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Invesco

Invesco Group Sustainability Risk Policy

This document focuses on our regulatory compliance with the European Sustainable Finance Disclosure Regulation and should be read in conjunction with our annual Global Stewardship Report which can be found on invesco.com.

Scope

This policy applies to "financial market participants" and "financial advisers" (as defined in the European Sustainable Finance Disclosure Regulation) within the Invesco group of companies (referred to herein as "Invesco", "we", "us", and "our") which provide services in relation to "financial products" (as defined in European Sustainable Finance Disclosure Regulation)). This includes all fund management companies subject to UCITS or AIFMD, as well as all MiFID investment firms and EU insurance undertakings within Invesco.

This policy sets out how Invesco complies with its transparency obligations under the European Sustainable Finance Disclosure Regulation, Regulation EU 2019/2088 (commonly known as the "SFDR" or the "Disclosure Regulation"): https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN

Background

The Disclosure Regulation is a wide-ranging piece of European legislation, which imposes various obligations on "financial market participants" and "financial advisers" in relation to Environmental, Social and Governance (ESG) matters.

Article 6 of the Disclosure Regulation requires various Invesco entities, subject to the Sustainable Finance Disclosure Regulation (SFDR), to publicly disclose how they integrate Sustainability Risks (defined below) into their investment decisions. In effect this requires us to have in place a policy relating to such integration and to publish that policy on our website.

To achieve Invesco's strategic objectives, it is necessary to pursue activities involving varying degrees of Sustainability Risks. The objective of this policy is to provide guidelines and principles that support the consideration and management of such risks.

Definitions

"Investment Team" means a unit of Invesco investment professionals which provides portfolio management or investment advice services to "financial products" (as defined in the Disclosure Regulation).

"Sustainability Risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the financial value of an investment.

Examples of Sustainability Risks include:

- **Climate-related risk:** Risk associated with activities that contribute to or are negatively affected by climate change. This can include (i) physical climate risk, which involves the physical impact of climate change on the activities of an issuer, and (ii) climate transition risk, which involves policy, technology, market or consumer changes to address climate change that impact an issuer.

- **Social risk:** Risk of negative impact on an issuer connected to social issues such as labour relations, inequalities in the workforce or the physical impact on communities within which an issuer operates.

- **Governance risk:** Risk of negative impact on an issuer due to a lack of appropriate governance related matters such as board independence, risk and control frameworks, and anti-corruption measures.

Principles for Integration of Sustainability Risks in Investment Decisions

Invesco is committed to ensuring it has robust systems and processes to enable its Investment Teams to take Sustainability Risks into account when making investment decisions for Financial Products subject to SFDR in a way that best serves its clients and seeks continuous improvement in this area. Sustainability Risks are considered alongside traditional investment risks and have the potential to directly and indirectly contribute to the materiality of those traditional investment risks for an issuer. For example, Sustainability Risks can impact the risk profile of an issuer, which may in turn lead to increased price volatility and potentially the loss of value of an investment.

Invesco's approach to integrating a consideration of Sustainability Risks into its investment decision-making processes for Financial Products is founded on three central pillars: (i) focus on financially material risks; (ii) research basis and (iii) a systematic approach.

Each Investment Team (and the investment professionals therein) must, prior to making any investment:

I. identify the relevant Sustainability Risks for each investment;

II. assess the materiality of such Sustainability Risk to the value of the investment.

Investment Teams will utilise one or more Invesco proprietary methodologies to support the identification, assessment and ongoing monitoring of Sustainability Risks and will maintain appropriate written/electronic records of relevant conclusions and decisions.

Each Investment Team must use a consistent methodology or other procedure to comply with the steps above across the Financial Products which they manage or advise using similar strategies.

There is no requirement for all Investment Teams to take an identical approach, given the differences that exist between geographies, asset classes and investment theses.

Processes for Integration of Sustainability Risks in Investment Decisions

Each Investment Team has its own method of systematically integrating consideration of Sustainability Risks into its investment process for the Financial Products it manages. Procedural implementation will vary depending on asset class, geography and investment strategy. Also, some institutional clients may request us to implement specific processes that differ from those summarized herein, for their particular portfolios. What follows is therefore a description of the approach across different Investment Teams or (where appropriate) investment strategies:

1. Discretionary Strategies subject to SFDR [1,2,4]
For discretionary active investment strategies implemented with securities, the investment approach integrates the consideration of Sustainability Risks deemed to be financially material to a given issuer or industry, in the context of the relevant investment objective and policy at various stages of the investment process. Investments for discretionary active investment strategies (except for all forms of derivatives) will be assessed for any identified Sustainability Risks, using one or more methodologies, depending on the strategy. These assessments may be taken into account alongside other investment factors during the research process and in investment decisions, and also in any subsequent engagement activities with investee companies.

2. Quantitative Strategies subject to SFDR [1,2,4]
Invesco integrates Sustainability Risks into investment decisions for quantitative strategies systematically as part of the core research process. Invesco and third-party research are continuously analysed to identify sustainability-related indicators which may drive better investment performance and/or reduce risk. When such correlations are verified, the relevant metrics are added as factors within the Investment Team's core optimising models and automatically applied to reduce the relevant Sustainability Risks.

3. Real Asset Strategies subject to SFDR [1,3]
Invesco integrates Sustainability Risks into investment decisions on real assets through a multi-step process which starts with the identification of Sustainability Risk indicators and factors considered to be material to a given investment, in the context of the relevant investment objective. Invesco considers the sustainability assessment together with other material factors in the context of the specific assets and investment strategy.

4. Exchange Traded Funds (ETF) subject to SFDR [4]
When launching new ETF funds, Invesco's product development process will take into account the rewards and benefits of the proposed fund strategy, along with, where possible, an assessment of Sustainability Risks.

a. Passively managed ETFs subject to SFDR

The product development process involves considering the risks and benefits of adopting a benchmark. Assessments of Sustainability Risks are not conclusive and do not necessarily mean that the Investment Team will refrain from tracking a benchmark. Once a benchmark has been selected, since the strategy of these products is to track or replicate a benchmark, there is no exercise of discretion by the Investment Team to actively select/deselect securities. Where a sampling replication strategy is adopted, the selection of securities is aimed at minimizing the tracking error against its benchmark. Accordingly, for passively managed funds there is no integration of Sustainability Risks unless it is incorporated into the index methodology (as may be the case for ETFs which have ESG characteristics).

b. Actively managed ETFs subject to SFDR

The relevant Investment Teams of actively managed ETFs integrate a consideration of Sustainability Risk in the investment decision making process in the manner described above in section 1 and 2.

Invesco Investment Management Limited's Sustainability Risk Policy contains further information on its approach to sustainability risk integration. Please refer to that policy for most current information.

[1] Applicable to Invesco Management S.A.
[2] Applicable to Invesco Asset Management Deutschland GmbH
[3] Applicable to Invesco Real Estate Management S.a.r.l.
[4] Applicable to Invesco Investment Management Limited