

Sustainable Investment Policy

Invesco Quantitative Strategies
Invesco Social Progress Fund

November 2022



Executive Summary

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Invesco Social Progress Fund (the Fund) has sustainable investment as its objective as covered under Article 9 of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector.

The Fund invests in economic activities that contribute to social objectives.

The Fund provides investors with exposure to companies that are characterized by strong social characteristics and the goal to strive for positive impact.

The Social Progress Fund combines a strict set of filters to avoid potential negative impact with a maximization of alignment with social objectives for impact generation. Lastly, leveraging on decades of experience in constructing sustainable portfolios, portfolio construction ensures the objective is achieved in a financially sound manner.



Holistic ESG consideration in the investment process

The Invesco Quantitative Strategies team (IQS) applies an integrated ESG (environmental, social, governance) investment approach and has been managing customised sustainable investment solutions for more than 30 years. With many years of experience, IQS offers different approaches to integrate ESG criteria into the portfolio at different stages of the investment process across all asset classes.

IQS follows an integrated ESG approach. IQS takes ESG factors into account at several levels of their management process:

- Explicit and implicit consideration of key ESG aspects in the portfolio construction
- Active dialogue with companies through engagement programs and investor-oriented proxy voting with Invesco's proprietary proxy voting platform
- Offering optionality to implement additional, customized ESG criteria

Holistic ESG consideration in our investment process

Integrating key aspects of ESG

We **consider ESG at several layers** in our investment process:

- Standardized explicit and implicit incorporation of ESG key aspects into our investment process
- Active dialogue with companies and investor-driven proxy voting using Invesco's proprietary Proxy Voting Platform
- Offering optionality to implement additional, customized ESG criteria tailored towards the client's needs
- ESG fully embedded in research processes and analytics and documented in every research note



Source: Invesco. For illustrative purposes only.

Holistic ESG consideration in the investment process

The IQS investment process is controlling for financial criteria such as the quality of a firm. IQS has identified that some signals within the Quality factor show positive correlation to governance factors. These Quality signals prefer companies with a high balance sheet quality which, for example, buy back shares and do not show disproportionate balance sheet growth. Governance factors also prefer companies in which management acts in the interests of shareholders and does not pursue unprofitable business projects.

Besides the implicit integration via the Quality factor, the team also explicitly uses its measures Adverse ESG momentum and ESG exposure control. The team uses these measures to manage the risks which are associated with weakly scoring companies or portfolios.

For the Adverse ESG Momentum, the investment universe is daily screened for significant ESG downgrades. The team's research has shown that companies that experienced severe downgrades tend to underperform their peers in the following months. Therefore, the investment in companies which suffered severe downgrades would be restricted.

Additionally, IQS uses the ESG Exposure Control. During the regular rebalancing the ESG exposure of the equity portfolio is managed against the exposure of the Fund's equity benchmark, hence the MSCI World. The team targets an exposure that is approximately at or above benchmark level. The key point is guarding against a risk that historically has been small but is expected to be material in the future.

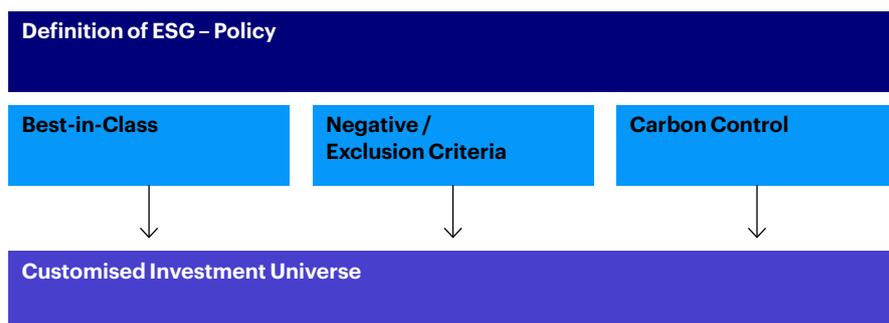
Customised ESG

In addition to the standard ESG integration, IQS implements further individual ESG requirements in numerous respects:

ESG screening for equities

Environmental, social and governance focus

- Flexible use through an individual client specific definition of over 250 ESG criteria
- Global universe of over 6,000 companies



Source: Invesco. For illustrative purposes only.

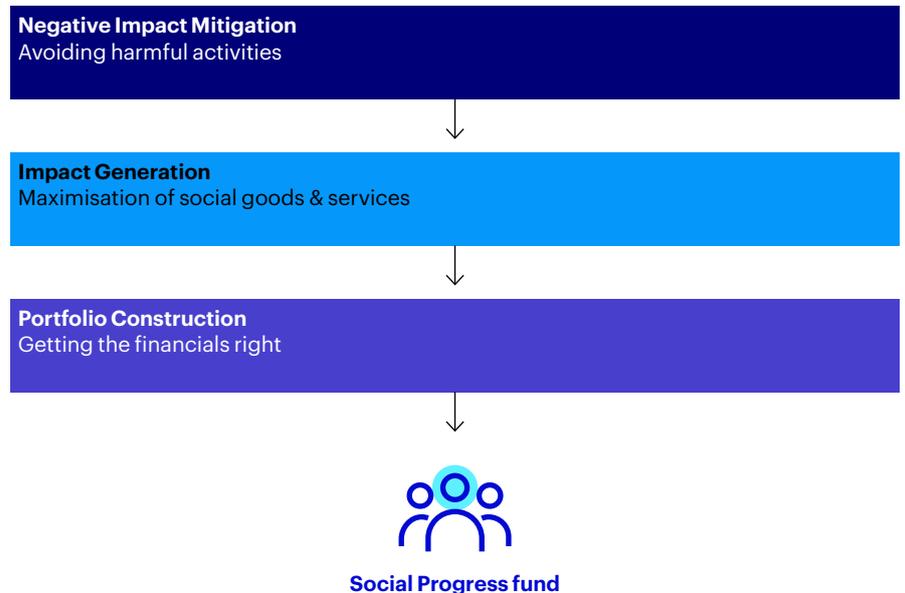
Approach to Social investing

The Fund aims to provide exposure to companies that are characterized by strong social characteristics and the goal to strive for positive impact.

Events like the Covid-19 pandemic or the Ukraine war have highlighted the importance of access to healthcare as well as human rights. Increasing regulation and legislation in social topics will shift investor's focus to the S in ESG, providing transparency and redirecting capital flows. The adoption of a 3rd dimension in making investment decisions – impact – on top of risk and return considerations as well as consumer awareness will further shift focus to social areas.

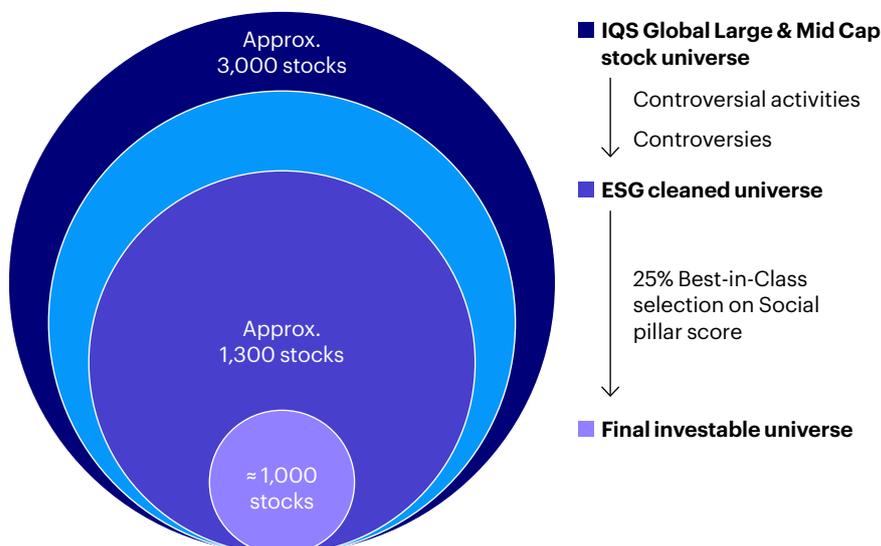
The team is convinced that, as a consequence, investment into alleviating social imbalance will lead to tailwinds for the companies that will shape the society of the future, providing an investment opportunity.

The Social Progress Fund combines a strict set of filters to avoid potential negative impact with a maximization of alignment with social objectives for impact generation. Lastly, leveraging on decades of experience in constructing sustainable portfolios, portfolio construction ensures the objective is achieved in a financially sound manner.



1. Negative Impact Mitigation

The team applies a strict set of business involvement filters. There is a zero-tolerance approach for firms with significant exposure to controversial activities either deemed non-social or not contributing to sustainability. Relevant stocks are filtered out of the investable universe. A detailed list of revenue thresholds can be found in section 4 – Key ESG elements in the Invesco Social Progress Fund. Furthermore, companies with severe controversies in a wide range of fields are also not eligible for portfolio selection. Out of the remaining companies, the worst scoring 25% based on a Social score are excluded. The score assesses a company’s strategy and policies with respect to Social objectives.



2. Impact Generation

After excluding companies with exposure to controversial activities and controversies, the team runs an optimization to maximize the revenues from social goods & services. The social goods & services dataset utilized provides a breakdown of a company’s revenues to various social themes. Themes covered include the following:

- Health
- Water & sanitation
- Food & nutrition
- Capacity building
- Energy & climate change
- Access to information
- Infrastructure
- Responsible finance

The themes are the aggregate of in total 43 subthemes, covering a wide range of social areas.

The maximization approach targets to achieve a weighted revenue derived from social goods & services to be above 50% on average. There is no particular focus area but instead the fund aims to provide alignment with social objectives across a broad range of social categories.

There is no guarantee the goals can be achieved.

3. Portfolio Construction

In this final step of creating the portfolio, the team controls for factor criteria such as the quality, momentum and value of a company. Furthermore, the portfolio construction process is subject to liquidity and diversification constraints to limit the exposure to a single issuer and ensure ample liquidity in the portfolio.

Derivatives, which are utilized to gain exposure to capital markets have to fulfill the ESG criteria on a constituent’s level. This includes derivatives used for efficient portfolio management.

The product does not use any derivatives on agricultural commodities.

The product does not structurally invest into fixed income securities neither issued by states nor by corporates.

Key ESG elements in the Invesco Social Progress Fund

Additional elements to the Fund's ESG framework that will be reflected through the portfolio construction process are:

1. **Sector exclusions.** Systemically excluding sectors and business activities that are inconsistent with the sustainability or socially responsible objectives.
2. **Controversy monitoring.** Systematic screening of news to identify companies involved in serious controversies.
3. **Good governance assessment.** Invests in companies with good governance via the strong engagement and proxy voting policy and some exclusions cover the good governance aspect as well.

These elements are described in more detail below.

Sector Exclusions

Exclusion and negative criteria

By applying these criteria, companies, sectors or countries are excluded from the investment universe which fail to fulfil certain ESG criteria or that violate international norms and standards according to the definitions of the International Labour Organisation (ILO), the OECD or the United Nations.

Using the data provided by Moody's ESG Solutions (formerly Vigeo Eiris) and MSCI, the investment team is able to define a set of ESG criteria. Exclusion criteria and negative criteria can be used to eliminate companies that fail to meet certain ESG criteria, with positive criteria, companies can be identified, which are particularly characterised by sustainable economic development, positive products or processes.

In order to ensure that the investments of the Fund do not significantly harm other environmental and social objectives, the Fund will employ screening to exclude issuers that do not meet the Fund's criteria on a range of other environmental and social metrics, including but not limited to the principal adverse impacts required to be considered pursuant to the applicable EU regulation and the level of involvement in those activities. In this context, the Fund uses the following exclusion criteria, which may evolve over time.

Key ESG elements in the Invesco Social Progress Fund

The Invesco Social Progress Fund uses the following exclusion criteria:

	Controversial Activities	Excluded if
Coal	Turnover derived from thermal coal mining	>=5%
	Turnover derived from burning coal for power generation	>=5%
	Proportion in electricity generation fuel mix from coal	>=5%
	Structural increase of thermal coal activities over 3 years	Yes
Unconventional oil & gas	Revenues that comes from projects or the extraction of tar sands and oil shale, as well as the proportion of reserves in tar sands or oil shale	0%
	Involvement in fracking activities	Yes
	Involvement in arctic drilling activities	Yes
Fossil fuel industry	Revenues are derived from fossil fuel industries	>=5%
	Structural increase of fossil activities over 3 years	Yes
Nuclear power	Turnover from nuclear power	>=5%
	Proportion in electricity generation fuel mix from nuclear power	>=5%
GMOs	Production of genetically modified organisms	>=5%
Stem cell research	Research on human embryonic stem cells or on human foetal stem cells	Yes
Civilian Firearms	Manufacture or sale of civilian firearms or related products	>=5%
Military	Sales that are related to military sales including key parts or services for conventional weapons	>=5%
	Controversial Weapons: cluster munitions, depleted uranium, and anti-personnel	>0%
Alcohol	Turnover from production and distribution	>=5%
Tobacco	Turnover from production and distribution	>=5%
Gambling	Turnover from gambling operations and products	>=5%
Adult entertainment	Turnover from pornography and adult entertainment services or facilitating access	>=5%
Predatory lending	High interest rate lending	>=5%
Animal welfare	Production of cosmetic products tested on animals	>=5%
	Production of non-cosmetic products tested on animals	>=5%
	Production or sale of fur products	>=5%
Recreational Cannabis	Involvement in recreational cannabis	>=5%

Please refer to the glossary for more detailed descriptions on the items mentioned above.

The Fund does not invest in sovereigns of countries that practice the death penalty, as it is the ultimate cruel, inhuman and degrading punishment and a violation of the right to life.

Key ESG elements in the Invesco Social Progress Fund

Controversy monitoring

In order to identify firms with exposure to controversies, the team follows an approach that relies both on external data vendors screens as well as an internal Natural Language Processing based framework for detection. The latter works with custom dictionaries created by the investment team with keywords related to relevant controversies. The algorithm is trained on existing ESG provider data, industry reports & NGO texts. Newsflow data is then screened against keywords from the dictionaries. The process is not only used for company exclusion but also as a basis for identification of engagement targets.

External data vendor screens provide insights on controversies in the following fields:

- UN global compact
- Labour Rights, including
 - Social Supply chain
 - Health safety & working hours
 - Child and forced labor/ Modern Slavery
 - Non discrimination
 - Labor Relations
- Human Rights
- Gender equality (incl. gender diversity & pay gap)
- Product Safety
- Societal Impact of Products & Services
- Biodiversity
- Pollution
- Community Involvement
- Corruption

Good Governance : IQS Process and Philosophy

IQS has and remains steadfast in its belief that strong governance is the cornerstone for long-term prosperity and sustainably delivering against stakeholders' expectations.

To ensure our philosophy of Good Governance we first identify the companies which violate this principle by systematically screening for controversies within the investable universe.

We are able to do this by evaluating an extensive volume of news data for violations of Good Governance. These violations are aligned with the UN Global Compact and severe controversies in the area of human rights, labour relations and labour rights and community involvement and also covers tax compliance. Violations of these controversies and an inability to resolve in a timely manner, lead to a company being excluded from the investable universe and disinvested in case of a holding.

¹ <https://www.invesco.com/content/dam/invesco/corporate/en/pdfs/regulatory/2022-Proxy.pdf>

Key ESG elements in the Invesco Social Progress Fund

Proxy Voting

Invesco's Proxy Voting approach is governed by the Global Proxy Voting Policy¹, which is premised on respecting the Fund manager's freedom to vote in what they believe is the best interests of the investors in the relevant fund or portfolio in order to achieve positive outcomes for clients.

To this effect, Invesco maintains a proprietary global proxy administration platform, known as the "fund manager portal". The platform streamlines the proxy voting and ballot reconciliation processes, as well as related functions, such as share blocking and managing conflicts of interest issuers. This enables fund managers to vote in an efficient manner, increase transparency, share knowledge and effectively influence corporate practices and behaviours.

IQS adopts and applies a dedicated ESG voting policy across managed funds, portfolios and mandates. Besides the support of shareholder proposals through Invesco's proprietary Fund Manager Portal, specific voting decisions on the following ESG topics are taken if applicable:

- Gender Pay Gap Proposals,
- Political contribution disclosure/political lobbying
- Disclosure/political activities and action data security
- Privacy and internet issues
- Report on Climate Change/climate change action and
- Gender Diversity on public boards.

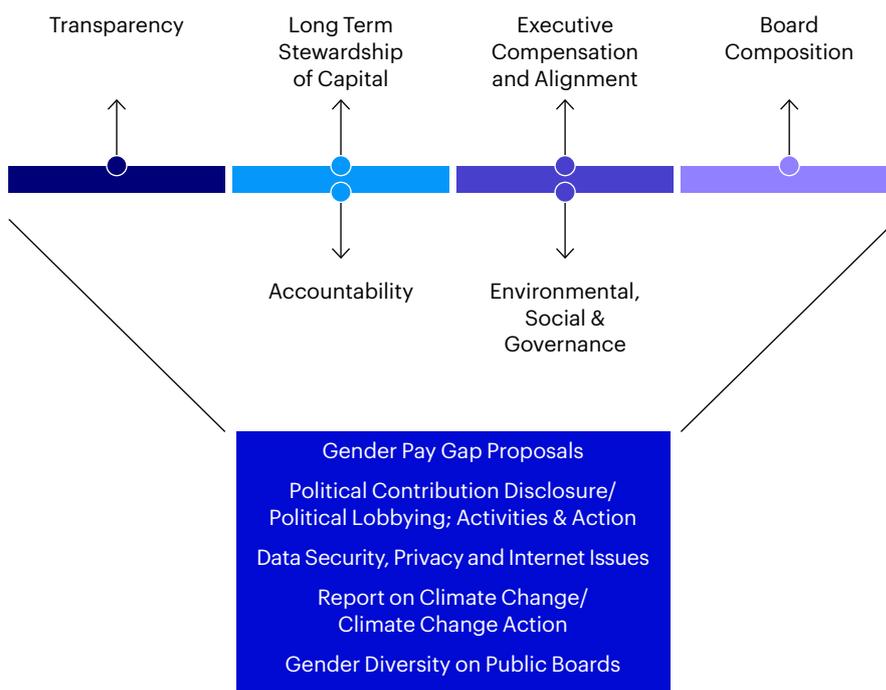
Where none of the ESG topics listed above are affected, IQS will generally follow the voting decision taken by the biggest active equity holder ("Majority Voting") in the Invesco Group as this reflects the relationship and dialogue that active managers within the group have with investee companies. In this manner, we also seek to leverage the active-equity expertise and comprehensive proxy voting reviews conducted by teams employing active-equity strategies, which typically incorporate analysis of proxy issues as a core component of the investment process.

Where there is no active equity holder in the Invesco group, IQS will usually follow the ISS recommendation, subject to the engagement approach outlined below.

The IQS team furthermore reviews proxy votes from their strategy and actively supports the Climate Action 100+ initiative with their voting.

Proxy Voting – Our good Governance Principles

Support of ESG shareholder proposals through Invesco's PROXYintel



¹ <https://www.invesco.com/content/dam/invesco/corporate/en/pdfs/regulatory/2022-Proxy.pdf>

Source: Invesco. For illustrative purposes only.

Key ESG elements in the Invesco Social Progress Fund

Engagement

IQS enters regularly into dialogue with carefully selected target companies via the Global Engagement Service of Moody's ESG Solutions. The potential target companies are selected by IQS and a final selection of the companies to be engaged with is then agreed with Moody's ESG Solutions. In general, the team look to engage on topics related to the IQS Priority ESG Themes, which are Climate Change, Human Rights, Supply Chain Management, Water and Bribery/Corruption. For securities held in the Fund, an additional Priority ESG Theme is Healthcare Equity.

IQS selects investee companies which are at a size and stage making them likely to be influenceable. The objective is to identify weaknesses in the company's sustainability management and discuss these with management to enable the companies to achieve a better ESG performance in the medium to long term. Discussions can take place via telephone calls, personal meetings and written communication. Engagements are followed through over a period of years where necessary.

IQS' engagement priorities can follow two methods:

- Theme-based engagement, which aims to encourage companies to expose and reduce systemic risks in areas such as bribery reporting; climate change; human rights management systems; supply chain labour policy and water scarcity.
- Controversy-led engagement, which aims to prompt companies to observe internationally recognised standards and conventions and correspondingly improve their company guidelines.

Engagement

Direct dialogue with companies



Source: Invesco Quantitative Strategies, Vigeo Eiris. For illustrative purposes only.

Moody's ESG Solutions undertakes a detailed assessment of the themes for each company that the IQS team has selected. This is based upon a long established and rigorous methodology and involves assessing the level of risk that a company is exposed to in any one area and then analysing how the company mitigates these risks. In case engagement targets are not met after repeated escalation the investment team may divest from a company and/or vote against board members or management compensation.



Fund Facts

Invesco Social Progress Fund

Investment Centre	Invesco Quantitative Strategies
Fund Manager	Manuela von Ditzfurth, Erhard Radatz and Tim Herzig
Contracted Vehicle Type	SICAV
Domicile Country	Luxembourg
SICAV Launch Date	30/06/2004
Repositioned Date	07/11/2022
Fund volume	EUR 13.3mm

Source: Invesco as at 25 October 2022.

Glossary

Animal welfare

Covers both cosmetic as well as non-cosmetic product testing on animals. Cosmetic products refer to substance or mixture intended for application to the human body. Non-cosmetic products refers to for example chemical products used in household products, dietary supplements as well as special foods (functional foods, vitamins), tobacco and more. Animals being used for industrial processes or the production of industrial products are also within the scope of the definition. Lastly, any products made out of animal fur are part of the exclusion. In particular fur clothing materials made entirely or in part from animals are covered.

Controversial Weapons

Even though there is no official definition of the concept of controversial weapons, investors and stakeholders typically refer to weapons of mass destruction (nuclear, chemical and biological weapons) and some conventional weapons when they use the term controversial. These weapons are collectively referred to as controversial weapons because, in particular, they may be considered to be excessively injurious, to have indiscriminate effects or to damage the natural environment. International Humanitarian Law (IHL) prohibits or restricts the use of some weapons. Three rules of customary international law, binding on all States, apply to all weapons: the prohibition of weapons of a nature to cause superfluous injury or unnecessary suffering; the prohibition of weapons which are indiscriminate by nature; and the prohibition of weapons causing widespread, long-term and severe damage to the natural environment. Explicitly, those weapons include anti-personnel mines, cluster munitions, chemical weapons, biological weapons, nuclear weapons, incendiary weapons, non-detectable fragments, blinding lasers, white phosphorous and depleted uranium beyond others. The screening covers companies providing full weapon systems and platforms, or key parts and services, for controversial weapons.

Gambling

Gambling covers the game of chance to win a prize. In other words, the outcome cannot be influenced by the player. The definition of providing gambling operations includes betting shops, horse and greyhound tracks, casinos and more. This also includes providing such services online. Furthermore, companies providing parts for and the manufacture of gaming machines are also within scope.

Key Parts or services for Weapons

Key parts include subsystems of the whole weapon system (e.g. if the system is a rocket, the motor, fins, and random are some of its key parts) as well as end products that are essential to weapon systems, such as combat equipment. Key services include services that are essential to weapon systems and combat, such as communication, testing or flight simulation training services, design services. Other examples of important subsystems for a weapons system, could be the barrel for a gun, ammunition magazines, engines and transmission for weapons platform, the fuze for munition, the guidance package for a missile, arming devices for warheads, targeting radars, etc.

Healthcare Equity

In the context of corporate engagement, healthcare equity is a focus on ensuring that everyone can access affordable, culturally competent healthcare. This includes access to vaccines, medicines, technology, and other tools and resources.

Stem Cell Research

Human Embryonic Stem Cells (HESC's) are stem cells derived from human embryos, miscarriages or surgery for an ectopic pregnancy. Human Foetal Stem Cells are stem cells derived from human foetuses. The definition includes firms that currently are not engaged in but plan to undertake research projects related to stem cell research using foetal stem cells.