
Invesco Real Estate – Europe Fund III, SCSp (the “Fund”)

Sustainability-related disclosures

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Summary

This policy applies to Invesco Real Estate (IRE) sponsored funds managed by Invesco Real Estate Management S.à r.l. that are classified as Article 8 funds.

In line with its specific investment objectives to invest in direct real estate, each relevant fund will contribute to the goal of achieving net zero carbon emissions by 2050 or sooner at the portfolio level by adopting the Institutional Investors Group on Climate Change (IIGCC) Paris Aligned Investment Initiative (PAII) Framework for real estate.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Fund will contribute to the goal of achieving net zero carbon emissions by 2050 or sooner at the portfolio level by adopting the Institutional Investors Group on Climate Change (IIGCC) Paris Aligned Investment Initiative (PAII) Framework for real estate.

Investment strategy

IRE net zero framework

The relevant funds actively invest in direct real estate, a high emitting sector representing a great opportunity to drive change. The relevant funds apply a multi-faceted investment approach, employing an Environmental, Social, Governance and Resilience (ESG+R) checklist to identify current ESG+R indicators for real estate investments.

Where possible, IRE will make use of tools such as the Carbon Risk Real Estate Monitor (CRREM), or similar, to assess each asset and identify carbon performance in line with the net zero pathway, subject to data availability at the time of acquisition. Depending on the identified carbon pathway of each acquired asset, required capex will be allocated into the annual business plans (ABPs) to progress towards decarbonisation and net zero emissions by 2050 or sooner, subject to the strategy of the relevant fund and overall carbon performance at the portfolio level.

The two key PAII targets are as follows:

- A 5-year portfolio coverage goal for increasing the percentage of AUM invested in assets that meet the necessary criteria to be considered: i) 'aligning' to net zero; ii) 'aligned' to net zero; or iii) 'achieving' net zero. This target should increase towards the goal of 100% of assets to be i) 'aligned' to net zero or ii) achieving net zero by 2040.
- An 'engagement' goal or 'under active management' goal which ensures that at least 70% of financed emissions are either subject to direct engagement or active management, that are 'aligned' to net zero or 'achieving' net zero. This threshold should increase to at least 90% by 2030 at the latest.

Element	PAII framework for real estate	Description of IRE process
Assessment of assets	<ul style="list-style-type: none">• Set scope for assessment and alignment• Assess assets using CRREM tool to determine alignment with 1.5-degree pathway• Prioritisation for engagement based on level of stranding risk and exposure• For direct investments, assess options to achieve alignment	<ul style="list-style-type: none">• All direct investments into stabilised real estate assets are in scope (commercial, residential, industrial, etc.)• Assess assets using CRREM tool to determine alignment with 1.5-degree pathway at time of acquisition; this may also be dependent upon data availability• Prioritisation of assets within the portfolio under active management with action plans based on carbon performance (operational Scope 1, 2 and relevant Scope 3 where available). <i>Embodied carbon is not included at this time but should be considered in strategies and accounted for as methodologies become available</i>• Assess capex requirements to achieve alignment and implementation in ABPs, subject to annual review

Element	PAII framework for real estate	Description of IRE process
Alignment metrics (M) and targets (T)	<p>M. Current and forward-looking alignment based on carbon emissions and energy use in line with net zero pathways (CRREM tool)</p> <p>T. Increase % AUM in 'aligning' to, 'aligned' to, or 'achieving' net zero categories as a 5-year goal</p> <p>T. Total coverage of assets aligned, under active management or engagement to account for 70% of financed emissions from material sectors</p>	<p>M. Based on available post-acquisition data, IRE uses a combination of CRREM and ESG data management software to assess current and forward-looking alignment at a portfolio level based on carbon emissions and energy use</p> <p>T. IRE's 5-year goal is 70% of AUM to be considered 'aligning' to, 'aligned' to, or 'achieving' net zero by 2027 (see figure 1.1)</p> <p>T. 70% of assets to be aligned, under active management or engagement by 2027 and 90% by 2030</p>

Implementation	PAII framework	Description
A. Portfolio construction	Screening and setting criteria for potential investments using CRREM tool	Assess potential investments using ESG+R checklist and CRREM tool during investment committee (subject to data availability). IRE can still invest in an asset with poor carbon performance as this is where we believe we can have the most positive impact under active management
B. Investment/management	For direct investments, agree investment management plans to align assets through retrofits to reduce energy use or by increasing renewable energy use	Implement investment and management plans to align assets through capex to reduce energy use, increase renewable energy use and use offset for residual carbon emissions
C. Engagement	<ul style="list-style-type: none"> Tenant engagement to improve data collection and facilitate investment/management for alignment of assets Encourage tenants to adopt targets and align to net zero 	<ul style="list-style-type: none"> Tenant engagement to improve data collection and facilitate investment/management for alignment of assets Encourage tenants to adopt targets and align to net zero

Net zero alignment assessment and definitions under the PAII framework that constitutes a net zero transition plan

Net zero alignment	Definition
1. Not aligned to net zero	An asset with no net zero plans intended
2. Committed to 'aligning' to net zero	An asset that has a goal to achieve net zero emissions by 2050
3. 'Aligning' towards net zero	An asset that has: <ul style="list-style-type: none"> set a short- or medium-term carbon target disclosed Scope 1, 2 and material Scope 3 data a plan on how targets will be achieved
4. 'Aligned' to net zero pathway	An asset that has: <ul style="list-style-type: none"> set a short- or medium-term carbon target measured current carbon performance disclosed Scope 1, 2 and material Scope 3 data demonstrated performance over time in relation to Scope 1, 2 and material scope 3 targets
5. 'Achieving' net zero	An asset that has current emissions intensity performance at, or close to, net zero emissions with an investment plan expected to maintain that goal over time; it is expected that carbon offsets will be relevant to achieving net zero

Proportion of investments

All direct investments into stabilised real estate assets are in scope (commercial, residential, industrial, etc.). The Fund can invest in an asset with poor carbon performance as this is where Invesco Real Estate believes it can have the most positive impact under active management. The expected asset allocation is 51% minimum of investments will be aligned with the environmental or social characteristics promoted by the Fund. However, currencies and money market instruments which are held for cash management/liquidity purposes will not be assessed for compliance with the framework.

Monitoring of environmental or social characteristics

In order to assess real estate assets and their attainment of E characteristics throughout the lifecycle of the financial product, annual benchmarking and reporting through third-party benchmarking tools and assessments such as the Carbon Risk Real Estate Monitor (CRREM), or similar, shall be adopted to ensure the Fund's overall portfolio is on track to achieve net zero greenhouse gas emissions by 2050 as recommended by the PAII Net Zero framework.

Methodologies for environmental or social characteristics

Where possible, IRE will make use of tools such as the Carbon Risk Real Estate Monitor (CRREM), or similar, to assess each asset and identify carbon performance in line with the net zero pathway, subject to data availability at the time of acquisition. Depending on the identified carbon pathway of each acquired asset, required capex will be allocated into the annual business plans (ABPs) to progress towards decarbonisation and net zero emissions by 2050 or sooner, subject to the strategy of the relevant fund and overall carbon performance at the portfolio level.

Data sources and processing

Environmental data is sourced directly from real estate assets on an ongoing basis (monthly, quarterly, or annually subject to the production of invoices from utility company). Invesco engages with asset stakeholders (property managers and tenants) to collect and upload utility (energy) meter readings or invoices into a third-party data management software utilised by Invesco Real Estate. Property managers are responsible for the collection and upload of data to the software which aggregates property level ESG data.

Data is validated on a quarterly basis from property managers to ensure accuracy and coverage of data. The data is audited on an annual basis by independent third parties.

Data is not currently estimated and only known and verified data is measured and analysed with respect to the E characteristic promoted by the Fund. Data is collected on a best effort basis to ensure that landlord-controlled data is collected and reported.

Limitations to methodologies and data

Under the methodology section, as a third-party tool, the Carbon Risk Real Estate (CRREM) is subject to changes and developments over time. Invesco will continuously monitor developments in the tool as it is used in the monitoring of progress of the E characteristic determined by the Fund.

Data coverage is limited to data made available at the property level. Specific to real estate, Invesco may be limited in data coverage due to private tenant information that is not disclosed to Invesco given the nature of the asset class.

Due diligence

Where possible, IRE will make use of tools such as the Carbon Risk Real Estate Monitor (CRREM), or similar, to assess each asset and identify carbon performance in line with the net zero pathway, subject to data availability at the time of acquisition. Depending on the identified carbon pathway of each acquired asset, required capex will be allocated into the annual business plans (ABPs) to progress towards decarbonisation and net zero emissions by 2050 or sooner, subject to the strategy of the relevant Fund and overall carbon performance at the portfolio level.

Engagement policies

Please click [here](#) to access our engagement and proxy voting policy.

Please note that the engagement policy and proxy voting policy does not apply to direct real estate investments.

Version	Date	Details of change
1.0	January 2024	Creation of the document

AIFs have no guaranteed return and past performance does not guarantee the future ones.