Invesco

ILF Exclusion Policy

July 2022

Executive Summary

At Invesco we have looked to put in place minimum safeguards across all sub-funds of Invesco Liquidity Funds Plc (as listed below) to allow them to meet Article 8 requirements of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) as of 25 July 2022. To be classified as a so-called Article 8 product, the sub-funds need to promote among other things environmental and/or social characteristics while also ensuring that investee companies follow good governance practices.

In order to meet such requirements, it was determined that we would look to exclude certain activities based on certain thresholds, which may be updated from time to time.

The list of activities and their appropriate thresholds to define the exclusion are articulated below:

	Controversial Activities	Excluded if
UN Global Compact	Non-complaint	
Country Sanctions	Sanctioned investments are prohibited*	
Controversial weapons	0% of revenue, including companies involved in the manufacture of nuclear warheads or whole nuclear missiles outside the Non Proliferation Treaty (NPT)	
Coal	Thermal Coal Extraction	**>=5% of revenue**
	Thermal Coal Power Generation	**>= 10% of revenue**
Unconventional oil & gas	Revenue on each of the following:	
	Arctic oil & gas exploration	**>=5% of revenue**
	Oil sands extraction	**>=5% of revenue**
	Shale energy extraction	**>=5% of revenue**
Tobacco	Tobacco products production	**>=5% of revenue**
	Tobacco related products and services	**>=5% of revenue**
Other exclusions	Recreational cannabis	**>=5% of revenue**
	Gambling overall revenue	**>=50% of revenue**
	Conventional oil and gas overall revenue	**>=50% of revenue**
Proprietary rating	Issuers (including Sovereign and government agencies) will be excluded if they do not meet minimum ESG standards as determined by the investment managers proprietary rating methodology	
Good Governance	Ensure that companies follow good governance practices in the areas of sound management structures, employee relations, remuneration and tax compliance	

* At Invesco we continuously monitor any applicable sanctions, including those imposed by the UN/US/EU and UK. These sanctions may preclude investments in the securities of various governments/regimes/entities and as such will be included in our compliance guidelines and workflows (designed to ensure compliance with such sanctions). The wording of international sanctions is something that we pay particular attention to as there are occasions where sanctions can exist in limited form, for example allowing investments in the secondary market. In addition to sanctions targeting entire countries, there are other thematic regimes, which may focus for example on human rights, cyber-attacks, terrorist financing and corruption, which may apply to both individuals and/or entities/corporations.

Systems and Data Coverage

In order to assess companies around the above activities, Invesco uses a combination of Sustainalytics and ISS (Institutional Shareholder Services) and the investment manager's own proprietary framework to assess compliance, however, this can be supplemented with other service providers where appropriate.

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.

As liquidity/Money Market Funds it is expected that all investments made by the fund will be aligned with the sub-funds exclusion policy.

Other Collective Investment Schemes

As noted above all collective investment schemes held by the sub-funds will need to meet the criteria of an Art 8/9 fund under SFDR, however, the specific exclusion framework of such funds does not need to be wholly consistent with the policy on a look through basis as it is recognised that different frameworks exist across the industry to be compliant with Art 8.

Securitised Debt

The funds will only invest in Asset-Backed Commercial Paper ("ABCP") programs which meet the minimum ESG standards, as determined by the investment manager's proprietary ESG scoring process. Due to the nature of the asset class look through to the underlying activities of the collateral is not possible for this asset class.

Government Debt

Government debt and government agencies will be excluded to the extent that they do not meet minimum ESG standards as determined by the investment manager's proprietary ESG scoring process.

Data overwrite

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 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.

Counterparty Selection

While some counterparties may be excluded as investable entities under the above exclusion framework due to failure on one or more screens, it is felt that restricting their use as execution counterparties would impose an undue burden on the sub-funds and would impair our ability to ensure best execution.

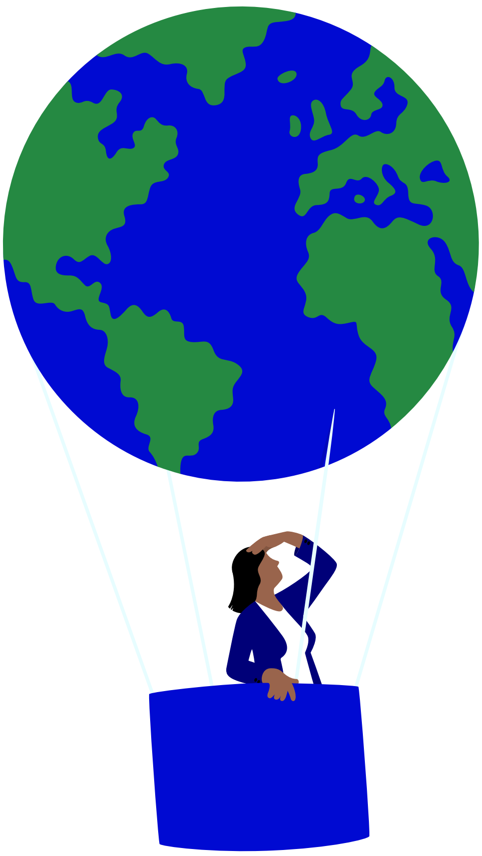
Disinvestment period
Where a previously eligible company subsequently fails an appropriate screen, subject to secondary validation the investment teams will ensure disinvestment within a period of 60 days, subject to liquidity/regulatory and other factors. At all times the best interests of shareholders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

Companies with clear transition plans
While the purpose of the framework is to exclude companies that operate primarily in certain industries, we recognise that some companies may be on a transition path and an immediate exclusion may not be in the best interests of shareholders. Investment teams along with the ESG team at Invesco have developed a framework to assess such companies based on objective and evidence-based criteria to ensure that any company where the hard data is overwritten can be justified.

Green bonds from ineligible entities
While it is recognised that such bonds are not prevalent in this space, to the extent the funds hold bonds such as green bonds, climate bonds, social bonds as well as sustainability–linked bonds from companies that would ordinarily be ineligible may be eligible for inclusion by the sub-funds, subject to appropriate discussions between the investment and ESG teams.

List of sub-funds of Invesco Liquidity Funds covered by the above Article 8 exclusion framework as well as the expected proportion of investment universe excluded (expected universe is based on the number of issuers)

Fund Name	% of issuers excluded
Invesco US Dollar Liquidity Portfolio	0%–5%
Invesco Sterling Liquidity Portfolio	0%–5%
Invesco Euro Liquidity Portfolio	0%–5%



For further details on:

- ESG Integration / Sustainability
- Engagement and Proxy Voting Policy

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