Invesco Senior Secured Management, Inc. (“ISSM”), Bank Loans Group
ESG Senior Loan Funds Investment Policy

January 2021

01 Executive Summary

In 2015, Invesco began incorporating ESG considerations into its bank loan investment process as part of the consideration of credit risk for each issuer. As ESG evolved, investors have been seeking a more quantifiable approach to better understand ESG considerations, as well as the ability to screen out issuers. More importantly, investors have been looking for bank loan managers that will actively engage management with respect to their ESG policies and progression.

Because senior loans are private instruments, there is only a small pool of the investable universe that are rated by outside ESG rating providers. For Invesco to offer an ESG product that would work with clients' needs, **Invesco developed a proprietary framework for rating each issuer for ESG risk and have been independently rating each loan for ESG risk since 2019.**

We believe Invesco is one of the first bank loan managers to develop an ESG rating process for bank loans and we offer investors a rigorous multi-pronged approach to ESG screening.

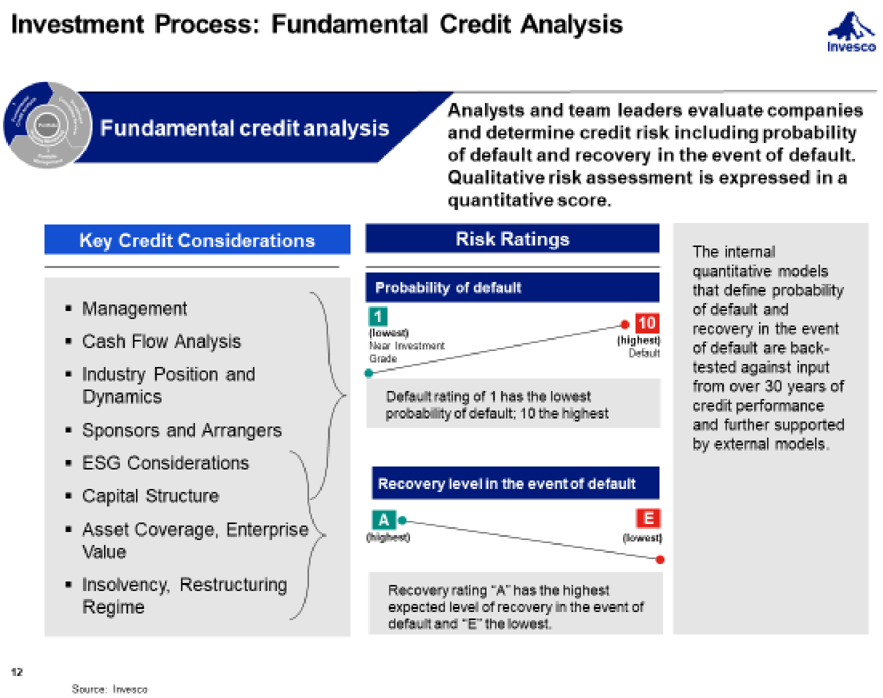
This policy covers the following funds:

Invesco US Senior Loan ESG Fund
Invesco European Senior Loan ESG Fund
Invesco Global Senior Loan ESG Fund
("ESG Senior Loan Funds")

02 Holistic ESG consideration in the investment process

I. ESG Capabilities & Credit Process

ESG considerations are integrated into Invesco's fundamental research process. ESG plays a critical role in Invesco's credit underwriting process and is a key discussion factor in the investment team's credit evaluation of potential investment opportunities.



Invesco has developed a proprietary framework for rating each issuer from an ESG perspective. The ISSM credit analysts are responsible for independently rating each loan they cover from an ESG perspective. They conduct diligence reviews with issuers' management teams to inform a rigorous, multifaceted screening process.

Credit analysts utilize a combination of external data sources (such as Bloomberg and Sustainalytics), Invesco proprietary ESG data metrics, as well as customized questionnaires and diligence interviews with management teams to determine key risks from an ESG perspective.

This screening process focuses on evaluating each loan on 16 ESG factors under Environmental, Social and Governance pillars as defined below:

Environmental Pillar	Social Pillar	Governance Pillar	
Natural Resources	Workforce	Management	Regulatory Issues
Pollution & Waste	Community	Shareholders	Corporate Social Responsibility Strategy
Supply Chain Impact	Product Responsibility	Board of Directors	Anti-corruption
Environmental Opportunities	Human Rights	Auditor	Business Ethics

To derive an issuer-level ESG rating, ISSM uses a weighting schematic for the issuer's broad industry category. These ratings are averaged into an overall ESG score that is approved by ISSM's Investment Committee, subject to updates and reviews on at least an annual basis.

II. ESG Ratings Process

ISSM's credit analysts are responsible for independently rating each loan they cover from an ESG perspective. They conduct diligence reviews with issuers' management teams to inform a rigorous, multifaceted screening process in which each loan is measured on a scale of 1 to 5.

1 = negligible risk;
2 = low risk;
3 = average risk;
4 = above average risk; and
5 = high risk.

There are 16 factors within the E/S/G pillars that our credit analysts' rating contemplates (noted in figure 1).

As part of this process, ISSM will seek to engage with companies to ensure that they are minimizing and disclosing the risks and maximizing the opportunities presented by climate change by implementing a strong governance framework which clearly articulates their respective board's accountability and oversight of climate change risk and opportunities, taking action to reduce greenhouse gas emissions across their value chain and providing enhanced corporate disclosure on their carbon emissions.

While management teams are generally receptive to Invesco's approach, facilitating active engagement with an issuer can sometimes present a challenge. Invesco excludes from its ESG portfolios any issuer whose management does not engage and/or for which appropriate ESG scores cannot be determined.

Engaging management teams on the importance of ESG from an investor perspective has been another benefit of Invesco's approach. While the firm does not have voting rights or control over issuers' ESG activities or conduct, Invesco's position as one of the largest managers of multi-credit strategies enables us to emphasize to management teams the importance of ESG issues in relation to their ability to raise capital in this market.

Figure 1
Factors that are incorporated into our ESG rating include, but are not limited to:

Environmental Pillar	Social Pillar	Governance Pillar
– Natural resources – Pollution & waste – Supply chain impact – Environmental opportunities	– Workforce – Community – Product responsibility – Human rights	– Management – Shareholders – Board of Directors – Auditor – Regulatory issues – Corporate social responsibility Strategy – Anti-corruption – Business ethics

Source: Invesco. For illustrative purposes only.

III. Deriving issuer level ESG rating

1. ISSM averages the various factors under each E/S/G pillar to determine Pillar Ratings.

2. ISSM then weights each pillar by the average E/S/G pillar weights published by MSCI ESG Research by industry sector to come up with an ESG Composite Score. Those pillar weights as of 30 September 2020 are shown in table 1.

3. These ratings are averaged into an overall ESG score. Each overall ESG rating is included in any new deal underwriting and reviewed and approved by ISSM's Investment Committee (the same committee that approves all senior loans from a credit perspective).

The Investment Committee has responsibility for approving every loan position across the complex, evaluating both credit risk and ESG risk, determining relative position hold levels by fund strategy, and setting the strategy and direction for each fund.

4. ESG criteria will be reviewed and applied on an ongoing basis and each overall ESG rating will be reviewed formally, at least annually.

TABLE 1
ESG pillar weighting by broad industry
To derive issuer level ESG ratings, we further weight E, S and G factors by broad industry pillars as follows:

GICS SECTOR	Avg. Environment Pillar Weight	Avg. Social Pillar Weight	Avg. Governance Pillar Weight
Energy	49.57	17.14	33.29
Materials	53.84	23.01	23.16
Industrials	21.50	38.10	40.40
Consumer Discretionary	21.06	51.93	27.00
Consumer Staples	30.42	46.75	22.83
Health Care	5.90	49.10	45.00
Financials	8.91	58.71	32.38
Information Technology	21.38	51.00	27.62
Communication Services	5.00	54.75	40.25
Utilities	57.55	18.62	23.83
Real Estate	32.92	32.70	34.38

Figure 3
How does the ESG rating process work?

ESG research
- Invesco analysts conducts proprietary research and interviews management teams
- Due diligence

Investment committee
- Analysis presents key findings to senior investment committee
- Senior investment committee signs off on ESG rating

ESG risk factors
Analyst assigns 1-5 rating for each of the 16 identified ESG factors
1 = negligible risk
2 = low risk
3 = average risk
4 = above average risk
5 = high risk

Calculate composite ESG score
- Weighted by industry
- Leverage MSCI E/S/G pillar weights for each respective industry

Calculate average score for E, S and G pillar
- Weighted average score determined for E, S, and G pillar
- Portfolio screen for maximum E, S or G score

Source: Invesco. For illustrative purposes only.

03 Investment Process

Invesco employs one of the largest, most experienced, private side senior loan teams in the global marketplace — a team that is dedicated to the senior loan asset class and has successfully navigated multiple credit cycles.

The team is structured as follows:

Investment Committee
These are the most senior investment professionals in the group; on average, they have over 29 years of investment experience and 19 years tenure at the firm.

The Investment Committee has responsibility for approving every loan position across the complex, determining relative position hold levels by fund strategy, and setting the strategy and direction for each fund. The senior portfolio managers' responsibility is delineated by fund type

Team leaders
Senior credit professionals serve as team leaders with both senior and junior credit analysts reporting to them. Team leaders have a threefold role: they are the primary credit analysts on a number of select credits; they are the junior and backup portfolio managers on select portfolios; and they serve as backups in the event the analyst is unavailable, and provide monitoring and oversight.

Credit professionals

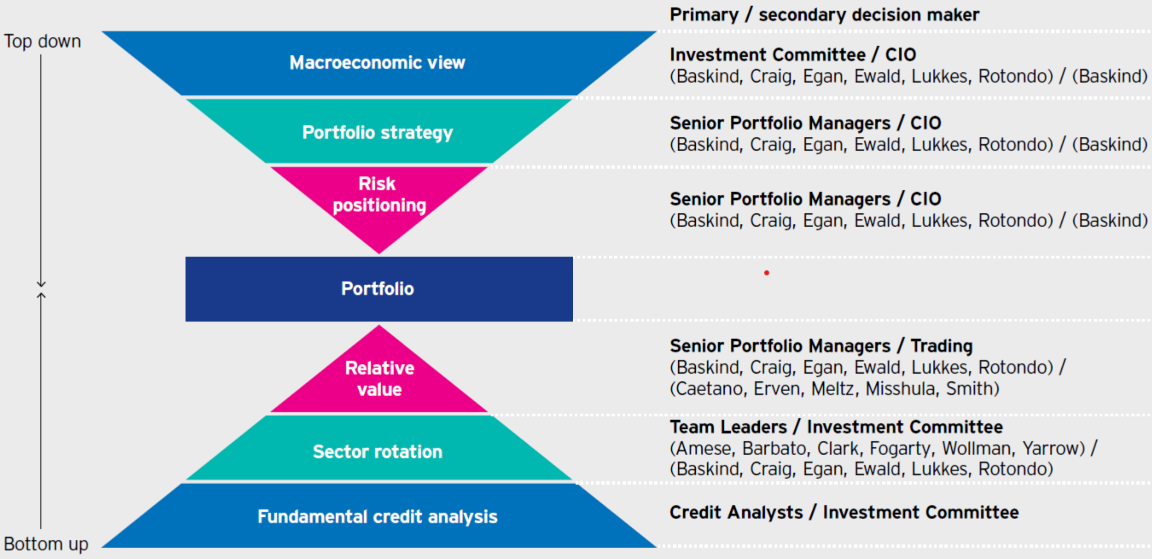
ISSM's senior loan credit professionals' range in experience from one year to over 30 years. Credit analysts serve as industry specialists tasked with covering both new issue and secondary credit opportunities in the market. In addition to making recommendations, the credit analysts are responsible for day-to-day monitoring of every credit held across the senior loan portfolios. Credit analysts are also tasked with presenting formal industry reviews to the Investment Committee and maintain a general view on every credit within their industry coverage, regardless of whether ISSM holds that position.

I. Portfolio construction and management decision making combines multiple disciplines

Portfolio management and oversight is directed by the Chief Investment Officer and senior portfolio managers. The portfolio management process combines multiple core disciplines and is a collaborative approach among the Chief Investment Officer (CIO), the Investment Committee, the senior portfolio managers, the team leaders, and the credit analysts (figure 4).

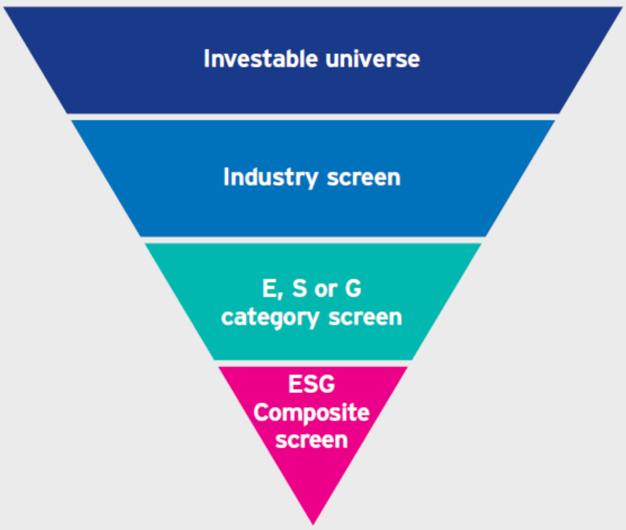
Through this ongoing process portfolio managers are provided with inputs and tools necessary to dynamically manage portfolios within the objective, investment guidelines and risk appetite of each individual fund mandate, including minimum ESG criteria and certain sector exclusions (figure 5).

Figure 4
Fundamental investment process with clear decision making philosophy
Disciplined and proven process drives strong investment results



Source: Invesco, as at 31 December 2019. For illustrative purposes only.

Figure 5
ESG portfolio construction



1. Industry screen
Screening employed to exclude companies based on their involvement in:
– Production of tobacco products
– Controversial weapons
– Engagement in cultivation, production or distribution of recreational cannabis products
– Extraction of thermal coal
– Extraction of fossil fuels from unconventional sources
– Generating of electricity above a defined percentage from coal/fire plants
– UN Global Compact Principles

2. E, S or G category screen
Screen out issuers with an E, S or G category average above a specified threshold

3. ESG Composite screen
Screen out issuers with an ESG Composite score above a specified threshold

Source: Invesco. For illustrative purposes only.

For the Invesco ESG Senior Loan strategies, minimum ESG ratings criteria and certain sector exclusions are applied during portfolio construction. The Fund's team employs screening to exclude companies and/or issuers from the investment universe that do not meet the Fund's ESG criteria, including but not limited to:

- level of involvement in the production of tobacco and tobacco products,

- level of involvement in gambling,
- controversial weapons (including nuclear weapons),
- whole or partial engagement in the cultivation, production or distribution of cannabis or cannabis derived products for the purposes of recreational use (including any company that derives a part of its revenue from recreational cannabis), extraction of thermal coal,
- extraction of fossil fuels from unconventional sources (including Arctic drilling, tar sands, shale oil and gas, or other fracking activities and/or mining of oil shale),
- generation of electricity above a defined percentage from coal-fired power plants, as well as status in terms of respecting the UN global compact principles), as well as based on the status of these companies and/or issuers in terms of respecting the UN global compact principles as assessed by third party providers for the global universe they cover, as updated from time to time.

In addition, the Invesco ESG Senior Loan strategies may not invest in loans from companies that have an aggregated ESG rating or single category E, S, or G ratings below levels set within the internal ESG rating methodology, and will disinvest within 6 months from loans for which the aggregated ESG rating or single category E, S, or G ratings fall below these limits, as determined by the Investment Manager's internal rating methodology.

II. Decision Process

When the analyst (together with the respective team leader) determines that an issue is suitable for investment, he/she will circulate the IC Memo containing his/her analysis to the Investment Committee prior to an Investment Committee meeting. The Investment Committee meeting includes a thorough discussion of the due diligence process, risks and strengths of each investment, transaction and structural consideration, recommended Internal Rating, ESG recommended rating, and relative value. Based on these factors, the Investment Committee confirms the Internal Rating and the corresponding commitment level on both an aggregate and fund-specific basis. The Investment Committee sets exposure limits based on portfolio strategy.

04 Fund Facts

Invesco US Senior Loan ESG Fund

Investment Centre	Invesco Senior Secured Management
Fund Manager	Kevin Egan, Scott Baskind
Contracted Vehicle Type	FCP
Domicile Country	Luxembourg
Launch Date	12 July 2019
Fund volume	$716.06 million

Source: Invesco as at 30 November 2020.

Invesco European Senior Loan ESG Fund

Investment Centre	Invesco Senior Secured Management
Fund Manager	Michael Craig, Scott Baskind
Contracted Vehicle Type	FCP
Domicile Country	Luxembourg
Launch Date	21 January 2020
Fund volume	€97.02 million

Source: Invesco as at 30 November 2020

Invesco Global Senior Loan ESG Fund

Investment Centre	Invesco Senior Secured Management
Fund Manager	Kevin Egan, Michael Craig, Scott Baskind
Contracted Vehicle Type	FCP
Domicile Country	Luxembourg
Launch Date	21 February 2020
Fund volume	$131.07 million

Source: Invesco as at 30 November 2020

Important information

Risk Warnings

The value of investments and any income will fluctuate (this may partly be the result of exchange-rate fluctuations) and investors may not get back the full amount invested.
The fund is particularly dependent on the analytical abilities of its investment manager on senior loans. Many senior loans are illiquid, meaning that the fund may not be able to sell them quickly at a fair price and/or that the redemptions may be delayed due to illiquidity of the senior loans. The market for illiquid securities is more volatile than the market for liquid securities. The market for senior loans could be disrupted in the event of an economic downturn or a substantial increase or decrease in interest rates. Senior loans, like most other debt obligations, are subject to the risk of default. For more important information on risks associated with this fund, please see the "Risk Factors" section of the relevant Appendix of the Prospectus.

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Further information on the fund, the current Prospectus and the latest annual report can be obtained from the contact details below. Investors should not invest in the fund solely based on the information provided in this document.

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EMEA 896/2021