
Invesco Europe Enhanced Equity UCITS ETF (the “Fund”)

Sustainability-related disclosures

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Summary

The Fund's objective is to achieve a long-term return in excess of the MSCI Europe Index (the "Benchmark") by investing in an actively-managed portfolio of European equities.

This Fund promotes environmental and/or social characteristics but does not have as its objective sustainable investment. The Fund promotes social characteristics, namely reducing the availability of weapons and improving health and wellbeing by excluding companies involved in controversial weapons and tobacco. The Fund also promotes environmental characteristics, namely limiting pollution and restricting the use of non-renewable natural resources by excluding companies involved in thermal coal. These criteria are integrated into the security selection and portfolio construction process.

The Benchmark against which the Fund measures its investment objective has been designated as the Fund's reference benchmark but is not consistent, nor is it intended to be consistent, with the environmental or social characteristics which the Fund promotes.

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.

In order to assess companies around the controversial activities mentioned above, the Sub-Investment Manager uses a combination of third-party data 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. In addition, the Manager monitors and measures the Fund's performance, using indicators such as the Fund's ESG score, carbon intensity and exclusion criteria by aggregating data from third-party data providers.

There are limitations to the data and methodologies used to measure the attainment of the environmental and/or social characteristics promoted by the Fund, e.g., there may be insufficient data coverage by the index provider and third-party data providers, or there may be errors in the data from third party data providers. However, such limitations are not expected to have any material impact on the Fund's overall ability to attain the environmental and/or social characteristics promoted by the Fund.

Equity shares held in Invesco ETFs are subject to Invesco's Policy Statement on Global Corporate Governance and Proxy Voting, which can be found in the Fund's Statement of Additional Information, available at <https://www.invesco.com/content/dam/>.

No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment. The Fund does not intend to make sustainable investments.

Environmental or social characteristics of the financial product

The Fund promotes social characteristics, namely reducing the availability of weapons and improving health and wellbeing by excluding companies involved in controversial weapons and tobacco. The Fund also promotes environmental characteristics, namely limiting pollution and restricting the use of non-renewable natural resources by excluding companies involved in thermal coal. These criteria are integrated into the security selection and portfolio construction process.

Investment strategy

The investment objective of the Fund is to achieve a long-term return in excess of the Benchmark by investing in an actively-managed portfolio of European equities.

The investment universe comprises European equities that meet the defined ESG Policy using exclusions. Risk management is an integral part of the investment strategy. The Sub-Investment Manager relies on its factor-based selection model, which seeks to capture the factors of value, quality and momentum. Following in-depth factor research, the Sub-Investment Manager uses proprietary factor definitions that are expected to deliver results in excess of standard publicly available factor definitions for Value, Quality and Momentum.

ESG Policy

Screening will be employed to exclude from the Initial Investment Universe securities issued by issuers which derive or generate a predetermined level of revenue or turnover from activities such as (but not limited to), production of tobacco, activities related to coal (specifically production and distribution of hard coal and lignite) and any activities related to controversial weapons. All issuers considered for investment will be excluded if they are engaged in very severe controversies, they will also be screened for compliance with, and excluded if they do not meet, UN Global Compact principles, based on third-party data and the Sub-Investment Manager's proprietary analysis and research. The current exclusion criteria may be updated from time to time.

The Fund's compliance with the ESG Policy will be reviewed on an ongoing basis by the Sub-Investment Manager. Where a previously eligible security subsequently ceases to meet the Fund's ESG Policy or where the Fund acquires a security as a result of a corporate action and such security does not meet the Fund's ESG Policy, the Sub-Investment Manager will ensure disinvestment at the next rebalance, having due regard to the best interests of the Shareholders and subject to liquidity, regulatory and other factors.

The ESG Policy will be reviewed and applied on an ongoing basis and integrated as part of the quantitative investment process for stock selection and portfolio construction.

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/or social characteristics promoted by 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. These investments will not be aligned with the environmental and social characteristics of the Fund.

Monitoring of environmental or social characteristics

In order to assess companies around the controversial activities mentioned above, the Sub-Investment Manager uses a combination of third-party data 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.

In addition, the Manager monitors the following indicators on a monthly basis:

- the Fund's ESG score
- the carbon intensity of the Fund
- the Fund's exclusion criteria

Methodologies for environmental or social characteristics

ESG Screening

Screening will be employed to exclude from the initial investment universe securities issued by issuers which derive or generate a predetermined level of revenue or turnover from activities such as (but not limited to), production of tobacco, activities related to coal (specifically production and distribution of hard coal and lignite) and any activities related to controversial weapons. All issuers considered for investment will be excluded if they are engaged in very severe controversies, they will also be screened for compliance with, and excluded if they do not meet, UN Global Compact principles, based on third-party data.

The Fund's compliance with the ESG Policy will be reviewed on an ongoing basis by the Sub-Investment Manager. Where a previously eligible security subsequently ceases to meet the Fund's ESG Policy or where the Fund acquires a security as a result of a corporate action and such security does not meet the Fund's ESG Policy, the Sub-Investment Manager will ensure disinvestment when it next rebalances the portfolio, having due regard to the best interests of the Shareholders and subject to liquidity and regulatory factors.

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 Sub-Investment manager will ensure that any collateral received is aligned with these sustainability-related disclosures.

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 to assess compliance, however, this can be supplemented with other service providers where appropriate.

The Fund's investment universe will be covered and assessed against the exclusion framework with the exception of investments for cash management and derivatives used for hedging or efficient portfolio management purposes.

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 select 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 derivatives used for hedging or efficient portfolio management purposes, the Fund's investment universe will be covered and assessed against the exclusion framework.

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. 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.

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

Invesco's Proxy Voting approach is governed by the Global Proxy Voting Policy, which is premised on respecting the fund manager's freedom to vote in what they believe is the best interests of the investors in the relevant fund or portfolio in order to achieve positive outcomes for clients.

To this effect, Invesco maintains a proprietary global proxy administration platform, known as "PROXYintel". The platform streamlines the proxy voting and ballot reconciliation processes, as well as related functions, such as share blocking and managing conflicts of interest issues. This enables fund managers to vote in an efficient manner, increase transparency, share knowledge and effectively influence corporate practices and behaviours.

Invesco adopts and applies a dedicated ESG voting policy across managed funds, portfolios and mandates. Besides the support of shareholder proposals through Invesco's proprietary "PROXYintel" Fund Manager Portal, specific voting decisions on the following ESG topics are taken if applicable:

- Gender Pay Gap Proposals,
- Political contribution disclosure/political lobbying
- Disclosure/political activities and action data security
- Privacy and internet issues
- Report on Climate Change/climate change action and
- Gender Diversity on public boards

Engagement

The Sub-Investment Manager enters regularly into dialogue with carefully selected target companies. In general, the team look to engage on topics related to the Sub-Investment Manager Priority ESG Themes, which are Climate Change, Human Rights, Supply Chain Management, Water and Bribery/Corruption.

The Sub-Investment Manager 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.

The Sub-Investment Manager's 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.

The team undertakes a detailed assessment of the themes for each company that the Sub-Investment Manager 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.