Invesco

1 January 2023

Invesco Group Sustainability Risk Policy

This document focuses on our regulatory compliance with the European Sustainable Finance Disclosure Regulation and should be read in conjunction with our annual Global Stewardship Report which can be found on invesco.com.

Scope

This policy applies to "financial market participants" and "financial advisers" (as defined in the European Sustainable Finance Disclosure Regulation) within the Invesco group of companies (referred to herein as "Invesco" or "we") which provide services in relation to "financial products" (as defined in European Sustainable Finance Disclosure Regulation)). This includes all fund management companies subject to UCITS or AIFMD, as well as all MiFID investment firms and EU insurance undertakings within Invesco.

This policy sets out how Invesco complies with its transparency obligations under the European Sustainable Finance Disclosure Regulation, Regulation EU 2019/2088 (commonly known as the "SFDR" or the "Disclosure Regulation"): https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN

Background

The Disclosure Regulation is a wide-ranging piece of European legislation, which imposes various obligations on "financial market participants" and "financial advisers" in relation to ESG matters.

Article 6 of the Disclosure Regulation requires various Invesco entities to publicly disclose how they integrate Sustainability Risks into their investment decisions. In effect this requires us to have in place a policy relating to such integration and to publish that policy on our website.

To achieve Invesco's strategic objectives, it is necessary to pursue activities involving varying degrees of Sustainability Risks. The objective of this policy is to provide guidelines and principles that support the consideration and management of such risks.

Invesco has a breadth of additional marketing documents and guidelines pertaining to our ESG activities available at invesco.com.

Further information with respect to Invesco's compliance with the Disclosure Regulation can be located on the website for the relevant Invesco entity including with regards to Invesco's Global Remuneration Policy.

Definitions

"Investment Team" means a unit of Invesco investment professionals which provides portfolio management or investment advice services (as defined in the Disclosure Regulation) to Financial Products.

"Sustainability Risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the financial value of the investment.

Principles for Integration of Sustainability Risks in Investment Decisions

Invesco is committed to ensuring it has robust systems and processes to enable its Investment Teams to take Sustainability Risks into account when making investment decisions in a way that best serves its clients and seeks continuous improvement in this area.

Invesco's approach to integrating a consideration of Sustainability Risks into its investment decision-making processes is founded on three central pillars: (i) focus on financially material risks; (ii) research basis and (iii) a systematic approach.

Each Investment Team (and the investment professionals therein) must, prior to making any investment:

I. identify the relevant Sustainability Risks for each investment;

II. assess the materiality of such Sustainability Risk to the value of the investment.

Investment Teams should also maintain appropriate written/electronic records of relevant conclusions and decisions.

Each Investment Team must use a consistent methodology or other procedure to comply with the steps above across the Financial Products which they manage or advise using similar strategies.

There is no requirement for all Investment Teams to take an identical approach, given the differences that exist between geographies, asset classes and investment theses.

Processes for Integration of Sustainability Risks in Investment Decisions

Each Investment Team has its own method of systematically integrating consideration of Sustainability Risks into its investment process. Procedural implementation will vary depending on asset class, geography and investment strategy. Also, some institutional clients may request us to implement specific processes that differ from those summarized herein, for their particular portfolios. Nevertheless, the Regulation requires Invesco to provide "concise" information about our approach. What follows is therefore a description of the approach across different Investment Teams or (where appropriate) investment strategies:

1. Discretionary Strategies
For discretionary active investment strategies, the process starts with the identification of Sustainability Risk indicators considered to be financially material to a given issuer or industry, in the context of the relevant investment objective and policy. Investments of the relevant Financial Products will be assessed and/or assigned scores for these identified indicators, using one or more proprietary Invesco methodologies, depending on the strategy. These assessments will be taken into account in investment decisions, and also in any engagement activities.

Assessments of Sustainability Risk do not necessarily mean that the Investment Team will refrain from taking or maintaining a position in the investment. Rather, the Investment Team will consider the assessments together with other material factors in the context of the specific investee company or issuer and the investment objective and policy of the Financial Products.

2. Quantitative Strategies
Invesco integrates Sustainability Risks into investment decisions for quantitative strategies systematically as part of the core research process. Invesco and third-party research is continuously analysed to identify sustainability-related indicators which may drive better investment performance and/or reduce risk. When such correlations are verified, the relevant metrics are added as factors within the Investment Team's core optimising models and automatically applied to reduce the relevant Sustainability Risks.

3. Multi-Asset Strategies
Invesco integrates Sustainability Risks into investment decisions for multi asset strategies in three main ways: First, Sustainability Risks are considered as part of macro-economic analysis. Second, Sustainability Risk-related scenarios are included in risk analysis. Third, Sustainability Risk is considered in selecting implementation approaches for investment ideas.

4. Real Asset Strategies
Invesco integrates Sustainability Risks into investment decisions on real assets through a multi-step process which starts with the identification of Sustainability Risk indicators and factors considered to be material to a given investment, in the context of the relevant investment objective. Invesco considers the sustainability assessment together with other material factors in the context of the specific assets and investment strategy.

5. Exchange Traded Funds (ETF)
When launching new ETF funds, Invesco's product development process will take into account the rewards and benefits of adopting an ESG benchmark, along with, where possible, an assessment of Sustainability Risks. Assessments of Sustainability Risks are not conclusive and do not necessarily mean that the Investment Manager will refrain from tracking a benchmark. For passively managed ETFs, once a benchmark has been selected, since the strategy of these products is to track or replicate a benchmark, there is no exercise of discretion by the Investment Manager to actively select/deselect stocks. Accordingly, for passively managed funds there is no integration of Sustainability Risks unless it is incorporated into the index methodology (as may be the case for ETFs which have ESG characteristics). All actively managed ETFs integrate a consideration of Sustainability Risks in the investment decision making process.

6. Funds of Funds
Sustainability risks are considered in Invesco's fund-of-funds investment process through both macroeconomic asset-class analysis and manager analysis. The top-down (asset allocation) investment process considers sustainability risks associated with economic views and the bottom-up (manager selection) component considers the managers' approach to sustainability risk in their security selection process.