
Invesco Solar ETF

(the “Fund”)

Sustainability-related disclosures

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Summary

The Fund's objective is to seek to track the investment results (before fees and expenses) of the MAC Global Solar Energy Index (the "Reference Index"). In order to achieve the investment objective, the Fund employs a replication method that looks to invest as far as possible and practicable in the constituents of the Reference Index.

This Fund promotes environmental and/or social characteristics but does not have as its objective sustainable investment, however the Fund intends to make sustainable investments. The environmental and/or social characteristics promoted by the Fund are to gain exposure to the global solar energy equity sector by investing in companies that derive significant revenues from solar business activities. The Fund achieves this by tracking the Reference Index, which has a methodology that is consistent with attaining the environmental and social characteristics promoted by the Fund.

Through a combination of the exclusion criteria detailed in the methodology of the Reference Index and the qualitative assessment of Invesco's ESG team, it is ensured that investee companies follow good governance practices. The Reference Index (and therefore the Fund) takes into account the PAI indicators defined in Table 1 of Annex 1 of the RTS and ensures alignment with the OECD guidelines and UNGP, thereby ensuring that the sustainable investments do not cause any significant harm to environmental and/or social objectives.

The Fund generally will invest at least 90% of its total assets in the securities that comprise the Reference Index, as well as American depositary receipts ("ADRs") and global depositary receipts ("GDRs") that represent securities in the Reference Index. The Fund, after investing at least 90% of its total assets in securities that comprise the Reference Index (and ADRs and GDRs that represent securities in the Reference Index), may invest its remaining assets in securities (including other funds) not included in the Reference Index, and in money market instruments, including repurchase agreements and other funds, including affiliated funds, that invest exclusively in money market instruments (subject to applicable limitations under the Investment Company Act of 1940 (or exemptions therefrom), convertible securities and structured notes (notes on which the amount of principal repayment and interest payments is based on the movement of one or more specified factors, such as the movement of a particular security or securities index) and in futures contracts, options and options on futures contracts. The Fund may use futures contracts, options, options on futures contracts, convertible securities and structured notes to seek performance that corresponds to the Reference Index and to manage cash flows.

Through investing at least 90% of its total assets in securities that comprise the Reference Index, the Fund anticipates that 90% of the Fund's assets will be invested in sustainable investments.

The Manager monitors the tracking error of the Fund on an ongoing basis.

In order to assess the quality of the index provider's data, the Manager carries out due diligence on the index provider prior to fund launch and on an ongoing, periodic basis. The Manager may also utilise data from other third-party data providers for comparison purposes, allowing the Manager to identify and challenge any inconsistencies. The Manager does not estimate any of the data or use any estimated data from third party data providers.

There are limitations to the data and methodologies used to measure the attainment of the environmental and social characteristics, e.g. there may be insufficient data coverage by the index provider and third-party data providers, or there may be errors in the data from third party data providers, including index constituent data disseminated by the index provider. However, such limitations are not expected to have any material impact on the Fund's overall ability to attain the environmental and/or social characteristics which are met by tracking the Reference Index.

Please refer to the index provider's website for input data, the methodologies used to select those data, the rebalancing methodologies and how the Reference Index is calculated: <https://www.spglobal.com/>.

No sustainable investment objective

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

The index methodology of the Reference Index ensures that sustainable investments do not cause significant harm by implementing exclusion criteria that takes into account some of the principal adverse impacts (PAI) indicators defined in Table 1 of Annex I of the regulatory technical standards for Regulation 2019/2088 (RTS) and alignment with OECD guidelines and UNGP, such that securities that do not meet certain thresholds will be excluded from the Reference Index. The Fund also takes into account the RTS PAI indicators by using the qualitative research of Invesco's ESG team, to assess whether the sustainable investments of the Fund causes significant harm to the relevant environmental or social investment objective. Where a company is determined to cause such significant harm, it can still be held within the Fund's portfolio but will not be considered a "sustainable investment" within the Fund.

Environmental or social characteristics of the financial product

The environmental and/or social characteristics promoted by the Fund are to track the Reference Index, and thereby gain exposure to the global solar energy equity sector by investing in companies that derive significant revenue from solar business activities. The Fund achieves this by tracking the Reference Index, which has a methodology that is consistent with attaining the environmental and social characteristics promoted by the Fund, as further detailed in the section below titled "Reference Benchmark".

The environmental and/or social characteristics are achieved by applying the index provider's exclusion criteria to the index universe and the index provider determining a company's eligibility for inclusion in the Reference Index by assessing whether solar power is a significant component of the company's business.

Investment strategy

The Fund's objective is to seek to track the investment results (before fees and expenses) of the Reference Index. The Fund employs a "full replication" methodology in seeking to track the Reference Index, meaning that the Fund generally invests in all of the securities comprising the Reference Index in proportion to their weightings in the Reference Index.

Companies eligible for inclusion in the Reference Index are reviewed annually and may be excluded if according to S&P's exclusionary criteria: 1) the company is engaged in (as defined by S&P) the business of the extraction of coal, petroleum, or natural gas; or 2) the company is engaged in (as defined by S&P) the business of generating electricity for sale to third parties using coal, petroleum (oil), or nuclear fuel; and 3) the company has an S&P Governance and Economic Score of 0.

All the companies eligible for inclusion in the Reference Index are analysed to determine whether solar power is a significant component of a company's business and are put into groups and given an exposure factor of 0.5 or 1.0 ("Exposure Factor"):

1. Pure-Play Group: Companies that generate in excess of two thirds of their revenue from solar related business are considered to have their primary business in the solar industry. These are assigned an Exposure Factor of 1.0.
2. Medium-Play Group: Companies that operate in multiple industries but have significant exposure to the solar industry – defined as generating less than approximately two thirds but more than approximately one third of their revenue from solar related business. These are assigned an Exposure Factor of 0.5.
3. Eliminated Group: Companies with marginal exposure to the solar industry – defined as generating less than approximately one third of their revenue from solar related business – are eliminated from consideration as an underlying Index constituent.

The weighting of the Reference Index constituents at the Rebalance Date is determined as follows:

1. The float-adjusted market capitalisation for each security is multiplied by its Exposure Factor.
2. The resulting adjusted market capitalisations are used to create a standard market-capitalisation-weighted index.
3. If necessary, weights are capped to ensure that, at the Rebalance Date, no security in the Reference Index has an individual weighting greater than 10% and that the aggregate weighting of securities in the Reference Index with individual weightings of more than 4.5% is no more than 45.0% of the total Reference Index.
4. Additionally, the Reference Index applies an approach to ensure at least 80% of the combined weight of the Reference Index constituents must be represented by companies that derive at least 50% of their revenues from the solar industry. Stocks with less than 50% solar revenue will either not be included in the Reference Index, or have a weight adjustment to the extent necessary to comply with this policy.

The index methodology of the Reference Index includes good governance criteria whereby companies are assessed against indicators such as sound management structures, employee relations, remuneration of staff and tax compliance. Companies that are deemed not to meet good governance practices according to the methodology of the Reference Index will be excluded.

Proportion of investments

The Fund generally will invest at least 90% of its total assets in securities that comprise the Reference Index.

The Fund, after investing at least 90% of its total assets in securities that comprise the Reference Index (and ADRs and GDRs that represent securities in the Reference Index), may invest its remaining assets in securities (including other funds) not included in the Reference Index, and in money market instruments, including repurchase agreements and other funds, including affiliated funds, that invest exclusively in money market instruments (subject to applicable limitations under the Investment Company Act of 1940 (or exemptions therefrom), convertible securities and structured notes (notes on which the amount of principal repayment and interest payments is based on the movement of one or more specified factors, such as the movement of a particular security or securities index) and in futures contracts, options and options on futures contracts. The Fund may use futures contracts, options, options on futures contracts, convertible securities and structured notes to seek performance that corresponds to the Reference Index and to manage cash flows.

Through investing at least 90% of its total assets in securities that comprise the Reference Index, the Fund anticipates that 90% of the Fund's assets will be invested in sustainable investments.

Monitoring of environmental or social characteristics

As the Fund achieves the environmental and/or social characteristics by tracking the Reference Index, the Manager will monitor the Fund's ability to track the Reference Index in line with the investment strategy of the Fund. The Manager monitors the tracking error of the Fund (being the standard deviation of the difference in returns between the fund and the reference index) throughout the lifecycle of the Fund to ensure that this is within the limits as set out in the Supplement.

Methodologies for environmental or social characteristics

The Manager aggregates data from the index provider, and third party data providers such as MSCI and Sustainalytics in order to monitor the indicators and measure the fund's tracking of the Reference Index.

Data sources and processing

As the Fund is passively-managed, the Fund attains the environmental and/or social characteristics by tracking the Reference Index. The Manager uses index composition data as disseminated by the index provider to implement the investment strategy. In order to assess the quality of the index provider's data, initial due diligence is carried out on the index providers prior to fund launch and periodically thereafter and the Manager ensures the index provider is a Benchmark Administrator on the ESMA register that is maintained in accordance with Article 36 of the Benchmark Regulation, or is in the process of applying for inclusion on the ESMA Register or approved by endorsement or recognition by a Member State competent authority. Thereafter, the Manager conducts periodic reviews of the index providers' controls for monitoring of the data quality and the correct implementation of the index methodologies. The Manager also uses data sourced from other third parties (e.g. Sustainalytics and MSCI) for comparison purposes in order to identify and challenge any potential inconsistencies. The Manager does not estimate any of the data or use any estimated data from third party data providers.

Limitations to methodologies and data

Methodologies

There may be insufficient data coverage by third party data providers for certain issuers. In such circumstances, the ability of the Manager to perform monitoring and measurement of the environmental and/or social characteristics may be impaired.

The Manager does not independently verify an issuer's eligibility for inclusion in the Reference Index and is reliant on the data, research and expertise of the index provider to select the issuers in accordance with the methodology of the Reference Index. The index provider is subject to initial and ongoing due diligence checks by the Manager to verify their skill and expertise (please refer to the section titled 'Due Diligence').

These limitations do not impact on the Fund's ability to achieve its objective of tracking the Reference as the Fund utilises the index composition data disseminated by the index provider to attain the environmental and/or social characteristics that it promotes.

Currently the index provider does not exclude issuers from the Reference Index where data for those issuers is not available to carry out a complete assessment in relation to the exclusion criteria of the index methodology. Such companies will be assessed by the index provider once relevant data becomes available at a subsequent rebalance date. The Investment Manager implements a review of the constituents of the Reference Index at each rebalance to identify any gaps from a data coverage perspective in the methodology of the Reference Index. In the unlikely event that a company is not assessed in relation to good governance practices by the Index Provider, the Investment Manager implements an internal process to review publicly available data and perform checks against UN Global Compact principles to verify that those companies follow good governance practices.

Derivatives and cash

Currently the Investment Manager does not apply any minimum environmental or social safeguards to financial derivative instruments for hedging and/or efficient portfolio management purposes and cash for ancillary liquidity.

Data

To meet the stated investment objective and policy of the Fund, the Company, the Manager and/or the Investment Manager (together "Invesco") may rely on financial, economic, environmental and other data made available by companies, index providers, governmental agencies, rating agencies, exchanges, professional services firms, central banks or other third-party providers (the "external data providers").

The Fund passively replicates the Reference Index and the primary source of third-party data is the index composition as disseminated by the index provider. Invesco may also use third-party data from other sources besides an index provider. Invesco ensures that each index provider is a Benchmark Administrator on the ESMA register that is maintained in accordance with Article 36 of the Benchmark Regulation, or is in the process of applying for inclusion on the ESMA Register or approved by endorsement or recognition by a Member State competent authority.

Invesco performs due diligence on index providers and has internal controls to monitor constituent data (please refer to the sections “Data sources and processing” and “Due diligence”), however Invesco may not in all cases be able to verify the integrity of third party data used in the index construction. In placing reliance on external data providers there may be risks associated with errors in third party data. Such errors may be undetectable by either Invesco or the index provider and can result in holdings weightings that are inconsistent with the stated methodology of the index and/or the investment objective and/or policy of the fund. The Funds could incur unexpected costs as a result such errors, for which losses Invesco and external data providers, acting in good faith, will not be held liable.

Where errors in third party data are identified, as the investment objective of the Fund is to track the index, the Fund may continue to hold investments that are inconsistent with the stated investment policy, or environmental and/or social characteristics or sustainable investments of the Fund, until such time that the data is corrected or, where the error has impacted the composition of the Reference Index, until the index provider rebalances the Reference Index.

Due diligence

Invesco carries out due diligence on index providers and ensures that each index provider is included on the ESMA register that is maintained in accordance with Article 36 of the Benchmark Regulation, or is in the process of applying for inclusion on the ESMA Register or approved by endorsement or recognition by a Member State competent authority.

Prior to launching a new ETF, the Investment Manager carries out due diligence on the Reference Index by assessing the index methodology to determine whether it will achieve the desired investment outcome. This includes, but is not limited to, analysis of the investment universe of potential securities (and in particular the degree of coverage by third-party ESG data providers), the exclusionary criteria applied (e.g. business involvements, controversies, UNGC alignment, minimum ESG scores), the security weighting methodology, the overall improvement achieved in the ESG and climate characteristics of the benchmark relative to an unadjusted benchmark, and the degree of tracking between the index and the unadjusted benchmark.

Engagement policies

At Invesco, we take our responsibility to act as active owners very seriously and see engagement as an opportunity to encourage corporate improvement and positive change of our investee companies and entities. Engagement with companies and proxy voting play a fundamental role in our efforts to help manage, protect, and enhance the value of our clients’ investments. Invesco leverages the engagement activities led by Invesco’s ESG Team and works collaboratively with our ESG research analysts to set engagement objectives and opportunities.

Equity shares held in Invesco ETFs are subject to Invesco’s Policy Statement on Global Corporate Governance and Proxy Voting, which can be found in the Fund’s Statement of Additional Information, available at www.invesco.com/ETFs.

Designated reference benchmark

An index has been designated as a reference benchmark to meet the environmental and/or social characteristics promoted by the fund.

The Reference Index has been selected on the basis that it aligns with the environmental and/or social characteristics promoted by the Fund, which are to invest in the global solar energy equity sector by investing in companies that derive significant revenue from solar business activities and to exclude issuers based on involvement in certain business activities that are deemed by the index provider to be inconsistent with ESG outcomes or that are involved in severe ESG controversies.

For information on the input data, the methodologies used to select those data, the rebalancing methodologies and how the reference index is calculated, please refer to the index provider’s website: <https://www.spglobal.com/>.

Version	Date	Details of change
1.0	16 December 2022	Creation of the document