How does the ESG Portfolio Construction Process work?

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At Invesco Fixed Income, the assessment of a company's ESG criteria is fully integrated within our investment process for both credit selection and portfolio construction respectively.

We seek to engage with companies, to ensure they are minimizing and disclosing the associated ESG risks. We believe by implementing a strong governance framework and by clearly articulating the respective board's accountability and oversight we can enhance the value of our portfolios.

Screening will be employed to exclude companies and/or issuers from the investment universe that do not meet the Invesco ESG Senior Loan Strategy's criteria (see figure 1).

This includes but is not limited to excluding companies and/or issuers based on their level of involvement:

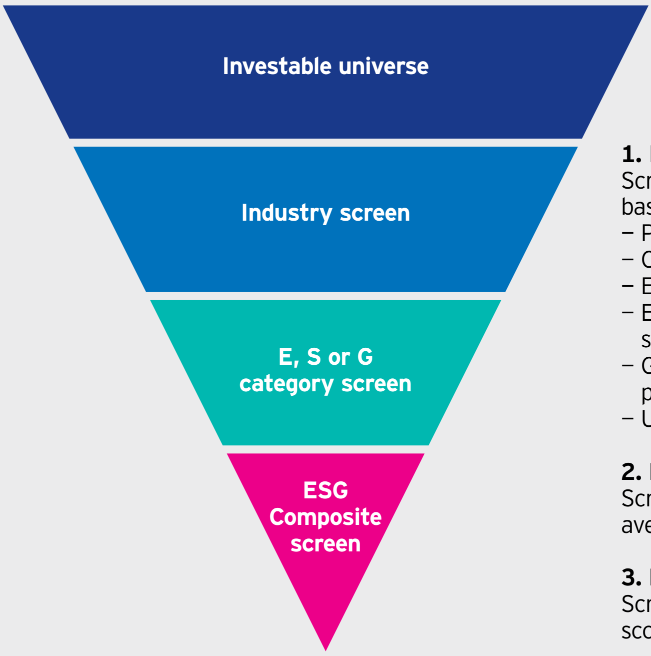
- in the production of tobacco and tobacco products,
- controversial weapons (including nuclear weapons),
- extraction of thermal coal,
- extraction of fossil fuels from unconventional sources (including Arctic drilling, tar sands, shale oil and gas, or other fracking activities and/or mining of oil shale),
- the generation of electricity above a defined percentage from coal-fired power plants, as well as based on the status of these companies and/or issuers in terms of respecting the UN global compact principles as assessed by third party providers for the global universe they cover, as updated from time to time.

In addition, our **ESG Senior Loan Strategy** may not invest in loans from companies that have an aggregated ESG rating or single category E, S, or G ratings below levels set within the internal ESG rating methodology, and will disinvest within 6 months from loans for which the aggregated ESG rating or single category E, S, or G ratings fall below these limits, as determined by our internal rating methodology.

To derive an issuer level ESG rating:

1. We average the various factors under each E/S/G pillar to determine a Pillar Ratings.
2. We then weight each pillar by the average E/S/G pillar weights published by MSCI ESG Research by industry sector to come up with an ESG Composite score.
3. These ratings are averaged into an overall ESG score. Each overall ESG rating is reviewed with, and approved by, Invesco's investment committee

Figure 1
ESG portfolio construction



1. Industry screen
Screening employed to exclude companies based on their involvement in:
– Production of tobacco products
– Controversial weapons
– Extraction of thermal coal
– Extraction of fossil fuels from unconventional sources
– Generating of electricity above a defined percentage from coal/fire plants
– UN Global Compact Principles

2. E, S or G category screen
Screen out issuers with an E, S or G category average above a specified threshold

3. ESG Composite screen
Screen out issuers with an ESG Composite score above a specified threshold

Source: Invesco. For illustrative purposes only.

(the same committee that approves all bank loans from a credit perspective.)

4. Each ESG rating is included in any new deal underwriting and reviewed at least (minimum) annually.

ESG criteria will be reviewed and applied on an ongoing basis by the Investment Manager, integrated as part of the investment process for credit selection and portfolio construction.

Invesco Fixed Income Senior Secured Bank Loans ESG Risk Framework is outlined below in figure 2.

Figure 2
Factors that are incorporated into our ESG rating include, but are not limited to:

Assess	> Each new loan is independently measured for risks related to Environment, Social and Governance factors by our credit analysts.
Evaluate	> ESG is a key discussion factor in the investment team's credit evaluation of potential investment opportunities.
Integrate	> ESG considerations are integrated into Invesco's fundamental research process.
Engage	> Each credit analyst spends a great deal of time getting to know borrower's management teams, sponsors, key suppliers and customers.

Source: Invesco. For illustrative purposes only.

Risk warnings

The strategy is particularly dependent on the analytical abilities of its investment manager on senior loans. Many senior loans are illiquid, meaning that the investors may not be able to sell them quickly at a fair price and/or that the redemptions may be delayed due to illiquidity of the senior loans. The market for illiquid securities is more volatile than the market for liquid securities. The market for senior loans could be disrupted in the event of an economic downturn or a substantial increase or decrease in interest rates. Senior loans, like most other debt obligations, are subject to the risk of default. The market for senior loans remains less developed in Europe than in the U.S. Accordingly, and despite the development of this market in Europe, the European Senior Loans secondary market is usually not considered as liquid as in the U.S.

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.