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# Invesco Euro Liquidity Portfolio

## (the “Fund”)

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Sustainability-related disclosures

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# Summary

Invesco has put in place minimum safeguards across Invesco Liquidity Funds, enabling them to meet Article 8 requirements of the Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector (SFDR). To be classified as an Article 8 product, Funds need to promote, among other things, environmental and/or social characteristics while also ensuring that investee companies follow good governance practices.

The Fund's investment objective is to maximise current income consistent with the preservation of principal and liquidity and to aim to provide a return in line with money market rates.

This Fund is actively managed and aims to provide as high a level of current income in Euro as is consistent with the preservation of principal and liquidity by investing in a diversified portfolio of short-term Euro denominated instruments considered by the Investment Manager to be of high quality in accordance with the criteria set out in the prospectus.

This Fund promotes environmental and/or social characteristics but does not intend to make sustainable investments. As part of the investment strategy, the Investment Manager applies negative screens and proprietary scoring as part of its investment process, whilst ensuring issuers follow good governance practices. The Investment Manager's proprietary rating methodology is based on a combination of materiality (meaning those ESG considerations that have the potential to impact most significantly on an issuer's ability to meet its debt obligations) and momentum (meaning a determination of which issuers are outpacing their peers in making progress around ESG considerations). The process then leads to each issuer being assigned an overall ESG score and ESG Trend/Momentum score. The lowest rated issuers following this process will be excluded from the Fund's portfolio.

The Fund has not designated any reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Fund.

## No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment. The Fund does not intend to make sustainable investments.

## Environmental or social characteristics of the financial product

The environmental and social characteristics promoted by the Fund consist of making investments which meet the Investment Manager's exclusion framework, which removes certain business activities deemed by the Investment Manager to be detrimental to environmental or social objectives. In the Investment Manager's view, the exclusion of these business activities, which have been deemed to be detrimental to ESG objectives, in turn contributes to the promotion of investments deemed to be beneficial to ESG objectives.

In particular, the Investment Manager applies negative screens and proprietary scoring as part of its investment process, whilst ensuring issuers follow good governance practices in the areas of sound management structures, employee relations, remuneration and tax compliance.

The Investment Manager's proprietary rating methodology is based on a combination of materiality and momentum. Materiality means being clear about ESG considerations that have the potential to impact most significantly on an issuer's ability to meet its debt obligations. Momentum means using the team's expert analysis to determine which issuers are outpacing their peers in making progress around ESG considerations. The process then leads to each issuer being assigned an overall ESG score (A-E) and ESG Trend/Momentum score. The lowest rated issuers following this process, will be excluded from the Fund's portfolio.

In addition to the regulatory mandated exclusions with regard to controversial weapons and sovereign debt sanctions, the Fund applies additional exclusions based on the following factors, which may be periodically updated:

- Level of involvement in coal extraction and production/power generation;
- Level of involvement in unconventional oil and gas such as arctic oil and gas exploration extraction, oil sands extraction and shale energy extraction;
- Level of involvement in tobacco production and tobacco-related products;
- Level of involvement with recreational cannabis;
- Level of involvement in gambling and conventional oil and gas;
- Companies involved in the manufacture of nuclear warheads or whole nuclear missiles outside of the Non-Proliferation Treaty.

In addition, companies will be excluded if they are assessed as being in violation of any of the UN Global Compact's principles, based on third-party data and the Investment Manager's proprietary analysis and research. Exclusions apply on a continuous basis during the life of the Fund.

UN Global Compact	<ul style="list-style-type: none"><li>• Non-complaint</li></ul>
Country Sanctions	<ul style="list-style-type: none"><li>• Sanctioned investments are prohibited<sup>1</sup></li></ul>
Controversial weapons	<ul style="list-style-type: none"><li>• 0% of revenue, including companies involved in the manufacture of nuclear warheads or whole nuclear missiles outside the Non Proliferation Treaty (NPT)</li></ul>
Coal	<ul style="list-style-type: none"><li>• Thermal coal extraction: <math>\geq 5\%</math> of revenue</li><li>• Thermal coal power generation: <math>\geq 10\%</math> of revenue</li></ul>
Unconventional oil & gas	<ul style="list-style-type: none"><li>• <math>\geq 5\%</math> of revenue on each of the following:<ul style="list-style-type: none"><li>– Arctic oil &amp; gas exploration;</li><li>– Oil sands extraction;</li><li>– Shale energy extraction;</li></ul></li></ul>
Tobacco	<ul style="list-style-type: none"><li>• Tobacco products production: <math>\geq 5\%</math> of revenue</li><li>• Tobacco related products and services: <math>\geq 5\%</math> of revenue</li></ul>
Other exclusions	<ul style="list-style-type: none"><li>• Recreational cannabis: <math>\geq 5\%</math> of revenue;</li><li>• Gambling overall revenue: <math>\geq 50\%</math> of revenue;</li><li>• Oil &amp; gas overall revenue: <math>\geq 50\%</math> of revenue;</li></ul>

Proprietary rating	<ul style="list-style-type: none"> <li>• Issuers (including sovereign, securitised (including Asset Backed Commercial Paper (ABCP) and government agencies) will be excluded if they do not meet minimum ESG standards as determined by the Investment Manager's proprietary rating methodology</li> </ul>
Good Governance	<ul style="list-style-type: none"> <li>• Ensure that companies follow good governance practices in the areas of sound management structures, employee relations, remuneration and tax compliance</li> </ul>

<sup>1</sup> At Invesco we continuously monitor any applicable sanctions, including those imposed by the UN/US/EU and UK. These sanctions may preclude investments in the securities of various governments/regimes/entities and as such will be included in our compliance guidelines and workflows [designed to ensure compliance with such sanctions]. The wording of international sanctions is something that we pay particular attention to as there are occasions where sanctions can exist in limited form, for example allowing investments in the secondary market in addition to sanctions targeting entire countries, there are other thematic regimes, which may focus for example on human rights, cyber attacks, terrorist financing and corruption, which may apply to both individuals and/or entities/corporations.

## Investment strategy

The umbrella fund will take steps to ensure that each Fund that promotes environmental and/or social characteristics will not knowingly:

- invest in issuers that derive their main revenue from the mining, exploration, refinement, production, transportation or storage of fossil fuels;
- invest in issuers that derive their main revenue from gambling including companies that own casinos, offer bookmaking or online gambling or manufacture gambling products;
- finance cluster munitions and weapons containing depleted uranium, and anti-personnel mines, as well as biological and chemical weapons. This includes in particular not knowingly investing in any form of securities issued by an entity, the main activities of which are the manufacturing, use, reparation, sale, exhibition, distribution, import or export, storing or transport of cluster munitions, munitions and weapons containing depleted uranium, and anti-personnel mines, as well as biological and chemical weapons;
- invest in issuers involved in the manufacture of nuclear warheads or whole nuclear missiles outside of the Non Proliferation Treaty;
- invest in issuers which are assessed as being in violation of any of the UN Global Compact's principles;
- invest in companies, sovereign issuers and/or government agencies, linked to such sovereign issuers that do not meet minimum standards based on the proprietary ESG methodology of the Investment Manager;
- invest in issuers that exceed the thresholds set out in the Fund's ESG Policy for their level of involvement in the following business activities:
  - (a) coal extraction and production;
  - (b) unconventional oil and gas such as arctic oil and gas exploration/extraction, oil sands extraction and shale energy extraction;
  - (c) tobacco production and tobacco related products;
  - (d) the production of recreational cannabis;
  - (e) involvement in gambling and conventional oil and gas;
  - (f) manufacture of nuclear warheads or whole nuclear missiles outside of the Non-Proliferation Treaty.

Issuers are assessed on a range of good governance principles which may vary, for example, due to differing business profiles or operating jurisdictions. The Investment Manager assesses issuers for good governance practices using both qualitative and quantitative measures, with appropriate action taken where material concerns around governance exist. These assessments take into account various metrics such as board composition, executive compensation, committee structure, board frameworks and operating model, and legal and regulatory compliance.

## Proportion of investments

The exclusions will be screened to the full investment universe. The expected asset allocation is 100% of investments will be aligned with the environmental or social characteristics promoted by the Fund.

## Monitoring of environmental or social characteristics

In order to assess companies around the above activities, Invesco uses a combination of Sustainalytics and ISS (Institutional Shareholder Services) to assess compliance, however, this can be supplemented with other service providers where appropriate. This data is used in order to place trade restrictions on issuers that breach the defined thresholds.

While there is broad coverage across the various systems, there is no one system that has complete coverage of the entire investment universe. As a result, investment teams will be responsible for conducting an assessment of companies for which data is not available, under the appropriate supervision and oversight of our investment compliance and ESG teams.

## Methodologies

### Counterparty Selection

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

### Companies with clear transition plans

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

### Data overwrite

It is recognised that some service provider methodologies may be backward-looking on their data and company assessment. As a result, to ensure that we are not wholly reliant on data vendors, a process has been established to allow investment managers to challenge the data. Any scenario where the data vendor assessment is overruled will go through a comprehensive review process, with any reasons being clearly documented.

### Disinvestment period

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

## Data sources and processing

In order to assess companies around the above activities, Invesco uses a combination of Sustainalytics and ISS (Institutional Shareholder Services) to assess compliance. However, this can be supplemented with other service providers where appropriate.

While there is broad coverage across the various systems, there is no one system that has complete coverage of the entire investment universe. As a result, the investment team will be responsible for conducting an assessment of companies for which data is not available, under the appropriate supervision and oversight of our investment compliance and ESG teams.

The percentage of coverage from data providers varies from fund to fund. However, to the extent there is no coverage available, the investment team will provide a self-certification.

## Limitations to methodologies and data

The Fund's investment universe will be covered and assessed against the exclusion framework. There may be insufficient data coverage by third party data providers for certain issuers. In evaluating a security based on environmental and / or social characteristics, the Investment Manager may rely on data from external ESG data providers, which may be incomplete, inaccurate or unavailable and/or information and data sources provided by internal research teams. External ESG data providers are private undertakings providing ESG data for a variety of issuers. The ESG data providers may change the evaluation of issuers or instruments, at their discretion from time to time, due to methodology changes, company-specific events or other factors. As a result, there exists a risk of the Investment Manager incorrectly assessing a security or issuer, resulting in the incorrect inclusion or exclusion of a security. The Investment Manager shall make reasonable efforts to include companies in the investment universe that meet the stated environmental and / or social characteristics of the relevant Funds. Neither the Umbrella Fund, the Management Company nor the Investment Manager make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of such ESG assessment. To the extent that the assessment of a particular security changes such that it is no longer deemed suitable for a Fund by the Investment Manager, the Investment Manager will make efforts to dispose of such security as soon as reasonably practicable and the Management Company, Umbrella Fund or Investment Manager will not be held liable based on the fact that such security was held based on a good faith assessment of the information available at the time of the assessment.

## Due diligence

There are multiple levels of controls in place to ensure that the Fund does not invest in securities issued by issuers that violate or breach the aforementioned exclusionary criteria. The first step in this due diligence process is a review of the data received from ESG data vendors to ensure that each update file is as complete as possible before ingestion into internal systems. This includes an analysis of the changes between the current data file and previous data files, highlighting significant changes and potentially requesting confirmation of these changes.

Issuers that breach the exclusionary criteria and thresholds are then restricted from being purchased by the compliance team. Where there is a security that a portfolio manager wishes to include in the Fund but that is not covered by an ESG data vendor, that portfolio manager will do primary research on the issuer and determine if the issuer should pass or fail based on the exclusionary criteria. This initial review is then cross-checked by Invesco's dedicated ESG and credit research teams. If the ESG and credit research teams agree with the portfolio manager's assessment, the security is allowed. If the ESG and credit teams disagree with the portfolio manager's assessment, the review will be escalated to the chief investment officer overseeing the Fund for a final determination. A similar process is in place for data challenges where the portfolio manager believes there is a factual error in the ESG vendor's data.

Any changes to the ESG criteria of the fund must be reviewed and approved by Invesco's ESG client strategies team. This team is composed of ESG professionals with experience working with both clients and portfolio managers in the creation of ESG-labelled or related products. This process ensures that the criteria selected represent industry best practices for ESG-related products.

## Engagement policies

Invesco's engagement policy can be accessed [here](#) – 'Stewardship Report'.

## Designated reference benchmark

The Fund has not designated any reference benchmark for the purpose of attaining the environmental or social characteristic promoted by the Fund.

<b>Version</b>	<b>Date</b>	<b>Details of change</b>
1.0	16 December 2022	Creation of the document
1.1	8 March 2023	Update of 'Environmental or social characteristics of the financial product'