# Invesco ETF Securities Lending

**This marketing communication is for Professional investors and Qualified clients/ sophisticated investors. Investors should read the legal documents prior to investing.**

**90% of revenue from securities lending goes to the ETF**

**Over 65 Invesco ETFs included in this programme**

**Indemnification provided by BNY Mellon**

## About our Securities Lending programme

Invesco launched a programme in November 2019 whereby selected ETFs may engage in securities lending for the purpose of enhancing overall performance for the benefit of investors. This document provides details of the Securities Lending programme, but please contact us if you have further queries.

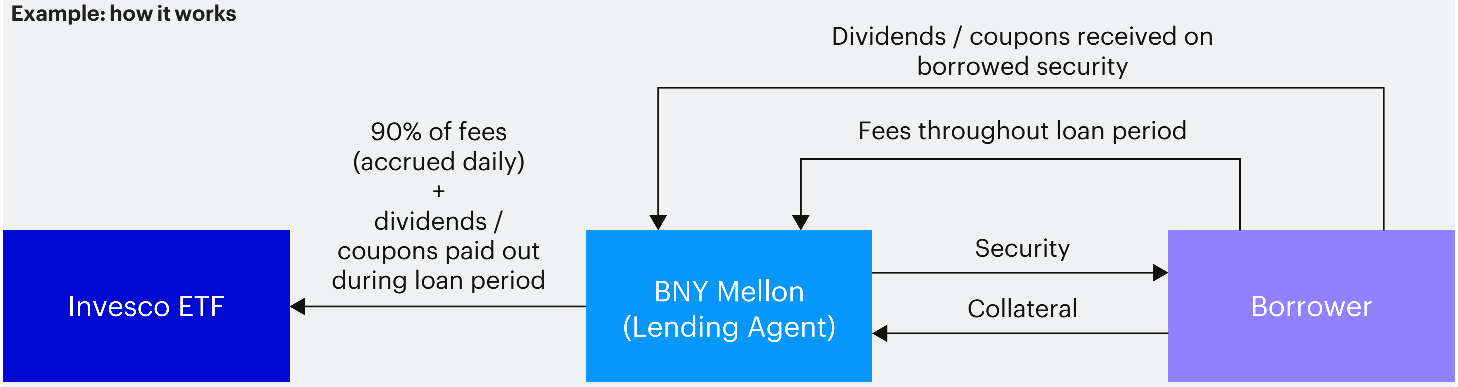
## What is Securities Lending?

Securities Lending is a well-established practice involving the short-term transfer (loan) of securities, for either a defined or open-ended time period. The borrower of the securities posts collateral and pays an agreed fee for the duration of the loan as well as returning any dividends or coupons received from those securities. On termination of the loan, the borrower is obliged to return the securities. Invesco's Securities Lending programme will be administered and managed by a third-party Lending Agent, Bank of New York Mellon (BNY Mellon).

## Who receives revenues from Invesco's programme?

The Invesco ETF will receive 90% of the revenue arising from securities lending, with the remaining 10% deducted by the Lending Agent for its fees and to cover direct and indirect operational costs. Invesco will not receive any revenue from the programme. Revenue is accrued daily within the fund.

**Example: how it works**




For illustrative purposes only

## Which Invesco ETFs will engage in securities lending?

There are currently over 65 Invesco ETFs involved in the securities lending programme, 30 of which are ESG ETFs. Other Invesco ETFs may be included in the programme in future as determined on a case-by-case basis. The decision for each ETF will be based on a variety of factors such as expected level of returns to shareholders, portfolio size, holdings, investment guidelines, operational responsibilities, market conditions, tax implications and equity ratios.

ETFs with an environmental, social, and corporate governance (ESG) focus are included in the Securities Lending programme and additional considerations have been made for these products.

To see whether a specific Invesco ETF is involved in securities lending, please see the relevant product page at etf.invesco.com, where the involvement (or not) will be clearly stated. The website will be updated as and when further ETFs are added to the programme.

## Are there any special considerations for ESG ETFS within the programme?

Invesco is committed to its investment stewardship and has put provisions in place to ensure that voting rights on securities in the fund can be exercised.

If companies with equity securities held by ESG ETFs are approaching a vote, the securities will be restricted from being loaned out and, if necessary, recalled from loan. The custodian's systems complete this process automatically, however, Invesco also have additional checks in place to monitor and ensure this is achieved in a timely manner.

To avoid inadvertently holding securities of companies that conflict with the environmental or social characteristics promoted by the fund, the collateral for ESG ETFs will not include equity securities. See the collateral section for further details.

## How will this affect my investment?

Only those Invesco ETFs that are engaged in securities lending will be affected. The objective of the programme is to enhance performance of the ETF(s) with the revenues received from borrowers. The amount of revenues – and in turn the potential performance enhancement – will vary depending on the amount of the ETF's securities being loaned as well as the terms negotiated by the Lending Agent.

Securities lending involves additional risks, including the risk that the borrower is unable to return the securities at the end of the loan period or that the ETF is unable to sell the collateral provided to it if the borrower defaults. This "counterparty risk" is being mitigated through the credit analysis and approval process of potential borrowers, as well as maintenance of suitable collateral and, ultimately, indemnification provided by BNY Mellon. Details follow below.

## Programme parameters

The proportion of assets per ETF that may be subject to securities lending will be up to a maximum of 50% for all our Government Bond ETFs, for all other fixed income ETFs a maximum of 30% is applied and 15% for equity ETFs.

A maximum of 90% of an individual security held by an ETF will be subject to securities lending.

For collateral posted by borrowers, the following concentration limit will apply:

- Maximum 10% of the loan per single security

In addition, the following parameters will apply in respect of equity collateral:

- Maximum 1 x 90-day average daily traded volume (ADTV) per security
- Maximum 1% of the market capitalisation per security
- Maximum 10% of the collateral value per issuer (issuer concentration in a collateral pool of a single borrower may not exceed 10% per issuer)
- Sector concentration restricted to 25%

**Collateral haircuts*:**

| | Collateral type | |
|---|---|---|
| **Securities loaned** | **Equities** | **Government, Supranational and Agency bonds** |
| **Equities** | 105-110% | 102-105% |
| **Government bonds** | 110% | 102-105% |
| **Corporate bonds** | 110% | 102-105% |

*Please note the Lending Agent may require additional collateral from the borrower in certain circumstances, such as when the collateral and loaned security are in different currencies. For example, a borrower of USD-denominated Treasuries would have to post collateral of 102% of the loan value if using USD-denominated bonds, or 105% of the value if using bonds in another currency. The additional collateral can provide cushion for the ETF in the event of adverse foreign exchange movements during the loan period.

## Collateral

Borrowers must post suitable collateral of at least the amount specified in the table above, as a percentage of the securities being borrowed. This mitigates the risk to the ETF and its investors from the unlikely event of the borrower being unable to return the securities at the end of the loan period. The collateral is held by the Depositary, BNY Mellon Trust Company (Ireland).

Acceptable types of collateral include debt obligations and securities issued by the government or agencies of an OECD member country or select supranational organisations, or equities listed on one of the approved US, European or Japanese indices specified in the programme. Full details of acceptable collateral are available on request.

ETFs with an ESG focus will not hold equities as collateral, the only acceptable types of collateral for these funds are debt obligations and securities issued by the government or agencies of an OECD member country or select supranational organisations.

Please note that cash is not currently permitted as collateral.

## Indemnification

The indemnity provided by BNY Mellon allows for full replacement of the securities lent if the collateral received does not cover the value of the securities loaned in the event of a borrower default.

[1] Source: BNY Mellon, as at 30 September 2022. Aa2 is Moody's and AA- is S&P.

## Lending Agent

We have selected BNY Mellon to manage and administer the Securities Lending programme. They have the industry's largest securities lending programme, with approximately US$4.0 trillion of lendable assets and US$435 billion on loan. BNY Mellon's credit rating is Aa2/AA-1.

As lending agent, BNY Mellon will be responsible for conducting credit analysis on each of the potential borrowers approved by Invesco. BNY Mellon will also be responsible for negotiating terms of the loans with borrowers, indemnifying the ETFs in the event of borrower default or delay and monitoring the securities and collateral.

BNY Mellon will provide the revenue earned from the loans to the ETF(s) on a monthly basis in the currency earned, 10 business days after month end. They will provide a daily earnings report to allow daily accruals to be booked.

## Who can borrow

Each potential borrower goes through both a credit analysis conducted by BNY Mellon and formal approval process by Invesco before being accepted into the programme. All borrowers are required to have and maintain a minimum credit rating of A2 (Standard & Poor's) / P2 (Moody's). The list of approved borrowers will be reviewed by BNY Mellon and Invesco on an ongoing basis.

BNY Mellon provides the ETF with indemnity in case of default or delay by the borrower. BNY Mellon is responsible for making the ETF "whole" for any costs incurred because of a delay or default from a borrower in returning loaned securities or any dividends / coupons paid.

## Obligations of the borrower

When a security is loaned, the title and ownership are transferred to the borrower, who is obligated to return the same amount and type of security on termination of the loan. The borrower is also obligated to return all dividends and coupons received on the borrowed securities, including any result of corporate actions.

BNY Mellon will contractually settle all income and dividends on loaned securities on the same day that it would have otherwise been credited had the securities not been on loan, in accordance with the pay standards of each country. BNY Mellon then takes the responsibility for collection of the income or dividend from the borrower.

## Details of what has been loaned and collateral being held

Details of the securities and percentages on loan as well as the collateral held will be reported on a daily basis. The report can be found on the relevant product page at etf.invesco.com.

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Investment strategies involve numerous risks. Investors should note that the price of your investment may go down as well as up. As a result, you may not get back the amount of capital you invest.

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Data as at 24 March 2023, unless otherwise stated.

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