
Principal adverse impact statement

June 2024

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1. Summary

Invesco Investment Management Limited (549300FEA3DT84FOZ304) – hereinafter referred to as ‘IIML’ – considers principal adverse impacts of its investment decisions on sustainability factors.

IIML is incorporated in Ireland and acts as the management company to Irish domiciled exchange traded funds and money market funds, with combined assets under management of Euro 11.8 billion at 31 May 2024.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

Under Regulation (EU) (Sustainable Finance Disclosure Regulation – “SFDR”), ‘financial market participants’ (FMPs) identify, measure and report on principal adverse impacts (PAIs) within their investments decisions. PAI’s are defined as the most substantial negative impacts of investment decisions on sustainability factors.

IIML has chosen to consider the material (or potentially material) effects on sustainability factors that result from, worsen, or are directly related to their investment choices.

IIML considers principal adverse impacts on sustainability factors at an entity level by measuring, reviewing and monitoring aggregate principal adverse impact data (including all mandatory and two additional indicators as defined by SFDR) with a view to carrying out mitigating actions (such as engagement, proxy voting and others) as required to avoid or reduce the principal adverse impacts identified. The measuring of principal adverse impacts is subject to the availability and quality of data.

2. Description of the principal adverse impacts on sustainability factors

Under the guidelines of the Commission for Delegated Regulation (EU) 2022/1288, IIML has set out the mandatory PAI indicators (contained in *Annex 1, Table 1 SFDR Delegated Regulation*) in the table below. A subsection of the table contains the two additional PAI indicators chosen by IIML, as per the regulation:

- Investments in companies without carbon emission reduction initiatives (*Annex 1, Table 2 [4] SFDR Delegated Regulation*)
- Lack of human rights policy (*Annex 1, Table 3 [9] SFDR Delegated Regulation*)

Each indicator in the table relates to the undertakings of IIML's investee companies and sovereigns, with information against each PAI detailing, as far as is available, actions IIML is planning to take or has taken, to mitigate their impacts.

Table: Description of the principal adverse impacts on sustainability factors

Adverse sustainability indicator	Metric	Impact 2023	Impact [year n-1]*	Explanation ¹	Actions taken, and actions planned and targets set for the next reference period		
Climate and other environment-related indicators							
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	4,083,891.01 tCO ₂ e	n/a	n/a	<p>Corporate-level Activities:</p> <ul style="list-style-type: none"> Invesco Ltd. is a supporter and discloser to the Task Force on Climate-Related Financial Disclosures (TCFD). In 2023, Invesco Ltd. published its third Climate Change report. Invesco Ltd. is a signatory to the Net Zero Asset Manager's initiative. <p>Portfolio-level Activities:</p> <ul style="list-style-type: none"> With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IIML to avoid or reduce GHG emissions in high emitters in our investment portfolios include research, corporate engagement, or, where aligned with the investment objective, exclusion from portfolios. In some cases, funds use position sizing to target a specific reduction in GHG emissions intensity or incorporate a decarbonisation trajectory. <p>Exclusions:</p> <ul style="list-style-type: none"> For certain products that promote environmental/social characteristics or have sustainable investment as their objective, the exclusion frameworks (varying by product), may cover the exclusion of activities with highly negative climate impacts (e.g., thermal coal and conventional or unconventional oil and gas) in line with the investment objective of such products. Certain funds may apply additional or different ESG exclusion criteria. <p>Actions planned for the next reference period:</p> <ul style="list-style-type: none"> IIML will continue to implement its principal adverse impact policy during the next reference period. In the coming years, when data is available to effectively assess the impact of our policy, we will consider and determine any appropriate additional actions to take or targets to set to continue to reduce principal adverse impacts for subsequent reference periods. 	
			Scope 2 GHG emissions	1,181,158.89 tCO ₂ e	n/a		n/a
			Scope 3 GHG emissions	87,608,090.24 tCO ₂ e	n/a		n/a
			Total GHG emissions	92,873,140.14 tCO ₂ e	n/a		n/a
		2. Carbon footprint	Carbon footprint	1,870.20 tCO ₂ e per Eur Million invested	n/a		n/a
		3. GHG intensity of investee companies	GHG intensity of investee companies	1,087.67 tCO ₂ e per Eur Million revenue	n/a		n/a
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	2.34% weight of the funds	n/a	n/a		
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	<ul style="list-style-type: none"> Consumption: 62.77% of non-renewable energy Production: 25.92% of non-renewable energy 	n/a	n/a		
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	<ul style="list-style-type: none"> Agriculture, Forestry & Fishing: 6.22 GWH/Mil Eur Revenue Construction: 69.11 GWH/ Mil Eur Revenue Electricity, Gas, Steam & Air Conditioning Supply: 35.72 GWH/Mil Eur Revenue Manufacturing: 996.14 GWH/Mil Eur Revenue Mining & Quarrying: 3.72 GWH/Mil Eur Revenue Real Estate Activities: 0.53 GWH/Mil Eur Revenue Transportation & Storage: 1.86 GWH/ Mil Eur Revenue Water Supply, Sewerage, Waste Management & Remediation Activities: 1.07 GWH/Mil Eur Revenue Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles: 1.16 GWH/Mil Eur Revenue 	n/a	n/a		

¹ For the 2023 statement, reporting was done at the level of 'Invesco Europe' – an amalgamation of four Invesco entities. Therefore, the reporting in the Table comparing this year's figures to the previous year, has been left blank.

* For more information, please refer to Section 6 "Historical comparison".

Adverse sustainability indicator	Metric	Impact 2023	Impact [year n-1]*	Explanation ¹	Actions taken, and actions planned and targets set for the next reference period	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	6.67% weight of the funds	n/a	n/a	<p>Corporate-level activities:</p> <ul style="list-style-type: none"> In March 2022, Invesco Ltd. became a Forum Member for the Taskforce on Nature-related Financial Disclosures (TNFD). This has allowed Invesco Ltd the opportunity to give feedback on the draft frameworks while understanding how we will be able to apply this framework upon its completion. Additionally, Invesco Ltd. has become a member of TNFD's Consultation Group contributing alongside multiple financial institutions to provide input into the usability of the framework. This initiative has kick-started Invesco Ltd's exploration into biodiversity data and further incorporating it into our investment and research processes. <p>Portfolio-level activities:</p> <ul style="list-style-type: none"> With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IIML to avoid or reduce activities negatively affecting biodiversity-sensitive areas in certain of our investment portfolios include research, corporate engagement, or exclusion from portfolios, where aligned with the investment objective. <p>Exclusions:</p> <ul style="list-style-type: none"> IIML tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. For example, for certain passive products that promote environmental/social characteristics or have sustainable investment as their objective, IIML considered the biodiversity principal adverse impact through a set of exclusion criteria or by reducing the weighting of relevant companies, where this aligned with the investment objective of the product. For many such products, these exclusion criteria remove companies involved in severe environmental controversies in the area of biodiversity. <p>Actions planned for the next reference period:</p> <ul style="list-style-type: none"> IIML will continue to implement its principal adverse impact policy during the next reference period. In the coming years, when data is available to effectively assess the impact of our policy, we will consider and determine any appropriate additional actions to take or targets to set to continue to reduce principal adverse impacts for subsequent reference periods.

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Adverse sustainability indicator		Metric	Impact 2023	Impact [year n-1]*	Explanation ¹	Actions taken, and actions planned and targets set for the next reference period
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	5.76 tonnes of emissions per million EUR Invested	n/a	n/a	<p>Exclusions:</p> <ul style="list-style-type: none"> IIML tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. For example, for certain passive products that promote environmental/social characteristics or have sustainable investment as their objective the emissions to water principal adverse impact may be considered through a set of exclusion criteria or by reducing the weighting of relevant companies, where aligned with the investment objective of the product. For many such products, these exclusion criteria remove companies involved in severe environmental controversies in the area of emissions. <p>Actions planned for the next reference period:</p> <ul style="list-style-type: none"> IIML will continue to implement its principal adverse impact policy during the next reference period. In the coming years, when data is available to effectively assess the impact of our policy, we will consider and determine any appropriate additional actions to take or targets to set to continue to reduce principal adverse impacts for subsequent reference periods.

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Adverse sustainability indicator	Metric	Impact 2023	Impact [year n-1]*	Explanation ¹	Actions taken, and actions planned and targets set for the next reference period	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	18.54 tonnes of hazardous waste per million EUR invested	n/a	n/a	<p>Corporate-level activities:</p> <ul style="list-style-type: none"> Invesco Ltd. is a member of the Investor Mining and Tailings Safety initiative. <p>Portfolio-level activities:</p> <ul style="list-style-type: none"> With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IIML to reduce tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average in our investment portfolios include research, corporate engagement, or exclusion from portfolios where aligned with the investment objective. <p>Exclusions:</p> <ul style="list-style-type: none"> IIML tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. For example, for certain passive products that promote environmental/social characteristics or have sustainable investment as their objective, IIML considered the waste principal adverse impact primarily through a set of exclusion criteria or by reducing the weighting of relevant companies, where aligned with the investment objective of the product. For many such products, these exclusion criteria remove companies involved in severe environmental controversies in the area of waste. <p>Actions planned for the next reference period:</p> <ul style="list-style-type: none"> IIML will continue to implement its principal adverse impact policy during the next reference period. In the coming years, when data is available to effectively assess the impact of our policy, we will consider and determine any appropriate additional actions to take or targets to set to continue to reduce principal adverse impacts for subsequent reference periods.

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Adverse sustainability indicator	Metric	Impact 2023	Impact [year n-1]*	Explanation ¹	Actions taken, and actions planned and targets set for the next reference period	
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.47% weight of the funds	n/a	n/a	<p>Portfolio level activities:</p> <ul style="list-style-type: none"> With a particular focus on holdings in products that promote environmental/ social characteristics, actions taken by IIML to avoid or reduce investee companies' poor performance against social and employee matters principal adverse impact indicators in our investment portfolios include research, corporate engagement, or exclusion from certain product portfolios where aligned with the investment objective of the product. <p>Exclusions:</p> <ul style="list-style-type: none"> IIML tailors its approach to principal adverse impact assessment to the Enterprises context of specific types of asset classes/investment strategies. For example, for certain passive products that promote environmental/social characteristics or have sustainable investment as their objective, IIML considered the social principal adverse impacts primarily through a set of exclusion criteria or by reducing the weighting of relevant companies, where aligned with the investment objective of the product. For certain products that promote environmental/social characteristics or have sustainable investment as their objective, IIML has exclusion frameworks (varying by product), which may cover the exclusion of companies if they are assessed as being in violation of any of the UN Global Compact's principles or deriving revenue from controversial weapons, including companies involved in the manufacture of nuclear warheads or whole nuclear missiles outside of the NPT (Non-Proliferation Treaty). <p>Actions planned for the next reference period:</p> <ul style="list-style-type: none"> IIML will continue to implement its principal adverse impact policy during the next reference period. In the coming years, when data is available to effectively assess the impact of our policy, we will consider and determine any appropriate additional actions to take or targets to set to continue to reduce principal adverse impacts for subsequent reference periods.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	40.59% weight of the funds	n/a	n/a	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	22.53% (Difference in earnings of female and male as a % of male earnings)	n/a	n/a	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33.10% female to male Board members	n/a	n/a	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00% weight of the funds	n/a	n/a	

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Adverse sustainability indicator	Metric	Impact 2023	Impact [year n-1]*	Explanation ¹	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in sovereign and supranationals					
Environmental	15. GHG intensity	GHG intensity of investee countries	0.31 Kilo Tons/Million EUR GDP	n/a	n/a
					<p>Portfolio level activities:</p> <ul style="list-style-type: none"> With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IIML to avoid or reduce GHG intensity of investee countries in certain investment portfolios include research, corporate engagement, or exclusion from portfolios where aligned with the investment objective. IIML tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. For example, for certain passive products that promote environmental/social characteristics or have sustainable investment as their objective, IIML considered the GHG intensity principal adverse impact primarily through a set of exclusion criteria or by reducing the weighting of relevant countries. <p>Actions planned for the next reference period:</p> <ul style="list-style-type: none"> IIML will continue to implement its principal adverse impact policy during the next reference period. In the coming years, when data is available to effectively assess the impact of our policy, we will consider and determine any appropriate additional actions to take or targets to set to continue to reduce principal adverse impacts for subsequent reference periods.

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Adverse sustainability indicator	Metric	Impact 2023	Impact [year n-1]*	Explanation ¹	Actions taken, and actions planned and targets set for the next reference period	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	3 countries, 16.36% of total investee countries	n/a	n/a	<p>Portfolio level activities:</p> <ul style="list-style-type: none"> With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IIML to avoid or reduce investee countries subject to social violations in our investment portfolios include research, or exclusion from portfolios or by reducing the weighting of relevant companies, where aligned with the investment objective. IIML has an exclusion framework, which covers the exclusion of sanctioned investments. At IIML we continuously monitor any applicable sanctions, including those imposed by the United Nations, United States of America, the European Union and the United Kingdom. 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. <p>Actions planned for the next reference period:</p> <ul style="list-style-type: none"> IIML will continue to implement its principal adverse impact policy during the next reference period. In the coming years, when data is available to effectively assess the impact of our policy, we will consider and determine any appropriate additional actions to take or targets to set to continue to reduce principal adverse impacts for subsequent reference periods.

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Adverse sustainability indicator	Metric	Impact 2023	Impact [year n-1]*	Explanation ¹	Actions taken, and actions planned and targets set for the next reference period	
Additional indicators						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	32.97% weight of the funds	n/a	n/a	<p>Portfolio level activities:</p> <ul style="list-style-type: none"> With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IIML to avoid or reduce investments in companies without carbon emission reduction initiatives in our investment portfolios include reviewing data during the qualitative review process and when appropriate also considering the principal adverse impact indicator through research and engagement. <p>Actions planned for the next reference period:</p> <ul style="list-style-type: none"> IIML will continue to implement its principal adverse impact policy during the next reference period. In the coming years, when data is available to effectively assess the impact of our policy, we will consider and determine any appropriate additional actions to take or targets to set to continue to reduce principal adverse impacts for subsequent reference periods.
Human rights	9. Lack of human rights policy	Share of investments in entities without a human rights policy	6.48% weight of fund	n/a	n/a	<p>Portfolio level activities:</p> <ul style="list-style-type: none"> With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IIML to avoid or reduce investments in entities without a human rights policy in our investment portfolios include research corporate engagement or exclusion from portfolios or by reducing the weighting of relevant companies, where aligned with the investment objective. <p>Actions planned for the next reference period:</p> <ul style="list-style-type: none"> IIML will continue to implement its principal adverse impact policy during the next reference period. In the coming years, when data is available to effectively assess the impact of our policy, we will consider and determine any appropriate additional actions to take or targets to set to continue to reduce principal adverse impacts for subsequent reference periods.

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The data presented in the above table are calculated using information provided by a third-party data vendor. The accuracy, completeness, and relevance of the calculated data are contingent upon the accuracy and completeness of the data provided by this third-party vendor. The numbers reported represent our best effort to provide the most accurate calculations in light of the data available. However, there are no warranties or representations, express or implied, regarding the completeness, accuracy, or suitability of this data for any particular purpose. It should also be noted that there are no data provided for the synthetic funds managed by IIML.

3. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Invesco's policy on consideration of principal adverse impacts of its investment decisions on sustainability factors was initially approved by the board of IIML in December 2022.

The policy is implemented by our Global Environmental, Social and Governance (ESG) team (the ESG Team) and relevant investment teams. It is reviewed when necessary, and at least annually, updated as needed to ensure that it remains current and in line with IIML's activities, its operating structure, strategic plans, and applicable regulatory changes.

Methodologies for selecting our additional indicators are set out in the section entitled "Methodologies for selecting additional indicators for principal adverse impacts on sustainability factors" below.

Underpinning IIML's process of considering principal adverse impacts is the flexibility for other investment teams and the ESG Team to challenge and verify the third-party principal adverse impacts data it receives by conducting their own proprietary qualitative analysis. This approach recognises the reality of the challenges of obtaining reliable data in the ESG space and is in line with our regulatory obligation to make best efforts to fill any data gaps.

Our principal adverse impacts consideration process addresses data gaps by:

- Engaging with investee companies;
- Carrying out additional qualitative research and analysis;
- Leveraging third party data providers; and
- Making reasonable assumptions using proxies where available.

IIML keeps under review the quality of principal adverse impact data and data gaps. An ESG Research Data Committee has been set up to track and maintain the quality of principal adverse impact data and processes for managing gaps.

Methodologies for selecting additional indicators for principal adverse impacts on sustainability factors

In accordance with SFDR's Delegated Regulation 2022/1288, IIML has selected an additional environmental PAI indicator and one additional social PAI indicator. The selection of the additional indicators was based on consideration of the following three elements:

1. **Materiality** – the ESG considerations that have the potential to most impact investee companies' ability to deliver long-term value creation, and concurrently, those that are particularly vulnerable to exacerbation from the operations of our investment entities.
2. **Integration across strategies** – by selecting sustainability considerations that are prominent within our investment team's existing processes, our ESG analysts have a broader base of expertise from which to collect and disseminate information and practices, in order to develop IIML sustainable finance approach.
3. **Data availability/quality** – with larger data sets and developed processes, IIML believes it can deliver more accurate data in its reporting, increasing transparency and enhancing our ability to identify and address areas with our portfolio companies.

IIML has selected the following additional climate and other environmental related principal adverse impact indicators to consider:

- **Emissions: Investments in companies without carbon emission reduction initiatives – Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.** GHG emissions continue to drive global warming effects. This in turn can translate to varied systemic risks across markets, including physical damage from severe weather conditions and supply chain disruptions. A proliferation of such events is likely if emissions are not curbed, potentially leading to irreversible environmental damage. IIML has selected this additional indicator because cutting global emissions is essential to limit the worst impacts of global warming. Investments in companies that do not have a carbon emission reduction initiative or targets could present a significant negative impact on investment strategies that seek to minimize the environmental impacts of climate change. This optional indicator has significant overlap with the mandatory principal adverse impacts and selected proxies allowing IIML to utilise existing datapoints to monitor companies and not only relying on a company's policy. The current approach is to check to see if a company which performs poorly on the emissions related mandatory principal adverse impact metrics have a set policy, and how robust that policy is. This is done during the review / qualitative principal adverse impact process. In doing this we can assess if the company is aware of the emissions challenges that they are facing relative to other companies in a particular region / industry and if the company is in the process of taking remedial action to reduce these negative impacts. As with many policies, the presence of a policy without adequate controls and / or monitoring of performance does not guarantee positive results. This is why a policy review is only taken into account where there is additional information regarding the company's performance relative to the sector / region.

IIML has selected the following additional social and employee, respect for human rights, anti-corruption and anti-bribery matters related principal adverse impact indicator to consider:

- **Human rights – Lack of human rights policy – Share of investments in entities without a human rights policy.** Without the implementation of certain safeguards there is a potential for a company's operations to violate individuals' human rights which could represent a significant operations and / reputation risk to the company. This additional principal adverse impact indicator has significant overlap with the mandatory principal adverse impact indicators and selected proxies allowing IIML to utilise existing datapoints to monitor companies and not only relying on a company's policy. The current approach is to check to see if a company which performs poorly on one or more of the "Social and Employee, Respect for Human Rights, Corruption and Anti-Bribery Matters" mandatory principal adverse impact metrics have a set policy related to human rights, and how robust that policy is. This is done during the review / qualitative research stage of principal adverse impact process. In doing this we can assess if the company is aware of social / human rights related challenges that they are facing relative to other companies in a particular region / industry and if the company is in the process of taking remedial action to reduce these negative impacts. As with many policies, the presence of a policy without adequate controls and / or monitoring of performance does not guarantee positive results. Therefore, a policy review is only taken into account where there is additional information regarding the company's performance relative to the sector / region. Enhancements to the reliance on existing mandatory principal adverse impact and proxies can be made during IIML's first recalculation of flagged issuers.

Limitations to methodology and margins of error

IIML recognises factors that may limit the efficacy of methodologies and processes related to PAIs. As the emphasis on sustainable finance grows, regulatory frameworks will continue to develop and standardise across markets. This ongoing evolution can lead to inconsistencies in the collection, measuring and reporting of data. IIML is largely reliant on third party providers and investee companies for the information it receives. Our processes mitigate this risk by providing the investment teams and the ESG Team the flexibility to challenge and verify information received from third parties and companies with their own analysis and proprietary questionnaires.

Data providers are selected following robust selection processes led by IIML ESG Team. The process includes reviews of methodologies, universe coverage, research process and quality and control processes. Stakeholders should be aware that there may be data gaps in procedures due to lack of availability, requiring reasonable estimations to account for them. This leaves the potential for margins of error within calculations. Data coverage can differ substantially between PAI indicators. Depending on the PAI, the data gaps could be in the range of 1.05% (such as for PAI 8) to 76.92% (such as for PAI 4).

In relation to passively managed funds, there may be insufficient data coverage by third party data providers for certain issuers. In such circumstances, the ability of the Manager to perform monitoring and measurement of the environmental and/or social characteristics and the sustainable investment objectives may be impaired. IIML will monitor the attainment of the environmental and/or social characteristics and sustainable investment objectives of the Fund, however, IIML does not independently verify an issuer's eligibility for inclusion in a reference index and is reliant on the data, research and expertise of the index provider to select the issuers in accordance with the methodology of the reference index. The index provider is subject to initial and ongoing due diligence checks by IIML to verify their skill and expertise. To meet the stated investment objective and policy of the funds, IIML may rely on financial, economic, environmental and other data made available by companies, index providers, governmental agencies, rating agencies, exchanges, professional services firms, central banks or other third-party providers (the "external data providers"). Where a fund passively replicates a reference index, the primary source of third-party data is the index composition as disseminated by the index provider. Invesco may also use third-party data from other sources besides an index provider. IIML ensures that each index provider is a Benchmark Administrator on the ESMA register that is maintained in accordance with Article 36 of the Benchmark Regulation, or is in the process of applying for inclusion on the ESMA Register or approved by endorsement or recognition by a Member State competent authority. Invesco performs due diligence on index providers and has internal controls to monitor constituent data, however Invesco may not in all cases be able to verify the integrity of third party data used in the index construction. In placing reliance on external data providers there may be risks associated with errors in third party data. Such errors may be undetectable by either Invesco or the index provider and can result in holdings weightings that are inconsistent with the that are inconsistent with the stated methodology of the index and/or the investment objective and/or policy of the funds. Funds could incur unexpected costs as a result such errors, for which losses Invesco and external data providers, acting in good faith, will not be held liable. Where errors in third party data are identified, as the investment objective of the passive funds are to track the index, the funds may continue to hold investments that are inconsistent with the stated investment policy, or environmental and/or social characteristics or sustainable investments of the funds, until such time that the data is corrected or, where the error has impacted the composition of the reference indices, until the reference indices are rebalanced. This applies to ESG data which may not only impact funds' holdings but also the reporting done by the IIML under relevant regulation.

Data sources

IIML collects aggregated principal adverse impact data for the mandatory and selected additional indicators across all in-scope financial products for reporting, using third-party providers (currently, Sustainalytics and ISS).

4. Engagement policies

Pursuant to Article 3g of the Shareholder Rights Directive II 2017/828 (SRD II), IIML is required to publicly disclose its engagement policy. IIML EMEA Engagement Policy (Engagement Policy) can be found [here](#), in addition, IIML's approach to proxy voting is guided by the Global Corporate Governance and Proxy Voting Policy, which can be found [here](#).

Invesco ETFs and money market funds benefit from the firm's ability to leverage our relationships with individual companies through direct engagements. This is particularly relevant in regard to ESG-related issues, where we can draw on Invesco's ESG engagement capabilities to address material ESG issues with the firms and entities in which we invest.

The majority of Invesco ETFs are passively managed and hold stocks in companies included in the relevant index which it tracks. The index is created by a third-party index provider. Changes to the portfolio are driven by changes to the underlying index. For passively managed ETFs, the Investment Manager does not exercise discretion to actively select/deselect stocks. To the extent that the ETF is following an ESG strategy, the index provider would be responsible for monitoring of underlying companies in line with ESG criteria for passively managed ETFs.

To ensure that our passive strategies and money market strategies benefit from the engagement and deep dialogue of our active investors, our passive strategies and money market strategies will typically vote in line with the largest holder of the security from our actively managed funds.

We believe this approach leads to better quality voting decisions as it leverages the insights and expertise of an active fund manager who has knowledge of the relevant company. To the extent a stock is not held in any actively managed Invesco portfolio, then Invesco ETFs have chosen to default to Invesco's good governance principles and voting guidelines. Portfolio managers and analysts of Invesco's ETFs retain full discretion to override Majority Voting and to vote shares as they determine to be in the best interest of those accounts, absent any conflicts of interest.

IIML will continue to implement its policy, and in the coming years, when data is available to effectively assess the impact of our policy, determine appropriate additional actions to take or targets to set for subsequent reference periods.

IIML benefits in particular from the broader firm when it comes to engagement on PAIs, engagement policies may vary amongst the active investment teams, however the core approach remains consistent. These teams focus on products that promote environmental or social characteristics or have sustainable investments as their objective, they then have the available data assessed, flagging the poorest performing issuers against each indicator. These “flags” are then considered by the investment teams, with support from the ESG Research team, as follows:

1. **Qualitative Consideration**

Once we’ve applied the aforementioned quantitative screen to identify potential PAI flags, we add a qualitative consideration overlay. This two-step approach ensures a thorough assessment of PAIs, combining numerical data with in-depth analysis to understand the broader context and implications of each PAI.

2. **Investment team-Led PAI Consideration**

The consideration of PAIs is led by our investment team, which holds ultimate responsibility for integrating PAI insights into investment decisions. This team-driven approach ensures that our sustainability considerations are deeply embedded in our investment strategy and decision-making processes.

3. **Support from the ESG Research team**

The ESG Research team plays a crucial supportive role, providing expertise and guidance to navigate the complexities of PAIs. This team offers in-depth analysis, research, and recommendations to ensure that the investment team is equipped with the knowledge and tools necessary to effectively assess and address PAIs.

4. **Proportionate Actions**

Actions taken in response to PAIs will be commensurate with the relevant investment mandate, the likelihood of effecting change, and the time and resources required to achieve such change. This pragmatic approach ensures that our efforts to address PAIs are aligned with our investment objectives and the interests of our clients.

Proxy Voting

As mentioned above, where our passively managed strategies and money market strategies hold the same investments as our actively managed equity funds, voting decisions with respect to those accounts generally follow the voting decisions made by the largest active holder of the equity shares. This process of Majority Voting seeks to ensure that our passively managed strategies and money market strategies benefit from the engagement and deep dialogue of our active investment teams, which Invesco believes benefits shareholders in passively managed strategies and money market strategies. Invesco will generally apply the majority holder's vote instruction to these passively managed accounts. Where securities are held only in passively managed accounts and not owned in our actively managed accounts, the proxy will be generally voted in line with Invesco's Policy Statement on Global Corporate Governance and Proxy Voting ("Global Proxy Voting Policy") and internal proxy voting guidelines. Notwithstanding the above, portfolio management teams of our passively managed strategies and money market strategies retain full discretion over proxy voting decisions and may determine it appropriate to individually evaluate a specific proxy proposal or override Majority Voting and vote the shares as they determine to be in the best interest of those accounts, absent certain types of conflicts of interest. To the extent our portfolio management teams believe a specific proxy proposal requires enhanced analysis or if it is not covered by the Global Proxy Voting Policy or internal guidelines, our portfolio management teams will evaluate such proposal and execute the voting decision.

5. References to international standards

Invesco recognizes the importance of constructive international engagement and the development of global frameworks in support of climate and sustainability issues. As an asset manager, Invesco leverages a series of international standards and initiatives to inform the approach to sustainability disclosures for certain investment teams and products, where deemed material and relevant to their investment objectives and client needs. These standards and initiatives can also serve as a benchmark for the stewardship and engagement efforts of those investment teams focused on helping investee companies improve on sustainability factors, with the goal of driving long-term growth for clients invested in those specific strategies.

IIML conducts screening against a number of international standards for some of the funds, using PAI indicators as a metric to measure adherence:

- **UN Global Compact Principles**
Violations of UN Global Compact principals and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (Table 1 [10]), Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (Table 1 [11])
- **OECD Guidelines for Multinational Enterprises**
Violations of UN Global Compact principals and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (Table 1 [10]), Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (Table 1 [11])
- **UN Guiding Principles on Business and Human Rights**
- **Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work (and principles and rights set out in the eight fundamental conventions identified in it)**
- **International Bill of Human Right**

The UN Global Compact Principles and OECD Guidelines for Multinational Enterprises must be explicitly monitored to comply with Principle Adverse Impacts 10 and 11.

The third-party data providers as mentioned above set which screens a universe of companies against the international standards named above is used for all monitoring and compliance with these standards.

Invesco Ltd. joined the Net Zero Asset Managers initiative (NZAMI) in 2021. As an NZAM signatory, IIML is committed to supporting the global goal of achieving net zero GHG emissions by 2050. This initiative, along with the Paris Aligned Investment Initiative's Net Zero Investment Framework, helps align Invesco Ltd's portion of committed assets with the Paris Agreement's ideal of restricting global warming to 1.5°C.

For the AUM committed to be managed in line with net zero, the interim target of 50% lower carbon footprint as measured by tCO₂/\$ invested by 2030 versus 2019 is based on the Intergovernmental Panel on Climate Change pathway S1/P2 (47% reduction based on 2010 baseline) to have a better than 66% chance of staying under 1.5°C with limited or no overshoot. IIML's minimum safeguards across its range of products that promote environmental/social characteristics or have sustainable investment as their objective also excludes issuers that are not compliant with the UN Global Compact principles and prohibits sanctioned investments imposed by the United Nations, United States of America, the European Union, and the United Kingdom.

For select strategies, where relevant to the fund objective, IIML uses forward-looking climate scenarios in company level Climate VAR assessments provided in 2023 by MSCI, based on the AIM/CGE 2.0 integrated assessment model.

6. Historical comparison

On publication of Invesco's first PAI statement in June 2023, PAI data was aggregated between its European entities and reported under one statement for 'Invesco Europe.' A separate PAI statement is now issued for each Invesco European entity. Consequently, there is no comparable data from 2023 for this year's report. Historical comparison will therefore begin with reporting in 2025.