January 2023

Invesco Sustainable China Bond Fund

(the "Fund")

Sustainability-related disclosures

Contents

Summary

The Fund meets the Article 8 requirements of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR). It promotes, among other things, environmental and/or social characteristics while also ensuring that investee companies follow good governance practices.

The Fund applies a rigorous environmental, social and governance (ESG) framework to guide its active investments in its investible universe. Its ESG approach combines sector exclusions, carbon emission consideration and the selection of issuers with stronger ESG characteristics compared to their sector peers. The Fund focuses on total return on a long-term basis by primarily investing in bonds issued by Chinese issuers. The Fund aims to allocate at least 10% of its assets in sustainable investments, as defined by "SFDR".

The Fund is comprehensively supported by Invesco's global ESG resources and infrastructure. Proprietary ESG Grades are an integral part of the fundamental credit research process helping to ensure that the portfolio's progressive investment mandate is delivered. Coordination on engagement topics and oversight are provided by Invesco's Global ESG team (the ESG team).

No sustainable investment objective

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

However, the Fund has 10% minimum allocated to sustainable investments (as further explained under "Environmental and social characteristics of the product").

The Fund uses the mandatory principal adverse impacts (PAI) indicators defined in Table 1 of Annex I of the regulatory technical standards for Regulation 2019/2088, combined with qualitative research and/or engagement, to assess whether the sustainable investments of the Fund cause significant harm (DNSH) to a relevant environmental or social investment objective. Where a company is determined to cause such significant harm, it can still be held within the Fund but will not count toward the "sustainable investments" within the Fund. Please find below the table and metrics used to assess the DNSH.

PAI Indicators used to assess Do No Significant Harm (DNSH)

PAI No.	PAI Indicator	Portfolio Rollups
1,2,3	ISS Scope 1 Emissions ISS Scope 2 Emissions ISS Scope 3 Emissions ISS Scope 1 Emissions (EUR) ISS Scope 2 Emissions (EUR) ISS Scope 3 Emissions (USD)	1. Total Emissions (Financed) Scope 1+2 2. Carbon Foot Print Scope 1+2 3. Total Emissions Scope 1+2+3 4. Carbon Foot Print Scope 1+2+3 5. WACI 1+2 6. WACI 1+2+3
4	SA Carbon – Fossil Fuel-Level of Involvement Range-SFDR	% of the Fund exposed to any fossil fuels revenue
5	SA Share of Non-Renewable Energy Production Percentage-SFDR	Adjusted Weighted Average
	SA Share of Non-Renewable Energy Consumption Percentage-SFDR	Adjusted Weighted Average
6	SA Energy Consumption Intensity Agriculture, Forestry & Fishing-SFDR	Adjusted Weighted Average
	SA Energy Consumption Intensity _Construction-SFDR	Adjusted Weighted Average
	SA Energy Consumption Intensity _Electricity, Gas, Steam & Air Conditioning Supply-SFDR	Adjusted Weighted Average
	SA Energy Consumption Intensity _Manufacturing-SFDR	Adjusted Weighted Average
	SA Energy Consumption Intensity _Mining & Quarrying-SFDR	Adjusted Weighted Average
	SA Energy Consumption Intensity _Real Estate Activities-SFDR	Adjusted Weighted Average
	SA Energy Consumption Intensity _Transportation & Storage-SFDR	Adjusted Weighted Average
	SA Energy Consumption Intensity Water Supply, Sewerage, Waste Management & Remediation Activities-SFDR	Adjusted Weighted Average
	SA Energy Consumption Intensity Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles-SFDR	Adjusted Weighted Average
7	SA Activities Negatively Affecting Biodiversity Areas-SFDR	% Weight of Portfolio
8	SA Emissions to Water Tonnes-SFDR	((Market Value/EVIC)*(Tonnes of Emissions to water))/Million EUR Invested; Same as Carbon footprint calculation
9	SA Hazardous Waste Production Tonnes-SFDR	((Market Value/EVIC)*(Tonnes of Hazardous Waste))/Million EUR Invested; Same as Carbon footprint calculation
10	SA Breach of UN Global Compact Principles & OECD Guidelines for Multinational Enterprises-SFDR	% Weight of Portfolio

PAI No.	PAI Indicator	Portfolio Rollups
11	SA Lack of Processes & Compliance Mechanisms to Monitor Compliance with UN Global Compact Principles & OECD Guidelines for MNEs-SFDR	% Weight of Portfolio
12	SA Unadjusted Gender Pay Gap Percentage of Male Employees Gross Hourly Earnings-SFDR	Adjusted Weighted Average
13	SA Board Gender Diversity Percentage of Female Board Members-SFDR	Adjusted Weighted Average
14	SA Controversial Weapons-Evidence of Activity-SFDR	% Weight of Portfolio
	Sovereign	
15	SA Carbon Emissions Intensity-SFDR	Weighted Average
16	SA Any Country Social Violations-SFDR	No. of Counties involved in Violations; % of countries involved in violations
	Optional Indicators	
E	Lack of Carbon Emission Reduction Initiatives-SFDR	% Weight of Portfolio
S	Lack of Human Rights Policy-SFDR	% Weight of Portfolio

The portion of sustainable investments will exclude companies, sectors or countries from the investment universe when such companies violate international norms and standards according to the definitions of the International Labour Organisation (ILO), the OECD or the United Nations. All issuers considered for investment will be screened for compliance with, and excluded if they do not meet, UN Global Compact principles, based on third-party data and the investment manager’s proprietary analysis and research.

Environmental or social characteristics of the financial product

The Fund will have various environmental and social characteristics. The investment manager aims to select issuers which in its view are better positioned that their global sector peers in terms of addressing environmental, social and governance issues. The environmental and social characteristics may include consideration of ESG factors such as environmental commitment, human capital management, privacy and data security, business ethics and board engagement.

The Fund also intends to allocate a higher portion of the portfolio into sustainability labelled bonds, such as green bonds, social bonds, sustainability linked bonds, etc., than the Fund's benchmark (J.P. Morgan Asia Credit China and HK Index). The Fund also considers carbon emissions with a view to ensuring that it maintains a lower carbon intensity than its benchmark

In order to determine if an investment should be considered a sustainable investment, under Regulation 2019/2088, there is a two-step process.

First, several qualitative checks are performed for the Fund and the selection criteria includes:

- Alignment with the UN Sustainable Development Goals (SDGs): In scope are companies that at least derive 25% of their revenues from social goods & services. Such social goods and services can be linked to SDGs
- Selecting green, social or sustainability-linked bonds which fulfil credible industry criteria and Invesco's in-house framework
- Use of proprietary or external ESG grades to identify holdings assessed as being best-in-class versus sector peers that links back to environmental or social objectives of the fund – full details of the proprietary approach are contained in the methodology section. For example: IFI ESG scores of 1 or 2 on either environmental or social factors can be considered as long as the issuer does not lag on the other pillar.

Note that Invesco relies on third-party data providers to assess issuer's performance on the above criteria. In addition, it should be noted that the full weight in the portfolio will count as sustainable investments when meeting the above criteria.

Second and as disclosed in the section above, the Fund uses the mandatory principal adverse impacts (PAI) indicators defined in Table 1 of Annex I of the regulatory technical standards for Regulation 2019/2088, combined with qualitative research and/or engagement, to assess whether the sustainable investments of the Fund cause significant harm (DNSH) to a relevant environmental or social investment objective. Where a company is determined to cause such significant harm, it can still be held within the Fund but will not count toward the "sustainable investments" within the Fund. Please refer to section "No sustainable investment objective" for more information on the PAIs and metrics used to assess the DNSH as well as how the Fund considers international norms and standards.

Investment Strategy

The Fund actively invests in bonds issued by Chinese issuers. It focuses on total return and uses both top-down and bottom-up approach. In addition to considering the credit fundamentals of each issuer, the investment team also follows a comprehensive ESG framework to guide the bond selection process.

There are four main elements to the ESG framework that will be reflected through the portfolio construction process.

1

Sector exclusions

Systematically excluding sectors and business activities that are inconsistent with the sustainability or socially responsible objectives.

2

Positive issuer selection criteria

Selecting issuers which are assessed as being at or above the median standards of their global sector peers or on improving trajectory in terms of addressing environmental, social and governance issues.

3

Carbon emission consideration

Intending to build and maintain a portfolio with lower carbon intensity compared to the benchmark, the J.P. Morgan Asia Credit China and HK Index.

4

Sustainability bonds

Intending to allocate a higher portion of the portfolio into sustainability labelled bonds, such as green bonds, social bonds, sustainability linked bonds etc, than the benchmark.

Exclusion criteria and negative criteria can be used to eliminate issuers that fail to meet certain ESG criteria, while positive criteria can be used to identify companies which are particularly characterised by sustainable economic development, positive products or processes.

By applying these criteria, companies, sectors or countries are excluded from the investment universe which fail to fulfil certain ESG criteria. These elements are described in more detail below.

Sector Exclusions

The Fund will employ screening to exclude issuers that do not meet the Fund's criteria on a range of other environmental and social metrics. In this context, the Fund uses the following exclusion criteria, applicable to corporate credit, which may evolve over time:

Controversial Activities	Measure	Excluded If
UN Global Compact	Violations of the UN Global Compact principles	Assessed as being Not Compliant with any principle
Coal	Thermal Coal extraction	>=5% of revenue
	Thermal Coal generation	>=10% of revenue
Unconventional Oil & Gas extraction	Revenues from 1) Arctic oil & gas extraction, 2) Oil sands extraction, 3) Shale energy extraction	>=5% of revenue on each component
Weapons	Revenue from illegal & controversial weapons (anti-personnel mines, cluster munition, depleted uranium, biological/chemical weapons etc.)	>0% of revenue
	Military Contracting Weapons	>=5% of revenue
	Military Contracting Weapons related products and services	>=5% of revenue
	Small Arms Civilian customers (Assault Weapons)	>=5% of revenue
	Small Arms Military / Law Enforcement	>=5% of revenue
	Small Arms Key Components	>=5% of revenue
	Small Arms Retail/Distribution	>=5% of revenue
	Companies involved in the manufacture of nuclear warheads or whole nuclear missiles outside of the Non-Proliferation Treaty (NPT)	>=0% of revenue
Tobacco	Tobacco products production	>=5% of revenue
	Tobacco Products Related Products/Services	>=5% of revenue
Cannabis	Involved in the recreational cannabis industry	>=5% of revenue
Gambling	Gambling Operations	>=10% of revenue
	Gambling Specialised Equipment	>=10% of revenue
	Gambling Supporting Products and Services	>=10% of revenue
Adult Entertainment	Adult Entertainment Production	>=10% of revenue
	Adult Entertainment Distribution	>=10% of revenue

Positive issuer selection criteria

The Fund will pursue a progressive approach to issuer selection based on the proprietary ESG research carried out by IFI's global credit research team. This positive selection framework is designed to tilt the portfolio towards issuers that are rated by the research process as either being at or above the standards of their global sector or, in certain cases, are on improving trajectory across their ESG metrics.

Issuer selection will focus on companies with a minimum overall ESG grade of C at time of purchase based on Invesco Fixed Income (IFI) global credit research team but with a preference for companies graded as either A or B. Companies with any pillar score of 5 (worst on the Fund's 1-5 scale) are also excluded. To capture opportunities from positive ESG momentum, a limited allocation to "ESG rising stars" or companies that are currently D graded with Improving trend assessments are permitted.

The ESG status of all Fund holdings will be continually monitored by the IFI portfolio management and credit research teams. If a holding has its IFI ESG rating downgraded, it will be reviewed to establish whether continued investment is merited and to set conditions, which if not met, would lead to an orderly disposal.

The Fund will not systematically (structurally and permanently) contain issuer exposures that cannot be evaluated on their sustainability in any way either through our internal or any external methodology.

Carbon emission consideration

Solving climate change requires us all to work together. As a responsible investor, we would like to take action to combat climate change and its impacts. The Fund is intended to build a portfolio with overall lower carbon intensity compared to traditional China bond investment without sustainable framework, measured by J.P. Morgan Asia Credit China and HK Index. The investment team will monitor the carbon emission data of the Fund and review it on a quarterly basis. It is the investment team's intention to maintain the portfolio carbon intensity lower than that of the benchmark.

Sustainability Bonds

Sustainability, social and green bonds will be an integral part of the issue selection process for the Invesco Sustainable China Bond Fund. As sustainability, social and green bonds have seen increased issuance as well as interest from clients, IFI has developed its own specialized templates to help analyse bonds in these categories. Details are provided in the methodologies section below. Analysts input their assessments and scores using this template into our investment research platform to provide portfolio managers with guidance as to the alignment of sustainability bonds at the time of issue and on an ongoing basis as deemed necessary. This facilitates dynamic assessments of primary issuance by analysts to take place and for the investment manager to make timely decisions on whether to participate for client accounts. The investment manager will only select bonds that meet their thresholds for inclusion in Fund.

Good governance

Companies are assessed on a range of good governance principles which may vary, for example due to differing business profiles or operating jurisdictions. Investment teams can utilize both qualitative and quantitative measures with appropriate action taken where material concerns around governance exist. Broadly, the Investment Manager's approach to good governance is focused on 6 key themes, which shape the assessments carried out by the investment Manager. These are:

1. **Transparency:** we expect companies to provide accurate, timely and complete information that enables investors to make informed investment decisions and effectively carry out their stewardship activities.
2. **Accountability:** robust shareholder rights and strong board oversight help ensure that management adhere to the highest standards of ethical conduct, are held to account for poor performance and responsibly deliver value creation for stakeholders over the long term.
3. **Board Composition and Effectiveness:** focused on the director election process, board size, board assessment and succession planning, definition of independence, board and committee independence, separation of Chair and CEO roles, attendance and over boarding and diversity.
4. **Long Term Stewardship of Capital:** Invesco expects companies to responsibly raise and deploy capital towards the long-term, sustainable success of the business.
5. **Environmental, Social and Governance Risk Oversight:** focus areas include director responsibility for risk oversight, reporting of financially material ESG information, shareholder proposals addressing environmental or social issues and the ratification of board and/or management acts.
6. **Executive Compensation and Alignment:** promote alignment between management incentives and shareholders' long-term interests. We pay close attention to local market practice and may apply stricter or modified criteria where appropriate.

Further details on Invesco's approach to good governance can be found at: https://www.invesco.com/content/dam/invesco/corporate/en/pdfs/regulatory/Proxy-Policy-2022.pdf

Proportion of investments

The Fund will make investments aligned with its environmental and social characteristics for minimum 70% of its assets and 30% will be invested in money market instruments or cash for liquidity management purposes. A minimum of 10% of the Fund's portfolio will be invested in sustainable investments contributing directly to environmental and/or social objectives.

For the avoidance of doubt, any derivatives used by the Fund (regardless of purpose) will not be taken into consideration in this calculation. As a result, the calculation is therefore intended to represent the physical investments and holdings of the Fund.

Monitoring of environmental or social characteristics

All proprietary ESG research and scores are stored on Invesco Fixed Income's (IFI) research platform alongside data from multiple third-party ESG data providers and is connected to the portfolio management platform to enable key ESG data to be integrated into the portfolio management workflow. Relevant ratings and ESG metrics can therefore be incorporated into pre-trade compliance assessments, portfolio trade construction and post-trade portfolio analysis.

Dedicated ESG-focused portfolio reviews complement the existing risk-return portfolio review process. Invesco's Global ESG team leads each review meeting which is attended by IFI portfolio managers, credit research analysts and the fixed income risk team. Portfolios are reviewed in terms of issuer level ESG exposures, carbon data, highest carbon emitters and controversies.

In order to assess companies around the above controversial activities, Invesco uses a combination of Sustainalytics and ISS (Institutional Shareholder Services) to assess compliance. However, this can be supplemented with other service providers where appropriate.

When there are proposed changes to the ESG metrics used, a formal sign off procedure takes place that includes members of the global ESG team, investment team, product, and legal team.

Methodologies for environmental or social characteristics

ESG Grades

Invesco Fixed Income (IFI) uses a common ESG grading approach across public fixed income markets in order to ensure clear communication of each issuer's ESG status.

These ratings are typically a function of scores across the three pillars of environmental, social and governance factors. Pillar scores are structured on a 1-5 scale, where:

1. Leading on most areas
2. Among sector leaders on some areas with stable/improving trend
3. At global sector norms with stable trend or balanced risk factors
4. Among sector laggards on some areas with stable/weakening trend
5. Lagging on most areas

For our proprietary overall ESG Grade, the scale definition is as follows:

A. All pillar scores above the sector median

B. Majority of pillar scores above the sector median

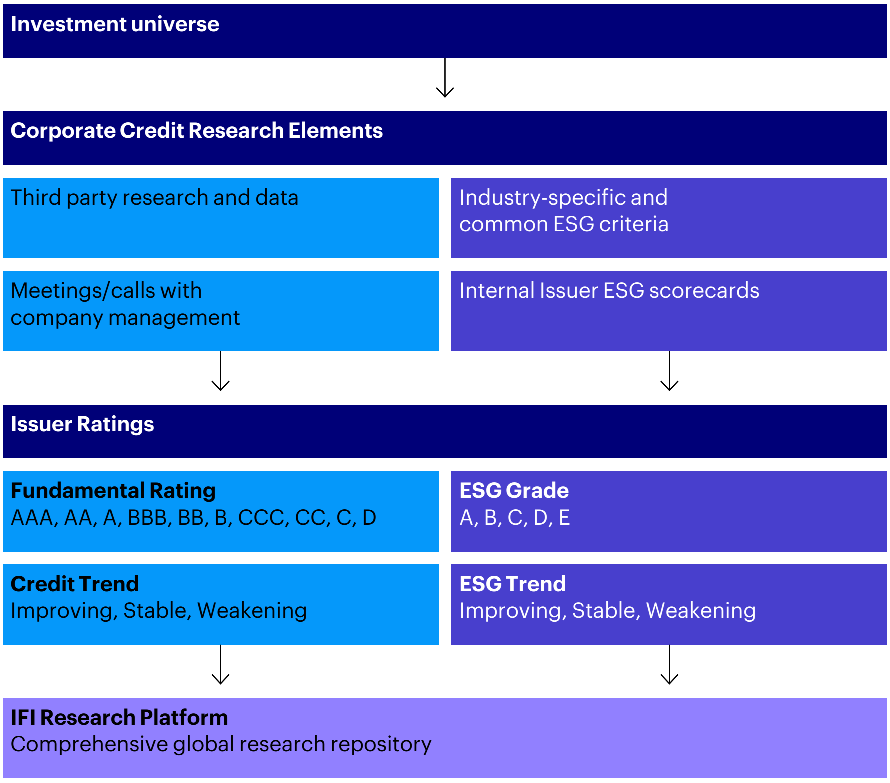
C. Balanced pillar scores around the sector median

D. Majority of pillar scores below the sector median

E. All pillar scores below the sector median

ESG Analysis for Corporate Bonds

IFI's credit analysts are responsible for evaluating the ESG drivers for the companies that they cover and conducting ESG-based analysis alongside their fundamental financial analysis and as part of their investment recommendation process. Each credit analyst is tasked with publishing an overall ESG Grade for issuers under their coverage. Issuers are scored at environmental, social and governance pillar level which support an overall trend and grade assessment. Oversight is provided through the construct of our Global Corporate Research team with industry sector teams assessing appropriate material risk factors to provide a reference framework. Our analysts are focused on identifying risk factors that could be financially material – these may be common to all industry participants or unique to a specific issuer.



Overview of ESG Grade elements for corporate bonds
The starting point for ESG assessment is at the industry level. Our Global Sector teams set out common ESG risk factors for each industry, and individual analysts work within this framework on each issuer in their coverage area while also seeking to identify any idiosyncratic ESG risks to which individual issuers might be exposed.

Example: Standard IFI material risk factors for Financials (if applicable, IFI Standard % limit will apply)

Risk factor	Evaluation	Metrics identified
Environmental		
Environmental commitment	Evaluating a financial company's awareness of the environmental impacts of their business can expose critical environmental and governance risks. From a policy perspective, we like to see companies involved in and become signatories to global efforts and standards. From an operating perspective, we observe lending exposure to projects deemed detrimental to the environment. Positive results here would be expected to reduce earnings volatility and benefiting the environment.	• Signatory to UN Principles • Signatory to Equator Principles • Signatory to UN Global Compact
Social		
Human capital management	We believe that evaluating how financial companies attract and develop their human capital can expose critical social and governance risks. We prefer companies to have policies that empower employees to speak out against wrongdoings of employees/management. Diversity in management results from successful human capital development. Such policies are likely to result in lower employee turnover, which can lead to improving and less volatile financial performance.	• Employee Turnover Percentage • Percentage of Women in Management • Employee Protection Whistle Blower Policy
Privacy and data security	Reviewing a company's privacy and data security policies and procedures can expose critical social and governance risks. We seek to understand a company's track record with data breaches, associated costs and resulting management response. Companies should have strong policies and procedures with respect to data security and privacy, which can lead to a reduction in earnings volatility and improved social outcomes.	• Data Breaches and policy/actions to address • Cybersecurity policy/actions
Governance		
Business ethics	We believe reviewing a company's business ethics policies and history can expose critical social and governance risks. We seek to understand a company's value system and its visibility to employees. We also seek to review historical shortcomings and management responses to these situations. Improving business ethics can lead to better governance outcomes and lower earnings volatility.	• Fraud Prevention • Whistle Blower hotline usage
Board Engagement	Reviewing the composition and activity of corporate boards can expose critical social and governance risks. We seek to understand how board diversity has evolved and what plans and policies exist to ensure diversity of thought. In addition, we review the independence and activity of the board and ensure proper committee structures exist to guide best practices.	• Board Meeting Frequency • Percentage of Independent Board Members • Percentage of Women on Board

By integrating the assessment of different risk factors across the ESG spectrum into our fundamental research process, our primary goal is to be able to identify ESG risks that may have a potentially material impact on an issuer's ability to service its debt in the future. The ESG process for corporate credit is initially structured at the sector level with each IFI global credit sector team establishing key risk factors under the environmental, social and governance pillars – see financials example above. This provides a common framework for assessing all issuers across our research coverage universe.

Asian analysts are aware of the unique features of regional ESG development efforts, as well as gaps in data availability, consistency and quality across different regions. IFI Asia credit team's insights allow IFI Asia team's portfolio manager to factor in analytical judgements in the final ESG scores for Asia credits and they are not materially different from other regions (US or Europe) while corporates' voluntary disclosures of these data points do vary.

ESG analysis output

For each issuer, there are three outputs from the ESG assessment carried out by the credit analyst.

1. ESG Pillar Scores. Pillar scores are structured on a 1 to 5 scale. Issuers which lead on most factors within a pillar and have improving momentum on those factors are assigned a 1 score. By contrast, the worst performing issuers receive a 5 score reflecting lagging performance across the majority of factors.
2. Overall ESG Grade. Ratings are expressed on an A to E letter scale. A rated issuers typically will have all pillar scores above their sector median.
3. ESG Trend Assessment. Assessed as "Improving", "Stable" or "Weakening" within a forward-looking rolling 12–18 month time horizon.

These outputs are also accompanied by a qualitative ESG assessment written by the analyst, which outlines notable elements contributing to the pillar scores, overall ESG grade and trend assessment. ESG Grades for each issuer are published alongside credit fundamental ratings and security recommendations on IFI's global research platform.

Assessing Sustainability, Social and Green Bonds

Sustainability, social and green bonds will be an integral part of the issue selection process for the Fund. As sustainability, social and green bonds have seen increased issuance as well as interest from clients, IFI has developed its own specialized templates to aid in analysing bonds in these categories. This facilitates dynamic assessments of primary issuance to take place and timely decision-making on whether to participate for client accounts.

Analysts input these scores into our investment research platform to provide portfolio managers with guidance as to the alignment of sustainability bonds at the time of issue and on an ongoing basis as deemed necessary.

Philosophy	Criteria for Green/Social	Criteria for SLBs	Overall evaluation summary	Review
We assess sustainable bonds against ICMA criteria. We use the UN SDGs to define what can be considered 'green', 'social' and 'sustainable'.	Use of proceeds: Score 0 – 4	Mapping of KPIs to UN SDGs: Score 0 – 4	Total 8 – 10: Maximum alignment	Ongoing assessment to ensure proceeds have been spent in line with proposal at time of issuance and/or KPIs are on track.
	Management of proceeds: Score 0 – 2	Difficulty of achievement: Score 0 – 2	Total 4 – 7: Sufficient alignment	
	Reporting: Score 0 – 2	Financial penalty for failure: Score 0 – 2	Total 0 – 3: Minimum alignment	
	External verification: Score 0 – 2	External verification & reporting: Score 0 – 2		

Scores are recorded in our research database to provide guidance as to the alignment at the time of issue or purchase. Review occurs on ongoing basis as deemed appropriate.

Source: Invesco. For illustrative purposes only. Subject to change without notice.

Securities Lending

To the extent the Fund engages in securities lending, the Fund will reserve the right to recall securities in advance of an important vote. In addition, the investment manager will ensure that any collateral received is aligned with these sustainability-related disclosures.

Data sources and processing

- **Exclusion and negative screening – Details**
  In order to assess companies around the above activities, Invesco uses a combination of Sustainalytics and ISS (Institutional Shareholder Services) to assess compliance. However, this can be supplemented with other service providers where appropriate.
- **Sustainable Investments – Details**
  The process to determine if an investment should be considered a sustainable investment is described in "Environmental or social characteristics of the financial product".

  For the qualitative checks and the selection criteria, Invesco uses a combination of Sustainalytics and the data sources mentioned in the section "Environmental or social characteristics" of the financial product.

  For the PAI indicators used to assess whether the sustainable investments cause significant harm (DNSH) to a relevant environment or social objective, Invesco uses a combination of Sustainalytics and ISS (Institutional Shareholder Services) as well as qualitative research and/or engagement, to assess whether the sustainable investments of the Fund cause significant harm (DNSH) to a relevant environmental or social investment objective. It is recognised that data in certain instances is limited and as a result the team may where deemed appropriate use proxies or where the data set is so limited as to not be representative of the investment universe to prioritise other actions, such as engagement to help increase the pool of data available.

Due diligence monitoring is done to ensure data providers are providing on-time deliverables such as ESG data, research and recommendations. Invesco conduct these due diligence meetings with select service providers as necessary. Invesco is constantly evaluating vendors to ensure our investment teams/clients are provided with the current information and our expectations are met. When we identify an issue or our expectations are not met, our teams report the issue and follow up with the service provider to resolve it.

Invesco uses multiple datasets from different sources and it is difficult to generate the proportion of ESG data that is estimated. Certain categories of ESG data are more likely to be estimated (such as scope 3 emissions, certain business involvement categories, etc) due to a lack of consistent disclosure among issuers. Because of this, ESG data that is directly disclosed by an issuer is given preference over data that is generated by a vendor using a proxy, estimation model, industry average, or other means. Invesco is committed to review the current ESG datasets that are used and will continue work with vendors to improve upon both the timeliness and accuracy of data that is used in construction of our ESG products. This data review is an ongoing process that involves members of our investment teams, ESG research team, ESG data analytics team, and our investment technology team.

Limitations to methodologies and data

Cash management
Cash or cash equivalent positions in the Fund will be held for technical reasons such as providing liquidity to the Fund's investors. Money market funds will be held by the Fund as they represent the most efficient vehicle for meeting the liquidity needs of investors. However, meeting the broader sustainability-related disclosures of the Fund is not currently possible through money market funds currently available and therefore, investors should note that this technical exception for liquidity exposures will apply. For the avoidance of doubt, where the Fund invests in short-dated instruments (within the Fund's objective) issued by individual issuers (for example, bank term deposits) as part of the active investment strategy rather than liquidity position, each issuer will meet the sustainability-related disclosures outlined above.

Derivatives
IFI portfolio managers use derivatives in the Fund for hedging, efficient portfolio management (EPM) and investment position-taking. Derivatives on indices and counterparties used by the Fund will be exempt from the ESG criteria set out above. This includes instruments and counterparties used in the management of the portfolio's duration or yield curve positions, the hedging of non-base currency exposures and the fund's overall credit risk, as well as active investment exposures taken through derivatives. This is not an exhaustive list but the intention is to ensure that efficient management of the portfolio's risks as well as desired investment exposures can be delivered efficiently for investors using exchange-traded and OTC instruments. Invesco will continue to monitor market developments on sustainability-aligned derivative instruments and will evaluate new instruments as they arise.

For the avoidance of doubt, where single name derivatives (i.e. derivatives with a single underlying issuer or asset) are employed, the investment manager will carry out an assessment on the underlying assets to ensure that they are consistent with the sustainability-related disclosures detailed above.

Due diligence

There are multiple levels of controls in place to ensure that the Fund meets its environmental and social characteristics and maintains a minimum of 10% of holdings allocated to sustainable investments. The first step in this due diligence process is a review of the data received from ESG data vendors to ensure that each update file is as complete as possible before ingestion into internal systems. This includes an analysis of the changes between the current data file and previous data files, highlighting significant changes and potentially requesting confirmation of these changes.

In addition to the data quality assurance process mentioned above, our internal investment compliance process checks each new transaction against a list of eligible securities and calculates if the transaction will result in a breach the minimum 10% sustainable investments threshold.

Any changes to the ESG criteria of the Fund must be reviewed and approved by Invesco's ESG client strategies team. This team is composed of ESG professionals with experience working with both clients and portfolio managers in the creation of ESG-labelled or related products. This process ensures that the criteria selected represent industry best practices for ESG-related products.

Engagement policies

We engage directly with companies to better understand their positions and their future intentions. This is carried out tactically by relevant analysts within IFI and strategically with co-ordination through the ESG team.

Invesco has established a global process to ensure that our ESG targeted engagements are a collaboration between the ESG team and the investment teams across Invesco who may have interest in the issuer:

1. Internal assessment and coordination – The ESG team consults with the appropriate investors and reviews the ESG Engagement focus list and decides whether to (a) gather feedback on a topic and provide that feedback to an issuer, (b) schedule a call if it is deemed to be necessary, or (c) engage directly and serve as a liaison. The ESG team will set up the calls with investors and issuers when and if a call is deemed necessary. Any ESG engagement meeting is added to a centralized calendar that investment teams can access.
2. Research and follow up – the ESG research team conducts in depth ESG research in preparation for these meetings and discusses with holders across Invesco to ensure that companies are questioned on the key ESG topics. The ESG team writes up an Engagement Report for these meetings and this is shared for all Invesco investors to access.
    a. Key ESG topics identified may include specific controversies / incidents that may have a negative impact on one or more ESG key issues (such as biodiversity, environmental degradation, labor rights, modern slavery, fraud, etc). For this, the ESG research team uses third party ESG controversy monitoring services.

Please click here to access our engagement and proxy voting policy.

Version	Date	Details of change
1.0	16 December 2022	Creation of the document