Principal adverse impact statement

June 2025

Contents

1. Summary

Invesco Management S.A. (549300VDSJEXPNC5A615) – hereinafter referred to as 'IMSA' – considers principal adverse impacts of their investment decisions on sustainability factors.

IMSA is incorporated in Luxembourg and covers investments in various asset classes (such as equities, fixed income, commodities) with Assets Under Management as of 31 December 2024 at Euros 41,735 million.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2024.

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.

IMSA 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.

IMSA 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, position sizing 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 issued in the Commission Delegated Regulation (EU) 2022/1288 ("SFDR Delegated Regulation"), IMSA has set out the mandatory PAI indicators (contained in *Annex 1, Table 1 SFDR Delegated Regulation*) in the below table.

A subsection of the table contains the two additional PAI indicators chosen by IMSA, 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 IMSA's investee companies and sovereigns, with information against each PAI detailing, as far as is available, actions IMSA 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 (2024)	Impact (2023)	Explanation	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	1336155.41 CO2e	1734118.56 CO2e	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	**Corporate-level Activities:** • 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 (Net Zero Asset Managers Initiative announced on January 13, 2025 that it has suspended its primary activities and while it reviews the initiative to ensure it remains fit for purpose in the current and future global context.) **Research and Engagement:** • With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IMSA 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. • IMSA tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. • For certain products, we have expanded our issuer due diligence questionnaires to include additional quantitative principal adverse impact metrics based on the Annex 1 indicators. We have begun dialogue with management where feasible to encourage provision of relevant data. For some asset classes, the quantitative data coverage is currently limited, but we will continue to encourage issuers to provide relevant metrics. We expect data provision rates to improve over time as issuers are increasingly required to report ESG data. We will continue to review the situation and seek the most relevant data points available for the principal adverse impacts of our portfolios. **Exclusions:** • For certain products that promote environmental/social characteristics, or have sustainable investment as their objective, IMSA has exclusion frameworks (varying by product), which may cover the exclusion of activities with highly negative climate impacts (e.g., thermal coal and unconventional oil and gas) in line with the investment objective of such products. Certain funds and segregated mandates may apply additional or different ESG exclusion criteria. **Actions planned for the next reference period:** • IMSA 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	331296.24 tCO2e	373480.98 tCO2e		
		Scope 3 GHG emissions	11439399.04 tCO2e	9905567.38 tCO2e		
		Total GHG emissions	13106850.70 tCO2e	12013166.92 tCO2e		
	2. Carbon footprint	Carbon footprint	513.23 tCO2e per Eur Million invested	487.98 tCO2e per Eur Million invested		
	3. GHG Intensity of investee companies	GHG Intensity of investee companies	1,091.66 tCO2e per Eur Million revenue	981.97 tCO2e per Eur Million revenue		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	13.58% weight of the funds	13.77% weight of the funds		
	5. Share of non-renewable energy consumption	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	• Consumption: 64.88 % of non -renewable energy • Production: 20.55 % of non-renewable energy	• Consumption: 68.06 % of non-renewable energy • Production: 20.33 % of non-renewable energy		
	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	• Agriculture, Forestry & Fishing: 2.39 GWH/Mil Eur Revenue • Construction: 0.11 GWH/ Mil Eur Revenue • Electricity, Gas, Steam & Air Conditioning Supply : 4.84 GWH/Mil Eur Revenue • Manufacturing: 0.48 GWH/Mil Eur Revenue • Mining & Quarrying: 0.91 GWH/Mil Eur Revenue • Real Estate Activities: 0.45 GWH/Mil Eur Revenue • Transportation & Storage: 1.17 GWH/Mil Eur Revenue • Water Supply, Sewerage, Waste Management & Remediation Activities: 0.64 GWH/Mil Eur Revenue • Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles: 0.09 GWH/Mil Eur Revenue	• Agriculture, Forestry & Fishing: 3.78 GWH/ Mil Eur Revenue • Construction: 0.11 GWH/ Mil Eur Revenue • Electricity, Gas, Steam & Air Conditioning Supply: 2.66 GWH/Mil Eur Revenue • Manufacturing: 23.53 GWH/Mil Eur Revenue (0.66 GWH/Mil Eur Revenue when removing an outlier) • Mining & Quarrying: 1.74 GWH/Mil Eur Revenue • Real Estate Activities: 0.43 GWH/Mil Eur Revenue • Transportation & Storage: 1.57 GWH/Mil Eur Revenue • Water Supply, Sewerage, Waste Management & Remediation Activities: 0.67 GWH/Mil Eur Revenue • Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles: 0.43 GWH/Mil Eur Revenue		

Adverse sustainability indicator		Metric	Impact (2024)	Impact (2023)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Biodiversity	7. Activites 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	4.33% weight of the funds	5.68 % weight of the funds	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	**Corporate-level activities:** • In March 2022, Invesco Ltd became a Forum Member for the Taskforce on Nature-related Financial Disclosures (TNFD). This has allowed us 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 our exploration into biodiversity data and further incorporating it into our investment and research processes. **Research and Engagement** • With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IMSA to avoid or reduce activities negatively affecting biodiversity-sensitive areas in our investment portfolios include research, corporate engagement, or exclusion from portfolios where aligned with the investment objective. • IMSA tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. • For certain products we have expanded our issuer due diligence questionnaires to include additional quantitative principal adverse impact metrics based on the Annex 1 indicators. We have begun dialogue with management where feasible to encourage provision of relevant data. For some asset classes, the quantitative data coverage is currently limited, but we will continue to encourage issuers to provide relevant metrics. We expect data provision rates to improve over time as issuers are increasingly required to report ESG data. We will continue to review the situation and seek the most relevant data points available for the principal adverse impacts of our portfolios. **Actions planned for the next reference period:** • IMSA 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.

Adverse sustainability indicator		Metric	Impact (2024)	Impact (2023)	Explanation	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	0.0001 tonnes of emissions per million EUR Invested	2.42 tonnes of emissions per million EUR Invested	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	**Research and Engagement:** • With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IMSA to reduce tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average, our investment portfolios include research, corporate engagement, or exclusion from a portfolio where aligned with the investment objective. • IMSA tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. • For certain products we have expanded our issuer due diligence questionnaires to include additional quantitative principal adverse impact metrics based on the Annex 1 indicators. We have begun dialogue with management where feasible to encourage provision of relevant data. For some asset classes, the quantitative data coverage is currently limited, but we will continue to encourage issuers to provide relevant metrics. We expect data provision rates to improve over time as issuers are increasingly required to report ESG data. We will continue to review the situation and seek the most relevant data points available for the principal adverse impacts of our portfolios. **Actions planned for the next reference period:** • IMSA 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.

Adverse sustainability indicator		Metric	Impact (2024)	Impact (2023)	Explanation	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	2.6 tonnes of hazardous waste per million EUR invested	3.12 tonnes of hazardous waste per million EUR invested	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	**Corporate-level activities:** • Invesco is a member of the Investor Mining and Tailings Safety initiative. **Research and Engagement:** • With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IMSA 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. • IMSA tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. • For certain products we have expanded our issuer due diligence questionnaires to include additional quantitative principal adverse impact metrics based on the Annex 1 indicators. We have begun dialogue with management where feasible to encourage provision of relevant data. For some asset classes, the quantitative data coverage is currently limited, but we will continue to encourage issuers to provide relevant metrics. We expect data provision rates to improve over time as issuers are increasingly required to report ESG data. We will continue to review the situation and seek the most relevant data points available for the principal adverse impacts of our portfolios. **Actions planned for the next reference period:** • IMSA 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.

Adverse sustainability indicator		Metric	Impact (2024)	Impact (2023)	Explanation	Actions taken, and actions planned and targets set for the next reference period
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	0.08% weight of the funds	1.63% weight of the funds	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	**Research and Engagement:** • With a particular focus on holdings in products that promote environmental/ social characteristics or have sustainable investment as their objective, actions taken by IMSA 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 portfolios where aligned with the investment objective. • IMSA tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. • For certain products we have expanded our issuer due diligence questionnaires to include additional quantitative principal adverse impact metrics based on the Annex 1 indicators. We have begun dialogue with management where feasible to encourage provision of relevant data. For some asset classes, the quantitative data coverage is currently limited, but we will continue to encourage issuers to provide relevant metrics. We expect data provision rates to improve over time as issuers are increasingly required to report ESG data. We will continue to review the situation and seek the most relevant data points available for the principal adverse impacts of our portfolios. **Exclusions:** • For certain products that promote environmental/social characteristic or have sustainable investment as their objective, IMSA 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). • The controversial weapons statement covers Invesco Funds and Invesco Zodiac Funds. **Actions planned for the next reference period:** • IMSA 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	38.52% weight of the funds	41.61% weight of the funds	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	22.17% (Difference in earnings of female and male as a % of male earnings)	21.72% (Difference in earnings of female and male as a % of male earnings)	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	34.43% female to male Board members	32.12% female to male Board members	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	
	14. Exposure to controversial weap-ons (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	0.00% weight of the funds	The methodology used is consistent with our SICAV controversial weapons exclusion policy.	

Adverse sustainability indicator		Metric	Impact (2024)	Impact (2023)	Explanation	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	0.42 Kilo Tons/Million EUR GDP	0.33 Kilo Tons/Million EUR GDP	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities	**Research and Engagement:** • With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IMSA to avoid or reduce GHG intensity of investee countries in our investment portfolios include research, corporate engagement, or exclusion from portfolios where aligned with the investment objective. • IMSA tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. **Actions planned for the next reference period:** • IMSA 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.

Adverse sustainability indicator		Metric	Impact (2024)	Impact (2023)	Explanation	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	3.25 countries, 4.22 % of total investee countries	2.25 countries, 2.87% of total investee countries	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	**Research and Engagement:** • With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IMSA to avoid or reduce investee countries subject to social violations in our investment portfolios include research, corporate engagement, or exclusion from portfolios where aligned with the investment objective. • IMSA tailors its approach to principal adverse impact assessment to the context of specific types of asset classes/investment strategies. **Exclusions:** • For certain products that promote environmental/social characteristics or have sustainable investment as their objective, IMSA has an exclusion framework, which covers the exclusion of sanctioned investments. At IMSA, 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. **Actions planned for the next reference period:** • IMSA 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.

Adverse sustainability indicator		Metric	Impact (2024)	Impact (2023)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets						
Fossil Fuels	17. Exposure to fossil fuel through real estate assets.	Share of investments in real estate assets involving in the extraction, storage, transport or manufacture of fossil fuels	n/a	n/a	n/a	IMSA had no investments in real assets.
Energy Efficiency	18. Exposure to energy inefficient real estate assets	Exposure to energy inefficient real estate assets	n/a	n/a	n/a	
Additional indicators						
Emissions	4. Investments in companies without carbon emission reduction initiative	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	28.07% weight of the funds	33.62% weight of the funds	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	**Data Collection and actions taken:** • With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IMSA 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. **Actions planned for the next reference period:** • IMSA 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.

Adverse sustainability indicator		Metric	Impact (2024)	Impact (2023)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Human rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	8.74% weight of fund	9.01% weight of fund	The calculation methodology is consistent with the guidance provided in the SFDR Delegated Regulation. Each indicator is calculated based on the assets invested in the companies and fixed income securities.	**Data Collection and actions taken:** • With a particular focus on holdings in products that promote environmental/social characteristics or have sustainable investment as their objective, actions taken by IMSA to avoid or reduce investments in entities without a human rights policy 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. **Actions planned for the next reference period:** • IMSA 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.

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.

Derivative instruments have not been included in the calculation of the above PAIs.

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

IMSA's policy on consideration of principal adverse impacts of its investment decisions on sustainability factors was initially approved by the board of IMSA in December 2023.

The policy is implemented by our Global Sustainable Investing Services 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 IMSA'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 IMSA's process of considering principal adverse impacts is the flexibility for investment teams and the Sustainable Investing Services 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 ESG data 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.

The internal ESG Data and Tech Forum has responsibility for overseeing the quality of ESG data, including principal adverse impact data.

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

In accordance with SFDR's Delegated Regulation 2022/1288, IMSA has selected an additional environmental PAI indicator and one additional social PAI indicator. The selection methodology for these attempts to account for the autonomy our investment teams have in tailoring their approaches, drawing on higher concentrations of data as well as considering macro-environmental factors. The approach focuses on 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 IMSA's sustainable finance approach.
3. **Data availability/quality** – with larger data sets and developed processes, IMSA 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.

IMSA 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. IMSA 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 IMSA 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.

IMSA 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 IMSA 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 IMSA'S first recalculation of flagged issuers.

Limitations to methodology and margins of error

IMSA 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. IMSA 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 Sustainable Investing Services team with 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 the Sustainable Investing Services 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 15% (such as for PAI 14) to 99% (such as for PAI 8).

Data sources

IMSA 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, MSCI, Sustainalytics and ISS).

4. Engagement policies

Pursuant to Article 3g of the Shareholder Rights Directive II 2017/828 (SRD II), IMSA is required to publicly disclose its engagement policy.

IMSA defines its engagement philosophy around its duties of active management and investment stewardship. Monitoring investments and engaging proactively with investee companies are effective tools to promote long-term sustainable value creation.

IMSA's policy approach involves decentralised decision-making by the investment teams, supported by the Sustainable Investing Services, Investment Advisory and Proxy Voting & Governance teams. Engagement approaches may therefore vary in detail between teams, however the core engagement philosophy remain consistent. A key focus is on products that promote environmental or social characteristics (Article 8 under SFDR) or have sustainable investments as their objective (Article 9 under SFDR). Available data are assessed to identify the poorest-performing issuers for each relevant indicator, as follows:

1. **Qualitative Consideration**

   Once the aforementioned quantitative screen has been applied to identify PAI flags, qualitative consideration is performed. This two-step approach combines numerical data with additional analysis to understand the broader context and implications of each PAI.

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

   The investment team holds ultimate responsibility for integrating PAI insights into investment decisions. This team-driven approach ensures that our sustainability considerations are embedded in our investment strategy and decision-making processes.

3. **Support from the Sustainable Investing Research team**

   The Sustainable Investing Research team plays a supportive role, providing expertise and guidance to navigate the complexities of PAIs. This team offers research, analysis, and recommendations to ensure that the investment team is equipped with the knowledge and tools necessary to consider 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.

Our investment teams have discretion to adjust their position size, divest, or underweight issuers where engagement actions result in no improvement of the flagged PAI indicators over an appropriate period, provided that the applicable strategy permits such action.

The above processes may apply to address deficiencies related to any of the 18 mandatory PAI indicators, as set out by SFDR, and the additional environmental and social PAI indicator, as selected by IMSA.

IMSA 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.

Proxy Voting

IMSA understands proxy voting to be a key aspect of engagement, in the investment management services it provides to clients. Where IMSA has been delegated the authority to vote proxies with respect to securities held in client portfolios, we exercise such authority in the manner we believe best serves the interests of our clients and their investment objectives. We recognize that proxy voting is an important tool that enables us to drive shareholder value.

IMSA’s approach is guided by its Global Corporate Governance and Proxy Voting Policy, which can be found here.

SRD II also requires IMSA to publish an annual report on implementation of its Engagement Policy, including a general description of voting behaviour, an explanation of the most significant votes and the use of proxy voting advisors. IMSA discloses an annual report on implementation of its engagement policies, significant votes including vote rationales for the European Shareholder Rights Directive annually (Here).

5. References to international standards

As an asset manager, IMSA 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.

IMSA conducts screening against a number of international standards, 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 explicitly be 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’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 the investment team may deem it relevant, Invesco Ltd. uses forward-looking climate scenarios provided by Planetrics, a McKinsey and Company solution, based on the “Phase IV” Network for Greening the Financial System (NGFS) Hot House World, Below 2C, and Delayed Transition scenarios released in 2023.

6. Historical comparison

The year-on year changes (either positive or negative) on PAIs are caused by multiple factors including but not limited to, changes in portfolio holdings, portfolio weightings, data coverage, market movement, data quality and company performance against these indicators.