2020

UK Stewardship Code Report

March 2021

Invesco

Introduction

This paper describes Invesco's approach to stewardship in the UK and in particular how our policy and procedures meet the requirements of the Financial Reporting Council's (FRC) UK Stewardship Code (the Code). Invesco has supported the development of good governance in the UK and beyond for many years.

As founding signatories and supporters of the FRC's Stewardship Code (The Code) since 2010, Invesco is committed to good stewardship practices and the revised 2020 Stewardship Code.

This document is designed to describe how we approach our stewardship responsibilities and how this is consistent with and complies with the Code. The report also provides useful links to relevant documents and policies for broader context of our activities, as well as our commitment to other initiatives in this area.

Sincerely,

Doug Sharp
Head of Invesco EMEA

What is the UK Stewardship Code?

The FRC describes the UK Stewardship Code 2020 as a substantial revision to the 2012 edition of the Code which takes effect from 1 January 2020. The Code establishes a clear benchmark for stewardship with new expectations about how investment and stewardship is integrated, including environmental, social and governance (ESG) issues. The Code consists of 12 Principles for asset managers with a strong emphasis on the activities and outcomes of stewardship. The Code was published by the FRC in July 2010, was updated in September2012 and again in 2020, and will continue to be overseen by the FRC.

We are committed to Investment Environmental, Social and Governance Stewardship as well as Corporate Responsibility. These efforts are demonstrated in our below reports available on our website.

- Invesco Environmental, Social and Governance Investment Stewardship Report
- Invesco Climate Change Report
- Invesco Corporate Social Responsibility Report

Our Compliance with the Code

At Invesco, our commitment to environmental, social and governance (ESG) investing is a key element of our ambition to be the most client-centric asset manager. We recognize that ESG matters greatly to our clients, communities and stakeholders. It matters to us.

Our firm belief is that ESG is an essential part of the solution to a sustainable future. We view it as an important agent of change in driving a holistic perspective on the investment industry's role in creating value. Our commitment goes far beyond delivering elements of ESG at a functional level, it goes to the heart of the way we are working with our clients to realize the value they seek.

Invesco's purpose is to deliver an investment experience that helps people get more out of life. Sustainable value creation and effective risk mitigation are fundamental to achieving that goal. As a result, our focus is on ESG integration into the heart of our investment process, with our investment teams taking decisions every day on how to manage this integration and how to use our leverage in important areas such as client engagement and proxy voting. We also flex this work around more specific client needs, using skills such as our self-indexing capabilities to provide the right ESG solutions. Our dedicated Global ESG Team act as a center of excellence to guide, support and inform all our work in this area.

Our clients expect us to take the lead on how ESG will reshape the investment landscape. And for the next generation of investors, ESG will be a given. We have achieved a lot so far, but we know there is always more to do.

What is Invesco doing to put ESG at the forefront of our role as investors?

- **ESG integration everywhere:** Various aspects of ESG have an impact on sustainable value creation, as well as risk management. We aspire to incorporate ESG considerations in all our investment capabilities and our processes.
- **Benefiting from diversity of thought:** We value diversity of thought so our ESG implementation is not generic. Our Global ESG team functions as a center of excellence, setting standards and providing specialist insights on research, engagement, voting, integration, tools, client and product solutions. Invesco's Chief Investment Officers and teams leverage this resource to tailor and implement ESG approaches relevant to asset classes and investment styles.
- **Using our influence:** Much of our work is rooted in fundamental research and frequent dialogue with companies making Invesco well placed to use our ESG expertise and beliefs in ways that drive corporate change. Our passive strategies amplify our position as our vote follows the largest active holder.
- **A track record to build on:** We have a recognized ESG track record. For the last four consecutive years, we've achieved an A+ rating from the PRI (Principles for Responsible Investment) for our strategy and governance. In Private Markets, Invesco Real Estate has been recognized by GRESB as a global leader in its sustainable management of buildings. We will continue to evolve and set a leading standard for our ESG approach. We will not be afraid to raise our voice on this topic and to call for our whole industry to make meaningful progress, more quickly.
- **Climate as a focus topic:** Climate change is a key focus for us and our clients. Every year we report how climate change is addressed at corporate and investment levels in alignment with the Task Force on Climate-related Financial Disclosures (TCFD). Our Global Real Estate Investment group has committed to net zero by 2050 and investment solutions increasingly offer decarbonization or net zero strategies. We are part of the solution by supporting and investing in companies that are allocating capital towards the transition to a climate sustainable and resilient world.
- **A commitment to solutions:** Increasingly, our clients want us to provide the means for them to explicitly express their own ESG values through investment vehicles. We will continue to develop innovative solutions and products to deliver for them. Already, we manage more than $34.5bn in dedicated sustainable investing strategies (exclusionary/inclusionary/impact) and we will build on our experience.
- **Transparency:** We have a deep belief in the need for transparency and to hold up a mirror to our own internal commitment to ESG investing as well as our corporate commitment to social responsibility. We will continue to evolve our investment and corporate disclosures and have taken a leading standard through our annual Global Investment ESG Stewardship report.

Contents

Principle

01

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Principle

02

Signatories' governance, resources and incentives support stewardship.

Principle

03

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Principle

04

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Principle

05

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Principle

06

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Principle

07

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfill their responsibilities.

Principle

08

Signatories monitor and hold to account managers and/or service providers.

Principle

09

Signatories engage with issuers to maintain or enhance the value of assets.

Principle

10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Principle

11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Principle

12

Signatories actively exercise their rights and responsibilities.

Principle

01

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Purpose, Culture, Values and Strategy

Invesco is an independent investment management firm privileged to manage $1.35 trillion in assets on behalf of clients worldwide (as of January 31, 2021). We have specialized investment teams managing investments across a comprehensive range of asset classes, investment styles and geographies with over 8,000 employees focused on client needs in 25 countries across the globe. Our fundamental belief is that environmental, social and governance (ESG) investing is an essential part of the solution to a sustainable future and consider ESG investment stewardship integral to our strategic goals. Our commitment goes far beyond delivering elements of ESG at a functional level, it goes to the heart of the way we are working with our clients to realize the value they seek. **We aim to integrate ESG into 100% of our AUM by 2023.**

Invesco's success has been driven by our dedicated people – including our investment, sales and distribution teams and our enterprise support functions distributed around the world. Our ability to serve clients and deliver an investment experience that helps people get more out of life starts with our own employees. That's why we are committed to fostering a culture where diverse people and ideas thrive. This is one of our corporate social responsibility ambitions, and it underscores how we achieve our Purpose. We take our responsibility as a global corporate citizen seriously and support organizations in our local communities through both charitable contributions and hands-on volunteering activities. Ultimately, we are motivated by the belief that doing what is right for our people and the communities in which we operate helps us deliver positive outcomes for our clients and shareholders.

Our focus is on integrating ESG into the heart of our investment process. We're also highly focused on meeting specific client needs, leveraging our broad range of capabilities to provide the right ESG solutions.

Martin L. Flanagan
President and CEO, Invesco

At Invesco, our purpose is to deliver an investment experience that helps people get more out of life. We direct all our intellectual capital, global strength and operational stability toward helping clients achieve their investment objectives. As a purpose-driven firm, we strive to continuously provide an exceptional investment experience, embrace diversity of thought and embody a passion to exceed. Our purpose shapes our culture, how we manage our clients' money responsibly and how we strive to contribute to global sustainability.

We believe that diversity of thought supports the best outcomes for our people, our clients and our communities. This broad definition of diversity promotes employee well-being, equity and inclusion across our organization creating an environment where diversity of thought can thrive, and it distinguishes us from other firms within our industry. To ensure that our employees can deliver on our clients' goals, we invest significantly in talent development, technology and tools and resources that help our employees reach their full potential both personally and professionally. We are committed to improving diversity at all levels and in all functions across our global business as evidenced by our CEO and SMDs – the most senior leaders for key parts of our business–all have diversity and inclusion as part of their annual performance goals.

We have a highly inclusive culture that reflects the broad diversity of thought across our organization and encourages everyone to contribute to delivering value to clients. We strive to create a culture that values the varied skills, expertise and unique perspectives of our highly motivated colleagues. We empower each employee to collaborate and find the best ideas and solutions for our clients as we work together across geographies and functions to achieve Invesco's purpose. We take our responsibility as a global corporate citizen seriously and support organizations in our local communities through both charitable contributions and hands-on volunteering activities. Ultimately, we are motivated by the belief that doing what is right for our people and the communities in which we operate helps us deliver positive outcomes for our clients and shareholders. For more information on our commitment to our people, our communities and the environment, please visit our website.

We are focused on four key long-term strategic objectives that are designed to sharpen our focus on client needs, further strengthen our business over time and help ensure our long-term success:

- **Achieve strong, long-term investment performance** across distinct investment capabilities with clearly articulated investment philosophies and processes, aligned with client needs;
- **Be instrumental to our clients' success** by delivering our distinctive investment capabilities worldwide to meet their needs;
- **Harness the power of our global platform** by continuously improving execution effectiveness to enhance quality and productivity, and allocating our resources to the opportunities that will best benefit clients and our business; and
- **Perpetuate a high-performance organization** by driving greater transparency, accountability, diversity of thought, fact-based decision making and execution at all levels.

Principle 01

At Invesco we are focused on executing our long-term strategy for the benefit of clients and our business. We continually invest in performance strength in high-demand capabilities supporting improved flow fundamentals while driving greater scale and flexibility in our operating model to improve financial performance. We offer strategies across the full spectrum of asset classes tailored to the needs of institutional and retail investors. As well as equities, bonds and real assets, we have multi-asset strategies and liability driven investments. We are keen to bring our comprehensive ESG expertise to support clients in developing ESG products. Increasingly, our clients want us to provide the means for them to explicitly express their own ESG values through investment vehicles. We have successfully worked with our clients to deliver ESG products through indexing, equity, fixed income, multi-asset, real estate, and customized solution strategies. Our firm currently manages over $34.5bn in dedicated sustainable investing strategies. We will build on our experience to continue to develop innovative solutions and products for our clients. For more on Invesco's commitment to adopting and implementing responsible investment principles in a manner that is consistent with our fiduciary responsibilities to clients, please visit our website.

Effective stewardship is essential in promoting positive impact – our fund managers exercise active oversight of assets to generate value for all beneficiaries, from investors to the broader stakeholder group.

Doug Sharp
Head of Invesco EMEA

ESG Investing Beliefs

Invesco believes in diversity of thought so our investment beliefs and our ESG implementation is not generic. Our approach focuses on integrating ESG risk and opportunity factors into investment decisions, differentiated by asset classes and by local investment centers. We deliver our ESG capabilities through equities, fixed income, multi-asset, alternatives, real estate, ETFs and bespoke solutions. We serve our clients in this space as a trusted partner by adopting and implementing ESG principles in a manner consistent with our fiduciary responsibilities to our clients.

Our ESG philosophy is based on our belief that ESG aspects can have an impact on sustainable value creation as well as risk management, and that companies with ESG momentum may present investment opportunities. As one of the largest asset managers globally, we are in a unique position to encourage change and have an impact through our engagement and dialogue with companies. Please see Invesco's recently published Statement of ESG Investing Beliefs for more on our ESG commitments.

At Invesco our portfolio managers retain full discretion to vote proxies in clients best interests, consistent with Invesco's proxy voting principles and philosophy. Our portfolio managers actively engage and review voting items based on their individual merits and execute votes through our proprietary proxy voting platform, PROXYintel. For more information on Invesco's approach to proxy voting, please visit our ESG proxy voting and engagements page.

Throughout this document Invesco articulates a range of actions taken to ensure that investment beliefs and governance structures enable effective stewardship. Actions taken on ESG integration, ESG resources as well as ESG governance and oversight enable and encourage stewardship across the organization.

As articulated in *Principle 06*, Invesco works to ensure that stewardship is conducted in the best interests of clients. We are in constant partnership and dialogue with our clients to ensure we achieve their stewardship needs.

Principle

02

Signatories' governance, resources and incentives support stewardship.

Governance Oversight

At Invesco, we have executive corporate and investment oversight and sponsorship of both corporate social responsibility (CSR) and ESG investment efforts. This is supported by a Corporate Responsibility Committee (CRC), the Corporate Responsibility Committee Working Group (WG), Global ESG team and ESG Champions within individual investment centres globally. These groups are responsible for monitoring ESG related issues and opportunities and acting upon them.

Our CRC is comprised of members of the executive leadership team. This committee drives the strategy, oversight, and governance of our internal programs, which include progress against climate change, demonstrating Invesco's broad executive leadership commitment to responsible investment. The CRC provides direction to Invesco's investment and corporate stewardship leaders on core ESG and CSR topics, participation in industry advocacy and policy efforts, and charitable and community organizations to enhance our impact in sustainable global efforts. Local and global management teams, including regional managing directors, report to the CRC on matters related to ESG and CSR.

Having established a vision, the full CRC responsibility for implementing and monitoring the vision is passed on to the CRC Working Group (WG). The WG's remit includes identifying and assessing actual or apparent inconsistent positions taken by different teams within Invesco and reconciling such differences by either (1) determining a consistent global policy position or (2) determining that such differences are appropriate in the circumstances. The WG reports to the full CRC on these matters every six months.

The Global Investment Council (GIC), made up of Chief Investment Officers and Managing Directors from Invesco's global investment centres and asset classes, is co-chaired by Invesco's President & CEO, Marty Flanagan, and Invesco's Head of Investments Senior Managing Director, Greg McGreevey. The GIC provides oversight to our specialized investment teams and offers a balance of global expertise, support, and connectivity. In this way, it helps provide better outcomes for clients with greater consistency over the long term. Chaired by our Global Head of ESG, Cathrine De Coninck-Lopez, Invesco's GIC ESG Sub-Committee focuses on ESG investment issues, including climate change and social equity.

The incorporation of ESG considerations is conducted by investment teams on a team-by-team basis. Invesco has dedicated ESG specialists as well as ESG Champions within individual investment centres globally to support this effort, who are closely connected with our Global ESG team and formally collaborate via the GIC ESG Sub-Committee. We have multiple focused ESG groups that are broadly governed by the GIC ESG Sub-Committee at various sectors of the organization to ensure there is a purposeful, holistic, and impactful approach and integration towards responsible investing, such as: Real Estate Sustainability Focus Group, Fixed Income ESG Focus Group, Henley ESG Focus Group and Factor Investing ESG Focus Group.

Invesco continues to strengthen its ESG and stewardship practices globally with a goal of creating a true and meaningful change for a more sustainable future.

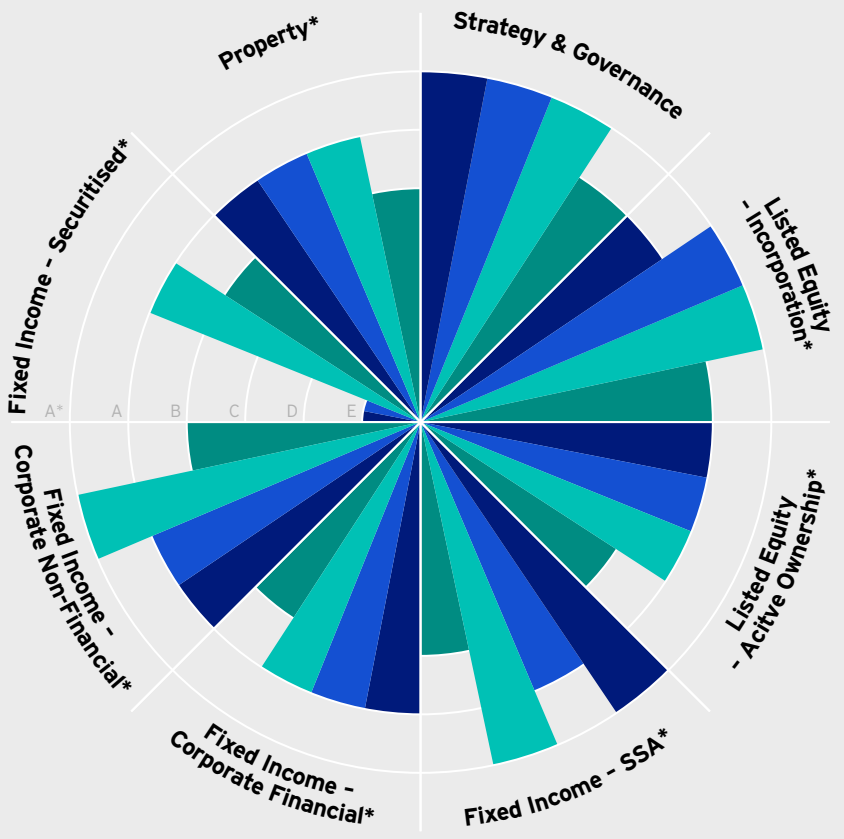
Cathrine De Coninck-Lopez
Global Head of ESG

Invesco's Commitment to PRI

Invesco is a strong advocate of responsible investing practices, formalizing our commitment globally in 2013 when we became a signatory of the PRI. We believe that our policies, processes and overall company approach value the spirit of the PRI and demonstrate Invesco's commitment to stewardship.

We are honored to be awarded an A+ rating in 2020 for our overall approach to responsible investment (Strategy and Governance) for the fourth consecutive year as well as achieving an A or A+ across all categories in the 2020 assessment period.[1]

2018-2020 Summary Scorecard



Source: 2020 Assessment Report for Invesco Ltd., PRI.
*Direct and Active Ownership Modules.

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

Global ESG Team Description: Seniority, Experience and Qualifications

Invesco's Global ESG efforts are led by Cathrine De Coninck-Lopez, Global Head of ESG. Our Global ESG team is responsible for leveraging best practices in ESG capabilities across our firm including ESG integration, research, voting and engagement, supporting the distribution teams with client engagement, and advising the product teams on ESG innovation. This team of 13 ESG professionals, with over 12 years of average experience amongst the senior team members, are located in three regions: North America, Asia Pacific and EMEA. The Global ESG team act as a center of excellence to guide, support, and inform our investment teams on all work in this area. Team members represent 8 different nationalities bringing diverse perspectives and experience. This team also holds as a wide range of academic qualifications from bachelor's degrees to doctorates. Invesco's ESG efforts are also supported by our 8-person proxy administration team based in Hyderabad.

In addition to our Global ESG team, Invesco has dedicated ESG specialists within certain individual investment center's globally, who are closely connected with our Global ESG team. For example, in 2019 Invesco created the role of Head of ESG, Asia ex-Japan, who provides advice on ESG issues to investment teams as they relate to our funds in the region. The Global ESG team and regional ESG specialists formally collaborate via the GIC ESG Sub-Committee forum, chaired by the Global Head of ESG. We also conduct regional ESG Forums to support further coordination in North America and EMEA.

Training is an essential part of our commitment to ESG integration and keeping abreast of the rapidly evolving landscape for responsible investment. Our Global ESG Team conducts meetings with Invesco's investment professionals to provide ESG training, frameworks, industry information, expertise, research, analysis, and updates regarding Invesco's responsible investment activities. Each meeting is tailored for each investment team or center based upon region, asset class, and existing ESG capability. Our Global ESG team also coordinates training sessions with ESG vendors and prepares investment professionals regarding engagement protocol and material non-public information. Internal communications include a monthly ESG newsletter, postings to MyInvesco (our intranet), podcast, video and email announcements. In addition, our continuing personal development training program includes ESG modules.

Please see the Global ESG team organizational chart below and the investment centers supported by the team.

The Global ESG Team
Global center of excellence

Global Investments Organization

Greg McGreevey
SMD, Investments

Lance DiLorio
Head of Investment Specialized Services

Cathrine De Coninck-Lopez
Global Head of ESG

Client

Glen Yelton
Head of ESG Client Strategy, NA (Atlanta)

Dana Ginsberg
ESG Client Strategy Specialist (New York)

Maria Lombardo
Head of ESG Client Strategy, EMEA (London)

Research

Mariela Vargova
Senior ESG Analyst (New York)

Tom Woodfield
Senior ESG Analyst (London)

Jonny Salvage
Junior ESG Analyst (Henley)

Bailey Buckner
ESG and Impact Investment Analyst (Atlanta)

Proxy

Zoje Vataj
Global Proxy Governance and Voting Manager (New York)

Shane Keenaghan
Senior Governance Analyst (Henley)

Andres Del Gallego
Proxy Governance and Voting Specialist (New York)

Analytics

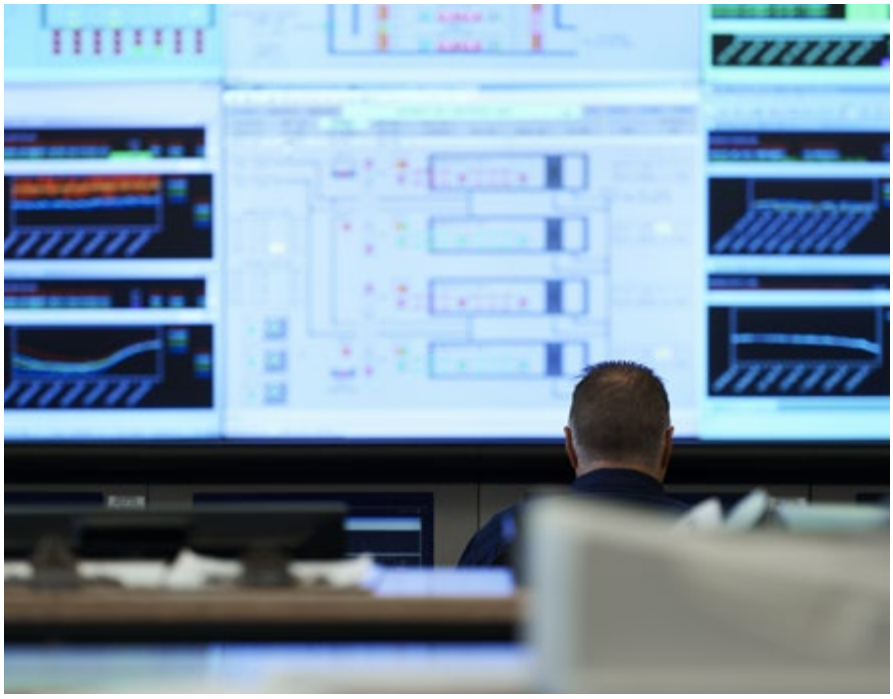
Ankur Gupta
Manager, ESG Analytics (Hyderabad)

Vinayaka Muppana
ESG Specialist (Hyderabad)

Investment centers

- Invesco ETF's
- Invesco Fixed Income
- Invesco Quantitative Strategies
- Invesco's Henley Investment Centre
- Invesco Equities
- Invesco Global Bank Loans
- Invesco China and Invesco Japan
- Invesco Unit Investment Trust
- Invesco Global Asset Allocation & Fundamental Alternatives

Source: Invesco.



Investment Systems, Processes and Research

Our Global ESG team is connected to Invesco's investment teams and supports teams with implementing ESG strategies, researching companies and facilitating targeted engagement. Deep research capabilities are leveraged from a variety of sources including: ESG rating providers, proxy research, business involvement screening, carbon data and more.
The team also assists distribution and product teams with delivering our ESG capabilities to clients and providing innovative investment capabilities.
ESG portfolio analytics and ESG reporting is provided both to internal and external stakeholders. Many of Invesco's investment teams and centers have clarified their approach, in conjunction with Invesco's Global ESG team, and to that end have published a formal framework that describes how the team incorporates ESG in their investment process.

Invesco's investment teams are supported by our centralized team of ESG professionals. Our Global ESG team is responsible for leveraging best practices in ESG capabilities across our firm including ESG integration, research, voting and engagement, supporting the distribution teams with client engagement, and advising the product teams on ESG innovation.

ESG Service Providers

Invesco may supplement its internal research with information from third-party service providers such as proxy advisory firms, research providers and ESG analytical tools. For more information regarding ESG Service providers, please reference *Principle 08*.

Please see *Principle 07 for information on ESG materiality and analysis: Invesco ESGintel*.

Workforce Incentives

Invesco has an overall compensation philosophy that seeks to align individual awards with client and shareholder success. This philosophy serves as the basis for the firm's compensation decisions and the design of compensation plans for the firm's investment professionals. While all of the firm's compensation plans adhere to Invesco's compensation philosophy, each investment team's plan is tailored to help ensure consistency with its stated investment philosophy and client objectives. All our investment teams have ESG and stewardship goals integrated into their processes. The firm routinely measures its practices against industry benchmarks. The plans are competitively positioned with a meaningful mix of cash and deferred compensation vehicles to attract, motivate, and retain high-caliber investment professionals and appropriately align with long-term client and shareholder success.

Current Year Awards are annual awards structured as a mix of cash and deferrals into Invesco stock and Invesco investment portfolios, as applicable. These awards reflect investment results consistent with stated client investment objectives and non-quantitative factors (such as, individual performance, risk management and teamwork). The majority of the award is investment performance-driven, based on the success of the team's overall investment results, as measured against client and firm benchmarks. A portion of the award is discretionary. Deferred awards vest pro-rata over a four-year term.

Long-Term Awards are annual awards of Invesco stock which are 100% deferred. These awards recognize long-term potential for future contributions to Invesco's long-term strategic objectives. The awards encourage retention and align the interests of the investment professional with those of shareholders. These awards vest pro-rata over a four-year term.

As outlined in Invesco's Group Remuneration Policy the measurement of performance used to determine incentive pools includes an adjustment mechanism to take into account all relevant types of current and future risks – including sustainability risks integrated within the investment process of Invesco's investment centers.

Principle

03

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Conflicts of Interest

Invesco endeavors to maintain and operate effective organizational and administrative arrangements with a view to taking all appropriate steps to prevent and manage conflicts of interest whose existence may damage the interests of clients. Under Invesco's Global Code of Conduct, Invesco entities and individuals must act in the best interests of clients and must avoid any situation that gives rise to an actual or apparent conflict of interest.

Invesco seeks to prevent conflicts and, where they cannot be prevented, seek to ensure that its clients are treated in a fair manner. Invesco's approach to conflicts management is to have appropriate measures in place to effectively identify and manage conflicts ensuring the interests of clients are not adversely impacted. Examples of arrangements in place to facilitate conflicts management include conflicts registers, processes, detailed conflicts assessments where required, training, and governance arrangements with appropriate oversight. From a proxy voting perspective, arrangements are in place to identify and manage potential conflicts to ensure Invesco casts votes to serve our clients best interests.

The following are examples of situations where Invesco has taken steps to identify and manage the potential conflict:

- Invesco may have relationships with third parties who may be issuers of securities held in funds/accounts managed by Invesco.
- Invesco may have relationships with clients who may be issuers of securities held in funds/accounts managed by Invesco.
- Invesco staff may sit on Boards of issuers where the underlying securities may be held in funds/accounts managed by Invesco.
- Members of the Board (of an issuer held in funds/accounts managed by Invesco) may sit on the Invesco Board.

Please refer to our EMEA Conflicts of Interest Policy found on our website.

Invesco maintains policies and procedures that deal with conflicts of interest in all of its business dealings. In relation to conflicts of interest that exist in its stewardship and proxy voting activities, these policies can be found in the Global Policy Statement on Corporate Governance and Proxy Voting found on our website.

There may be occasions where voting proxies may present a real or perceived conflict of interest between Invesco, as investment manager, and one or more of Invesco's clients or vendors.

Invesco seeks to continuously improve in its aim of delivering an investment experience that helps people get more out of life. An example of continuous improvement is the refinement of the firm level conflicts checks performed in relation to proxy voting. This was expanded to include Key Clients and Vendors in addition to Distributors, Research Providers and Counterparties as well as incorporating an on-going periodic review with Compliance to re-assess the process and criteria used for conflicts checks.

Personal Conflicts of Interest

A conflict also may exist where an Invesco employee has a known personal relationship with other proponents of proxy proposals, participants in proxy contests, corporate directors, or candidates for directorships. All Invesco personnel with proxy voting responsibilities are required to report any known personal conflicts of interest regarding proxy issues with which they are involved. In such instances, the individual(s) with the conflict will be excluded from the decision-making process relating to such issues.

Material Firm-Level Conflict of Interest Case Study

Background
Invesco identifies potential conflicts of interest based on a variety of factors, including but not limited to the materiality of the relationship between the issuer or its affiliates to Invesco. Material firm-level conflicts of interests are identified by individuals and groups within Invesco globally and a list of all such issuers ("Global Conflicts List") is maintained by the proxy administration team. Invesco's operating procedures and associated governance ensure conflicts of interest are appropriately identified and managed ahead of voting proxies.

Process
During the 2020 proxy season, a financial company on the Global Conflicts list was flagged on Invesco's proprietary voting platform ahead of the meeting date. As per our Global Proxy Policy, portfolio managers are blocked from casting votes on said companies. The Global Invesco Proxy Advisory Committee (Global IPAC) Conflict of Interest Sub-committee maintains oversight of this process and the IPAC voted the Annual Meeting based on a majority vote of its members after considering all potential conflicts.

Outcome
Invesco took all appropriate steps to identify, manage, vote and record the conflicts of interest in the best interest of its clients.

Source: Invesco.

Firm-level Conflicts of Interest

A conflict of interest may exist if Invesco has a material business relationship with either the company soliciting a proxy or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. Such relationships may include, among others, a client relationship, serving as a vendor whose products/services are material or significant to Invesco, serving as a distributor of Invesco's products, being a significant research provider or broker.

Invesco identifies potential conflicts of interest based on a variety of factors, including but not limited to the materiality of the relationship between the issuer or its affiliates to Invesco.

Invesco's proxy administration team maintains a list of all such issuers for which a conflict of interest exists ("Global Conflicts List"). Material firm-level conflicts of interests are identified by individuals and groups within Invesco globally based on criteria established by the proxy administration team. The Global Conflicts list is updated periodically by the proxy administration team ensuring an updated view is available when conducting conflicts checks. Operating procedures and associated governance ensure conflicts of interest are appropriately considered ahead of voting proxies. The Global Invesco Proxy Advisory Committee (Global IPAC) Conflict of Interest Sub-committee maintains oversight of the process. Companies on the Global Conflicts List will be voted based on a majority vote of its members. The Global IPAC is a global investments-driven committee comprised of representatives from various investment management teams, Invesco's Global Head of ESG and chaired by its Global Proxy Governance and Voting Manager. The Global IPAC provides a forum for investment teams to monitor, understand and discuss key proxy issues and voting trends within the Invesco complex, to assist Invesco in meeting regulatory obligations and to consider conflicts of interest in the proxy voting process, all in accordance with our Policy Statement on Global Corporate Governance and Proxy Voting.

Organizational arrangements, including but not limited to operating procedures and policies allow for the appropriate identification and management of potential conflicts of interest. As an additional safeguard, persons from Invesco's marketing, distribution and other customer-facing functions may not serve on the Global IPAC. For the avoidance of doubt, Invesco may not consider Invesco Ltd.'s pecuniary interest when voting proxies on behalf of clients.

Other Conflicts of Interest

To avoid any appearance of a conflict of interest, Invesco will not vote proxies issued by, or related to matters involving, Invesco Ltd. that may be held in client accounts from time to time. Shares of an Invesco-sponsored fund held by other Invesco funds will be voted in the same proportion as the votes of external shareholders of the underlying fund. Shares of an unaffiliated registered fund held by one or more Invesco funds will be voted in the same proportion as the votes of external shareholders of the underlying fund as required by federal securities law or any exemption therefrom. Additionally, Invesco or its Funds may vote proportionally in other cases where required by law. Please refer to *Principle 12 for information on our proxy voting approach*.

Principle

04

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Market Wide Risks

Invesco is committed to continually strengthening and evolving our risk management activities to ensure they keep pace with business change and client expectations. We believe a key factor in our ability to manage through challenging market conditions and significant business change is our integrated and global approach to risk management.

Invesco's Executive Management team is responsible for establishing the Company's culture and creating awareness that risk management is everyone's responsibility. As such, Executive Management, with oversight of Invesco's Board of Directors, is responsible for establishing and maintaining the Company's risk management framework and for ensuring that risk management is embedded in our day-to-day decision-making as well as our strategic planning process.

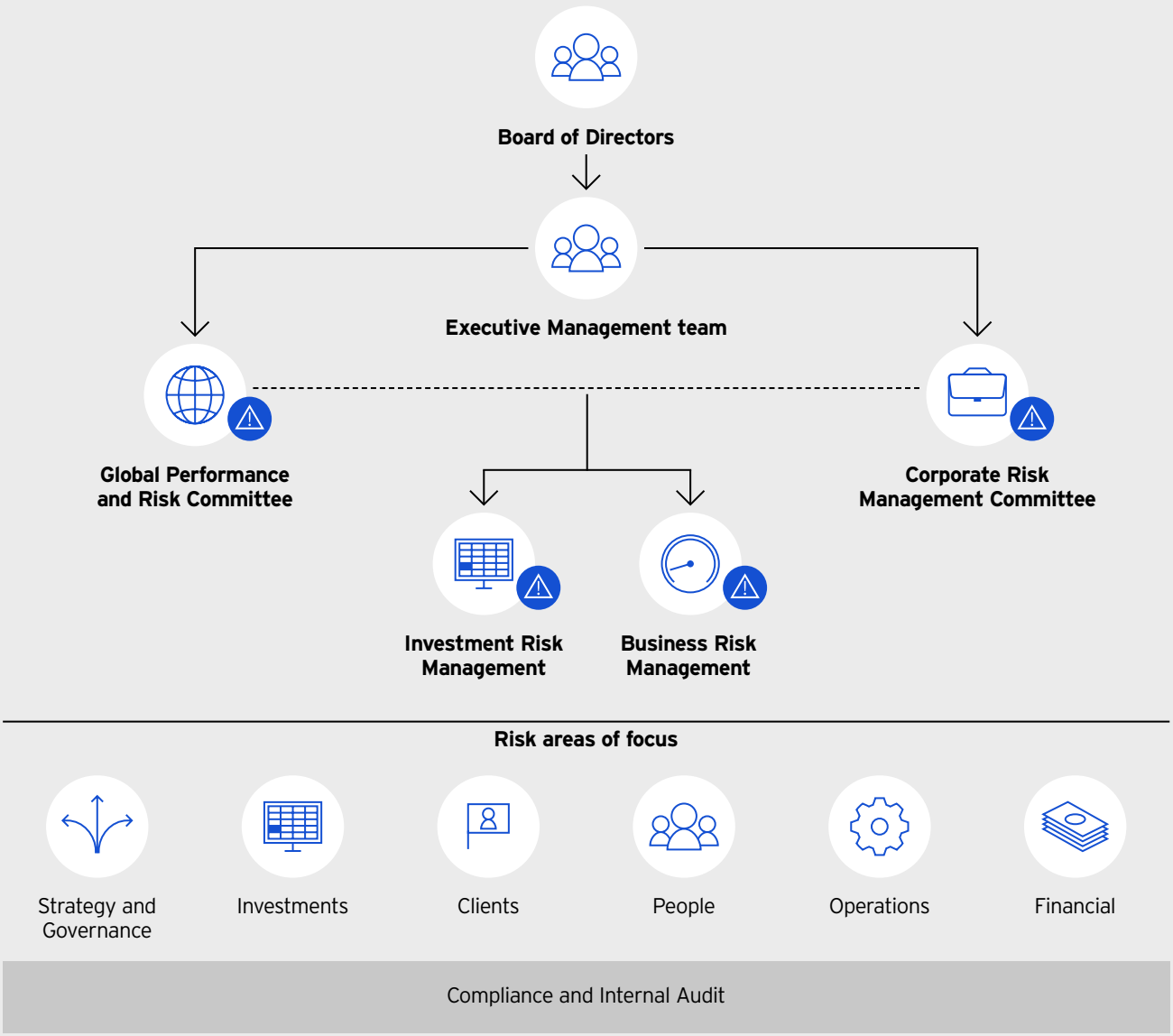
Our global risk management framework supports our focus on key risks in all areas of our business from strategy and governance, investments, clients, people, operations to financial risk and enables consistent and meaningful risk dialogue up, down and across the company.

Our risk management framework leverages two primary governance structures: (i) our Global Performance and Risk Committee oversees the management of core investment risks; and (ii) our Corporate Risk Management Committee oversees the management of all other business and strategy related risks. A network of regional, business unit and specific risk management committees, with oversight of the Corporate Risk Management Committee, provides ongoing identification, assessment, management and monitoring of risk that ensures both broad as well as in-depth, multi-layered coverage of the risks existing and emerging in the various domains of our business.

> In 2020 we have faced many unprecedented risks with COVID-19, Invesco demonstrated resiliency in rapidly adapting risk assessment and response to protect clients' interest and employees alike.

Suzanne Christensen
Invesco Chief Risk Officer

Our Risk Management Framework



Source: Invesco.

Principle 04

Invesco's COVID-19 Response

Ensuring the health and safety of our employees and their families is our top priority. We may be working remotely, but we are 100% here for our clients and for each other. COVID-19 may have reshaped the way we live and work, but the internal connections and collaboration to serve our clients has never been stronger.

Employees receive a COVID-19 check-in survey in regular intervals. Responses highlight a 90 day average. The survey results serve an important role in identifying problems and measuring the effectiveness of implemented solutions.

During any crisis, frequent, clear and consistent communications is key. At the beginning of the global pandemic, we meaningfully ramped up the frequency of internal communications by expanding functional and regional employee engagement and added new channels of communication to ensure connectivity while a significant portion of staff are in work from home status.

We know there are many ways in which Invesco can still improve, and we acknowledge that we're on a journey that reflects that of society at large. We actively partner with non-profits, start-ups and other organizations to improve financial education, promote diversity and inclusion in our industry and our company and support and collaborate with our local civic and community organizations to improve quality of life in our cities. These initiatives include programs focused on developing the next generation of leaders, training efforts intended to strengthen our inclusive culture, development of internal and external partnerships and more robust recruitment practices to attract diverse talent into the firm. The COVID-19 pandemic and its far-reaching impacts highlight the persistence of social and economic inequality in the 21st century. COVID-19 is forcing us to take a good, hard look at the vulnerabilities at our local, state and national systems. Investors have a potentially enormous part to play in bringing about the desired transformation, given our ability to allocate capital responsibly and to exercise the power of active ownership in pursuing outcomes whose benefits extend far beyond the bottom line. This further underlines the importance for us to facilitate discussion with companies on their specific responses to this situation.

As long-term investors, this is a crucial time to maintain pressure and push for real structural and institutional change, particularly in regard to healthcare, social support structures and gender equality. Striving for equality is about more than doing the right thing: it is also about acting in the best interests of an entity and its stakeholders – shareholders included. As asset managers, as with any element of ESG, our responsible allocation of capital can be fully aligned with our obligation to protect and grow clients' wealth. As such, COVID-19 has motivated us to help our investment teams refocus on the 'S' in ESG. Core social issues such as employee welfare, access to healthcare, consideration of corporate culture and supply chain sustainability are all directly related to this pandemic. We are providing our investors with enhanced education on such factors through our Global Investors Council (GIC) ESG Subcommittee.

With many of the world's largest companies adapting to remote working models due to the pandemic, flexible working and mental health support are increasingly important topics. Future working patterns are likely to change drastically, and corporate responses will become even more vital. Active ownership is crucial to ensuring that the necessary organizational responses transcend mere box-checking and are genuinely geared towards the greater good. As investors, we have the opportunity to encourage policies that support diversity, equity and fair treatment at our portfolio companies. If properly devised and implemented, socially responsible solutions square moral and fiduciary duties by potentially enhancing both ESG performance and financial performance.

Interfaith Center on Corporate Responsibility's (ICCR's) Investor Statement on Coronavirus Response
We have provided public support to companies through signing on to the ICCR's Investor Statement on Coronavirus Response. As one of the largest investors supporting the ICCR's statement, Invesco joins over 330 other institutional investors representing over $9.5 trillion USD in assets under management with global exposure across capital markets. The statement urges the business community to take any steps possible with focus on the following:

1. Providing paid leave
2. Prioritizing health and safety
3. Maintaining employment
4. Maintaining supplier/customer relationships
5. Financial prudence

Invesco encourages our investee companies to take what steps they can to mitigate the social impacts caused by the global pandemic. We have been engaging on these topics as part of our ongoing 1-1 ESG engagements.

For more information on our COVID-19 response please visit our **COVID-19 response page**

Climate change

Access to climate and carbon related data is essential to the process. All investment centers have access to data either directly or through the ESG data team.

Our Global ESG team also screens the full Invesco holdings to identify companies that are high-risk on Sustainalytics carbon analysis. This is a screening tool to ensure we focus our climate-related engagement efforts.

Our portfolio managers and analysts provide the first line of defense: assessment of climate-related issues for their respective asset classes. These managers and analysts draw on available data as an input to their proprietary ESG rating methodologies to augment other ESG metrics already being used by investors.

External scorings may also be used by those investment teams that analyze climate change risk. These scorings are sourced from various data providers. For climate change, the main providers are Customer Data Platform (CDP), Institutional Shareholder Service (ISS), Sustainalytics, Morgan Stanley International (MSCI) index, and the Climate Bond Initiative. CDP also offers research to go along with the climate change research available from sell-side brokers. The outcome of the assessment will generally lead to dedicated engagement with the company or issuer.

Alongside ongoing monitoring of climate risk metrics as part of the investment strategy, some investment teams are also integrating ESG and climate risks into their formalized CIO oversight processes.

The second line of defense is the independent risk oversight. We are currently working to define a framework for a more formalized role for the risk and compliance functions to provide monitoring and oversight of climate change and ESG risks.

The third and final line of defense is internal audit of the overall ESG practice, not specifically climate change.

Invesco's contribution to the EU Taxonomy and wider regulatory agenda

Invesco has been actively engaged in the development of the EU's Taxonomy for environmentally sustainable investments. In order to direct investments towards sustainable projects and activities, we believe is of utmost importance to have a common language and a clear definition of what is 'sustainable'. The EU Taxonomy creates a common classification system for sustainable economic activities. We have engaged with the European Commission, Members of the European Parliament, national finance ministries, and national regulators, calling for a balanced and pragmatic Taxonomy that is attractive to investors and could ultimately find application outside the EU. We have also produced thought leadership and client materials on the Taxonomy. In addition, we have contributed to the European Commission's work on an EU Green Bond Standard and the EU Climate Benchmarks, as well as the evolution of the UK FCA's thinking on green finance.

Within the broader scope of ESG regulation in EMEA, Invesco has also actively participated in discussions regarding the Sustainable Finance Action Plan, including the new Sustainable Disclosure Regulation and the integration of sustainability risks into financial regulation.

Contributing to continued improvement of functioning financial markets

Invesco recognizes the importance of participating in industry initiatives. These initiatives have helped us shape and accelerate our progress on critical industry issues. Invesco is represented on the UK Investment Association Stewardship Committee as well as the Sustainable and Responsible Investment committees. As such Invesco plays an active role in forming industry positions and perspectives on stewardship and wider ESG market issues.

Invesco is a member of the Investor Forum which facilitates dialogue between investors and investee companies on topics ranging from corporate governance and executive compensation to supply chain management and climate change. Collaborative dialogue promotes better alignment between the interests and priorities of investors and investee companies.

Invesco is a member of the Institutional Investors Group on Climate Change (IIGCC). The IIGCC is a European body facilitating investor collaboration on climate change, effectively serving as a conduit for investors to advocate a prosperous, low-carbon future. Invesco benefits from IIGCC membership as it helps us to ensure our policies, investment practices and corporate behavior address long term risks related to climate change. The organization is part of a global network of organizations that serve as the secretariats for Climate Action 100+. It helps to define public policies, investment practices and corporate behaviors that can address the long-term risks and opportunities associated with climate change. Invesco is also a member of the World Economic Forum Coalition for Climate Resilient Investment (CCRI). The CCRI is a working group which aims to transform investment by integrating climate risks into decision-making, driving a shift towards a more climate-resilient economy for all countries. Invesco is a leading real estate investor, and participation in the CCRI facilitates better integration of climate change assessments into existing investments, as well as helping to direct future investments into climate change resilient infrastructure.

Invesco also actively participated in the Climate Financial Risk Forum (CFRF) chaired by the FCA and PRA, which resulted in the publication of a Climate Risk Guide for financial practitioners. Our leadership role in the forum helped us to stay ahead of regulation and be part of shaping the solution that is developed for the industry.

Invesco is also a PRI signatory. Throughout Invesco's time as a PRI signatory we have participated in various committees and groups contributing knowledge and expertise from our daily activities. In late 2019, the PRI organized a Taxonomy Practitioners Group bringing together over 40 investment managers and asset owners, including Invesco, to implement the EU taxonomy on a voluntary basis in anticipation of upcoming European regulation. As such, Invesco published a case study around how to use the EU taxonomy with investee companies and provided recommendations to policymakers and supervisors on continuing implementation and development of the taxonomy. Invesco's EU taxonomy alignment case study can be found on the PRI's website.

Invesco also participates on the PRI's Global Public Policy Group. The group meets quarterly and discusses ongoing regulatory and policy developments relating to ESG issues. In particular, we have engaged with the PRI team on the EU's Sustainable Finance Action Plan, including the Sustainable Finance Disclosures Regulation, the EU Taxonomy and the forthcoming EU Sustainable Finance Strategy. We are also actively engaging directly with policymakers on these issues across EMEA, including contributing to consultations on:

- EU Taxonomy
- EU SFDR
- UK applying TCFD to premium listed companies
- EU Green Bond Standard

Invesco has also been actively engaged with the FCA and relevant UK Government departments in relation to the introduction of new requirements for climate-related corporate disclosures and issues relating to the implementation of the Green Finance Strategy. We have actively highlighted the challenges investors face in relation to the availability and quality of ESG data and have called for moves towards the introduction of third-party assurance of such data.

Principle

05

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Internal Assurance

Invesco's Internal Audit department provides independent, objective assurance and consulting services which are designed to add value and improve the firm's operations. Internal Audit provides these services on an ongoing basis through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. All business units, including ESG investing and proxy voting activities globally, are subject to Internal Audit oversight. Internal Audit plans to do certain testing regarding ESG matters as part of its 2021 Audit Plan.

In each of Invesco's Regional Compliance teams, team members who focus on compliance monitoring work closely with other members of the Regional Compliance team on the assessment of key risks and the testing of policies as well as the development of an annual testing plan. The testing plan seeks to assess compliance in key risk areas of the firm and seeks to avoid duplication of testing and considers other control reviews, including internal audits. Invesco's Compliance Monitoring team seeks to apply testing standards consistent with regulatory expectations in each region and reports findings to senior management of Compliance and of impacted business functions.

As an example of a review with a relationship to ESG topics, the Compliance Monitoring team conducted an advisory review of Proxy Voting in North America in 2020. The purpose of the review was to provide guidance and recommendations around the proxy voting process, evaluate whether policies and procedures are reasonably designed and to determine how effective the controls are in place to comply with regulations.

Stewardship Reporting and Assurances

Invesco is committed to maintaining the highest standards of integrity and accountability in the stewardship of our affairs. Invesco ensures our stewardship reporting is fair, balanced and understandable. We recognize that proper and effective corporate governance is important to shareholders and other stakeholders. We have strong policies and standards, including Invesco's comprehensive Code of Conduct, designed to safeguard the interests of Invesco's clients, ensure compliance with applicable laws and provide accountability and control systems commensurate with our firm's business activities.

Improvement of Stewardship Policies

Invesco reviews policies on a frequent basis to ensure they are enabling effective stewardship and maintaining a high level of integrity, consistency and accuracy for the times. For example, Invesco's Policy Statement on Global Corporate Governance and Proxy Voting has recently been reviewed and its updated version has been published in early 2021.

Alongside policy reviews, Invesco has released certain reports to further our commitment to adopting and implementing responsible investment principles in a manner that is consistent with our fiduciary responsibilities to clients. We ensure that we communicate with all our clients by informing them through our global corporate website of any new or developing reports in line with our stewardship commitments. We are also committed to our corporate sustainability efforts by being good stewards of the environment and to the local communities in which we serve. These efforts are demonstrated in Invesco's Environmental, Social and Governance Investment Stewardship Report, Corporate Social Responsibility Report ad our Climate Change report in line with the Task Force on Climate-related Financial Disclosures. These documents are available on our website: www.invesco.com/corporate/about-us/esg

Principle

06

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

At Invesco we partner with our clients to provide effective stewardship solutions that fit their needs.

Maria Lombardo
Head of ESG Client Strategy EMEA

Our Approach to Clients

Invesco's diversity within its investment strategies is fundamental to offer clients a variety of approaches to the implementation of ESG that reflect the clients' needs. This includes time horizons which may vary depending on the strategy.

Invesco has a client focused approach in the definition, design and delivery of investment solutions with the capability to manage ESG solutions tailored to clients through customized portfolios and products. Invesco is instrumental to our client's success by delivering our distinctive investment capabilities worldwide to meet their needs.

Invesco conducted two detailed surveys that give us insight into our client and beneficiary needs on stewardship and investment. These are global investors studies presenting sessions on ESG preferences. The Global Fixed income study 2020 presents a session dedicated to ESG assessing attitude, impact on performance, asset allocation, process, benchmark and investments in ESG from fixed income investors globally. The Invesco Global Sovereign asset management study 2020 particularly focused on Climate Change assessment and considerations by Global Sovereign funds. For more information on our two detailed surveys please see the full studies for our Global Fixed Income Study 2020 and our Global Sovereign Asset Management Study.

During 2020 Invesco developed ESG products consistent with Invesco's core values and capabilities and at the same time delivered several customized client solutions with focus on ESG factors, strategies and themes. All our investment teams are focused at strategically develop client-centered investment solutions that align with ESG market opportunities; identify potential strategies for ESG conversion or new launches and introduce innovative ESG investment strategies based on Invesco resources and capabilities. Invesco also provides periodic reports to our clients about our stewardship and investment activities and outcomes of these activities to ensure we are meeting our stewardship reporting requirements. Some examples of these type of reports include our:

- Environmental, Social and Governance Investment Stewardship Report
- Climate Change Report
- Corporate Social Responsibility Report
- Invesco vote disclosure. For more information on our vote disclosures please visit www.invesco.com/corporate/about-us/esg

Principle 06

This case study demonstrates the Invesco Quantitative Strategies team's efforts to incorporate climate variables into portfolio construction and develop bespoke strategies with their clients.

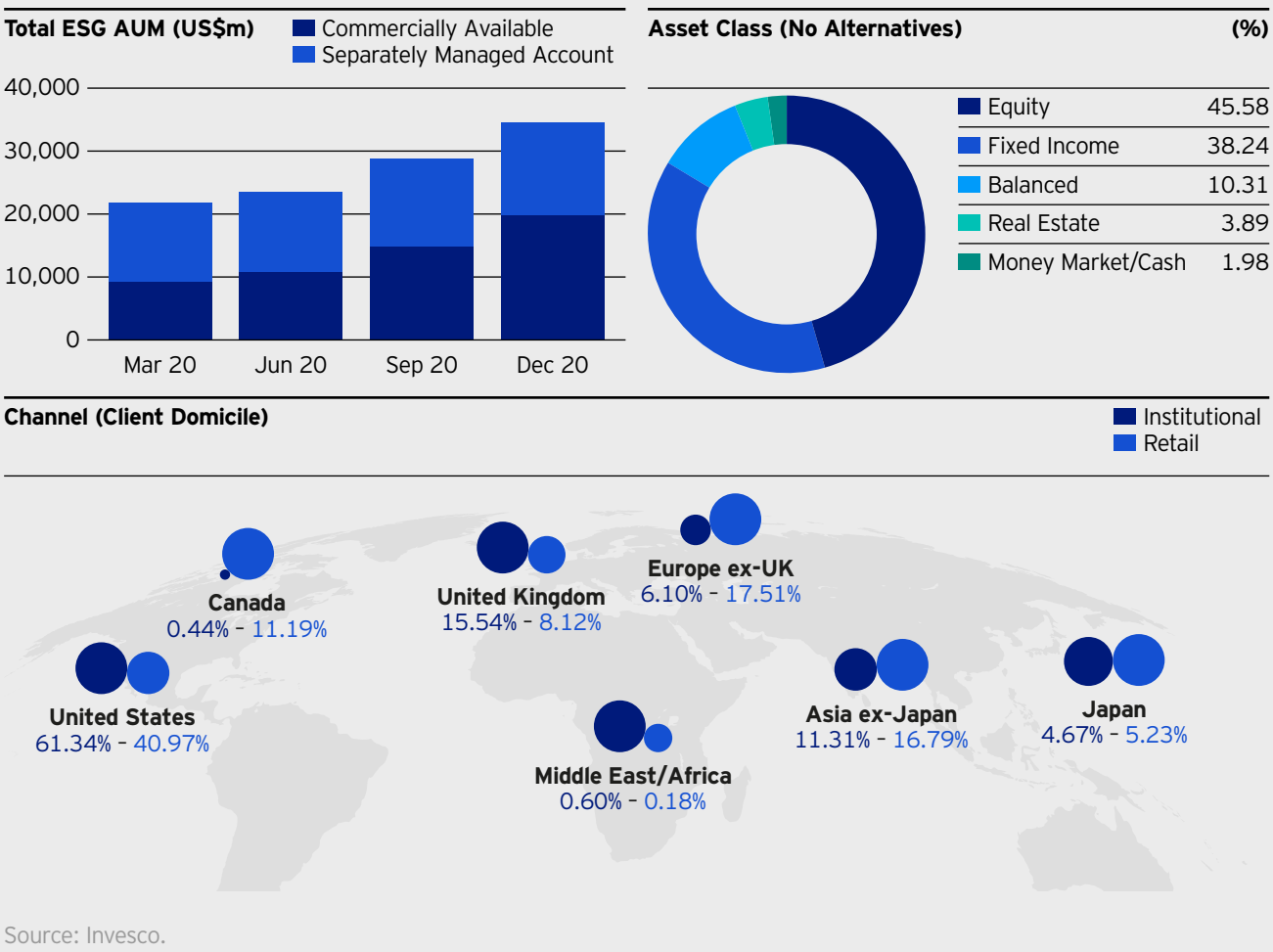
- In 2019, Invesco created a bespoke low-carbon solution for a pension fund client. The fund wanted to reduce the overall carbon emissions of an existing multi-factor strategy to significantly below benchmark levels. The Invesco Quantitative Strategies (IQS) team, in collaboration with the Global ESG team, designed a low-carbon portfolio that incorporated the desired carbon reduction targets, while keeping minimal distance to the UK capitalization-weighted market benchmark. While the UK benchmark maintains large exposure to high-carbon companies and fossil fuel companies, the task of keeping risk and return characteristics of the conventional strategy, while reducing carbon exposure, was not trivial.
- Working with the client, the team decided to focus on an initial implementation phase on the active management of scope 1 and scope 2 emissions, thereby assuring reliable data and high coverage for the investable universe. Furthermore, they agreed on the usage of intensity data, i.e. emissions in tons per revenue in million US$, to make figures comparable across different markets. The research process resulted in a decarbonized portfolio, reducing carbon intensities by at least 30% compared to the market capitalization weighted benchmark. At the same time, this allows for the active multi-factor investment process to be tuned to generate above-benchmark returns in a thoroughly risk-controlled framework. The final portfolio demonstrates similar factor characteristics to those seen with the starting portfolio, and hence similar risk and return expectations. At the same time, it reduces carbon emissions to below benchmark levels in a stable, predictable and strictly risk-controlled way.
- In addition to analyzing factor exposures and portfolio risk, which were comparable to the conventional multi-factor strategy, the IQS team also assessed the CO_2 intensities. These are now actively managed, and the team conducted a scenario analysis comparing the former and the new portfolios in the course of preparing this Invesco Climate Change Report. They investigated whether the introduction of the management of carbon intensities for scope 1 and 2 emissions also resulted in a lower risk that may arise from climate change. While the improvement of the carbon footprint of the portfolio is given by the strategy design, the IQS team, working together with Vivid Economics, has also conducted an analysis considering the temperature alignment of the portfolios. The results are very encouraging: while coming from a temperature aligned with an almost 4 °C scenario, the new strategy significantly reduced the temperature outcome to a below 2 °C scenario.
- This improvement is also visible in the scenario analysis conducted by Vivid Economics. The carbon-managed portfolio significantly reduces the negative impact of the 1.5 °C scenario compared to the former strategy, while keeping the risk characteristics of the UK benchmark.

Invesco Real Estate (IRE) team's approach demonstrates how we approach client views and the actions we take to ensure all their needs are covered.

- **Manager accountability:** Fundamental throughout IRE's separate account systems. IRE's objective is to generate consistent and predictable performance and avoid capital loss, while increasing the opportunity for capital appreciation. Over the years, IRE has developed a disciplined account management system to pursue this goal. The success of this system is driven by both its investment governance structure and investment disciplines as described below.
- **Investment Plan:** The Investment Plan specifically outlines the client's goals, objectives and guidelines during the next 12-month period and includes investment strategy, target markets, debt strategies, asset management focus and dispositions necessary to achieve the client's goals in a prudent manner.
- **Investment Committee:** The Investment Committee comprises real estate professionals from each investment discipline–Portfolio Management, Research, Acquisitions, Underwriting, Closing Services, Asset Management and Dispositions. Each investment opportunity is subjected to an exhaustive review and approval by the Committee. Unanimous consent is required for approval of each prospective investment.
- **Report Card:** IRE uses an annual Report Card to provide accountability to its clients. The Report Card serves as an objective measurement of performance against the Investment Plan and is presented to the client each year.

Client Base

Below please find Invesco's total ESG AUM along with asset class and institutional vs retail client breakdowns.



Source: Invesco.

Time Horizons

Time Horizons greatly differ depending on the product that is offered and the region it is offered in. Time horizons and investment objectives are calculated over using multiple time periods and different market cycles dependent on the specific product offered.

The investment horizon for individual themes is dependent on a number of factors including global credit and market cycles, fundamentals, technical, and valuations. In general macro themes are expected to play out over a medium-term time horizon. However, the team expects to modulate overall portfolio beta and individual factor sensitivities with a shorter-term outlook of approximately three months to one year.

An example of how long-term time horizons benefit Invesco comes from one of our investment teams:

- The investment team's long-term time horizon enables them to invest in a broader investment opportunity set, which include small and mid-cap companies. While investing in small and mid-cap companies is not alone a panacea for generating excess returns, the ability to invest in a broader range of securities increases the team's opportunity set and therefore, improves their odds of finding a sufficient number of quality businesses trading at attractive valuations.

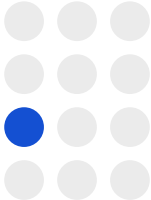
Manager Oversight

Invesco ensures that stewardship and investment processes are being followed accurately, to the best of our knowledge there have been no instances where managers have not followed their stewardship and investment policies.

For more information please see *Principle 05: Internal Assurance*.

Principle

07



Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfill their responsibilities.

Stewardship and Investment

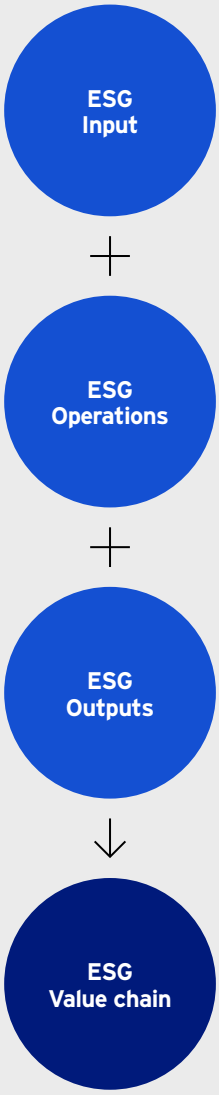
As investors in global equities, corporate and sovereign fixed income, real assets as well as multi-asset strategies, we recognize the differences between asset classes and geographies. We apply ESG principles in a variety of ways, depending on the asset class and strategy.

In general, teams incorporating ESG into their investment process consider ESG as one input to their process, as part of the evaluation of ideas, company dialogue and portfolio monitoring. As such, assessment of ESG aspects is incorporated into the wider investment process as part of a holistic consideration of the investment risk and opportunity. ESG aspects may therefore be considered alongside other economic drivers when evaluating the attractiveness of an investment.

The core aspects to our ESG philosophy include materiality; ESG momentum and engagement. Materiality refers to consideration of ESG issues on a risk-adjusted basis and in an economic context. The concept of ESG momentum, or improving ESG performance over time, is particularly interesting in our view. We find that companies that are improving in terms of their ESG practices may enjoy favorable financial performance in the longer term. We take our responsibility as active owners very seriously and see engagement as an opportunity to encourage continual improvement.

Dialogue with portfolio companies is a core part of the investment process for our fundamental teams. As such, we often participate in board level dialogue and are instrumental in giving shareholder views on management, corporate strategy, transparency, and capital allocation as well as wider ESG aspects. The starting point for our company level ESG research is the analysts and portfolio managers, who will look at a variety of factors. These will differ per asset class, sector, geography and company and will typically be one component of an overall investment view. Based on this initial view, where the portfolio managers and analysts wish for more detailed ESG information, our Global ESG team can provide proprietary analysis. Crucially, while there is global centralized support, decisions are ultimately made by our investment managers and analysts – the individuals who know their asset classes and sectors best. ESG integration is an ongoing strategic effort and investment teams will vary in the level of ESG integration. We are presently working to apply these principles into all of Invesco's strategies.

ESGintel Framework



Input
- Business ethics
- Board composition
- Capital allocation
- Compensation and alignment
- Audit and shareholder rights
- Social supply chain management

Operations
- Energy Management
- Environmental Management System
- Circular Business Model
- Toxic Emissions
- Water Management
- Employee/management relations
- Data privacy and data security
- Health and safety
- Workforce retention
- Diversity

Outputs
- Low Carbon transition/ Climate Change
- Product quality and safety

For illustrative purposes only.

ESG materiality and analysis: Invesco ESGintel

Invesco ESGintel is a proprietary tool built by our Global ESG research team in collaboration with our technology strategy and innovation team providing environmental, social and governance (ESG) insights, metrics, data points and direction of change. This tool is available to all investors investing in equities or fixed income and is used by our investment teams as input to the investment process in a variety of ways. ESGintel provides users with an internal rating, a rating trend, and a rank in sector using the GICS sectors. The approach takes a sector materiality focus to select indicators to ensure a targeted focus on the issues that matter most for sustainable value creation and risk management in the best interest of clients. This provides a holistic view on how a company's value chain is impacted in different ways by various ESG topics as listed below which each individually have around 3-4 supporting data points.

In our process of building ESGintel, the ESG team reviewed a number of ESG research providers, including our existing providers. Throughout this in-depth process we explained to service providers what types of data were needed as well as explained how we planned to use ESGintel. As this is a central tool in Invesco's approach to ESG integration, this is a key way that Invesco has worked over the last year to ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues.

Invesco also maintains a Focuslist which is used as an internal tool to list down the securities having ESG risks that Invesco currently holds in portfolios across Equity and Fixed Income funds. The ESG risks are evaluated using factors like ESG Risk rating, controversies, business screening, companies involved in Climate Action 100+ and significant carbon operations, Governance Scores, Shareholder dissent in Proxy Voting along with Ownership materiality of the holdings. Securities with significant ESG risks are highlighted for further actions to mitigate the ESG risks.

Principle 07

Fundamental Active Equities

Scope: Includes fundamental equities managed from the United Kingdom, but are global in nature (Henley equities)

The ESG process for equities relies on three key steps, as outlined in the diagram below. While investors may apply this in various ways, in general, ESG forms part of evaluation of ideas, company dialogue and portfolio monitoring.

ESG flags highlight issues for further analysis and engagement, and may arise from an external ESG rating provider, the investment professionals and investee companies. As part of our toolkit of both financial and ESG screens, we leverage ESG data from external ESG rating providers as well as ESGintel to focus our analysis on key material ESG risks.

Where these flags arise for further research, we target ESG research and dialogue towards those companies. This activity is carried out by the portfolio managers and analysts, either independently, or in partnership with the Global ESG team. For significant flags, specific portfolio manager/analyst requests, and/or major holdings, the ESG team may produce a proprietary ESG evaluation of company performance. Our view of material ESG aspects per sector underpins this research.

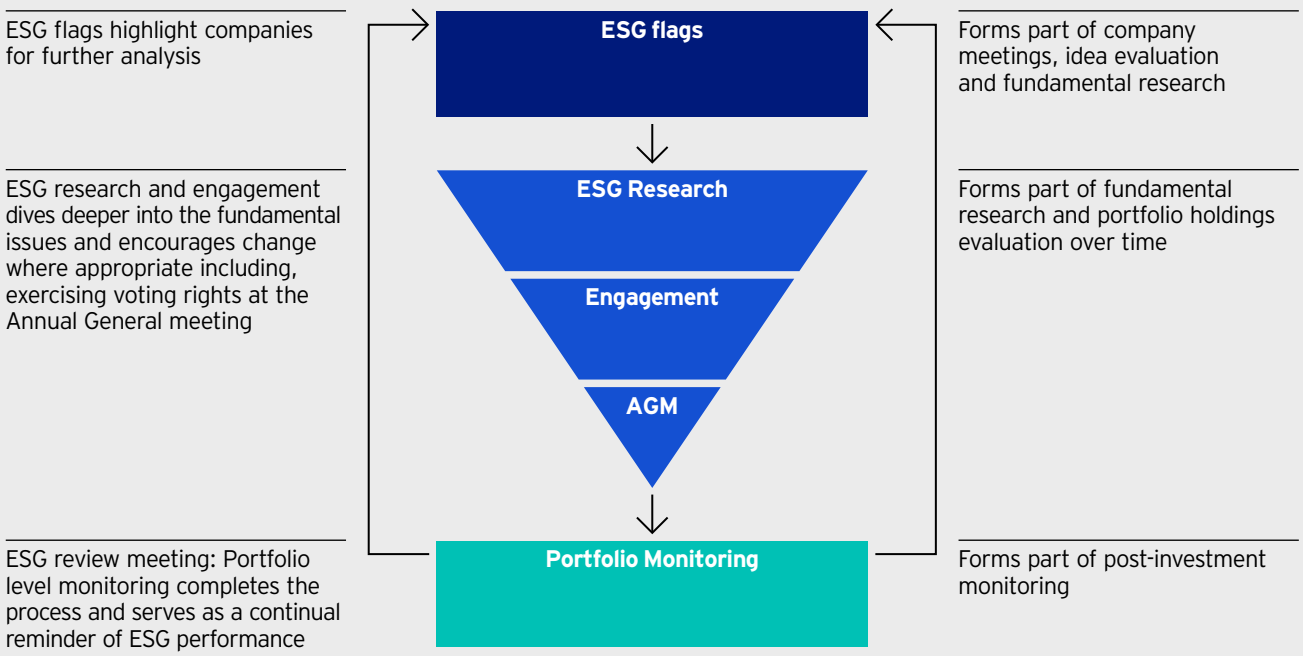
We find working on the basis of engagement or dialogue rather than exclusion, to be better aligned with both high-caliber investment performance and improving ESG performance. Consequently, we regularly incorporate ESG elements into our dialogue with companies. There is a direct opportunity for portfolio managers to reinforce views via votes at the Annual General Meetings (AGMs).

Over the past three years the Active Equities team engaged with various members of the board and management of a major oil and gas producer. During the engagement the team had several meetings with the chairman to discuss the risks and opportunities associated with their carbon transition plan. Additionally, the team provided feedback to the chair of the remuneration committee on a regular basis to ensure management incentivization is aligned to group strategy and their environmental targets. Further the team has engaged with independent board members and attended company strategy sessions. The enhanced monitoring of this position over the last three years has ensured our understanding of the strategy and objectives the company are setting are achievable and our engagement enables us to measure the board and management against this strategy and objectives which is of material benefit to the investors in our funds.

The voting decision is decentralized to portfolio managers/investment teams and decisions are entered on our proprietary platform. This allows those entering the vote to see how others are voting across Invesco. The Global ESG team assists with proxy voting analysis and engagement. For more information on engagement and proxy voting please see *Principles 09 and 12*.

Finally, we have two formalized ESG portfolio monitoring processes. This is the 'ESG Review', a rigorous semi-annual process which includes a meeting with the portfolio managers and analysts to go through the portfolio from an ESG perspective. This ensures a circular process for identifying flags and monitoring of improvements over time.

ESG Integration Approach in Henley Equities



For illustrative purposes only.

Alongside this, the 'CIO challenge' is formal review meeting (minimum annual) held between the Henley Investment Centre's CIO and each portfolio manager. Prior to the meeting, the Investment Oversight team prepare a detailed review of a portfolio managed by the portfolio manager. This review includes a full breakdown of the ESG performance using Sustainalytics and ISS data, such as the absolute ESG performance of the fund, relative performance to benchmarks, stock exposed to severe controversies, top and bottom ESG performers, carbon intensity and trends. The ESG team reviews the ESG data and develops stock specific or thematic ESG questions. The ESG performance of the fund is discussed in the CIO challenge meeting, with the CIO using the data and the stock specific questions to analyze the portfolio managers level of ESG integration.

Information gathered through stewardship has informed acquisition decisions which have benefited Invesco's clients as shown in this example: Over the past two years we have been engaging with the board, management and advisors to this company particularly in the past twelve months during the Covid-19 Pandemic. During this time we have discussed and challenged management on its business plan and strategy and the impact of Covid-19. We have 1-1 conversations with the CFO and Head of Investor Relations on issues including challenges in attracting labour and ensuring their work force operate safely. We have had detailed discussion on health and hygiene protocols and how customers can benefit from these. We have challenged the company on end to end chain food wastage and what schemes can be implemented to significantly reduce waste. We have also challenged their performance on recent issues surrounding the provision of free school meals under lockdown. Through our engagement we have validated our investment thesis that this company is market leading, cash generative with positive structural growth opportunities. We have questioned and tested remuneration policies to ensure management is aligned with shareholders, incentivized and stable and that there is adequate succession plans in place. We have discussed the company's cultural values. We concluded that the culture is one of safety, for both employees and consumers and that one of its competitive advantages is its focus on people. Given the engagement to date, we have been building a material position in this company since May 2020.

We regularly incorporate ESG elements into our dialogue with companies to ensure we are improving our ESG performance.

U.S Core Equities

The US Core Equity team incorporates ESG factors into its overall assessment of a company's relative attractiveness, with a focus on identifying ESG issues that could be material to a company's financial performance. An assessment of ESG materiality is part of stock discussions, with an emphasis on determining what are the critical ESG issues that could put the company at risk, or potential positive ESG attributes that could be supportive of a company's prospects. Some of the areas the team typically focuses on include business practices, government/regulatory trends, environmental footprint/GHG emissions, corporate governance, human safety, community impact, and revenue/cost opportunities, among others. Special emphasis is placed on highlighting and monitoring ongoing controversies. The team takes all these issues into account when determining the risk profile of a company and its overall attractiveness as an investment opportunity. Ongoing monitoring includes periodic reviews with Invesco's ESG team of all portfolio holdings to identify companies at risk from an ESG perspective. The US Core Equity team's analysts and portfolio managers can then follow up with individual companies to learn more about what managements are doing to improve their companies' ESG risk profile. For example, the team identified a US healthcare company whose products were being misdirected and could potentially be used for illicit activities. In a subsequent call with that company's management team, we asked what they were doing to ensure tighter distribution controls to avoid products being used inappropriately and thereby reducing the risk of regulatory fallout. Management was receptive to our feedback, and said they have instituted stricter controls, and in some cases discontinued products in some regions, to ensure tighter distribution controls and to comply with all regulation in all of the countries where they operate. The additional information we were able to glean from talking to the company's management helped allay our ESG concerns and increased our understanding of the risks surrounding our investment in this company. We see this as a good example of a positive feedback loop, where our fundamental ESG research helps makes our conversations with company's managements more productive, and thereby reinforces our understanding of a company's risk profile.

Invesco Emerging Markets Team

The Invesco Emerging Markets team incorporates a suitable ESG evaluation to complement its active investments in emerging markets companies. ESG framework acknowledges that firms have social, environmental and governance responsibilities, which align well with long term shareholder value creation. Our unique approach to investing in EM equities has always embedded ESG objectives of sustainability, purpose and strong governance. For us, ESG objectives begin with governance. Good governance creates long term sustainability. We want to have governance that nurtures entrepreneurial management and sponsors creative risk taking by promoting "skin in the game" for the management. We are borrowing and tailoring elements of the evolving ESG paradigm that are appropriate for achieving our goal of investing is sustainable and responsible businesses.

The team adopts an integrated approach to ESG, recognizing the necessity for investment behaviors that effectively combine high investment standards with active and responsible engagement activity. The team is supported by Invesco's global ESG resources and infrastructure. The team's ESG approach includes strong focus on corporate governance and stewardship of capital along with active proxy voting on key corporate actions and regular evaluation of ESG aspects in our firm's proprietary ESG database. Proprietary ESG ratings are an integral part of ensuring that the portfolio's investment mandate is delivered.

The team's fundamentally driven investment approach requires the investment team to maintain regular and meaningful contact with companies within the investment universe and more importantly, companies held within portfolios. The objective of the engagement is to obtain deep understanding of the investment opportunity and to ensure that issues – including ESG aspects, which help to define long term shareholder value creation and risks are considered. Engagement issues tend to be company specific and are broadly spread across all key corporate, financial, or suitable ESG topics. Historically, our engagement has broadly focused on the importance of having a long-term sustainable strategy, while remaining committed to the prioritization of financial goals and sound capital deployment.

The portfolio management team will draw upon their deep knowledge of their investment universe and often long-term engagement with company executives in understanding specific company ESG issues or regional or industry nuances in forming judgement. Ultimately, the investment teams' decisions are motivated with the long-term economic interest of shareholders in mind.

Active proxy voting is an integral part of our investment process and ESG integration. Our process seeks to ensure that our investment strategy benefits from the engagement and an active dialogue with the companies in which we invest. Our investment team retains full discretion to vote the shares as it determines to be in the best interest of our shareholders. In its active process around ESG aspects, the investment team is guided by a combination of Invesco's global proxy policy and third-party proxy research in understanding best practice and determining proxy voting decisions on behalf of investors. Invesco generally retains full and independent discretion with respect to proxy voting decisions. Aligning the investment decision with the proxy voting decision results in robust voting outcomes for our clients. The investment team is ultimately responsible for determining, agreeing, and submitting voting intentions. The team acts independently, with freedom to vote with or against management or the recommendations of third-party proxy research providers.

Since last year we also incorporated a formal ESG review as part of the research and company due diligence process by evaluating ESG risks and information in the Invesco's proprietary ESGintel database. Highest ESG risk for all of our holdings are evaluated and discussed with companies and result in a formal documentation in research summary notes that are updated on a regular basis. ESGintel offers a comprehensive ESG database and methodology. Our investment team utilizes the platform to review ESG aspects to assess whether any ESG factors pose a material financial risk. Invesco's approach takes a financial materiality perspective in selecting indicators to ensure a targeted focus on the issues that matter most for sustainable value creation and risk management. The investment team utilizes the platform to review ESG aspects to assess whether any ESG factors pose a material financial risk. This provides a holistic view on how a company's value chain is impacted in different ways by various ESG topics.

Finally, the team adopted active documentation and disclosure of its ESG evaluation process. ESG aspects considered by the investment team during the research process are documented internally in team's summary investment reports. Invesco implemented formal ESG disclosure in fund documents and marketing materials, which describe the integrated ESG approach.

Idea Generation

The consistency of the investment philosophy and process allows the team to create a relatively stable investment universe and to be very deliberate in setting a research agenda. The team employs a disciplined, bottom-up, research-intensive approach with a growth investment style. The approach is benchmark agnostic, with respect to region or country, sector or security. Importantly, the team seeks to add value through security selection. The team seeks to invest in extraordinary companies that deliver long-term earnings and cash flow growth, profitability and have sustainable competitive advantages; have real options that manifest over time; have innovative products or unique assets that capture EM demand and/or demand outside of EM; and strong governance practices.

Importantly, the universe construction is also framed by the team's view on areas to avoid. Those include mean reversion/ pattern recognition investing, including trying to time credit and inventory cycles. The team also typically avoids, capital-intensive, cyclical industries, companies without sustainable advantages, product cycle and gadget companies, and state-owned businesses.

Portfolio construction

The portfolio takes a benchmark agnostic, bottom-up approach to portfolio construction and will offer a broadly diversified exposure across emerging markets equity investment opportunities. Positions sizes are a function of the team's level of conviction in the return potential and an assessment of associated risks.

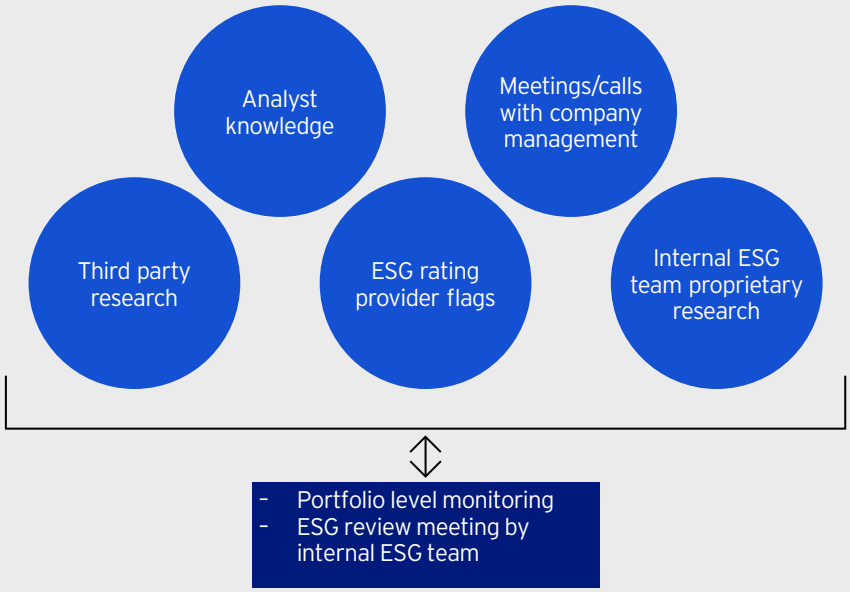
The ESG relevant parameters around which the portfolio is built are as follows:

Buy Discipline
The team maintains an investment universe of desired and suitable investment ideas and leverages that pre-screened investment universe as part of its buy discipline. New ideas such as initial public offerings are considered for investment and screened by Invesco's Global ESG team for any ESG risks or considerations requiring engagement with management. Ultimate investment decisions are solely made by the investment team after a thorough due diligence that is aligned with the earlier described investment process.

Sell Discipline
The team considers a portfolio company for elimination based on a number of factors including:

- Investment thesis including ESG considerations are invalidated
- Lose confidence in management or question strategic decisions including ESG related actions
- Price rises above our view of fair value

Henley Fixed Income ESG Process



For illustrative purposes only.

Fixed Income I

Scope: Fixed income portfolios managed from Henley, UK (Henley Fixed Interest)

The fixed income ESG process differs from that of the equity teams due to the nature of the primary issuance process and because a significant proportion of our investments are in unlisted companies where there is a reduced availability of ESG information (either provided by the issuer and/or from third party research providers). Our investment approach emphasizes proprietary research and focuses on fundamental valuation to support the active management of our clients' portfolios. ESG integration is strongly consistent with this investment focus.

Furthermore, in the normal course of business the fixed income team has fewer opportunities to engage via shareholder voting, although we normally fully engage on bond holder matters or if we hold equity positions.

The fixed income team are an active investor in the primary market – reviewing new issue prospectuses as part of our decision making process and where appropriate will seek to engage with banks/ management in order to influence the terms and conditions of bonds issued or to better understand the legal standing of creditors and potential recovery provisions.

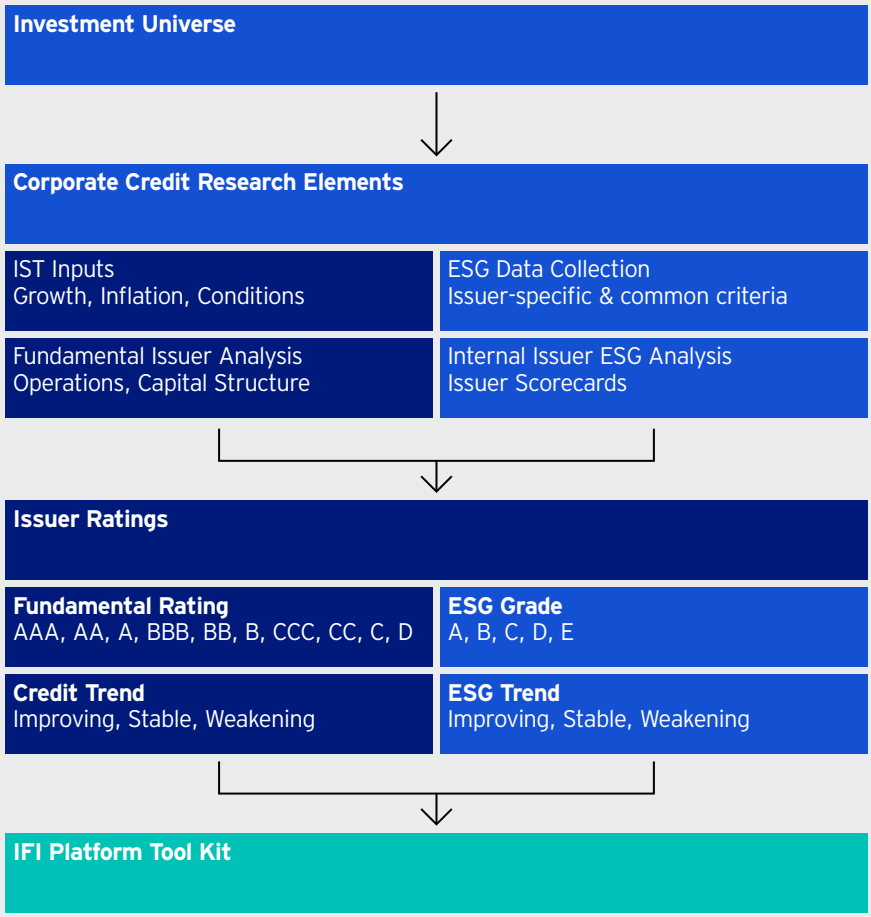
The fixed income ESG integration process relies primarily on including ESG factors as part of our analysis of primary and secondary market opportunities. Identified ESG concerns feed into the final investment decision and assessment of relative value.

As part of this process, the ESG team provides portfolio level monitoring on a regular basis.

An example of an engagement conducted by the fixed income team was with a German payments processing firm. The firm reported revenues of €2bn in FY18 and had a market capitalization of €16.7bn at the end of 2018. It was awarded an Baa3 investment grade rating in August of 2019. With ethically weak end-markets (gambling & adult entertainment) and governance concerns (including rumors of fraudulent activity), the fixed income team decided not to participate. The fixed income team also had a call with the company that provided the investment award rating and discussed the reputation risk and potential fraud. It was later determined that the German payments processing firm was unable to report timely audited results for FY 19 and could not locate €1.9bn of cash assets. This company shortly after was downgraded from the initial investment grade rating of Baa3 to B3 and filed for insolvency in June of 2020.

Invesco Fixed Income has developed its own ESG methodology and rating system to provide clear and consistent outputs for portfolio managers.

Overview of ESG Rating Elements for Corporate Credit



Source: Invesco Fixed Income (IFI). For illustrative purposes only.

Fixed Income II

A. Corporate Credit – Scope: Invesco Fixed Income

Invesco's Fixed Income (IFI) credit analysts are tasked with understanding the ESG drivers for the companies that they cover and conducting ESG-based analysis alongside their fundamental financial analysis. This applies across our corporate credit research teams in North America, Europe and Asia. Our corporate research follows the same set of standards globally, encompassing investment-grade and high-yield issuers, whether an issuer is in a developed or an emerging market country. This approach is also applied to short-dated securities held in IFI-managed global liquidity products. Our analysts are primarily focused on identifying risk factors that could be financially material, and these may be common to all industry participants or unique to a specific issuer.

The starting point for ESG assessment is at the industry level. Our Global Sector teams set out common ESG risk factors for each industry, and individual analysts work within this framework on each issuer in their coverage area while also seeking to identify any idiosyncratic ESG risks to which individual issuers might be exposed.

We also use third-party research and data to provide broad market context and transparency. These external sources supplement our proprietary research and assist our analysts in identifying areas or issues of interest where engagement with company management is warranted. We engage directly with companies to better understand their positions and their future intentions.

IFI has developed its own ESG methodology and rating system to provide clear and consistent outputs for portfolio managers.

Each issuer receives a proprietary overall ESG rating, accompanied by sub-ratings covering the three pillars of E, S and G. In addition, ESG momentum is captured through trend assessments, which add further usable information for portfolio managers in the same way that creditworthiness trend assessments do for fundamental credit ratings. All ESG research is stored on our research platform so that portfolio managers across asset classes can easily access it. IFI is committed to continuous innovation and improvement in its ESG corporate research process. As green bonds have seen increased issuance as well as interest from clients, we have internally developed specialized templates to aid in analyzing such bonds. Please see figure above for an overview of the Corporate Credit ESG Rating Elements.

ESG Considerations for Sovereign Debt

Environmental

Notre Dame GAIN Index – Vulnerability

- Examines the exposure of a country to the negative effects of climate change.
- Six sectors are covered: food, water, health, ecosystem service, human habitat and infrastructure. By covering how likely countries are to be affected significantly by impacts of climate change, there is a greater ability to capture risks of catastrophic non-financial events impacting credit quality in the future.

Yale Environmental Performance Index

- A leading global indicator of environmental performance of countries comprised of data points measuring air quality, water, sanitation, climate, energy, ecosystems and agriculture.

Social

UN Development Programme – Human Development Index

- Most widely-recognized metric covering the social development of a country, which uses three quantitative data sets to provide a numeric output: life expectancy at birth, mean expected years of schooling, and Gross National Income (GNI) per capita (Purchasing Power Parity US dollar terms).

Notre Dame GAIN Index – Readiness

- Looks at the ability of a country to leverage investments and convert into actions to help improve resilience to climate change.
- Spans multiple different data sets from reputed sources: Social Inequality, ICT infrastructure, school enrollment and innovation.

Governance

Transparency International – Corruption Perception Index

- Derived from multiple expert surveys assessing the perceived level of corruption within countries. Thirteen data sets used from reputable and independent sources such as the World Bank and World Economic Forum.

The World Bank – Worldwide Governance Indicators

- Looks at governance quality from six perspectives: regulatory quality, government effectiveness, political stability, control of corruption, rule of law, and voice and accountability.

For illustrative purposes only.

B. Sovereign Debt

ESG considerations are highly relevant to the analysis of sovereign debt issuers. Countries can issue bonds that mature over extremely long periods (50+ years), so their ability to meet their obligations might be altered dramatically by action or inaction on ESG factors. Governance factors are traditionally an important component in assessments of sovereign credit rating stability. Government bond prices and, as a result, our own ESG processes are tilted slightly towards indicators in this area. Yet, environmental and social factors can also have meaningful impacts on bond pricing.

Applying ESG criteria to sovereign debt requires macro assessments, but data infrequency presents a problem for contemporary analysis. Some datasets are updated only annually or even bi-annually. We address this limitation in our framework by using several different indicators, which in many cases are aggregations of multiple underlying sources. In addition, trend assessments of the underlying indicators reveal useful information on the directionality of each country's performance across the ESG factors common to all countries.

Our ESG framework, as outlined above, incorporates six key composite measures: two environmental, two social and two governance. These cover most developed and emerging market countries and incorporate multiple underlying measures. The indicators we employ were selected because they are compiled by Non-Governmental Organizations (NGOs) and academic institutions and are therefore independent and impartial, which is not always the case with government-supplied figures and assessments.

Bank Loans

Scope: Invesco global, US and European senior secured bank loans managed from New York and London

Invesco manages around US$34.5 billion in senior secured bank loans for institutional, retail and high net worth clients globally. Bank loans are an alternative asset class: they are privately arranged debt instruments, usually below investment-grade quality, but they are not securities. Each loan has unique characteristics tailored to its underlying corporate issuer. Issuers are often private companies or may be sponsored by a private equity firm.

A growing segment of Invesco's bank loan clients are focused on ESG and have asked for ESG-managed portfolios. In 2015 we began incorporating ESG considerations into our investment process as part of our consideration of credit risk for each issuer. As our clients became increasingly sophisticated in their approach to ESG, they demanded more from us. Since only a small pool of the investable universe is covered by third-party ESG rating providers, we set out to develop a proprietary, quantifiable framework for rating each issuer.

As a result, our analysts are now responsible for independently rating each loan they cover from an ESG perspective. They conduct diligence reviews with issuers' management teams to inform a rigorous, multifaceted screening process in which each loan is measured on a scale of 1 to 5 (with 1 indicating "no risk" and 5 indicating "high risk") on numerous ESG factors, as listed below:

ESG Factors

Environment	Social	Governance
- Natural resources - Pollution and waste - Supply chain impact - Environmental opportunities	- Workforce - Community - Product responsibility - Human rights	- Management - Shareholders - Board of directors - Auditors - Regulatory issues - Corporate social responsibility strategy - Anti-corruption - Business ethics

For illustrative purposes only.

Applying our own ESG approach to bank loans has led to many positive outcomes, the most significant of which has been our ability to provide an investment solution that meets our clients' ESG objectives.

To derive an issuer-level ESG rating, we use a weighting schematic for the issuer's broad industry category. These ratings are averaged into an overall ESG score that is approved by our Senior Investment Committee, subject to updates and reviews on at least an annual basis.

Applying our own ESG approach to bank loans has led to many positive outcomes, the most significant of which has been our ability to provide an investment solution that meets our clients' ESG objectives. We have received considerable interest in our approach from existing and prospective clients alike, and we are always looking to broaden this capability.

Another major consequence is that we have substantively enhanced our analytical skills with regard to ESG risks. Although the process of rating each issuer has been time-consuming and complex, our analysts are now leaders in understanding the implications of ESG issues across the investable universe – and, as such, they are able to make more impactful investment decisions.

Engaging management teams on the importance of ESG from an investor perspective has been another benefit of our approach. While we do not have voting rights or control over issuers' ESG activities or conduct, our position as one of the largest managers of senior secured bank loans enables us to emphasis to management teams the importance of ESG issues in relation to their ability to raise capital in this market.

Since the inception of Invesco's ESG ratings process, Invesco has recorded and tracked meaningful senior level engagement with many issuers, arrangers and private equity sponsors. This engagement has ranged from our analyst questionnaires being recognized as the first ESG engagement with issuers to a major underwriter using our questionnaire as a basis for their ESG underwriting process for future syndications.

The Bank Loans team have also met with the largest private equity sponsors and have educated them on the importance of ESG transparency for future capital deployment.

An example engagement conducted by the Bank Loans team was during the underwriting process for a manufacturer of small, highly complex metal components. The team engaged with management who later included the private equity sponsor. The private equity sponsor was in the process of hiring a new head of ESG and sustainability. When she was hired, she interviewed with the Bank Loans team to determine the scope of investor demand for ESG. As a result of the engagement, a large multi-national dermatology company included a 70-page ESG due diligence report in their underwriting package.

ESG Integration for Multi-asset

We recognize that there are a variety of ESG frameworks at a macro level. Alongside Invesco's ESG team, the Multi-Asset team have identified relevant ESG factors based on consideration of global frameworks and external ESG research providers, as demonstrated in below. The team finds that ESG issues, per se, may or may not be determining factors of the team's economic analysis, but could influence their overall evaluation. ESG factors are amongst those incorporated in several stages of the investment process, including research into individual ideas, the formulation of the central economic thesis and within scenario analysis.

ESG Framework for Multi-asset Strategies

Macro governance elements	Potential impact on economies
Political rights	- Major political changes such as a shift from one party to another or major events - Instability related to future public concerns and power struggles (or the dominance of political rule)
Trading practices	- Socially irresponsible governance of trade tariffs regulations and rules - Lack of support for global links and private property rights
Macro social elements	**Potential impact on economies**
Human rights governance	- Lack of freedom of religion leading to clashes and human rights controversies - Lack of tolerance of diversity can lead to closed borders for immigration
Demographic shifts	- Ageing populations leads to greater dependency on the healthcare system and a smaller working population leads to greater burden of taxation - Millennials driving changing trends in consumption and flow of goods and services as well as need for mobile service provisions
Inequality	- Regulatory scrutiny can lead to minimum wage rises and tax implications to close the gap - Gaps can lead to social unrest and strikes
Urbanisation	- Infrastructure investment needed for urban centers due to movement from farming to cities due to search for jobs and greater provision of basic services (water; shelter; medical care) - Changes towards more service based economies
Macro environmental elements	**Potential impact on economies**
Climate change	- Regulatory developments; infrastructure spending; demand side impact on commodities - Changing energy mix towards lower carbon intensity sources
Land use and biodiversity	- Natural resources development and competing land uses
Water management	- Flood risk management and infrastructure investment for water access
Air pollution	- Air pollution in the form of SOX and NOX and particulates – health impacts; regulatory impacts; technology developments
Natural disasters	- Typhoons, hurricanes, volcanic eruption disrupts global interactions and can impact commodity prices

For illustrative purposes only.

As Investors we recognize the differences between asset classes and geographies. We apply ESG principles in a variety of ways, depending on the asset class and strategy.

Invesco Real Estate Securities ("IRE")

Invesco Real Estate (IRE) is engaged with making investments into securities that have a real asset base, encompassing land, buildings or infra-structure. IRE believes that investors in real assets have a key role to play in respecting, protecting, and in so much as is possible, enhancing the environment and wider societal prosperity. Land and buildings create the environment in which people live and work. They define, in part, present and future quality of human life and the health and balance of the natural world. IRE recognizes the role of the built environment in key environmental debates, such as climate change. IRE also recognizes that the societal impact of the built environment is an important factor in creating and stabilizing community and maintaining social cohesion. As such, recognition of asset quality, sustainable financing, long term corporate strategy and wider considerations around the impact of the built environment on society and the natural world are factors which are considered within IRE's investment process.

IRE views itself as a long term, fundamentally driven investor. The investment discipline is guided by a rigorous process, designed with the intention of delivering consistent and predictable benchmark relative returns. The team's philosophical approach to investing has been unchanged over many years. The structured process relies on combining fundamental views and security valuation disciplines with top down portfolio construction and risk management techniques. Understanding and allocating investment risk forms a key aspect of the structured process. Ensuring issues related to ESG are considered within the investment discipline is important as a measure of risk management and a means of adding fundamental bias to return outcomes.

A desire to maintain portfolios of investments which offer above average fundamental quality lies at the core of the group's investment philosophy. A bias to fundamental quality is added though a screening analysis which forms a key element of the investment process. ESG considerations are explicit in this analysis. Companies will either pass or fail the aggregate fundamental screen. A company that fails the screen will not be eligible for consideration for investment. This screen commonly reduces the opportunity set available for investment by one third. The screen uses a variety of weighted factors to determine an overall rating for each investment under consideration. Collectively, these factors create investment portfolios that favor investments with better ESG practices.

The IRE team has conducted an engagement with one of the largest real estate developers in Japan. This company is a diversified real estate owner and developer, with a concentration in core central Tokyo office assets. IRE has engaged with the company over several years regarding improving the company's governance from a traditional Japanese Board staffed by a supermajority of insiders, to a more shareholder-friendly approach to governance.

Discussions included board structure and independence, management compensation, shareholder return policies and takeover defense measures (poison pill). Over time, the company has improved governance in terms of board structure, adopting a three committee board structure (Audit, Compensation and Nominating), with all committees chaired by independent board members.

By 2018, the board structure had improved, but the company still retained its poison pill and had not adopted a share repurchase plan, despite the shares trading at a significant discount to the value of the company's underlying real estate. IRE's engagement at the time stressed the importance of a comprehensive shareholder return policy to allow flexibility to take advantage of discounted valuation to buy back shares in the market and create value for shareholders. In 2019, after years of insistence by IRE and other investors, the company eliminated its poison pill and adopted a share repurchase program.

Direct Real Estate

In the case of direct real estate, which can be significant contributors to global risk, the importance of ESG issues is undeniable. We believe that investment managers have a key role to play in respecting, protecting, and in so much as possible, enhancing the environment and wider social prosperity. Our approach fully recognizes that the places where we live, and work are uniquely vital to the future of our planet.

Carbon emissions and climate change, the impact of residential and commercial property development, the far-reaching effects of deforestation – all provide arguably unrivalled opportunities to demonstrate the benefits of identifying and effectively managing ESG risks. An ongoing shift from "brown" to "green" buildings is imperative with a change on how tenants live and use their real estate assets.

There are many criteria for identifying a "sustainable" building and we believe every element of ESG should be incorporated into this process. As such, recognition of asset quality, sustainable financing, long term corporate strategy and wider consideration around the impact of the built environment on society and the natural world are factors which are considered within our investment process. This holistic view encourages engagement with a variety of stakeholders and stands in stark contrast to a one-dimensional reliance on headline environmental data. We believe by taking an established and disciplined approach to ESG, we can successfully balance our social and environmental responsibilities while meeting the needs of our clients and fulfilling our fiduciary responsibilities.

Sustainable real estate is about more than countering a global threat: it is also about individuals. The choices that tenants and occupants make can contribute massively to an asset's long-term performance. We believe effective ESG integration offers a vital means of identifying and managing global risk. Our approach is holistic, forward-looking and proactive; makes best use of data and dialogue; fosters transparency, accountability and pride of ownership; and is rooted in a long-term outlook that prizes stewardship over speculation.

We believe that our approach to ESG integration and risk mitigation generates a genuine opportunity for clients seeking an investment partner on sustainable direct real estate assets.

We believe that our approach to ESG integration and risk mitigation generates a genuine opportunity for clients seeking an investment partner on sustainable direct real estate assets.

Principle 07

Case Study

A recent engagement conduced was in Ronda de San Pedro 5, Barcelona. It was a tenant engagement for better use and building efficiency addressing the topic of GHG emissions in real estate investments. After construction, a building is like a stationary asset: it is emitting CO^2 because humans are using it. At Invesco, the Real Estate team opted for a new, game-changing tenancy approach, focused on achieving efficiency targets beyond traditional contract covenants. Ronda de San Pedro 5, in Barcelona, Spain, is an early-20th-century office and retail building. 51% of the space is currently let to an Educational Institution (IES). We entered the building in Cube 2020, a competition launched five years ago in France to reward energy savings and carbon emission reductions. Our intention was to engage IES in this energy-saving plan. The IES tenants reacted favourably to our approach, and as they got onboard more stakeholders became involved, including the students, the on-site staff and even the property manager. We partnered with a sustainability consultant to help design an action plan, funding the project fees through the potential savings to be achieved, aligning all parties. Multiple reviews were conducted, including a thermographic report and an energy audit, in order to find out the weaknesses and prioritise those measures which would have the greatest impact. We then reassessed the air conditioning temperature, changed lights in common areas to LED, and installed sensors to monitor consumptions remotely. During the first year, the building operators, tenants and students worked together to decrease consumption by adopting better behaviour and making better use of the building. We achieved savings of 29% in consumption, accompanied by a 30% decrease in carbon emissions. Moreover, the contract with the electric company was renegotiated and the electric power subscription accordingly adjusted to the new level of consumption, lowering the cost. As an added bonus, we were honoured with a Gold Cube award. We believe that there is room for still further improvement. Energy-saving measures and further international certifications are keys here. Our tenants' business has also expanded and is now occupying more areas of the building. This is a great example of how landlords and tenants can align their interests towards sustainability in the real estate industry. Launching the CUBE 2020 initiative in Ronda de San Pedro allowed us to enhance tenants' experience, change the way that tenants, employees and site staff use the building, and make a positive contribution to the environment.

Invesco Quantitative Strategies ("IQS")

Scope: Systematic strategies managed globally

Invesco Quantitative Strategies (IQS) has been one of the pioneers in considering ESG aspects for clients. With over twenty years of history in managing dedicated ESG mandates, we have continuously developed and broadened our experience in the implementation of customized ESG criteria based on clients' beliefs, which derive from open conversations with our clients.

In addition to the implementation of dedicated ESG policies, the team conducts an active dialogue with carefully selected investee companies through engagement programmes and participates in investor-driven proxy voting enabled through Invesco's proprietary voting platform.

The following is an example of how the IQS team stewardship practices impacted investment decision making: After engagement efforts with a UK e-commerce retailer on concerns around labor standards in its supply chain produced an unsatisfactory response, the team sold existing holdings in the company and restricted further purchases.

The team offers a holistic ESG approach taking ESG factors into consideration systematically at various levels of their portfolio management process.

In terms of ESG metrics, the IQS team applies a constraint on negative ESG exposures ("ESG exposure control") for all our portfolios relative to the respective markets, to ensure that the portfolio's ESG exposure always meets at least the standard of the benchmark ESG exposure. The ESG exposure control is used for the long-only as well as the long-short strategies of the IQS team. For the exposure calculation, an MSCI ESG composite score is utilized. This constraint is implemented in the optimization setup on our team's portfolio management system across all of the strategies. IQS further restricts investment in stocks that suffer sharp downgrades to their ESG scores, for a defined period of time ("Adverse ESG Momentum" stocks).

We have also integrated selected governance measures into our Quality factors. The Quality factors prefer companies with good controls and less aggressive accounting which are not "empire-builders" and are not financially constrained. In short, these are well-managed companies on measures which also correlate to good governance.

The IQS team has adopted a controversial weapons policy to seek to limit investments in firms which manufacture land mines and cluster munitions.

IQS uses a ranking framework whereby no companies or sectors are automatically totally excluded from a given investment universe. Instead, all companies are provided with a score based on the points achieved in relation to various positive and negative factors. These point scores can be then used to develop a preference approach by either identifying companies which are best in sector or are over a certain threshold score. Within IQS' multi-asset product range, we facilitate the application of sustainability criteria to sovereign bonds by using a country sustainability rating. To assess a country in terms of sustainability criteria, a large number of indicators are used from the arena of political and social issues as well as environmental issues. These are combined into an overall rating by our ESG consultant. In addition, details of how well countries perform on specific concerns, such as nuclear power as a percentage of nationally produced energy consumption and religious freedom can also be provided.

Holistic ESG Consideration in Our Investment Process

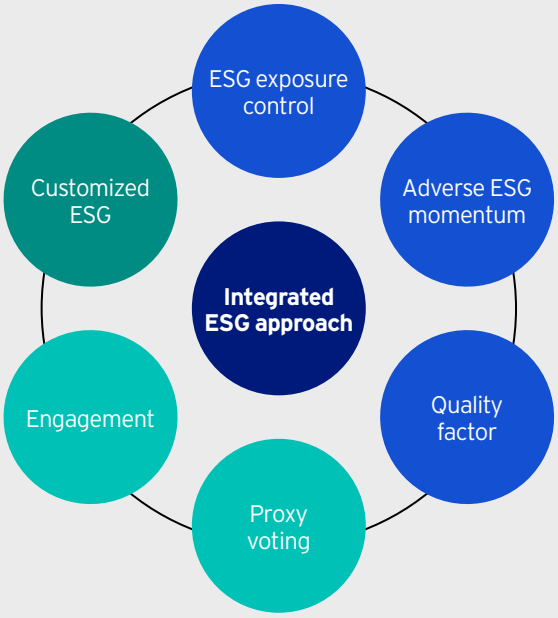
Integrating key aspects of ESG

We consider ESG at several layers in our investment process:

Standardized explicit and implicit incorporation of ESG key aspects into our investment process

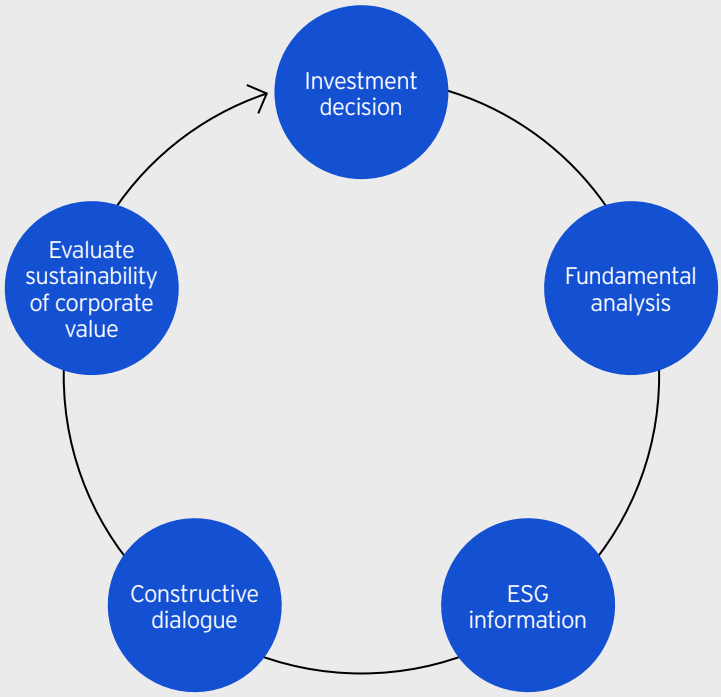
Active dialogue with companies and investor-driven proxy voting using Invesco's proprietary Proxy Voting Platform

Offering optionality to implement additional, customized ESG criteria tailored towards the clients' needs



Source: Invesco Quantitative Strategies. For illustrative purposes only.

ESG Integration



For illustrative purposes only.

ESG information is an important factor to strengthen conviction in investment decisions.

Invesco Japanese equities

The Invesco Japan strategies are subject to the Japanese Stewardship Code which is similar in nature to the UK Code. Separate disclosures can be found via Invesco websites.

We believe that the investee company's ESG strategies and their performance have significant impacts on the long-term sustainable growth of the corporate value. In other words, we believe as a long-term oriented investor, ESG information is an important factor to strengthen conviction in investment decisions. Therefore, in making final investment decisions, we primarily focus on analysis of qualitative information including assessment of ESG strategies, in addition to the fundamental research based on financial information. Analysis of ESG information is conducted based on information obtained through constructive dialogue with companies, as well as by using various disclosure information from companies and ESG related research provided by the third-party vendors. In that process, we seek to capture important ESG issues (materiality of each company. We do not make investment decisions solely on the basis of ESG information but deem it one of important factors to determine the sustainable growth of the corporate value.

Meetings with companies, particularly meetings with the management, account for a significant weight in our decision making. We, as a long-term oriented investor, focus on the sustainable growth of the corporate value and approach meetings with companies from the mid- to long-term perspective. We obtain information necessary for investment decisions, and engage in various dialogues, as needed, and share information, etc. so obtained within the team.

An example of a recent company engagement conducted was shown in a dialogue with a used-car dealer. In this instance, the independence of the board was a matter of concern, as the board effectively had only one independent director among its members. The portfolio managers communicated the importance of improving corporate governance to the company. Following this, the company began the search for an additional independent director and eventually filled this position. The improvement in corporate governance (combined with earnings growth consolidated by a very fragmented used-car dealer market) strengthened conviction in the investment case, and the portfolio managers added to their positions in the stock.

Invesco Asia ex Japan Equities

Invesco Asia Equity Investment team is committed to being a responsible investor. It is our view that ESG issues can have an impact on sustainable value creation and that companies with ESG potential may present investment opportunities. ESG related investment risk analysis is fully integrated within the investment process. With the investment team's focus mainly on bottom-up stock selection, there is a strong emphasis on proprietary company research through detailed fundamental analysis.

The investment team's proprietary stock analysis focuses on quantitative factors such as growth prospects and profitability, as well as qualitative factors such as quality and sustainability of growth. An assessment on ESG factors is required to form the basis of the investment team's analysis and a risk rating (5-tier ranging from low risk, low-medium risk, medium risk, medium-high risk, to high risk) is assigned to reflect the investment team's views on ESG impacts. Fair value will be adjusted to reflect our concerns on material ESG risks and used as a guidance to portfolio construction. The starting point for company level ESG research is from the Invesco Asia Equity Investment team. Our portfolio managers and research analysts will look at a variety of factors. These will differ by industry, geography and company and will typically be one component of an overall investment view. When there are issues requiring further analysis or upon the research analyst's request, our Head of ESG, Asia ex Japan will also provide inputs to the research.

The approach focuses on the material ESG issues identified at the company level. We identify issues that can influence the supply chain, manufacturing process, distribution channel, operations and finally the product/service itself etc. Each of the material issues are evaluated using a mix of qualitative and quantitative factors.

The Invesco Asia Equity Investment team conducts various periodic meetings. In the weekly regional in-depth stock discussion meetings, detailed research and analysis are summarized and documented in the Stock Research. Stock Research Discussion Notes (SDRNs) currently include an ESG section that provides a fair assessment of the impact of ESG factors on the company with an internal ESG rating. During these meetings the investment team challenges the investment thesis including material ESG issues. In the weekly regional coverage list review (including new stock and investment ideas) meeting, updates on industry trends and company developments will be discussed. Fair values may be reviewed and material ESG issues may also be discussed as necessary.

In the process, the investment team will actively engage with investee companies to question or challenge them about ESG issues that could have an impact on their fundamentals. We interact with companies regularly in various forms of meetings on ESG issues, exercising both ownership rights and voice to effect changes. Ongoing engagement is to ensure that we agree with the vision of the company and that the fundamentals and ESG factors did not change.

An example of our Asia Equity Investment team exercising our voice to bring change was shown in a dialogue with a major restaurant chain. In December 2018, the company announced that the CFO was dismissed on suspected misappropriated funds of HK$1.8m. In April 2019, the company updated that the aggregate amount was HK$26m (net of salary and bonuses paid) and that financial statements had been updated. From the first announcement, we maintained close communication with the company and in April 2019 we spoke with the chairlady of the company. She stated that 99% of accounting was done in Shanghai but the fraud had occurred in Hong Kong, which was not part of the group accounting system. The company has now included Hong Kong into the accounting system. The company has also taken legal action against the CFO and his assets were frozen. We take corporate governance issues seriously but we believe the company took immediate necessary measures for this incident such as dismissing the CFO, taking legal action and have his assets froze and as a result was able to recover the aggregate amount lost (net of salary and bonuses paid).

As part of oversight of the ESG implementation, the Head of ESG, Asia ex-Japan and the investment team have on-going meetings for in-depth stock level discussions. Together with the CIO, Asia ex-Japan, the Regional Head of Investments, Asia Pacific and the Investment Risk and Quantitative Research team, portfolio performance and risk profile are closely monitored and reviewed semi-annually to ensure overall quality and integrity.

Principle

08

Signatories monitor and hold to account managers and/or service providers.

Our investment teams manage ESG strategies using a diverse range of responsible investment approaches and leverage multiple ESG service providers.

Invesco ensures that data providers are providing the most up to date information prior to being integrated into our investment decision making framework. Due diligence monitoring is done to ensure data providers are providing on time deliverables such as ESG data, research and recommendations. Invesco is constantly evaluating vendors to ensure our Investment teams/clients are provided the current information.

Proxy Voting Research Providers

Globally Invesco leverages research from Institutional Shareholder Services Inc. ("ISS") and Glass Lewis ("GL"), and we use the Investment Association IVIS for research for UK securities. ISS and GL both provide research reports, including vote recommendations, to Invesco and its portfolio managers and analysts. Invesco generally retains full and independent discretion with respect to proxy voting decisions.

As part of its fiduciary obligation to clients, Invesco performs extensive initial and ongoing due diligence on the proxy advisory firms it engages globally. This includes reviews of information regarding the capabilities of their research staff, methodologies for formulating voting recommendations, the adequacy and quality of personnel and technology, as applicable, and internal controls, policies and procedures, including those relating to possible conflicts of interest.

Invesco's Proxy Governance and Voting Manager provides oversight of the proxy voting verification processes facilitated by a dedicated proxy administration team which include the quarterly sampling of proxy votes cast to determine that third-party proxy advisory firms' methodologies in formulating the vote recommendation are consistent with their publicly disclosed guidelines.

For more information on how we monitor and engage with third-party proxy advisory firms please see our Policy Statement on Global Corporate Governance and Proxy Voting available on our website.

ESG Research Providers

Invesco leverages multiple ESG data vendors (Sustainalytics, ISS Climate Solutions, Bloomberg, MSCI etc.) globally for ESG research, ratings and data. This information gets systematically integrated to the in-house & market platforms to enable easy access to the data for global functions including portfolio managers & analysts.

Invesco holds annual meetings with each service provider through ESGintel to further enhance our current process.

Our ESG Research Providers, Tools and Technology
A broad platform

ESG Research Providers				
Sustainalytics	MSCI ESG Research	Truvalue labs	ISS Climate Solutions	Sell-side Research
Vivid Economics	Vigeo Eiris	Morningstar	Nikko Research Centre	

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

Business Involvement Screening		
ISS-Ethix	Sustainalytics	MSCI ESG Research

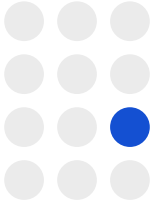
Trade Associations		
UKSIF	QCA (UK)	UK Investor Forum
GRESB	ACGA (Japan)	CII (US)
RIA (Canada)	RIAA (Australia)	ItaSIF (Italy)

Technology Enablers			
Bloomberg	Proxyintel	FactSet	ESGintel

Source: Invesco, as at December 31st, 2020. ACGA: Asian Corporate Governance Association. CII: Council of Institutional Investors. GRESB: Global Real Estate Sustainability Benchmark. QCA: Quoted Companies Alliance. RIA: Responsible Investment Association. UKSIF: UK Sustainable Investment and Finance Association. RIAA: Responsible Investment Association of Australia. ItaSIF: Italian Sustainable Investment Forum. For illustrative purposes only.

Principle

09



Signatories engage with issuers to maintain or enhance the value of assets.

Engagements

Engagement with company management and proxy voting play a fundamental role in Invesco's efforts to help manage, protect and enhance the value of the firm's clients' investments. In exercising their responsibilities, the investment teams consider a wide variety of factors related to the companies in which they invest.

Accordingly, the investment teams concentrate on each company's ability to create sustainable value and, in the process, may question or challenge the company about Environmental, Social and Governance issues that could have an impact on future value. Before and during their investment in a company, many of the investment teams will engage with company management on a number of issues, including ESG-related issues, to enhance their understanding of the long-term economic value of the company. We take our responsibility as active owners very seriously and see engagement as an opportunity to encourage continual improvement.

Dialogue with investment companies is a core part of the investment process. We take large investment stakes and are often one of the major shareholders in a company, particularly in UK and Europe, and in many cases amongst the top minority shareholders in Asian companies. As such, we often participate in board-level dialogue and are instrumental in giving shareholder views on management.

Alongside these activities that are part of the day to day investment process, Invesco has identified several companies to target for more systematic ESG engagement. Investment teams are supported on these ESG engagement activities by a centralized team of ESG professionals. Invesco's Global ESG team has established the 'ESG company focus list' to guide our ESG engagement activity. This is built using absolute ESG ratings, ESG momentum, UN Global Compact compliance and governance ratings. Invesco has also established a global process to ensure that our ESG targeted engagements are a collaboration between the Global ESG team and the investment teams across Invesco who may have interest in the issuer.

Invesco is part of several organizations that facilitate collective dialogue with companies, and we are currently assessing other collective engagements opportunities that we would like to be more actively involved in the future.

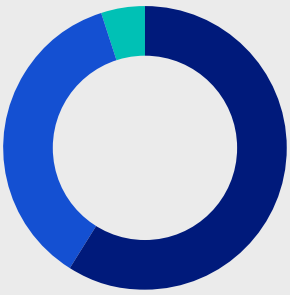
Engagement Objectives

We believe the success of any engagement is dependent upon having clear and consistent engagement objectives that are challenging for a company to meet but also provide demonstrable goals to measure individual performance and monitor wider trends. To make the most of limited time with management teams, we prioritize ESG risk factors and key issue relevance per internal and external resources. We take a bottom approach, which means that the topics covered and our objective is specific to each company. The ESG research team prepares for ESG engagement meetings by doing company level research, identifying key topics for the sector and how the company is performing and identifying areas that the company could improve. This is what then shapes the objective of the engagement meeting.

Through our engagement process, we take advantage of Invesco's scale, which increases the chance of meaningful engagement. We are able to draw on this collective power to capture managements' attention and use our influence to encourage stronger sustainability-related behavior from the firms and entities in which we invest. We take a highly active approach to achieving our clients' dual objectives of maximizing return on capital and delivering on ESG principles. Engaging management teams on the importance of ESG from an investor perspective has been a notable benefit of our approach.

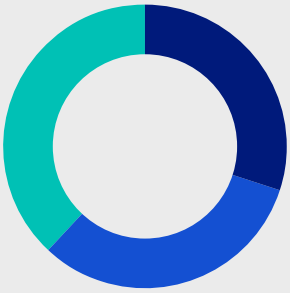
Engagement stats

Engagement Breakdown by Asset Classes **(%)**



Equity	59
Fixed Income	36
ESG Team	5

Engagement Breakdown by ESG **(%)**



Environmental	30
Social	32
Governance	38

Engagement Breakdown by Topic

Climate transition	44%	Human rights	9%
Executive compensation	22%	Board composition	7%
ESG disclosure	14%	Data privacy	6%
Diversity	12%	Governance reform	5%
AGM proposals	11%	Circular economy	5%

For illustrative purposes only.

Methods of Engagement

Meeting investee companies is a core part of Invesco's investment process, and as a general rule, we prefer to engage for improvement rather than to divest. While ESG topics may form part of our standard dialogue, we will also engage with companies specifically on ESG related matters. Overall, we try to influence the strategy of a company via active engagement with management and at board level. Part of our ongoing interaction with company management teams is to ensure that we agree with the vision for the company. If we find ourselves in a position where management are digressing from where we feel, as shareholders, they should be, we will engage directly with the board. We also endeavor to meet with other board members. Engagement at a board level will change from case to case, however in many cases we will reach a satisfactory position in advance of voting.

Globally Invesco leverages research from Institutional Shareholder Services Inc. ("ISS") and Glass Lewis ("GL"), and we use the Investment Association IVIS for research for UK securities. ISS and GL both provide research reports, including vote recommendations, to Invesco and its portfolio managers and analysts. Invesco generally retains full and independent discretion with respect to proxy voting decisions. The AGM voting process is conducted through our proprietary portfolio manager portal. The voting decision lies with our portfolio managers and analysts with input and support from our Global ESG team and Proxy Operations functions. The decision making on voting items is made by our portfolio managers. Our Global ESG team assists with analysis and company dialogue. We monitor developments through regular dialogue and ongoing portfolio level monitoring which shows the changes in performance over time.

Our investment teams often participate in board-level dialogue and are instrumental in giving shareholder views on management, corporate strategy, transparency and capital allocation as well as wider ESG aspects. During the one-year period ending December 31, 2020 our investment teams covered ESG topics in over 2,000 meetings with investee companies. This was an increase of 43% over the prior one-year period. For examples of our engagement escalations please see case studies on pages 45-47.

Invesco's Global ESG team works in collaboration with investment teams to have targeted, outcomes-focused ESG engagements with our investee companies, leading to over 2,000 engagements in 2020.

Invesco maintains a Focus List to guide our ESG engagement activity. This is built using absolute ESG ratings, ESG momentum, UN Global Compact compliance and governance ratings. Our Focus List helps to track Invesco's holdings across portfolios that are identified as having exposure to ESG risks. To evaluate such risks, we look at ESG risk rating, controversies, business screening, companies involved in ClimateAction 100+, significant carbon operations, governance scores, shareholder dissent in proxy voting along with ownership materiality of the holdings. Securities with significant ESG risks are highlighted for further actions to mitigate such risks. As a result, Invesco's Global ESG team conducted more than 120 targeted ESG engagement meetings in 2020. Examples of 1-1 engagements with portfolio companies are described on pages 45-47.

Energy Company

Asset class
Equity

Method of engagement
In person meetings, phone calls

Background
This global energy major had recently made ambitious 2050 carbon reduction targets, and the importance of overseeing an energy transition has become a key aspect of their corporate messaging. However, progress is expected to be non-linear over a long-time horizon creating particular challenges from an incentivization point of view. Their recent executive remuneration plan put a much greater emphasis on achieving this carbon transition in order to meet performance targets, with 30% of long-term performance shares being dependent on meeting climate objectives.

Process
Invesco's ESG and investment teams met with the remuneration committee chair. Invesco provided feedback that we are very supportive of their carbon transition plan and emphasized that the specific metrics built-into the remuneration plan should be aligned with these climate commitments.

Outcome
Although the chair was unable to give details about the specific ESG metrics which determine executive pay, we were assured that more information would be given later in the year. We will continue to engage with the company to understand how the company plans to action and incentivize towards a low-carbon transition.

Oil Company

Asset class
Equity

Method of engagement
Phone call

Background
A large Australian oil and gas company faced two shareholder resolutions to address the climate crisis. One of the resolutions called on management to disclose their carbon emissions' reduction targets to align with the Paris Agreement. The second resolution requested greater disclosure around direct and indirect lobbying activities.

Process
Invesco met with the company's Chairman and Head of Investor Relations to discuss the shareholder resolutions tabled in this year's AGM. The Company explained their opposition to the resolutions and outlined some measures the company has taken to reduce their carbon emissions. It was noted however that the company's current targets only related to operational emissions.

Outcome
It was felt by the ESG team that the company's current commitments did not go far enough when compared to that of European energy majors. Invesco's active and passive holders collectively holding 0.806% of the Company shares registered a 'For' vote on both resolutions. The climate change resolution passed with a narrow majority. The lobbying resolution received 42.7% support from voting shareholders. The Company has not yet announced plans to implement the ask of the shareholder proposals, and Invesco will seek to engage with the Company ahead of its 2021 AGM.

Chemical Company

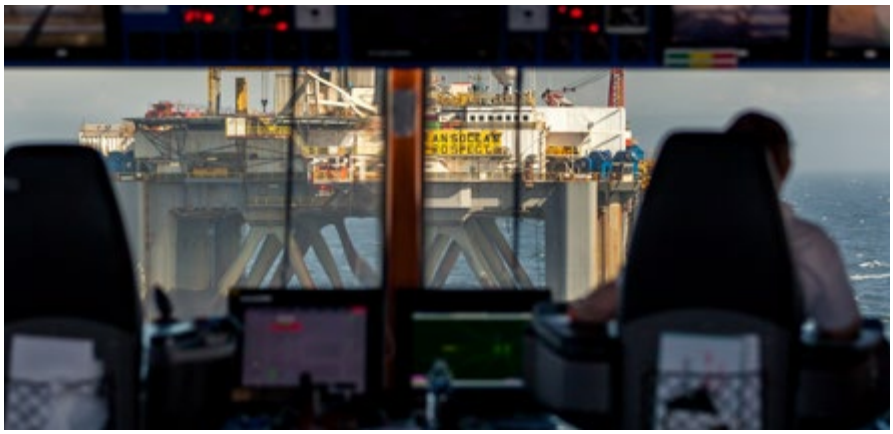
Asset class
Equity

Method of engagement
Phone call

Background
Invesco reached out to this Chinese chemical company after the ESG team had flagged the company as having a high risk on ESG rating agencies. Although the company had recently released an ESG report, the company nonetheless had been penalized for their high carbon intensity and weak disclosure of ESG information.

Process
During the call the company outlined some of the policies and procedures they have in place to mitigate their ESG risks, such as human rights and environment management policies. Invesco highlighted their poor ESG rating by rating agencies and emphasized that this is in part due to their lack of disclosure. Invesco also gave suggestions for other areas where the company should focus their efforts to improve the company's ESG performance. We emphasized that both these actions may have the effect of improving the company's ESG score by third-party research providers and potentially have a positive impact on the way the company is viewed in capital markets.

Outcome
The company responded positively to these suggestions and said they would have further conversations with senior management. Invesco will organize a follow up meeting later in the year to track whether the company has made progress.



Principle 09

Technology Company

Asset class
Equity

Method of engagement
Phone Call

Background
This is a global tech company, and in our engagement, we discussed the company's new human rights policy and the increasing board oversight over ESG issues. As part of our agenda, we included material business issues such as consumer data privacy and freedom of expression and managing supply chain risks.

Process
During this engagement we discussed the release of the company's new Human Rights Policy that is set around the UN Guiding Principles on Business and Human Rights. The policy was adopted in response to ongoing shareholder concerns about human rights violations in supply chain. The company refuted recent reports alleging human rights violations of Muslim minorities in China and said that they have found no evidence of forced labor in their supply chain. We raised with the company the issues associated with risks to consumer privacy and data security on digital platforms. The company is particularly exposed to those when tackling government requests for content monitoring and censorship in markets such as China. Our team insisted on greater transparency regarding content monitoring, and how it balances the respect for digital privacy and freedom of speech.

Outcome
In a follow-up communication after our engagement, we sent to the company a set of additional questions and inquiries about several outstanding controversies regarding their digital products and services that continue to threaten the security of customers and present risks to human rights. The goal of our engagement with the company is to strengthen the implementation of the new human rights policy to better manage and oversee human rights across both physical supply chain and in digital platforms.

E-Commerce Company

Asset class
Equity

Method of engagement
Phone Call

Background
We had conducted engagements this year with a global e-commerce company, asking them about their response to Covid-19 and the impact on employees, about human capital management and labor practices, as well as the board's transparency and oversight of ESG issues.

Process
In our engagement meetings with this company, we discussed human capital management, as well as the company's perception and its broader responsibility in society regarding their labor management practices, e.g. low wages and poor conditions in warehouses. We strongly suggested a more pro-active engagement on the part of the Board of Directors in overseeing ESG, human capital and labor issues, especially during a global pandemic such as Covid-19. We also stressed the need for greater independence among directors, and better effectiveness in overseeing human capital issues and communicating to shareholders and stakeholders.

Outcome
As an outcome, the company committed to an ongoing engagement with us to further improve ESG disclosures and to enhance the board's oversight over ESG and human capital management practices. Our goal is to engage with independent board directors on ESG issues and we will be working towards achieving this goal in 2021.

For the 2020 AGM, Invesco registered a vote "Against" the shareholder resolution requesting the company report on its human rights impact assessments in its supply chain. Although the human rights risk assessment resolution did not pass, it received 32.0% support from voting shareholders.

Energy Company

Asset class
Fixed Income, Equity

Method of engagement
In person meeting, phone calls, letter, emails

Background
This global energy major announced a new climate commitment in May 2020. This was the result of months of discussions with Climate Action 100+ investors and 1-1 engagements with shareholders, including Invesco.

Process
The 1-1 meetings between the ESG team and the company's Investor Relations gave an opportunity for us to ask questions around the new commitment and glean insight into why the management had changed its position compared to earlier in the year, when it appeared they were not going to make this commitment in 2020.

Outcome
Investor Relations confirmed that this new commitment demonstrates that the board and management are supportive of having long-term and more ambitious climate commitments. It also signals the importance the company places with working with and listening to its shareholders (25% of shareholder base are part of CA100+). As a result of the meetings and steps taken by the company, the ESG team recommended voting against the alternative shareholder climate change proposal (which was filed before the company made its new commitment). Invesco's active and passive holders collective holding 0.919% of the Company shares registered a vote "Against" the shareholder resolution instructing the company to set and publish targets for greenhouse gas (GHE) emissions aligned with the goal of the Paris climate agreement. Although the resolution did not pass, it received 16.8% support from voting shareholders. We will continue to engage and hold the company accountable for the commitments it has made, and over time to encourage a more ambitious and demanding approach.

Automotive Manufacturer

Asset class
Equity

Method of engagement
Phone call

Background
This large U.S automotive company had set a clear vision for electrification, including a $20 billion investment into electric and autonomous vehicles between 2020-2025. However, the company was still being criticized for belonging to industry associations which are lobbying for policies in opposition to the goals of the Paris Agreement. A shareholder proposal was filed at the company AGM, which requested a full disclosure of the company's lobbying activities, including indirect lobbying through industry associations.

Process
During the call, Invesco provided very positive feedback on the company's vision, emphasizing how the valuation of company makes clear the future for automotive industry. When asked about the lobbying proposals, the company highlighted that they already do provide a great deal of disclosure of their direct lobbying activities, and any political payments are available on the U.S Senate reports.

Outcome
Following the engagement Invesco chose to support the proposal since it was felt that additional lobbying disclosure would provide customers and investors with assurance that the company's vision of a sustainable electric future is consistent with all of its lobbying activities. Although the resolution did not pass, 33% of shares voted in favor of the proposal.

Automotive Manufacturer

Asset class
Fixed Income

Method of engagement
In person meeting, phone calls

Background
Invesco's fixed income analysts engaged with the financing teams from one of the largest car manufacturers globally to discuss the Company's financing activities, balance sheet and push for improved disclosure.

Process
Our investors cited concerns that the parent company's disclosure is poor versus global OEMs. Financial information is disclosed infrequently and its accounts are not adequately broken down by business segment. This prevents analysts from being able to discuss the level and composition of cash and cash equivalents on the balance sheet with management in any meaningful level of detail. It became clear during the course of the discussions that the Company's financing arms issue debt independently from one another with the potential for issuance in rapid succession, creating unnecessary uncertainty for investors.

Outcome
Our concerns with the Company's disclosure and issuance process, together with valuation considerations, influenced our analysts' decision not to participate in the debt issuance at the time. Future participation will depend on our expectations regarding future issuances and may be influenced by incremental improvements to disclosure practices. Management acknowledged some shortfalls, however, we will need to monitor their progress which may take some time.

Global Bank

Asset class
Equity

Method of engagement
Phone call

Background
This bank has been identified as a leading lender to the fossil fuel industry globally and was targeted by a landmark shareholder resolution at its annual general meeting in 2020. Highlighting the bank's lending activities, the resolution requested that the company set Paris agreement-aligned targets for winding down its lending to the energy sector and in other key areas. The company's management responded with a competing climate resolution setting the ambition for the company to become carbon neutral by 2050.

Process
Invesco's ESG and investment teams met with the company's management and separately its chair to discuss the company's plans to address the climate crisis and to understand how the bank assesses and manages its balance sheet exposure to climate transition risk. The chair outlined that they carefully evaluate the risks associated with financing fossil fuel projects. Although the company is not prepared to blanket ban lending to certain high-risk fossil fuel related activities in the short-term, they cite efforts working with high risk industries to improve standards and the move towards stricter lending criteria for these companies. We also discussed the resolutions on climate change at the AGM. Upon review, Invesco supported management's climate resolution in part because the scope of the proposal covered the entirety of the company's lending activities and not only the highest impact industries.

Outcome
The company's net-zero resolution passed with 99.9% of votes cast in favor. The company has committed to providing greater clarity on the interim targets it will set as part of its strategy towards carbon neutrality in 2050. Invesco will continue to monitor the bank's progress towards meeting this commitment.

Principle

10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Collaborative Engagement

Invesco sees a number of advantages of joining collaborative engagements. These initiatives mean that we join with other investors to send a stronger signal to corporates and industry groups on the importance of key topics such as climate change. We also believe these initiatives can also benefit companies as they hear a more consistent and coordinated message. It is also a way that we can work directly alongside our clients as part of our active ownership activities.

Invesco is part of several organizations that facilitate collective dialogue with companies, and we are currently assessing other collective engagements that we would like to be more actively involved with the future:

- We have signed up to Climate Action 100+ and are taking a leading investor role on one company and are taking a participative role in a number of other companies in 2020.
- We joined the Investor Mining & Tailings Safety Initiative when it was first launched in 2019. We signed the letters sent to over 600 companies and actively participated in meetings with companies and governments to ensure the development of higher standards and to evolve the tools to assess companies.
- Invesco signed the Investor statement on Covid-19, to encourage the business community to take what steps they can to mitigate the social impacts caused by the pandemic. Some of these steps include providing paid leave, prioritizing health and safety, maintaining employment and maintaining supplier relationships. We have been engaging companies on these topics as part of our ongoing 1-1 ESG engagements.
- Invesco is also an active member of the Investor Forum and we have participated in a number of collective engagements through this organisation in the last year. The goal of the Investor Forum is to helps investors work collectively to escalate material issues with the Boards of UK-listed companies. The companies we have engaged with through this channel were UK companies that Invesco was already engaging with 1-1. We saw the opportunity of working with other institutional investors to send a signal to these companies on the importance of the topic but also to ensure we were provider clear and constructive feedback on what investors' expectations were.

Climate Action 100+

Invesco collaborates with Climate Action 100+ which is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take action on climate change. The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition. Signatories are calling on companies to improve governance on climate change, curb emissions, and strengthen climate-related financial disclosures.

Climate Action 100+ was launched in December 2017 and is mid-way through its 5-year remit. In September 2020, launched its updated Climate Action 100+ Net Zero Company Benchmark. This benchmark has been designed to clarify investor expectations and it will be used to evaluate company action and degree of ambition in tackling climate change.

Investor Mining and Tailings Safety Initiative

Following a tailings dam disaster in January 2019, Invesco joined the Investor Mining and Tailings Safety initiative led by the Church Commissioners for England. This collaborative initiative was created with the overarching goal to push for greater transparency and ensure that tailings facilities are built and managed to the highest possible safety standards to prevent dam failures. Invesco was a co-signatory to a letter sent out to over 700 extractive companies requesting greater disclosure over the tailings facilities they operate. The data received from this request has enabled the creation of the online tailings portal, a free to use interactive platform showing the location of thousands of tailings facilities. Invesco is also working to include this information in our proprietary ESG rating tool ESGintel, as we consider this to be material ESG insight in analysis of mining companies. The investor initiative has also played a key role in the creation of the Global Industry Standard on Tailings Management, a document which outlines best practice in safe tailings management. Invesco is a big supporter of this standard, and for this reason we have held targeted ESG engagements with various mining companies to raise awareness of the standard and encourage companies to formally commit to its implementation.

Invesco's role

Invesco signed up to the Climate Action 100+ initiative at the start of 2020. Invesco's Global ESG team worked with investment teams to identify appropriate holdings to actively engage with through the initiative.

Invesco is the co-lead investor for one of companies. Invesco is also taking a participative role at several other companies. We have engaged with many of these companies on 1-1 basis where we felt there was an opportunity to collaborate. In these engagements Invesco's investment teams work along side the Global ESG team to share expertise, leverage relations with the companies and to ensure links to investment views.

For the company where we are the co-lead, the Global ESG Team and largest active equity Invesco holder engaged in a 1-1 conversation with the Chairman regarding climate topics. We knew that the company had made progress, but we considered that there was still room to evolve significantly on their climate strategy and their approach to climate-related topics. So far in 2020 in the co-lead investor role, we have provided detailed feedback to the company on their first lobbying report and held two constructive engagement meetings where we were able to ask clarifying questions but also state the evolutions that we are looking for.

As lead investors we also signed and sent a letter to the CEO and Chairman to explain the new Climate Action 100+ framework and benchmark. The company has made progress this year by issuing their first lobbying report, setting a net zero target on scope 1 and 2 emissions, updated its scope 3 near term target, and enhanced the inclusion of emissions in the Long-Term Incentive plan for executives. We will continue to activity monitor and engage with the company, who has stated that these meetings with investors have provided useful insight as they shape their strategy.

As co-leads we have also seized the opportunity to actively participate in the quarterly IIGCC Oil and Gas update with other investors leading on European Energy companies. We are also actively contributing to the working group involving investors and energy companies to develop a Net Zero standard for the oil and gas sector. The aim of this working group is to provide companies with a clearer and credible framework as more companies look to set such targets.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Escalation

At Invesco portfolio managers escalate stewardship activities in several stages. Initially any issues/concerns would be raised by its portfolio managers through the process of on-going dialogue and company meetings. We may then take a number of actions to escalate our concerns along the lines of a broad escalation hierarchy. We recognize that each situation is unique and as such we make use of several different approaches.

Meeting investee companies is a core part of Invesco's investment process, and as a general rule, we prefer to engage for improvement rather than to divest. While ESG topics may form part of our standard dialogue, we will also engage with companies specifically on ESG related matters. Overall, we try to influence the strategy of a company via active engagement with management and at board level. Part of our ongoing interaction with company management teams is to ensure that we agree with the vision for the company. If we find ourselves in a position where management are digressing from where we feel, as shareholders, they should be, we will engage directly with the board.

We also endeavor to meet with other board members. Engagement at board level may vary from company to company, however in many cases we will reach a satisfactory position in advance of voting.

Following an unsuccessful vote or engagement, Invesco may use escalation strategies, such as engaging directly with the company's board and/or senior management, collaborating with fellow shareholders, sponsoring service provider engagement, reducing investment or divesting. For more information regarding escalation outcomes please refer to the case studies outlined in *Principle 09*.

We believe the success of any engagement is dependent upon having clear and consistent engagement objectives that are challenging for a company to meet but also provide demonstrable goals to measure individual performance and monitor wider trends. The chosen approach will vary by geography and asset class.

We recognize that each situation is unique and as such we make use of several different approaches including (but not limited to) as per the following table.

Investors have a responsibility to hold companies to account when they fall short of expectations or fail to live up to their commitments. Invesco escalates its engagement efforts and uses its proxy voting authority, when necessary, to support long term value creation for clients.

Stephanie Butcher
Chief Investment Officer

Our Approaches

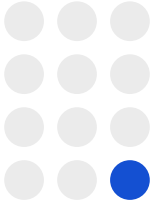
Methods of engagement	Description	Roles and responsibilities
Company meetings	- Dialogue is core to the investment process and ESG can form part of this dialogue - ESG may be the core focus of a meeting with companies that have flags - We regularly meet with non-executive directors to raise our views	- Core to the investor process and teams record when ESG has been discussed - ESG team focused on companies with particular risks
Other forms of company dialogue	- Emails, letters, phone calls are regular parts of our interaction	- Core to the investor process - ESG team focused on companies with particular risks
AGM voting	- Equity investors get a vote in AGMs of companies - We may also attend the meetings in person if needed	- Portfolio manager decisions - ESG team assist with analysis for focus companies
Collaborative engagement	- Part of several organizations that facilitate collective dialogue with companies	- UN sponsored PRI; UK investor forum - ESG team main point of contact
Indirect influence	- We make use of several research providers that through their ratings and advice wield substantial influence - Company disclosure and focus on particular ESG issues may be driven via these external resource providers	- Credit rating agencies; proxy voting research agencies; ESG research providers

For illustrative purposes only.

Meeting investee companies is a core part of Invesco's investment process.

Principle

12



Signatories actively exercise their rights and responsibilities.

Our Proxy Voting Approach

As active investors, we view proxy voting as an integral part of our investment management responsibilities. The proxy voting process at Invesco focuses 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 and Proxy Operations functions. Our proprietary proxy voting platform ("PROXYintel") facilitates implementation of voting decisions and rationales across global investment teams. Our good governance principles, governance structure and processes are designed to ensure that proxy votes are cast in accordance with clients' best interests. Invesco's approach to corporate governance and proxy voting is set out in our Policy Statement on Global Corporate Governance and Proxy Voting ("Global Proxy Policy") available on our website.

As their fiduciary, our clients rely on our expertise and commitment to active engagement and dialogue with investee companies to make voting decisions in the best interests of all clients. To ensure that our passive strategies benefit from the engagement and deep dialogue of our active investors, our passive strategies and certain other client accounts managed in accordance with fixed income, money market and index strategies will typically vote in line with the majority holder of the active-equity shares held by Invesco outside of those strategies. This approach effectively aggregates our passive holdings giving our active equity investors greater clout through engagement and voting with their portfolio companies. For more information on fixed income assets, please refer to *Principle 07: Fixed Income II* section. Please note that our engagements are more on general company ESG issues and less about amendments to terms in contracts/indentures.

Invesco aims to vote all proxies where we have been granted voting authority. Globally, we voted on 247,465 resolutions at 10,399 company meetings across 74 markets, representing 98% of the ballots which we were entitled to vote in 2020. This represents an excellent level of voting execution. Unvoted meetings were due to market and operational limitations including circumstances where the economic or other opportunity costs of voting exceeds any benefit to clients. Such circumstances could include for example, share blocking or power of attorney requirements. For securities on loan as part of a securities lending program, the relevant portfolio manager will make the determination to recall shares so that Invesco will be entitled to vote. The Henley Investment Center may enter into stock lending arrangement but will recall all securities that are on loan for the purpose of voting. 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 Policy which are outlined in the Policy.

To date, we have not implemented a mandate from a client to apply a client directed voting policy to a pooled fund nor has there been a demand for this from our clients. We do offer the option to use a segregated mandate inclusive of client directed voting. Invesco is happy to work with our clients to deliver satisfactory outcomes as it relates to stewardship, ESG policies and proxy voting. Please refer to *Principle 03* for information on our management of conflicts of interest.

Invesco's Global Proxy Policy is designed to ensure proxy votes are cast in our clients' best interest while also leveraging our good governance principles for positive stewardship impacts globally.

Zoje Vataj
Global Proxy Governance and Voting Manager

Invesco's Global ESG team oversees the proxy policy, operational procedures, inputs to analysis and research and leads the Global Invesco Proxy Advisory Committee ("Global IPAC"). Invesco's global proxy administration team is responsible for operational implementation including vote execution oversight.

Invesco's Proxy Governance and Voting Manager provides oversight of the proxy voting verification processes facilitated by a dedicated proxy administration team which include:

i. the monthly global vote audit review of votes cast containing documented rationales of conflicts of interest votes, market and operational limitations.

ii. the quarterly sampling of proxy votes cast to determine that

   a. Invesco is voting consistently with this Policy.

   b. third-party proxyadvisory firms' methodologies in formulating the vote recommendation are consistent with their publicly disclosed guidelines.

iii. quarterly review of rationales with the Global IPAC of occasions where a portfolio manager may take a position that may not be in accordance with Invesco's good governance principles and our internally developed voting guidelines.

Use of Third-Party Proxy Advisory Firms

Globally, Invesco leverages research from Institutional Shareholder Services Inc. ("ISS") and Glass Lewis ("GL"). We use the Investment Association IVIS for research for UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions. As part of its fiduciary obligation to clients, Invesco performs extensive initial and ongoing due diligence on the proxy advisory firms it engages globally. Invesco retains ISS to provide recommendations based on Invesco's internally developed custom guidelines and to assist with services that include receipt of proxy ballots, vote execution through PROXYintel and vote disclosure in Canada, the UK and Europe to meet regulatory reporting obligations. For information on the monitoring of third-party proxy advisory firms, please see *Principle 08*.

Invesco aims to vote all proxies where we have been granted voting authority. Globally, we voted on 247,465 resolutions at 10,399 company meetings across 74 markets, representing 98% of the ballots which we were entitled to vote in 2020.

Vote Disclosure

We are committed to being transparent with our clients and companies about our investment stewardship and voting activities. Our Global Proxy Policy is intended to help Invesco's clients understand our commitment to responsible investing and proxy voting, as well as the good governance principles that inform our approach to engagement and voting at shareholder meetings. It is reviewed on an annual basis and updated as necessary to ensure it remains consistent with Invesco's views on best practice in corporate governance and long-term investment stewardship.

For an overview of our global voting statistics, please see Figure 18. In the UK and Europe, Invesco publicly discloses our proxy voting records monthly in compliance with the Code and discloses our significant votes including vote rationales for the European Shareholder Rights Directive annually on our website.

For examples of vote outcomes across asset classes over the last 12 months, please see *Principle 09*.

One example of a voting decision submitted against management recommendation in 2020 relates to a utilities company where a shareholder resolution was filed requesting the company adopt a policy that the chair of the board be an independent director. Invesco believes that independent board leadership generally enhances management accountability to investors. Invesco's active and passive holders collectively holding 3.435% of the Company shares registered a 'For' vote on the shareholder resolution with the view that the proposal offered an opportunity for the Company to clarify board leadership and eliminate a potentially confusing multi-headed leadership structure, consisting of a lead director, CEO, and non-independent chair upon the upcoming CEO transition. Although the shareholder resolution did not pass, it received 44.7% support from voting shareholders.

Another example of a voting decision submitted against management recommendation in 2020 relates to a large bank where a shareholder resolution was filed requesting the company issue a report outlining if and how it intends to reduce the GHG emissions associated with its lending activities in alignment with the Paris Agreement's goal of maintaining global temperature rise below 1.5 degrees Celsius. Invesco's active and passive holders collectively holding 0.540% of the Company shares registered a 'For' vote on the shareholder resolution with the position that shareholders would benefit from additional information on the company's plans regarding aligning its GHG emissions with the Paris Agreement climate goals. Although the shareholder resolution did not pass, it received 48.6% support from voting shareholders.

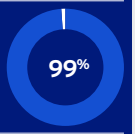
An example of a withhold voting decision submitted on a director nominee in 2020 was due to concerns related to poor stewardship of the company's pay programs as evidenced by recurring and significant executive compensation concerns. As such, Invesco registered a "Withhold" vote on the compensation committee member at the communications services company. The director nominee received 81.7% support from voting shareholders.

Voting Statistics

Global Voting Statistics

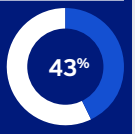
Meetings voted
10,399

% of meetings voted



Proposals voted
247,465

% of meetings voted against one or more management recommendations

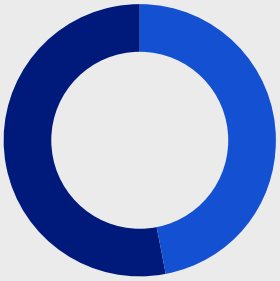


Markets voted
74

Votes Against Management by Category
Breakdown of % Votes Against Management Proposals*

Non-Salary Comp	11.51%	Director Related	5.56%
Reorganization & Mergers	11.25%	Preferred/ Bondholder	3.50%
Capitalization	9.75%	Routine/ Business	3.35%
Anti-takeover Related	7.11%	Other/Misc	0.18%

Shareholder Proposals Voted **(%)**



% of Shareholder proposals voted FOR	47
% of Shareholder proposals voted AGAINST	53

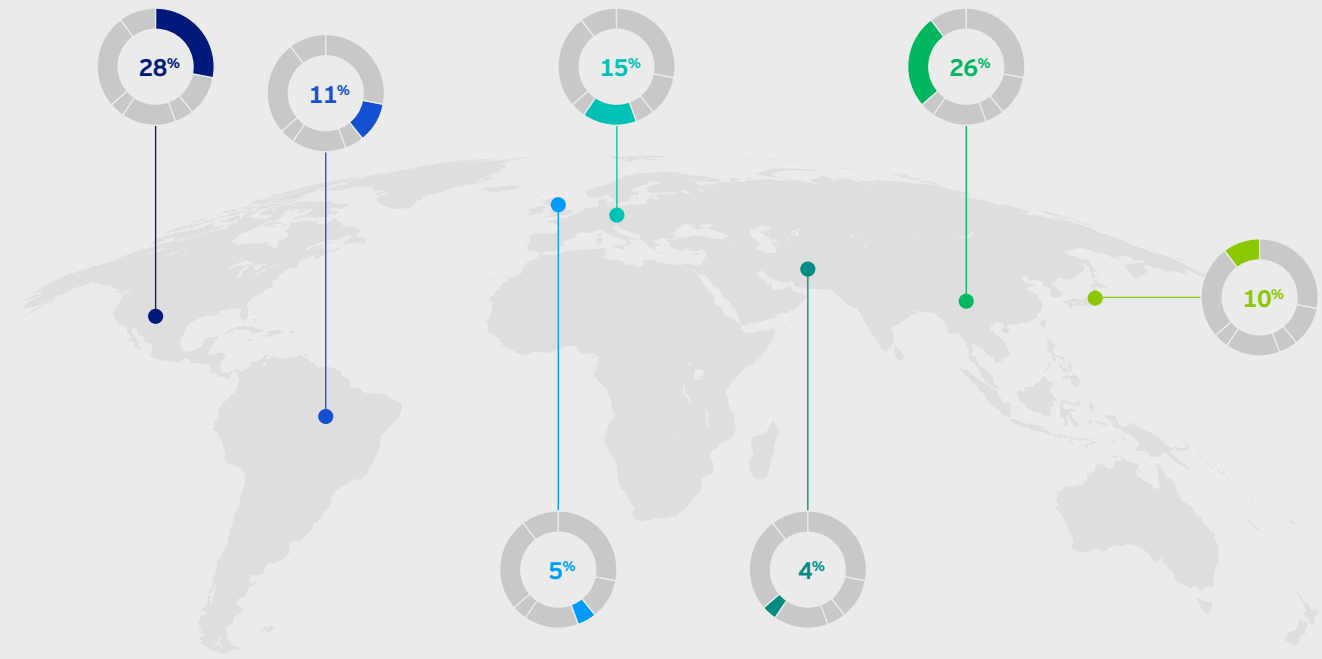
Source: Invesco. Reporting Period: 1 January 2020 to 31 December 2020. *Invesco's global voting statistics aggregated at the proposal level across all ballots voted.

Invesco publicly discloses our approach to voting and an overview of our global voting statistics in our annual ESG Investment Stewardship Report on our website. We do not publicly disclose our vote intentions in advance of shareholder meetings.

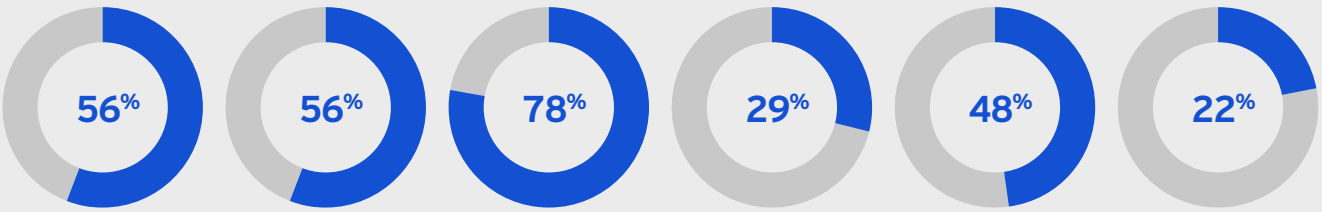
We disclose detailed portfolio specific proxy voting reports detailing all votes including rationales to clients upon request. Our publication of Invesco's Global Proxy Policy, disclosure of voting records and ESG investment stewardship reporting enhances our accountability and transparency to our clients.

Votes by Region (%)
# of meetings voted in grey

North America	2,948	Middle East and Africa	439
Latin America	1,149	Asia Pacific (ex Japan)	2,724
UK	542	Japan	1,049
Europe (ex-UK)	1,548		



Shareholder Proposals % voted for



Reports on climate change | GHG emissions | Political Contributions Disclosure | Board diversity | Political lobbying disclosure | Improve Human Rights Standards or Policies

Invesco's Policy Statement on Global Corporate Governance and Proxy Voting is intended to help Invesco's clients understand our commitment to responsible investing and proxy voting, as well as the good governance principles that inform our approach to engagement and voting at shareholder meetings.

Principle Disclosure Glossary

Asset owners and asset managers cannot delegate their responsibility and are accountable for effective stewardship. Stewardship activities include investment decision-making, monitoring assets and service providers, engaging with issuers and holding them to account on material issues, collaborating with others, and exercising rights and responsibilities.

Capital is invested in a range of asset classes over which investors have different terms and investment periods, rights and levels of influence. Signatories should use the resources, rights and influence available to them to exercise stewardship, no matter how capital is invested.

Principle 01

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Reporting expectations

Context
Signatories should explain:
- the purpose of the organization and an outline of its culture, values, business model and strategy; and
- their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why.

Activity
Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship.

Outcome
Signatories should disclose:
- how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and
- an assessment of how effective they have been in serving the best interests of clients and beneficiaries.

Principle 02

Signatories' governance, resources and incentives support stewardship.

Reporting expectations

Activity
Signatories should explain how:
- their governance structures and processes have enabled oversight and accountability for effective stewardship within their organization and the rationale for their chosen approach;
- they have appropriately resourced stewardship activities, including:
  - their chosen organizational and workforce structures;
  - their seniority, experience, qualifications, training and diversity;
  - their investment in systems, processes, research and analysis;
  - the extent to which service providers were used and the services they provided; and
- performance management or reward programmes have incentivized the workforce to integrate stewardship and investment decision making.

Outcome
Signatories should disclose:
- how effective their chosen governance structures and processes have been in supporting stewardship; and
- how they may be improved.

Principle 03

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Reporting expectations

Context
Signatories should disclose their conflicts policy and how this has been applied to stewardship.

Activity
Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.

Outcome
Signatories should disclose examples of how they have addressed actual or potential conflicts.

Conflicts may arise as a result of:
- *ownership structure;*
- *business relationships between asset owners and asset managers, and/or the assets they manage;*
- *differences between the stewardship policies of managers and their clients;*
- *cross-directorships;*
- *bond and equity managers' objectives; and*
- *client or beneficiary interests diverging from each other.*

Principle 04

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Reporting expectations

Activity
Signatories should explain:
- how they have identified and responded to market-wide and systemic risk(s), as appropriate;
- how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets;
- the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples; and
- how they have aligned their investments accordingly.

Outcome
Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.

Market-wide risks are those that lead to financial loss or affect overall performance of the entire market and include but are not limited to:
- *changes in interest rates;*
- *geopolitical issues; and*
- *currency rates.*

Systemic risks are those that may lead to the collapse of an industry, financial market or economy and include but are not limited to:
- *climate change; and*
- *the failure of a business or group of businesses.*

Stakeholders may include investors, issuers, service providers, policymakers, audit firms, not-for-profits, regulators, associations and academics

Principle 05

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Reporting expectations

Activity
Signatories should explain:
- how they have reviewed their policies to ensure they enable effective stewardship;
- what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and
- how they have ensured their stewardship reporting is fair, balanced and understandable.

Outcome
Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes.

Internal assurance may be by given by senior staff, a designated body, board, committee, or internal audit and external assurance by an independent third party.

Principle 06

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Reporting expectations

Context
Signatories should disclose:
- the approximate breakdown of:
  - the scheme(s) structure, for example, whether the scheme is a master trust, occupational pension fund, defined benefit or defined contribution, etc;
  - the size and profile of their membership, including number of members in the scheme and the average age of members;

  OR
  - their client base, for example, institutional versus retail, and geographic distribution;
  - assets under management across asset classes and geographies;
- the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why.

Activity
Signatories should explain:
- how they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach;

OR
- how they have sought and received clients' views and the reason for their chosen approach;
- how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon;

OR
- how assets have been managed in alignment with clients' stewardship and investment policies;
- what they have communicated to beneficiaries about their stewardship and investment activities and outcomes to meet beneficiary needs, including the type of information provided, methods and frequency of communication;

OR
- what they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods and frequency of communication to enable them to fulfill their stewardship reporting requirements.

Outcome
Signatories should explain:
- how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries;
- how they have taken account of the views of beneficiaries where sought, and what actions they have taken as a result;

OR
- how they have taken account of the views of clients and what actions they have taken as a result;
- where their managers have not followed their stewardship and investment policies, and the reason for this;

OR
- where they have not managed assets in alignment with their clients' stewardship and investment policies, and the reason for this.

Principle Disclosure Glossary

Principle 07

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfill their responsibilities.

Reporting expectations

Context
Signatories should disclose the issues they have prioritized for assessing investments, prior to holding, monitoring through holding and exiting. This should include the ESG issues of importance to them.

Activity
Signatories should explain:
- how integration of stewardship and investment has differed for funds, asset classes and geographies;
- how they have ensured:
  - tenders have included a requirement to integrate stewardship and investment, including material ESG issues; and
  - the design and award of mandates include requirements to integrate stewardship and investment to align with the investment time horizons of clients and beneficiaries;

OR
- the processes they have used to:
  - integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries; and
  - ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues.

Outcome
Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries.

Principle 08

Signatories monitor and hold to account managers and/or service providers.

Reporting expectations

Activity
Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.

Outcome
Signatories should explain:
- how the services have been delivered to meet their needs;

OR
- the action they have taken where signatories' expectations of their managers and/or service providers have not been met.

For example:
- *asset owners monitoring asset managers and investment consultants to ensure that assets have been managed in alignment with their investment and stewardship strategy and policies; or*
- *asset managers monitoring proxy advisors to ensure, as far as can reasonably be achieved, that voting has been executed according with the manager's policies; and*
- *asset managers monitoring data and research providers to ensure the quality and accuracy of their products and services.*

Principle 09

Signatories engage with issuers to maintain or enhance the value of assets.

Reporting expectations

Activity
Signatories should explain:
- the expectations they have set for others that engage on their behalf and how;

OR
- how they have selected and prioritized engagement (for example, key issues and/or size of holding);
- how they have developed well-informed and precise objectives for engagement with examples;
- what methods of engagement and the extent to which they have been used;
- the reasons for their chosen approach, with reference to their disclosure under Context for Principle 01 and 06; and
- how engagement has differed for funds, assets or geographies

Examples of engagement methods include but are not limited to:
- *meeting the chair or other board members;*
- *holding meetings with management;*
- *writing letters to a company to raise concerns; and*
- *raising key issues through a company's advisers.*

Outcome
Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf.

For example:
- *how engagement has been used to monitor the company;*
- *any action or change(s) made by the issuer(s);*
- *how outcomes of engagement have informed investment decisions (buy, sell, hold); and*
- *how outcomes of engagement have informed escalation.*

Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Reporting expectations

Activity
Signatories should disclose what collaborative engagement they have participated in and why, including those undertaken directly or by others on their behalf.

For example:
- *collaborating with other investors to engage an issuer to achieve a specific change; or*
- *working as part of a coalition of wider stakeholders to engage on a thematic issue.*

Signatories should provide examples, including
- *the issue(s) covered;*
- *the method or forum;*
- *their role and contribution.*

Outcome
Signatories should describe the outcomes of collaborative engagement.

For example:
- *any action or change(s) made by the issuer(s);*
- *how outcomes of engagement have informed investment decisions (buy, sell, hold); and*
- *whether their stated objectives have been met.*

Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Reporting expectations

Activity
Signatories should explain:
- the expectations they have set for asset managers that escalate stewardship activities on their behalf;

OR
- how they have selected and prioritized issues, and developed well-informed objectives for escalation;
- when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples; and
- how escalation has differed for funds, assets or geographies.

Outcome
Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.

For example:
- *any action or change(s) made by the issuer(s);*
- *how outcomes of escalation have informed investment decisions (buy, sell, hold);*
- *whether their stated objectives have been met; and*
- *any changes in engagement approach.*

Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.

Principle 12

Signatories actively exercise their rights and responsibilities.

Reporting expectations

Reporting expectations for listed equity and fixed income investments are below. In addition, signatories should report on how they have exercised their rights and responsibilities across other asset classes they are invested in, where they have the ability to do so, as disclosed in their reporting against Principle 06.

Context
Signatories should:
- state the expectations they have set for asset managers that exercise rights and responsibilities on their behalf;

OR
- explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets or geographies.

In addition, for listed equity assets, signatories should:
- disclose their voting policy, including any house policies and the extent to which funds set their own policies;
- state the extent to which they use default recommendations of proxy advisors;
- report the extent to which clients may override a house policy;
- disclose their policy on allowing clients to direct voting in segregated and pooled accounts; and
- state what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate 'empty voting'.

Activity
For listed equity assets, signatories should:
- disclose the proportion of shares that were voted in the past year and why;
- provide a link to their voting records, including votes withheld if applicable;
- explain their rationale for some or all voting decisions, particularly where:
  - there was a vote against the board;
  - there were votes against shareholder resolutions;
  - a vote was withheld;
  - the vote was not in line with voting policy.
- explain the extent to which voting decisions were executed by another entity, and how they have monitored any voting on their behalf; and
- explain how they have monitored what shares and voting rights they have.

For fixed income assets, signatories should explain their approach to:
- seeking amendments to terms and conditions in indentures or contracts;
- seeking access to information provided in trust deeds;
- impairment rights; and
- reviewing prospectus and transaction documents.

Outcome
For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months.

Important information

Where individuals or the business have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice. All information as at 13 November 2020 sourced from Invesco unless otherwise stated.

Invesco Asset Management Limited
Registered in England 949417
Perpetual Park, Perpetual Park Drive,
Henley-on-Thames, Oxfordshire
RG9 1HH, UK
Authorised and regulated by the
Financial Conduct Authority