Invesco

August 2023

Invesco Responsible Japanese Equity Value Discovery Fund

(the "Fund")

Sustainability-related disclosures

Contents

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

Summary

The Fund adopts a high-conviction active and environmental, social and governance (ESG) conscious approach to identify and take advantage of overlooked transformations leading to sustainable corporate value creation underpinned by sound management from ESG perspectives among companies that are attractively valued compared to their long-term potential.

In other words, companies whose share price is attractive relative to their "normalised" earnings. In search of portfolio companies, the investment team seeks not cyclical but sustainable improvements in profit margins and capital efficiency, where the portfolio manager, who makes the investment decisions, and the research analysts, undertake ESG risk and opportunity assessment. This approach distinguishes the strategy from other typical value funds. The consideration of sustainability characteristics is an integral part of every step of the investment process.

The investment process of the Fund is based on three building blocks: Bottom-up Stock Selection, ESG approach and proxy voting and engagement.

1

Bottom-up Stock Selection

- In-depth fundamental analysis, including ESG risk and opportunity assessment, by highly experienced investment professionals
- Seeks to capitalise on transformations leading to sustainable corporate value creation among companies that are attractively valued compared to their long-term potential

2

ESG Approach

- Investor-driven ESG integration
- Implement ESG characteristics using the in-house ESG score combined with the third-party research resources

3

Proxy Voting & Engagement

- Voting against election of top executives for companies where their appointment is likely to introduce ESG risks that significantly impair the corporate value
- Entering into an active dialogue with companies on ESG strategies and performance

Our focus

- Discover transformations leading to sustainable value creations regardless of macro and business cycles

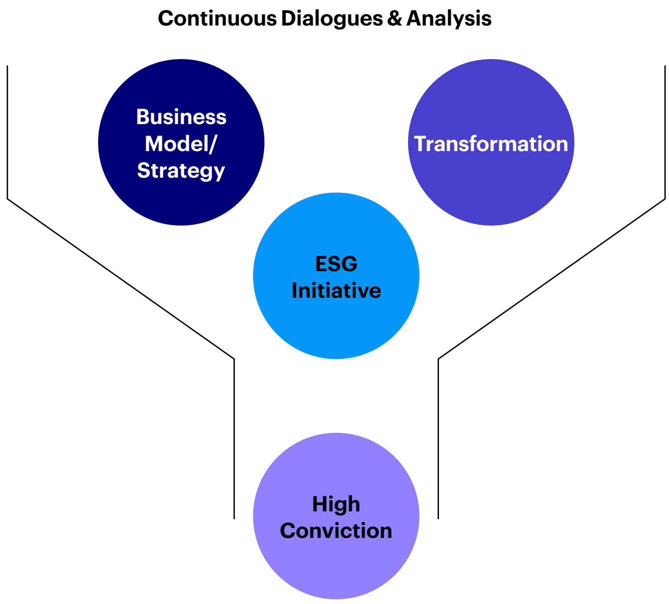
  Not Cyclical but Sustainable Improvements

- Scrutinize business models/ strategies and ESG initiatives underpinned by sound management

  Business Models/Strategies & ESG Initiatives

- High conviction approach built through regular proactive dialogue with companies seeking to increase corporate value cooperatively

  High Conviction backed by Dialogues



Source: Invesco. For illustrative purposes only.

No sustainable investment objective

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

However, the Fund will have a minimum proportion of 10% of sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy and a social objective (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 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	ISS 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

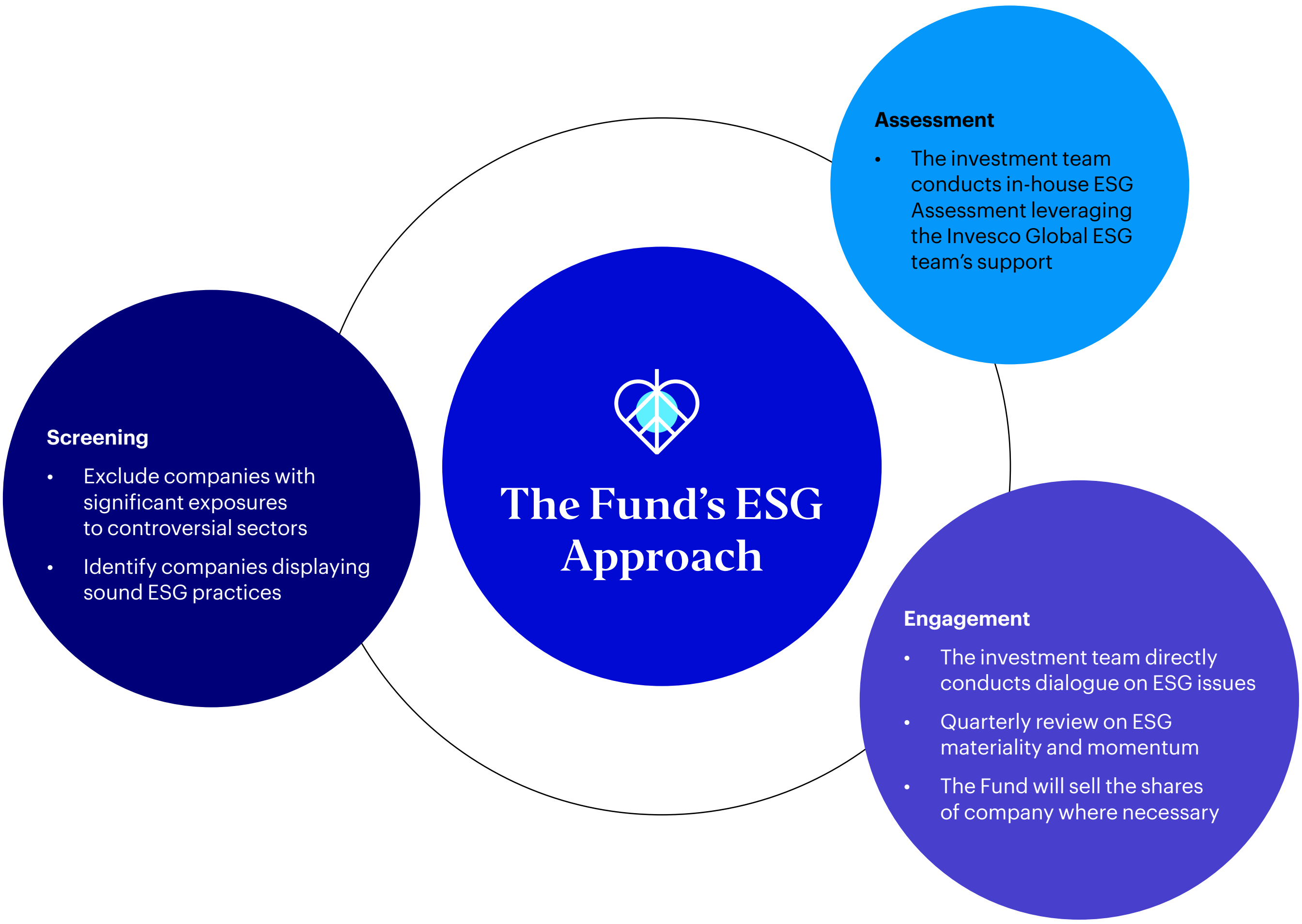
The portion of sustainable investments will exclude companies, sectors or countries from the investment universe when such companies violate international norms and standards according to the definitions of the International Labour Organisation (ILO), the OECD or the United Nations. All issuers considered 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 investment team (Invesco Japan) has established an investor-driven ESG integration framework, and the investment team integrates ESG factors into the investment process. When making investment decisions, the investment team believes that the framework, whereby portfolio managers and research analysts who have the insights into portfolio companies, carry out ESG research and engage in constructive dialogue directly with companies, as necessary, secures the effectiveness of the investment team's stewardship activities as an active investor.

In addition to the standard ESG integration and the ESG risk and opportunity assessment by portfolio managers and research analysts, the Fund implements further ESG characteristics in the investment process:

- **Exclusion and negative screening**
  Companies or sectors are excluded from the investment universe where they fail to fulfil certain ESG criteria or that violate international norms and standards according to the definitions of the United Nations Global Compact principles.
- **Positive screening**
  Companies that display sustainable management, as well as sustainable products or services, are identified. The in-house ESG score, a score that covers factors ranging from climate efficiency, human rights, labour safety, effective to board structures and capital efficiency, is used to select companies with sound ESG practices.
- **ESG assessment and engagement**
  The investment team and the Invesco Japan ESG team assess ESG materiality and momentum of portfolio companies, identify "deep-dive" ESG engagement companies and monitor progress in their ESG practices and performance on a quarterly basis.



The Fund has 10% minimum allocated to sustainable investments. In order to determine if an investment should be considered a sustainable investment, 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
- Best-in-Class environmental and social companies are ranked at top 25 % E or S scores overall in the universe, where the worst 30% S or E scored companies are excluded, using the in-house ESG score defined in the "Methodologies for environmental or social characteristics" section.

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 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

At Invesco Japan, the investment team take a 100% bottom-up approach. On-the-ground industry/company fundamental research conducted by seasoned and skilful Japanese equity specialists is the heart of the investment process and the most value-adding component. The team's in-house research focuses on the three areas summarised below.

1

Will current changes lead to sustainable corporate value creation?

The investment team searches out changes in a comprehensive manner, covering sales, cash flow, cost structure and capital efficiency, and evaluate what contributes to these changes and how these contributors bring about changes. Their goal is to determine whether these financial statements changes are indicative of a transformation to create sustainable value.

2

Can business models and strategies enable sustainable value creation?

Strong but flexible business models and strategies enable a company to maintain a competitive advantage and increase corporate value regardless of macroeconomic and business cycles. The investment team scrutinises companies' business models and strategies and looks into whether and how they achieve sustainable value creation.

3

Will management's ESG commitment bolster sustainable value creation?

Without management capability and commitment, great business models and strategies cannot create sustainable corporate value. As such, the investment team places great emphasis on assessing management capability and its commitment to aligning strategies and operations with ESG agenda, allowing a company to adapt macro/industry/micro changes and maximise shareholder returns.

In summary, the investment team seeks not cyclical but sustainable improvements in profit margins and capital efficiency underpinned by sound management and solid business models/strategies, where the team takes into account ESG risks and opportunities (ESG materiality). This distinguishes the Fund from other typical value funds.

The chart below illustrates the team's investment process embodying the three focal points above.

Approx. 2,000 Securities	Approx. 1,300 Securities	Approx. 200–400 Securities	Approx. 80–100 Securities	Approx. 40–60 Securities
Liquidity Screening	**Valuation Screening**	**Fundamental Screening**	**Financial Analysis/Valuation**	**Portfolio Construction**
Market capitalization JPY 30 billion or more	Relative Historical Valuation: • Price/Book OR • Price/Earnings	Signs of Changes • ROIC Trend • Cash Accumulation • SGA Ratio • Management • Business Model	Earnings projection • Normalization • ROE/ROIC Factors for sustainable growth • Sustainability • Visibility • Management • Business/Life Cycle	• Conviction • Valuation • Liquidity • Diversification

ESG Negative/Positive Screening	ESG Assessment	ESG Engagement
• Excluding companies with significant exposures to controversial sectors • Top 70% is eligible based on the proprietary ESG score	• Materiality from both risk and opportunity perspectives • Momentum	• Constructive dialogues • Quarterly ESG review

The number of securities is the long-term historical average and the information presented represents how the portfolio management team generally applies their investment processes under normal market conditions and is for illustrative purposes only. Source: Invesco as at 30 April 2023.

Step 1: Liquidity Screening
The first step is to screen the entire universe of approximately 2,000 securities, primarily the TOPIC index constituents to control liquidity risk. Illiquid microcap stocks with a market capitalization of less than JPY 30 billion (approximately US$ 300 million) are excluded at the initial stage.

Step 2: Valuation & Negative ESG Screening
Valuation screening adopts two valuation multiples, price to earnings (P/E) and price to book (P/B) ratios, to define a pool of attractively valued stocks. Stocks in the cheapest quartile compared to the market as well as historical averages based on the two criteria are selected.

ESG screening consists of:

- Negative screening: Companies, which fail to fulfil certain ESG criteria, including but not limited to the level of involvement in certain activities such as coal, fossil fuels, tobacco, adult entertainment, gambling and weapons, or which do not meet UN global compact principals, are excluded.
- Positive screening: Companies that display sustainable management, as well as sustainable products or services, are identified. The in-house ESG score, which leverages the third-party ESG data sources, and covers factors ranging from climate efficiency, human rights, labour safety, effective board structures and capital efficiency, is used to select the top 70% companies with sound ESG practices in the TOPIX index or wider Japanese universe where appropriate.

This process narrows down investment candidates to a subset of approximately 200 to 400 undervalued stocks.

Step 3: Fundamental Screening
The portfolio manager and the research analysts jointly carry out an initial fundamental assessment to identify investment candidates with potential for a transformation to bolster sustainable corporate value creation. The investment team conducts financial statement analysis, such as efficiency in capital investment, cash generating power and operating margin improvement, as well as management quality and business model to seek for "changes" leading to a transformation. The process determines the core research universe of approximately 80-100 stocks.

Step 4: In-depth Fundamental and Valuation Research

To unearth investment opportunities, the team scrutinizes "transformations" which they believe will lead to sustainable corporate value creation but which the market currently overlooks. To identify attractively valued stocks compared to long-term fundamentals, the portfolio manager and the research analysts jointly carry out comprehensive company analysis with a focus on five types of transformations as follows:

- Evolving a product portfolio
- Developing product innovation and create a new market
- Strengthening core competencies and gain market share
- Geographical expansion
- Business portfolio/organizational restructuring

The investment team conducts a high-level assessment of business models/strategies and management quality and commitment which underpin such transformations to create corporate value. Essential features they seek are as follows:

- Flexible but strong business models and strategies adapting to changes in market environments
- Effective business portfolio management to strengthen its business models and strategies
- Efficient capital allocation to improve ROE/ROIC and balance sheets

On top of that, ESG risk and opportunity assessment is undertaken directly by the investment team. ESG materiality criteria include:

Corporate Governance

- Business strategy to sustain corporate value creation
- Board structure to ensure sound corporate governance
- Top management commitment to high or improving capital efficiency
- Adequate and consistent capital structure management
- Business ethics

Environment

- Carbon emission control and reduction
- Sustainable use of resources
- Waste and recycle management protecting healthy ecosystem

Social

- Product governance to eliminate unintended risk
- Human rights and labour safety/ satisfaction policy
- Human capital management and diversity policies to attract and retain talent

Forward-looking assessment, including ESG momentum, in other words, any plans to change the shape of a company's business and operations, is attached to the ESG risk and opportunity assessment if the investment team concludes that it is appropriate.

Incorporating all the fundamental analysis above, the investment team makes two-year point estimates and normalized forecasts for earnings, cash flow and balance sheets and produce research reports with recommendations (Buy/Accumulate/Hold/Reduce/Sell). In the normalized forecasts, they estimate financial statements when a company realizes its potential under normal circumstances. The stock research reports also include the sustainability comments from an ESG perspective as part of an investment case and ESG evaluations written by the research analysts based on first-hand information from company meetings, company disclosure and the in-house ESG score combined with information from the Invesco Global ESG team and the third-party ESG research resources. Fundamental analysis and earnings forecasts are constantly discussed and examined by the investment team in informal and formal meetings, including a one-on-one meeting with the portfolio manager and a weekly investment team meeting.

The aim is to detect "changes" leading to a "transformation", which is currently underestimated by investors, and to capitalize on the valuation gap between a current stock price and its long-term value.

Step 5: Portfolio construction

Based on thorough fundamental and valuation analysis, the portfolio manager builds a concentrated portfolio with 40 – 60 high conviction stocks. The portfolio manager tends to stick with stocks that have done well as they tend to sustain strong corporate value creation keeping their prices attractive compared to their normalized forecasts.

Risk control is built into the investment process. For this concentrated portfolio, thorough bottom-up fundamental research, including ESG assessment, and valuation discipline are a primary risk control measure. In addition, the portfolio manager typically keeps the portfolio weight of a single position at up to 5% at the time of purchase for diversification purposes.

Furthermore, the portfolio manager and the Invesco Japan ESG team conduct a quarterly ESG review to assess the ESG materiality and momentum of the portfolio companies. They plan the engagement agenda for portfolio companies based on their ESG materiality and the in-house ESG score, highlight companies which they believe have material ESG issues, target ESG dialogues towards these "deep-dive" companies and monitor progress in their ESG initiatives and performance. Engagement activity with portfolio companies is recorded, enabling the portfolio manager and research analysts to track ESG dialogue history for each portfolio company. The ESG review meeting summary is documented on a quarterly basis to track progress in engagement with "deep-dive" companies. If the portfolio manager and research analysts arrive at the conclusion that the material ESG risks persist, the portfolio manager may sell the shares of the portfolio company.

ESG Materiality and Policy

At Invesco Japan, the investment team believes material ESG issues and approaches to deal with them depend on the business environment, growth stage and other factors of each company. They aim to identify ESG risks and opportunity (ESG materiality) for each portfolio company through constructive dialogue with a company based on in-house research combined with information from the Invesco Global ESG team and external ESG resources.

For the Fund, the following ESG factors are identified as material ESG risks and opportunities to be considered in assessing a company's sustainable corporate value growth and strengthening conviction in an investment case and are the focus of engagement.

- **Climate Change**
  Climate change is one of the biggest environmental challenges, which every company should deal with. To manage climate risks as well as opportunities, a company should have an agenda aligned with its industry, business regions and business portfolios, establish and execute climate change strategies/policies and disclose these policies and assessments on a regular basis.

  Further, given that coal and unconventional oil and gas pose significant risks of green gas emissions and investing in these industries could set back investing in renewable energy technology and infrastructure, the Fund excludes these names from its investment universe.

- **Human Capital Management**
  In order to attract and retain the right talent and achieve the sustainable growth of corporate value, healthy employee relations are essential. Companies should commit to proper labour standards, transparent diversity policies and effective human capital management strategies (including employee training and corporate culture), set key performance indicators, assess achievements and disclose such standards, strategies and policies coupled with assessments on a regular basis. Further, they need to embrace all stakeholders as well as social matters within a company's entire supply chain.

- **Good Governance**
  Corporate governance plays a critical role in governing Environmental and Social policies to achieve sustained growth of corporate value. It is vital that company has a robust management structure in place and as a result, the investment team assesses the company's board structure, the independence of the board and succession planning. It is crucial that the board of directors mandated by shareholders determine the long-term business strategies and oversees its execution. To do so, the investment team believes that the board should be independent and have diversified membership that satisfies a skill matrix and a proper succession plan should also be in place.

  In addition, the factors: remuneration structure, an effective of capital policy, initiatives to achieve the sustainable society, as well as tax compliance, are among the areas the investment team investigates.

Any issues identified will be addressed as part of our company engagement, including the quarterly ESG review meetings (as further described below) as well as via proxy voting. If any material issues described above persist, the portfolio manager may sell the shares held by the Fund.

Proportion of investments

The Fund will make investments aligned with the Environmental and Social characteristics for minimum 90% of its portfolio and 10% will be invested in money market instruments or cash for liquidity management purposes. 10% minimum of the Fund's NAV will be invested in sustainable investments contributing 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

The investment team has a quarterly review process on constructive engagements, where portfolio managers and research analysts discuss their engagement activity, assess progress in portfolio companies' ESG practices and flag companies which need further engagement on specific ESG subjects ("deep-dive" engagement target companies). For each portfolio company, the investment team jointly determines key ESG risks and opportunities material to its business (ESG materiality) at the company level and carries out direct engagement with the company, aiming to promote the sustainable growth of corporate value.

In addition, in the quarterly portfolio review process, the Chief Investment Officer (CIO) and the Invesco Japan ESG team also question or challenge portfolio managers about the ESG risks of an individual company that could have an impact on the sustainable growth of the corporate value informed by in-house ESG score combined with information from the Invesco Global ESG team and external ESG research, such as Sustainalytics, to see if a portfolio is exposed to ESG risks that could have a negative impact on the value of the investment. The Invesco Japan ESG team documents the review of the companies discussed in the meeting providing a record for the investment team of any issues they need to consider/address in relation to their portfolios.

Invesco's Global ESG team Oversight
The investment team also benefits from the advice and expertise of Invesco's Global ESG Team. For example, the Global ESG team provide support and oversight on the three-step process to determine whether an investment can be considered a sustainable investment, and co-ordinate engagement with the management of companies relevant to the Fund.

In order to assess companies around the 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

In addition to the standard ESG integration and the ESG risk and opportunity assessment by portfolio managers and research analysts, the Fund implements further ESG characteristics in the investment process, including exclusion and negative screening and positive screening as detailed below. Besides, the Proportion of investment section explains the Fund's investment in Sustainable Investments.

Exclusion and negative screening – Details

In order to assess companies around the controversial activities mentioned below, 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. This data is used in order to place trade restriction on issuers that breach the defined thresholds.

While there is a broad coverage across the various systems, there is no one system that has complete coverage of the entire investment universe. As a result, investment teams will be responsible for assessing companies for which data is not available, under the appropriate supervision and oversight of our investment compliance and ESG teams.

Invesco has also implemented a challenge process where if there is disagreement between the Sustainalytics analysis of a company and the portfolio managers analysis of the company in relation to the above exclusionary criteria the portfolio manager is able to request a review of the data leading to the restriction. This data review is done independent of the portfolio manager and of the compliance team and is handled by the ESG research team. If their ESG research team determines that the restriction should not be applied to a particular issuer, then the trade restriction is lifted. The Fund uses the following exclusion criteria:

Controversial Activities		Excluded if % of revenue
Coal & unconventional oil & gas supply	Thermal coal extraction	>=5%
	Arctic oil & gas exploration extraction	>=5%
	Oil sands extraction	>=5%
	Shale energy extraction	>=5%
Conventional oil & gas	Oil & gas extraction companies with renewable energy	>=10%
Electricity generation	Thermal coal power generation	>=10%
	Oil & gas generation	>=25%
Weapons	Controversial weapons tailor-made and essential (including companies involved in the manufacture of nuclear warheads or whole nuclear missiles outside of the NPT)	>=0%
	Military Contracting Overall[1]	>=10%
Tobacco	Tobacco product production	>=5%
	Tobacco product related products/services	>=5%
	Tobacco products retail	>=5%
Cannabis	Revenues from the production of or sales of recreational cannabis products	>=5%
Adult Entertainment	Adult entertainment production	>=10%
	Adult entertainment distribution	>=10%
Gambling	Gambling operations	>=10%
	Gambling specialised equipment	>=10%
	Gambling supporting products/services	>=10%
UN Global Compact	Overall global compact compliance	Non-compliant

[1] For the avoidance of doubt the exclusion applied here is intended to be compliant with the BVI requirements around military hardware.

Positive Screening and best-in-class approach – Details
The in-house ESG Scoring process scores all the constituents of the TOPIX index (representing about 2,000 issuers) to identify companies with sound ESG practices on a semi-annual basis. Each E, S and G score is equally weighted to populate the total ESG score; the top 70% of this universe are included in the Fund's investment universe whilst the worst 30% are excluded. The current scoring metrics are outlined below.
If the Fund invests in a non-TOPIX constituent, the stock must be ranked in the top 70% according to the in-house ESG score.

ESG Data Components

E Score

- Carbon emission intensity
- Climate change policies & initiatives
- Disclosure of environmental performance and climate risk analysis
- Disclosure of water intensity
- Waste management and recycling policies & initiatives
- Biodiversity policies
- Sets SDGs or equivalent targets

S Score

- Signatory of UN global compact
- Human right policies and due diligence process
- Supply chain management policies reducing social risks
- Quality assurance process and recall procedures
- Employee health and safety policies
- Human capital development process
- Executive-worker pay gap
- Diversity equity & inclusion (DE&I) policies
- Gender diversity

G Score

- Board structures
- Board independence
- Capital efficiency

The in-house ESG scoring is primarily run using the third-party ESG data sources (Bloomberg, ISS, Toyo Keizai, FactSet, Japan Exchange Group (JPX), CDP, and UN Global Compact (UNGC)) systematically and data components that are widely available across the universe of stocks. If the ESG data of a portfolio company/new investment opportunity is not available from these vendors' platforms, the portfolio manager, research analysts and the Invesco Japan ESG team may manually score the company by referring to the company's disclosure and/or other third-party data sources and also by sending an ESG questionnaire to the company for completion. Such manual scoring is ratified by the Responsible Investment Committee, which supervises stewardship activity at Invesco Japan, and recorded.

The investment team goes through the re-ranking process on the investment universe on a semi-annual basis. If a portfolio company falls into the worst 30% of the TOPIX Index constituents, the investment team engage with the company and internal stakeholders to validate whether downgrade is appropriate. In the event the downgrade is required then the position will be sold as soon as practicable.

In addition, the in-house ESG scores are used to define the best-in-class approach the Fund adopts, as detailed in the "Environmental or social characteristics of the financial product" section.

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 controversial activities mentioned, 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. This data is used in order to place a trade restriction on issuers that breach the defined thresholds.

  While there is a broad coverage across the various systems, there is no one system that has complete coverage of the entire investment universe. As a result, investment teams will be responsible for conducting an assessment of companies for which data is not available, under the appropriate supervision and oversight of our investment compliance and ESG teams.
- **Positive screening and best-in-class approach – Details**
  Meanwhile, the in-house ESG scoring for the Fund's positive screening and the best-in class approach to identify sustainable investments is primarily run using the third-party ESG data sources (Bloomberg, ISS, Toyo Keizai, FactSet, Japan Exchange Group (JPX), CDP, and UN Global Compact (UNGC)) systematically and data components that are widely available across the universe of stocks. If the ESG data of a portfolio company/new investment opportunity is not available from these vendors' platforms, the portfolio manager, research analysts and the Invesco Japan ESG team may manually score the company by referring to the company's disclosure and/or other third-party data sources and also by sending an ESG questionnaire to the company for completion. Such manual scoring is ratified by the Responsible Investment Committee, which supervises stewardship activity at Invesco Japan, and recorded.
- **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 conducts 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

The ESG characteristics defined in this policy, covering exclusions, negative and positive screening as well as materiality assessments, are applied to the entire portfolio of equity investments of the Fund.

The Fund may enter into financial derivative instruments for efficient portfolio management and hedging purposes only, and as such the derivatives may not be fully aligned with the ESG guidelines in terms of negative and positive screening. However, there will be no unaligned derivative positions held for investment purposes. The Fund is managed on a fully invested basis and cash investments are residual, held for technical reasons and not for investment purposes. As such financial institutions where the cash is held, and cash instruments are not specifically assessed on their sustainability characteristics.

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 is not aligned with environmental and social characteristics and/or result in a breach of 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

Proxy Voting

At Invesco Japan, portfolio managers and research analysts, have the best insights into investee companies (i.e. portfolio companies), take the lead in engaging with companies on a number of issues, including ESG-related issues and proxy voting decisions. Invesco Japan has also established a Responsible Investment Committee to formulate and approve the Policy of Stewardship Activities and the Proxy Voting Guidelines and also oversees these activities. The Responsible Investment Committee consists of members including the Chief Investment Officer, as the chair, as well as the Head of Compliance, the Head of ESG Japan, investment professionals nominated by the chair and other members including managers within the Client Reporting department. The Compliance department reviews whether a conflict of interest is prevented and managed by the stewardship and proxy voting activities, and the Conflict of Interest Oversight Committee monitors these activities. The Conflict of Interest Oversight Committee reports their monitoring results to the Executive Committee as well as the Invesco Proxy Advisory Committee.

The Conflict of Interest Oversight Committee, chaired by the Head of Compliance, consists of the Head of Administration, the Head of Internal Control Management, the Head of Risk Management, the Head of Legal with Auditor and Internal Audit participating as observers. The committee monitors and manages conflicts of interest independently from business units, such as Sales and Investment departments. The Compliance department, a pivotal member of the Responsible Investment Committee and the Conflict of Interest Oversight Committee, has a reporting structure independent of Sales and Investment departments. Furthermore, Internal Audit, independent of all departments, including Compliance, evaluates and seeks to improve the effectiveness of risk management, control and governance processes thereby strengthening the management system.

The investment team strives to vote proxies on all investee companies. The investment team makes voting decisions based on whether these decisions contribute to the sustainable growth of investee companies' value, taking into account ESG perspectives, and each company's situation and engagement. The investment team reviews the Proxy Voting Guideline as appropriate to ensure that the voting policies and procedures contribute to the sustainable growth of investee companies' value. While the proxy voting guidelines are principles for the investment team's voting decisions, depending on the proposals, the team may make an exception if it concludes that such a decision is in the best interests of clients and beneficiaries after having constructive dialogues with the investee company. In such a case, approval of the Responsible Investment Committee shall be obtained.

Please click here to access Invesco Japan's regional proxy voting policy.

Engagement

The investment team believes that it is very important for portfolio managers and research analysts to have an opportunity to engage in constructive dialogue with investee companies directly. As a long-term investor, the investment team focuses on sustainable corporate value growth, attends company meetings with a mid to long-term perspective in mind, obtains information necessary for investment decisions, and engages in various dialogues as necessary. Accordingly, the investment team has many opportunities to engage in multiple constructive dialogues, including ESG strategies and performance, in general meetings with investee companies, where specific agendas are not set in advance.

In addition, the investment team collaborates with the Asian Investors Group on Climate Change (AIGCC), Climate Action 100+ and Net Zero Asset Manager initiatives with the Invesco Global ESG Team. Other local initiatives, in which the investment team participates, include Asian Corporate Governance Association (ACGA), TCFD Consortium, ESG Disclosure Study Group and 30% Club Japan Investor Group.

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

Version	Date	Details of change
1.0	16 December 2022	Creation of the document
1.1	1 May 2023	Revised positive screening methodology and minor editorial changes
1.2	23 May 2023	Editorial changes for alignment with other documentation
1.3	8 August 2023	Updated for fund alignment with German BVI label exclusion criteria