
Invesco EUR Government and Related Green Transition UCITS ETF (the “Fund”)

Sustainability-related disclosures

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Summary

The investment objective of the Fund is to provide the performance of the European government bond market by investing in an actively managed portfolio of government and government-related bonds that also factors in certain environmental, social, and corporate governance (“ESG”) criteria into the portfolio construction and maximises exposure to Green Bonds subject to exposure and liquidity considerations.

The Fund invests in EUR denominated government and government-related 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, Green Bond selection and Engagement.

ESG Policy

- Use of ESG screening criteria both on a country as well as on an issuer level (for state-owned but not guaranteed agencies)

Green Bond Selection and Portfolio Construction

- Selection of Green Bonds according to minimum criteria (adherence to international standards and independent verification) and liquidity considerations
- Maximize exposure to Green Bonds while minimizing the tracking error of the Fund relative to the Benchmark which measures the EUR treasury market

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 is designed to ensure compliance with the following 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

Bonds issued by governments and corresponding agencies and local authorities are eligible for inclusion in the Fund if the relevant country has ratified and implemented each of the below in national legislation:

- the eight fundamental conventions identified in the International Labour Organisation’s Declaration on Fundamental Rights and Principles at Work; and
- at least half of the 18 core International Human Rights Treaties

Supranational issuers are eligible for inclusion in the portfolio if the majority of countries constituting them (by count) are eligible based on the above criteria.

Furthermore, a country will be excluded if:

- it is not party to the Paris Agreement; or
- it is not party to the UN Convention on Biological Diversity; or
- it is not party to the Nuclear Non-Proliferation Treaty; or
- it has particularly high military budgets (>4% gross domestic product); or
- it is considered to be a 'Jurisdiction with strategic Anti-Money Laundering / Combating the Financing of Terrorism (AML/CFT) deficiencies' by the Financial Action Task Force on Money Laundering (FATF); or
- it has a score of less than 40 (out of 100) on the Transparency International Corruption Perception Index; or
- it is qualified as 'Not free' by the Freedom House 'Freedom in the World'-survey.

Government-owned issuers that are not government guaranteed are excluded 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;
- Level of involvement 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 20% of its portfolio in sustainable investments.

The investment team regularly reviews the ESG criteria of the Fund and will adapt the criteria if new knowledge on ESG is obtained.

No sustainable investment objective

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

However, a minimum of 20% 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 of the Investment Manager and applies the exclusion criteria as detailed under the section 'Environmental or social characteristics of the financial product', which takes 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 objectives. Where an issuer 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 for Government-owned issuers that are not government guaranteed.

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

PAI No.	PAI Indicator	Portfolio Rollups
	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	((Market Value/EVIC)*(Tonnes of Emissions to water))/Million EUR Invested; Same as Carbon footprint calculation
9	SA Hazardous Waste Production _Tonnes-SFDR	((Market Value/EVIC)*(Tonnes of Hazardous Waste))/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
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
Optional Indicators		
E	Lack of Carbon Emission Reduction Initiatives-SFDR	% Weight of Portfolio
S	Lack of Human Rights Policy-SFDR	% Weight of Portfolio

All Sovereign issuers are assessed using the indicators below:

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

PAI No.	PAI Indicator	Portfolio Rollups
Sovereign		
1	SA Carbon Emissions Intensity-SFDR	Weighted Average
2	SA Any Country Social Violations-SFDR	No. of Counties involved in Violations; % of countries involved in violations

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 Government-owned issuers that are not government guaranteed 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 environmental and social characteristics promoted by the Fund are to gain exposure to a portfolio of government and government-related bonds which meet the following criteria of the ESG Policy:

- a. Securities are eligible if issued by countries that have ratified and implemented in equivalent national legislation: a) the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work; and b) at least half of the 18 core International Human Rights Treaties.
- b. Issuer countries are excluded based on non-conformity with international treaties and assessments by third-party non-profit organisations (as further set out under the section titled "Investment Strategy"; and
- c. Government-owned issuers that are not government guaranteed are excluded based on their involvement in controversial business activity or ESG controversies.

The Fund also maximises exposure to Green Bonds, according to the criteria set out under the section titled "Investment Strategy".

A minimum of 20% of the Fund's NAV will be allocated to sustainable investments. Green Bonds that meet the following criteria shall be eligible to be considered as sustainable investments:

- Firstly, Green Bonds that are issued under a recognized green bond standard (e.g. ICMA/CBI/EU GS). The Green Bonds need to be assessed against an independent external reviewer's data to verify the classification. The independent external reviewer's data account for the four core components required for alignment with the Green Bond Principles (namely 1.) Use of Proceeds, 2.) Process for Project Evaluation and Selection, 3.) Management of Proceeds and 4.) Reporting) in the classification of each Green Bond. 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 of Green Bonds in the portfolio will be eligible to be counted as sustainable investments when meeting this 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.
- Third, government-owned issuers that are not government guaranteed 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.

Where a government-owned issuer that is not government guaranteed 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.

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 investment strategy of the Fund is to provide the performance of the European government bond market by investing in an actively managed portfolio of government and government-related bonds that also factors in ESG criteria into the portfolio construction and maximises exposure to Green Bonds subject to liquidity consideration and the ability to reduce the tracking error of the Fund to the Bloomberg Euro Aggregate Treasury Index (the "Benchmark"), which measures the Euro denominated treasury market. The definition of a Green Bond in the context of this document can be found in section "Environmental or social characteristics of the financial product".

The Fund includes countries if they have ratified and implemented each of the below in national legislation:

- the eight fundamental conventions identified in the International Labour Organisation's Declaration on Fundamental Rights and Principles at Work; and
- at least half of the 18 core International Human Rights Treaties

Supranational issuers are eligible for inclusion in the portfolio if the majority of countries constituting them (by count) are eligible based on the above criteria.

Furthermore, a country will be excluded if:

- it is not party to the Paris Agreement; or
- it is not party to the UN Convention on Biological Diversity; or
- it is not party to the Nuclear Non-Proliferation Treaty; or
- it has particularly high military budgets (>4% gross domestic product); or
- it is considered to be a 'Jurisdiction with strategic Anti-Money Laundering / Combating the Financing of Terrorism (AML/CFT) deficiencies' by the Financial Action Task Force on Money Laundering (FATF); or
- it has a score of less than 40 (out of 100) on the Transparency International Corruption Perception Index; or
- it is qualified as 'Not free' by the Freedom House 'Freedom in the World'-survey.

The Fund uses the following additional exclusion criteria for government-owned issuers that are not government guaranteed:

Controversial Activities	Measure	Excluded If
Coal	Turnover derived from thermal coal mining	>=5%
	Turnover 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
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
Fossil fuel industry	Revenues are derived from fossil fuel industries	>=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
Nuclear power	Turnover 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	Turnover from production and distribution	>=5%
	Turnover from production	>=5%
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	Fail to pass the global compact screening	Yes

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.

The fund does not have a minimum reduction rate of the investment universe in terms of number of issuers as the sustainability characteristics of the fund are obtained using a tilting within the instruments of an issuer rather than selection of issuers. Nevertheless, it is expected that given the application of the exclusions defined above, the investment universe will be reduced by 10%.

The Fund primarily invests into government and government-related bonds to achieve the investment objective. Derivatives can be used for investment purposes, hedging and efficient portfolio management. Those derivatives can be FX forwards and interest rate futures. 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 government-owned issuers that are not government guaranteed, the SFI team first identifies the issuers 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 an issuer 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 20% 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, Nasdaq, Bloomberg 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.

To determine the eligibility of a bond to be considered a Green Bond, the SFI team uses Nasdaq and Bloomberg data. This includes the framework the bond has been issued under and the provider of a second party opinion.

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

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.

Green Bond selection

The investment strategy relies on allocating capital to Green Bonds. The Green Bonds are selected from those issuers, which have passed the negative screening above. To qualify as a Green Bond, a security must be issued under a recognised green bond standard (e.g. International Capital Market Association (ICMA) / Climate Bond Initiative (CBI) / EU Green Bond Standard (EUGBS)). Every security is checked against an independent external reviewer's data to ensure agreement of the classification. The portfolio intends to maximize the share of the green bonds with respect to liquidity and tracking error considerations outlined in the supplement to the prospectus of the fund.

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 issuer 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 government-owned issuers that are not government guaranteed 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 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.

Green Bond Selection– Details

For the Green Bond Selection, the SFI team uses Bloomberg and Nasdaq data. All Green bonds have to be covered by at least one of the ESG data providers 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 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

Derivatives will not be assessed on a look-through basis, unless an index derivative 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 20% 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 20% 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 including government-owned issuers that are not government guaranteed 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 issuer'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, Moody's ESG. For illustrative purposes only.

SFI's engagement prioritises the following 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 issuers to observe internationally-recognized standards and conventions and correspondingly improve their guidelines.

Moody's ESG Solutions undertakes a detailed assessment of the themes 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 issuer is exposed to in any one area and then analysing how the issuer 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	3 April 2023	Creation of the document
1.1	19 October 2023	Increase in the Minimum Sustainable Investment Percentage