March 2025

Invesco Transition Eurozone Equity Fund

(the “Fund”)

Sustainability-related disclosures

UCITS have no guaranteed return and past performance does not guarantee the future ones.

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.

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 50% minimum allocated to sustainable investments.

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.

Environmental or social characteristics of the financial product
The objective of the Fund is to outperform the MSCI EMU Index (Net Total Return) (the "benchmark") in the long term and to support the transition to a low carbon economy through owning companies that will remove more carbon than the benchmark on a three-year rolling basis.

Screening will be employed to exclude issuers depending on their level of involvement in certain activities considered controversial.

Investment Strategy
The Fund will invest in companies supporting the transition to a low carbon economy. By focusing on, and engaging with higher carbon emitting companies, the aim is for the Fund to remove more carbon than the benchmark (MSCI EMU index) on a three-year rolling basis.

The investment team will assess companies' ability to de-carbonise, and through engagement, their willingness to de-carbonise, thereby encouraging an acceleration in their transition and an improvement of their emissions disclosure.

Proportion of investments
The Fund will make investments aligned with its environmental and social characteristics for at least 90% of its portfolio. At least 50% of the Fund's NAV will be invested in sustainable investments.

Monitoring of environmental or social characteristics
In order to assess companies and countries around the controversial activities, the investment team uses a combination of third-party data providers to assess compliance. This data is used in order to place trade restrictions on issuers that breach the defined thresholds.

The investment team will measure the reduction in the combined scope 1, 2 and 3 emissions of the Fund, comparing the result to the weighted average carbon emission reduction of the benchmark index and its constituents. This will be conducted every six months, with adjustments made as required to ensure a "like-for-like" comparison.

Methodologies for environmental or social characteristics
Screening will be employed to exclude issuers that do not meet the Fund's ESG criteria.

To meet the environmental and social characteristics promoted by the Fund, the Fund manager will assess companies using the Transition Carbon Framework.

Data sources and processing
The Fund's framework is built using reputable, well-regarded third parties. This approach means we are reliant on these sources, not just the methodology they use, but also how frequently data is updated. In the event any of the third party data providers significantly changes their methodology, or the data is no longer available, we reserve the right to change to another provider, subject to approval from Invesco's Global ESG team.

With regards to exclusions, in order to assess companies around controversial activities, Invesco uses a combination of third data service providers to assess compliance.

With regards to sustainable investments, the selection criteria include the selection of the companies that are able and willing to de-carbonise more than the benchmark, MSCI EMU Index, on a three year rolling basis utilizing the Investment Manager's proprietary methodology, a carbon transition framework.

Limitations to methodologies and data
There may be some limitations due to standardisation concerns, data integrity, data availability, timeliness of data, subjectivity in the interpretation, scope of data and reliance on estimates.

Due diligence
Data due diligence reviews are performed on data received from ESG data vendors to ensure that datasets are as complete as possible before ingestion into internal systems. In addition, our internal investment compliance process checks each new transaction against a list of eligible sustainable investments securities.

Engagement policies
Invesco engages directly with companies to better understand their positions and their future intentions and lobby for change where Invesco believe it is necessary.

Although engagement as pure debt investors can be challenging, Invesco's ownership of both equity and debt can often be used to increase our voice as a stakeholder.
Engagement is carried out on a case-by-case basis by relevant analysts and strategically with co-ordination through Invesco's Global ESG team.

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

No sustainable investment objective

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

The Fund has 50% minimum allocated to sustainable investments (as further described under “Environmental and social characteristics of the product”).

The Fund primarily 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 Footprint Scope 1+2 3. Total Emissions Scope 1+2+3 4. Carbon Footprint 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	Controversial Weapons - manufacturer or intended use involvement	% 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 objective of the Fund is to outperform the MSCI EMU Index (Net Total Return) (the “benchmark”) in the long term and to support the transition to a low carbon economy through owning companies that will remove more carbon than the benchmark on a three-year rolling basis.
- The fund managers (the “Fund managers”) will assess companies’ ability to de-carbonise, and through engagement, their willingness to de-carbonise, thereby encouraging an acceleration in their transition and an improvement of their emissions disclosure.
- The Fund managers will measure the reduction in the combined scope 1,2 and 3 emissions (as measured in tonnes of CO_2) of the portfolio, incorporating the holding period and weight of each stock within the calculation, and, using the same methodology, compare these results to the weighted average emission reduction of the benchmark. The Fund aims to outperform i.e. reduce carbon emissions by more than the benchmark using this methodology.

The Fund managers’ materiality assessment prioritises the highest carbon emitting companies. The potential positive benefits for society from this approach are very significant. At the same time, the Fund managers will consider the ability and willingness of these companies to de-carbonise, but also need to consider the social responsibilities corporates have too.

- The Fund intends to make sustainable investments by contributing to environmental objective (climate change) for at least 50% of its portfolio.

  To determine if an investment should be considered a sustainable investment, there is a three-step process. First, several qualitative checks are performed for the Fund and the selection criteria includes:

  – The Fund seeks to achieve this objective by selecting companies that are able and willing to de-carbonise more than the benchmark, MSCI EMU Index, on a three year rolling basis utilizing the Investment Manager’s proprietary methodology (carbon transition framework as described below).

  Note that Invesco relies on third party data providers to assess issuer’s performance on the above criteria. 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 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.

  As well as excluding companies violating international norms and standards, the Fund has other exclusionary criteria. Companies which breach specific thresholds, for example companies generating any revenue from Tobacco products production, will be excluded. Likewise, companies with poor governance and social scores, as determined by our proprietary ESGIntel system, will be excluded.

  Finally, the Fund considers principal adverse impacts on sustainability factors by carrying out a qualitative and quantitative review of 14 mandatory indicators as defined by the Sustainable Finance Disclosure Regulation (primarily the indicators as defined in Table 1 of the Annex I of the regulatory technical standards for Regulation 2019/2088 and subject to availability of data). Please refer to the pre-contractual disclosures embedded to the prospectus and the annual report of the Fund for more information.

Investment Strategy

The Fund's exclusion framework

As well as reducing carbon emissions more than the benchmark it is important each holding has good ESG credentials. To do this we have an exclusion framework, comprised of two parts.

Companies operating in specific industries

These activities are listed below with the appropriate thresholds.

Controversial weapons	• 0%, including companies involved in the manufacture of nuclear warheads or whole nuclear missiles outside of the NPT*
Coal	• Thermal Coal extraction: >=5% of revenue • Thermal Coal Power Generation: >=10% of revenue
Unconventional oil & gas	• >= 5% of revenue on each of the following: – Arctic oil & gas exploration; – Oil sands extraction; – Shale energy extraction;
Tobacco	• Tobacco Products production: >=0% of revenue • Tobacco related products and services: >=5% of revenue
Others	• Recreational cannabis: >=5% of revenue

*The Fund will not knowingly finance cluster munitions, munitions and weapons containing depleted uranium, and anti-personnel mines, as well as biological and chemical weapons. This includes in particular not knowingly investing in any form of securities issued by an entity the main activities of which are the manufacturing, use, reparation, sale, exhibition, distribution, import or export, storing or transport of cluster munitions, munitions and weapons containing depleted uranium, and anti-personnel mines as well as biological and chemical weapons, and the Directors of Invesco Funds will therefore implement relevant internal investment guidelines.

For the avoidance of doubt, by virtue of applying the above exclusions, the Fund complies with the exclusions referred in CDR (EU) 2020/1818 with regards to minimum standards for EU Climate Transition benchmarks.

In order to assess companies around the above activities, Invesco uses a combination of Sustainalytics, MSCI and ISS (Institutional Shareholder Services) to assess compliance, however, this can be supplemented with other service providers. Invesco's compliance team, independent of the investment team, will be responsible for inputting and managing thereafter, excluded names into Invesco's dealing system, CRD. While there is a broad coverage across the various systems, there is no one system that has complete coverage of all facets of the entire investment universe.

It is recognised that service providers may be backwards looking on their data and company assessment. As a result, to ensure that we are not wholly reliant on data vendors, a formal process has been established to allow investment managers to challenge the data. Any scenario where the data vendor assessment is overruled will go through a comprehensive review process with any reasons being clearly documented. Further details of this process are provided in the "Due Diligence" section.

Corporate behaviour

The below criteria are used to ensure companies are acting in a responsible manner. The appropriate thresholds are also provided.

UN Global Compact	Non-compliant companies are excluded
Country sanctions	Companies with severe violations, are excluded
Good governance	Companies scoring 5, the lowest score, on our internal ESG proprietary system, ESGIntel will be excluded
Socially responsible	Companies scoring 5, the lowest score, on our internal ESG proprietary system, ESGIntel will be excluded

It is recognised an immediate exclusion based on the latest available quantitative data may not fully take into account the efforts a company is making, or, is set to make.
Such actions can take time before they become more tangible and incorporated in external data. As such Invesco has developed a framework to assess such companies, based on objective and evidence-based criteria. This process involves both the investment and ESG teams, with the latter the ultimate arbiter.

Below, we go into more detail on the process to assess corporates' governance and social practices.

Policy to assess good governance practices of the investee companies

Companies are assessed on a range of good governance principles which may vary, for example due to differing business profiles or operating jurisdictions. 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 The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance. Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance, size, board assessment and succession planning, definition of independence, board and committee independence, separation of Chair and CEO roles, attendance and overboarding 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

To ensure our companies have the appropriate governance structures in place we will exclude those companies scoring a 5 for governance on our ESGIntel scoring system (which rates companies on a scale of 1-5 with 5 being the worst).

Understanding governance is a key topic for Fund managers, who meet regularly with company Chief Executive Officers (CEOs), Chief Financial Officers (CFOs) and Investor relations teams. This means the Fund managers are ideally placed to better understand how companies deal with governance risks, as well as encouraging better practices.
By having access to board level representatives, in some cases over a long time, Fund managers can help shape strategy and how managements deal with stakeholders. As well as various internal and external ESG information systems, Fund managers draw on their own experience of the companies, many of which have been held for some time, and the expertise of our own ESG team. Sell side analysts are also another useful source of knowledge. This means the Fund managers are well placed to focus on both governance as well as social issues, something we discuss in the next section, scrutinising accordingly.

A socially responsible company

As a fund aiming to reduce carbon emissions, it is also important to only include companies with good social practices and characteristics. We will adopt the same process as above, excluding those companies with poor social scores, namely those scoring a 5 on our ESGIntel system.

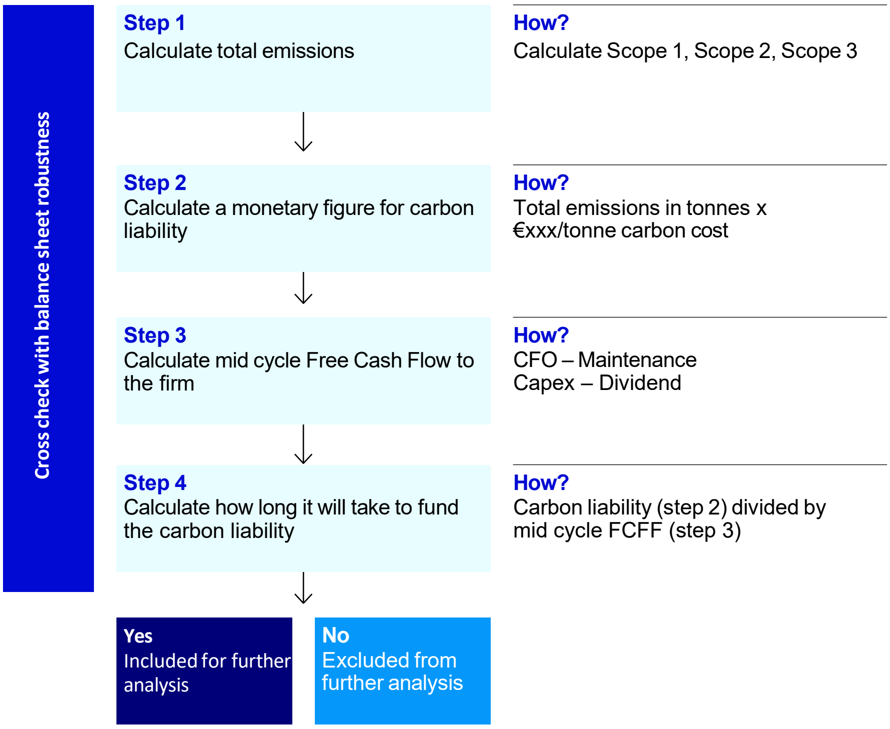
Carbon Transition Framework

Step 1: Materiality assessment
Using the latest available ISS carbon emissions data, Scope 1, 2 and 3, we will rank each company according to total carbon emitted, from the highest to the lowest. This allows us to identify which companies can have the largest positive impact on the energy transition. We exclude no companies at this stage.

Step 2: Ability to de-carbonise assessment
Using the results of the Materiality assessment as a starting point we will then assess the ability of each company to de-carbonise. We do this by applying the EU Emission Trading System (ETS) non-compliance fine of CO_2 [Appendix 2] to the total carbon emitted for each company, in effect highlighting a company's carbon liability today. Next, we assess a company's ability to fund this transition by calculating the cross-cycle Free Cash-Flow (FCF) to the firm that can be sustainably generated by the company going forward.
The formula we use to calculate this is different for financial and industrial businesses.
For industrial businesses it is the cross-cycle Cash Flow From Operations (CFO) minus maintenance capital expenditure (capex) and dividend. For banks and certain other financial businesses, it is the cross cycle Net Income minus maintenance capital expenditure (capex) and dividend. Next, the calculated carbon liability (€m/bn) is divided by the cross-cycle FCF to the firm (€m/bn), which results in the number of years it will take each company to fully de-carbonise. At this stage we will exclude those companies not able to de-carbonise in less than 15 years. We document any challenges to our automatic data and these are available for periodic sample review by our ESG and compliance teams.

The Fund

#2: Assessing ability to de-carbonise



Source: Invesco.

Step 3: Willingness to de-carbonise
Then we undertake qualitative analysis on the resulting list of companies, those companies able to de-carbonise within 15 years. To do this we undertake our own research, drawing on various resources available to us. These include: our own engagement with the company, working closely with the ESG team and sell-side analysts. There are several areas we will focus on including, the companies' appetite to pursue green investment going forward, the companies' de-carbonisation plans, the extent to which management are renumerated on ESG criteria, the management teams' ability to make unencumbered decisions and tangible evidence of de-carbonisation. Again, those companies failing this step will be excluded from further analysis.

Ongoing implementation of the environmental and social characteristics of the Fund

As our strategy incorporates various steps, with the frequency of inputs used varying, we will adopt an approach which best reflects these differences.

Continuous monitoring
Our exclusion framework will be coded into our CRD dealing system, as managed by the compliance team. Companies that fail any criteria, either by operating in excluded industries or companies with a score of 5 for Governance or Social in ESGIntel, will automatically prevent fund managers from acquiring shares in that company.

Half year monitoring
Our materiality and ability criteria, central to our Carbon Transition Framework, will be formally updated twice a year. This frequency is for two reasons:

- Some data, from ISS as an example, is only updated once a year. As this is the starting point for our calculations it plays a key role in the framework. Other elements are also slow moving in nature, such as the 10-year historic Operating Cash Flow we incorporate within our calculations.
- Other inputs within our model change more frequently, such as consensus revenues and net income.

Formally updating the materiality, ability and willingness assessments twice a year strikes an appropriate balance when considering the frequency of the different data inputs.
For transparency, we provide the current key calculations in the table below. This does not prevent us from making changes to the portfolio in the intervening periods but will incorporate the outputs from our carbon transition framework as well as the other environmental, social and governance restrictions.

Materiality criteria

Using the latest available ISS carbon emissions data, Scope 1, 2 and 3, we will rank each company according to total carbon emitted, from the highest to the lowest. Every holding must contribute to the decarbonisation of society through carbon emissions reduction of their own operations.

Materiality criteria
Transition liability formula

	Calculation at as 30 September 2022	Calculation at as Spring 2023	Company example as at 30 September 2022
IIS emissions Scope 1, 2 & 3 (million tonnes)	2020 data	2021 data	11,570,000
x	x	x	x
Carbon cost (€ per tonne)	€110 per tonne	€119 per tonne (current estimate)	119
=	=	=	=
Transition liability (€ millions)	**€ millions (a)**	**€ millions (a)**	**1,377**

Similarly, we will update the carbon price in our model at the same time as the ISS emissions data.

Ability to de-carbonise criteria
As above, we will re-run this calculation for our holdings and the wider index on a semi-annual basis.

Ability criteria
Invesco FCF to the Firm formula: Industrial

	Calculation at as 30 September 2022	Calculation at as Spring 2023	Company example as at 30 September 2022
10 year historic Operating Cash Flow (Bloomberg, € millions)	Sum of 2012 to 2021 period	Sum of 2013 to 2023 period	12,871
÷	÷	÷	÷
10 year historic revenue (Bloomberg, € millions)	Sum of 2012 to 2021 period	Sum of 2013 to 2022 period	99489
=	=	=	=
Mid cycle Operating Cash Flow margin	**% (b)**	**% (b)**	**13%**
2 year forward consensus revenues (Bloomberg, € millions)	2024E forecasts	2025E forecasts	12,106
x	x	x	x
Mid cycle Operating Cash Flow margin (%)	From above (b)	From above (b)	13%
=	=	=	=
Operating Cash Flow to the Firm (€ millions)	**€ millions (c)**	**€ millions (c)**	**1,566**
	–	–	–
Deduct: 2 year forward consensus dividends (our calculation see rows below, € millions)	€ millions	€ millions	769
2 year forward consensus net income (Bloomberg, € millions)	2024E forecasts	2025E forecasts	1360
x	x	x	x
Our estimate of the 2 year forward dividend payout ratio (%)	2024E forecasts	2025E forecasts	57%
	–	–	–
Deduct: Maintenance capex (Bloomberg or own estimate, € millions)	€ millions	€ millions	522
=	=	=	=
Invesco FCF to the Firm (€ millions)	**(d)**	**(d)**	**275**

Ability criteria

Invesco FCF to the Firm formula: Bank & other financial

	Calculation at as 30 September 2022	Calculation at as Spring 2023	Company example as at 30 September 2022
10 year historic Net Income starting in 2019 to capture appropriate interest rate cycle (Bloomberg, € millions)	Sum of 2019 to 2021 period	Sum of 2019 to 2023 period	16,257
÷	÷	÷	÷
10 year historic revenue starting in 2019 to capture appropriate interest rate cycle (Bloomberg, € millions)	Sum of 2019 to 2021 period	Sum of 2019 to 2022 period	69,134
=	=	=	=
Mid cycle proxy Operating Cash Flow margin	**% (b)**	**% (b)**	**24%**
2 year forward consensus revenues (Bloomberg, € millions)	2024E forecasts	2025E forecasts	14,554
x	x	x	x
Mid cycle proxy Operating Cash Flow margin (%)	From above (b)	From above (b)	24%
=	=	=	=
Operating Cash Flow to the Firm (€ millions)	**€ millions (c)**	**€ millions (c)**	**3,422**
	–	–	–
Deduct: 2 year forward consensus dividends (our calculation see rows below, € millions)	€ millions	€ millions	1,680
2 year forward consensus net income (Bloomberg, € millions)	2024E forecasts	2025E forecasts	4,200
x	x	x	x
Our estimate of the 2 year forward dividend payout ratio (%)	2024E forecasts	2025E forecasts	40%
	–	–	–
Deduct: Maintenance capex (Bloomberg or own estimate, € millions)	€ millions	€ millions	650
=	=	=	=
Invesco FCF to the Firm (€ millions)	**(d)**	**(d)**	**1,092**

Years to decarbonise

Transition liability / Invesco FCF to the Firm (years)

	Calculation at as 30 September 2022	Calculation at as Spring 2023	Company example as at 30 September 2022
Transition Liability	(a)	(a)	1,377
Invesco FCF to the Firm	(d)	(d)	275
Years to decarbonise	**(a) / (d)**	**(a) / (d)**	**5.0**

The outputs from both tables, based on our methodology, are then used to calculate how long it takes for a company to de-carbonise. In the above Industrial example, the theoretical time to decarbonise would be 1377 / 275 = 5.0 years. These calculations will be maintained and filed by the Fund managers but made available to the ESG team for scrutinising. It is essential to point out, that this is the theoretical potential years to de-carbonise. This is not our estimate for the actual de-carbonisation plan.

Willingness to decarbonise

Finally, it is critical to assess the companies' willingness to decarbonise. Regular engagements with senior management teams will play an important role in monitoring companies' willingness to de-carbonise. Additionally, we will consider any relevant incremental newsflow, from our own ESG team, specialist 3rd ESG party providers and external investment analysts.

Proportion of investments

The Fund will make investments aligned with its environmental and social characteristics for at least 90% of its portfolio. At least 50% of the Fund's NAV will be invested in sustainable investments. 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.

The Fund is managed on a fully invested basis and cash holdings are residual (up to 10% maximum), held for technical reasons and not for investment purposes. As such financial institutions where the cash is held, and money market instruments are not specifically assessed on the environmental and social characteristics of the Fund.

In addition, if a security has become illiquid to the point where there is no willing buyer or the issuer has for example defaulted/undergoing a restructure or filed for bankruptcy protection after the point of purchase, these assets may still be held in the Fund until they can be sold/removed.

Monitoring of environmental or social characteristics

Worked example

Our sustainability target is to decarbonise more than the benchmark on a 3-year rolling basis. We will measure the reduction in the combined scope 1, 2 and 3 emissions (as measured in tonnes of CO_2) weighted to the period of ownership of the individual holdings and aggregated at a fund level (An example is provided in Table 1), comparing the result to the average emission reduction of the benchmark constituents (An example is provided in Table 2).

Table 1
Average emission reduction for fund constituents and on weighted basis for overall fund

	Average weight of constituent for period	Absolute reduction in carbon emissions for period (million tonnes)	Weighted carbon emissions reduction for period (million tonnes)
Company A	20%	-1	-0.2
Company B	40%	-3	-1.2
Company C	40%	-4	-1.6
Total	**100%**	**-8**	**-3.0**

Table 2
Average emission reduction for index constituents and on weighted basis for overall index

	Average weight of index constituent for period	Absolute reduction in carbon emissions for period (million tonnes)	Weighted carbon emissions reduction for period (million tonnes)
Company A	40%	-1	-0.4
Company B	35%	-3	-1.1
Company C	25%	-4	-1.0
Total	**100%**	**-8**	**-2.5**

Like for like comparison

In the hypothetical example above, the Fund has reduced carbon emissions by more than the index. To ensure a fair "like-for-like" comparison is possible, we will flag any one-off factors skewing the results. We outline these below.

- **Acquisitions**
  If an index constituent or one of our holdings is acquired by a company outside of the index, we will assume the acquired company has no further change in emissions from the date of acquisition. If such a scenario occurs part way through the year, we will take the annual data and weight it for the period of ownership, or when the company was in the index.
- **Bankruptcy**
  If a company files for bankruptcy and exits the index and/or our fund, we will assume no change in emissions for that company from the date the company is no longer part of the index/Fund. As above we will use annual carbon emissions data and weight it accordingly.
- **Deletion from the index**
  When a company is deleted from the benchmark due to a reduction in market capitalisation, we will continue to track the emissions and calculate the change in emissions for the period it was in the benchmark. This is the same treatment as for the Fund.
- **Mergers**
  If it is an intra-index European merger, the emissions from the acquiree will be captured by the acquiror's new emissions score one year later.
- **IPOs**
  If a company joins the benchmark with no historic ISS emissions data, for example, soon after an IPO or as a spin-out, we will assume the company has seen zero change in their emissions over the previous 3 years.
- **Disposing of meaningful assets**
  We will make the adjustment for large disposals and large M&A when it accounts for a change in emissions of more than 20%.

Each six months, both at the end of June and December, will we assess the changes in composition of the benchmark, MSCI EMU. In the event these changes are significant, impacting carbon emissions either up or down, we will flag these. To do this we will use Bloomberg, which tracks M&A and divestments of the index, with any changes recorded and validated by the ESG team.

Monitoring and timing

All the carbon emission data for Scope 1, 2 and 3 will be sourced from ISS, which we believe to be the best quality provider in this area. We will report the data in line with ISS releases. For example, 2021 annual data will be available in the Spring of 2023. We will therefore have 2023 emissions data in spring 2025.

ISS data release due	Spring 2025	Spring 2026	Spring 2027
Data provided Scope 1, 2 & 3 emissions – tonnes millions	✓	✓	✓
Year to which data is provided	2023	2024	2025
Period to be assessed	2022 > 2023	2022 > 2024	2022 > 2025

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

Methodologies for environmental or social characteristics

As further detailed in section "Investment strategy", the Fund excludes certain sectors and stocks being considered not aligned with the environmental and social characteristics of the Fund.

To meet the environmental and social characteristics promoted by the Fund, the Fund manager will assess companies using the Transition Carbon Framework as further detailed in Section "Investment strategy".

Finally, and as further also explained in Section "Monitoring of environmental or social characteristics", to ensure a fair comparability between the Fund and the benchmark, our methodology will incorporate any benchmark inclusions, exits and corporate actions which distort changes in emissions. In effect we will concentrate on like-for-like changes.

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.

Disinvestment period

Where a previously eligible company subsequently fails an appropriate screen, subject to secondary validation the investment teams will ensure disinvestment in the next rebalancing but certainly within a period of 60 days, subject to liquidity/regulatory and other factors. At all times the best interests of shareholders will be taken into consideration.

Data sources and processing

Exclusion and negative screening – Details

In order to assess companies around the above activities, Invesco uses a combination of Sustainalytics, MSCI 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 the data sources mentioned below.

For the PAI indicators used to assess whether the sustainable investments cause significant harm (DNSH) to a relevant environmental 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.

Summary table of data, sources and if actuals and/or estimates

Below we provide a list of the data inputs used, as well as where the data is sourced from and if they are actuals or estimates.

List of data sources, data inputs and data basis i.e. actual or estimate

Source	Data	Actual or estimate	Processing data
ISS	Scope 1 & 2	Actual	ISS download
	Scope 3	Estimate	ISS download
Bloomberg	Ownership of individual stocks	Actual	Bloomberg download
	Annual operating cashflow for last 10 years	Actual	Bloomberg download
	Annual net income for last 10 years	Actual	Bloomberg download
	Year 2 forward consensus revenues	Estimate	Bloomberg download
	Year 2 forward consensus net income	Estimate	Bloomberg download

List of data sources, data inputs and data basis i.e. actual or estimate

Source	Data	Actual or estimate	Processing data
Invesco (Bloomberg)	Our estimate of the Year 2 forward dps payout ratio	Estimate	Adjusted Bloomberg download
Bloomberg	Year 1 depreciation charge	Estimate	Bloomberg download
	Material changes in index composition	Estimate	Bloomberg download
Invesco	Carbon price = EU Emission Trading System (ETS) non-compliance fine	Estimate	Invesco generated Excel

In the event any of the third party data providers significantly changes their methodology, or the data is no longer available, we reserve the right to change to another provider, subject to approval from Invesco's Global ESG team.

Measures taken to ensure data quality

General
As much as possible we have incorporated data into our framework from reputable, well-regarded third parties. 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. By doing so we believe the quality of data is consistent with the best available external data available at the present time.

Specific
Carbon emissions: For emissions data, ISS is one of the leading industry data providers. Scope 1 and 2 emissions data is provided by the companies themselves and collated by ISS. However, ISS estimates Scope 3 data for some companies where they firmly disagree with the reported numbers, they use the methodology outlined below.

"ISS ESG uses a combination of approaches to estimate the upstream and downstream Scope 3 emissions of companies. The following table provides the overview of the Scope 3 emission estimation approaches used for companies in the ISS ESG climate universe. A unified upstream approach based on Environmentally Extended Input Output models (EEIOs) is used with downstream approaches that vary based on the type of sector and data availability. The order of preference for the downstream approach is based on the accuracy and proximity in representing the operations and emission profile of the underlying company."

(ISS, Carbon Footprinting – Scope 3, Jan22)

Approach type	Upstream	Downstream	Example sectors
Bottom-up approach	Emission Multipliers from EEIO Models	Output production or a proxy (e.g. revenue) used with standardised emission factors	• Oil & Gas extraction • Coal Mining • Auto manufacture
Product Profile Top-down approach		Downstream emission ratios from EPDs and LCAs used for a standardised product profile	• Manufacturing • Cement • Electronics • Electricals
Peer Top-down approach		Emission profile of representative peers with high quality disclosure for diversified or low impact sectors	• Chemicals • Services • Wholesale and Retail • Real Estate

Financial data
Bloomberg are leaders in the provision of financial data. They provide consensus estimates for more than 18,000 companies globally, using brokers' own estimates.

Other data sources
Fund managers also have access to various other Invesco tools, which consolidate ESG data from multiple sources. These systems help FMs in assessing companies from an ESG perspective.

Comparison of our proprietary tools

ESGintel	
Description of Tool	A research tool integrating third-party ESG data and Invesco's views on materiality
Scale of Analysis	Issuer-level data
Outputs	• An overall ESG rating out of 5 • E, S and G scores • Peer comparison and historical comparison • Engagement notes
Used by investment teams primarily to	Research a company's ESG profile prior to or during the investment process to integrate ESG risks into investment decisions
ESGCentral	
Description of Tool	A cloud-native ESG platform to enable our investment teams to have holistic, customized portfolio-level ESG analytics capabilities
Scale of Analysis	Portfolio-level, issuer-level data
Outputs	• Portfolio-level analytics, monitoring, and screening • Support for risk management and regulatory compliance (e.g. SFDR) • ESG reporting0
Used by investment teams primarily to	Analyse portfolios to understand ESG opportunities and risks compared to benchmarks using 40+ ESG data sources. Screens portfolios for various ESG Screens like net zero, Article 8, sustainable/responsible investing and various ESG Frameworks
Vision	
Description of Tool	A cloud-based portfolio management platform allowing investors to make better informed investment decisions, considering their specific ESG considerations
Scale of Analysis	Portfolio-level data
Outputs	• Modelling assets and liabilities • Portfolio optimization • Portfolio analytics
Used by investment teams primarily to	Enhance their understanding of a portfolio's risk-exposure, develop consistent return expectations, model liabilities, design optimized portfolios, evaluate portfolios taking into account investors' ESG considerations

FocusIntel	
Description of Tool	An updating list of highest ESG risk issuers across all of Invesco's aggregated holdings
Scale of Analysis	Issuer-level data
Outputs	• A list of highest risk ESG companies • Clear indicators of why the issuer is deemed high risk
Used by investment teams primarily to	Identify high-risk holdings and choose whether to arrange an engagement

PROXYintel	
Description of Tool	A global knowledge-share platform tracking proxy votes and rationales across Invesco with respect to individual companies and proxy issues
Scale of Analysis	Issuer-level data
Outputs	• Votes cast • Vote rationales
Used by investment teams primarily to	Execute proxy voting decisions, view how other shareholders within Invesco have voted, and share knowledge with respect to individual companies and proxy issues

ESGIntel
Invesco's propriety ESGIntel rating utilises a 1 – 5 assessment scale. These assessments are done at a topic, theme, and company level (with topic being the most granular and company being the top-level score). At each stage, to generate the relative ESGIntel score an average is calculated and then a rounding distribution is calculated based on the average. This rounding process redistributes more scores to 1's and 5's and lowers the convergence of scores to the centre of the distribution.

For our proprietary ESGIntel score, the scale definition is typically as follows:

1. Company scores significantly better than the median score
2. Company scores better than the median score
3. Company scores around the median score
4. Company scores lower than the median score
5. Company scores significantly lower than the median score

For a company to be scored at least 15 relevant indicators much have complete data, and the company must have relevant data to the E, S, and G themes (IE not focused on only one theme).

Limitations of our carbon transition methodology

Data Item	Limitation	Carbon Transition Framework Impact
ISS Scope 3 data	i) Where required, this is estimated by ISS and subject to change ii) Methodology to estimate Scope 3 could change (has done historically) iii) Potential for double counting of emissions as some activities will be captured by other entities and vice versa	i) & ii) – All companies affected equally. iii) Potential for over-& under- estimation for individual companies. The same data is used for the fund and benchmark.
ISS data	Time lag of annual data. For example 2021 data, only be available in Spring 2023.	All companies affected equally. will Focusing on a 3 year rolling score reduces the impact of the time lag.
Bloomberg 2 year fwd estimates	As uses analysts' estimates changes can be volatile.	Analysts' estimates can move up and down in a short period of time, perhaps dues to a rapid change in economic conditions. In our framework we also incorporate long term historic financial data, cashflow and revenues, which are more stable in nature compared to shorter term analysts' estimates. In effect these longer term metrics are a "mid-cycle" approximation, helping dampen down some of the more volatile elements within our framework. We also use our estimate of the 2 year forward dividend payout for a similar reason. This should help prevent some holdings being sold due to a rapid change in the economic cycle.
Our Carbon emissions reduction calculation	Our like-for-like carbon calculation only includes larger asset disposals and M&A, potentially influencing the score.	This should not be material.

In calculating how material carbon emissions are for each company, we are reliant on ISS for Scope 1, 2 and 3 data. In the event this data is no longer available, or the methodology in calculating this data changes significantly, we would reserve the right to incorporate data from elsewhere, subject to approval from the ESG team.

This approach would also apply to other data we incorporate into our Carbon Transition Framework, such as calculating the transition liability for each company, which is based on the carbon price as set out in the EU ETS documentation. Again, if the methodology changes significantly, impacting the carbon price for example, we would reserve the right to incorporate data from elsewhere, subject to approval from the ESG team.

Due diligence

We outline below the various controls in place.

Internal controls

There are multiple levels of controls in place to ensure that the Fund meets its environmental and social characteristics and maintains a minimum of 50% 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 is not aligned with environmental and social characteristics and/or result in a breach of the minimum 50% sustainable investments threshold.

Exclusion frameworks

Invesco's Compliance team, independent of the investment team, will be responsible for inputting, and managing thereafter, excluded names in Invesco's dealing system, CRD.

- Companies operating in non-compliant industries.
- Companies deemed non-compliant under the UN Global Compact.
- Companies on Invesco's country sanctions list, compiled by compliance and have severe restrictions.
- Companies scoring 5 for Governance or Social reasons, on our internal ESG proprietary system ESGintel, managed by the ESG team.

These companies will be hard blocked i.e. the investment manager will be unable to purchase such companies.

Carbon Transition Framework

The ESG team will, on a 6 monthly basis formally review the outputs of our Carbon Transition Framework. This includes:

- Materiality criteria
- Ability criteria
- Annual emission reduction calculations for the fund and the index, including any adjustments made for like-for-like reasons.

All proprietary workings will be made available to the ESG team.

- Any substitute companies that fail the screening requires oversight and approval from the from ESG Team.

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

The Fund

The Fund does not use engagement as a means of meeting its binding commitments to environmental or social characteristics.

General

As active owners we are ideally placed to engage with and, ultimately, influence company strategy. This is done in various ways.

How we engage with companies

Engagement is an opportunity for Fund Managers to better understand how companies address ESG topics and encourage continual improvement. By having access to board level representatives, we can provide our views on various matters. ESG is a core part of these discussions. The European investment team, consisting of 6 Fund Managers and 2 analysts will have extensive knowledge on such topics, assisted by the ESG team, external research from the sell side and data specialists, as well as two other experienced colleagues dedicated to corporate engagement and voting.

AGM and EGM voting

Voting is operated on a decentralised basis at Invesco. This allows Fund Managers the freedom to vote in what they believe is in the best interests of their investors, ensuring the best outcomes for clients.

Fund Managers will draw on various resources available to them, in combination with their own knowledge and insight, when voting on AGM and EGM proposals. Those include comments and recommendations of consultants such as ISS and Glass Lewis, as well as our proprietary internal proxy voting guidelines and recommendations.

In addition, we have a dedicated team, Investment Advisory, who reviews all vote against recommendations and provide analysis and recommendations to Fund Managers. Especially where there are situations of controversy or differing views between the consultants mentioned above or internal guidelines, Fund Managers draw on the deep expertise of our Investment Advisory and ESG teams for advice.

Fund managers will be the ultimate decision maker.

Collective engagement

At Invesco, collective engagement is conducted in two ways:

- For companies owned by more than one investment team, Invesco operates a corporate wide engagement process.
- Invesco is a member of various collective engagement groups including Climate Action 100+ and the Investor Forum.
- **Invesco's engagement approach**
  We engage directly with companies to better understand their positions and their future intentions. This is carried out tactically by relevant analysts and/or fund managers within the Henley Equity Team 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 company:

  i. 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 a company, (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 companies when and if a call is deemed necessary.
     Any ESG engagement meeting is added to a centralized calendar that investment teams can access.

  ii. 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 summary report for these meetings which is then shared on multiple investment platforms for all Invesco investors to access.

- **Proxy Voting**
  - Invesco's Proxy Voting approach is governed by the Global Proxy Voting Policy, which is premised on respecting the Fund manager's freedom to vote in what they believe is the best interests of the investors in the relevant fund or portfolio in order to achieve positive outcomes for clients.
  - To this effect, Invesco maintains a proprietary global proxy administration platform, known as the "fund manager portal". The platform streamlines the proxy voting and ballot reconciliation processes, as well as related functions, such as share blocking and managing conflicts of interest issuers. This enables fund managers to vote in an efficient manner, increase transparency, share knowledge and effectively influence corporate practices and behaviours.

Appendices

Appendix 1: EU ETS Directive

Penalties for non-compliance

Member States are responsible for laying down the rules to ensure installations comply with the EU ETS. The EU ETS Directive requires Member States to adopt “effective, proportionate and dissuasive” rules on penalties for breaches of the EU ETS Directive’s requirements as stipulated in Article 16(1). This wording allows the Member States to choose between criminal or administrative penalties and provides flexibility to implement a system of penalties that best fits with their national legal systems whilst respecting the obligation to treat breaches of EU law in a manner that is similar to a breach of a wholly national rule or law.

The EU ETS Directive also provides specific rules in case of failing to surrender sufficient emission allowances. If an entity covered by EU ETS misses the system’s annual deadlines for surrendering GHG emissions allowances, it runs the risk of triggering enforcement procedures. This fine is imposed by the relevant Member State authority. Furthermore, the shortfall in compliance is then added to the compliance target of the following year. In other words, any failure to comply is not written off, but must be addressed in addition to the next year’s obligation.

In addition to this penalty there is also “name-and-shame” sanction (see Article 16(2) of the EU ETS Directive), but except for these two provisions, the ETS Directive leaves to the Member States discretion with respect to the detailed design of the rules on enforcement measures.

The consolidated EU ETS Directive Regulations on penalties for non-compliance (Article 16) Consolidated version of Directive 2003/87/EC

Applying EU methodology in calculating the carbon price for non-compliance.

European Union: HICP monthly data as supplied by Eurostat

	Annual change in HICP (%)	Fine cost (ER per tCO_2)
2013	n/a	100
2014	0.55	101
2015	0.11	101
2016	0.25	101
2017	1.72	103
2018	1.89	105
2019	1.48	106
2020	0.75	107
2021	2.91	110
2022E	8.25	119

Source: Eurostat, Invesco as at 30 September 2022.

Please find below the link for the Eurostat website, where the above data can be found: https://ec.europa.eu/eurostat/databrowser/view/PRC_HICP_MANR_custom_3490060/default/table?lang=en

Version	Date	Details of change
1.0	29 March 2023	Creation of the document
1.1	11 May 2023	Amendment to engagement approach section
1.2	6 September 2024	Various clarifications
1.3	1 December 2024	Enhancement of the “Summary” section
1.4	24 March 2025	Updates to various section in light of the ESMA Guidelines on funds’ names using ESG or sustainability-related terms (including Fund’s name change)