

2022 Stewardship Report



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Our Stewardship Approach

Our commitment to stewardship is a key element of our ambition to be the most client-centric asset manager.



1.1 Our Commitment to Stewardship

At Invesco, our focus is unwaveringly set on global stewardship. We consider ourselves not just asset managers, but guardians of the assets our clients entrust to us. Through active stewardship, we engage, learn, and evolve, ensuring that the responsibilities placed upon us are met with expertise and dedication.

Supporting our commitment to stewardship is our robust approach to ESG (environmental, social, and governance) investing. We leverage material and relevant ESG considerations as appropriate, to help achieve our clients' desired outcomes. Our primary mission remains clear: to serve as trusted stewards of our clients' assets in the global arena.

In this Stewardship Report, we outline our accomplishments in 2022, reaffirming our commitment to global stewardship and detailing how our endeavours reinforce this core mission. As we continue our journey, Invesco stands firm in its pledge to prioritize stewardship, always with a keen eye on our responsibility as a fiduciary to our clients.



Consideration of ESG factors is a key component of our stewardship process.



Stewardship & Investment

Realizing our clients’ objectives through informed decisions

At Invesco, our mission is to be the most client-centric asset manager. We focus on long-term value creation with an investment philosophy grounded in materiality, momentum, and engagement. Our investment professionals recognize that environmental, social, and governance (ESG) factors may pose risks and opportunities that could impact long-term returns and consider financially material ESG factors in a variety of ways, depending on the asset class, geographic location, strategy, and product objectives.

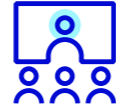
Where applicable to a particular asset class or investment style, our investment teams conduct rigorous research and analysis to assess factors relevant to investment performance, including ESG factors where deemed financially material. Supported by proprietary research tools, our investment teams are able to analyze material ESG factors at the issuer level and call on support from the Global ESG team who provide their knowledge and expertise.



Financially Material ESG Integration

Focus on long-term value creation and effective risk mitigation.

We integrate financially material ESG considerations in our investment capabilities where relevant and material to the product and/or issuer, considering critical factors that help us deliver strong outcomes to clients. As investors in global equities, corporate and sovereign fixed income instruments, as well as real estate and multi-asset strategies, we apply ESG principles in a variety of ways, depending on the asset class and strategy. Our Global ESG team provides support and analysis, while our investment managers maintain discretion on portfolio decisions.



Active Ownership

Exercising our rights and responsibilities as stewards of capital

We exercise our rights and responsibilities as stewards of capital. We engage with issuers in a constructive manner and use our expertise to cast voting decisions in our clients’ best interests.



Innovation and Data

Growing together, supporting our capabilities

We believe having quality data on ESG factors is critical for effective investment analysis. We are enhancing our ESG data and analytics capabilities by building out and updating our proprietary tools, including ESGintel, PROXYintel and ESGCentral. These tools assist with research, portfolio reviews, portfolio optimisation, engagement, and proxy voting.



Client Partnerships

Meeting our clients where they are

Invesco has a client centric ESG approach focused on customising solutions to client needs and objectives. We provide a range of ESG-focused capabilities that enable clients to express their values through investing. Some of our clients ask us to impose ESG investment guidelines and restrictions on their portfolios. We therefore offer a suite of portfolio solutions to ESG-minded clients who wish to pursue ESG goals.



Industry Engagement

Enabling better ESG conversations

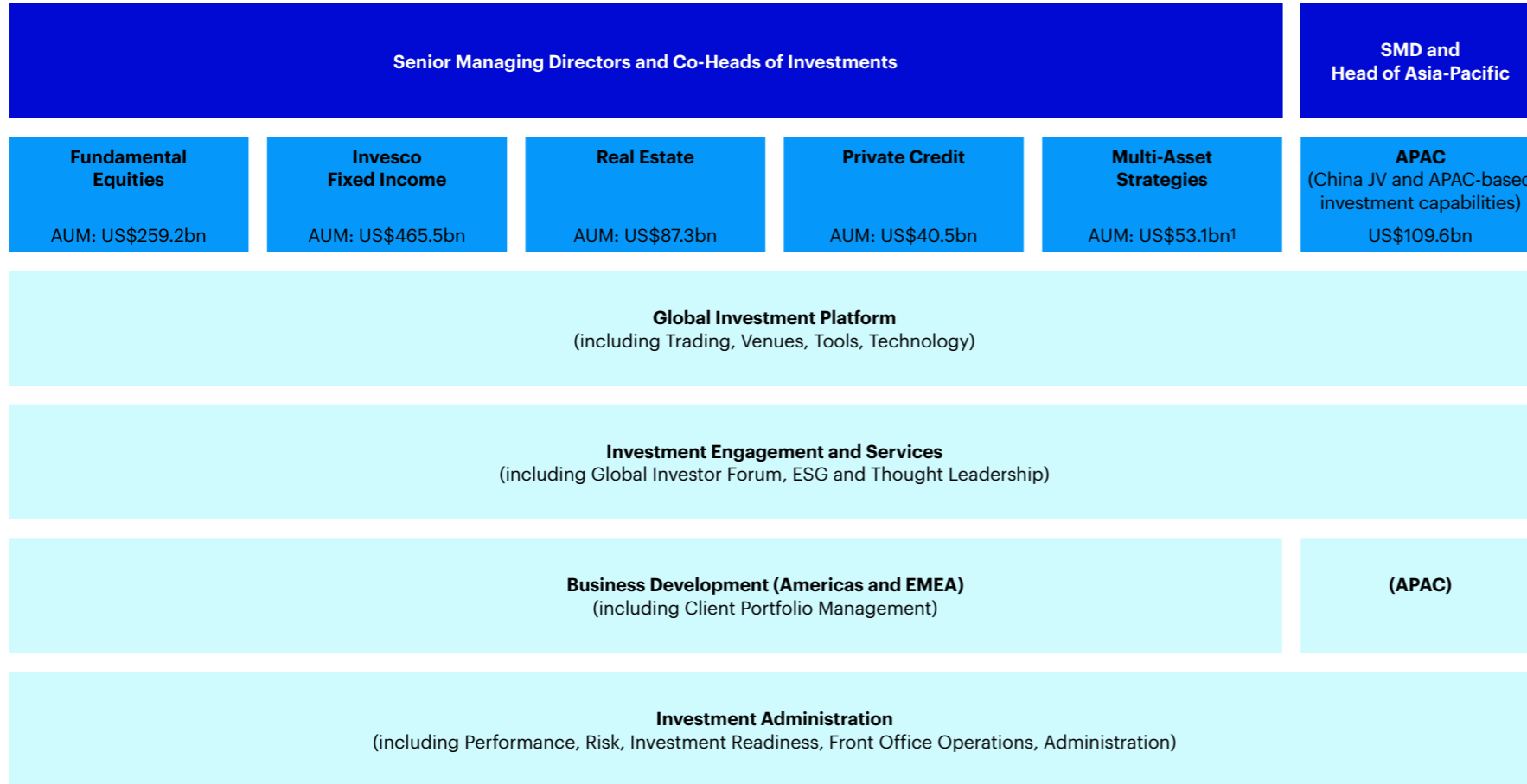
Invesco participates in relevant industry initiatives to promote the continued improvement of functioning financial markets. We are involved in many industry bodies, including for example: Responsible Investment (PRI), the Net Zero Asset Managers initiative (NZAM), the Global Real Estate Sustainability Benchmark (GRESB), and the Task Force on Climate-related Financial Disclosures (TCFD). We engage policymakers on the latest ESG regulations and have academic partnerships with the University of Cambridge and Tsinghua University.

2.0


A Global Platform

Invesco has a governance structure that enables oversight and accountability for effective stewardship.






US\$906bn
 assets under management²


1,600
 professionals


26
 countries with local presence

Source: Invesco, as of 30 June 2023. Subject to change without notice.

¹ Multi-Asset Strategies reported figures exclude advised and managed assets invested directly into other Invesco products through Fund of Funds structures.

² Total IVZ AUM is \$1.54T. Does not include Fixed Income co-managed assets of US\$10.9bn.

Our Chief Investment Officer (CIO) Challenge Process in the UK

To support our commitment to stewardship by facilitating dynamic and constructive conversations with our investment teams, Invesco has an annual internal CIO Challenge process for the Henley-based fund managers.

The purpose is to ensure that portfolio managers are exercising expected levels of due diligence in the management of their portfolios. Stakeholders such as an investment oversight team, a peer investment team, distribution, our EMEA-based risk management team, and the Global ESG team collaborate to prepare both quantitative and qualitative data and discussion points.

Target outcomes of the CIO Challenge process include:



Providing comprehensive and rigorous review process to assess fund management skill



In depth appraisal of the fund manager’s investment performance, quality and repeatability of the process, investment strategy, risk management and go to market messaging



To share good practice across fund management teams

As one element of the process, the ESG team investigates data that highlights companies and reviews the interactions the fund manager has had with the identified companies in the past 12 months. This is to establish if the issues identified have been discussed and an opinion has been formed on the topic (e.g., controversies) as part of an informed investment decision. The ESG team also provides statistics on the fund manager’s engagement activities in the past 12 months.



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2.3 Governance of ESG at Invesco

Invesco has a governance structure that enables oversight and accountability for effective stewardship. Our Global ESG team acts as a centre of excellence, collaborating with our global investment teams.

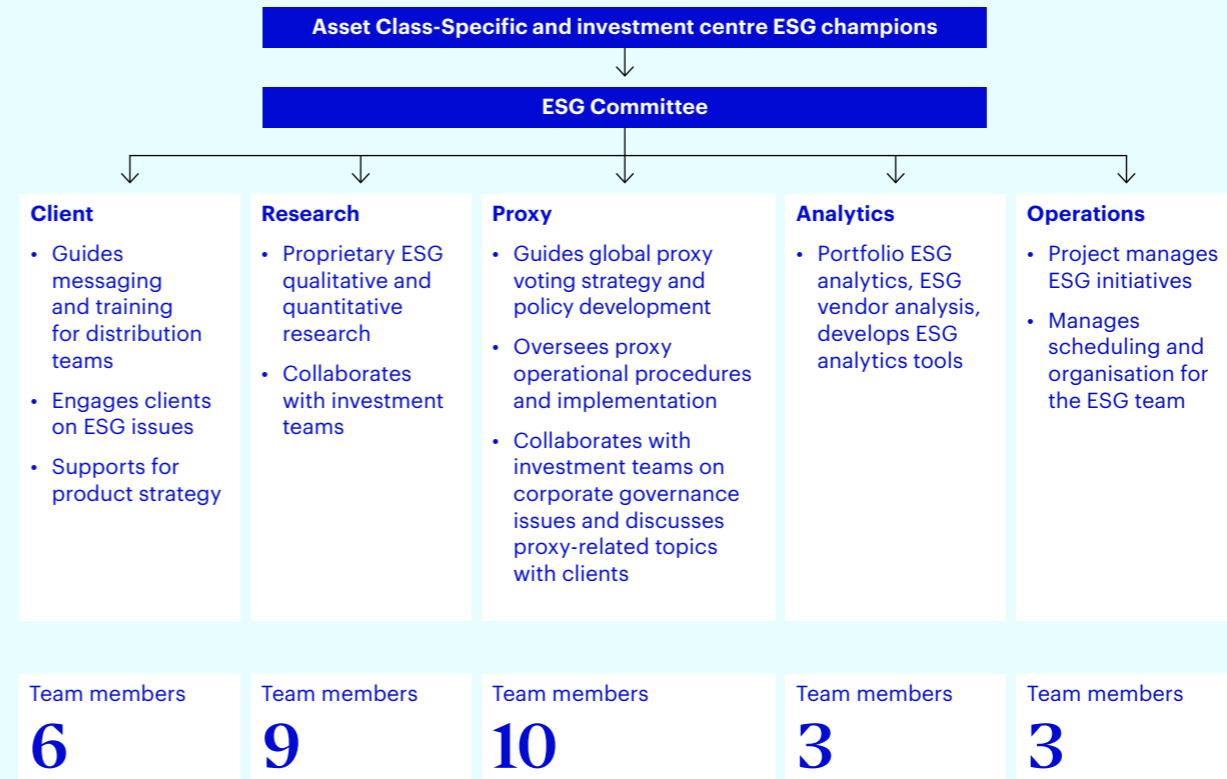
1. Invesco's investment centre leaders drive the strategy and governance of our internal programmes. They provide oversight to our specialised investment teams and offer a balance of global expertise, support, and connectivity. In this way, the investment centre leaders help provide better outcomes for clients, with greater consistency over the long term.
2. Our Global ESG team of 31 professionals acts as a centre of excellence, responsible for leveraging best practices in ESG capabilities across Invesco. The team is organised across five pillars: Client, Research, Proxy, Analytics and Operations. Located across the three regions of North America, Asia Pacific and EMEA, the Global ESG team provides support and analysis, while investment teams maintain discretion on portfolio decisions.
3. The ESG committee, comprised of representatives designated by our investment centre leaders and representatives from other groups, specifically focuses on ESG investment issues. The incorporation of ESG considerations is conducted by investment teams on a team-by-team basis. The committee enables collaboration on ESG matters between individual investment teams globally.
4. Several working groups have formed in different parts of the organisation to ensure our ESG integration approach is purposeful, holistic and impactful. Some working groups are brought together to deliver an initiative or to fulfil new regulatory requirements. For example, in 2022, the ESG Research Data Committee focused on implementing an approach to consider Principal Adverse Impacts (PAIs) in order to fulfil EU Sustainable Finance Disclosure Regulation (SFDR) requirements. There is also a cross-organisational effort that brings in functional elements, such as products, marketing, regulatory affairs, technology and distribution.

As a large, global asset manager, Invesco believes our governance structure enables us to benefit from diversity of thought while maintaining globally consistent standards for stewardship. Our investment teams can leverage the resources of the Global ESG team and participate through the ESG committee and working groups, with oversight and accountability provided. This structure enables our specialised investment teams to have the capability to implement ESG approaches relevant to their asset classes and investment styles, for the benefit of our clients who seek ESG strategies.

Providing capabilities to support our ambition

Led by the Global Head of ESG, the Global ESG team is organised across five pillars to ensure that the team is able to support ESG efforts across specific functions firm-wide. The Global ESG team's geographic structure positioned across three regions also ensures that most Invesco teams have an appropriate local contact. The ESG Committee, asset class-specific investment teams, and firm-wide functional units collaborate with Global ESG team members from each of the five pillars.

Our Global ESG team



Our Proprietary Tools

Tools & Innovation

ESG data continues to evolve at a rapid pace, while the industry also faces challenges such as data comparability and coverage. At Invesco, we believe having quality data on ESG factors is critical for effective investment analysis to support our stewardship efforts in the area of ESG. In 2022, we enhanced our ESG data and analytics capabilities by building out and updating our proprietary tools – ESGintel, PROXYintel and ESGCentral.

ESGintel

Launched in 2020, ESGintel is a proprietary ESG research and ratings platform that provides insights on key ESG topics for corporate and sovereign issuers across a range of metrics and data points.

ESGintel Corporate Ratings

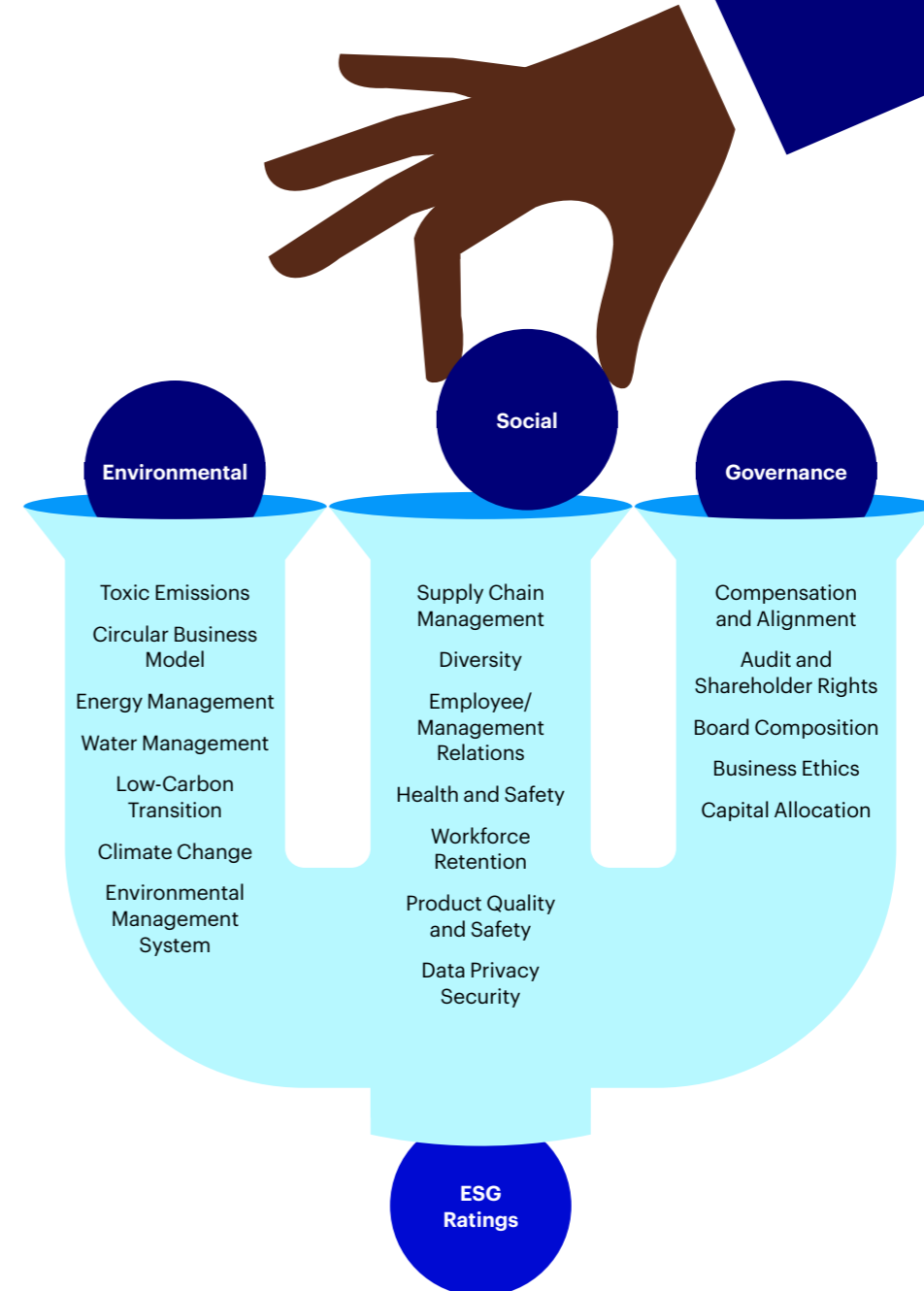
When assessing ESG funds and strategies, ESGintel corporate provides users with ESG ratings based on Invesco’s internally-developed methodology, ratings trends and momentum information, and access to the underlying company-level data. Sector and sub-sector materiality lenses are applied within the framework, ensuring that companies are evaluated on the most relevant ESG topics according to their business activities. A variety of underlying indicators feed into the topic-level assessments, providing a holistic view in each of these key areas. Topic-level ratings are aggregated into environmental, social or governance theme ratings and input, operations and output value chain ratings.

ESGintel ratings are provided on a 1-5 scale at the overall, theme, value chain, topic, and indicator levels. Computations are based on absolute, sector/

sub-sector relative or region-relative performance as appropriate, specified on an indicator-by-indicator basis. ESG corporate ratings are updated weekly to reflect the most current information available. In addition to ratings, company rankings are provided at the sub - industry and country levels. The ESGintel platform has built-in analytical capabilities that enable point-in-time and historical comparisons between companies and user selected peers. Not all issuers are covered on ESGintel; currently, approximately 15,000 companies meet our minimum coverage criteria for creating an overall ESG rating. Furthermore, the tool leverages a machine-learning algorithm to impute missing datapoints for a company based on data observations at companies with similar characteristics. ESGintel’s transparent interface highlights where such approximations are used and enables analyst scrutiny of the underlying inputs.

ESGintel Sovereign¹ Ratings

Responding to feedback from investment teams, Invesco has also expanded ESGintel beyond corporate ratings to cover other asset classes, including sovereign debt. With over 20 inputs, ESGintel sovereign generates a score for countries across E, S and G categories that can then be aggregated into an overall ESG score. ESGintel sovereign provides an internal rating, a rating trend, and a global ranking out of 160 countries. ESGintel Sovereign ratings are updated on a monthly basis.



¹ ESGintel Sovereign was previously referred to as SovereignIntel in our 2021 Stewardship reports.

2.4 ESG Tools and Resources (continued)

ESGCentral

While ESGintel is primarily used as a research tool at the issuer level, ESGCentral is a platform that includes ESG portfolio analytics and ESG screening.

ESGCentral brings in 40+ ESG data sources, together covering more than 52,000 companies and ESG data metrics and integrates them with Invesco's ESG portfolios and benchmarks to provide a holistic portfolio-level ESG analytics capability. The platform's data fuelled ESG insights highlight ESG opportunities and risks within the portfolios. The tool enables users to screen the portfolios for positive and negative ESG screens, net zero, Article 8, sustainable/responsible investing and other ESG frameworks. Through these capabilities, the platform supports ESG compliance, risk management, ESG reporting, and regulatory initiatives such as SFDR and TCFD. As a result, ESGCentral provides clear differentiation to Invesco's ESG approach.

FocusIntel

Prioritising issuers for engagement using ESGintel's research and data points, the ESG research team maintains FocusIntel, a list of the highest ESG risk issuers across all of Invesco's aggregated holdings. Issuers are categorised into High/Medium/Low ESG risk buckets, compliance status, when assessing specific ESG funds and strategies.

Invesco's proprietary tools have built-in feedback processes to encourage continuous improvement, gathering users' feedback regarding issues, observations and requests on sources, data, and methodology.



	ESGintel	ESGCentral	FocusIntel	PROXYintel
Description of Tool	A research tool integrating third-party ESG data and Invesco's views on materiality	A cloud-native ESG platform to enable our investment teams to have holistic, customised portfolio-level ESG analytics capabilities	An updating list of highest ESG risk issuers across all of Invesco's aggregated holdings	A global knowledge-share platform tracking proxy votes and rationales across Invesco with respect to individual companies and proxy issues
Scale of Analysis	Issuer-level data	Portfolio-level, issuer-level data	Issuer-level data	Issuer-level data
Outputs	<ul style="list-style-type: none"> An overall ESG rating out of 5 E, S and G scores Peer comparison and historical comparison Engagement notes 	<ul style="list-style-type: none"> Portfolio-level analytics, monitoring and screening Support for risk management and regulatory compliance (e.g. SFDR) ESG reporting 	<ul style="list-style-type: none"> A list of high risk companies in relation to specific ESG funds and strategies Clear indicators of why the issuer is deemed high risk 	<ul style="list-style-type: none"> Votes cast Vote rationales
Used by investment teams primarily to	Research a company's ESG profile during the investment process to integrate ESG risks into investment decisions, when assessing ESG specific funds and strategies	Analyze ESG-specific portfolios to understand ESG opportunities and risks compared to benchmarks using 40+ ESG data sources. Screens portfolios for various ESG Screens like net zero, Article 8, sustainable/responsible investing and various ESG Frameworks	Identify whether they have a high risk holding, in relation to ESG funds and strategies, and coordinate with the Global ESG team to organise an engagement	Support the execution of proxy voting decisions, view how other shareholders within Invesco have voted and share knowledge with respect to individual companies and proxy issues

Our use of service providers

Invesco uses external service providers to support our stewardship activities, including ESG rating providers, proxy research, business involvement screening, carbon data and more. Data from these service providers feeds into our proprietary tools and supports in-house ESG research and analysis, which enables investment teams to make informed decisions.



Our ESG research providers, tools and technology – a broad platform

ESG Research Providers			
Sustainalytics	MSCI	Bloomberg	ISS
Sell-side Research	SG Analytics	Clarity AI	Vigeo Eiris
Equileap	Just Capital	Morningstar	Nikko Research Center
FAIRR	Net Zero Tracker	CA100+	Proxy Insight
Carbon Disclosure Project	Carbon Underground 200	Transparency International	Transition Pathway Initiative (TPI)
Science Based Targets Initiative	Climate Bonds Initiative	International Energy Agency	UN Human Development Index
Worldwide Governance Indicators (WGI)	Sustainable Development Goals (SDG) Index	Environment Performance Index	Child Rights Benchmark

Proxy Voting Research and Vote Recommendations		
Glass Lewis	ISS	IVIS (UK Equities)

Our Proprietary Tools			
ESGintel	FocusIntel	ESGCentral	PROXYintel

Source: Invesco, as of February 2023. For illustration purposes only. ISS: Institutional Shareholder Services. FAIRR: Farm Animal Investment Risk & Return. IVIS: Institutional Voting Information Service. MSCI: Morgan Stanley Capital International.

Insights into the Henley-based Asia & EM Equities team’s ESG framework and use of Invesco’s proprietary ESG tool

Invesco’s Asia & EM Equities team based in Henley has for decades adopted the investment approach of seeking to buy companies for significantly less than they are worth. It therefore follows that establishing a view on fair value of a company is essential in making good investment decisions and increasingly this entails incorporating an evolving spectrum of material ESG considerations into its fundamental analysis of companies.

The team employs a holistic approach whereby ESG factors are scrutinised alongside traditional financial and qualitative aspects to form an investment case. During the investment process, the investment team benefits from the tools and insights of the dedicated Global ESG Team, as illustrated below.

Our Asia & EM Equities team Incorporating ESG considerations

ESG is integrated at many stages of our investment process using the tools and insights from Invesco’s Global ESG team...



...to help make informed investment decisions and understand portfolio exposures.

Source: Invesco’s Henley-based Asia & EM Equities Team manage separate accounts tailored to clients’ ESG preferences and provide Luxembourg-domiciled funds in compliance with Article 8 of the Sustainable Finance Disclosures Regulation (SFDR) by adhering to a binding exclusionary framework. There can be no assurance that stated outcomes will be realized.

Identifying risk and opportunities

As contrarian investors, Invesco’s Henley-based Asia & EM Equities Team believes that the market’s overreaction to ESG concerns can be a source of opportunity for the investment team, but they recognise the perils of underappreciating material ESG risks. Questions arise: Are the shares truly overly discounted? Is there scope to improve a company’s lagging credentials through engagement? Invesco’s proprietary ESG rating tool, ESGintel, is used to help collate valuable non-financial information such as various external ESG ratings, controversies, and potential sources of risk worth investigating. ESG-related information is assessed and described in each of the team’s research notes and provides a roadmap for future company engagement.

Quantifying the three components of total return

The Henley-based Asia & EM Equities Team evaluates companies based on the total returns they can generate over their three to five-year investment horizon. This is driven by three components of return that potentially can each be influenced by ESG considerations, namely: expected business growth; expected change in the fair valuation multiple; and expected dividends expressed as a yield. An ESG-aligned company or underappreciated improver may deliver better business growth and attract a higher valuation than the market is pricing in. Invesco’s Henley-based Asia & EM Equities Team believes that integrating ESG-based considerations at the fundamental level can potentially improve investment decisions.

Engaging with companies

The Henley-based Asia & EM Equities Team believes that buying ‘potential for improvement’ rather than ‘perfection’ is compatible with both favourable ESG outcomes and solid investment returns. As such, the team actively engages with company management on ESG issues to help enhance the value of its investments. Where beneficial, it will involve the Global ESG Team during company engagements, thus sharing best practices and insights. An in-house proxy voting platform, PROXYintel, helps ensure the team makes use of its voting rights effectively.

Portfolio monitoring and review

The challenge culture permeates across all investment decisions made by the team (peer challenge, Chief Investment Officer (CIO) challenge, risk team oversight) and ESG is no exception. ESG information is formally raised during the Henley-based Asia & EM Equities Team’s semi-annual reviews with the Global ESG team. The team highlights stocks with poor overall ratings and discusses the underlying issues. Stocks that negatively affect the overall ESG rating of the portfolio warrant greater scrutiny and these companies will form part of the team’s ‘ESG focus list’ for further engagement.

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Active Stewardship



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Dialogue is Core to the Investment Process

As active owners and good stewards, Invesco considers engagement with issuers as a powerful and effective tool to promote long-term value creation, for the benefit of our clients.

For issuers that have financially material ESG risks, engagements may include dialogue on ESG matters. ESG engagements are defined as contact with issuers on ESG matters in the form of direct dialogue or information requests.

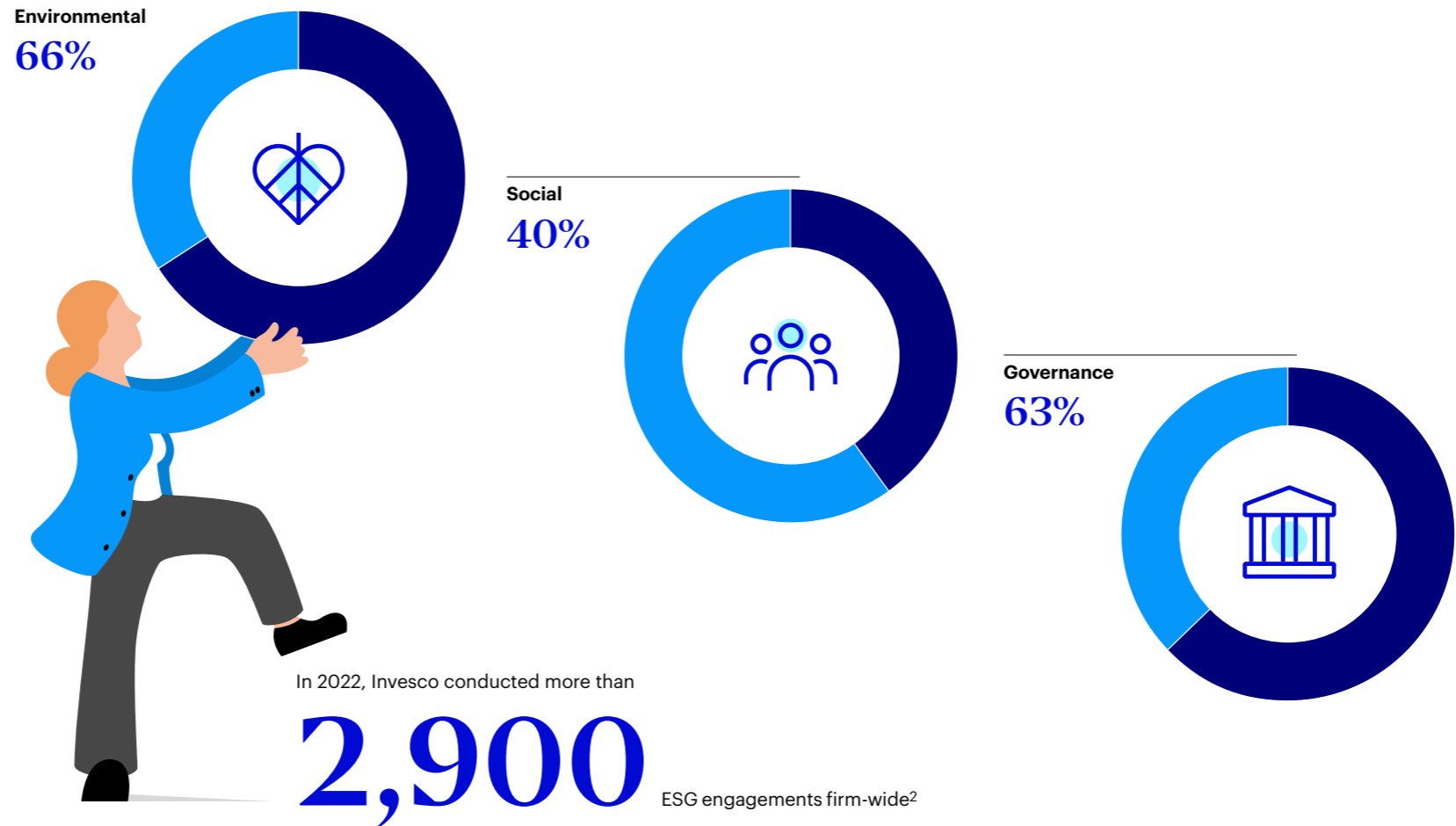
We Believe a Successful Engagement is...

Targeted
We prioritise key issues for engagement through a bottom-up approach. This means that our engagement objectives and the topics covered are specific to the issuer.

Outcome-based
We believe engagements should have clear and consistent objectives. This promotes risk mitigation and long-term value creation throughout our portfolios.

Monitored
Engagements are most effective when they are not stand-alone conversations. We document our issuers' progress towards long-term value creation through engagement reports and case studies. This allows us to build on the momentum of previous engagements.

% of Invesco's ESG engagements covering Environmental (E), Social (S) and Governance (G) themes¹



¹ Percentages don't add up to 100% because Invesco may engage with an issuer multiple times on ESG-related topics and conversations often cover more than one theme. These percentages were calculated through documentation by investment teams and/or the Global ESG team. The percentages were approximated, where appropriate, from a sample of 38% (over 1000) of engagements (for which the E, S, G category was disclosed or can be derived from the documentation) from our firm-wide total of over 2,900 in 2022.
² The Global ESG team uses both their own and investment team documentation to calculate this figure on an annual basis.

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3.2 Our Approach to Proxy Voting

At Invesco, our approach to proxy voting is rooted in our fiduciary duty to our clients to seek to make decisions in their best interests, by supporting good governance practices that promote long-term value creation at the portfolio companies in which they invest.

Exercising our clients' shareholder rights via proxy voting is an integral part of Invesco's investment management responsibilities. It gives investors the opportunity to communicate their views to companies and can be used to build on engagement and facilitates accountability with company management.

Developed and reviewed by our investment leadership, Invesco's Policy Statement on Global Corporate Governance and Proxy Voting ([Global Proxy Voting Policy](#)) describes policies and procedures to help our clients understand our commitment to responsible investing and duty of care with respect to proxy voting, as well as the good governance principles that inform our approach to engagement and voting at shareholder meetings. Our Global Proxy Voting Policy serves as the foundation of our well-informed proxy voting decisions focused on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders. The voting decision lies with our portfolio managers and analysts, with input and support from our Global ESG team.

The implementation of votes is overseen by the Invesco Global Proxy Advisory Committee (the Global IPAC). Guided by our philosophy that investment teams should manage proxy voting, Invesco's Global IPAC is an investments-driven committee. It comprises representatives from various investment management teams globally, our Global Head of ESG, and is chaired by our Global Proxy Governance and Voting Manager.

We understand that managing risks and opportunities at each portfolio company is not a 'one size fits all' exercise and that not every issue is material to every company. In making voting decisions, Invesco's investment teams may consider many factors, including individual company performance, past engagement with

company management, comprehensive proprietary research and third-party research, market nuances and standards, and voting items identified as areas of potential concern. In addition to corporate governance, in the context of financial materiality, Invesco may consider E & S topics that we believe represent risks and opportunities. In cases where individual portfolio managers choose to vote a particular ballot item in a way that is not aligned with our good governance principles and internal voting guidelines, our policy seeks to ensure rationales are fully documented. As a result, split votes may occur where views on a particular proposal differ between portfolio management teams based on the investment objectives or interests of any individual fund.

Our proprietary proxy voting platform facilitates implementation of voting decisions and rationales across global investment teams. This allows us to support scaled investment-led proxy voting decision-making and reporting to our clients. Invesco aims to vote all proxies where we have been granted proxy voting authority in accordance with our Global Proxy Voting Policy. We may choose to refrain from voting in certain circumstances where the economic or other opportunity costs of voting exceed any benefit to clients (e.g., where our shares will be restricted from trading after sending a vote instruction, otherwise known as 'share blocking') or absent certain types of conflicts of interest outlined in our Global Proxy Voting Policy. These matters are left to the discretion of the relevant portfolio manager. Due to regional or asset class-specific considerations, there may be certain entities that have local proxy voting guidelines or policies and procedures that differ from Invesco's Global Proxy Voting Policy.

Our Global Proxy Voting Policy is formally reviewed at least once a year to ensure it remains consistent with clients' best interests, and that it reflects evolving governance practices and investment team considerations.

Key reasons we voted against directors¹

(# of companies)

	Americas	APAC	EMEA
Lack of independence	664	755	482
Classified board	1,270	16	19
Lack of board diversity	612	310	84
Over boarding	483	249	220
Compensation	288	214	126

Source: Invesco, Institutional Shareholder Services (ISS). Sourced on 27 January 2023 reflecting data from 1 January 2022 through 31 December 2022.

¹ Votes against, withhold or abstentions on director-related proposals.

2022 Overview



13,138
meetings voted



9,815
companies voted



72
markets voted



128,147
proposals voted



155,463
ballots voted

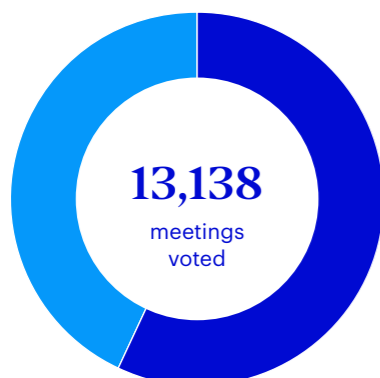


98.15%
of meetings voted

Invesco, Institutional Shareholder Services (ISS). Sourced on 27 January 2023 reflecting data from 1 January 2022 through 31 December 2022.

2022 Global Voting Statistics

Meetings with at least one vote against management (%)



At least one vote against management	57
Voted with management	43

How we voted in 2022 (%)



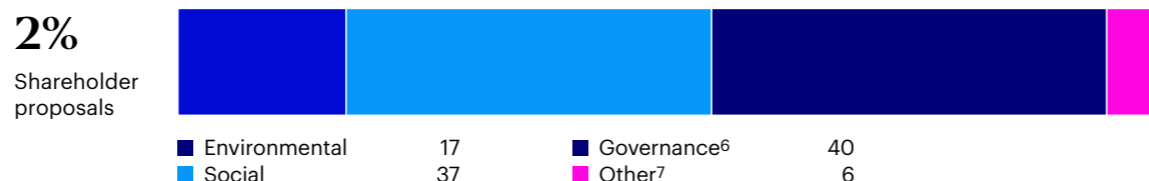
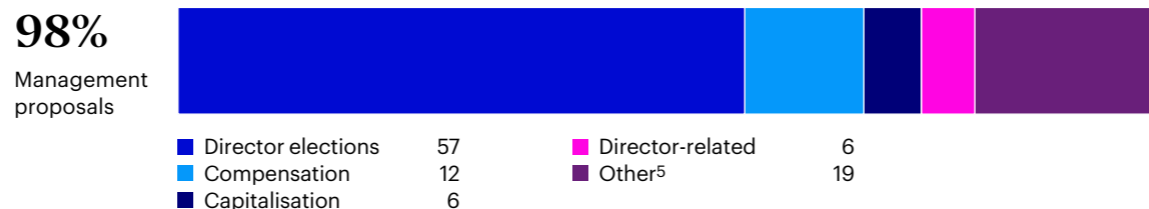
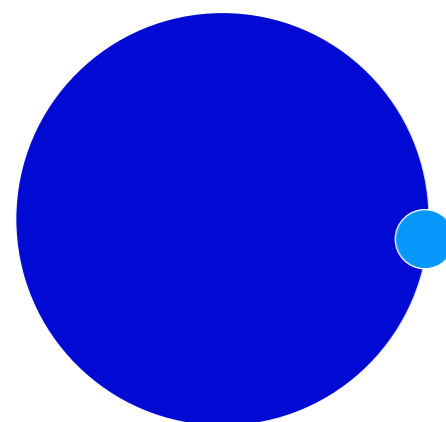
With management ¹	91.17
Against management ²	8.83

Votes against management proposals by issue³ (%)



Director-related	64
Compensation	20
Capitalisation	6
Strategic transactions	2
Other ⁴	8

Proposals voted on at a glance (%)



Source: Invesco, Institutional Shareholder Services (ISS). Sourced on 27 January 2023 reflecting data from 1 January 2022 through 31 December 2022.

- ¹ Percentage of votes in favour of management.
- ² Percentage of votes against management.
- ³ Reflects percentage breakdown of votes where we did not support management on management proposals by issue.
- ⁴ "Other" management proposals include the following categories: company articles, audit-related, takeover related, environmental, social, mutual funds, routine / non-routine business, and other miscellaneous categories.
- ⁵ "Other" management proposals include the following categories: audit-related, strategic transactions, company articles, mutual funds, takeover related, social, environmental, E&S blended, and routine/non-routine business items.
- ⁶ "Governance" related shareholder proposals include director elections and director-related categories.
- ⁷ "Other" shareholder proposals include miscellaneous items.

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Case Study – Human Capital Management



A Japanese IT System company



Issues Addressed
Human capital management



Method of Engagement
Video Call

Issue

An IT system issuer aimed to achieve a drastic business reform. Accordingly, the issuer’s free cash flow generation and capital policy improved. However, at the same time, several troubles with its clients’ IT systems and supply chain disruptions raised worries over quarterly earnings.

Action

Invesco Japan engaged with the issuer and communicated that although Invesco strongly supported the issuer’s direction to make reform efforts, such drastic shifts in working environments might cause confusion and distortion. The top management reiterated that human capital management reform was important as a premise of business restructuring. The issuer also explained the purpose of the human capital reform.

Outcome

The issuer showed an ambitious plan to revitalise human capital by adjusting its hiring practices, reskilling, or early retirement programme. Through a series of challenges, the issuer has shown an improvement in its profitability as well as top-line growth.

Next steps

Invesco thought highly of the progress in business restructuring under the top management’s commitment, despite some challenges and disruptions. While the issuer’s earnings trend has turned positive, Invesco will continue to examine earnings growth over time.

Source: Invesco. For illustrative purposes only.

Case Study – Multi-year Dialogue on Capital Allocation



An Indian automotive manufacturer



Issues Addressed
Capital allocation, board structure and independence



Method of Engagement
Video Call

Issue

The Henley Asian and EM Equities team has been engaging with the issuer for multiple years, since low-return overseas investments and non-core businesses were flagged up in the team’s initial analysis. The team has consistently communicated their concerns to the board.

Action

In 2020, as a shareholder, the Henley Asian and EM Equities team actively engaged with management on these issues and interpreted management’s subsequent decision to reverse course as a positive development. Since then, the investment team continued its dialogue with the issuer, reiterated timeline for action , and more recently in 2022, has engaged with the issuer on its defence-related exposure and EV product plans.

Outcome

The company reshuffled the senior management team (including the board) and produced a set of strategies to achieve long-term allocation efficiency. In the investment team’s view, the company’s renewed focus on improving corporate governance practices and delivering better shareholder returns was a positive development that had scope to improve its growth prospects and perception in the market.

Source: Invesco. For illustrative purposes only.

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Industry
Involvement

Case Study – Decarbonisation and Supply Chain Risk



A European automobile manufacturer



Issues Addressed
Electrification, decarbonisation, human rights



Method of Engagement
Video Call

Issue
The Henley Fixed Interest (HFI) team met with the issuer’s investor relations to discuss their corporate strategy, electric vehicle (EV) transition, supply chain risks and decarbonisation strategy.

Action
The issuer has a European strategy to only sell EVs post-2030 where market conditions allow. The team wanted to get a better understanding of what market conditions would be required for this goal to be met. The issuer highlighted that one of the biggest challenges facing the industry was the build-out of the charging infrastructure. To help facilitate this roll-out, they’ve partnered with two charge point partners to create a charging network to support their fleet. Although the issuer’s EV targets are ambitious, we were concerned they weren’t taking appropriate steps to manage their supply-chain risk, particularly around the sourcing of cobalt, a key component in battery production. The issuer pointed to their goal of sourcing all their cobalt from mines certified by the Initiative for Responsible Mining Assurance (IRMA), however, they stressed there is currently not enough supply from these mines to meet demand. The team understands the difficulty in sourcing ethical cobalt given the surge in demand and lack of regulation in the regions where cobalt is mined. However, the team pointed to sector peers that have committed to only sourcing from regions where

employees are afforded better rights. The issuer agreed to continue to make progress in this area and follow up with the team in early 2023.

The team also wanted to address the steps the issuer was taking to manage the increased emissions associated with EV production. The issuer reassured the team that they’ve set a 2030 target of a 50% reduction in their production and a 42% reduction in their use emissions, which have both been validated by the Science Based Targets initiative.

Outcome
The team had the opportunity to gain clarity on the market conditions necessary for the issuer to achieve their EV targets. This is important for tracking the issuer’s progress and benchmarking them against peers.

Since engaging with the issuer, they have released a new supply chain report covering seven raw materials essential to the transition, including cobalt and lithium. For cobalt, the issuer has implemented a third-party auditing project that aims to increase human rights

awareness and has also put in place contractual agreements with their battery cell suppliers, mandating that in the future they purchase cobalt exclusively from sources audited by IRMA. For lithium, the issuer has identified that environmental and human rights risks could exist within their supply chain.

To address these concerns, the issuer commissioned a study with other market participants to further understand the risks in Chile, a main supplier, and established the Responsible Lithium Partnership to develop an effective and targeted action plan.

Next steps
In 2023, the team plans to continue engaging with the issuer to track the implementation of their updated supply chain policies and the progress they are making towards their EV production goals.

Invesco. For illustrative purposes only. Whilst the Henley Fixed Interest (HFI) team considers ESG aspects they are not bound by any specific ESG criteria and have the flexibility to invest across the ESG spectrum from best to worst in class unless the fund is classified as an ESG-focused product.



1.0 Our Stewardship Approach

2.0 A Global Platform

3.0 Active Stewardship

4.0 Our Product Range

5.0 Industry Involvement

4.0

Our Product Range



2022 Stewardship Report

1.0
Our
Stewardship
Approach

2.0
A Global
Platform

3.0
Active
Stewardship

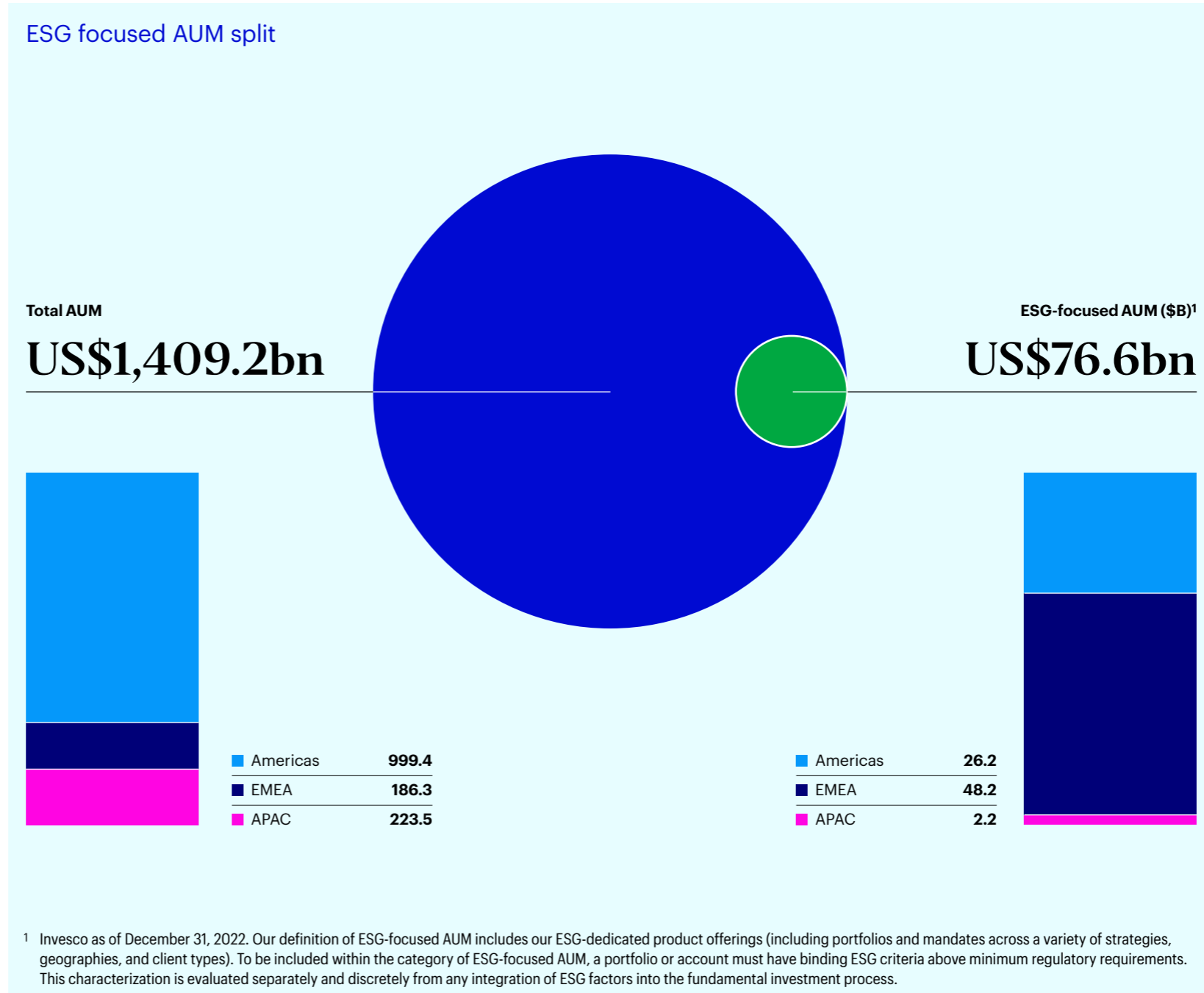
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4.1 Our Assets Under Management

We offer strategies across the full spectrum of asset classes tailored to the needs of institutional and retail investors around the world. In addition to managing equities, bonds and real assets, we offer multi-asset strategies and liability-driven investments.

As a globally diversified asset manager, Invesco is well-positioned to support our clients' specific investment needs. Some of our clients want us to provide the means for them to explicitly express their own ESG values through investment vehicles. We are keen to bring our ESG expertise to support clients in developing ESG products, and we aim to be our clients' preferred ESG investment partner.

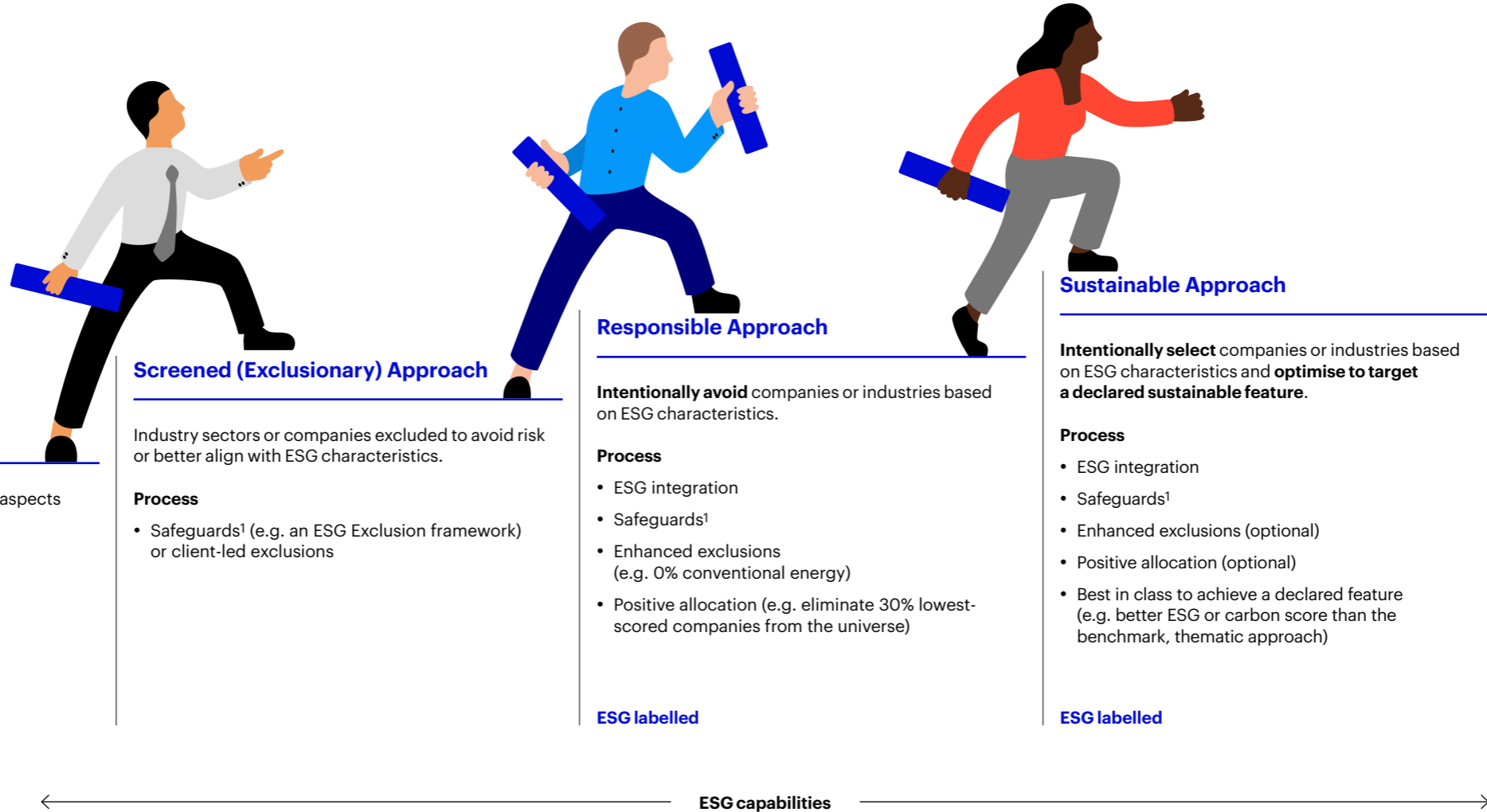


4.2 Defining ESG Approaches

For clients interested in ESG, we provide a range of ESG-focused capabilities that enable those clients to express their values through investing.

ESG Integration

Consideration of financially material ESG aspects



Source: Invesco as of February 2023. For illustrative purposes only.

¹ Safeguards include factors to ensure alignment with relevant regulatory or disclosure standards.

Case Study – ESG ETFs and Invesco Canada’s Partnership with NEI

In Canada, the sustainable investment landscape continues to evolve and grow rapidly. Invesco and NEI investments have partnered to provide Canadian advisors and investors with high conviction, high quality, and enduring sustainable index-based ETFs that are supported by a state-of-the-art platform that:

1.

Combines the strengths and capabilities of NEI, Invesco, and its index provider partners to create sustainable investment solutions.

2.

Seeks to deliver robust, enduring and future-proof strategies.

3.

Provides support for Invesco’s approach to engagement with issuers to enhance the long-term value creation and effective risk mitigation of assets.



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At Invesco, we recognize our position as a bridge between industry practitioners and academia, for the benefit of our clients. Our Global Thought Leadership team collaborates with internal teams to produce content that leverages practitioner expertise, responds to the needs of our clients, and stays abreast of policy, governmental, and regulatory developments.

We also partner externally with a broad network of academic scholars and other practitioners from across the asset management industry to deliver quality research and contribute to broader conversations.

Case Study – Our collaboration with Cambridge Judge Business School

Invesco completed the fifth year of a 10-year collaboration with Cambridge Judge Business School (CJBS) in 2022. Through this relationship, we support research activities in long-term asset management, alternative finance, and data analytics – all while Invesco’s clients benefit from access to cutting-edge insights and research from this globally renowned business school. In collaboration with CJBS, we developed Game Changers, a video series that brings together thought leaders from around the globe to shed new light on how rapid innovation and disruption are increasingly transforming economic and financial activity at the global, national, firm, and household levels.



Highlights of our collaboration include:

<p>30+ Thought leadership items created in collaboration with CJBS</p>	<p>9 Invesco-sponsored studies published by CJBS</p>	<p>CJBS speakers at 60 Invesco client events, held across</p>
<p>8 Global consulting research projects supported, providing opportunities for</p>	<p> Invesco became official Sponsor of the Regulatory Genome Project</p>	<p>19 different locations globally, attended by over</p>
<p>40 MBA and MFin students</p>	<p> Numerous collaborations relating to climate risk, sustainable investing and environmental, social and governance (ESG) investing initiatives</p>	<p>3,700 Invesco clients</p>
<p> Founding sponsor for Centre for Alternative Finance through funding from Invesco</p>		<p> Invesco became official sponsor of the Cambridge Digital Assets Programme</p>

Case Study – Invesco’s ESG Research Partnership with Tsinghua University

In China’s path to a low-carbon economy, understanding transition pathways of high-emitting sectors is critical given that these are essential components of China’s economy.

Over the past year, Invesco has established a research partnership with the Center for Green Finance Research (CGFR) of Tsinghua PBCSF. Focusing on China’s traditional carbon-intensive industries, a report analysed the current carbon emissions of listed companies in coal mining, coal-fired power generation and steel industries and how they are navigating a low-carbon transition. This included looking at green revenues as a value indicator that identified enterprises’ sustainable activities and plans, state of ESG disclosure based on ISSB Standards, and technology pathways of the sectors. Part of the research partnership also involved engaging with industry corporates in China to understand their pathways, as well as sharing with Tsinghua students on global ESG developments and opportunities for China.



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5.2 Industry Initiatives

Invesco is involved in various industry organizations. We recognise that our participation, and the industry initiatives we are involved in, have varying levels of effectiveness. We see our involvement as a journey and build on our previous work to promote the continued improvement of the functioning of financial markets.

Some organisations we participate in are focused on supporting ESG topics.

In 2022, these included:

- 30% Club Japan Investors Group
- Asian Corporate Governance Association (ACGA)
- Asia Investor Group on Climate Change (AIGCC)
- Better Building Partnership (BBP)
- Bipartisan Policy Center ESG Task Force
- Carbon Disclosure Project
- Climate Action 100+
- Coalition for Climate-Resilient Investment (CCRI) (founding member)
- Climate Bonds Initiative
- Confluence Philanthropy (Associate Advisor Menu)
- Corporate Responsibility Interface Center (CRIC) (DACH countries)
- Council of Institutional Investors (CII) (US)
- UK FCA Disclosures and Labels Advisory Group (DLAG)
- UK Green Technical Advisory Group (GTAG)
- Farm Animal Investment Risk & Return Initiative (FAIRR)
- Global Real Estate Sustainability Benchmark (GRESB)
- EFAMA SFDR and Taxonomy Committee (Chair)
- ESG Disclosure Study Group (Japan)
- Hong Kong Green Finance Association (HKGFA)
- Investment Company Institute (ICI) (ICI Fund Disclosure Working Group, ICI Global ESG Task Force, and ICI Proxy Issues Working Group)

- Investment Association (UK)
- Investor Forum (UK)
- Institutional Investors Group on Climate Change (IIGCC), including Net Zero Investment Framework working group
- Italian Sustainable Forum (ItaSIF)
- Investment Management Education Alliance (IMEA)
- Irish Funds ESG Legal committee
- One Planet Asset Manager Initiative
- Quoted Companies Alliance (QCA)
- Responsible Investment Association (RIA) (Canada)
- Responsible Investment Association Australasia (RIAA)
- SASB Alliance
- Transition Pathway Initiative
- Task force on Nature-Related Financial Disclosures' (TNFD) Forum
- UK Sustainable Investment and Finance Association (UKSIF), including Board of Directors
- World Economic Forum Financing the Transition to a Net Zero Future Working Group
- Singapore Green Finance Industry Taskforce

A signatory to:

- Principles for Responsible Investment (PRI)
- EFAMA Stewardship Code
- Indian Stewardship Code
- Japan's Stewardship Code
- UK Stewardship Code
- Net Zero Asset Managers Initiative
- Taskforce on Climate-Related Financial Disclosures (TCFD) (Supporter and Discloser), TCFD Consortium

Case Study – Taskforce on Nature-Related Financial Disclosures (TNFD)

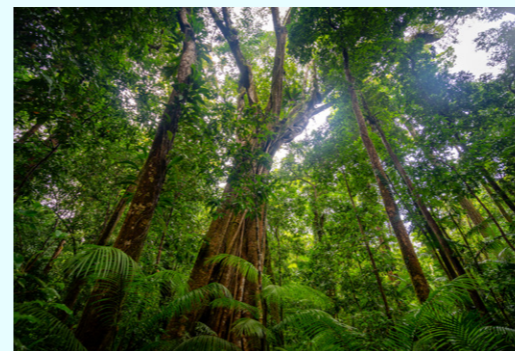
In March 2022, Invesco became a Forum Member for the Taskforce on Nature-related Financial Disclosures (TNFD).



This has allowed us the opportunity to give feedback on the draft frameworks while understanding how we will be able to apply this framework upon its completion. Additionally, Invesco has become a member of TNFD's Consultation Group – where multiple financial institutions have come together to provide input into the usability of the strategy. This initiative has kick-started our exploration into biodiversity data and further incorporating it into our investment and research processes.

Case Study – Institutional Investors Group on Climate Change (IIGCC)

Invesco is a member of the Institutional Investors Group on Climate Change (IIGCC), a European membership body for investor collaboration on climate change.



In 2022, we continued to participate in the Policy Steering Group (previously 'committee'). Through membership of this group, we contribute to regulatory and policy developments by discussing finance and climate policy at the global, EU and national levels across Europe. In recognition of Invesco's Global ESG team efforts to map the current net zero data landscape, in October 2022, the IIGCC invited Invesco's Global ESG team to provide guidance to the wider investor base on how best to navigate net zero data challenges. This participation in the Net Zero Working Group demonstrates our increasing effectiveness in contributing to industry dialogue on navigating net zero data challenges.



Find out more

To find out more about Invesco's approach to ESG, please visit our website:

[invesco.com/corporate/about-us/esg](https://www.invesco.com/corporate/about-us/esg)

The use of environmental, social and governance factors to exclude certain investments for non-financial reasons may limit market opportunities available to strategies not using these criteria. Further, information used to evaluate environmental, social and governance factors may not be readily available, complete or accurate, which could negatively impact the ability to apply environmental, social and governance standards.

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 realized.

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