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ESG Portfolio Report

PORTFOLIO:

Invesco Quantitative Strategies ESG Global Equity Multi-Factor ETF

REFERENCE BENCHMARK:

MSCI World

31 December 2020

Created by: Invesco Quantitative Strategies



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Invesco Quantitative Strategies integrated ESG approach

Invesco Quantitative Strategies (IQS) offers an integrated ESG investment process which is built on long-standing experience in customized ESG solutions, active engagement with companies and the Invesco proxy voting approach. Having incorporated proprietary aspects of governance for many years ("Quality" factor), the team has enhanced risk management by introducing a dedicated ESG exposure control for all portfolios as well as an adverse ESG momentum measure to restrict certain companies.

Quality-Governance-linkage

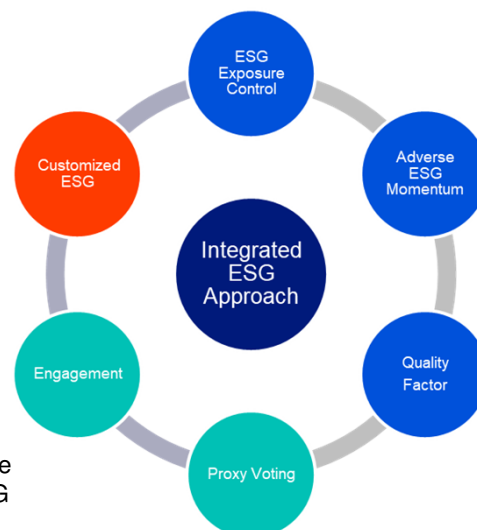
The Quality factor assesses the profitability and the balance sheet quality of companies. The team prefers companies with less aggressive accounting. Arguably strong governance would put breaks on management empire building and CEO vanity projects. Good quality as well as good governance helps to mitigate the agency problem of delegated management.

Adverse ESG momentum

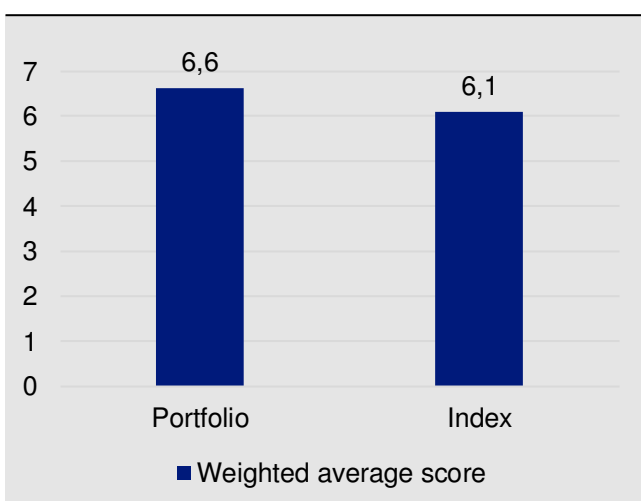
At the intersection of return and risk is the case of stocks that experience severe downgrades to their ESG scores. IQS has integrated sharp downgrades of ESG scores into its risk management and treat such stocks as exceptional.

ESG exposure control

Furthermore, IQS manages the ESG exposure of all multi-factor portfolios. IQS considers it reasonable to ensure that portfolios are not heavily exposed to the risk of scoring much worse from an ESG perspective relative to their respective universes.



Overall ESG Scores



ESG theme scores

	Portfolio	Benchmark
Environment	6.7	6.5
Social	5.1	4.9
Governance	5.1	4.7
Weighted coverage ¹	99%	100%

Source: Invesco, MSCI ESG Research. As of 31 December 2020. Benchmark: MSCI World
 Weighted Coverage is the percentage of the portfolio and benchmark that the ESG research is available. Overall ESG Score: MSCI ESG industry adjusted company ratings. Scores range from 0-10, 10 are the best ESG scores, while 0 is the lowest ESG score.

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Global Norms & Initiatives¹

	Portfolio	Benchmark
UN Global Compact breaches (% weight)	0.0	1.4
Science-based Climate or Emissions Targets Set (% weight)	22.0	17.6
Science-based Climate or Emissions Targets Committed (% weight)	10.6	7.9

UN Global Compact screening identifies companies that violate the United Nations Global Compact Principles.

Targets are considered "science-based" if they are in line with decarbonization required to keep global temperature increase below 2°C as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

Business involvement screening²

	Portfolio	Benchmark
Tobacco production (% weight)	0.0	0.7
Alcohol production (% weight)	0.0	1.1
Gambling operations (% weight)	0.0	0.3
Controversial Weapons (% weight)	0.0	3.0
Other Weapons & firearms (% weight)	0.0	1.0
Fossil Fuels industries (% weight)	1.9	10.9
Coal fuel power generation (% weight)	0.0	3.6
Coverage	99%	99%

Top ESG rated companies in portfolio

Identifies the top 5 ESG rated companies in the portfolio

Name	Sector	Overall ESG score ³	Port. weight
Microsoft	IT	10	4.3%
Best Buy	ConDis	10	1.0%
L'Oreal	ConSt	10	0.5%
Wolters Kluwer	Ind	10	0.5%
Kingfisher	ConDis	10	0.4%

Bottom ESG rated companies in portfolio

Identifies the bottom 5 ESG rated companies in the portfolio

Name	Sector	Overall ESG score ³	Port. weight
Facebook	Tele	1.6	2.0%
Charter Communications	Tele	1.9	0.6%
Ford Motor	ConDis	1.9	0.5%
General Motors	ConDis	2	0.5%
Navient	Finc	2	0.1%

Source: Invesco, ISS Climate Solution, MSCI ESG Research, Vigeo Eiris. ¹ Source: UN Global Compact screening based on MSCI Controversial screening. Indicates portfolio/ benchmark weight of holdings which fails to comply with UN Global Compact Norms; ISS Climate Solution, as of 2018. ² Source: Vigeo Eiris Business involvement data. Indicates portfolio/ benchmark weight of holdings which derive more than 5% revenue from this business activity. ³ Source: Overall ESG Score: MSCI ESG industry adjusted company ratings. Scores range from 0-10.

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ETF



Top 5 ESG rated companies in portfolio

Microsoft Corp.	Microsoft Corporation is a technology company. The company continues to be among the strongest performers in Privacy and Data Security. It has reportedly committed a significant portion of its ongoing R&D budget to cybersecurity. Microsoft falls into the highest scoring range for all the companies we assess relative to global peers, indicating that the company's corporate governance practices are generally well aligned with shareholder interests. The company has as well, made strong commitments towards reducing the environmental footprint of its operations.
Best Buy Co.	Best Buy Co., Inc. is a provider of technology products, services and solutions. The recent boardroom shuffle in 2020 has allayed leadership concerns over directors serving on boards of multiple companies, and over independent chair, thereby strengthening board structure and improving corporate governance practices. The company falls into the highest scoring range relative to global peers, reflecting governance practices that appear to be generally well aligned with investor interests.
L'Oreal SA	L'Oreal SA is a France-based cosmetics company. The company continues to demonstrate robust strategy to mitigate its environmental risks by leading carbon footprint programs and committing to sustainable sourcing for its raw materials such as palm oil. Further, it has implemented strong corporate governance practices relative to peers, including high percentage of female directors. The company also extends carbon footprint assessment to its suppliers to enable operational efficiencies across upstream processes.
Wolters Kluwer NV	Wolters Kluwer NV is a company based in the Netherlands that provides professional information and software solutions to clients worldwide. The company has a robust security framework that is aligned with internationally recognized security standards and includes disaster recovery and regular audit provisions. The company trains employees on data protection measures and has certified some of its cloud-based services to ISO 27001 standard. Wolters Kluwer's fully independent board appears well-organized to provide strategic oversight of the company management.
Kingfisher plc	Kingfisher plc is a home improvement company. The company makes robust efforts to minimize potential harm from chemical substances of concern relative to peers. Additionally, the company falls into the highest scoring range relative to global peers, reflecting governance practices that appear to be generally well aligned with investor interests.

Source: The above information is based on the MSCI ESG industry adjusted company ratings.

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Carbon Footprint Analysis – Key Data¹

	Portfolio	Benchmark	Delta
CO2 Intensity (Scope 1)	32.1	122.2	-90.1
CO2 Intensity (Scope 2)	22.5	33.9	-11.4
CO2 Intensity (Scope 1 + 2)	54.6	156.1	-101.5
CO2 Intensity Total	179.0	531.5	-352.5
Coverage	99.0%	99.4%	

Sector CO2 Intensity

(Scope 1 + 2)	Active Weight	Portfolio	Benchmark	Delta
Communication Services	0.0	1.3	1.4	-0.1
Consumer Discretionary	1.0	2.8	3.1	-0.3
Consumer Staples	0.2	4.1	3.9	0.2
Energy	-2.7	0.0	13.3	-13.3
Financials	-1.9	1.0	5.1	-4.2
Health Care	0.9	2.7	3.2	-0.5
Industrials	1.8	17.0	12.3	4.7
Information Technology	2.0	2.6	4.6	-2.0
Materials	0.7	21.4	33.5	-12.2
Utilities	-1.9	1.1	74.8	-73.7

Glossary:

Intensity: Carbon intensity is calculated using data from ISS Climate solutions. Carbon intensity is calculated as weighted average of the respective scope emissions (CO2 equivalents) per USD million of revenue.

Scope 1 emission: Issuers Scope 1 Direct emissions (tCO₂e). The Direct emissions data represents the final, ISS-Ethix reviewed and approved value based on the ISS-Ethix Climate Solution methodology, which selects the accurate value from available sources.

Scope 2 emission: Issuers Scope 2 Energy Indirect emissions (tCO₂e). The Energy Indirect emissions data represents the final, ISS-Ethix reviewed and approved value based on the ISS-Ethix Climate Solution methodology, which selects the accurate value from available sources.

Scope 3 emission: Issuer's Scope 3 "Other Indirect" emissions (tCO₂e). For Scope 3 emissions, all provided data has been estimated. Reported Scope 3 emissions are generally unreliable and thus reported Scope 3 emissions are included in this datapoint.

CO2 Total aggregate of Scope 1, Scope 2 and Scope 3.

Source: Invesco, ISS Climate Solution. ¹ Weighted Coverage is the percentage of the portfolio and benchmark where the ISS Climate Solution Carbon data research is available. Portfolio level carbon intensity figures are an indicative measure of exposure to carbon risk that should be considered alongside sector and company specific metrics. Latest climate dataset available is as of 2018.

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Risk Warnings

The value of investments, and any income from them, will fluctuate. This may partly be the result of changes in exchange rates. Investors may not get back the full amount invested.

The value of equities and equity-related securities can be affected by a number of factors including the activities and results of the issuer and general and regional economic and market conditions. This may result in fluctuations in the value of the Fund.

The Fund intends to invest in securities of issuers that manage their ESG exposures better relative to their peers. This may affect the Fund's exposure to certain issuers and cause the Fund to forego certain investment opportunities. The Fund may perform differently to other funds, including underperforming other funds that do not seek to invest in securities of issuers based on their ESG ratings.

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Data as at 31.12.2020, unless otherwise stated. By accepting this document, you consent to communicating with us in English, unless you inform us otherwise.

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