



# Invesco Markets II Public Limited Company

*(An umbrella investment company with variable capital having segregated liability between its Funds and incorporated with limited liability in Ireland and authorised and regulated by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended)*

## Addendum to the Prospectus (the "Addendum")

**3 March 2021**

This addendum (the "Addendum") forms part of, and should be read in the context of, and together with, the prospectus of the Company dated 18 February 2020 (the "Prospectus"). Distribution of this document is not authorised unless it is accompanied by a copy of the latest annual report and audited financial statements and, if published thereafter, the latest unaudited semi-annual report and unaudited financial statements, if published. Such reports will form part of the prospectus of the Company.

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Addendum. For the purposes of interpretation, in the event of any conflict between this Addendum and the Prospectus, any such conflict shall be resolved in favour of this Addendum.

The directors of Invesco Markets II Public Limited Company (the "Company") whose names appear in the Prospectus (the "Directors") are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**IMPORTANT:** If you are in any doubt about the action to be taken or the contents of this Addendum please consult your stockbroker, bank manager, lawyer, accountant or other independent professional adviser.

---

## Amendments to the Prospectus

With effect from the date hereof the Prospectus is amended as follows:

---

**1. On page 11 of the Prospectus, in the section titled "Definitions", the following shall be added:**

- **"ESG"** *means environmental, social or governance"*

---

**2. On page 17 of the Prospectus, in the section titled "Definitions", the following shall be added:**

- **"Sustainability Risk"** *means an environmental, social or governance event or condition that the Company considers could have a material negative impact on the financial value of one or more investments in the Fund"*

---

**3. On page 26 of the Prospectus, in the section titled "Risk Factors", the following shall be added:**

*"The integration of Sustainability Risks may have a material impact on a Fund's value and returns. A Fund which invests in securities of companies based on their ESG characteristics may forego certain investment opportunities and as a result, may perform differently to other funds which do not seek to promote ESG characteristics or do not have sustainable investment as their objective. This may include underperforming those funds. In addition, investor sentiment towards funds which integrate Sustainability Risks or funds which promote ESG characteristics, or have sustainable investment objectives may change over time, thereby potentially affecting the demand for such funds and their performance.*

*The consideration of ESG factors involves the incorporation of longer-term risk factors including a company's relationship with its stakeholders as well as its impact, through both its operations and the products and services it offers, on the environment and wider society. Inadequate sustainability practices and policies can lead to, among other things, inefficiencies, operational disruption, litigation and reputational damage. The prices of securities in which a Fund invests may be adversely affected by ESG conditions and events, further potentially affecting a Fund's value and performance. While this is true for all funds, Funds that do not include Sustainability Risk into their security selection process, or do not seek to promote ESG characteristics or do not have sustainable investment as their objective may have greater exposure to this risk."*

---

**4. After page 106 of the Prospectus, the following new Appendix VI shall be added in its entirety under the heading "Sustainable Finance":**

**"ESG INTEGRATION CONSIDERATIONS**

**A. PASSIVELY MANAGED FUNDS**

*The Company's approach to integrating a consideration of Sustainability Risks into its investment decision-making process will vary depending on the strategy adopted by the Funds as disclosed in the relevant Supplement under the heading "Investment Policy of the Fund".*

The majority of Funds are passively managed and hold securities included in the Reference Index which they track. As UCITS ETFs, any Reference Index is required to represent an adequate benchmark for the market to which it refers with a universe of index components selected on a basis that is clear to investors. Each Reference Index is created by a third-party index provider (the "**Index Provider**") in accordance with this and as the strategy for the Funds that are passively managed is to track or replicate the Reference Index, changes to the portfolios of the Funds are driven by changes to the Reference Index in accordance with its published methodology rather than by an active selection of stocks by the Investment Manager. Accordingly, the Investment Manager does not exercise discretion to actively select/deselect stocks. Therefore, for passively managed Funds there is no integration of Sustainability Risks into the Investment Manager's investment process. Even where the Fund is utilising a sampling strategy to replicate the index, ESG considerations are not incorporated into the sampling approach as the Fund's objective is to achieve the performance of the relevant Reference Index and decisions driven by ESG factors could be less effective in achieving this goal.

To the extent that a passively managed Fund is promoting ESG characteristics (as further set out in section D below) or has sustainable investment as an objective, the relevant Index Provider's methodology may include an assessment of individual companies/issuers against an ESG criteria, including consideration of Sustainability Risks. For further information on how Sustainability Risks are incorporated into the methodology and information on the Index Provider's methodology, please refer to the section titled "General Description of the Reference Index" in the relevant Supplement.

When launching a new passively managed Fund, the Investment Manager's product development process will take into account the rewards and benefits of tracking an ESG benchmark, along with, where possible, an assessment of Sustainability Risks of the proposed benchmark. Assessments of Sustainability Risks are not conclusive and do not necessarily mean that the Investment Manager will refrain from tracking a benchmark. Rather, Sustainability Risks are some of the considerations used by the Investment Manager in analysing the commercial viability of a new Fund.

## **B. ACTIVELY MANAGED FUNDS**

All actively managed Funds integrate a consideration of Sustainability Risks in the investment decision making process. The Investment Manager integrates Sustainability Risks by identifying environmental, social or governance related factors that could have a material financial impact on the performance of the security.

Exposure to Sustainability Risk does not necessarily mean that the Investment Manager will refrain from taking or maintaining a position in the investment. Rather, the Investment Manager will consider the assessments together with other material factors in the context of the investee company or issuer and the investment objective and policy of the Fund.

### **a. Invesco Quantitative Strategies ESG Global Equity Multi-Factor UCITS ETF**

The Investment Manager integrates Sustainability Risks into investment decisions for the Fund systematically as part of the core research process whereby the Investment Manager's and third-party research is continuously analysed to identify indicators, including those related to sustainability risks, which may drive better investment performance and/or reduce risk. When such correlations are verified by the Investment Manager, the relevant metrics are added as factors within the Investment Manager's core optimising models and automatically applied to reduce the relevant Sustainability Risks. For further information on how Sustainability Risks are incorporated into the Fund's investment strategy, please refer to the section titled "Investment Policy of the Fund" in the Supplement.

### **b. Invesco USD Ultra Short Duration UCITS ETF & Invesco Euro Ultra Short Duration UCITS ETF**

The Investment Manager aims to understand the materiality of environmental, social and governance events or conditions relevant to the issuers in which the Funds may invest by considering a number of factors which could have a material impact on an issuer's financial position. The Investment Manager's research looks to identify and assess Sustainability Risks that could impact on an issuer's ability to meet its debt obligations alongside fundamental financial analysis when forming a holistic view on the issuer's creditworthiness. For further information on how Sustainability Risks are incorporated into the Funds' investment strategies, please refer to the section titled "Investment Policy of the Fund" in the relevant Supplement.

For actively and passively managed funds, the use of derivatives will be consistent with a Fund's investment policy as set out in the relevant Supplement. Sustainability Risk is not specifically contemplated in the context of use of derivatives, except in relation to Funds which promote ESG characteristics or have sustainable investment as an objective. For Funds which promote ESG characteristics or have sustainable investment as an objective, any use of derivatives will be consistent with the sustainability criteria of the Fund. Currently, ESG criteria is not taken into account when selecting counterparties.

Counterparties are selected based on an assessment of counterparty risk and creditworthiness in accordance with the requirements of the Central Bank. Similarly, where a Fund engages in securities lending or other securities financing transactions for efficient portfolio management purposes, the Fund may receive collateral which does not meet the ESG criteria applied to the Fund. As of the date hereof, Funds which promote ESG characteristics or have sustainable investment as an objective do not engage in securities lending or other securities financing transactions.

### **C. PROXY VOTING POLICY**

The Manager adheres to the Invesco Global Proxy Voting policy. Invesco views proxy voting as an integral part of its investment management responsibilities. The proxy voting process at Invesco focuses on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders.

Invesco's good governance principles outline Invesco's views on best practice in corporate governance and long-term investment stewardship. These principles have been developed by Invesco's global investment teams in collaboration with the Global ESG team. The broad philosophy and guiding principles inform Invesco's approach to investment stewardship and proxy voting. These principles are not intended to be exhaustive or prescriptive.

For actively managed Funds, the voting decision lies with the relevant investment teams and analysts with input and support from the Global ESG team and Proxy Operations functions. Invesco's proprietary proxy voting platform facilitates implementation of voting decisions and rationales across global investment teams. Invesco's good governance principles, governance structure and processes are designed to ensure that proxy votes are cast in accordance with clients' best interests.

The passively managed Funds will typically vote in line with the majority holder of active-equity shares held by Invesco. Invesco refers to this approach as "Majority Voting". This process of Majority Voting ensures that passively managed Funds benefit from the engagement and deep dialogue of our active investors, which Invesco believes benefits shareholders in passively managed Funds. In the absence of overlap between the active and passive holders, the passive holders vote in line with our internally developed voting guidelines. Portfolio managers and analysts for accounts employing Majority Voting retain full discretion to override Majority Voting and to vote the shares as they determine to be in the best interest of those accounts, absent certain types of conflicts of interest.

### **D. TRANSPARENCY OF THE PROMOTION OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS**

Each of the following Funds promote certain ESG characteristics (each an "ESG Fund"). As the investment objective of each of the ESG Funds is to achieve the performance of the Reference Index which it uses for investment purposes, each ESG Fund will share the same environmental and social characteristics as the underlying Reference Index. The environmental and social characteristics promoted by each of the Funds and how those characteristics are met will be as set out under the heading "General Description of the Reference Index" in the relevant Supplement. Further information on the Reference Index methodology is also indicated in the relevant Supplement. For each of the ESG Funds promoting environmental or social characteristics, the methodology of the Reference Index will describe how environmental, social and governance aspects are incorporated into the selection and weighting of securities in the Reference Index. All Funds are covered by the Invesco Global Proxy Voting and Stewardship policy:

- Invesco IQS ESG Global Equity Multi-Factor UCITS ETF;
- Invesco MSCI Europe ESG Leaders Catholic Principles ETF;
- Invesco MSCI ESG Universal screened Europe ETF;
- Invesco MSCI ESG Universal screened World ETF;
- Invesco MSCI ESG Universal screened USA ETF;
- Invesco GBP Corporate Bond ESG UCITS ETF;
- Invesco EUR Corporate Bond ESG UCITS ETF;
- Invesco USD Corporate Bond ESG UCITS ETF;
- Invesco MSCI Japan ESG Universal Screened UCITS ETF;
- Invesco MSCI Pacific ex Japan ESG Universal Screened UCITS ETF;
- Invesco MSCI Emerging Markets ESG Universal Screened UCITS ETF;
- Invesco MSCI EMU ESG Universal Screened UCITS ETF;
- Invesco MSCI Europe ex UK ESG Universal Screened UCITS ETF;
- Invesco Euro High Yield Corporate Bond ESG UCITS ETF;

- *Invesco USD High Yield Corporate Bond ESG UCITS ETF;*
- *Invesco Global Clean Energy UCITS ETF; and*
- *Invesco FTSE All Share ESG Climate UCITS ETF."*

*Further ESG Funds may be created and will be labelled as such in the relevant Supplement.*

*"The Manager shall keep the classification of each Fund under review pending finalisation of regulatory technical standards ("RTS"). If the Manager determines at any future point that such a classification of a Fund is no longer appropriate, the Prospectus shall be updated as appropriate in accordance with the revised classification of the relevant Fund."*

The Prospectus and Supplements shall otherwise remain unamended and in full force and effect.

**Date: 3 March 2021**