

Sustainability-related disclosures for Ailis Invesco Income

This document provides you with a summary of sustainability-related information available on our website about this financial product. It is prepared in relation to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088. The information disclosed is required by law to help you understand the sustainability characteristics and/or objectives and risks of this financial product.

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Summary	<p>This Sub-fund promotes environmental or social characteristics. The Management Company identifies the sustainable investments according to SFDR on the basis of UN SDGs as described in more detail below in the section “Methodologies”.</p> <p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p> <p>The indicators used to measure the attainment of each of the environmental or social characteristic promoted by the Sub-fund are:</p> <ul style="list-style-type: none"> • the absence of investments in securities that are on the exclusion list as result of the application of the exclusion policy. The Investment Manager excludes investment in sectors which it deems to be harmful from an SRI/ESG perspective or which do not follow good governance practices. The Sub-fund complies with an exclusions policy which refers to: i) the production, maintenance, sales and storage of weapons of mass destruction (WMD); and ii) the extractive activities, production and distribution of electricity connected with thermal coal, the energy source among fuels which represents the highest contributor in terms of carbon dioxide emissions; therefore, issuers deriving at least 25% of their revenues from these activities are excluded. The exclusion is extended to those issuers in breach of the Principles of the UN Global Compact which include principles relating to human rights, labour conditions, environmental issues and anti-corruption practices; • the ESG rating of the portfolio. <p>To undertake the ESG rating analysis, sustainable characteristics of the underlying investments are defined by reference to a combination of data generated internally by the Investment Manager’s proprietary models and data provided by external ESG research providers.</p> <p>The assessment of the good governance practices is a central pillar of the investment process adopted by the Investment Manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy. The good governance assessment takes into account sound management structures, employee relations, remuneration of staff and tax compliance.</p> <p>Compliance with issuers’ good governance practices is ensured through the application of ESG and SRI exclusions criteria. The absence of criticality in these areas is considered as a minimum requirement that guarantees the good governance of an issuer for inclusion in the investible universe. For details on the ESG and SRI exclusion criteria please refers to the answer to the question “What investment strategy does this financial product follow?”.</p> <p>The Investment Manager’s approach includes the adoption of strategies in line with the Principles for Responsible Investing (the “PRI principles”). These strategies can be integrated into different steps of the investment process and they are based on exclusion criteria (for Issuers operating in non-socially responsible sectors or exposed to ESG risk) and in the integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy.</p> <p>The Sub-fund’s investment policy is set out in the Sub-fund Appendix.</p> <p>In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments that meet the ESG criteria (in terms of ESG rating coverage) should be at least 50% of the portfolio (box #1 Aligned with E/S characteristics).</p> <p>The remaining proportion (50% corresponding to the box #2 Other) of the investments (not included in the investments for promoting environmental or social characteristics) should be limited to:</p> <ul style="list-style-type: none"> • cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes; • derivatives which may be held for risk balancing purposes, hedging and efficient portfolio management but not for promoting environmental and social characteristic; • securities for which relevant data is not available. <p>With the aim of preventing, containing and managing the main adverse impacts of investment decisions on sustainability factors, the Management Company conducts engagement actions - both individual and collective with other investors - and exercises its voting rights on the issuers in its portfolio, in order to create awareness and orient the issuers’ behaviors towards specific sustainability issues, according to the times and methods formalized in its “Engagement Policy” and in the “Strategy for the exercise of the attendance and voting rights attached to the financial instruments held by the UCITS under management”.</p>
No sustainable investment objective	<p>This Sub-fund promotes environmental or social characteristics, but does not have as its objective sustainable investments.</p>

Environmental or social characteristics of the financial product	<p>The main environmental and social characteristics promoted by the Sub-fund through the Investment Manager's ESG methodology are the following:</p> <ul style="list-style-type: none"> • Environmental: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint, climate change vulnerability), pollution & waste prevention (with reference to toxic emissions & waste, packaging material & waste, electronic waste), environmental opportunities (in clean tech, in renewable energy); • Social: human capital (labor management, health & safety, human capital development, supply chain labor standards), product liability (product safety & quality, chemical safety, consumer financial protection, privacy & data security, responsible investment, health & demographic risk), social opportunities (access to communications, access to finance, access to health care, opportunities in nutrition & health), stakeholder opposition (controversial sourcing, community relations). <p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p>
Investment strategy	<p>The Investment Manager's approach includes the adoption of strategies in line with the Principles for Responsible Investing (the "PRI principles"). These strategies can be integrated into different steps of the investment process and they are based on exclusion criteria (for Issuers operating in non-socially responsible sectors or exposed to ESG risk) and in the integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy.</p> <p>The Sub-fund's investment policy is set out in the Sub-fund Appendix.</p> <p>The Investment Manager has put minimum safeguards in place across multiple sub-funds to allow 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, the sub-funds need to promote, among other things, environmental and/or social characteristics while also ensuring that investee companies follow good governance practices.</p> <p>In order to meet such requirements, it was determined that we would look to exclude certain activities based on certain thresholds. The activities excluded from the Fund include:</p> <ul style="list-style-type: none"> • Level of involvement in Coal extraction and production; • Level of involvement in Unconventional Oil and Gas such as Arctic oil and gas exploration, oil sands extraction and Shale energy extraction; • Level of involvement in Tobacco production and tobacco-related products; • Level of involvement with recreational cannabis; • Companies involved in the manufacture of nuclear warheads or whole nuclear missiles outside of the Non-Proliferation Treaty. <p>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.</p> <p>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. This self-certification process ensures that the coverage of the Fund's investible universe is 100%</p>
Proportion of investments	<p>In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments that meet the ESG criteria (in terms of ESG rating coverage) should be at least 50% of the portfolio (box #1 Aligned with E/S characteristics).</p> <p>The remaining proportion (50% corresponding to the box #2 Other) of the investments (not included in the investments for promoting environmental or social characteristics) should be limited to:</p> <ul style="list-style-type: none"> • cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes; • derivatives which may be held for risk balancing purposes, hedging and efficient portfolio management but not for promoting environmental and social characteristic; • securities for which relevant data is not available.
Monitoring of environmental or social characteristics	<p>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.</p> <p>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.</p> <p>Invesco has also implemented a challenge process where if there is disagreement between a data vendor's analysis of a company and the portfolio manager's analysis of the company in relation to the above exclusionary criteria, the portfolio manager is able to request a review of the data leading to the restriction. This data review is done independently of the portfolio manager and of the compliance team, and is handled by the ESG research team. If the ESG research team determines that the restriction should not be applied to a particular issuer, then the trade restriction is lifted</p>
Methodologies	<p>SCORING ESG</p> <p>The Management Company is equipped with an internal engine for the calculation of the product ESG score through the processing of the basic information on the score of the underlying issuers sourced by the specialised provider MSCI.</p>

	<p>The score of the issuers is attributed in relation to the score of the three pillars of sustainability: environmental, social and corporate governance.</p> <p>For each pillar the provider performs a granular breakdown taking into account the basic component and the potential and actual risks associated with sustainability factors and a weighting of the weights of each component on the basis of the statistical analysis of the historical and prospectus information for the issuers and for the related sectors included in the proprietary database.</p> <p>The calculation of the ESG Score at product level represents the weighted average of the scores of each investment in the portfolio, modified with regards to the level of cover of the information.</p> <p>In applying the above mentioned methodologies, with the aim to promote environmental or social characteristics, the Management Company ensures that:</p> <ul style="list-style-type: none"> • the binding elements of the investment are respected for issuers characterised by: <ul style="list-style-type: none"> - an ESG rating equal to “CCC”, classified according to the proprietary rating methodology of the external provider MSCI, which contemplates a range of values going from “AAA”, for the best rated issuers, to “CCC” for the riskiest issuers; - a severe and serious dispute equal to “Red”, classified according to the proprietary methodology of the external provider MSCI, that indicates an ongoing very severe controversy (a controversy having a social and/or environmental impact) implicating a company directly through its actions, products or operations (e.g. loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions). <p>For this product, which has a benchmark (as set out in the Sub-fund’s investment policy), the binding investment restrictions allow a maximum permissible exposure equal to the issuer’s weight on the benchmark.</p> <p>The integration of ESG factors is promoted through the selection of issuers in terms of their sustainable performance through an ESG score and in order that the final average ESG portfolio scoring is higher than that one related to the Sub-fund’s benchmark.</p> <p>PRINCIPAL ADVERSE IMPACTS</p> <p>The model defined by the Management Company contemplates the monitoring of Principal Adverse Impacts through some indicators which represent the material negative impacts on sustainability factors from investment choices.</p> <p>With reference to such negative effects, the product takes into account a series of environmental, social, of governance indicators, through the information collected by a specialised info-provider (MSCI ESG Research).</p> <p>The indicators subject to monitoring are the following:</p> <ul style="list-style-type: none"> - Carbon emission (Scope 1 + 2); - GHG intensity (such indicator includes emissions of type Scope 1, 2, 4; such emissions are weighted against the revenues for corporate issuers and against the gross domestic product for government issuers); - Violations of United Nation Global Compact (UNGC) principles and Organisation for Economic Cooperation and Development (OECD) guidelines for Multinational Enterprises; - Exposure to controversial weapons (anti-personnel mines, cluster ammunitions, chemical and biological weapons). - Number of government issuers which report social violations in respect of international agreements, United Nations principles and, where applicable, national laws. <p>The basic data related to such indicators are sourced by the specialised provider MSCI ESG Research and are aggregated internally at product level.</p>
<p>Data sources and processing</p>	<p>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.</p> <p>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.</p> <p>The Fund’s investment universe will be covered and assessed against the exclusion framework with the only exception of asset classes (including cash management and index derivatives) that are not aligned with the environmental or social characteristics promoted by the Fund and are further explained below.</p>
<p>Limitations to methodologies and data</p>	<p>As mentioned above in “Data sources and processing”, except for the below, the Fund’s investment universe will be covered and assessed against the exclusion framework.</p> <p>Cash Management Currencies, cash and money market instruments that are held for cash management/liquidity purposes may not be assessed for compliance within the above framework. Where cash equivalents are held for investment purposes, they will be compliant with the framework.</p> <p>Derivatives Index derivatives will not be assessed on a look-through basis, unless such an index has a significant allocation to prohibited activities.</p>

	<p>Green bonds from ineligible entities Bonds such as green bonds, climate bonds, social bonds as well as sustainability-linked bonds from companies that would ordinarily be ineligible may be eligible for inclusion by the sub-funds, subject to appropriate discussions between the investment and ESG teams.</p> <p>Government Debt Government debt (with the exceptions of sanctions investments as mentioned above) are not covered by the policy, however, quasi-sovereign debt will be treated as corporate debt and therefore assessed against the framework.</p> <p>Securitised Debt Securitised debt will be assessed based on the framework above with the exception of Collateralised Loan Obligations (CLOs), however, due to the nature of this asset class the certification process has been designed to ensure that we look at the property/collateral in making an assessment as to whether the debt is eligible under the framework (i.e. a revenue assessment does not make sense for Securitised Debt).</p>
Due diligence	<p>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.</p> <p>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 research team. If the ESG research team agrees with the portfolio manager's assessment, the security is allowed. If the ESG team disagrees 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.</p> <p>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.</p>
Engagement policies	<p>With the aim of preventing, containing and managing the main adverse impacts of investment decisions on sustainability factors, the Management Company conducts engagement actions - both individual and collective with other investors - and exercises its voting rights on the issuers in its portfolio, in order to create awareness and orient the issuers' behaviors towards specific sustainability issues, according to the times and methods formalized in its "Engagement Policy" and in the "Strategy for the exercise of the attendance and voting rights attached to the financial instruments held by the UCITS under management".</p> <p>In this case, the Company informs the issuer about the identified criticalities, directing its decisions towards their immediate reduction. If these actions are not addressed in an effective and timely manner by the issuer, the Company evaluates to initiate specific reduction or disposal initiatives, even of a progressive nature, of the investment in these issuers.</p> <p>The initiatives carried out and the decisions taken regarding these activities are reported and formalized in order to guarantee a thorough traceability of the decision-making processes and outcomes</p>
Designated reference benchmark	<p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund .</p>