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Invesco Bloomberg Commodity Carbon Tilted UCITS ETF

(the "Fund")

Sustainability-related disclosures

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Summary

The Fund's objective is to seek to achieve the total return performance of the Bloomberg Commodity Carbon Tilted Index (the "Reference Index") less fees, expenses and transaction costs. In order to achieve the investment objective, the Fund will invest all or substantially all of the net proceeds of any issue of shares in a diversified portfolio of US Treasury Bills, whereby the Fund will enter into one or more Swaps with an Approved Counterparty to exchange an agreed rate of return reflective of market rates of US Treasury Bills, for the performance of the Reference Index.

The Fund promotes environmental characteristics but does not have as its objective sustainable investment. The environmental characteristics promoted by the Fund are to provide indirect exposure to an index of commodity futures with the same constituent commodities as the Bloomberg Commodity Index (the "Parent Index"), whose weights are tilted to take into account the Greenhouse Gas emissions ("GHG Emissions") associated with the production of the underlying commodity referenced by the futures contracts. The tilting is applied in such a way that within each of the following groups of commodities in the Reference Index (industrial metals, agriculture derived, agriculture ex-derived, livestock, precious metals, primary energy and distillates), lower GHG emitting commodities relative to their commodity group are overweighted, and higher GHG emitting commodities are underweighted, when compared to the Parent Index.

As a result of applying the tilting to the underlying futures contracts, the net environmental benefit is that greater relative funding support is provided to producers of less GHG emitting commodities, and reduced relative funding support is provided to producers of more GHG emitting commodities, when compared to the Parent Index.

The differential in funding support between the Reference Index and the Parent Index is assessed via the Aggregated Emissions Difference per Unit of Production. The Reference Index tilt factors are set to target an Aggregated Emissions Difference Per Unit of Production of 20%.

The Fund has direct physical holdings in a portfolio of US Treasury Bills and the Fund's net economic exposure of the Fund is to the constituent securities in the Reference Index, which consists of commodity futures. The Fund has no direct exposure to companies and therefore an assessment of good governance practices is not applicable to the investments of the Fund.

Excluding possible de minimis residual cash holdings, 100% of the Fund's investments will be used to attain the environmental characteristics of the Fund by gaining indirect exposure to the Reference Index through unfunded swaps.

The Manager monitors the tracking error of the Fund on an ongoing basis. The Manager also monitors and measures the Fund's performance on GHG Emissions reduction on a per unit of production basis relative to the Parent Index by utilising data from the index provider, and third-party data providers. The Manager compares against the same indicator for the Reference Index to measure the attainment of the environmental characteristics promoted by the Fund. The Manager also monitors the degree to which the ESG characteristics of the Fund are an improvement over those of a relevant comparable broad market index.

In order to assess the quality of the index provider's data, the Manager carries out due diligence on the index provider prior to fund launch and on an ongoing, periodic basis. The Manager may also utilise data from other third-party data providers for comparison purposes, allowing the Manager to identify and challenge any inconsistencies. The Manager does not estimate any of the data or use any estimated data from third party data providers.

There are limitations to the data and methodologies used to measure the attainment of the environmental characteristics, 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, including index constituent data disseminated by the index provider. The methodology of the Reference Index does not apply to the direct physical holdings of the Fund's Basket. However, such limitations are not expected to have any material impact on the Fund's overall ability to attain the environmental characteristics which are met by tracking the Reference Index.

Invesco's engagement policy can be accessed here – 'Stewardship Report'.

Please refer to the index provider's website for input data, the methodologies used to select those data, the rebalancing methodologies and how the Reference Index is calculated: https://www.bloomberg.com/professional/product/indices/bloomberg-commodity-index-family/.

No sustainable investment objective

This financial product promotes environmental characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The environmental characteristics promoted by the Fund, as further detailed below, are achieved by tracking the Reference Index, which has a methodology that is consistent with attaining these environmental characteristics.

The environmental characteristics promoted by the Fund are to provide indirect exposure to an index of commodity futures with the same constituent commodities as the Parent Index, whose weights are tilted to take into account the GHG Emissions associated with the production of the underlying commodity referenced by the futures contracts. The tilting is applied in such a way that within each of the following groups of commodities in the Reference Index (industrial metals, agriculture derived, agriculture ex-derived, livestock, precious metals, primary energy and distillates), lower GHG emitting commodities relative to their commodity group are overweighted, and higher GHG emitting commodities are underweighted, when compared to the Parent Index.

As a result of applying the tilting to the underlying futures contracts, the net environmental benefit, is that greater relative funding support is provided to producers of less GHG emitting commodities, and reduced relative funding support is provided to producers of more GHG emitting commodities, when compared to the Parent Index.

The differential in funding support between the Reference Index and the Parent Index is assessed via the Aggregated Emissions Difference per Unit of Production, which is effectively the total reduction in weighted GHG Emissions per unit of production across all the underlying commodities referenced by the futures contracts of the Reference Index when compared to the Parent Index (as further described under "Investment Strategy"). The Reference Index tilt factors are set to target an Aggregated Emission Difference Per Unit of Production of 20%.

Investment strategy

The investment objective of the Fund is to achieve the total return performance of the Reference Index, less fees, expenses and transaction costs.

The Fund is passively managed and synthetically replicates the performance of the Reference Index which it tracks. In order to achieve the investment objective, the Company will on behalf of the Fund invest all or substantially all of the net proceeds of any issue of shares in a diversified portfolio of US Treasury Bills, whereby the Fund, will enter into one or more Swaps with an Approved Counterparty to exchange an agreed rate of return reflective of market rates of US Treasury Bills, for the performance of the Reference Index.

Counterparties are selected based on a range of financial, risk, reputational and other criteria, in accordance with the guidance of the Central Bank. An assessment of ESG-related risks, both financial and reputational, is included as part of this assessment. A financial ESG risk is one that could materially impact on a counterparty's ability to meet its financial obligations. A reputational ESG risk is one where the Investment Manager may deem it ethically, morally or socially unacceptable to continue engaging with the given counterparty, or where ongoing engagement may be impacted by government, regulatory or other sanctions.

Where an ESG risk is identified, whether financial or reputational, the Investment Manager may engage with the counterparty to manage the exposure of the Fund to the ESG risk. If, in the opinion of the Investment Manager, the ESG risk cannot be mitigated, it may impact on the Investment Manager's decision to enter into derivative transactions with the counterparty. However, the consideration of ESG risk is only one part of the counterparty assessment process. Where the overall view on creditworthiness of a counterparty remains positive, the Fund may continue to enter into transactions with that counterparty if it is felt that restricting their use as a counterparty would impose an undue burden on the Fund and would impair the Investment Manager's ability to ensure best execution.

The Fund shares the same environmental characteristics as the underlying Reference Index and attains those characteristics by gaining exposure to the Reference Index through swaps.

The Reference Index is a diversified commodity benchmark based on US dollar denominated commodity futures. The Reference Index is a variant of the Parent Index that seeks to incorporate a measure of the environmental costs associated with the production of the underlying commodities referenced by each futures contract.

The Reference Index is further described below but only represents an extract of information available from public sources and neither the Directors, the Manager, Bloomberg Index Services Limited, or such other successor sponsor to the Reference Index (the "Index Provider") nor the Investment Manager take any responsibility for the accuracy or completeness of such information.

The Parent Index is designed to be a liquid and diversified benchmark for commodities and is composed of futures contracts on physical commodities. Commodities are classified into six groups (energy, industrial metals, precious metals, livestock, grains and softs) in the Parent Index ("Parent Index Commodity Groups") and constituents are selected based on four main principles: economic significance, diversification, continuity and liquidity.

The Reference Index comprises the same futures on the same component commodities as the Parent Index. For each constituent commodity, the estimated GHG Emissions are assessed on a per unit of production basis. The primary metric used to measure GHG Emissions is in terms of carbon dioxide equivalence, which is a widely accepted metric that normalises the impact of various emissions on climate change. Direct emissions from producing the commodity, as well as indirect emissions related to the energy used to produce the commodity are considered. The GHG Emissions are estimated using Life Cycle Assessment ("LCA") models which measure emissions at each stage of the production process for the physical assets underlying the set of commodities in the Reference Index. The LCA models differ across the various constituent commodities and are selected to reflect the production processes appropriate for each specific physical commodity (given, for example, the production process for gold is different to natural gas) and a range of LCA models are eligible for the assessment of the GHG Emissions per commodity. For a given commodity, the GHG Emissions estimate (used in the construction of the Reference Index) is calculated by taking the average GHG Emissions estimates of each LCA model associated with that commodity.

To group commodities with comparable production processes, the constituent commodities in the Reference Index are reorganised into seven commodity groups (industrial metals, agriculture derived, agriculture ex-derived, livestock, precious metals, primary energy and distillates), (the "Reference Index Commodity Groups"), which derive from the Parent Index Commodity Groups. The energy group in the Parent Index is divided into primary energy and distillates, and the grains and softs groups in the Parent Index are reorganised into two different groups in the Reference Index (agriculture ex-derived and agriculture derived). All other commodity groups in the Parent Index are kept the same in the Reference Index.

In the Reference Index, the final component weights from the Parent Index, or Commodity Index Percentages ("CIPs"), are tilted to account for GHG Emissions which are calculated in the manner set out above. For each component, the calculation of its target weight in the Reference Index, or Tilted Commodity Index Percentage ("Tilted CIP"), is based on the corresponding component's CIP and the GHG Emission estimate of each constituent commodity. CIPs are tilted within each of the seven Reference Index Commodity Groups to provide the Reference Index's Tilted CIPs and the aggregate weight of each Reference Index Commodity Group is unchanged after tilting. This is achieved by underweighting commodities with higher GHG Emissions per unit of production within each of the Reference Index Commodity Groups, while overweighting those with lower GHG Emissions per unit of production. There is a cap on the Reference Index's Tilted CIPs such that no single commodity may constitute more than three times its corresponding CIP in the Parent Index.

Each of the seven Reference Index Commodity Groups is assigned an individual tilt factor to ensure both a meaningful aggregate emission reduction per unit of production is achieved in the Reference Index when compared to the Parent Index and to ensure a balanced contribution to the aggregate reduction by all groups given the GHG emissions profile of each group varies. Specifically, the tilt factors are assigned such that the Aggregated Emission Difference Per Unit Of Production, which is defined as the percentage reduction in Weighted Emissions Per Unit Of Production of the Reference Index relative to the Parent Index, is targeted at 20%. The tilt factors are then maintained by the Index Provider, unless it is observed at the annual Reference Index rebalance that the Aggregated Emission Difference Per Unit Of Production achieved is below 18%, in which case a new set of tilt factors are assigned to ensure this exceeds 20%.

Capitalised terms used above and not defined herein are defined by the Index Provider. Further information on these terms, the Parent Index methodology, the Reference Index methodology and the GHG Emissions data set used in the construction of Reference Index can be found on the Index Provider's website.

Proportion of investments

Excluding possible de minimis residual cash holdings, 100% of the Fund's NAV will be used to attain the environmental and social characteristics of the Fund by gaining indirect exposure to the Reference Index. To do this, the Fund will invest all or substantially all of the net proceeds of any issue of Shares in a portfolio of US Treasury Bills. The Fund will then enter into unfunded swap contracts with approved counterparties through which it will exchange an agreed rate of return reflective of market rates of US Treasury Bills and receive in return the performance of the Reference Index.

Monitoring of environmental or social characteristics

As the Fund achieves the environmental characteristics by synthetically replicating the Reference Index, the Manager will monitor the Fund's ability to track the Reference Index in line with the investment strategy of the Fund. The Manager monitors the tracking error of the Fund (being the standard deviation of the difference in returns between the fund and the reference index) throughout the lifecycle of the Fund to ensure that this is within the limits as set out in the Supplement.

The Manager also monitors GHG Emissions reduction on a per unit of production basis relative to the Parent Index on a monthly basis.

Methodologies

The Manager utilises data from the index provider, and third party data providers in order to monitor the indicator and measure the fund's attainment of the environmental characteristics. The Manager compares the indicator against the same indicator for the Reference Index tracked by the fund to ensure consistency. The same comparison is made against a relevant broad market index to verify that the fund has achieved an improvement against it.

Data sources and processing

As the Fund is passively-managed, the Fund attains the environmental characteristics by tracking the Reference Index. The Manager uses index composition data as disseminated by the index provider to implement the investment strategy. In order to assess the quality of the index provider's data, due diligence is carried on the index providers prior to fund launch and periodically thereafter and the Manager ensures the Index Provider is a Benchmark Administrator on the ESMA register that is maintained in accordance with Article 36 of the Benchmark Regulation, or is in the process of applying for inclusion on the ESMA Register or approved by endorsement or recognition by a Member State competent authority. The Manager may also use data sourced from other third parties for comparison purposes in order to identify and challenge any potential inconsistencies. The Manager does not estimate any of the data or use any estimated data from third party data providers.

Limitations to methodologies and data

Methodologies
The Manager will monitor the attainment of the environmental characteristics by the Fund (as described under the section 'Monitoring of environmental or social characteristics'), however, the Manager is reliant on the data, research and expertise of the Index Provider and does not independently verify the application of the methodology of the Reference Index. The index provider is subject to initial and ongoing due diligence checks by the Manager to verify their skill and expertise (please refer to the section titled 'Due Diligence'). These limitations do not impact on the Fund's ability to achieve its objective of tracking the Reference as the Fund utilises the index composition data disseminated by the index provider to attain the environmental characteristics that it promotes.

Cash
Currently the Investment Manager does not apply any minimum environmental or social safeguards to cash held for ancillary liquidity purposes.

Data
To meet the stated investment objective and policy of the Fund, the Company, the Manager and/or the Investment Manager (together "Invesco") may rely on financial, economic, environmental and other data made available by companies, index providers, governmental agencies, rating agencies, exchanges, professional services firms, central banks or other third-party providers (the "external data providers").

The Fund passively replicates the Reference Index and the primary source of third-party data is the index composition as disseminated by the index provider. Invesco may also use third-party data from other sources besides an index provider.

Invesco ensures that each index provider is a Benchmark Administrator on the ESMA register that is maintained in accordance with Article 36 of the Benchmark Regulation, or is in the process of applying for inclusion on the ESMA Register or approved by endorsement or recognition by a Member State competent authority.

Invesco performs due diligence on index providers and has internal controls to monitor constituent data (please refer to the sections "Data sources and processing" and "Due diligence"), however Invesco may not in all cases be able to verify the integrity of third party data used in the index construction. In placing reliance on external data providers there may be risks associated with errors in third party data. Such errors may be undetectable by either Invesco or the index provider and can result in exposures and/or weightings that are inconsistent with the stated methodology of the index and/or the investment objective and/or policy of the fund. The Funds could incur unexpected costs as a result such errors, for which losses Invesco and external data providers, acting in good faith, will not be held liable.

Where errors in third party data are identified, as the investment objective of the Fund is to track the index, the Fund may continue to have exposure to investments that are inconsistent with the stated investment policy, or environmental characteristics of the Fund, until such time that the data is corrected or, where the error has impacted the composition of the Reference Index, until the index provider rebalances the Reference Index. This applies to ESG data which may not only impact the Fund's exposures but also the reporting done by the Investment Manager on the Fund's ESG characteristics as required under relevant regulation.

Due diligence

Invesco carries due diligence on index providers and ensures that each index provider is included on the ESMA register that is maintained in accordance with Article 36 of the Benchmark Regulation, or is in the process of applying for inclusion on the ESMA Register or approved by endorsement or recognition by a Member State competent authority.

Prior to launching a new ETF, the investment manager carries out due diligence on the Reference Index by assessing the index methodology to determine whether it will achieve the desired investment outcome and environmental characteristics promoted by the Fund. This includes, but is not limited to, analysis of the investment universe of potential securities (and in particular the degree of coverage by third-party ESG data providers), the exclusionary criteria applied (e.g., business involvements, controversies, UNGC alignment, minimum ESG scores), the security weighting methodology, the overall improvement achieved in the ESG and climate characteristics of the benchmark relative to an unadjusted benchmark, and the degree of tracking between the index and the unadjusted benchmark.

Engagement policies

At Invesco, we take our responsibility to act as active owners very seriously and see engagement as an opportunity to encourage corporate improvement and positive change of our investee companies and entities. Engagement with companies and proxy voting play a fundamental role in our efforts to help manage, protect, and enhance the value of our clients' investments. Invesco leverages the engagement activities led by Invesco's ESG Team and works collaboratively with our ESG research analysts to set engagement objectives and opportunities. Equity shares held in Invesco ETFs are included as part of Invesco's overall share ownership and relationship with investee companies through direct engagement or collaboratively through investor organisations. This is particularly relevant in regards to ESG related issues, where we can draw on Invesco's leadership and collective ESG engagement power to command companies' attention and use our influence to encourage stronger ESG related behaviour from the firms and entities in which we invest. For more on our ESG engagement approach and objectives, please see our Invesco Stewardship Report at www.invesco.com.

Designated reference benchmark

An index has been designated as a reference benchmark to meet the environmental characteristics promoted by the fund.

The Reference Index has been selected on the basis that it aligns with the environmental characteristics promoted by the Fund, which are to provide indirect exposure to an index of commodity futures with the same constituent commodities as the Parent Index, whose weights are tilted to take into account the GHG Emissions associated with the production of the underlying commodity referenced by the futures contracts. The tilting is applied in such a way that within each of the following groups of commodities in the Reference Index (industrial metals, agriculture derived, agriculture ex-derived, livestock, precious metals, primary energy and distillates), lower GHG emitting commodities relative to the group are overweighted, and higher GHG emitting commodities are underweighted, when compared to the Parent Index.

As a result of applying the tilting to the underlying futures contracts, the net environmental benefit is that greater relative funding support is provided to producers of less GHG emitting commodities, and reduced relative funding support is provided to producers of more GHG emitting commodities, when compared to the Parent Index.

The differential in funding support between the Reference Index and the Parent Index is assessed via the Aggregated Emissions Difference per Unit of Production. The Reference Index tilt factors are set to target an Aggregated Emissions Difference Per Unit of Production of 20%.

For information on the input data, the methodologies used to select those data, the rebalancing methodologies and how the reference index is calculated, please refer to the index provider's website: https://www.bloomberg.com/professional/product/indices/bloomberg-commodity-index-family/.

Version	Date	Details of change
1.0	26 July 2023	Creation of the document