not use any derivatives on agricultural commodities.

The Fund can invest into other CIS up to 10% of the Fund's assets. Those investment schemes do not necessarily have to fulfil all criteria of this policy but they explicitly must promote environmental or social characteristics according to Article 8 or Article 9 or Regulation (EU) 2019/2088. Furthermore, the funds need to adhere to the criteria of the Towards Sustainability Initiative.

Good governance

To ensure good governance of the investee companies, the SFI team first identifies the companies which violate this principle by systematically screening for controversies within the investable universe. To achieve this, the SFI team evaluates an extensive volume of news data for violations of good governance. These violations are aligned with the UN Global Compact and severe controversies in the area of human rights, labour relations and labour rights and community involvement and also covers tax compliance. Violations of these controversies and an inability to resolve in a timely manner, lead to a company being excluded from the investable universe and disinvested in case of a holding.

Proportion of investments

A minimum of 90% 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 10% of the Fund's NAV will be invested in financial derivative instruments for hedging and/or efficient portfolio management purposes and cash for ancillary liquidity purposes.

A minimum 50% of the Fund's NAV will be invested in sustainable investments.

Monitoring of environmental or social characteristics

In order to assess companies around the controversial activities mentioned above, the SFI team uses a combination of third-party data (e.g. Moody's ESG Solutions, MSCI, Sustainalytics and ISS (Institutional Shareholder Services)) to assess compliance. However, this can be supplemented with other service providers where appropriate. This data is used in order to place trade restrictions on issuers that breach the defined thresholds.

For the best-in-class approach the SFI team uses the ESG score from Moody's ESG Solutions data. The score considers the issuers' ESG performance provided through 5 types of deliverables:

- Company Reports: including scores, ratings, risk analysis and ESG opinions
- Continuous Alerts: analysis of the impact of events likely to either positively or negatively affect the ESG Score
- Sector Reports: status and trends of the 36 sectors under review
- Scores & Ratings: social, environmental and governance KPIs, controversies
- Controversy Reports

During every monthly construction of the portfolio, the Fund aims to reduce the aggregated Scope 1 and 2 greenhouse gas emission intensity by at least 30% compared to the market cap weighted benchmark, the Bloomberg EUR Corp 1-5 year Index.

As mentioned in the section "Investment Strategy", the minimum reduction rate of the investment universe as a result of the ESG screening applied to the Fund is 50%. However, it is expected that the size of the investment universe of the Fund will be reduced by about more than 50% in terms of number of issuers after the application of the above ESG screening.

When there are proposed changes to the ESG metrics used, a formal signoff procedure takes place that includes members of the global ESG team, investment team, product and legal team.

Methodologies for environmental or social characteristics

Best-in-Class criteria

By applying best-in-class criteria, companies are identified that display excellence in sustainable management and sustainable products or processes. They fulfil ecological and social requirements particularly well, ranging from climate efficiency and low water consumption to labour safety and satisfaction.

Exclusion and negative criteria

By applying these criteria, companies, sectors or countries are excluded from the investment universe which fail to fulfil certain ESG criteria or that violate international norms and standards according to the definitions of the International Labour Organisation (ILO), the OECD or the United Nations. Using a wide range of data fields provided by Moody's ESG Solutions, the SFI team is able to define a set of ESG criteria. Exclusion criteria and negative criteria can be used to eliminate companies that fail to meet certain ESG criteria, while with positive criteria, companies can be identified, which are particularly characterised by sustainable economic development, positive products or processes.

For the best-in-class approach, the SFI team uses the ESG score from Moody's ESG Solutions data.

Counterparty Selection

While some counterparties may be excluded as investable entities under the Fund's ESG framework due to failure on one or more screens, it is felt that restricting their use as counterparties would impose an undue burden on the Fund and would impair our ability to ensure best execution.

Securities Lending

To the extent the Fund engages in securities lending, the Fund will reserve the right to recall securities in advance of an important vote. In addition, the investment manager will ensure that any collateral received is aligned with this website disclosure.

Disinvestment period

Where a previously eligible company subsequently fails an appropriate screen, subject to secondary validation the investment teams will ensure disinvestment in the next rebalancing but certainly within a period of 60 days, subject to liquidity/regulatory and other factors. At all times the best interests of shareholders will be taken into consideration.

Data sources and processing

Exclusion and negative screening – Details

In order to assess companies around the above-mentioned controversial activities, Invesco uses a combination of third-party data (e.g. Moody's ESG Solutions, MSCI, Sustainalytics and ISS (Institutional Shareholder Services)) to assess compliance, however, this can be supplemented with other service providers where appropriate.

Sustainable Investments – Details

The process to determine if an investment should be considered a sustainable investment is described in "Environmental or social characteristics of the financial product".

For the qualitative checks and the selection criteria, Invesco uses a combination of Sustainalytics and the data sources mentioned above for the positive screening and best-in-class approach.

For the PAI indicators used to assess whether the sustainable investments cause significant harm (DNSH) to a relevant environment or social objective, Invesco uses a combination of Sustainalytics and ISS (Institutional Shareholder Services) as well as qualitative research and/or engagement, to assess whether the sustainable investments of the Fund cause significant harm (DNSH) to a relevant environmental or social investment objective. It is recognised that data in certain instances is limited and as a result the team may where deemed appropriate use proxies or where the data set is so limited as to not be representative of the investment universe to prioritise other actions, such as engagement to help increase the pool of data available.

Positive screening and best-in-class approach – Details

For the best-in-class approach the SFI team uses the ESG score from Moody's ESG Solutions data.

All securities have to be covered by the ESG rating agencies to ensure compliance with the investment framework.

The Fund's investment universe will be covered and assessed against the exclusion framework with the only exception of asset classes (including cash management and index derivatives) that are not aligned with the environmental or social characteristics promoted by the Fund and are further explained below.

Due diligence monitoring is done to ensure data providers are providing on-time deliverables such as ESG data, research and recommendations. Invesco conduct these due diligence meetings with selected service providers as necessary. Invesco is constantly evaluating vendors to ensure our investment teams/clients are provided with the current information and our expectations are met. When we identify an issue or our expectations are not met, our teams report the issue and follow up with the service provider to resolve it.

Invesco use multiple datasets from different sources and it is difficult to generate the proportion of ESG data that is estimated. Certain categories of ESG data are more likely to be estimated (such as scope 3 emissions, certain business involvement categories, etc) due to a lack of consistent disclosure among issuers. Because of this, ESG data that is directly disclosed by an issuer is given preference over data that is generated by a vendor using a proxy, estimation model, industry average, or other means. Invesco is committed to review the current ESG datasets that are used and will continue work with vendors to improve upon both the timeliness and accuracy of data that is used in construction of our ESG products. This data review is an ongoing process that involves members of our investment teams, ESG research team, ESG data analytics team, and our investment technology team.

Limitations to methodologies and data

As mentioned above in “Data sources and processing”, except for the cash management and index derivatives used for hedging or efficient portfolio management, the Fund’s investment universe will be covered and assessed against the exclusion framework.

Cash Management

Currencies, cash and money market instruments that are held for cash management/liquidity purposes may not be assessed for compliance within the above framework. Where cash equivalents are held for investment purposes, they will be compliant with the framework.

Derivatives

Index derivatives will not be assessed on a look-through basis, unless such an index has a significant allocation to prohibited activities.

Due diligence

All environmental and social characteristics are coded into the portfolio optimization used to construct the portfolio during the rebalance process. This ensures, that the optimizer adheres to the ESG policy. Portfolio managers review every trade to ensure the data consistency.

There are multiple levels of controls in place to ensure that the Fund meets its environmental and social characteristics and maintains a minimum of 50% of holdings allocated to sustainable investments. The first step in this due diligence process is a review of the data received from ESG data vendors to ensure that each update file is as complete as possible before ingestion into internal systems. This includes an analysis of the changes between the current data file and previous data files, highlighting significant changes and potentially requesting confirmation of these changes.

In addition to the data quality assurance process mentioned above, our internal investment compliance process checks each new transaction against a list of eligible securities and calculates if the transaction is not aligned with environmental and social characteristics and/or result in a breach of the minimum 50% sustainable investments thresholds.

Any changes to the ESG criteria of the Fund must be reviewed and approved by Invesco’s ESG client strategies team. This team is composed of ESG professionals with experience working with both clients and portfolio managers in the creation of ESG-labelled or related products. This process ensures that the criteria selected represent industry best practices for ESG-related products.

Engagement policies

Engagement

SFI enters regularly into dialogue with carefully selected target companies via the Global Engagement Service of Moody's ESG Solutions. The potential target companies are selected by SFI and a final selection of the companies to be engaged with is then agreed with Moody's ESG Solutions. In general, the team look to engage on topics related to the SFI Priority ESG Themes, which are Climate Change, Human Rights, Supply Chain Management, Water and Bribery/Corruption.

SFI selects investee companies which are at a size and stage making them likely to be influenceable. The objective is to identify weaknesses in the company's sustainability management and discuss these with management to enable the companies to achieve a better ESG performance in the medium to long term. Discussions can take place via telephone calls, personal meetings and written communication. Engagements are followed through over a period of years where necessary.



Direct dialogue with companies

- Address ESG risks and weaknesses
- Enhance ESG performance of companies
- Pooling of interest of different asset managers



IQS Engagement ESG themes

- Climate change
- Water management
- Bribery & corruption
- Supply Chain labour standards
- Human rights
- Global norms & conventions



Joint Engagement with Invesco ESG areas

- Good governance
- Climate change
- Social Equity
- Climate Action 100+

Source: Invesco Quantitative Strategies, Vigeo Eiris. For illustrative purposes only.

SFI engagement priorities follow methods:

- Theme-based engagement, which aims to encourage companies to expose and reduce systemic risks in areas such as bribery reporting; climate change; human rights management systems; supply chain labour policy and water scarcity.
- Controversy-led engagement, which aims to prompt companies to observe internationally-recognized standards and conventions and correspondingly improve their company guidelines.

Moody's ESG Solutions undertakes a detailed assessment of the themes for each company that the SFI team has selected. This is based upon a long established and rigorous methodology and involves assessing the level of risk that a company is exposed to in any one area and then analysing how the company mitigates these risks.

SFI also leverages on the firm-level engagement and actively supports the Climate Action 100+ initiative.

Please click [here](#) to access our engagement and proxy voting policy.

| Version | Date | Details of change |
|----------------|------------------|---|
| 1.0 | 16 December 2022 | Creation of the document |
| 1.1 | 19 October 2023 | Increase in the Minimum Sustainable Investment Percentage |
| 1.2 | 9 August 2024 | Update to Controversial Activities |