



Investment Stewardship & Proxy Voting
2017 Annual Report
Invesco's commitment to responsible investing



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Invesco's commitment to sound investment stewardship

Dear Investor,

Invesco is committed to delivering an investment experience that helps people get more out of life.

A key part of this effort is providing strong, long-term investment performance to our clients around the globe while meeting our fiduciary obligations and ensuring a sustainable environment for future generations.

Every day we hear from clients expressing their desire to work with a firm that is committed to responsible investing. We believe that investing responsibly by incorporating sound environmental, social and governance (ESG) practices into activities across our firm can positively impact the value we provide to clients as well as the value we deliver to shareholders.

At the same time, we believe strongly that integrating ESG into our investment decisions shouldn't compromise the results we deliver to clients. We view our commitment to integrating ESG as an additional layer of due diligence that reinforces our long-term approach to investing, which we believe is in the best interest of clients and the markets.

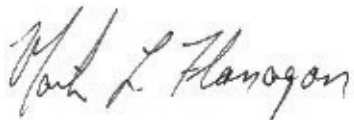
Our clients in Europe have a long-standing expectation of asset managers to utilise ESG, and we are seeing growing interest across the Americas and Asia Pacific. Invesco is committed to meeting the specialised and diverse needs of these clients. As an example, we've been actively integrating ESG into our investment strategies in Europe for more than 15 years. In Asia, we've provided ESG training to our institutional clients on responsible investment practices and requirements for asset owners working in partnership with asset managers.

Over the past year, we've worked to promote and advocate responsible investing in industry forums, including appointments to the UNPRI advisory committee on ESG Engagements, the United Nations Sustainable Development Goals working group and, most recently, the advisory board for deep data delivery standards, which promotes effective vendor due diligence for ESG efforts. We adhere to the UK Stewardship Code at Tier 1 level and are a signatory to the Japan Stewardship Code.

Our focus on responsible investing helped drive a 21% growth in our ESG assets under management, which increased US\$11bn, to more than US\$65bn (as of 31 December 2017). We've also been a proud signatory of the United Nations Principles of Responsible Investment (PRI) for 4 years, and have earned high ratings on the organisation's six principles for ESG practices.

This report highlights our commitment to responsible investing and details our ESG practices. We invite you to learn more about Invesco's dedication to meeting client needs and our responsible investing philosophy, practices and approach in the pages of this report.

Regards,



Martin L. Flanagan
President and CEO,
Invesco Ltd.



Martin L. Flanagan
President and CEO,
Invesco Ltd.

Responsible investment overview

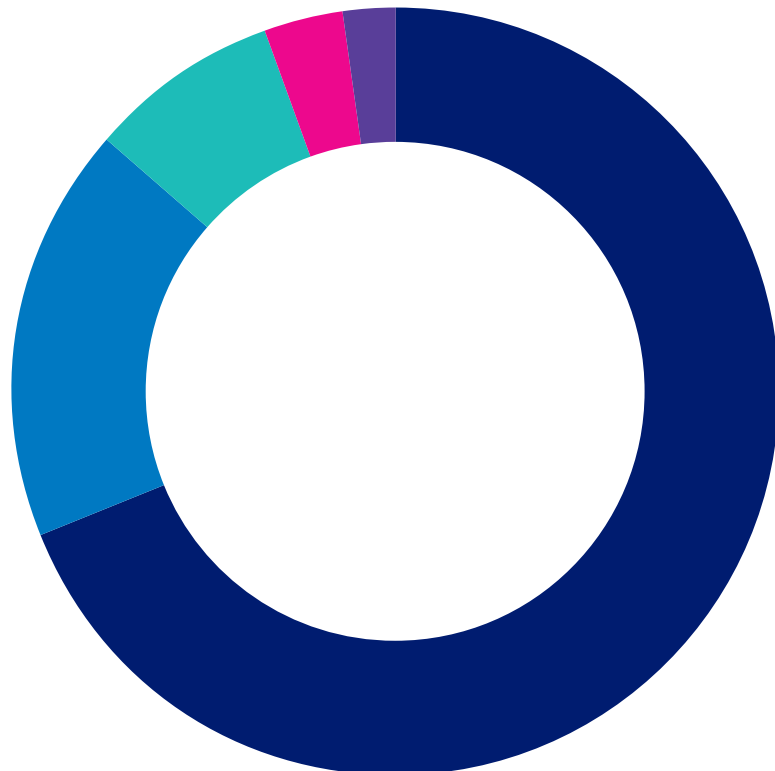
We believe that the ESG practices of company management impact the long-term performance of a company's stock. As active, long-term investors, we seek to encourage the companies in which we invest to adopt best-in-class ESG practices. Invesco has demonstrated leadership and commitment to responsible investing with a variety of capabilities made available across the investment teams.

Our US\$65.6bn¹ in sustainable investments covers a range of ESG strategies including the following approaches:

- Negative/exclusionary screening
- Sector/values based exclusion
- Norms-based screening
- Positive/best-in-class screening
- Thematic investing
- Active ownership, proxy voting and engagement
- Full ESG integration

Distribution of ESG AUM by ESG strategy (%)¹

■ Full ESG Integration	68.9
■ Negative/exclusionary screening	17.5
■ Positive/best-in-class screening	8.2
■ Sector/values-based exclusion	3.2
■ Thematic investing	2.2



Invesco ESG capabilities

9

Investment centres¹

15

Investment teams¹

US\$65.6bn

AUM in sustainable investments¹

21%

Increase in ESG AUM year-over-year²

43%

Increase in PRI assessment score from 2015³

A+

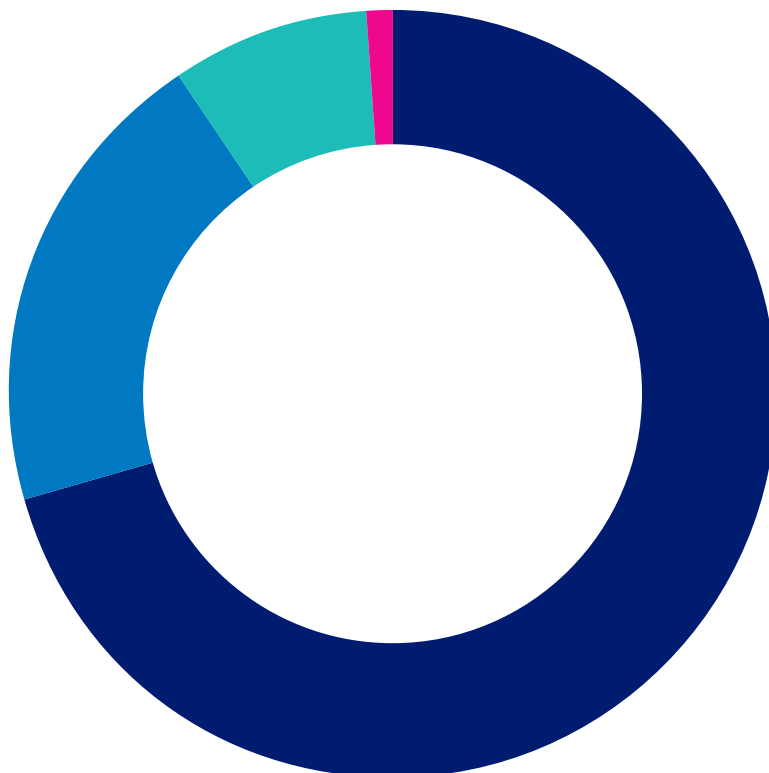
PRI rating for Strategy & Governance³

ESG leader

Among brokers and asset managers⁴

Distribution of ESG AUM by asset class (%)¹

■ Alternatives	70.7
■ Equity	20.0
■ Fixed Income	8.3
■ Balance	1.0



¹ US\$65.6bn as of 31 December 2017, represents 7.0% of Invesco's total assets under management.

² US\$54.0bn as of 31 December 2016, represents 6.6% of Invesco's total assets under management.

³ 2017 Assessment Report for Invesco Ltd., PRI.

⁴ Ranked 3rd among 20 brokers and asset managers in North America with top 4 considered ESG leaders.

Invesco's investment capabilities

Invesco is an independent investment management firm dedicated to delivering an investment experience that helps people get more out of life.

We offer specialised investment teams managing more than US\$938bn¹ in assets across a comprehensive range of asset classes, investment styles and geographies. With an on-the-ground presence in more than 25 countries and nearly 7,000 employees, our single focus is to help clients across the globe achieve their investment objectives.



Our global focus

7,000

Employees focused on client needs¹

25

Countries where we have on-the-ground presence¹

US\$938bn

AUM - with US\$739bn in active strategies and US\$199bn in passive strategies¹

Invesco Asia-Pacific

- Asia ex-Japan
- Greater China
- Japan
- Australia
- India

Locations

Beijing, Hong Kong, Melbourne, Shenzhen, Singapore, Sydney, Taipei, Tokyo, Mumbai

Invesco Canada

- Trimark Investments
- Canadian, regional, sector and global equity
- Canadian and global fixed income
- Balanced portfolios

Location

Toronto, Vancouver

Invesco Fixed Income

- Global liquidity
- Stable value
- Global and US broad fixed income
- Global alternatives and bank loans

Locations

Atlanta, Chicago, Hong Kong, London, Louisville, New York, Palm Harbor, FL, San Diego, Tokyo, Toronto

Invesco PowerShares

- Index-based ETFs and ETNs and actively managed ETFs
- Domestic and international equity
 - Taxable and tax-free fixed income
 - Commodities and currencies

Location

Chicago

Invesco Private Capital

- Private equity funds of funds
- Customised portfolios

Locations

London, New York, San Francisco

Invesco Quantitative Strategies

- US, global, regional and emerging equity
- Long/short strategies
- Active low volatility
- Balanced solutions

Locations

Boston, Frankfurt, New York, Tokyo

¹ Source: Invesco as of 31 December 2017.



Invesco Fundamental Equities

- US growth equity
- US value equity
- International and global growth equity
- Sector equity
- Balanced portfolios

Locations

Austin, Houston, San Francisco

Invesco Global Asset Allocation

- Global macro
- Risk parity
- Commodities
- Active balanced solutions

Locations

Atlanta, Frankfurt

Invesco Global Core Strategies

- Emerging markets
- International and global equity
- US equity

Locations

Atlanta, San Francisco

Invesco Perpetual

- Global and regional equities, including UK, European, US, Asian, Japanese and emerging markets
- Multi asset
- Fixed income

Locations

Henley, UK

Invesco Real Estate

- Global direct real estate investing
- Global public real estate investing

Locations

Atlanta, Beijing, Dallas, Hong Kong, London, Luxembourg, Madrid, Milan Munich, New York, Newport Beach, Paris, Prague, San Francisco, Seoul, Shanghai, Singapore, Sydney, Tokyo, Warsaw

Invesco Unit Investment Trusts

- Equity trusts
- Closed-end trusts
- Tax-free fixed-income trusts
- Taxable fixed-income trusts

Location

Chicago

Invesco Private Capital

- Private equity: Contrarian buyouts, distressed and special situations

Locations

Beijing, New York, Tokyo¹

¹ Invesco Private Capital joint venture.

Source: www.invesco.com

Responsible investment

Client focused, investor driven

Invesco's approach to responsible investment (RI) can be best categorised in three ways.

We are:

- Authentic
- Active owners
- Trusted partners

Invesco has been implementing ESG strategies for over 30 years and we have a grassroots investor-led, investor-driven approach to ESG integration and active ownership.

Centralised support - decentralised decisions

1. Deliver and equip investment teams with a best-in-class support platform of tools and research
2. Launch awareness and training on core trends in the ESG space
3. Lead with authenticity in thought leadership by promoting our Investor First approach

In 2017, Invesco secured an A+ rating from the UNPRI in Strategy & Governance, was recognised as an ESG leader, and was named a finalist for Chief Investment Officer Magazine's inaugural industry innovation award for ESG.

With more than US\$65bn¹ in ESG/Sustainable assets managed across our platform, Invesco can be a trusted partner in the responsible investment space, meeting the growing client demand for ESG while striving to provide strong returns for our clients.

We are RI industry focused and participate in key advocacy roles in this space. We have a global RI team represented by ESG analysts and governance specialists located in Europe-Middle East, Asia-Pacific and North America.

Our efforts focus on ESG and active ownership

Invesco's investment capabilities

ESG integrative strategies are available through 9 investment centres and 15 investment teams including equity, alternatives, fixed income, balanced assets, direct real estate, quantitative strategies and ETFs.

ESG and proxy voting

In 2016, we expanded our global framework for proxy governance, and responsible investment. Invesco US, PowerShares, Senior Secured Management, Canada, Perpetual, Quantitative Strategies, Australia and Japan each fully adopted the global proxy voting policy, and Invesco's proxy voting platform was rolled out for use in Asia including Tokyo and Hong Kong.

The Global ESG Risk Repository is Invesco's ESG knowledge engine and was built to comprise ESG reports and presentations, information on Invesco's ESG capabilities, corporate stewardship, ESG fund scores and oversight, ESG industry information, ESG issuer and industry ratings, and the ESG watchlist report.

Corporate social responsibility

Ensures we are good stewards of the environment, value our people and their diverse perspectives, and give back to our communities.

Within this report, you will learn more about Invesco's ESG leading strategies and view our global voting results. In addition, we showcase key examples of demonstrated active ownership and provide case studies of responsible investment at work at Invesco.



Bonnie Saynay
Global Head of Responsible Investment

¹ As of 31 December 2017.

Our philosophy

We are not just shareholders, we are business owners

Invesco believes that our response to environmental, social and governance activities can positively affect the value we provide to our clients over the long term.

Consistent with Invesco’s purpose of delivering an investment experience that helps people get more out of life, Invesco’s ESG investing seeks to generate both financial and sustainable value for our clients. This type of investing can allow investors to align personal values with their own life goals.

Invesco supports the United Nation's Principles of Responsible Investment (PRI) and our commitment to investment stewardship means that we incorporate environmental, social and governance approaches into decisions throughout the investment process.

Authentic approaches

- Managing ESG strategies for over 30 years
- Promoting transparency in investment and corporate stewardship
- Strong ESG capabilities throughout our platform in 9 investment centres globally
- Thought leadership that is investment driven
- Signatory to the PRI, UK Stewardship Code and Japan Stewardship Code
- Dedicated team of nine Responsible Investment staff across three regions
- A+ rated by PRI

Active owners

- Robust portfolio company engagement
- Demonstrable case studies
- Investor-led, investor-driven proxy voting approach
- Active letter writing campaigns
- Proprietary voting platform
- Advisory and industry advocacy roles in ESG

Trusted partners

- Broad platform of investment expertise in listed equity, fixed income and alternatives
- Bespoke solutions and commercially available strategies
- Leverages multiple ESG providers and delivers proprietary overlays to ESG

Decentralised ESG model, with grassroots investor-led, investor-driven approach.

Our 'Investor First' approach to responsible investment: Four 'C's enable broad execution¹

Commitment	Capabilities	Construction	Collaboration
<ul style="list-style-type: none"> - Dedicated team - Global providers - Senior leadership oversight - PRI Signatory - UK Stewardship Code - Japan Stewardship Code 	<ul style="list-style-type: none"> - Full ESG integration - Thematic investing - Positive/best-in-class screening - Norms-based screening - Sector/Socially Responsible Investment values-based exclusion - Negative/exclusionary screening - Controversial weapons exclusion 	<ul style="list-style-type: none"> - Tools - Benchmarks - Ratings - Research - Overlay - Screening 	<ul style="list-style-type: none"> - Active ownership - Proxy voting - Fundamental research - Issuer engagement - Thought leadership - Advisory roles - Advocacy

Governance and oversight

Corporate Responsibility Committee

Invesco is committed to adopting and implementing responsible investment practices in a manner that is consistent with our fiduciary responsibilities to clients.

Responsible investment is further governed by the Corporate Responsibility Committee, which develops and monitors a disciplined approach to Invesco's investment stewardship's policies, programs, and strategies to strengthen the messages we deliver to clients, regulators, shareholders and employees.

A formalised structure for governance and oversight has been designed to oversee all related sustainability initiatives across the firm and provide strategic direction. Invesco's CEO, Martin L. Flanagan, heads the Corporate Responsibility Committee with different levels of executive sponsorship and oversight on the activities conducted by five dedicated work streams.

The Corporate Responsibility Committee's two main objectives are:

1. Investment stewardship

Our commitment to responsible investment is demonstrated by our capabilities that are actively engaged in incorporating ESG practices across all areas of our firm. Our ESG approach is rooted in our investment strategies, products, proxy voting, active ownership, engagement and other oversight practices to ensure we are meeting the highest levels of fiduciary and corporate responsibility.

2. Corporate social responsibility (CSR)

Our CSR efforts are motivated by the belief that doing what's right for the environment, our people and the communities helps us deliver the best possible experience to clients. We uphold responsible investment standards, are good stewards of the environment, celebrate diversity of thought from our colleagues, and give back to our communities.



Corporate Responsibility Committee

Formalising our governance and oversight:

- 5 dedicated workstreams
- Executive sponsorship and oversight
- Formalised structure for governance and oversight
- Semi-annual meetings summarise key activities across workstreams and identify significant platform opportunities

Martin L. Flanagan
 Chief Executive Officer

Loren Starr
 Sponsor SMD,
 CFO

Greg McGreevey
 Sponsor SMD,
 Investments

Andrew Schlossberg
 Sponsor SMD,
 EMEA

Investment and Corporate Stewardship

Bonnie Saynay/Denise Harrison
 Co-Chairs Corporate Responsibility Committee

Global Investment Council

Investment Stewardship	Corporate social responsibility	Financial disclosures/ accounting	Messaging/Distribution strategy	Product strategy
Executive Sponsor	Executive Sponsor	Executive Sponsor	Executive Sponsor	Executive Sponsor
<ul style="list-style-type: none"> - Responsible investing/ESG - ESG PM model - PRI - Training - Due diligence - Client engagement - Proxy voting - Stewardship codes - Advisory roles - Global policies 	<ul style="list-style-type: none"> - People and diversity - Community relations - Environmental reporting - Human capital development - GRI standards 	<ul style="list-style-type: none"> - SASB (Sustainability Accounting Standards Board) - TCFD (Task force on Climate-related Financial Disclosures) - Invesco proxy filings 	<ul style="list-style-type: none"> - Thought leadership - Whitepapers - Core ESG message - ESG sponsorships - Social media - Panel discussions - ESG events 	<ul style="list-style-type: none"> - Concept - Pipeline - Production
Legal and Compliance	Executive Sponsor	<ul style="list-style-type: none"> - NGO engagement - Activists - Policy review and regulatory trends 		

Stewardship and corporate responsibility

Overview of Invesco's capabilities

We believe in investing responsibly by incorporating sound environmental, social and governance practices into activities across our firm: This ensures that we are doing what's right for our clients as well as our shareholders, employees and the communities we serve.



Resources¹

9 Responsible Investment staff across three regions with 14 years' average experience.

Works in close coordination with the 9 member Global Proxy Services team.

Local governance support staff of 16.

A dedicated IT team of 3 members support the Invesco proxy portal.



Research

Invesco leverages multiple ESG vendors: ISS, GL, IVIS, Ethix, Vigeo Eiris, Morningstar, Nikko Research Centre, MSCI and Sustainalytics.⁴

Providing deep ESG research: governance services, proxy research, business involvement screening, controversial weapons research, engagement services, carbon metrics, fund ratings, ESG research and ratings.

Delivering ESG data to our global network of more than 700 investment professionals.¹

Identify ESG opportunities for improvement.



Capabilities⁴

US\$65.6bn AUM in ESG integrative approaches/responsible investment in 9 investment centres across 15 investment teams.

Increase of 21% in ESG AUM from 2016, including US\$3.9bn converted to ESG and US\$1.2bn in new accounts and products.²

Exclusionary screening, values-based exclusion, norms-based screening, best-in-class, thematic, and full ESG integration.

Invesco's controversial weapons policy covers an additional US\$152bn, including US\$65bn which began excluding controversial weapons in 2017.³



Proxy voting⁵

Deep conviction, investor-led and investor-driven with 24/6 coverage globally.

Proprietary Proxy Voting Platform.

Voted 99.6% of 18,000 meetings, 80,000 ballots, and 210,000 proposals in 72 unique markets.

64% increase in our support of environmental proposals.

Supported 44% of shareholder proposals and 42% of activist campaigns.

Voted against 15% of director-related proposals.

¹ As of 30 September 2017.

² US\$54.0bn as of 31 December 2016.

³ For further information regarding Invesco's Controversial Weapons Policy please go to invescomanagementcompany.lu.

⁴ As of 31 December 2017.

⁵ Voting from 1 July 2016 to 30 June 2017.

⁶ Ranked 3rd among 20 brokers and asset managers in North America with top 4 considered ESG leaders.



Investment stewardship

Signatory to the PRI, UK Stewardship Code and Japan Stewardship Code.

A+ rated by PRI in 2017 for Strategy & Governance, including a 43% increase in PRI assessment score from 2015.

Invesco Perpetual assessed Tier 1 by FRC since 2016.

Identified as an ESG Leader among brokers and asset managers in North America.⁶



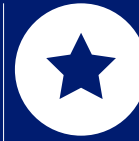
Active ownership

Invesco has a deep engagement practice and active ownership platform.

Invesco Quantitative Strategies leverages Vigeo Eiris, an ESG leader, for targeted engagement, letter writing, and screening.

Involvement in industry organisations:

- Company Reporting and Auditing Group
- Financial Reporting Council - AQR Committee



ESG Excellence

In 2017, Invesco Real Estate has six strategies rated as "Green Star" with three of the strategies ranked 1st in their respective peer groups.

Finalist for CIO's inaugural Industry Innovation Award for ESG in 2017.



Corporate stewardship

Recipient of City of Charlottetown's Sustainable Business Certification in 2017.

Associated with Globechain for advancing the CSR capabilities.

LEED Green Building certified, Global ISO 14001 certified, and FTSE4Good Index constituent.

In 2017, participated in UN World Environment Day and WWF Earth Hour.



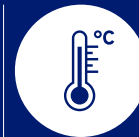
Thought leadership

Development of white papers and pieces promoting responsible investment:

- Proxy voting: The hallmark of active ownership
- Responsible investing and active ownership
- Sustainable Factor Investing
- China green bonds
- SRI... isn't that what we have been doing all this time?

Participation in industry organisations:

- PRI ESG Advisory Committee
- PRI SDG Working Group for Active Ownership
- Deep Data Delivery Standards
- UKSIF Board of Directors



Carbon disclosure

Invesco is an active participant in the CDP's climate change program.

Environmental data collation.

Carbon Trust Standard certified, realising minimum 3% annual energy reduction.

Recognition

PRI assessment: Increased aggregate score each year

- A+ for Strategy & Governance
- A for Fixed Income SSA
- A for additional modules
- Growth of a dedicated Responsible Investment team
- Enhanced transparency reporting
- Stronger engagement reporting

Chief Investment Officer's 2017 Industry Innovation Awards

shortlisted Invesco as a finalist for the 2017 Asset Management and Service Provider - Spotlight on ESG Investing category.

Identified as an ESG leader among brokers and asset managers in North America¹

- Corporate governance (7/10)
- Executive compensation (8/10)
- Stewardship of client's cash (7/10)

Tier 1 UK Stewardship Code

In the news

ESG investing

Martin L. Flanagan, President, CEO and director, emphasised ESG as an integral part of company's focused growth in an interview with Atlanta Business Chronicle.

Sustainable investment - getting it right

Manuela von Ditzfurth and Dr. Martin Kolrep, Senior Portfolio Managers with IQS, authored a sustainable investment article in major German publication Börsen-Zeitung.

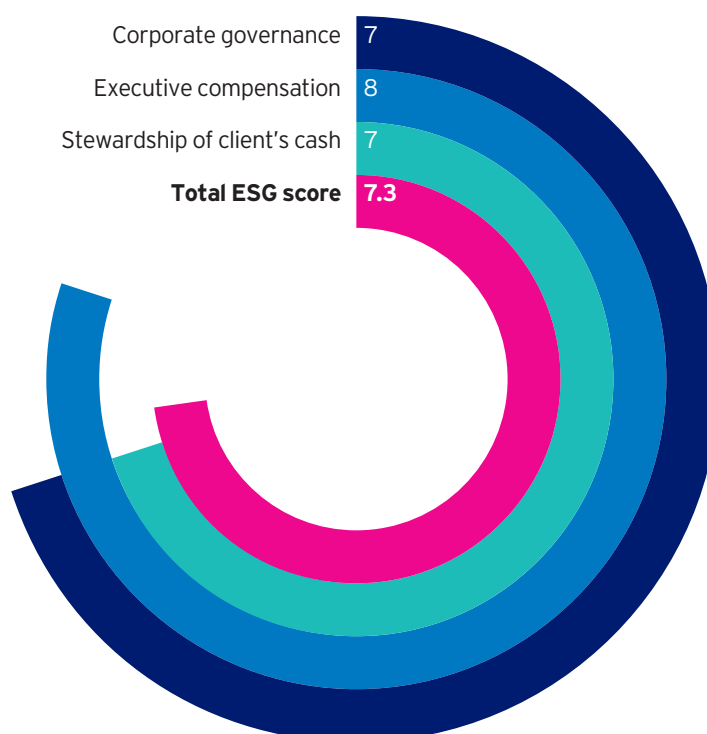
Doing well by doing good

Manuela von Ditzfurth, Senior Portfolio Manager with IQS, authored a piece in German finance publication hermoney.de.

Mainland green bonds the asset class to watch for investors

A version of the whitepaper by Ken Hu, CIO, Fixed Income, Asia Pacific, appeared in South China Morning Post.

Identified as an ESG leader among brokers and asset managers in North America (scores out of 10)^{1, 2}



¹ Ranked 3rd out of 20 asset managers and brokers in North America with top 4 considered ESG leaders.

² For illustrative purposes only.

Our leading ESG strategies





Invesco Real Estate - US Direct Properties

Full ESG integration

Invesco Real Estate (IRE) was an early adopter of ESG practices and since 2008, has continually sought to evolve credentials in this area. Today, IRE's global leadership in ESG practices is recognised by the #1 ranking from Global Real Estate Sustainability Benchmark (GRESB¹):

- Invesco Real Estate ranked #1 in its US Diversified peer group for the third consecutive year and has achieved the Regional Sector Leader status for Private/North America/Diversified.
- For the third year, IRE ranked #1 in its Asia Office peer group and earned the Regional Sector Leader status for Private/Asia/Office.
- Invesco ranked #1 in its US Residential peer group and #1 out of 80 Residential participants globally, earning both Regional Sector Leader status for Private/North America/Residential and Global Sector Leader status.

Invesco Real Estate 2017 GRESB assessment recognition

US Diversified

- Regional Sector Leader
- #1 out of 47 North America/Diversified
- #1 of 39 US Diversified

US Residential

- Global Sector Leader
- #1 out of 80 Global Residential
- #1 out of 26 US Residential

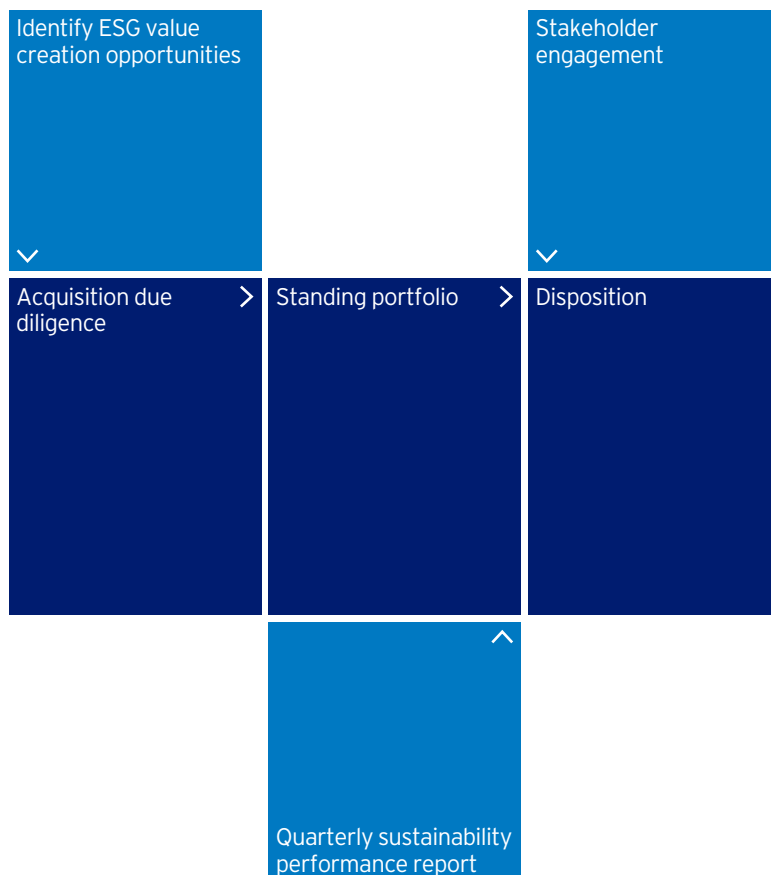
Asia office

- Regional Sector Leader
- #1 out of 13 Asia Office

US\$29.3bn

In ESG AUM as of 31 December 2017

Invesco Real Estate: ESG integration²



¹ **About GRESB:** GRESB is an industry-driven organisation committed to assessing the ESG performance of real estate assets globally, including real estate portfolios and infrastructure assets. More than 250 members (of which about 60 are pension funds and their fiduciaries) use the GRESB data in their investment management and engagement process, with a clear goal to optimise the risk/return profile of real asset investments. Environmental impacts, resource constraints and urbanisation are some of the issues that institutional investors want to manage in their real estate investments. (Source: www.gresb.com)

² For illustrative purposes only.

Invesco Quantitative Strategies

Bespoke solutions

For more than 17 years, Invesco Quantitative Strategies' (IQS) team has been managing SRI portfolios and offering various ways to integrate ESG factors deeply within the investment process. By using a multi factor approach, the criteria for selecting securities can be easily applied to tailored universes to meet specific client requirements, such as those that include sustainable investment restrictions.

IQS has successfully been implementing broadly diversified multi factor strategies over more than 30 years, seeking to capture factor premiums irrespective of the prevailing market environment and timing considerations.

The team is convinced that certain factors such as Value, Momentum and Quality explain wide parts of both returns and risks in equity markets. The team's track record demonstrates that applying factor weightings to a subset of the market in a diversified way has the potential to deliver strong risk-adjusted returns compared to an alternative weighting scheme that includes the market as a whole.

US\$2.7bn

In ESG AUM as of 31 December 2017

Invesco Quantitative Strategies: ESG in investment process

Equities

IQS is able to define a set of ESG criteria in close co-operation with clients through the Eiris Portfolio Manager (EPM) from Vigeo Eiris. The EPM consists of a database of 4,000 global companies which are analysed according to more than 250 ESG criteria in terms of their social and ecological operations. Within the EPM exclusion criteria and negative criteria can be used to eliminate companies that fail to meet certain ESG criteria, with positive criteria, companies can be identified, which are particularly characterised by sustainable economic development, positive products or processes. With the integrated best-in-class approach companies are selected for the portfolio if they are leaders in their industries with respect to ecological and social standards.



Government bonds

IQS assesses countries on three broad aspects of sustainability with help of Vigeo EIRIS Country Sustainability Ratings:

- Environmental - a country which limits its use of finite resources, minimises its negative impacts on the global environment, and exercises stewardship over its natural environment is more likely to be sustainable.
- Social - a country which caters for the education, health, welfare and social needs of its inhabitants, which develops the skills of all citizens, and which has low levels of inequality is more likely to be sustainable.
- Governance - a well governed, non-corrupt country which is responsive to its inhabitants, treats them equally, and respects their civil liberties, is more likely to be sustainable.

In addition, the following issues can be included: use of the death penalty; military expenditure; nuclear power consumption; and religious freedom.



Active engagement

IQS engages with the companies to identify weaknesses in the company's sustainability management and discuss these with management to enable the companies to achieve a better ESG performance in the medium to long term. The two engagement methods practised by the IQS team are:

- Theme-based engagement to encourage companies to expose and reduce systemic risks in areas such as climate change, bribery and corruption.
- Controversy-led engagement to prompt companies to observe internationally-recognised standards and conventions and correspondingly improve their company guidelines.



Invesco Fixed Income

Industry recognised

Invesco Fixed Income scored an 'A' in the PRI Fixed Income category¹, a testimony to the development and integration of our broad ESG philosophy:

- Incorporating ESG criteria across all our investments is prudent for the long term
- Evaluating issuers based on ESG criteria is seamlessly integrated into our fundamental research process
- Independently assessing each investment's suitability for ESG strategies is crucial
- Uniform standards for research and investment decision-making across Invesco Fixed Income allows for ESG integration across asset classes
- Focus on continuing to enhance our ESG capabilities

ESG investing continuum

Screening

The process of excluding or including securities based on a threshold. This takes three forms: exclusionary, norms-based or best-in-class.

Integration of ESG factors

The systematic and explicit inclusion by investment managers of ESG factors into traditional financial analysis.

Corporate engagement

The use of investor power to influence corporate behaviour, including through direct communication, shareholder proposals, and proxy voting.

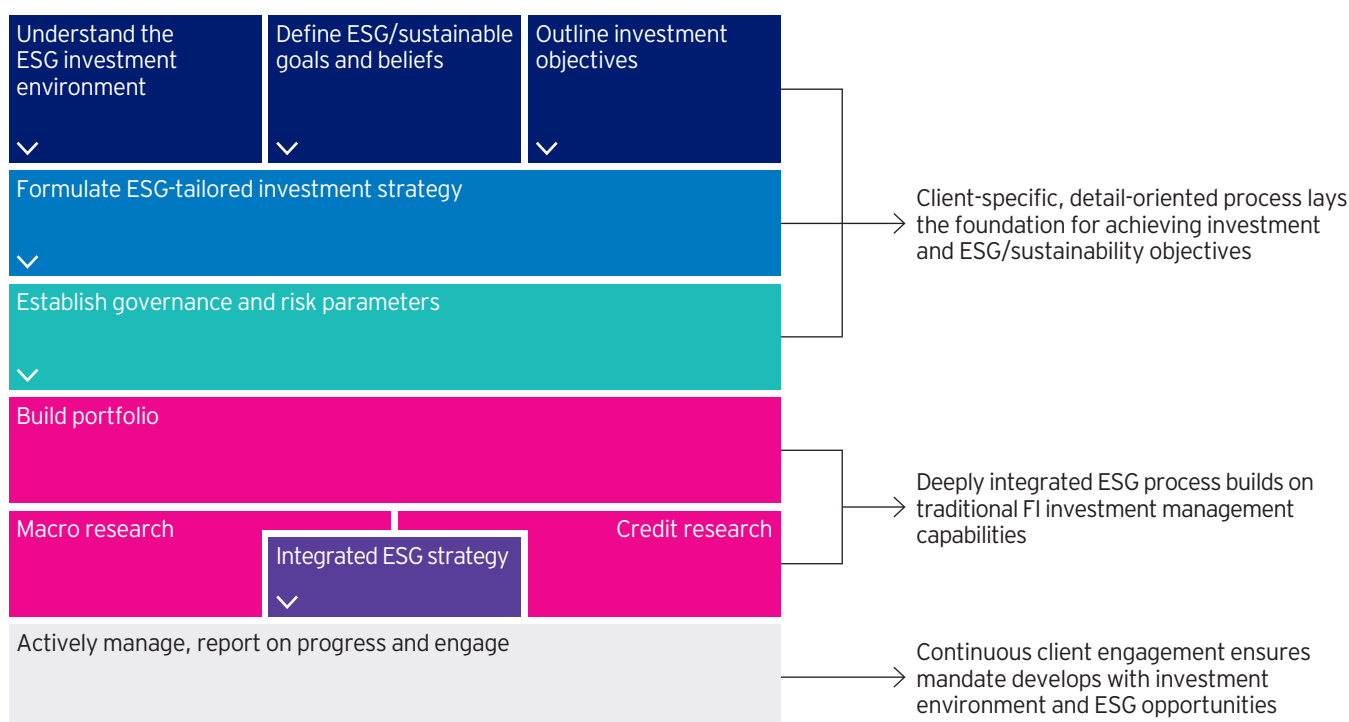
US\$6.0bn

In ESG AUM as of 31 December 2017

¹ Source: 2017 Assessment Report for Invesco Ltd., PRI. The investment categories are evaluated using 6 performance bands (A+, A, B, C, D, and E), where 'A' represents a score of 75% or above.

² For illustrative purposes only.

Invesco Fixed Income: ESG process flow²



Invesco Fixed Income - Bank loans

Active owners

ESG plays a critical role in Invesco Senior Secured Management's (ISSM) credit underwriting process and is a key discussion factor in the Invesco Bank Loans team's credit evaluation of potential investment opportunities.

In addition to discussion on ESG issues, the investment team leverages the MSCI ESG research and is in the process of incorporating the MSCI watchlist and broader MSCI ESG research universe data into the existing front/back-end systems utilised by the investment team, middle and back office professionals.

Active engagement and dialogue with portfolio companies is the cornerstone of Invesco's governance approach.

The investment teams concentrate on each company's ability to create sustainable value and, in the process, may question or challenge the company about ESG issues that could have an impact on future value. Prior to investing in a company and throughout the ownership of the company's debt, the senior loan investment team will engage with company management on a number of issues - including environmental, social and governance. These discussions are designed to enhance ISSM's understanding of the long-term economic value of the company which includes a thoughtful process and approach to determining whether to invest in a company.

Invesco Senior Secured Loans: Investment approach²

Investment process

Top down

Macroeconomic perspective



Portfolio strategy



Risk management



Portfolio



Relative value



Sector rotation



Bottom up

Fundamental credit analysis (ESG)

Decision makers/Second opinion

Investment Committee/CIO

Senior Portfolio Manager/CIO

Senior Portfolio Manager/CIO

Senior Portfolio Manager/Trading

Team Leader

Credit Analysts/Investment Committee

Invesco Japan - Japanese Equities

Women in focus

Our Japanese Equities team has active ownership and research as the key components of the investment strategies. One of the team's best-in-class strategies aims to invest in companies with business strategies reflecting women's social advancement.

By combining Invesco's bottom-up fundamental research capability and Nikko Research Center's "Women's Power Score", the Japanese Equities team has built a strategy that invests in companies which achieve high growth by harnessing women's power.

Women's Power scores evaluate three areas

- Workplace: How much do companies emphasise women's participation and promotion?
- Products and services: How much do companies care about women as a customer?
- Philosophy: Does a company lay down a code of conduct from honesty, perseverance, harmony and dedication perspectives?

Bottom-up fundamental research scrutinises

- Management commitment to hiring and promoting women
- Organisational support including child care, mentoring and training
- Actual achievements as well as potential to improve the sustainability and flexibility of a company in the mid-to-long term utilising women's power

Invesco Japan - Japanese Equities: Stock selection process¹

All listed Japanese stocks with market capitalisation over JPY 10bn



Investment universe (quantitative screening)

- High earnings growth
- High operating margin
- High Return on Equity



Fundamental research with an emphasis on growth

Profitability analysis

- Growth rate
- Competitive advantage period

Risk analysis

- Business risk
- Financial leverage



Women's social advancement analysis

Screening for Women's Power

"Women's Power Score"

- Workplace
- Products and Services
- Philosophy

Fundamental research on Women Power

- Management commitment
- Organisational support
- Actual achievements and potential



Product supporting women's social advancement

US\$25m

In ESG AUM as at 31 December 2017

¹ For illustrative purposes only.

Invesco Global Smaller Companies strategies

Frame and engage

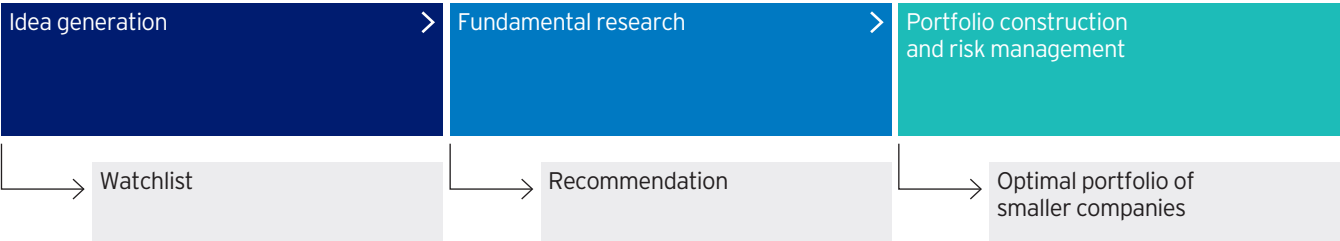
Over the last few years, ESG has played an important role in our investment process.

To formalise this, we have recently hired a dedicated ESG/SRI analyst who will be working closely with the fund managers on our Global Smaller Companies strategies to help embed ESG into our initial idea screening, fundamental research and portfolio monitoring.

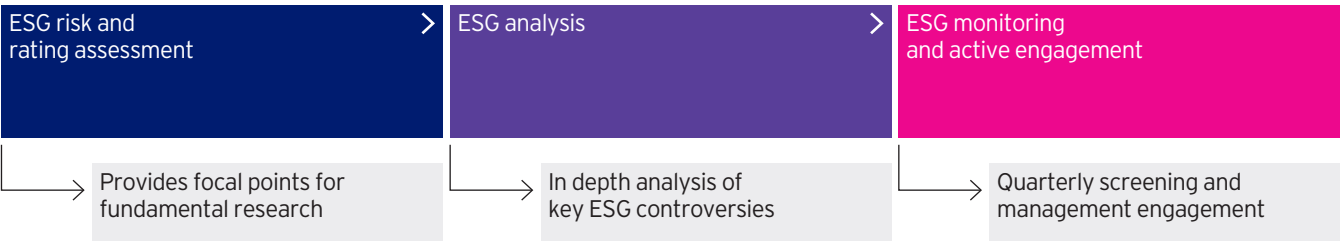
Our approach combines ESG/SRI alongside the financial investment process.

Invesco Global Smaller Companies strategies: Financial & ESG research work in tandem²

Financial investment process



ESG/SRI process



Invesco Perpetual

Decisive ownership

Invesco Perpetual's (IP) emphasis on valuation and long term investment is aligned to a philosophy of the importance of environmental, social and governance momentum and stewardship. We believe that improvements in corporate ESG performance over time can contribute to investment value creation. We underpin this belief by active dialogue with our investee companies on relevant ESG factors. We also have the capability to provide segregated ESG solutions driven by client values.

IP is a signatory to the UK Stewardship Code and has achieved a Tier 1 status. Indeed, IP has a dedicated ESG specialist forming part of the CIO oversight function to assist portfolio managers in implementation of responsible investment. Furthermore, we are active members of UKSIF and our UK equities team are actively engaged with the Investor Forum UK, an organisation set up to support collective engagement on UK companies.

Tier 1 status

Amongst 100 asset managers that are considered by the Financial Reporting Council (FRC) as appropriately demonstrating the commitment to the UK Stewardship Code.

2,219

Company meetings across global regions 2017 YTD.¹

UKSIF members

The UK Sustainable Investment and Finance Association (UKSIF) mission is to support their members in growing sustainable and responsible finance in the UK.

¹ Source: Invesco as of 30 September 2017.

² For illustrative purposes only.

³ The current outcome is not necessarily reflective of future views.

Invesco Perpetual: Active ownership examples²

Team	Type of company	ESG factor	Process	Outcome ³
IP European Equities	European integrated oil and gas	Corporate integrity and internal control	ESG elements raised during company analysis and discussed with investor relations during call	Reassured by transparent company response
IP Global Equities	Global automaker	Corporate governance, emissions testing and supply chain	Investment analysis highlighted concerns over corporate governance. Post emission testing concerns, the company demonstrated a willingness to change	Invested on the basis of continuing opportunity for further improvements
IP UK Equities	Oil services	Corporate governance	Requested the assistance of the Investor Forum UK in changing board directors	Maintained the investment with success
IP Emerging Market Equities	Russian mining company	Environmental and social factors	Met Chairman who highlighted their ESG commitments and rationale for a substantial capital investment to improve operations and mitigate pollution	Continue to monitor improvement story
IP Asian Equities	Global technology company	Corporate governance	Persistently raised concerns about lack of minority shareholder focus (low dividend payout) and complex company structure	Announced a meaningful shareholder return policy and a corporate restructuring is being envisaged

Invesco Unit Investment Trusts

Long term value creation

The Invesco Unit Investment Trusts (UIT) team believes that investors are integrating ESG in a myriad of ways including, but not limited to: investing with values, impact investing, and using ESG to attempt to reduce risk.

Finding opportunities in the ESG space

The UIT team has launched a strategy that provides a targeted opportunity for advisors to access a growing market segment, allowing investors to invest beyond profit and returns, with a goal of long-term value creation that is aligned with environmental, social and corporate responsibility.

The strategy seeks to provide the potential for capital appreciation and current income by investing in a portfolio of US listed companies demonstrating highly favourable ESG characteristics and practices. To achieve this, two common ESG investment methods are incorporated within the process:

- Best-in-class: Our best-in-class approach helps define our selectable universe. However, rather than just including companies that are "above average" from an overall ESG rating/score, the strategy seeks companies that are consistent leaders across environmental, social and corporate governance factors. The strategy seeks to identify leaders who are increasing their level of ESG engagement, rather than companies that excel at one or two things while ignoring other areas that could leave them open to controversy.
- ESG integration: The UIT team also believes in the value of ESG integration within the fundamental investment framework. We use this method to build the final portfolio by incorporating ESG data with fundamental financial analysis. We believe that combining these approaches allows for a diversified portfolio with broader sector representation.

ESG selection process

Fundamental ESG analysis

Evaluate a company's ESG profile primarily through examination of the company's environmental impact, social values and governance practices to focus on companies demonstrating highly favourable ESG practices.

ESG commitment analysis

From the selected companies, focus on companies with generally stable or increasing levels of commitment towards their ESG practices.

Fundamental financial analysis

Identify companies exhibiting attractive valuations, history for above average growth, generating attractive operating and free cash flows, history of maintaining a strong balance sheet as well as making disciplined capital management decisions, and a history of above average returns on invested capital.



Our leading ESG strategies Summary

Investment centres ¹	ESG AUM (31 December 2017)	ESG capabilities
Invesco Real Estate - 3 teams	US\$44.7bn	US Direct Property, European Direct Property and Asia-Pacific Direct Property including 3rd party green building certified assets
Invesco Perpetual - 2 teams	US\$8.3bn	Asian Equities Ex-Japan and Multi-Asset
Invesco Fixed Income - 4 teams	US\$6.0bn	Emerging Markets, Global Investment Grade, Multi-Sector and Senior Secured Bank Loans
Invesco Quantitative Strategies - 1 team	US\$2.7bn	Global Quantitative, Global Small Company, European Enhanced, Global Passive, European Passive and Balanced Solutions
Invesco Fundamental Equities - 1 team	US\$2.2bn	US Growth Large Cap Equity
Invesco PowerShares - 1 team	US\$1.4bn	Clean Technology, Clean Energy and Water
Global Asset Allocation - 1 team	US\$220m	Active Balanced Solutions
Invesco Japan - 1 team	US\$25m	Japan Growth Equities
Invesco Unit Investment Trusts - 1 team	US\$3m	Equity Trust
Grand total	US\$65.6bn²	

¹ The following investment centres (teams) were previously identified with ESG capabilities as of 30 September 2017 in error: Invesco Real Estate \$2.0bn (Real Estate Investment Trust Securities), Invesco Fundamental Equities \$6.9bn (US Value Equity Income, US Growth Small Cap Equity, International Global Growth Equity, US Value Mid-Cap Equity), Invesco Perpetual \$224m (European Equities), Investment Solutions \$211m.

² AUM differences due to rounding.





Active ownership

Our differentiated approach to ESG and proxy voting

At Invesco, active ownership is an integral part of the investment process. Our engagement approach provides a forum for our investors to engage with issuers and an opportunity for consensus voting. Our proprietary platform allows us to build upon our institutional base of knowledge of the portfolio companies in which we invest and supplies a global platform for active internal diligence.

Invesco's fund managers champion our high conviction approach and this in turn reflects a purposeful focus to proxy voting.

Our active ownership policies and practices include ongoing engagement with corporates, boards, and advisory bodies, on-site due diligence and an internal governance committee as inputs into our investment and proxy voting decisions made at the portfolio level.

Guiding principles

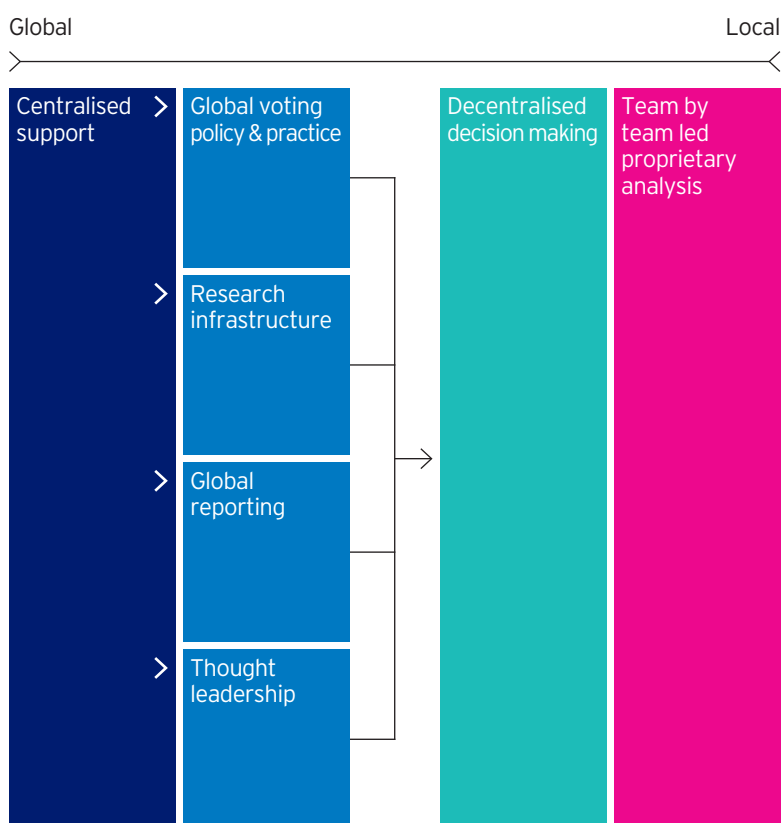
- Invesco votes for proposals that maximise long-term shareholder value.
- Invesco believes in corporate accountability and supports governance structures reinforcing management's accountability to its board of directors and a board of directors' accountability to its shareholders.
- Invesco believes that environmental, social and corporate governance proposals can also influence long-term shareholder value and should be voted in a manner where such long-term shareholder value is maximised.

Invesco's proprietary voting platform

One of the most important foundations of Invesco's ESG efforts is a highly flexible proprietary voting platform that allows fund managers to take well informed, thoughtful and independent proxy investment decisions. This unique industry platform enables Invesco to build the institutional base of knowledge on corporate issuers, streamline the delivery of research, and support dialogue and transparency across the firm relative to voting patterns. Invesco is differentiated by our proprietary global proxy voting platform, known as the Fund Manager Portal.

Our proprietary proxy voting platform - filed for patent in US and India - streamlines the research, proxy voting and ballot reconciliation processes, as well as related functions including managing conflict of interest issuers. Managing these processes internally, as opposed to relying on third parties, gives Invesco greater quality control, oversight and independence in the proxy voting and administration process.

Our differentiated 'Investor first' structure¹



¹ For illustrative purposes only.

Proxy voting

Invesco's democratized framework

We believe proxy voting is the hallmark of active ownership and serves a powerful mechanism to drive responsible investment, engagement and investment stewardship. Through our democratized proxy voting framework, investment teams maintain full discretion on voting of shares and may split vote.

Invesco's global proxy voting policy establishes:

- A principle-based global proxy voting framework for corporate governance as an investor-driven function
- Recognition that regional and regulatory regulations may vary and allows for differentiated guidelines accordingly
- A robust conflict of interest policy

Invesco's investor-led, investor-driven proxy voting approach helps to ensure that each meeting is voted in our clients' best interests and each proposal, both management and shareholder, is considered in light of the risk and materiality to the portfolios.

Invesco's global responsible investing expertise

Worldwide	Fund manager ESG champions
Houston, US	Global Head of Responsible Investment
Houston, US	Proxy Governance (2)
Houston, US	ESG Resource (2)
Henley-on-Thames, UK	ESG Resource (1)
Henley-on-Thames, UK	CSR Resource (1)
Hyderabad, India	Proxy Voting Administration (9)
Hyderabad, India	Governance/ESG Resource (2)

Proxy oversight and transparency

Invesco's global conflict of interest policy

Invesco has a robust conflict of interest policy that is guided by our investors. The Global Invesco Proxy Advisory Committee (Global IPAC) is composed of equity investment team representatives and Invesco's Global Head of Responsible Investment and serves as a forum to achieve an impartial, objective and uniform view on identified conflict of interest issuers. Conflicts of interest are material and significant business relationships across Invesco including Invesco's top 10 distribution partnerships, counter-party trading relationships and research partnerships. The Global IPAC will reach a consensus view, establish quorum and ultimately provide a uniform vote on any identified COI issuer¹. As an additional safeguard, the vote is entered into Invesco's proprietary platform by the responsible investment team to confirm proper execution of the Global IPAC vote decision. For personal conflicts of interest, Global IPAC members are required to sign a yearly conflict of interest certification and report any potential conflicts that may require an abstention from the vote deliberation process.

Annual due diligence of vendor services

We conduct annual due diligence on-site visits with our proxy advisory firms, ISS and Glass Lewis with a broad objective of reviewing the governance structure of the proxy advisors: We cover critical research and operational topics including but not limited to procedures adopted for research, code of ethics, procedures adopted to manage conflict of interest, compliance and internal controls, risk management, business continuity and information security.

¹ Only applies to investment advisers under Invesco's Global Proxy Policy. For more information see invesco.com/corporate/about-us/proxy-voting.

Proxy voting

Our global footprint

- 99.6% meetings voted in 72 markets^{1,2}
- 18,000 meetings, 80,000 ballots and 210,000 proposals^{1,2}
- 9 member Responsible Investment team and a 9 member Proxy Administration team

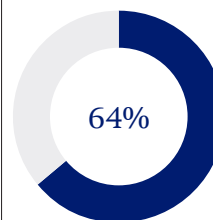
During 2017, Invesco voted in 99.6% of all meetings in over 72 markets globally. Invesco's thoughtful proxy approach demonstrates independence from outside third parties, including advisory firms. We believe compensation programs should be clearly aligned with performance and that management teams and boards should be accountable to shareholders.

An active approach to passive and index strategies

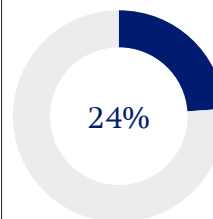
For proxies held by certain client accounts managed in accordance with fixed income, money market and index strategies (including exchange traded funds), Invesco seeks to leverage the active-equity expertise and comprehensive proxy voting reviews conducted by teams employing active-equity strategies, which typically incorporate analysis of proxy issues as a core component of the investment process.

Highlights²

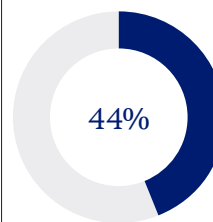
Increase in our support to environmental proposals



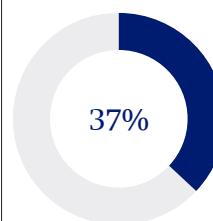
Increase in diversity proposals



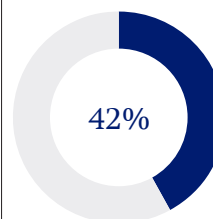
Support of all shareholder related proposals



Voted against management proposals related to the compensation



Supported all activist campaigns



¹ Rounded off to closest hundred.

² Voting from 1 July 2016 to 30 June 2017.

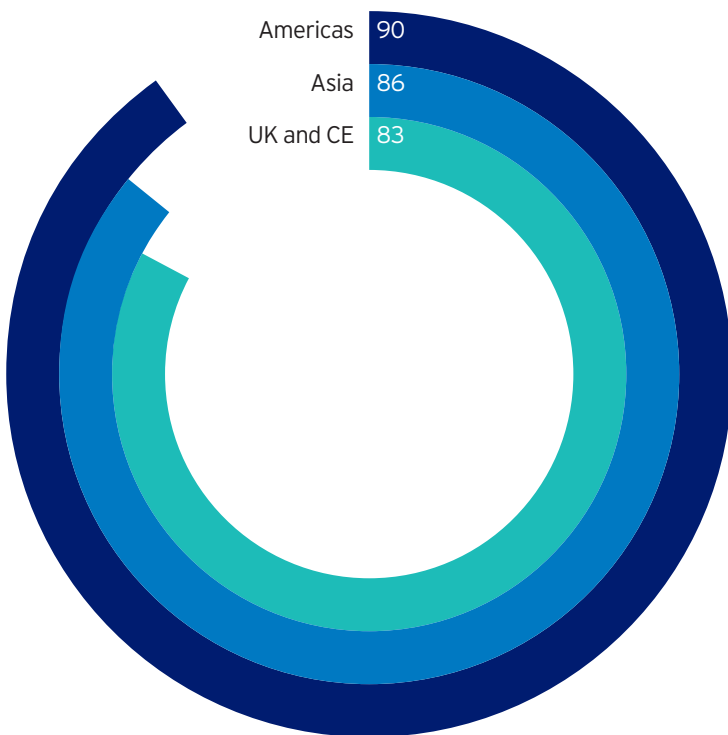
³ For illustrative purposes only.

Regional proxy voting statistics²

In 2017, 65 percent of the 18,000 total meetings are voted from our United States, Canada and PowerShares locations and 16 percent from our Asian investment centres.

On average, 88 percent of all the meetings were voted in line with management.

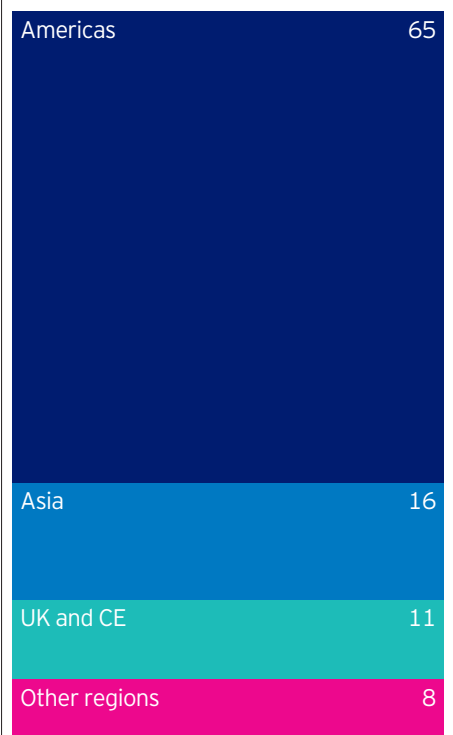
Voted in line with management, across locations (%)^{2,3}



“We believe in influencing corporate practices through engagement, dialogue and proxy voting, which is voting on issues at company AGMs. I think our record speaks for itself.”

Bonnie Saynay,
Global Head of Responsible Investment

Regional proxy voting statistics (%)^{2,3}

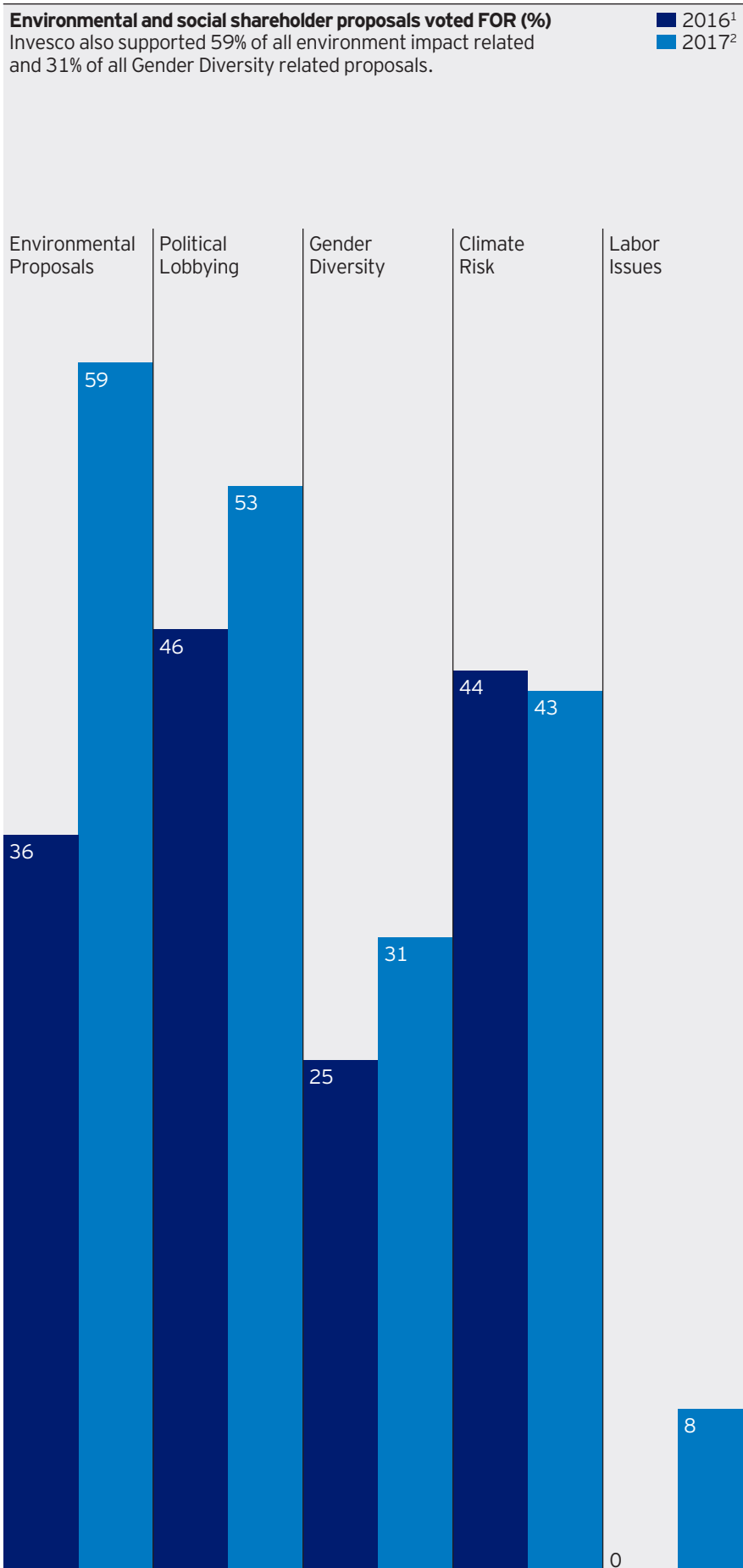


Proxy voting

ESG shareholder proposals

Our commitment to sustainability is reflected in our policy, our practice and most importantly our results.

We believe in a shareholder's rights to nominate directors to a company's board and proxy access provisions are one of the mechanisms that enable that right.



¹ Voting from 1 July 2015 to 30 June 2016.

² Voting from 1 July 2016 to 30 June 2017.

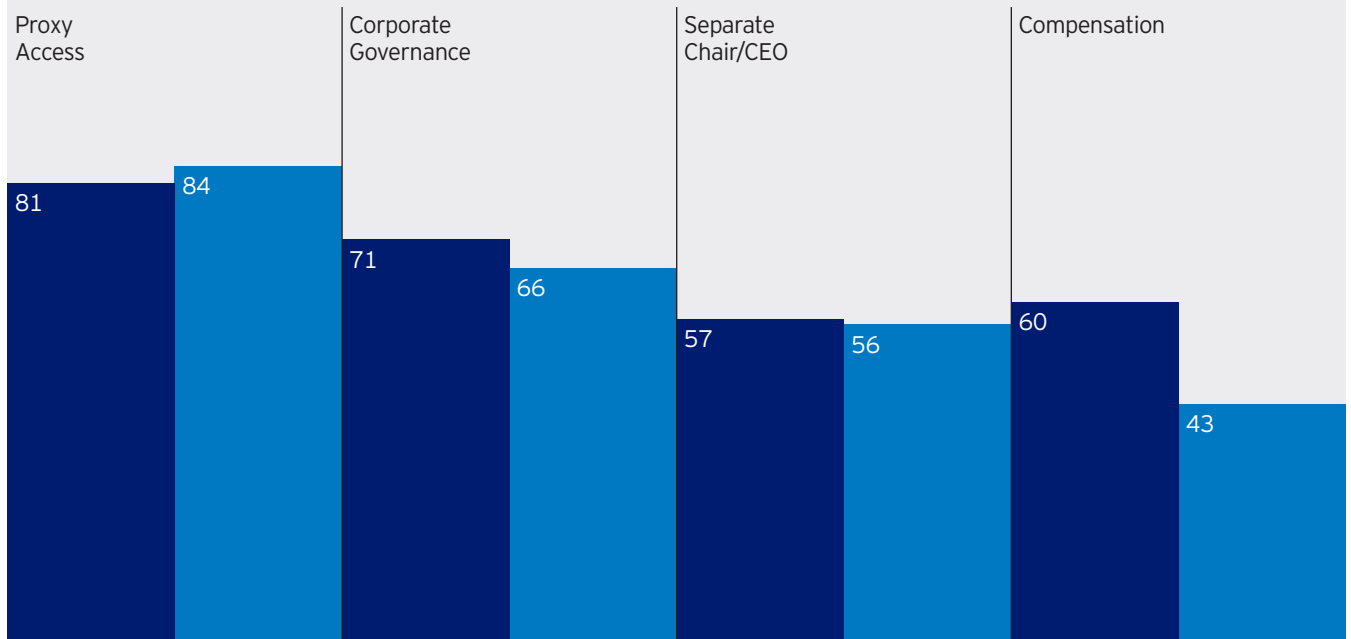
³ Voting from 1 January 2016 to 31 December 2016.

Votes that are not cast as "For" may be "Against", "Do Not Vote" or "Abstain".

Key shareholder proposals voted FOR (%)

In 2017, we supported 84 percent of all shareholder related proposals concerning proxy access rights. In competing proposal situations where a company's bylaws already provisioned proxy access and those bylaws were consistent with Invesco's views, Invesco voted in support of the management proposal.

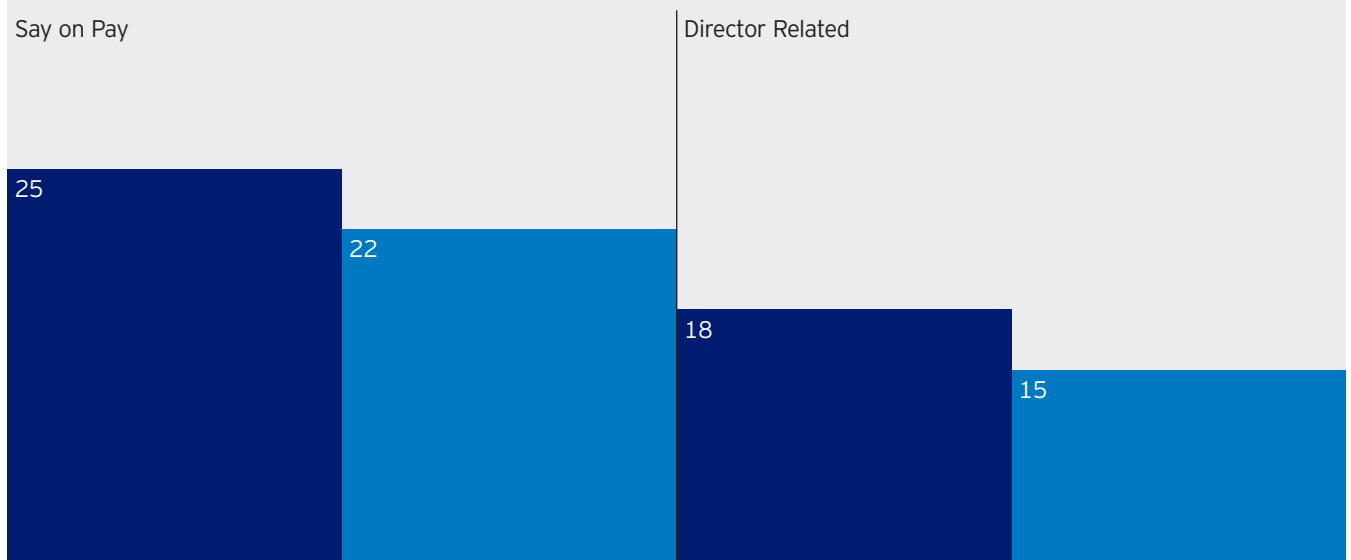
■ 2016³
■ 2017²



Management proposals voted AGAINST (%)

Invesco supported executive compensation proposals 78% percent of the time. While Invesco believes that properly constructed compensation plans are effective in creating incentives that induce management and employees of portfolio companies to create greater shareholder wealth, we have voted against the proposals that are overly dilutive and that appear likely to reduce the value of the client's investment. The foundation of Invesco's voting policy and practice is ensuring that boards are accountable to shareholders and as such, our fund managers voted against 15% of all director related proposals where accountability to the shareholder base was in question.

■ 2016³
■ 2017²



Engagement

Maximising the shareholder relationship

Engagement with portfolio companies continues to be an important component of our vote consideration process.

Invesco believes that engagement leads to greater transparency and encourages dialogue between investors, governance administration and issuers. We engage regularly on a variety of topics including environmental, social and governance considerations as part of a thoughtful research process. Issuer/Investor engagement is conducted continuously and driven and prioritised by several factors, including but not limited to changes in compensation models, corporate structure, mergers and acquisitions, unique shareholder proposals and proxy contests.

Active engagement and dialogue with our portfolio companies is a key element of our investment process. Engagement with company management plays a fundamental role in our efforts to help manage, protect and enhance the value of our clients' investment. Our investment teams concentrate on each company's ability to create sustainable value and, in the process, may question or challenge the company about ESG issues that could have an impact on future value.

Our four-step approach to shareholder engagement comprises

- Email
- Research
- Key topics
- Engagement

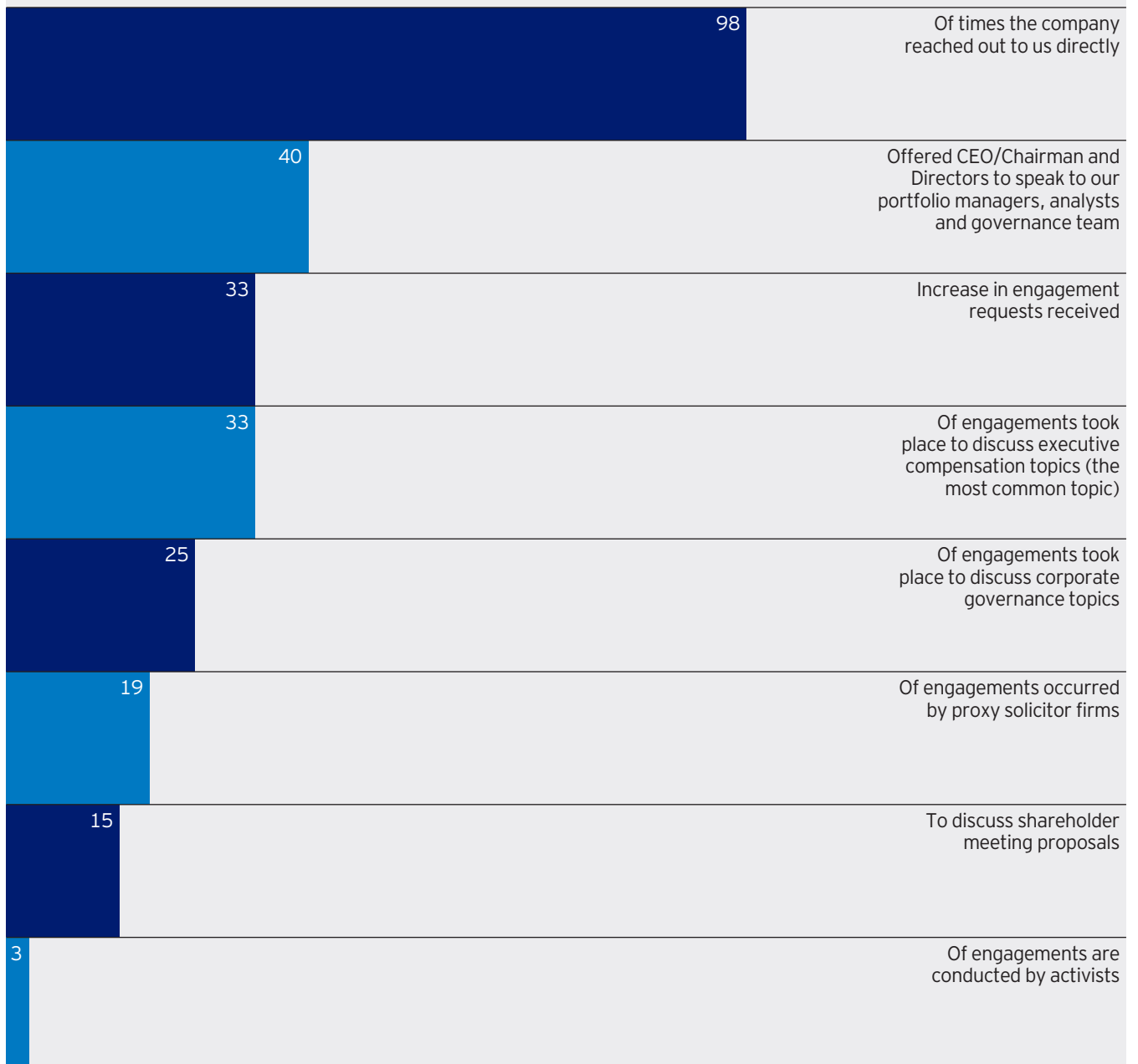
Our investment teams may question or challenge companies about ESG issues that could have an impact on future value.

Out of the engagement Invesco conducted year-to-date, the highest percentage of engagement took place with Financial firms (19%) followed by Industrial firms (16%).¹



¹ YTD 30 September 2017.

Invesco proxy voting season engagement highlights (%)¹







Demonstrated active ownership: ESG case study

Integrating ESG into the investment management process

Invesco Real Estate

ESG consideration

Environmental



Social



Governance



Company

US Direct Property

ESG consideration

Environmental

- Sustainable sites
- Water efficiency
- Energy and atmosphere
- Material and resources
- Indoor environmental quality

Method/Research

Sustainability objectives at the asset-level are identified and prioritised (based on market, tenancy, and regulatory conditions as well as asset strategy) as part of the annual business plan and budgeting process.

Engagement

Sustainable sites

- Reduced emissions from conventional commuting trips by 64%. Attributed to the use of public transportation by building occupants.
- Reduced the heat island effect. The building has a white roof with a LEED-compliant Solar Reflectance Index (SRI) of 99.
- Reduced light pollution. Interior lighting is programmed to turn off after hours. All exterior fixtures 50 watts and over are partially or fully shielded so that they do not directly emit to the night sky.

Water efficiency

- Reduced indoor plumbing water use by 31% compared to standard fixtures. Existing high efficiency fixtures will reduce water usage by approximately 682,000 gallons per year.

Energy & Atmosphere

- Earned EPA's Energy Star certification, with a score of 95 out of 100.
- Implemented low-cost Energy Conservation Measures (ECM). ECMs identified in the ASHRAE Level II Audit were completed during the performance period including LED lighting retrofits in stairwells and ground floor sconces, as well as new signage promoting the use of the revolving doors. These ECMs are estimated to save 36,898 kWh annually.
- Purchased 63% off-site renewable energy. Renewable energy certificates were purchased to offset the emissions for 63% of the building's energy usage for two years. Together, the ECMs and offsets will result in a reduction of 893.95 metric tons of CO2. That is equivalent to the emissions produced from the electricity use of 94.4 homes for a year.

Engagement (cont.)

Material & Resources

- Purchased 94% sustainable electronic equipment. During the performance period, 94% of electronics purchased by tenants met LEED sustainability criteria such as ENERGY STAR's qualification for electronics.
- Recycled 56% of ongoing consumable. The recycling rate was achieved by the building's existing, comprehensive recycling program.
- Diverted 100% of durable goods waste. An electronics recycling event was held for all building occupants resulting in 5,103 pounds of home and office electronic waste diverted from the landfill.

Indoor Environmental Quality

- Using high grade air conditioning filters. MERV 13 filters are installed in all air handling units resulting in improved air quality for building occupants.
- Achieved views to the outdoors for 57% of occupied spaces. Due to existing office space layouts and prominent vision glazing, views are provided for the majority of occupied areas.
- Purchased 97% sustainable cleaning products during the performance period. Sustainable purchases included Green Seal-certified cleaning chemicals and paper products with recycled content.

Outcome

- 95 Energy Star score
- 31% water use reduction
- 5,103 pounds of e-waste diverted from landfill
- 893.95 metric tons of CO2 emissions reductions
- Earned EPA's Energy Star certification

For illustrative purposes only.


Demonstrated active ownership: ESG case study

Supporting shareholder issues

Invesco Fundamental Equities, Invesco Unit Investment Trusts, Invesco PowerShares, Invesco Japan

ESG consideration

Environmental 

Social 

Governance 

Company

Multiple companies

Industry sectors including:

- Health Care
- Energy
- Consumer Discretionary
- Consumer Staples
- Industrials
- Restaurants

Country: US

ESG consideration

Environmental

- Sustainability Reporting

Method/Research

14 annual meetings in Quarter 1 2016, Quarter 2 2016 and Quarter 2 2017.

Invesco was a Top 20 rank holder for two of the meetings.

Proxy voting

- During 2016 and 2017, Invesco supported multiple shareholder proposals proposing Sustainability Reporting.
- ISS recommended AGAINST management in each instance.
- ISS: A vote FOR this proposal is warranted, as shareholders would benefit from the information disclosed in a comprehensive sustainability report. Such information would allow shareholders to better evaluate the company's sustainability performance and its management of related risks and opportunities.
- Glass Lewis recommended AGAINST management in 13 of the 14 instances.
- Glass Lewis: The production of the requested report would help shareholders better understand the sustainability-related risks facing the company.

Outcome

- Each Invesco investment team voted AGAINST management in support of the shareholder proposal
- Shareholder support percentage ranged from 7%-55%
- Two of the 14 proposals were accepted

Demonstrated active ownership: ESG case study

Incorporating ESG into an investment decision

Invesco Perpetual - Emerging Market Equities

ESG consideration

Environmental



Social



Governance



Company

IVA Industry: Metals and Mining - Precious Metals

Country: Canada

ESG consideration

Environmental
- Mining risks

Social

- Health/Safety risks
- Labour risks
- Community relations

Method/Research

Investment decision making during 2016.

Rationale

- Invesco Perpetual's Emerging Markets Equities investment team has at times sought diversification by investing in gold mining companies.
- However, in evaluating equities in the gold mining sector, the investment managers have found that South African mining companies faced significant environmental risks as a result of their very deep mines (often resulting in safety issues as well), and social risks related to labour disputes, including frequent and sometimes violent strike action by their labour force.
- These ESG risks have deterred the investment managers from investing in this sector in South Africa.
- Instead, the investment team is invested in a company which operates in Latin America, and in comparison with South African miners, has a more attractive ESG risk profile.
- The company not only has a large resource base and some of the lowest cash costs in the industry, but importantly the company also operates in some of the most stable mining jurisdictions and puts Corporate Social Responsibility at the core of how it operates.
- Health, safety, environment and community relations programs are integrated into all their operations, and the company recognises the role that these efforts play in delivering their overall objective of creating value for stakeholders.

Outcome

Invesco Perpetual's Emerging Markets Equities investment team recognises that this lowers the risk profile of the business, and this added considerably to the decision to invest in the company's equity.

Demonstrated active ownership: ESG case study

Service provider engagement

Invesco Quantitative Strategies

ESG consideration

Environmental 

Social 

Governance 

Company

IVA Industry: Banks

Country: France

ESG consideration

Social

- Provision of finance to military organisations

Method/Research

Third Party engagement conducted in 2016.

Engagement

- The company indicates that it has enacted counter terrorism financing measures with respect to locations, entities or individuals which may be linked to Daesh/ISIS, as a supplement to its global Financial Security Programmes.
- These measures include a risk-based compliance programme designed to ensure conformity with applicable anti-money laundering, anti-corruption, counter terrorism and financing and, U.N., EU, French or US sanctions, laws or regulations.
- The bank has also implemented some Financial Action Task Force (FATF) recommendations, as well as EU or French Authorities' vigilance requirements against ISIS and the financing of terrorism. It has adjusted its activity in countries where the bank has no physical presence and a number of corresponding banking accounts or activities, and Swift keys have been closed. Transactions involving these countries are subject to the highest degree of surveillance.
- Summary points
 - Adopted counter terrorism financing measures with respect to locations, entities or individuals which may be linked to Daesh
 - Adopted and maintains a risk-based compliance programme
 - Implemented FATF recommendations against Daesh or the financing of terrorism,
 - Transactions involving high risk countries are subject to the highest degree of surveillance

Outcome

The company is considered to have addressed all the issues:

- Recognition of the issue
- Updated risk assessments
- Detailed policies relating to compliance with international sanctions and terrorism lists
- Description of 'Know Your Customer' processes
- Auditing programmes
- Compliance measures

Demonstrated active ownership: ESG case study

Proxy voting against management

Invesco Fundamental Equities

ESG consideration

Environmental



Social



Governance



Company

GICS Sub-Industry:
Communications Equipment

Country: US

ESG consideration

Social
- Diversity

Method/Research

Annual Meeting in 4th Quarter 2017.

Invesco was a <1% holder and not a rank holder.

Proxy voting

- Proxy proposal #5: Shareholder proposal regarding diversity report
- Shareholders request that the company prepare a diversity report, at reasonable cost and omitting confidential information, available to investors
- All Invesco investment centres voted AGAINST management
- ISS and GL recommended AGAINST management
- ISS: A vote FOR this resolution is warranted, as additional diversity-related disclosure would allow shareholders to better assess the effectiveness of the company's diversity policies, initiatives, and management's efforts to address related risks.
- Glass Lewis: The requested reporting would allow shareholders to monitor how the company is managing diversity-related issues. Particularly given the dearth of reporting provided by the company, we believe that the request of this proposal is appropriate.

Outcome

Proxy proposal #5: Shareholder proposal regarding diversity report
- 48% FOR (AGAINST management)
= rejected

Invesco Fundamental Equities - Growth Large Cap: While proposal #5 may or may not represent the views of Invesco investors, we do closely watch corporate governance as a factor in our investment process. Invesco is monitoring their response and will discuss with the company in the course of our normal research discussions. Invesco's interest here is not as much in the particular proposition as it is about how they handle formal feedback that has substantial shareholder backing.

Demonstrated active ownership: ESG case study

Incorporating ESG into an investment decision

Invesco Perpetual - Emerging Market Equities

ESG consideration

Environmental 

Social 

Governance 

Company

IVA Industry: Wireless
Telecommunication Services

Country: Russia

ESG consideration

Governance
- Uzbekistan corruption

Method/Research

Investment decision making
during 2016.

Rationale

- The company historically expanded its operations into other countries of the former Soviet Union, including Uzbekistan, which is a challenging market to operate in, not least because the country scores poorly on international indices of corruption. For example, Uzbekistan ranked 153rd out of 168 countries in Transparency International's widely cited Corruption Perceptions Index in 2015.
- Other multinational telecom companies faced heavy regulatory fines in 2016 following investigations into bribery charges in regard to how they entered the Uzbekistan market and their participation in spectrum auctions. The company is also under investigation for its participation in spectrum auctions in Uzbekistan, leading to fears that they could also face substantial fines should their behaviour be found to be unethical.
- In Invesco Perpetual's Emerging Markets Equities investment team's ongoing evaluation of its investment in the company, concerns over the impact of the ongoing investigation became a critical factor, due to both the serious nature of the allegations and the significant financial impact should they face a fine.
- During engagement with the company, the investment team has sought to understand the allegations in regard to Uzbek spectrum auctions in detail, and has repeatedly encouraged the company to ensure it has the processes in place to reduce the risk that any such situation could occur again. However, alongside other risks such as rising competition in the company's core mobile market and high churn rates in the Russian market, the rising risk of a fine for corrupt practices stood out as a threat to the sustainability of the company's business model.

Outcome

Considering the fines levied on their peer companies and the rising possibility that a regulatory fine could damage the company's reputation and ability to pay its usually substantial dividend, the decision was made to remove this company from Invesco Perpetual's Emerging Markets Equities investment team's holdings.

Demonstrated active ownership: ESG case study

Letter writing campaign

Invesco Fundamental Equities

ESG consideration

Environmental



Social



Governance



Company

Industry Sector: Energy

Country: USA

ESG consideration

Governance

- Executive compensation

Method/Research

Letter writing campaigns in 2nd half 2017.

Invesco is a Top 20 rank holder for each of the three, with 1-5%.

Engagement

- Following the annual meetings in Quarter 2 2017, Invesco Fundamental Equities engaged with energy companies because current compensation programs have allowed the industry to destroy shareholder value. Invesco Fundamental Equities believes that returns drive shareholder value and ultimately share price appreciation.
- Invesco Fundamental Equities expressed concerns about each company's total compensation plan and the behaviour we believe it encourages within the industry.
- Invesco Fundamental Equities believes each board is responsible for establishing tangible and appropriate standards to which the management team can be held accountable and paid based on their ability to meet these standards.
- Invesco Fundamental Equities focused on the Long Term Incentive Plan (LTIP) and Return on Average Capital Employed (ROACE).
- Invesco Fundamental Equities has found that over time ROACE is highly correlated with stock price performance and drives behaviour.
- Other companies have completely removed production growth from their LTIP and substituted it with ROACE. Their plans appropriately balance Total Shareholder Returns (TSR), Earnings Per Share (EPS) growth, ROACE, and cash flow growth.
- Invesco Fundamental Equities has seen a positive change in behaviour since these modifications have been implemented. This is representative of the direction in which we believe the industry needs to move.

Outcome

- Ongoing into 2018.
- Going forward Invesco Fundamental Equities will consider withdrawing support for the board unless changes to the compensation program are made.
- The response cannot be that your program mirrors industry practices. Invesco Fundamental Equities feels there is more that can be done and that each company can help lead the industry in this effort.

For illustrative purposes only.

Demonstrated active ownership: ESG case study

Proxy voting against management

Invesco Japan, Invesco PowerShares, Invesco Australia, Invesco Perpetual, Invesco Fundamental Equities

ESG consideration

Environmental 

Social 

Governance 

Company

IVA Industry: Banks

Country: Japan

ESG consideration

Governance

- Amend articles to restore shareholder authority to vote on income allocation

Method/Research

Annual meeting in 2nd Quarter 2016.

Invesco was a <1% holder.

Activist Campaign

- An individual activist shareholder, won 48% of the votes for his proposal to amend the articles to restore shareholder authority to vote on income allocation and submit proposals related to income allocation.
- The vote in favour of the proposal increased from the previous year's 41%.
- "This is a milestone [for activist investors]. The company has no choice but to change its articles next year," said a Tokyo-based activist.
- "The company cannot dismiss a proposal with broad shareholder support even if it comes from a small stakeholder," said another institutional investor.
- Proxy voting advisers were split in their analysis.

Outcome

- Each Invesco investment team voted AGAINST management in support of the activist proposal.
- 2016 Annual Meeting Results: The activist received 48% support = proposal rejected.
- The activist has filed the proposal again in 2017.

Demonstrated active ownership: ESG case study

Proxy voting against management

Invesco Japan - Japanese Equities

ESG consideration

Environmental



Social



Governance



Company

GICS Sub-Industry:
Building Products

Country: Japan

ESG consideration

Governance

- Shareholder proposal regarding sale of shares held for strategic reasons
- Shareholder proposal regarding distribution of dividends

Method/Research

Annual Meeting in 2nd Quarter 2016.

Invesco was a <1% holder.

Activist Campaign

- Shareholder proposal regarding sale of shares held for strategic reasons
 - The company shall immediately sell all the listed shares which it holds for reasons other than pure investment purposes as of the effective date of the revision of the provision of articles.
 - "Cross-Shareholdings" are cases where listed companies hold the share of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships.
 - The activist engaged with the company and was not satisfied with the reasons provided by the company for ownership of the shares.
 - After disposition of such "Cross-Shareholdings", the company can utilise the funds effectively for new business developments, mergers, acquisitions, and can utilise the proceeds as return to shareholders.
- Shareholder proposal regarding distribution of dividends
 - We require that the dividend per share for this fiscal year is increased to the excess amount of the consolidated net profit per share to 10 yen (round down to the nearest integer).
 - The company does not need huge reserves on its balance sheet and should return surplus funds to shareholders.
 - These returns lead to increased shareholders' value.
 - This proposal is an alternate income allocation method not an additional dividend payment. Therefore, shareholders who wish to support this alternate method need to oppose management's proposal.
- Proxy voting advisers were split in their analysis.

Outcome

- The investment team voted AGAINST management in support of the activist proposals.
- 2016 Annual Meeting Results: The activist received support of 12% regarding sale of shares held for strategic reasons and 11% regarding distribution of dividends.
- The activist has filed the proposals again in 2017.

For illustrative purposes only.

Demonstrated active ownership: ESG case study

Proxy voting against management

Invesco Fundamental Equities, Invesco PowerShares, Invesco Unit Investment Trusts

ESG consideration

Environmental 

Social 

Governance 

Company

IVA Industry: Investment Banking & Brokerage

Country: US

ESG consideration

Governance

- Advisory vote on executive compensation

Method/Research

Annual Meeting in 2nd Quarter 2017.

Invesco was a Top 15 ranked holder with 2%.

Rationale

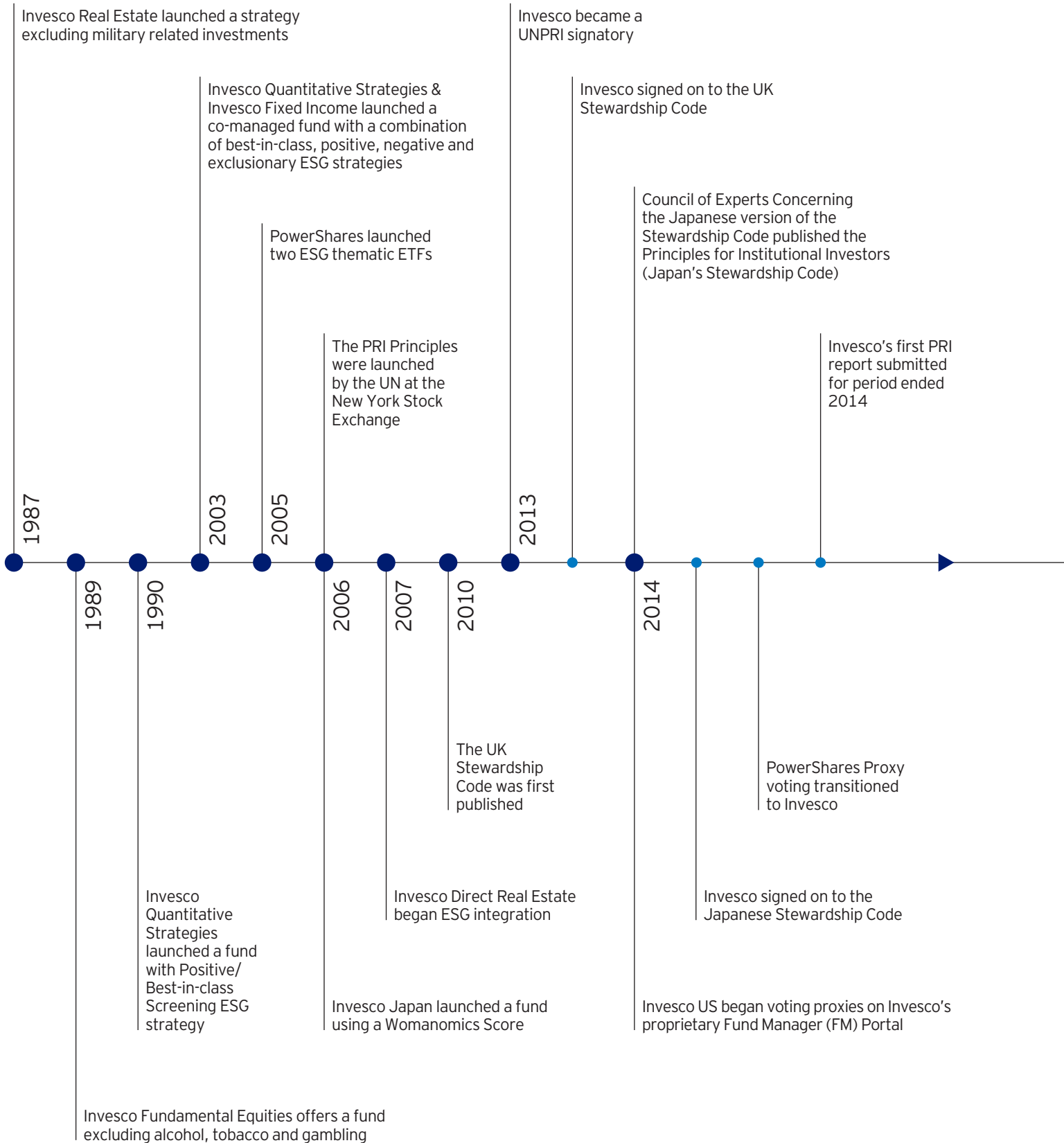
- The initial compensation awards for the Executive Chairmen are excessive and are not tied to any meaningful performance hurdles.
- The Executive Chairmen received sign-on compensation awards in three tranches, two of which have no performance metrics tied to the vesting schedule.
- The Restricted Stock Unit (RSU) grant exceeds the minimum stock ownership requirement for the Executive Chairman by 80%, which seems excessive by itself.
- The cash award is also adjustable by the Compensation Committee, but the metrics for adjustment are not outlined.
- Total non-performance based sign-on bonus compensation seems excessive given the average annual compensation for the previous Executive Chairman.
 - It also seems well above any reasonable assumption for forfeited compensation at the previous employer.
- The third tranche of the sign-on award was performance based, but was entirely subject to stock price performance.
 - These stock price hurdles were both achieved within the first three months of employment.
 - These awards should have been tied to fundamental business metrics as opposed to stock price by itself.
- In summation, a vote AGAINST the Executive Comp proposal is warranted.

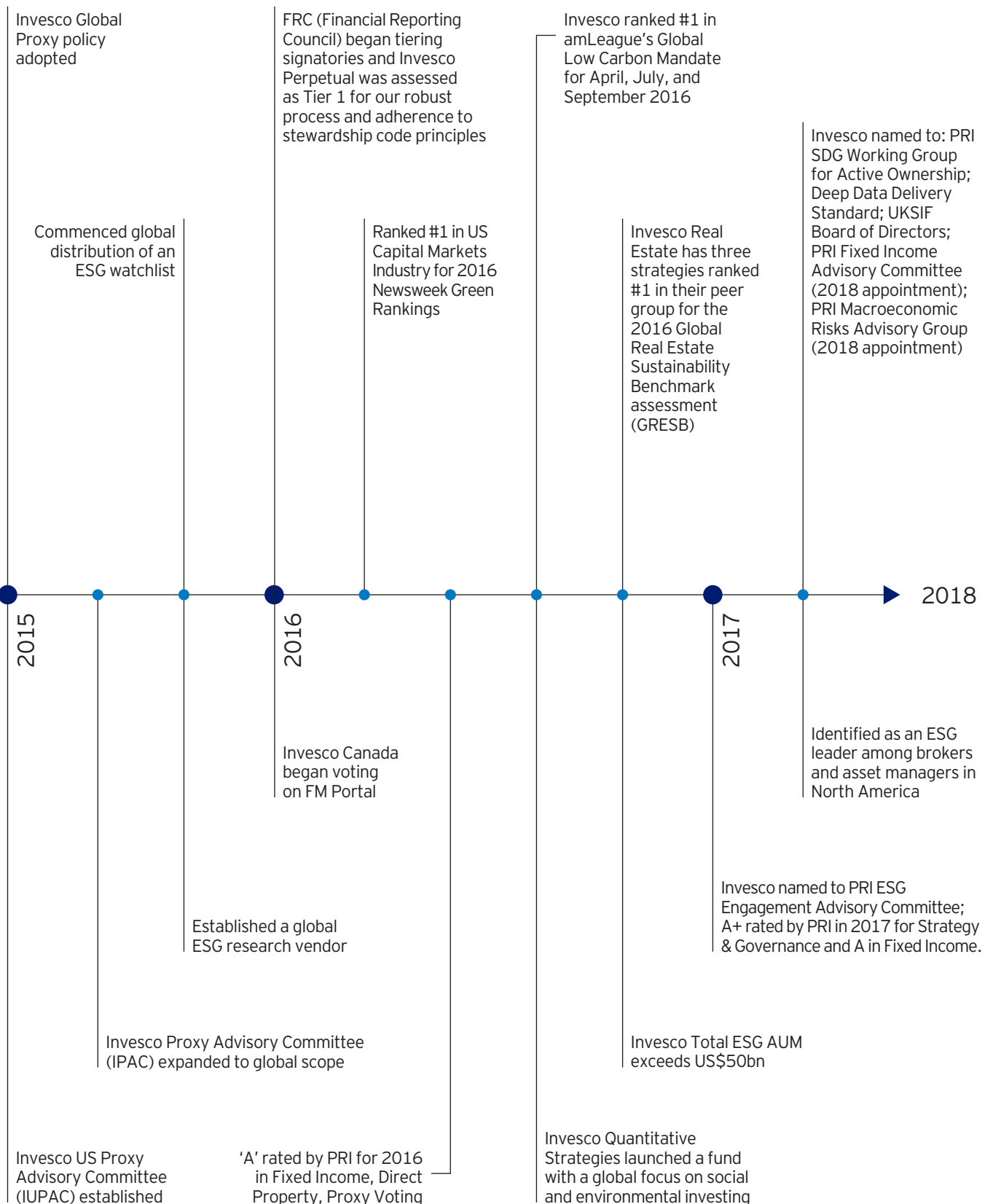
Outcome

- Each Invesco investment team voted AGAINST management.
- 2017 Annual Meeting results:
 - Advisory vote to ratify named Executive Officers' compensation: 46% AGAINST (AGAINST management) = accepted.

Our ESG journey

A broad, deep, demonstrated and authentic approach





Source: Invesco as at 31 August 2017.

Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Property and land can be difficult to sell, so investors may not be able to sell such investments when they want to. The value of property is generally a matter of an independent valuer's opinion and may not be realised.

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Invesco Ltd.
Two Peachtree Pointe, 1555 Peachtree Street, N.E., Suite 1800, Atlanta, GA 30309.

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