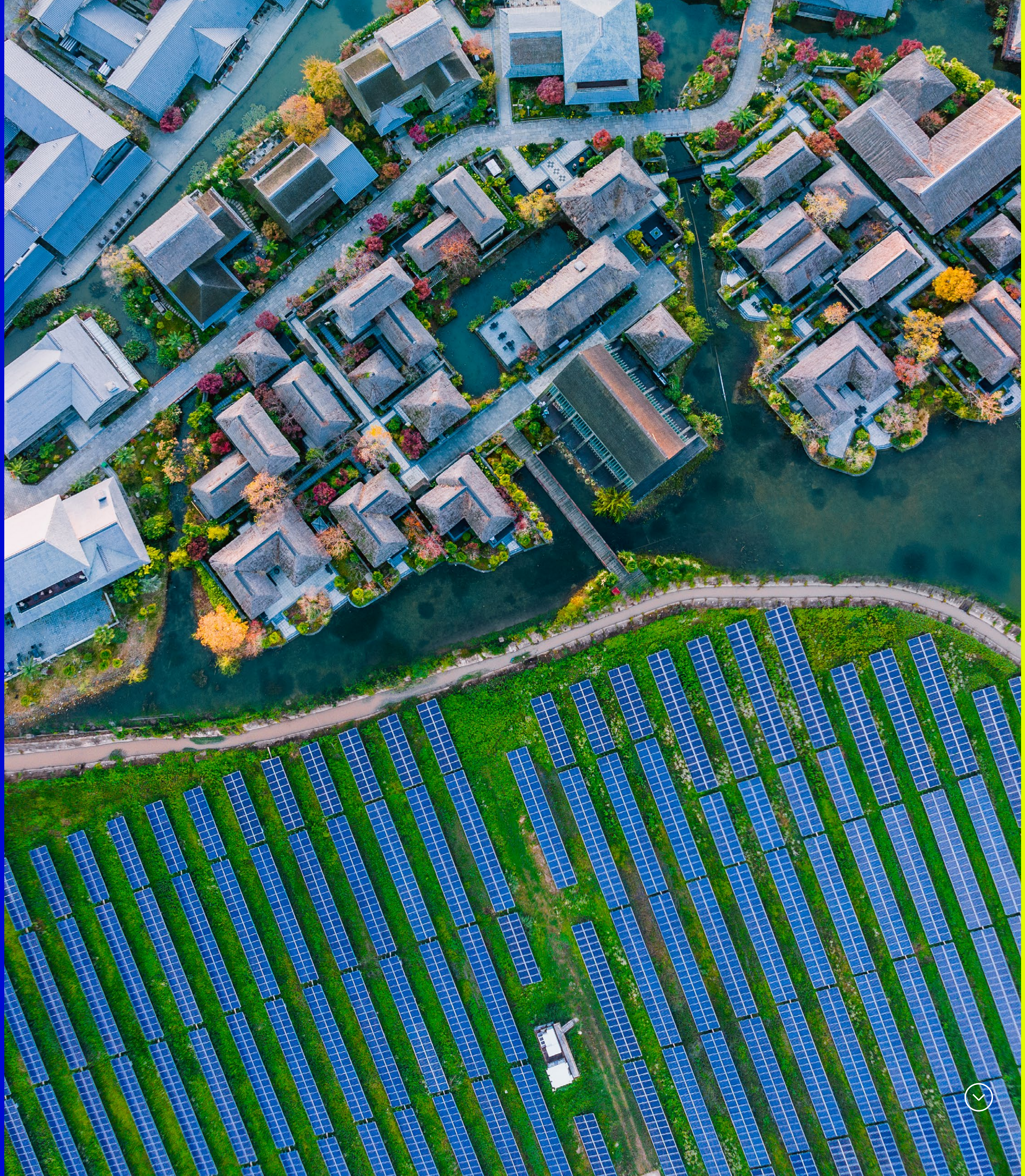
Invesco

2024

UK Stewardship Code



At Invesco UK[1], we hold the view that true stewardship extends beyond mere asset management. It encompasses proactive engagement and a dedication to creating sustainable, long-term value for our clients and beneficiaries. Specifically, for our UK operations, clients, and assets, this also entails compliance with the Financial Reporting Council's (FRC) UK Stewardship Code.[2] This code mandates transparent reporting of stewardship activities and outcomes, as well as fostering robust communication with clients and stakeholders.

Doug Sharp
Head of Invesco EMEA and Americas

As a founding signatory and supporter of the FRC's Stewardship Code since 2010, Invesco UK has consistently supported the importance of robust stewardship practices both in the UK and globally. Our commitment to responsible stewardship is integral to our role as a client-focused asset manager. This dedication aligns us with the objectives of the UK Stewardship Code, which we fully endorse.

This document details Invesco's stewardship strategy in the UK and illustrates how our actions, policies and procedures meet the requirements of the FRC's UK Stewardship Code (the Code). Unless otherwise stated, references to "Invesco" in this report refer to our capabilities as a global organisation and not to any specific Invesco entities. Please also note that due to potentially conflicting global legal and regulatory standards, the scope of Invesco's stewardship activities with respect to issuers outside of the UK may be subject to limitation.

Building on our 2023 UK Stewardship Code report, this report highlights how we are fulfilling our clients' needs and our own commitments by documenting our stewardship activities in 2024. Additionally, this report provides useful links to relevant documents, codes, and regulations for those interested in understanding the broader context of our policies, the Code, and our commitment to other initiatives in this area.

Sincerely,

Doug Sharp

1 Invesco Asset Management Limited is Invesco UK, signatory to the UK Stewardship Code.
2 For more information on stewardship and the FRC's UK Stewardship Code, visit here.

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.

Our purpose and culture

We are driven by a passion to help our clients rethink their challenges and create new possibilities for their success.

We maintain a highly inclusive culture that mirrors the wide range of experiences within our organization and encourages everyone to contribute to delivering value to clients. We aim to foster a culture that appreciates the skills, expertise, and unique perspectives of our highly driven colleagues. We empower each employee to collaborate and discover the best ideas and solutions for our clients, as we work together across geographies and functions to fulfil Invesco's purpose. We also support organizations in our local communities through both charitable donations and active volunteer work.

To ensure our employees can fulfil our clients' objectives, we make significant investments in talent development, technology, and resources that help our employees realize their full potential, both personally and professionally. Invesco recognizes that success—for our clients, employees, and communities—requires that we cast a wide net to recruit top talent in every region in which we operate. We hire for experience as well as potential to ensure the best candidates for each role. We have specific internship programs and targeted campus recruiting approaches that are deployed across Invesco for early career talent. Invesco offers resources and programs to support the development and retention of all employees to create a high-performing workforce. Our efforts center on building a workplace for all employees that values their unique experiences and perspectives, putting their personal and professional well-being first, and offering opportunities for growth.

Find out more
For more information on our company and culture visit our website.

Our business model and strategy

Invesco Ltd. and its consolidated subsidiaries (collectively as Invesco or the Firm), is a leading independent investment management firm, dedicated to delivering a superior investment experience through a comprehensive range of active, passive, and alternative investment capabilities.

With a global workforce of approximately 8,500 employees and an on-the-ground presence in over 20 countries, Invesco is well-positioned to meet the diverse needs of investors worldwide. The firm manages a wide array of asset classes, investment styles, and geographies, serving clients in more than 120 countries. As of December 31, 2024, Invesco managed approximately $1.6 trillion in assets.

The firm's success is driven by three key factors: long-term investment performance, high-quality client service, and effective distribution relationships. Invesco's focus on these areas aims to deliver better outcomes for clients, generate competitive investment results, achieve positive net flows, and increase assets under management (AUM) and revenues. The firm measures its investment performance by comparing its capabilities to those of competitors, industry benchmarks, and client objectives, with an emphasis on longer-term performance metrics such as three-year and five-year performance. This approach is crucial as distributors, investment advisors, and consultants often consider these longer-term metrics when selecting investment products and making recommendations to their clients. Additionally, third-party ratings can influence client investment decisions.

Invesco also places a strong emphasis on the quality of its client service. The firm monitors client satisfaction through periodic surveys, analysis of response times and redemption rates, competitive benchmarking of services, and feedback from investment consultants. This comprehensive approach ensures that Invesco maintains high standards of client service and continuously improves its offerings.

Invesco has a significant presence in both the retail and institutional markets within the investment management industry across the Americas, Europe, Middle East and Africa (EMEA), and Asia-Pacific (APAC) regions. This extensive geographic reach allows the firm to cater to a broad spectrum of clients and market exposures.

At Invesco, we seek to drive sustainable, profitable growth by delivering capabilities that build enduring partnerships and create better outcomes for our clients. We have an advantageous position globally as a diversified, client-centric asset manager, and a strategy to deliver for our shareholders. The firm's strategic priorities are aligned with four key long-term objectives designed to sharpen our focus on client needs, further strengthen our business over time, and help ensure our long-term success:

Our four key long-term strategic objectives

1. Deliver the excellence our clients expect

- Achieve strong, long-term investment performance.
- Deliver a quality investment process and a frictionless experience with superior engagement.
- Provide a holistic value proposition including advice and solutions to help our clients best manage their portfolios and succeed with their own clients.

2. Grow high demand investment offerings

- Prioritize the intersection of market size, secular change, and Invesco's unique position to drive growth in the highest opportunity regions.
- Grow high demand private markets leveraging our strong wealth channel and expanding investment strategies.
- Drive profitable organic growth, emphasizing high demand, scalable investment capabilities, and delivery vehicles.

3. Create an environment where talented people thrive

- Invesco's long-term success depends on our ability to attract, retain, develop, and engage top talent. Invesco invests significantly in talent development, employee benefit programs, technology and other resources that support our employees in developing their full potential both personally and professionally.

4. Act like owners for all stakeholders

- Embed next generation technology across all aspects of the business.
- Strengthen financial flexibility emphasizing operating leverage.

Our approach to sustainable investing

For an increasing number of people, sustainable investing is becoming an important part of their portfolio. Moreover, standards and expectations in the industry are becoming more stringent, resulting in more complex regulations that can be difficult to navigate. Clients are searching for a partner to guide them through this landscape and take advantage of the opportunities created by a changing world.

At Invesco, our ambition in sustainable investing is to be the preferred partner for our clients. For many of our clients, long-term value creation and effective risk mitigation are fundamental to achieving their investment goals. As a result, we offer a range of sustainable investment solutions that help our clients to express their priorities across active, passive, equity, fixed income, real estate, multi-factor, and other exposures. We also adapt our offering to meet specific client needs, using bespoke solutions, such as self-indexing, to deliver the right investment outcomes. And at the heart of our approach is a dedicated Sustainable Investing Services Team, who guides, supports and informs our work in this area.

We are committed to being responsible stewards of our clients' assets, guided by four key principles:

Act as fiduciaries for our clients, putting their objectives first

We understand that our clients have different needs and objectives that could be financial, non-financial or a combination of both. Where client objectives include specific environmental, social, or governance related targets, our diverse investment teams define and implement processes aligned towards achieving those outcomes.

Deliver expertise and analysis aligned to client needs

Our active investment teams use multi-dimensional analysis to determine which investments align with their clients' investment objectives. No single characteristic, financial or non-financial, is likely to lead to a security's inclusion in a portfolio.

Combine data, tools and thoughtful analysis to achieve better decisions

We believe that fundamental research, quality data and effective analytical tools are essential for understanding how issuers are exposed to both risks and opportunities. Our proprietary suite of tools are designed to enhance research, portfolio optimisation, portfolio reviews, engagement, and proxy voting activities. This is a resource that our investment teams can use to focus on investments relevant material issues that benefit our clients.

Commit to responsible stewardship of our clients' assets

We are committed to exercising our stewardship responsibly, by engaging in constructive dialogue and voting in the best interests of our clients' objectives. We also engage with regulators and policy makers to address the issues that are impacting our business, clients and the assets we manage.

Invesco UK's investment philosophy enables effective stewardship

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

ESG Integration

Focus on sustainable value creation and effective risk mitigation

We integrate financially material considerations in our investment capabilities, where appropriate, taking into account critical factors that help us deliver strong outcomes to clients.

As investors in global equities, corporate and sovereign fixed income instruments, as well as real estate and multi-asset strategies, we recognise the differences between asset classes and geographies. We apply ESG factors in a variety of ways, depending on the asset class, strategy and our clients' demands.

Our Sustainable Investing Services team provides support and analysis, while our investment managers maintain discretion on portfolio decisions.

Active Ownership

Exercising our rights and responsibilities as stewards of capital

We engage with issuers in a constructive manner and use our expertise to cast voting decisions in our clients' best interests.

Innovation and Data

Growing together, supporting our capabilities

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

For more information, please see Principle 7.

Client Partnerships

Meeting our clients where they are

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

Industry Engagement

Enabling better sustainability-focused conversations

Invesco participates in relevant industry initiatives to promote the continued improvement of functioning financial markets. We are involved in many industry bodies, including Principles for Responsible Investment (PRI), the Global Real Estate Sustainability Benchmark (GRESB), and the Task Force on Climate-related Financial Disclosures (TCFD). We engage policymakers on the latest regulations and partner with academic institutions, such as the University of Cambridge and Tsinghua University.

Principle 02

Signatories' governance, resources, and incentives support stewardship

Our governance structures and how we resource our stewardship activities[1]

Invesco has implemented a governance structure and resources that we believe enable oversight and accountability for effective stewardship.

Governance structures

1. Invesco's investment centre leaders drive the strategy and governance of our internal programmes. They provide oversight to our specialised investment teams and offer a balance of global expertise, support, and connectivity. In this way, the investment centre leaders help provide better outcomes for clients, with greater consistency over the long term.

2. The Global Invesco Proxy Advisory Committee (Global IPAC) is an investments-driven committee comprised of representatives from various investment management teams globally. Representatives from Invesco's Legal, Compliance, Risk, Sustainable Investing Services and Government Affairs departments may also participate in Global IPAC meetings. The Director of Proxy Voting and Governance chairs the committee. The Global IPAC is responsible for overseeing the proxy voting process and setting Invesco's Global Proxy Voting Policy and internal guidelines for voting.

3. The Proxy Voting & Governance team serves as a dedicated resource to ensure that our global investment teams receive consistent support services needed to exercise proxy voting decisions with respect to securities held in client portfolios. This team manages proxy voting operations, implementation and compliance with regulatory and client reporting, proxy voting policies, and procedures.

   The team is responsible for making recommendations to the Global IPAC on potential enhancements to the firm's Global Proxy Voting Policy, conducts analysis for proxy proposals to provide the basis for decision-making to investment teams, performs proxy voting trend analysis, supports governance and proxy voting research and engagements, while investment teams maintain full discretion on voting decisions. In addition, this team collaborates with investment teams and the Investments Proxy technology team on maintenance of Invesco's proxy voting platform, and participates in client engagements with respect to our proxy voting policy and procedures.

4. The Investments Proxy Technology Team, comprised of five team members based in Hyderabad, India and New York, has been in place for over a decade. This team manages and maintains Invesco's proprietary proxy voting platform that drives competitive advantage and scales our global proxy voting capabilities. The team is responsible for maintaining the integration and delivery of data between our proprietary system as well as with third-party systems, enabling automation and streamlining proxy voting workflows leveraging cutting edge technologies.

Resources

1. The ESG Executive Steering Committee, comprised of representatives designated by our investment centre leaders and representatives from other groups, specifically focuses on sustainable investing related issues, such as legal, marketing and compliance. The incorporation of sustainable investing considerations is determined by investment teams on a team-by-team basis.

2. UK Investment Advisory team has been in place since 2017 with four team members based in Henley responsible for supporting stewardship activities for Invesco Fundamental Equity EMEA-based portfolio management teams.

3. The Sustainable Investing Services team is a supporting function for investment team's that provides specialist knowledge and guidance on sustainable investing. The team is organised across four pillars: Client, Research, Analytics and Operations, located across the three regions of EMEA, Asia Pacific and North America.

4. The Legal and Compliance teams provide advisory support to our investment teams and operations teams in connection with the performance of Invesco's stewardship activities. This may include providing regulatory advice and guidance in connection with engagement activities and support navigating the complexities of a variety of corporate actions.

As a large, global asset manager, Invesco believes our governance structure enables us to maintain consistent standards for stewardship. Our investment teams manage their own sustainable investing processes but can leverage the resources of the Sustainable Investing Services team.

1 Source: Invesco, as of 31 December 2024. The description of Invesco's governance and structure reflects the reporting period of 2024.

Sustainable Investing Services team's capabilities: seniority, experience, qualifications, and training

The Sustainable Investment Services, of 24 dedicated full-time professionals that support the effective stewardship of our clients assets.

Sustainable Investing Services Team Statistics

24
Team size

14
Professional certifications[1]

29
Different academic disciplines[2]

13
Fluent languages[1]

3
Regions

7.9
Average years leadership experience[3]

6.8
Average experience

Team statistics are based on self-reported data provided by Invesco's Sustainable Investing Service, and Proxy Voting and Governance teams, as of February 2025.
1 As of February 2025, based on survey data self-reported provided by 24 responses. These statistics reflect the distinct count.
2 Some teams members have studied multiple academic disciplines.
3 The average number of years experience for professionals with Director or Head in their title.

Proxy Voting and Governance team's capabilities: seniority, experience, qualifications, and training

Proxy and Governance teams are comprised of 12 dedicated full-time professionals that support the effective stewardship of our clients assets.

Proxy Voting and Governance Team Statistics

12
Team size

5
Professional certifications[1]

14
Different Academic disciplines[2]

13
Fluent languages[1]

3
Regions

17
Average years leadership experience[3]

7.6
Average experience

Team statistics are based on self-reported data provided by Invesco's Sustainable Investing Service, and Proxy Voting and Governance teams, as of February 2025.

1 As of February 2025, based on survey data self-reported provided by 24 responses. These statistics reflect the distinct count.

2 Some teams members have studied multiple academic disciplines.

3 The average number of years experience for professionals with Director or Head in their title.

Investment in systems, processes, research, and analysis

At Invesco, we invest in our capabilities for the benefit of our clients.

In 2024, we continued to support Invesco's research and analysis capabilities by building out our proprietary tools. For example, we incorporated climate scenario and ITR analysis from Planetrics into the climate metrics of our ESGCentral platform. By integrating these tools, we can better assess the potential risks and opportunities associated with climate change and make more informed investment decisions. This is part of our commitment to being disciplined stewards of firm resources and investing in the success of our clients, shareholders, and ourselves.

The UK Investment Advisory team has been in place since 2017 with four team members based in Henley responsible for supporting stewardship activities for Invesco Fundamental Equities EMEA which includes UK, European, Global and Asian equities teams managed in the UK. It analyses and executes all voting recommendations for the Invesco Fundamental Equities EMEA and supports company engagement on governance matters. It works closely with the Invesco Public Policy team on regulatory consultations and reform and industry initiatives as they relate to Stewardship and Governance.

Our use of service providers

Invesco uses external service providers to support our stewardship activities, including ESG rating providers, proxy service providers, business involvement screening, carbon data and more. Data from these service providers feeds into our proprietary tools and supports in-house research and analysis, which enables investment teams to make informed decisions. For example, Invesco's ESG research platform for corporates and sovereigns, ESGintel, leverages ESG data from external research providers including Bloomberg, FactSet, ISS, CDP, Sustainalytics, SBTi, Transparency International's corruption perception index, Transition Pathway Initiative, World Governance Indicators, Child Rights Benchmark and others. Then, subject to data availability and quality, ESGintel may apply a materiality lens to data on sustainability topics to ensure that companies are evaluated on financially material sustainability topics according to their business activities. External service providers[1] are used as an additional, complementary source of sustainability-focused information to enhance Invesco's own research and analysis processes.

For more details on how our other proprietary tools leverage our service providers' research, please refer to reporting under Principle 7. For further information on how we monitor and hold service providers to account, please refer to reporting under Principle 8.

1 In order to determine the material topics for each sector, we leverage the Sustainability Accounting Standards Board (SASB) framework. This allows us to identify and focus on the sustainability-focused issues that are most likely to impact the financial performance or operational efficiency of companies within that sector.

Our Research Providers, Tools and Technology

A broad platform

Research providers

Sustainalytics	MSCI	Bloomberg	ISS

Sell-side Research	Clarity AI	Vigeo Eiris
FAIRR	Morningstar	Nikko Research Center
Carbon Disclosure Project	Net Zero Tracker	Proxy Insight
International Energy Agency	Carbon Underground 200	Transparency International
Sustainable Development Goals (SDG) index	Science Based Targets Initiative	Climate Bonds Initiative
Worldwide Governance Indicators (WGI)	Environmental Performance Index	Child Rights Benchmark

Proxy service providers

Glass Lewis	ISS

Our Proprietary Tools

ESGintel	ESGCentral	PROXYintel

Source: Invesco, as of February 2025. For illustrative purposes only. ISS: Institutional Shareholder Services. FAIRR: Farm Animal Investment Risk & Return. IVIS: Institutional Voting Information Service. MSCI: Morgan Stanley Capital International.

Workforce Incentives

At Invesco, we believe in aligning our compensation philosophy with the success of our clients and shareholders. This approach ensures that our investment professionals are motivated to deliver the best possible results.

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. 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-calibre investment professionals and appropriately align with long-term client and shareholder success.

As outlined in Invesco's Global Remuneration Policy, the measurement of performance used to determine incentive pools includes an adjustment mechanism to consider all relevant types of current and future risks. This may include financially material sustainability risks for those investment professionals managing portfolios subject to SFDR.

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. The award also incorporates business performance, typically measuring the year-over-year change of financial metrics. Further, the allocation or apportion of the award is discretionary. Deferred awards vest pro-rata over a four-year term.

Long-term awards are annual awards that are 100% deferred. A portion of the incentive award is granted as a long-term fund award and a portion is granted as a long-term equity award. 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.

Effectiveness of our governance structures and processes in supporting stewardship

Invesco is committed to the promotion of multiple perspectives within our governance structures and processes. This approach not only ensures that our stewardship standards remain globally consistent but also fosters an environment that encourages innovation and growth.

Our governance structures draw on the experience and expertise of senior business representatives across a variety of business functions and geographies. This cross-functional and geographical representation enables us to bring different insights and perspectives together to support the effective performance of our stewardship responsibilities.

In 2024, our Sustainable Investing Services team made significant strides in developing our proprietary ESG data analytics tools, reflecting our ongoing commitment to strengthen our stewardship capabilities. We also rolled out training to ensure these tools are effectively utilized across the organization. The Sustainable Investing Services team offered ad-hoc training for ESGIntel and ESGCentral throughout the year.

As the need for research, analysis, and engagements continues to grow, we are committed to refining our processes. We are leveraging technology to enhance our engagement and research documentation processes and capabilities. This expansion will help us keep pace with regulatory requirements in the UK and EU. Our governance process remains adaptable through the formation and disaggregation of our working groups, allowing Invesco to concentrate on evolving stewardship priorities.

Principle

03

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

Conflicts of interest & Invesco's approach to Conflicts Management

We endeavor to maintain and operate effective organizational and administrative controls to prevent and manage conflicts of interest.

Invesco's Global Code of Conduct was designed to provide a clear statement of our firm's ethical and cultural standards, including management of conflicts of interest that may arise when a person's private interest interferes, or appears to interfere, with the interests of Invesco, or where the interests of an employee or the firm are inconsistent with those of a client or potential client, or our shareholders. Invesco has adopted policies, procedures and controls designed to manage conflicts of interest, which include but are not limited to the Global Outside Business Activities Policy, Personal Trading Policies, Invesco Ltd. Insider Trading Policy, and Global Anti-Bribery and Corruption Policy. For example, Invesco's Global Code of Conduct sets out Invesco's approach to personal trading, outside business activities (such as directorships on the boards of public companies) and accepting or providing gifts and entertainment or other benefits.

In addition, for EMEA-based entities, Invesco has in place a Conflicts of Interest Policy (Conflicts Policy) which sets out the firm's arrangements in connection with the identification, recording, management, and escalation of conflicts. It is not meant to replace, but to supplement other conflicts-related policies within the firm. This Conflicts Policy is reviewed, when necessary, and at least annually, by the EMEA Conflicts of Interest Committee to ensure it remains current based upon the scope of Invesco's activities, its operating structure, strategic plans, applicable regulatory changes, and the nature of its clients. This Conflicts Policy applies to Invesco legal entities within EMEA and can be found on our website.

Conflicts of Interest relating to Stewardship

With respect to stewardship activities, conflicts of interest may arise during regular business dealings including voting a proxy or when communicating with a portfolio company. To address the instances in which a potential conflict of interest may arise with respect to a proxy vote, Invesco maintains a conflicts register[1] and an explicit policy on managing such potential or actual conflicts set out in Invesco's Global Proxy Voting Policy. In the limited instance where a personal conflict of interest is identified in relation to a proxy vote, the individual(s) with the conflict will remove himself or herself from the proxy voting process and the proxy will be voted in accordance with Invesco's Policy Statement on Global Corporate Governance and Proxy Voting and Procedures regarding conflicts.

Effectiveness of our approach

Invesco seeks to continuously improve processes where relevant in delivering its aim of achieving good client outcomes.

During the reporting period, below are two examples of conflicts that we came across in proxy voting and how we manage these conflicts:

- During the period covered by this report, for shares of Invesco Ltd. held in client accounts, Invesco did not vote proxies to mitigate the conflict of interest.
- Where Invesco funds are held by other Invesco funds, Invesco will generally echo vote the shares held in line with the votes of external shareholders when operationally possible.

1 Conflicts registers are owned by the investment centres with an aggregated Invesco wide (EMEA specific) register held by EMEA Compliance.. EMEA compliance maintain the Invesco Conflicts log recording instances of conflicts raised by the staff.

Principle 04

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

How we consider market-wide and systemic risks

Invesco takes a comprehensive approach to considering market-wide and systemic risks. Our risk management framework is designed to identify, assess, monitor, and manage these risks effectively.

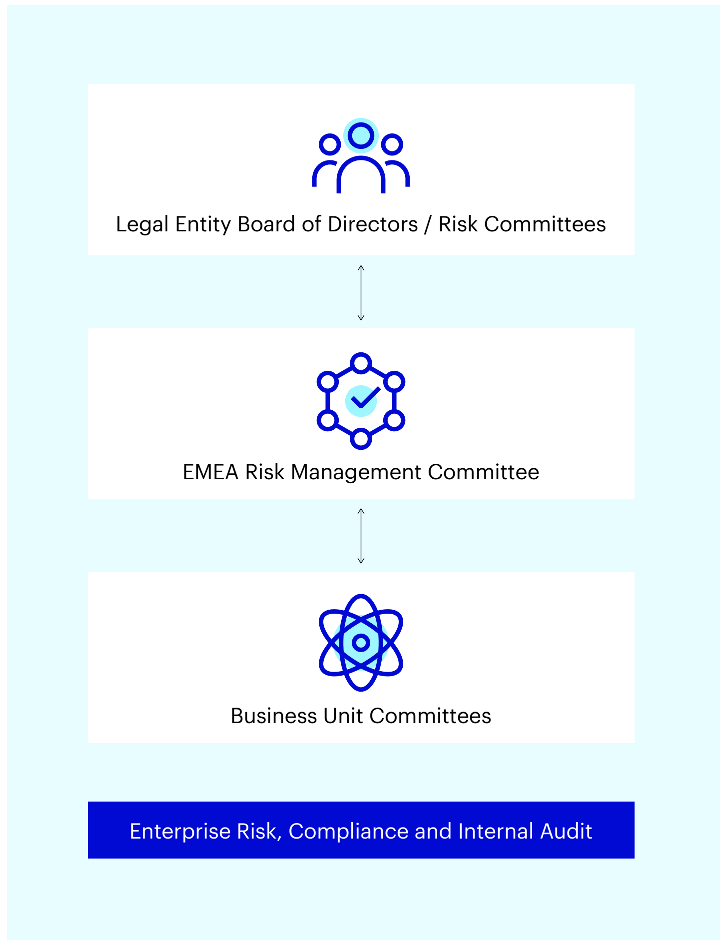
Our Risk Management Framework

We are 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. This risk management framework enables our investments to be aligned accordingly, given the market-wide risks we identify.

The Executive Management team is responsible for establishing our culture and creating awareness that risk management is everyone's responsibility. As such, Executive Management, with oversight of the Board of Directors, is responsible for establishing and maintaining the firm's Enterprise Risk Management Framework (ERMF), and for ensuring that risk management is embedded in our day-to-day decision making, as well as our strategic planning process.

Our ERMF supports our focus on key risks in all areas of our business, including strategy and governance, investments, clients, people, operations, and financial risk, and enables consistent and meaningful risk dialogue across the firm.

In the UK, primary responsibility for executive oversight of the ERMF at Invesco sits with the EMEA Risk Management Committee (EMEA RMC) and legal entity risk committees have been established as required. These committees report directly into legal entity board of directors on applicable ERMF matters. In addition, a network of regional, business unit and specific risk management committees, provide ongoing identification, assessment, management and monitoring of risk to ensure both broad and in-depth, multi-layered coverage of the risks existing and emerging in the various domains of our business. The Control functions (Enterprise Risk, Compliance and Internal Audit) are responsible for the oversight, monitoring and assurance of the firms risks and controls.



Policy response and engagement

Identifying, monitoring, and mitigating systemic risk and promoting well-functioning financial markets remained key public policy themes at global, regional, and local levels in 2024.

- The parallel workstreams of the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO) aiming to enhance the resilience of the non-bank financial intermediation (NBFI) sector, including asset managers, remained a key area of focus and engagement over the last year.
- Other similar policy initiatives were undertaken across the markets in which we operate in North America, Europe, and APAC, with Invesco's engagement coordinated globally under the Global Public Policy office. In Europe, Invesco monitored and, where relevant, engaged with initiatives such as the Bank of England's system-wide exploratory scenario (SWES) analysis and the European Commission's work on potential macroprudential policies for non-banks.
- Another key area of focus for Invesco was the market structure changes in the U.S., Canada, and Mexico, and their impact on our activities globally, when the settlement cycle for most routine securities transactions moved from two business days after trade date (T+2) to one business day after trade date (T+1). Invesco also engaged extensively in discussions with UK and EU policymakers regarding similar planned initiatives in the region and will continue such engagement in the years ahead.

Market-wide and systemic risks

Invesco's Public Policy team is actively involved in engaging with policymakers on a variety of issues that are critical to the asset management industry and our clients, including addressing market-wide and systemic risks. Our risk management framework is designed to identify, assess, monitor and manage these risks effectively, whilst also considering relevant policy initiatives.

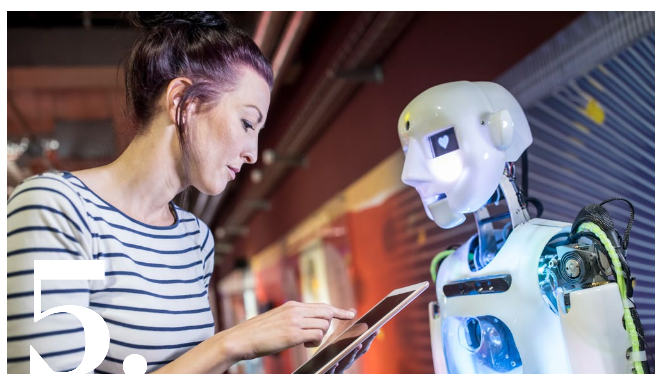
For 2024 we identified the following themes:

Geopolitical

Macro-economic

Climate change

Financial market integrity and liquidity



Artificial Intelligence (AI) and operational resilience

Global Public Policy and Strategic Partnerships

1. Geopolitical

Geopolitical risks have the potential to impact the value of investments and, in extremis, the orderly functioning of markets. Invesco identifies, analyses, and responds to geopolitical risks by tracking significant political and regulatory developments, developing thought leadership, and participating in industry dialogue.

Our annual political and regulatory outlook sets out the key issues we see both at a global level as well as in the principal regions of the world in which we operate. The 2024 edition cited the wide range of sources of political volatility and instability, ranging from the continuing Russia-Ukraine war to US-China tensions to forthcoming elections in the United States, the European Union, the United Kingdom and in Asia Pacific, as well as analysing forthcoming policy and regulatory changes at a regional level.

Invesco engages a number of specialist third party geopolitical risk analysis services to ensure that investment teams have access to timely, expert, and comprehensive global coverage of significant geopolitical risks, events, and emerging trends, for example the current instability in the Middle East.

Through access to comprehensive analysis and insights, investment professionals can assess the likely impact, if any, of geopolitical risks and opportunities on their portfolios and respond accordingly to ensure they continue to deliver long-term value creation for our clients.

Case Study

Invesco's Global Investor Forum (GIF)

The GIF is a crucial part of Invesco's approach to asset management. It allows our diverse team of experts to collaborate, share insights, and discuss various investment strategies. This holistic approach ensures that we are always at the forefront of the latest trends and developments in the financial world, enabling us to deliver the best possible results for our clients.

The discussions held at the GIF are indeed thought-provoking and cover a wide range of topics, from geopolitical shifts to macroeconomic trends, and from specific companies to entire industries or regions. This broad perspective allows us to make well-informed decisions and provide our clients with comprehensive investment solutions.

The GIF is a resource available to all our investment professionals and their research teams across different investment styles, asset classes and investment approaches.

In 2024, the GIF operating team had:

- 54 calls focused on various issues, including geopolitics, market conditions, government affairs, etc.
- 3 Team Spotlight calls spotlighting particular investment teams and their processes.
- 1 Investment Lab call with a state Investment Board Chief Investment Officer.

In May of 2024, the head office in Atlanta hosted the GIF Investment Summit with approximately 170 investors attending. Topics included AI, energy, and how growth, inflation, and investment opportunities would be influenced by these factors.

2. Macro-economic

Invesco has a detailed risk management framework. Under the auspices of the Enterprise Risk Management Committee, Invesco has a firm-wide crisis response team to assess risks and identify possible triggers of a market-affecting scenario. They have implemented a detailed structure, which includes assessment, decision-making and communication by relevant parties, across management, investments (spanning research/analysis and portfolio risk management), sales/distribution for client outreach and marketing/media as appropriate. The remit spans financial and economic shocks; natural disasters; geopolitical and domestic political crises; and cybersecurity. As part of ensuring preparedness, the team has participated in risk/crisis tabletop exercises to "wargame" crisis scenarios.

Invesco addresses macroeconomic and market risks by closely monitoring the macroeconomic environment and market environment for signs of risks and then assessing the possible implications of those risks. With any such risk, we monitor it closely and determine whether it is likely to be contained or is likely to be contagious to identify potential systemic risks.

Interest Rate Risks

When central banks began tightening in 2022, we began closely monitoring markets for signs of financial accidents occurring because of the rapid tightening of monetary policy in many Western developed economies. In 2023, multiple crises related to the monetary policy tightening environment – the AT1 bond crisis in Europe, the regional banking crisis in the United States and the UK gilt yield crisis – erupted. In each of these crises, we researched the situation, collaborating with various investment professionals with expertise in the banking industry. We assessed the possible implications and shared our conclusions with clients.

We continue to closely monitor economies, especially the US economy, for signs that the recent tightening cycle has had a negative impact and could potentially trigger a recession.

Geopolitical Risks

In 2024 we continued to closely follow developments in the Russia-Ukraine war and the Israel-Hamas war, assessing implications for energy markets and overall inflation. We also closely followed the large number of major elections held in 2024, especially the US presidential election, and provided our views on possible implications.

Other political risks that we continue to monitor closely include US-China tensions, especially over Taiwan and the potential impact on the semiconductor industry.

Multidisciplinary Approach

At Invesco we aim to bring together the available skills and experience from across the firm to inform investment decisions in normal times, as well as risk management and crisis management when necessary.

Invesco conducts continuous research, analysis and synthesis about trends, events, shocks and crises. Some of this work is team-specific, especially when the focus is clearly idiosyncratic. When its nature is more market-wide or potentially a systemic risk, we take a multi-disciplinary approach to evaluate the issues and implications from various angles, with the range of expertise and experience available by reaching across our many investment centers, investment styles, strategies and specialisms. For example, we have recently created thought leadership assessing the opportunities and risks presented by artificial intelligence for the economy and markets.

When considering geopolitical or domestic political risks, we collaborate closely with our Government Affairs Team in Washington, London and APAC, bringing political, macro and financial analysis to bear jointly to provide a rounded view. In many instances, we round out our own internal analysis with external experts and advisors in virtual "Global Investors' Forum" conversations across our investment teams.

Client Outreach

An important part of our work is adequate communication to clients. We regularly provide 'rapid response' documents that assess important data points or macroeconomic developments that could impact markets; this document includes our assessment of the situation and possible market implications. Some of our Global Investors' Forum conversations about evolving market-wide topics and risks are opened to major, qualified institutional investors as a part of our client communication, so that such key clients can participate directly in our investment and risk management processes. Other institutional clients can both read relevant publications or reach out to speak to relevant Invesco specialists through sales contacts, relationship managers or through the networks of financial advisors and distributors depending on client type and region.

Case Study

Invesco's Global Investment Outlook

As part of our commitment to keeping our clients informed about the global macroeconomic, market and policy/regulatory developments affecting their investments, Invesco produces a semiannual Global Investment Outlook. The Global Investment Outlook provides a comprehensive, forward-looking overview of the global economy and markets and focuses centered around four key questions:

- Where are we in the global economic cycle?
- What's the direction of markets?
- What are the fiscal and economic policy implications?
- What are the implications for asset allocation?

The Global Investment Outlook includes a base case scenario and two alternative scenarios (usually a "bull case" and a "bear case") and is accompanied by a Global Policy Outlook addressing anticipated regulatory and policy developments relevant for investors.

3. Climate change and sustainability

Public Policy and regulatory engagement on sustainable finance in EMEA

At Invesco UK, we are committed to engaging in policy and regulatory initiatives to promote effective approaches to sustainable finance. The sustainable finance regulatory environment in EMEA, across the UK and EU is developing rapidly. In order to target our resources effectively during 2024, we continued to focus our engagement on the two themes of product disclosures and labelling.

Product disclosures and labelling

In 2024, we continued to see opportunities to contribute our insight and experience in the development of regulations designed to assist retail investors in navigating to products that accurately reflect their sustainability preferences. In particular:

- **FCA Sustainability Disclosure Requirements (SDRs) and investment labels.** Having offered detailed feedback on the FCA's consultation paper proposals for an investment product categorisation and labelling regime, in 2024 assessed the impact of the FCA's final rules and contributed to industry knowledge-sharing and challenge-solving through the Investment Association's SDR Implementation Forum. In engagements with the FCA and HM Treasury, we continued to advocate for a pause before overseas funds are brought in-scope of the SDR and labelling regime, to enable better alignment between SDR and forthcoming revisions to the EU Sustainable Finance Disclosure Regulation (SFDR).

- **European Commission proposals to reform the SFDR.** Invesco UK continued to engage in the public policy debate on revisions to SFDR in our EU advocacy, proposing ways in which the disclosure regime could better serve the interests of retail investors while increasing coherence with comparable regimes in other jurisdictions.

- **Green Taxonomies.** Following the publication of the HM Treasury consultation on a UK Green Taxonomy, Invesco UK assessed the potential utility of a UK-specific taxonomy and contributed to industry policy debates with public officials on this topic.

Industry Initiatives

- In September 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) published its recommendations for nature-related risk management and disclosure. Invesco has been a Forum Member of the TNFD since 2022. This has allowed us the opportunity to give feedback on the draft frameworks while understanding how we will be able to apply this framework upon its completion. Additionally, Invesco is a member of TNFD's Consultation Group – where multiple financial institutions have come together to provide input into the usability of the strategy. We continue to explore how biodiversity data can be further incorporated into our investment and research processes.

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

- In 2024 Invesco continued to be signatories (since 2010), of the Principles for Responsible Investment (PRI) network, demonstrating our commitment to responsible investment and long-term value creation.

- Invesco is a supporter and discloser to the TCFD. In 2024, we published our fourth Climate Change report. More information can be found in Principle 5.

TNFD Taskforce on Nature-related Financial Disclosures

IIGCC The Institutional Investors Group on Climate Change

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

4. Financial market integrity and resilience

Fair, well-functioning, and resilient markets are crucial to our business, our clients, and investors, and to the wider economy. As such, Invesco prioritizes policy initiatives that focus on changes to the way markets operate and initiatives that seek to enhance the functioning and resilience of the global NBFI sector in which Invesco operates.

In each of these areas, Invesco sought to engage constructively with policymakers either directly or via our relevant Trade Associations. In this context, in 2024, Invesco's EMEA Government Relations and Public Policy team engaged actively with policymakers at international and European level across a number of legislative and regulatory initiatives progressed as part of the FSB and IOSCO respective Work Programs, the EU's developing Savings and Investments Union (SIU) agenda, as well as the UK's wholesale financial market reforms.

From an international perspective, Invesco continued to engage with the FSB and IOSCO on their joint work on enhancing liquidity risk management in open-end investment funds, including money market funds. Their recommendations will see member jurisdictions take a more harmonised approach to rulemaking around the redemption terms that open-end funds offer to investors, based on the liquidity of underlying assets, as well as the way in which managers of such funds implement their respective liquidity risk management frameworks.

In the EU, policymakers legislated to amend the overarching regulatory framework governing retail and alternative investment funds, with regulators charged with developing further rules and guidance for in-scope firms. The amended framework will ensure consistency in the availability and use across EU Member States of a broad range of liquidity management tools for managers of open-end funds, introduce new rules for loan-originating funds, and updated regulatory reporting requirements, in particular in relation to the delegation of management company activities.

Similarly, in the UK, Invesco UK responded to the FCA consultation on potential improvements to the domestic regime governing money market funds. UK authorities also finalised changes to listing rules, with the aim of making the UK a more attractive listing destination, and proposed to reintroduce the ability for investment firms to make joint payments for the procurement of investment research and trade execution services, subject to certain safeguards.

5. Artificial intelligence and operational resilience

The EU's Artifcial Intelligence (AI) Act entered into force in 2024 and will apply, in a staggered manner, from February 2025. The Act regulates AI systems based on the level of risk they pose, with strict rules for high-risk AI systems and a prohibition on those perceived to pose an unacceptable level of risk, such as AI systems that represent a social scoring system. The new framework establishes obligations for developers of AI systems, for example in relation to risk management and data governance, as well as users thereof, including ensuring proper use and monitoring.

Despite a change of government in 2024, the UK has maintained its approach to the regulation of AI, requiring sectoral regulators to use their domain-specific expertise to implement and supervise against a set of common principles. These principles are designed to inform the responsible development and use of AI across the economy.

Operational resilience remained a key area of focus for policymakers in 2024. At an international level, the FSB issued updated guidance on arrangements to support operational continuity in resolution. In the EU, ahead of the application of the Digital Operational Resilience Act (DORA) in early 2025, the European Supervisory Authorities (ESAs) issued a number of consultations seeking feedback on technical standards and guidance underpinning the framework. Similarly, in the UK, authorities published final rules outlining firms' obligations regarding the management of risk posed by critical third-party providers. The new UK framework applies from January 2025.

Artificial intelligence offers both an opportunity and a risk to the investment industry, which will only become clearer in time.

6. Global Public Policy and Strategic Partnerships

With subject matter experts based in the North America, Europe, and APAC, the Invesco Global Public Policy and Strategic Partnerships function provides policymakers with global, regional, and local perspectives as relevant to the policy areas on which they most require our input. Such engagement is often undertaken directly, through bilateral meetings with policymakers or written submissions to consultation processes, or via our relevant Trade Associations with whom we work closely to achieve our shared objectives.

Increasingly, policymakers are having to navigate complex global issues, even where international standards exist and where proposed legislation or regulation is intended to be applied locally. The global nature of financial markets can lead to overlaps in jurisdictions' respective regulatory frameworks, with extraterritoriality becoming increasingly common in policy areas governing financial markets (e.g., the recent move to a T+1 settlement cycle in the U.S., Canada, and Mexico), sustainability (e.g., corporate sustainability disclosure and due diligence requirements), and digital operational resilience. Supported by the Global Public Policy and Strategic Partnerships function, Invesco serves as a constructive partner to policymakers at all levels and in all jurisdictions that are crucial to our business, our clients, and end-investors.

Case Study

Invesco's Global Policy Outlook

Invesco is committed to bringing its clients forward-looking insights and analysis on the key themes that we believe will drive the political agenda in the 6-12 months ahead, including coverage of geopolitical issues, fiscal events, and upcoming elections as relevant.

Published biannually, Invesco's Global Policy Outlook provides whole-of-world view on the key issues driving political decision making, while also providing in-depth analyses of how such issues are viewed and will play out in the North America, the European Union, the United Kingdom, and the APAC region.

We also provide perspectives on developing and emerging policy and regulatory issues relevant to our business and regulated activities, as well as to our clients. Such issues may include developing ESG and sustainability-related frameworks or policy relating to capital market liquidity and resilience, or emerging regulation of technologies underpinning the digital asset ecosystem or AI systems.

Thought Leadership

Our Global Thought Leadership team plays a pivotal role in bridging the gap between industry practice and academic theory. By collaborating with internal teams, we ensure that our content is not only grounded in practical expertise but also responsive to our clients' needs. We stay updated with policy, governmental, and regulatory developments to provide the most relevant and timely advice. Our external partnerships with academic scholars and other industry practitioners further enrich our research. This broad network allows us to contribute to wider conversations in the asset management industry and deliver top-quality research that benefits our clients.

Invesco Sovereign Investment Programme

Celebrates a Decade of Success

Invesco, in collaboration with Executive Education at Cambridge Judge Business School, hosts an annual Sovereign Investment Programme that welcomes representatives from sovereign institutions spanning over 20 countries to discuss the sovereign investment landscape.

The event features discussions on a variety of topics, such as the macroeconomic environment, digital trends, and sustainable investing. Participants also gain valuable insights from academic partners at Cambridge Judge Business School, alongside external market experts and Invesco's own subject matter experts.

Celebrating its tenth year, the Invesco Sovereign Investment Programme has firmly established itself as a cornerstone event for sovereign investors worldwide. As the programme continues to evolve, Invesco remain committed to providing valuable insights and fostering a collaborative environment for sovereign investors globally.

UNIVERSITY OF CAMBRIDGE
Judge Business School

Principle 05

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

Review and Improvement of Stewardship Policies, Processes and Reporting

In 2024 Invesco continued to review processes and policies to better support the effective implementation of our stewardship responsibilities.

Policies and Processes

To strengthen our stewardship processes, we consider feedback from various internal and external sources, including, but not limited to:

- Direct feedback provided by our clients on our stewardship activities.
- Internal stakeholders including portfolio management teams, Legal, Compliance, Public Policy and Sustainable Investing Services, and Proxy Voting and Governance teams.
- We carefully monitor the results and review the recommendations of the assessment conducted by the FRC of our stewardship activities.
- We carefully monitor the assessment conducted by the PRI of our stewardship activities.
- Direct feedback provided by consultants.

In 2024, for example, Invesco reviewed its Global Proxy Voting Policy,[1] overseen by the Global Invesco Proxy Advisory Committee to consider whether any changes are warranted. The annual review seeks to ensure the Policy and the internal proxy voting guidelines remain consistent with clients' best interests, regulatory requirements, local market standards and best practices. Further, this Policy and our internal proxy voting guidelines are reviewed at least annually by various departments within Invesco to seek to ensure that they remain consistent with Invesco's views on best practice in corporate governance and long-term investment stewardship (see Principle 12 for more detail on Invesco's Policy Statement on Global Corporate Governance and Proxy Voting).

1 Invesco's Policy Statement on Global Corporate Governance and Proxy Voting applies to Invesco legal entities listed in "exhibit A" of the document available here.

Internal Assurance

Internal Audit

Invesco's Internal Audit department provides independent, objective assurance and advisory services that are designed to add value and improve the firm's operations. Internal Audit provides these services on an ongoing basis through a systematic, disciplined and risk-based approach to evaluate and improve the effectiveness of risk management, control, and governance processes. All business units, globally, are subject to periodic Internal Audit oversight.

Regional Compliance

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 compliance with regulators, as well as the development of an annual testing plan. The testing plan seeks to assess compliance in key risk areas of the firm. Invesco's Compliance Monitoring team aims to apply testing standards consistent with regulatory risk that may be prevalent in each region, and reports findings to senior management of compliance and the impacted business functions.

Invesco's internal audit and regional compliance functions provide accessibility and deep knowledge of Invesco as a business, delivering greater insight into the quality of our effectiveness in these stewardship areas. This framework allows for Invesco's stewardship practices to be subject to objective, independent assurance and compliance monitoring, and that regulatory risks and required improvements can be communicated to stakeholders efficiently.

Reporting

In 2024, Invesco Management S.A. continued producing pre-contractual disclosures for our SFDR classified article 8 and 9 funds. The disclosure describes the sustainable targets of a fund and is available on our website as an annex of such fund's prospectus. In addition, Invesco also publishes a periodic report, as an annex of such fund's annual report, on our website. The disclosure shows how the fund has performed against the sustainable targets laid out in the pre-contractual disclosure.

Regulators continue to focus on the standardization of disclosures and labelling around sustainability. In the UK, the Financial Conduct Authority (FCA) Policy Statement 21/24, mandates climate-related financial disclosures for certain financial market participants. Specifically, asset managers with over £5 billion in assets under management are required to produce disclosures aligned with the TCFD framework.

In accordance with the FCA rule, Invesco UK commits to take the following actions:

- TCFD reports for our UK-domiciled funds, including ICVCs, NURS, and Investment Trusts. These reports are available on our UK website.
- An entity-level TCFD report for Invesco Asset Management Ltd and Invesco Fund Managers Ltd, providing transparency into how we are managing climate-related risks and opportunities across our firm.

In the UK and Europe Invesco discloses a number of Proxy related reports. More details are shown in Principle 6.

Principle 06

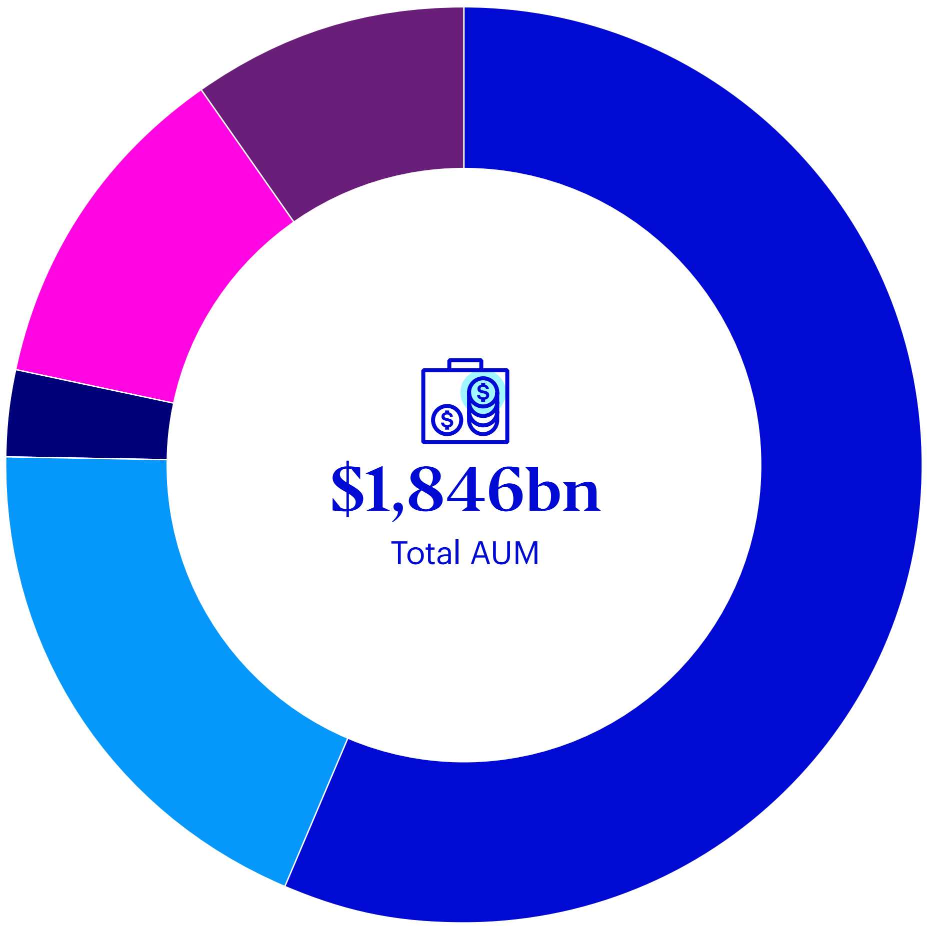
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Breakdown of Our Assets Under Management and Client Base

Breakdown of AUM

($bn)
As at 31 December 2024[1], Global AUM.

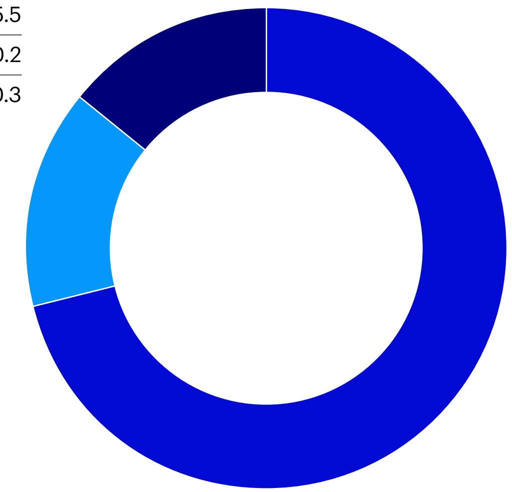
Equity[2]	**1,044.9**
Active	314.6
Passive	730.3
Fixed Income[2]	**346.5**
Active	295.8
Passive	50.7
Balanced[2]	**59.3**
Active	58.3
Passive	1.0
Money Market[2]	**216.6**
Active	216.6
Alternatives[2]	**178.7**
Active	141.2
Passive	37.5



Geographic Breakdown of AUM

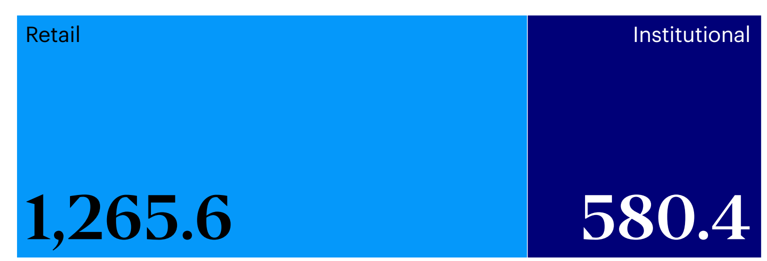
By Client Domicile Q4 2024 ($bn)
As at 31 December 2024[1]

Americas	1,315.5
Asia Pacific	270.2
EMEA	260.3



Channel Breakdown

Of our Client Base Q4 2024 ($bn)
As at 31 December 2024[1]



1 Preliminary – subject to adjustment.
2 Passive AUM includes index-based ETFs, UITs, non-management fee earning AUM and other passive mandates. Active AUM are total AUM less passive AUM.

Active client engagement

Invesco engages with clients through regular meetings. This approach of direct dialogue allows us to have in depth conversations with our clients and to understand their current and evolving stewardship requirements. In 2024, the Sustainable Investing Services team was involved in more than 130 client meetings globally.

During 2024, Invesco partnered with our clients to provide effective solutions that fit their specific needs. We recognise that our clients have differing levels of requirements for stewardship investing and investment policies. All our investment teams are focused on strategically developing client-centred investment solutions that align with market opportunities. For clients who want us to provide the means for them to explicitly express their values through investment vehicles, these may include identifying potential strategies for conversion or new launches and introducing innovative sustainable investment strategies based on Invesco resources and capabilities.

Invesco has implemented an annual process to ensure that should a client request any additional stewardship investing requirements that fall outside of the current stewardship and investment policies, a framework will be implemented to monitor them.

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 using multiple time periods and different market cycles dependent on the specific product offered. Invesco integrates stewardship and investment to align with the investment time horizons of our clients.

The investment horizon for individual themes is dependent on several factors, including global credit and market cycles, fundamentals, technical and valuations. In general, macro themes are expected to play out over the medium-term time horizon.

An example of how chosen time horizons benefit Invesco's clients is shown in a case study from the Henley-based Asia & EM Equities team in Principle 7.

Case Study

Strategic Partnership Leads to Successful Launch of New ESG ETF

Invesco successfully launched the Invesco Global Corporate Bond ESG UCITS ETF in collaboration with a key client in Q2 2024. The client provided a substantial seed investment of over £50 million, giving the ETF a strong foundation and making it instantly appealing to clients who may be constrained by holding limits. The launch was executed seamlessly thanks to the combined efforts of Invesco's capital markets, product development, distribution, and sales support teams. The client expressed high satisfaction with the transaction process and the level of service received, highlighting the strength of their partnership with Invesco. Due to this positive experience the client was happy to consider increasing their investment in the ETF, by the end of 2024 the product had reached £250 million in assets under management (AUM).

Communicating to our clients

Transparency and accountability are key principles at Invesco. We believe in keeping our clients informed about our stewardship and investment activities.

We provide periodic reports that detail our investment decisions, the rationale behind them, and the outcomes of these activities. These reports not only ensure that we meet our stewardship reporting requirements, but also give our clients a clear understanding of how their investments are being managed. These reports can include information on stewardship and voting activities. These include:

Global Investment Stewardship report
This annual global report provides an overview of our stewardship practices globally. It highlights how our approach to stewardship differs across asset classes, details our proxy voting and engagement approach, and provides detailed case studies.

Task Force on Climate related Financial Disclosures report
This annual report is produced in line with the recommendations of the TCFD[1]. It describes the notable progress we have made to enhance our processes for monitoring, evaluating, and managing material climate-related risk and opportunities at the investment level. In 2023, we made several updates to the report to align with industry best practice, as detailed in Principle 5.

Invesco Real Estate (IRE) Global ESG+R Report
This biennial global report presents our real estate business' Global Environmental, Social, Governance and Resilience (ESG+R) approach, integration, and key achievements.

Proxy Voting Reports
In the UK and Europe, Invesco publicly discloses our proxy votes monthly in compliance with the UK Stewardship Code. Additionally, in accordance with the European Shareholder Rights Directive and the European Fund and Asset Management Association Stewardship Code, Invesco publishes an annual report on implementation of our engagement policies, including a general description of voting behavior, an explanation of the most significant votes and the use of proxy voting advisors.

1 This report is published in certain markets, including where it is a regulatory requirement such as in UK and is made available to clients in other markets upon request.

Effectiveness of Our Approach to Clients

At Invesco, we place a high value on understanding our clients' needs and expectations. Our regional Client Research teams play a crucial role in this process. They continuously evaluate our effectiveness in understanding and meeting our clients' needs and we periodically review our methods and look for ways to enhance them. This approach ensures that we stay in tune with our clients' evolving needs and expectations. The goal of our Client Research teams is not just to understand what our clients need or expect from us, but also why they have these needs or expectations. This deeper understanding allows us to deliver relevant and differentiated experiences that truly meet our clients' needs.

In 2021, our Client Research teams developed a 'Voice of Client' programme called 'Invesco Listens' in which we leverage software as a service technology to evaluate the experience prospects/clients have on our digital properties (content, tools and thought leadership) to identify gaps and opportunities for improvement. In 2024, we continued to gather feedback on digital properties, helping inform our digital experience roadmaps. In 2024, in EMEA (UK, Italy, Germany, Austria, and Switzerland), we gathered feedback from approximately 2,508 responses from investors, advisors, and institutional investors, including the launch of the Intelligence Plus survey in the UK.

We also use third-party research sources to monitor and track how we're perceived in the industry as sustainable investing provider by audience (financial advisors, personal investors, and institutional investments) including NMG, RepTrak, Cogent, SS&C and Cerulli.

More broadly, as an investment firm, we recognise that one of the key indicators of alignment with client interests is the flow of assets under management (AUM). At a firm-wide level, we evaluate the effectiveness of our approach to clients through this measure.

Principle 07

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

Stewardship & Investment

Our commitment to stewardship is a key element of our client led approach to managing our client's assets. As investors in global equities, corporate and sovereign fixed income, real assets as well as multi-asset strategies, we recognise the differences between asset classes and geographies. Our investment teams integrate stewardship and investment, including financially material issues, in a variety of ways, depending on the asset class and strategy.

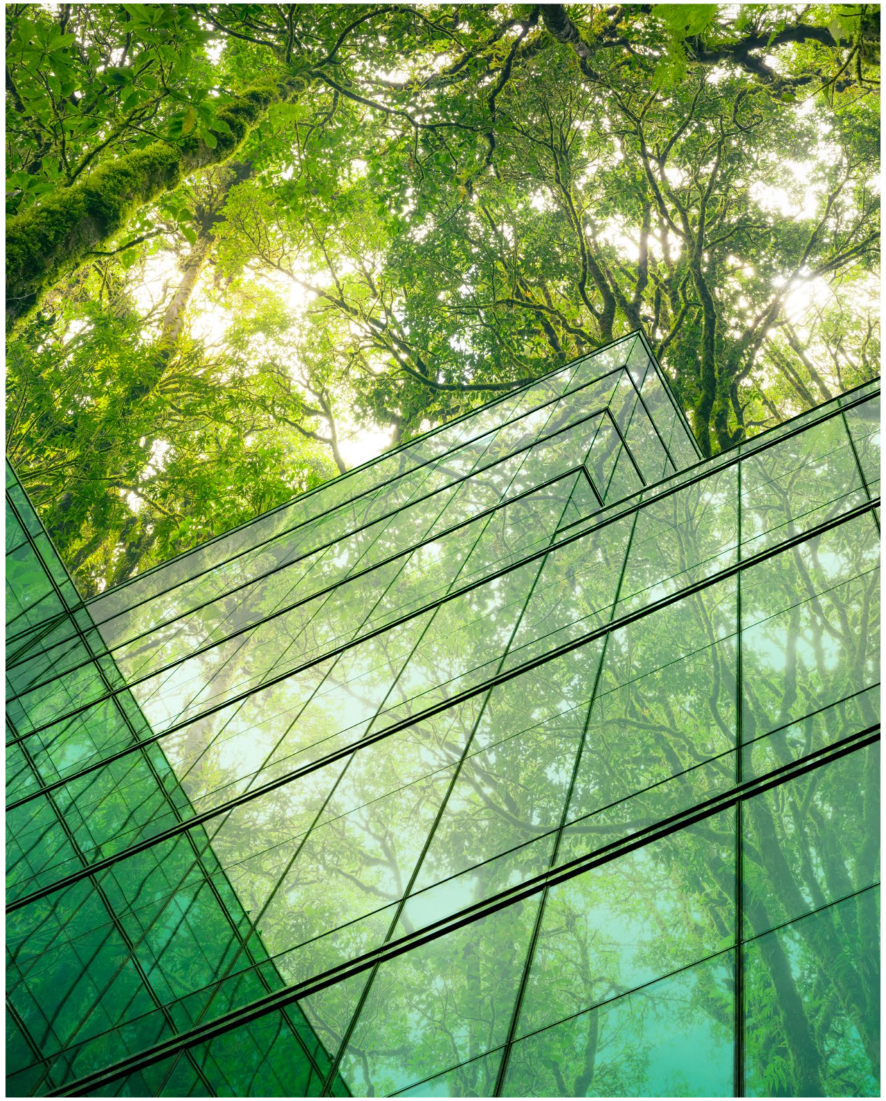
Our philosophy

When managing assets on behalf of UK clients, teams incorporating sustainable factors into their investment process consider these as one input to their process, as part of the investment selection, evaluation of ideas, company dialogue and portfolio monitoring. As such, the assessment of financially material aspects is incorporated into the wider investment process as part of a holistic consideration of the investment risk and opportunity.

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. The starting point for our firm level 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 information, our Sustainable Investing Services team can provide proprietary analysis. Decisions are ultimately made by our investment managers and analysts – the people who know their asset classes and sectors best.

The core aspects of our sustainable investing philosophy include materiality, momentum and engagement.

1. **Materiality:** The concept of financial materiality refers to consideration of sustainability issues on a risk-adjusted basis and in an economic context.
2. **Momentum:** The concept of an issuer's sustainability momentum or improving financially-material ESG factors over time, is particularly interesting in our view.
3. **Engagement:** We exercise our rights and responsibilities as stewards of capital. We engage with issuers in a constructive manner and use our expertise to cast voting decisions in our clients' best interests.



Our Proprietary Tools

At Invesco, we believe having quality data is critical for effective investment analysis to support our stewardship efforts. In 2024 we continued to enhance our ESG data and analytics capabilities by building out and updating our proprietary tools – ESGintel, PROXYintel and ESGCentral. ESG data continues to evolve at a rapid pace, while the industry also faces challenges such as data comparability and coverage.

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

The tool enhances the investment process by:

- Highlighting ESG factors with potential investment implications
- Facilitates monitoring of issuers' risk profiles

ESGintel Corporate Ratings
ESGintel provides users with corporate ESG ratings based on Invesco's internally-developed methodology, ratings trends and momentum information, and access to the underlying company-level data. Sector and sub-sector materiality lenses are applied within the framework, ensuring that companies are evaluated on the most relevant sustainability topics according to their business activities. A variety of underlying indicators feed into the topic-level assessments, providing a holistic view in each of these key areas. Topic-level ratings are aggregated into environmental, social or governance theme ratings and input, operations and output value chain ratings. Value chain rating assessments offer a different perspective on corporate ESG performance, evaluating sustainability factors at various stages of the production process and supply chain. An overall ESG rating is also computed using the topic-level ratings.

ESGintel ratings are provided on a 1-5 scale at the overall, theme, value chain, topic and indicator levels. Computations are based on absolute, sector/sub-sector relative or region-relative performance as appropriate, specified on an indicator-by-indicator basis. ESG corporate ratings are updated weekly to reflect the most current information available. In addition to ratings, company rankings are provided at the sub-industry and country levels. The ESGintel platform has built-in analytical capabilities that enable point-in-time and historical comparisons between companies and user selected peers.

Not all issuers are covered on ESGintel; currently, approximately 15,000 companies meet our minimum coverage criteria for creating an overall ESG rating. Furthermore, the tool leverages a machine-learning algorithm to impute missing datapoints for a company based on data observations at companies with similar characteristics. ESGintel's transparent interface highlights where such approximations are used and enables analyst scrutiny of the underlying inputs.

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

Invesco's proprietary tools have built-in feedback processes to encourage continuous improvement, gathering users' feedback regarding issues, observations and requests on sources, data and methodology. Improving our ESG data and portfolio analysis capabilities is an integral way Invesco can stay abreast of the increasingly complex global sustainable finance regulatory environment.

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

ESGCentral brings in 40+ data sources, including a number of major data providers (such as MSCI, Bloomberg, ISS and Sustainalytics), and integrates them with Invesco's ESG portfolios and benchmarks to provide a holistic portfolio-level analytics capability. The platform's data-fuelled insights highlight opportunities and risks within the portfolios. The tool enables users to screen the portfolios for negative screens, net zero, Article 8, sustainable/responsible investing and other ESG frameworks. Through these capabilities, the platform supports compliance, risk management, reporting, and regulatory initiatives such as SFDR and TCFD. As a result, ESGCentral provides clear differentiation to Invesco's sustainable investing approach.

Case Study

Monitoring a portfolio's ESG characteristics

ESGCentral, Invesco's ESG Portfolio Analytics tool, meticulously monitors portfolio ESG characteristics based on fund mandates. For example, a portfolio's carbon emissions can be tracked quarterly, comparing them to a benchmark. If emissions exceed the benchmark, adjustments are made. ESGCentral monitors the carbon emissions of both the portfolio and the custom benchmark, providing timely notifications to investment teams for swift corrective actions. This ensures the portfolio remains aligned with the client's sustainability goals and broader ESG commitments.

	ESGintel	ESGCentral	Vision	PROXYintel
Description of Tool	A research tool integrating third-party ESG data and Invesco's views on materiality	A cloud-native platform that enables our investment teams to have holistic, customised, portfolio-level analytics capabilities	Cloud-based multi-asset research, analytics and portfolio construction platform helping clients better understand portfolio risks and trade-offs	A proxy voting platform that enables the proxy voting process with respect to securities held in client portfolios for which we have been delegated the authority to vote proxies
Scale of Analysis	Issuer-level data	Portfolio-level, issuer-level data	Portfolio-level, issuer-level, security-level	Issuer-level data
Outputs	• An overall ESG rating out of 5 • E, S and G scores • Peer comparison and historical comparison	• Portfolio-level analytics, monitoring and screening • Support for risk management and regulatory compliance (e.g. SFDR) • ESG reporting	• Financial modeling of assets, liabilities across retail, DB/DC, and insurance channels • Portfolio construction at the fund-level and security-level • Analytics and reporting	• Company filings and reports • Proxy research and vote recommendations • Internal proxy voting guidelines • Vote decisions and rationales • Vote outcomes
Primary Use (by investment teams)	Research a company's ESG profile during the investment process to identify ESG risks	Analyse portfolios to understand opportunities and risks compared to benchmarks using 40+ ESG data sources. Screens portfolios for various ESG Screens like net zero, Article 8, sustainable/responsible investing and various other Frameworks	Screen, constrain, and optimize multi-asset portfolios with in-house capital market assumptions, factor-based & regulatory risk models, and analytics (performance, ESG, fixed-income, equity, market data, etc.) to meet economic, regulatory, and/or cash-flow goals and needs.	Supports the proxy voting decision-making process and those responsible for the administration of proxy voting

Case Study

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

Invesco's Asia & EM Equities team based in Henley has for decades adopted the investment approach of buying companies for significantly less than they are worth. It therefore follows that establishing a view on fair value of a company is essential in making good investment decisions and increasingly, given the strong movement towards sustainability considerations, this entails incorporating an evolving spectrum of material ESG factors into its fundamental analysis of companies. When managing assets on behalf of UK clients, the team employs a holistic approach whereby ESG factors are scrutinised alongside traditional financial and qualitative aspects to form an investment case. During the investment process, the investment team benefits from the tools and insights of the dedicated Sustainable Investing Services team, as illustrated below:

Our Asia & EM Equities team

Incorporating sustainability considerations

Sustainability factors are integrated at many stages of our investment process using the tools and insights from Invesco's Sustainable Investing Services team...

Identify risks and opportunities uses ESGintel

Team research + **proprietary ESGintel** platform

Quantifying valuations uses ESGintel

Quantifying the **materiality of ESG risks** and opportunities on fair value

Engage leverages PROXYintel and Sustainable Investing Services team specialists

Adding value through **active engagement**

Portfolio review leverages outputs from ESGCentral and Sustainable Investing Services team specialists

Sustainable Investing Services team input into the challenge processes

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

Identifying risk and opportunities

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

Quantifying the three components of total return

The investment team evaluates companies based on the total returns they can generate over their three to five-year investment horizon. This is driven by three components of return that can each be influenced by sustainability considerations, namely: expected business growth; expected change in the fair valuation multiple; and expected dividends expressed as a yield. A sustainability-aligned company or underappreciated improver can deliver better business growth and attract a higher valuation than the market is pricing in. Integrating sustainability based considerations at the fundamental level can improve investment decisions.

Engaging with companies

The team believes that buying 'potential for improvement' rather than 'perfection' is compatible with both favourable outcomes and solid investment returns. As such, the team actively engages with company management to help enhance the value of its investments.

Where beneficial, it will involve the Sustainable Investing Service team during company engagements, thus sharing best practices and insights. An in-house proxy voting platform, PROXYintel, helps ensure the team makes use of its voting rights effectively. The UK Investment Advisory Team also provides voting analysis and recommendations on all voting for the team and to all equities portfolios managed in Henley. As part of this analysis, a recommendation may be to engage with the portfolio company on a meeting resolution prior to voting. All voting decisions and rationales are reported on a monthly basis for each equity team managed in Henley.

Portfolio monitoring and review

The challenge culture permeates across all investment decisions made by the team (peer challenge, Chief Investment Officer (CIO) challenge, risk team oversight) and sustainability is no exception. In addition to informal flags, ESG information is formally raised during the team's semi-annual reviews with the Sustainable Investing Services team. The team highlights stocks with poor overall ratings and discusses the underlying issues. Stocks that negatively affect the overall ESG rating of the portfolio warrant greater scrutiny and these companies will form part of the team's ESG focus list' for further engagement.

Finally, the team adopts a pragmatic approach that places the client at the very heart of what it does. This means generating positive financial outcomes by integrating material considerations throughout the investment process as appropriate and working within the risk and parameters set by clients to meet their needs.

Source: Invesco's Henley-based Asia & EM Equities Team manage separate accounts tailored to clients' sustainability preferences and provide Luxembourg domiciled funds in compliance with Article 8 of the SFDR by adhering to a binding exclusionary framework.

Investment team approaches

Equities – Henley Equities

Scope: Equity portfolios managed from Henley, UK on behalf of UK clients.

Three principles underpin the Henley Equities Investment teams' approach to investing: perseverance, inspiration, and progress. Our teams have a commitment to taking risks and believe in being informed by rigorous thought, challenge from our peers and thorough evidence.

When managing assets on behalf of UK clients, we analyse the magnitude of risks impacting a company's financial integrity, brand/reputation, long term profitability, and value creation, including financially material ESG risks. In our fundamental investment research, we analyse how companies address key financially material issues to assess incremental change.

As part of our ongoing portfolio monitoring and risk management, we have access to ESG ratings so we can continuously evaluate changes. Financially material issues are considered alongside other risks and valuation drivers to help identify better-managed companies that are well positioned to succeed in the long term. Our equity investment teams can rely on a mixture of external ESG data and internal proprietary ESG ratings, such as ESGintel. Our view of material aspects per sector underpins this research. This allows our investment managers to understand companies' opportunities and risks from as many angles as possible. We believe our combination of ESG ratings and in-depth research enables our Henley portfolios to deliver a value proposition to clients. The equity investment teams are also supported by the UK Investment Advisory Team (referred to above) on voting analysis and recommendations and company engagement.

Equities – Invesco Japan Equities

Scope: Equity portfolios managed by Invesco Japan on behalf of UK clients.

Invesco Japan takes a high-conviction fundamental active approach from a long-term perspective based on insights of a team of seasoned Japanese equity experts on the ground in Tokyo.

At Invesco Japan, when managing assets on behalf of UK clients, portfolio managers and research analysts directly engage in dialogue with investee companies and determine the materiality of each company, which characterises our stewardship activities.

Invesco Japan has also internally developed a Proxy Voting Guideline to cast and manage proxy votes.[1] These features are aligned with our investment process that portfolio managers and research analysts – who have insights into the investee companies – integrate stewardship activities as part of investment decisions based on the potential for sustainable corporate value growth. We believe this is the best way to gauge both financial and sustainability opportunities and risks and make sensible investment decisions accordingly. We aim to consistently undertake stewardship activities focusing on corporate value growth potentials from long-term investing perspectives to contribute to revitalising the entire investment chain.

Invesco Japan considers a multitude of sustainability materiality factors, challenges, and themes in its investment decision-making process. Engagement is crucial to strengthen conviction in investment decisions from a long-term perspective, contributing to reducing a company's risk premium.

Invesco Japan believes that a companies' ESG strategies and performance affect the sustainability of long-term corporate value growth significantly. In other words, as a long-term investor, we believe that ESG analysis plays a crucial role to strengthen conviction in investment decisions. When making final investment decisions, we place significant emphasis on qualitative analysis, including the assessment of ESG strategies, in addition to fundamental research based primarily on financial information. We conduct ESG analysis based on information obtained through constructive dialogue with companies, as well as other sources, including companies' disclosures, and third-party ESG research. Through this process, we seek to identify the material characteristics of each company. We do not make investment decisions solely based on ESG information but consider it an important factor of corporate value creation.

1 Due to regional or asset-class specific considerations, certain Invesco entities (Invesco Asset Management (Japan) Limited, Invesco Asset Management (India) Pvt. Ltd, Invesco Taiwan Ltd and Invesco Capital Markets, Inc. for Invesco Unit Investment Trusts) may have local proxy voting guidelines or policies and procedures that differ from the Global Policy. In the event that local policies and the Global Policy differ, the local policy will apply.

Equities – Invesco Asia ex-Japan Equities

Scope: Equity portfolios managed by Invesco's Asia ex-Japan team on behalf of UK clients.

When the Invesco Asia Equity Investment team researches and selects stocks in their investment process, the team considers several factors including transparency and communication (corporate access), corporate culture (management style/mentality), strategy (business model, competitive product/service), financial disciplines and capital structure, risk management, governance, ownership, as well as financially material ESG factors.

The investment team believes that sustainability issues can have an impact on sustainable value creation. Companies with improving sustainability factors may present good investment opportunities. When managing assets on behalf of UK clients, sustainability-related investment risk analysis is integrated throughout 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 as well as qualitative factors. An assessment of financially material sustainability-focused factors is required to form the basis of the investment team's analysis and a risk rating (five tiers spanning low risk, low-medium risk, medium risk, medium-high risk, and high risk) is assigned to reflect the investment team's views on sustainability impacts. Fair value will be adjusted to reflect our concerns on material risks and used as guidance for portfolio construction. The starting point for company-level ESG research is our portfolio managers and research analysts, who 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. Our Head of ESG, Asia ex-Japan, may also provide inputs to the research.

The approach focuses on the financially 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.

The Invesco Asia Equity Investment team conducts various periodic meetings. In the weekly regional in-depth stock discussion meetings, detailed research and analysis are summarised and documented in the Stock Research. Stock Research Discussion Notes currently include a sustainability 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 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 and that the fundamentals and ESG factors did not change.

As part of oversight of the sustainability implementation, the Head of ESG, Asia ex-Japan, together with the CIO, Hong Kong & China, the Regional Head of Investments, APAC, and the Asia Pacific Investment Risk Team closely monitor and review portfolio performance and the risk profile periodically to ensure overall quality and integrity.

Fixed Income – Sovereign Debt

Scope: Invesco Fixed Income's (IFI) portfolios managed on behalf of UK clients.

Sustainability-related considerations are highly relevant to the analysis of sovereign debt issuers. Because countries can issue bonds that mature over very long periods (50+ years), their ability to meet their obligations might be altered significantly by action or inaction on these factors.[1]

Governance factors have historically been an important driver of sovereign credit spreads[2] and, as a result, our approach to sovereign ESG analysis places a slightly higher emphasis on this area compared to environmental and social factors. However, we acknowledge that sustainability-focused considerations are inherently interconnected. For example, poor institutional governance factors can hamper a country's ability to address its vulnerability to climate change or to follow through on commitments made under the Paris Agreement. Social factors can equally be driven by or be the driver of how governance factors develop. These dynamics are often not readily apparent in the data itself, but the connections are intuitive to our sovereign macro analysts. Our philosophy, therefore, is to blend data and specialist insight to construct relevant, informed, and timely sustainability-related views on the countries we invest in for our clients.

The objective of our sovereign sustainability analysis is to establish a holistic view of each country's ESG performance by combining historical (structural ESG assessment) and current data (event based ESG assessment) with the insights of our global debt analysts. Our ESG assessments are ultimately qualitative in nature but are also underpinned by quantitative analysis. We believe this approach is necessary to deliver in-depth sustainability-related views that reflect the unique set of issues facing each country.

Within this process, we are guided by the two key concepts behind IFI's sustainable investing philosophy – materiality and momentum. Materiality in the context of sovereign debt means we identify events or macroeconomic developments that may impact the country's position across the ESG pillars and, as a result, require us to change its overall ESG grade. Momentum means we consider whether the underlying dynamics of the issues faced by a country are likely to strengthen or weaken its sustainability standing in the future. This can be based on data extrapolation, macro analyst insight, or often a combination of both.

Using indicators from multiple market and in-house sources, we first build a quantitative scorecard for each country's characteristics across ESG factors. We rank countries from several different perspectives to provide a holistic view for our portfolio management teams. In addition to an overall global ranking, our framework also establishes ESG grades relevant for emerging market or developed market sub-groups, depending on which category the country belongs to, as well as various regional and income-based subsets.

We employ indicators selected by nongovernmental organisations and academic institutions, so they are independent and impartial, which is not always the case with government-supplied figures and assessments.

Structural ESG assessment

- Quantitative scorecard model
- Annual data
- High quality independent data providers
- 140+ countries

Event-based ESG assessment

- Qualitative
- Macro analyst-driven
- High frequency data
- Focus countries

IFI ESG scores and trend

- Macro analyst-adjusted scores and trend
- In-depth commentary

We assess the following measures in each quantitative scorecard:

Environmental

- Emissions per unit of GDP (PPP)
- Total CO_2 emissions
- Tree cover loss
- Water sanitation / waste management
- Air quality
- Renewable energy
- Legislative progress toward net zero

Social

- Life expectancy
- GNI per capita
- Expected years schooling
- Average years schooling
- Gender equality
- Gender development
- Progress toward Sustainability Development Goal commitments

Governance

- Corruption
- Voice and accountability
- Political stability
- Government effectiveness
- Regulatory quality
- Rule of law
- Corporate sector transparency and quality

Official data sources for ESG factors at the sovereign level often report annually and time lags are inherent in the data sets used for our quantitative scorecard process. However, events may occur at any time that could be a catalyst for change across any of the ESG risk factors related to each country. Major catalysts would include an electoral cycle or social unrest, which could bring about changes in the political and institutional landscape and shift the dynamics of a country's governance factors in the process. Our sovereign macro analysts implement a qualitative overlay on the quantitative scorecards to capture material ESG events as they happen. By monitoring real-time ESG events and macroeconomic variables, they seek to ensure that their assessment of each country's ESG status reflects current dynamics. This process produces two key outputs: Analyst-Adjusted ESG Scores and Analyst-Assessed ESG Trends. Qualitative narratives on the rationale for Analyst-Adjusted Scores and Analyst-Assessed Trends help to contextualise the specific impact of risk and opportunity factors on each country's prospects for our portfolio management teams.

1 Sustainability considerations as described may or may not be used in the final investment decision making process for a particular strategy. Unless explicitly disclosed as a binding criteria for the strategy, other factors beyond sustainability considerations may drive the inclusion or exclusion of a particular security from the strategy.
2 Spread is the difference between the yield (return) of two different debt instruments with the same maturity but different credit ratings.

Fixed Income – Corporate Credit

Scope: IFI portfolios managed on behalf of UK clients.

IFI's credit research is a critical component of our efforts to produce strong results for clients. 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.

Alongside their fundamental financial analysis, IFI's credit analysts are tasked with understanding the financially material drivers for the companies they cover and conducting sustainability-based analysis. The starting point for ESG assessment is at the industry level. Context and materiality are critical, and having sector specialist credit analysts means that the team has an awareness of certain ESG factors that are more prevalent in some sectors than others. Our Global Sector analyst teams set out common ESG risk factors for each industry, and individual analysts then 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.

Issuers receive a proprietary overall ESG grade, accompanied by sub-grades covering the three pillars of Environmental, Social and Governance. In addition, sustainability momentum is captured through trend assessments, which add further useful 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 may easily access it. The fixed income team are an active investor in the primary market, reviewing new issue prospectuses as part of our decision-making process.

IFI is committed to continuous innovation and improvement in its ESG corporate research process.

Climate change considerations are increasingly central to the investment objectives of some individual investors and institutional asset owners such as pension funds in the UK. In some cases, asset owners have specific goals around aligning their investments including their corporate credit exposures to supporting the global goal of achieving net zero carbon emissions by 2050. We have implemented assessments of net zero alignment in our corporate bond research process in partnership with Invesco's Sustainable Investment Services team in order to support the management of products and mandates with these objectives. For these clients, the approach follows the guidance of the Net Zero Investment Framework developed by the Institutional Investors Group on Climate Change (IIGCC).

IFI's process to assess the net zero alignment of issuers

For client accounts and portfolios with stated net zero objectives

Net Zero Alignment Spectrum

Not aligned → Committed to aligning → Aligning towards a net zero pathway → Aligned to net zero pathway → Achieving net zero

Key Components Assessed

1. **Net Zero Ambition**
The company has set a long-term goal consistent with achieving net zero emissions by 2050.

2. **Emissions Targets**
The company has explicit short- and medium-term emissions reduction targets covering its scope 1, 2 and material scope 3 emissions.[1]

3. **Emissions Performance**
The company demonstrates that its current emissions intensity performance meets targets that it has set with reference to climate science-based approaches.

4. **Disclosure**
The company discloses its scope 1, 2 and material scope 3 emissions.

5. **Decarbonisation Strategy**
The company has a quantified plan setting out measures deployed to meet its greenhouse gas (GHG) reduction targets, proportion of green revenues and increases in green revenues.

6. **Capital Allocation Alignment**
The company's capital expenditures are clearly consistent with the goal of achieving net zero.

Source: IIGCC. For illustrative purposes only.

1 Scope 1 emissions refer to direct emissions from a company's owned or controlled sources. Scope 2 emission refers to indirect emissions from purchased or acquired energy. Scope 3 emissions refer to all indirect emissions that occur in the value chain of a reporting company.

Direct Real Estate

Scope: Direct real estate portfolios managed by Invesco Real Estate (IRE) on behalf of UK clients.

Real estate investments provide an opportunity to implement sustainability strategies where appropriate that deliver tangible and measurable outcomes, given the nature of the asset class and level of influence in directly managed and owned assets.

At IRE, when managing assets on behalf of UK clients, we believe that a deliberate and disciplined approach to ESG (environmental, social, governance) can successfully balance responsible investment objectives while meeting the needs of clients and fulfilling our fiduciary responsibilities, focused on driving good performance. This philosophy is based on the belief that ESG aims to deliver competitive financial returns and provides opportunities for business growth and innovation.

We work with our partners to promote best practices when it comes to sustainable investing solutions in real estate. This enables us to respond to changing market dynamics for greater levels of engagement and transparency. We incorporate ESG factors to mitigate portfolio risks.

Examples of how IRE considers ESG factors:

- achievement of net zero ready buildings by maximising building energy efficiency with technology, producing on-site energy and promoting clean transportation.
- renovation of buildings, minimising our embodied carbon by sourcing materials locally and reusing existing building structures.
- engagement with our tenants to collaborate on improving well-being and/or environmental performance to reduce costs.
- focusing on amenity and development of communities, creating spaces where people want to live, eat, work and play.

We provide additional data and insight to teams making investment decisions so they are equipped with a broad spectrum of data to understand emerging risks and opportunities for value creation.

Carbon emissions and climate change, the impact of residential and commercial property development, the far-reaching effects of deforestation – all provide opportunities to demonstrate the benefits of identifying and effectively managing financially material ESG risks. Managing the sustainability performance of buildings is imperative with the changing dynamics with how tenants live in and use their real estate assets.

Case Study

Sustainable, affordable housing

In Germany, two newly built residential projects comprising 49 apartments exemplify excellence in sustainability standards through state-of-the-art wooden construction and adherence to the "KfW-40" energy efficiency standard. These developments prioritize environmental sustainability by using renewable materials, revitalizing existing land, and integrating energy optimization systems like photovoltaic roofs and district heating. Social interactions are fostered through affordable housing and innovative communal living arrangements for different age groups, while a new mobility concept reduces car traffic and promotes sustainable transportation. Close collaboration with the municipality of Mannheim and the inclusion of green recreational spaces further enhances the quality of life, making these projects a model for future sustainable communities.

ESG - a framework to drive performance

Environmental

- Manage utilities to **reduce costs**
- **Optimise operations** with cost-effective measures and technology
- Implement sustainability **certifications**

Social

- Local **community engagement**
- **Engage with property managers** on ESG issues
- Focus on **healthy, active and adaptable spaces** for tenants

Governance

- Oversight via **Global IRE ESG Committee**
- Integration of ESG **risk acquisition assessment**
- Regulatory oversight for **reporting and performance requirements**
- **Annual disclosure** (GRESB, PRI)

Invesco Real Estate Securities

Scope: Listed real asset portfolios managed by IRE on behalf of UK clients.

When managing assets on behalf of UK clients, we recognise the fundamental importance of sustainability principles and their potential impact on the performance of the assets clients entrust us to manage.

ESG+R has been Invesco Real Estate's fundamental commitment for many years. As such, recognition of asset quality, sustainable financing, long-term corporate strategy, and wider considerations around the impact the built environment has on society and the natural world are factors that may be considered within IRE's investment process when material.

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 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 sustainability-related issues are considered within the investment discipline is an important measure of risk management.

A desire to maintain portfolios of investments that 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. Sustainability considerations are included 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 may reduce 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.

An overview of the Invesco Listed Real Assets approach

Investment process

- Exclusion screening and proprietary ESG Ratings identifies companies with positive ESG attributes in each sector
- Fundamental screening combines market-strength analysis with ESG-specific factors to determine relative investment attractiveness

Engagement

- Direct engagement offers a platform for long-term strategy and key governance issues discussion
- Core component of research process and company-specific discussions

Proxy voting

Source: Invesco Real Assets.

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Senior Secured Loans

Scope: Senior secured loan portfolios managed on behalf of UK institutional clients.

Invesco manages senior secured bank loans on behalf of UK institutional clients. 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 sustainable investing and have asked for ESG-managed portfolios.

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 and began incorporating this into our credit process in 2018. As a result, our analysts are now responsible for independently rating each loan they cover from a sustainability perspective. They conduct due 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 signifying 'no risk' and 5 signifying 'high risk') on numerous ESG factors.

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 sustainability approach to bank loans has led to many positive outcomes, the most significant being our ability to provide an investment solution that has met institutional clients' objectives. Another major consequence is that we have substantively enhanced our analytical skills regarding 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 informed investment decisions.

Engaging management teams on the importance of sustainability from an investor perspective has been another benefit of our approach.

Invesco Quantitative Strategies

Scope: Multi-factor portfolios managed by Invesco Quantitative Strategies (IQS) on behalf of UK clients.

The IQS team is committed to adding value for UK clients through the systematic application of factor investing. The IQS team believes that certain factors such as Value, Momentum and Quality explain wide parts of both returns and risks in equity markets. A case study example featuring the IQS team is shown on page 36.

The team has been implementing broadly diversified multi-factor strategies over more than 40 years, seeking to capture factor premiums[1] irrespective of the prevailing market environment and timing considerations.

IQS acknowledges that ESG risks and opportunities can be potential drivers of future returns, which might not be apparent in historic data. As part of the investment process, IQS focuses on robust ESG analysis. Financially material aspects are considered and the IQS team has continuously developed and broadened its experience in the implementation of customised ESG criteria based on client mandates, which derive from open conversations with our clients. In addition to the implementation of dedicated responsible investment 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. When managing assets on behalf of UK clients, the team offers a holistic approach, taking financially material ESG factors into consideration systematically at various levels of its portfolio management process.

In terms of ESG metrics that are integrated throughout the investment process, the IQS team applies a constraint on negative ESG exposures (ESG exposure control) for our portfolios relative to the respective markets, so that the portfolio's ESG exposure meets the standard of the benchmark's ESG exposure. This constraint is implemented in the optimisation set-up across the portfolios.

IQS further restricts investment in stocks that suffer sharp downgrades to their ESG scores for a defined period of time (Adverse ESG Momentum stocks) as our research indicates an underperformance of affected stocks after a downgrade.

We have also integrated selected governance measures into our Quality factors. The Quality factors prefer companies with good controls and are not financially constrained. In short, these are well-managed companies on measures that also correlate to good governance. The IQS team has adopted a controversial weapons policy that seeks to limit investments in firms that manufacture land mines and cluster munitions.

IQS uses a ranking framework whereby no companies or sectors are automatically completely 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 then be used to develop a preference approach by either identifying companies that are best in sector or are over a certain threshold score. Furthermore, all portfolios can be managed to achieve an explicit carbon footprint reduction relative to the benchmark or universe. Lastly, the team can establish a minimum of social or green revenues in a portfolio and can also construct United Nations Sustainable Development Goals aligned portfolios.

Within IQS's multi-asset product range, we facilitate the application of sustainability criteria to fixed income instruments using sustainability ratings. To assess an issuer in terms of these criteria, a large number of indicators are used and are combined into an overall rating. For sovereign bonds, 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.

1 Factor premiums are the returns explained by exposure to factors.

Principle 08

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

At Invesco, we believe in leveraging a wide array of resources to enhance our investment capabilities across various asset classes.

Our investment teams utilize both internal resources and external tools to supplement their proprietary research. At the regional, sector, industry, and company levels, our teams may use information from third-party service providers. These external sources provide additional perspectives and insights, complementing our in-house research and helping us make well-informed investment decisions. This combination of internal expertise and external insights allows us to deliver comprehensive investment solutions that meet our clients' diverse needs and objectives.

We utilize a variety of external service providers to supplement our internal research and analysis. These include ESG research providers, proxy advisory firms, and trade associations, among others (Principle 7). These external sources serve as a complementary source of information, providing additional insights that can enhance our understanding of various investment opportunities and risks. This information is integrated into Invesco's proprietary tools, thereby enriching our own research and analysis processes.

By combining these external insights with our in-house expertise, we are able to deliver a more comprehensive and nuanced analysis, which ultimately helps us make better investment decisions on behalf of our clients.

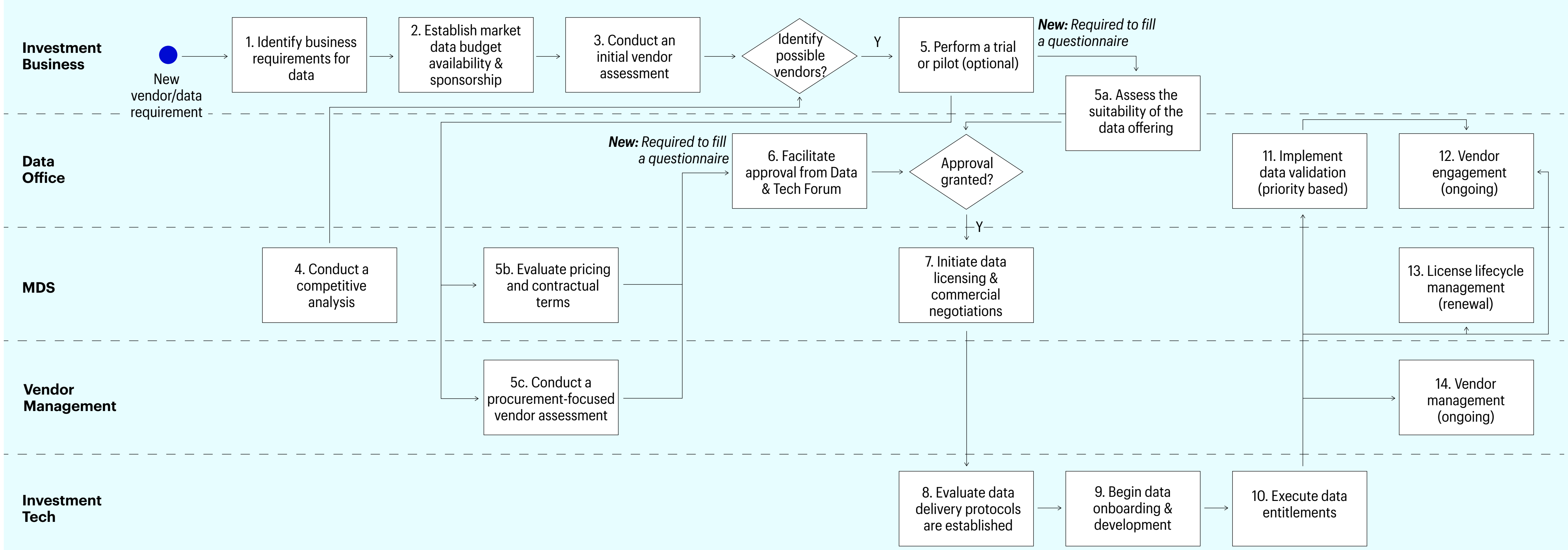
How we onboard external service and data providers

At Invesco, to on-board external service and data providers we generally follow this process:

1. Identify the business need and fill out a new data request template and make the business case.
2. Conduct an initial vendor assessment to ensure that vendor data aligns with Invesco's policies and the business requirements. This includes the option to perform a trial run to see if the data fits the stakeholders needs.
3. Assess the suitability of the data offering along with pricing and contractual terms and confirm the vendor's operations meet Invesco's Vendor Management Policies.
4. The request is then put forward for approval from the Data & Tech Forum. If approved, begin data licensing negotiations – includes evaluation of pricing and contractual terms, confirmation that the vendor has proper data security protocols (data encryption, access controls etc.) in place.
5. Work with Investment Tech and associated data office to begin data on-boarding process, including proper data entitlements, quality checks and development based on priorities and availability of funding and resources.

Operating Model for Onboarding New Vendor/New Data

Formalizing the new vendor/data onboarding process



How the services have been delivered to meet our needs

Through 2024, Invesco has been broadly satisfied with how third-party services have been delivered to meet our and our clients' needs and expectations.

Our exact process for determining effectiveness varied based on the service the third party is providing. For example, our ESG data providers' data is integrated into our proprietary tools, including ESGintel and ESGCentral, and complements our teams' research and analysis processes, as is further explained in Principle 7. From many ESG data providers, we also receive ESG thematic reports, research, ratings, and data, which enhance our research capabilities beyond the issuer level. Users of ESGintel and ESGCentral, including the investment teams and the Sustainable Investing Services team, may discuss feedback on the effectiveness of the service providers integrated into the tools.

Proxy Service Providers

Invesco has retained two independent third-party proxy voting service providers to provide proxy support globally: Institutional Shareholder Services Inc. ("ISS") and Glass Lewis ("GL"). The services may include one or more of the following: providing a comprehensive analysis of each voting item and interpretations of each voting item based on Invesco's internal proxy voting guidelines; and providing assistance with the administration of the proxy process and certain proxy voting-related functions, including, but not limited to, operational, reporting and record keeping services.

While Invesco may take into account the information and recommendations provided by the proxy service providers, including recommendations based upon Invesco's internal proxy voting guidelines and recommendations provided to such proxy service providers, Invesco's investment teams retain full and independent discretion with respect to proxy voting decisions.

We monitor and conduct ongoing due diligence of both proxy service providers through periodic reviews and annual due diligence. Invesco will engage with both proxy service providers if concerns are identified or if our concerns have not been addressed. The Proxy Voting & Governance team will escalate any issues to the Global Invesco Proxy Advisory Committee. Periodic due diligence includes:

- On a monthly basis, Invesco holds meetings with the ISS client success team to ensure that they are meeting our service level expectations. This oversight includes a review of service levels, account maintenance, ongoing projects, regulatory developments or other governance-related developments, among other topics.
- Periodically throughout the year, Invesco holds meetings with the ISS custom research team to review service levels, proxy research and vote recommendations, and other governance related developments. During these meetings we may discuss any vote recommendations that appear to be inconsistent with IVZ's proxy voting guidelines.
- On a quarterly basis, Invesco conducts post-vote analysis on a sub-set of votes cast to confirm that vote recommendations were applied in line with Invesco's custom proxy voting policy and votes were cast in line with account setup instructions.

Annual due diligence:

- Both proxy services providers are required to complete a due diligence questionnaire.
- Invesco conducts in-depth annual due diligence meetings with both proxy service providers. These meetings generally cover material changes in service levels, leadership and control, conflicts of interest, methodologies for formulating vote recommendations, operations, and research personnel, among other topics. Members of the Proxy Voting & Governance team attend these meetings in addition to representatives from Legal, Compliance, Sustainable Investing Services and Procurement.

How we monitor external service and data providers

Invesco monitors external service and data providers to ensure that the services and data provided are of the highest quality. This monitoring process includes regular reviews and audits of the providers to ensure compliance with regulations and standards.

Since 2022, the Data and Technology ESG forum working group (led by an ESG Data Product Owner with the enterprise data team) has enhanced Invesco's ability to monitor service providers and evaluate the quality of services provided.

We have implemented:

Vendor Governance Cadence
Invesco meets with five major data vendors to:

- Procure the latest data dictionaries, methodologies, and sample data for internal alignment.
- Escalate data issues received from the business teams to drive resolutions.

Increasing Automation of Data Controls
We have implemented enhanced automation of data controls in the following ways:

- **Timeliness Checks** – Implemented on all major data vendors
- **Conformity Checks** – Implemented on all major data vendors
- **Completeness Checks** – Implemented for 5 major vendors that are used in portfolio monitoring & compliance checks
- **Accuracy Checks (Proxy)** – Implemented for 5 major vendors that are used in portfolio monitoring & compliance checks

Vendor Governance Cadence

ESG Data & Tech representation	Organisation platforms	Cross-functional groups
• Investment Teams • Investment Compliance • Investment Risk • Regulatory & Legal • Product Team • Global Distribution Services • Sustainable Investing Services Team	• Investment Tech – ESG, Compliance, Risk and Finance • Investment Data Office • Enterprise Market Data Services	**1. ESG Data & Tech Forum** ESG sub-committee reporting to Investment Domain – Decision Making: Provides strategic direction by reviewing business priority recommendations, budget drafts, preliminary budget approval, and acting as direct line of sight to ESG tech & data implementation activities and escalation items – Inform/Update/Awareness: Provide a collaborative forum for the teams to stay informed on key data & tech topics, share updates on progress, provide demos, and gather key topics for future discussions **2. ESG Data & Tech Implementation Group** Responsible for implementing tech/data solutions aligned to priorities. Identifies and escalates key issues to enable timely delivery.

ESG Data Quality Checks

Timeliness

Description:
Check if vendor files were delivered per cadence and updated on ESGCentral tables

Conformity

Description:
Check the data structure of incoming files

Completeness

Description:
Ensure factor and issuer coverage is inline with contractual expectations

Accuracy

Description:
Ensure factor values for Critical Data Elements are within a reasonable variance from previous month values

Actions we take when our expectations are not met

Where gaps have been identified or our expectations are not met, we try to resolve the issue. This may include our Sustainable Investing Services team providing additional support.

Our Sustainable Investing Services team will engage with our ESG service providers to facilitate our increasing sustainable investing capabilities and meet our clients' needs. Invesco recognises that ESG research and data are evolving at a rapid pace. We explore new data sets and approaches that can provide enhanced insights into sustainability themes. Other ways we assess our effectiveness of serving the best interests of clients are discussed in Principle 1 and Principle 6.

Our ESG Data Governance Model

Leveraging the expertise within our Investments Data Office, the ESG Data Governance model is spearheaded by a dedicated ESG Data Product Owner (reporting directly into our Investments Data Officer), who is responsible for:

The ESG Data Product Owner is supported by a team of 'hands-on-keys' Data Stewards, who are responsible for ensuring (and subsequently resolving any arising issues) data and process quality of ESG data loaded into Invesco's strategic centralised ESG data platform.

In addition, we have established a Data and Technology ESG forum responsible for supporting and overseeing strategic roadmap development and execution, along with acting as a forum to manage key data issues and escalations from our ESG data consumers.

Principle 09

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

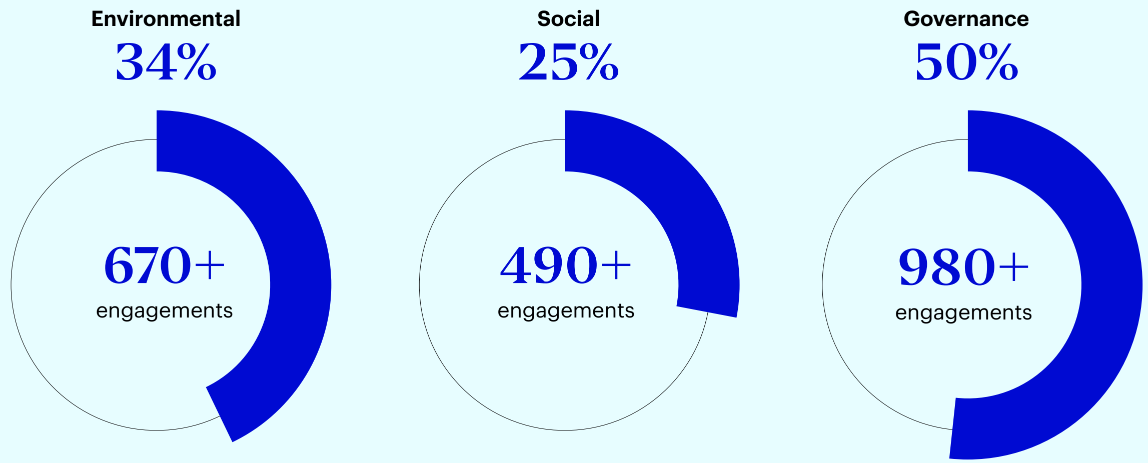
Engagements

Dialogue is core to the investment process. As good stewards, Invesco considers engagement with issuers as a powerful and effective tool to promote long-term sustainable value creation, for the benefit of our clients.

We believe in the power of engagement. We engage with issuers to promote long-term sustainable value creation. This approach not only benefits our clients but also contributes to a healthier financial market. We are committed to being good stewards, and dialogue is indeed a core part of our investment process.

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

% of Invesco's engagements covering sustainability-focused themes[1]



In 2024, Invesco conducted more than

1,990

engagements covering sustainability-focused themes firm-wide[2]

1 Percentages don't add up to 100% because Invesco may engage with an issuer multiple times on ESG themes and conversations often cover more than one theme. Figures are rounded. These percentages were calculated through documentation by investment teams and/or the Sustainable Investing Services team.

2 The Sustainable Investing Services team uses both their own and investment team documentation to calculate this figure on an annual basis.

Our Engagement Process

Invesco's approach to engagement is investment team-led and investment teams may partner with the UK Investment Advisory team and the Sustainable Investing Services team on dialogue with issuers. The engagement case studies included in this report demonstrate how our engagement approach varies according to geography and asset class, and by investment team. These examples can be found in Principles 7, 9, 10, and 11.

We believe that effective stewardship goes beyond managing assets. It involves a commitment to long-term, sustainable value creation for clients and beneficiaries. We also believe that engagement is the most effective mechanism to drive responsible investment and strong investment stewardship.

Engagement is an integral part of our investment process. As part of our diligence process, prior to making an investment, and when we have made an investment, ongoing engagement with our investee companies and its advisors is one of the foundations of our approach to investing in and monitoring companies on behalf of our clients and beneficiaries. Continuous engagement with investee companies enables the fund manager to better understand the operations of the company and its management. Fund managers engage, not just to discuss pre-determined topics but also to gain better insight into the company and further their existing knowledge on that company. We monitor and engage with companies on a variety of matters, including but not limited to, business strategy, capital allocation, material environmental, social and governance ("ESG") factors, and other relevant financial and non-financial performance risk topics and issues. These factors will influence and may form the basis of the appropriate form of engagement that our investment teams may decide to undertake.

Our approach to engagement is therefore investor led. Our investment teams will determine when active engagement with investee companies is warranted based on many factors, including but not limited to, the fund's investment objectives, client objectives and mandate, asset class, investment style, and position size. Further, engagement can be a powerful took to ensure that the investee company provides sufficient transparency required by the portfolio manager to manage the investment. Engagement can also be used to understand the company's execution of its business strategy and standards of governance.

Investment teams may choose to engage investee companies in constructive dialogue on any matters that the investment team determines to be important to its investment strategy or has committed to address at the direction of the client. Investment teams will prioritise engagement on topics that they believe will have an impact on the performance of the company and its value creation. These engagements may also be joint efforts between our global investment professionals, including support from our UK Investment Advisory team and Sustainable Investing Services team. Engagement is normally an on-going process rather than being done on a "one off" basis. Engagement may be undertaken over many years and is an important tool that enables relationships to be built between the portfolio manager, the company and its management. An over-arching principle of engagement for portfolio managers is to focus on engaging on matters that are meaningful to both the company and the portfolio manager. What constitutes "meaningful engagement" will differ between portfolio managers and between companies that they invest in. It will depend on the objectives of the portfolio manager, the product that holds the asset and the company it is engaging with. Whilst some portfolio managers may identify themes or issues that are relevant to many of the companies that they invest in, most engagements activities are portfolio manager led and focus on specific risks or opportunities relevant to an individual issuer or asset.

Case Study

Company A

UK Multinational Oil & Gas Company

Issues Addressed
Biodiversity impact / environmental sustainability

Method of Engagement
Video Call

Issue
Company A underwent senior management turnover with a new CEO stepping in early 2023. There were concerns about the new leadership's intentions to scale back on its renewable business.

Action
Invesco UK engaged with Company A to discuss its climate change and biodiversity strategies, the sale of Nigeria onshore assets, and the reasons for adjusting its carbon intensity reduction target. The company cited slower electrification progress and highlighted the addition of a Scope 3 target due to investor feedback, as well as an increase in biodiversity action plans from 4 in 2022 to 28, with expectations to reach around 40 by year-end.

During the engagement, when asked about the divestment of its onshore assets in Nigeria and the handling of environmental remediation, the company acknowledged potential delays due to regulatory actions. They highlighted progress in three areas: funding the clean-up based on the 2011 UNEP report, with oversight by a third-party board; aligning action on 2008 operational spills with the divestment timeline, including soil replacement and mangrove restoration; and addressing the backlog of clean-ups from illegal pipeline tapping, which is now under control. The share deal allows continued progress on these environmental efforts.

Outcome
Through the call, Invesco UK gained a deeper understanding of the company's changes in climate targets, the progress on the Nigeria asset sale, and the handling of environmental remediation and spill clean-up. The company also provided additional information on the progress of biodiversity action plans.

Next steps
In 2025, Invesco plans to engage with the company on the progress of its biodiversity action plans. They will also monitor the company's Net-Zero commitment and investments in lower carbon energy solutions and efficiencies.

Source: Invesco. For illustrative purposes only.

Case Study

Company B

European materials company

Issues Addressed
Health & Safety

Method of Engagement
Video Call

Issue
This large cement and mining business faced ongoing safety issues, including a recent fire in Kazakhstan that resulted in fatalities.

Action
Invesco UK engaged with the company in November 2023 regarding health and safety concerns following fire that resulted in fatalities. Despite applying the same safety standards globally and investing in training and equipment upgrades, the company acknowledged that it was not feasible to bring the Kazakhstan assets up to the safety levels of their best-performing assets, such as those in Brazil, due to the unique challenges of operating former Soviet underground mines.

Following engagement in November 2023, engagement continued in February 2024 to discuss governance and proxy matters. The company advised that the risk profile of Health & Safety issues had structurally decreased.

Outcome
The company reported zero employee fatalities in 2024 and a fatality frequency rate lower than the World Steel Association average, attributing this to better safety practices in North America, Europe, and Brazil. They believe exiting Kazakhstan will improve their portfolio's risk profile and have appointed a third-party auditor to review and publicly report on their safety practices and policies.

Next steps
Invesco will continue monitoring the company's overall performance in 2025 and seek engagement opportunities.

Source: Invesco. For illustrative purposes only.

Case Study

Company C

UK Metals & Mining Company

Issues Addressed
Climate Change and Low Carbon Transition

Method of Engagement
Video Call

Issue
Concerns related to Company C's coal business, carbon emissions, and alignment with climate targets due to the significant environmental impact of coal mining and its role in global energy markets.

Action
Engagement comprised of a collaboration between the Sustainable Investments team and the UK Equity Investments team, looking to gain transparency on the company's consideration of materiality, and sustainable resource management for UK clients. Long-term engagement began in 2022, where Invesco voted in favour of the management on the company's 2024-26 Climate Action Transition Plan at the 2024 AGM, recognizing its insight into their transition strategy. However, concerns about activities related to coal persists, and ongoing engagements aim to ensure separate revenue reporting for thermal and other types of coal and monitor progress towards their climate targets. Feedback was provided on the climate strategy and reporting practices and thermal coal restrictions affecting some of our funds were discussed. Company C's new management has shown greater transparency, but we will continue to monitor operations to ensure improvements continue.

Outcome
Company C has enhanced its climate change commitments and transparency. They aim to reduce emissions by 15% by 2026 and achieve Net-Zero by 2050 and have engaged with ESG rating agencies for better data transparency. However, the potential demerger of the coal business is uncertain, and recent coal business expansions may require target revisions.

Next steps
Invesco will continue to monitor progress, particularly regarding the potential demerger and its impact on climate targets.

Source: Invesco. For illustrative purposes only.

Principle 10

Signatories participate in collaborative engagement to influence issuers where necessary.

Collaborative engagement example

In 2024, Invesco's Henley UK Equities team and Sustainable Investing Services analysts participated in an engagement facilitated by the Investor Forum in the UK.

Please refer to the following case study.

Case Study

Company D

UK investment services company

Issues Addressed
Share value, board independence and capital returns strategy

Method of Engagement
Letters

Issue

In late 2024, significant concerns were raised by eight institutional shareholders, including Invesco, regarding Company D's valuation assumptions, strategic direction, and board decision-making process relating to an offer to acquire the companies' shares. UK shareholders sought insights into the company's future strategic plans, capital expenditure needs, and leadership alignment, as well as an explanation of why these strategies could not be executed in the public markets if they would create value.

Action

In response to these concerns, the Investor Forum initiated collective engagement with the board through several actions. A detailed letter was sent to the Chair of the company, outlining the concerns of the institutional shareholders. The letter emphasized the need for the board to disclose the basis for their recommendation and provide an independent adviser's valuation assumptions. It also sought further insight into future strategic plans, capital expenditure needs, and leadership alignment for a private business scenario. Additionally, the letter requested evidence of a comprehensive review of all business options and an explanation of why a strategic buyer may not be willing to pay more than a financial sponsor.

The Investor Forum emphasized its intention to support the board in its negotiations by providing objective evidence of shareholder concerns. It also offered to discuss the issues raised by investors in more detail to ensure a thorough understanding of the concerns.

Outcome

The process of collective engagement was aimed at notifying the company that shareholders had concerns regarding the information provided around the bid and that increased transparency and disclosure from the board was required.

Next steps

No further steps following the approved takeover.

Source: Invesco. For illustrative purposes only.

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Principle 11

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

Case Study

Company E

UK Metals and mining company

Climate change and low carbon transition

Method of Engagement
Video Call

Issue
Company E's significant environmental impact through its coal business and carbon emissions raised concerns about its alignment with climate targets. The materiality of these issues stems from the environmental impact of coal mining and the Company's role in global energy markets. Transparency, materiality, and sustainable resource management were key focus areas.

Action
The engagement, a collaboration between the Sustainable Investing Services and the Henley Equity Investment teams, began in 2022. At the 2024 AGM, we voted "FOR" the Company's Climate Action Transition Plan, recognizing its strategic direction. Post-AGM, the Company was engaged twice to ensure separate revenue reporting for thermal and other types of coal and to monitor progress towards climate targets, including an emissions reduction by 2026 and Net-Zero by 2050. Feedback was provided on climate strategy and reporting practices and a review of investor presentation on coal business demerger considerations.

Outcome
Company E committed to more transparent reporting and ambitious climate targets. They engaged with ESG rating agencies to improve data transparency. However, the potential demerger of the coal business remains uncertain.

Next steps
Company E's progress will continue to be monitored, particularly regarding the potential demerger and its impact on climate targets, ensuring alignment with long-term ESG goals and reducing operational risks.

Source: Invesco. For illustrative purposes only.

Case Study

Company F

UK Industrials company

Environment - Climate Change and Remuneration

Method of Engagement
Video Call

Issue
Company F's climate strategy, Net-Zero targets, and the impact of business growth on these targets.

Action
Company F disclosed Scope 3 GHG emissions in their 2023 sustainability report, with 50% from 'Downstream leased assets'. This led to engagement by the Sustainable Investing Services and Henley Equity Investment teams. It was acknowledged that absolute Scope 1 and 2 emissions had increased but a decrease in emissions intensity. Although a Net Zero target was mentioned, no timeline was provided, and the targets were not aligned with SBTi standards. These points were flagged to Company F. The company cited growth and reliance on diesel trucks as challenges for short-term targets. They earmarked a large portion of CAPEX for replacing old assets with less polluting ones and considered greener solutions when possible.

Outcome
Following engagement Company F committed to achieving Net Zero by 2050 and set a target to reduce Scope 1 and 2 GHG emissions by 50% by 2034, using 2024 as the base year. They also committed to expanding their use of electric vehicles and hybrid solutions. From an investment perspective, the outlook on the company remains unchanged, and they continue to be held in portfolios.

Next steps
Company F's progress towards their Net Zero commitment and implementation of greener solutions will continue to be monitored. Ongoing engagement will focus on ensuring alignment with SBTi standards and further incentivizing ESG performance through their remuneration program.

Source: Invesco. For illustrative purposes only.

Principle 12

Signatories actively exercise their rights and responsibilities.

Our approach to proxy voting

At Invesco, we seek to make voting decisions we believe best serve the interests of our clients and their investment objectives by supporting good corporate governance practices that promote long-term value creation at the portfolio companies in which they invest.

Invesco has established a Policy Statement on Global Corporate Governance and Proxy Voting, which describes policies and procedures reasonably designed to ensure proxy voting matters are conducted in the best interests of our clients. The Global Proxy Voting Policy annual review process takes into account views from investment teams and various departments within Invesco, considers clients' best interests, regulatory requirements, local market standards and best practices (see Principle 8 for more detail on our robust policy review process).

Our Global Proxy Voting Policy and our internal proxy voting guidelines are both principles and rules-based and cover topics that typically appear on voting ballots. To the extent our Policy and internal guidelines do not cover a voting item, voting decisions are driven by a combination of our good governance principles and case-by-case analysis conducted by our investment teams who take into consideration the information and recommendations provided by the portfolio company, and may also consider research and recommendations provided by Proxy Service Providers. Our investment teams retain full and independent discretion on voting decisions and instruct votes in a manner they believe best serves the interests of their clients and investment objectives, absent conflicts of interest (see Principle 3 for more detail on our approach to managing conflicts of interest in the proxy voting process). We understand that managing risks and opportunities at each portfolio company is not a 'one size fits all' exercise and that not every issue is material to every company. We believe that our investment teams should have flexibility to make independent voting decisions. As a result, there may be instances where investment teams reach different positions on voting issues.

As discussed in Principle 8, we leverage the services of proxy service providers to provide proxy research and recommendations on proxies, and to assist with the administration and operational processing of proxy votes and certain related functions, including, but not limited to, vote reporting and record keeping services. Acting as our proxy voting agent, Institutional Shareholder Services monitors securities held in our accounts for which we have an obligation to vote, provides information on shareholder meetings including proxy materials and receives electronic ballots on votable positions for each shareholder meeting. Our investment teams access proxy materials, proxy research and vote recommendations, and execute voting decisions using Invesco's proprietary proxy voting platform.

Invesco aims to vote all proxies where we have been granted proxy voting authority. In 2024, Invesco voted at 12,935 shareholder meetings, which represents 98.85% of votable meetings. In certain circumstances portfolio managers may choose not to submit a proxy vote where temporary trading restrictions known as shareblocking were in place, or where voting restrictions or other market or operational limitations existed. These matters are left to the discretion of the relevant portfolio manager. During the reporting period, we supported management on approximately 93% of proposals voted.

2024 Overview

12,935
meetings voted

9,445
companies voted

70
markets voted

123,264
proposals voted

148,273
ballots voted

98.85%
of meetings voted

Source: Invesco ProxyIntel. Reflects the aggregated voting record for reporting period 1 January 2024 through 31 December 2024.

Oversight and Governance

Oversight of the proxy voting process is provided by the Proxy Voting and Governance team and the Global Invesco Proxy Advisory Committee ("Global IPAC").

Guided by our philosophy that investment teams should manage proxy voting, Invesco's Global IPAC is an investments-driven committee comprising representatives from various investment management teams globally. The Director of Proxy Voting and Governance chairs the committee and representatives from Invesco's Legal, Compliance, Risk, Sustainable Investing Services team and Government Affairs departments may also participate in Global IPAC meetings. It is the responsibility of the Global IPAC to review the Global Proxy Voting Policy and the internal proxy voting guidelines annually to consider whether any changes are warranted. The Global IPAC provides a forum for investment teams to monitor, to understand and discuss key proxy issues and voting trends within the Invesco complex, to assist Invesco in meeting regulatory obligations, review votes not aligned with our good governance principles and to consider conflicts of interest in the proxy voting process.

At Invesco, the proxy voting process is supported by dedicated resources including the Proxy Voting and Governance team, a technology team, and the UK Investment Advisory team, among others. For more details on how our governance structure and resourcing supports our stewardship activities, please refer to Principle 2.

Invesco's Proxy Voting and Governance team monitor whether we have received proxy ballots for shareholder meetings in which we are entitled to vote. This involves coordination among various parties in the proxy voting ecosystem, including, but not limited to, our proxy voting agent, custodians and ballot distributors. We may choose to escalate a matter in accordance with our internal procedures to facilitate our ability to exercise our right to vote. Invesco's proprietary voting platform streamlines the proxy voting process by providing our investment teams with direct access to proxy meeting materials, including ballots, Invesco's internal proxy voting guidelines and recommendations, as well as proxy research and vote recommendations issued by Proxy Service Providers.

For Invesco UK, the proxy voting decision-making process is supported by the UK Investment Advisory team. This team evaluates proxy ballot items presented to shareholders, frames the analysis for proxy proposals to provide the basis for decision-making to investment teams, and casts votes in accordance with the instructions of the relevant investment team using Invesco's proprietary proxy voting platform. The UK Investment Advisory team provides monthly vote reporting including voting trends to investment teams and may attend engagements with investee companies on corporate governance topics and other matters. Investment teams retain the flexibility to vote proxies independently of, or consistent with, the Global Proxy Voting Policy and UK Investment Advisory team's recommendation. There may also be instances where different investment teams reach different positions on voting issues.

Managing stock lending / recalls for voting

In 2024, the Invesco UK Fundamental Equity investment teams recalled securities that were out on loan for the purpose of voting.

Monitoring and use of proxy advisory firms

As discussed in Principles 2 and 8, Invesco may supplement its comprehensive proprietary research with information from independent third parties, including proxy advisory firms, to assist us in assessing the practices of portfolio companies. Globally, Invesco leverages research from ISS and Glass Lewis. Invesco's investment teams retain full and independent discretion with respect to proxy voting decisions. Invesco performs extensive initial and ongoing due diligence on the proxy advisory firms we engage globally. Data provided by proxy advisory firms and research providers serves as one of many inputs into our research and voting process.

For more information on Invesco's ongoing proxy advisory firm due diligence, please see Principle 8.

Disclosure and reporting

Invesco's historical proxy voting records are maintained for at least seven years and we make proxy voting records publicly available in compliance with regulatory requirements and industry best practices in various regions. For example, rationales for votes considered significant by Invesco UK as part of the EU Shareholder Rights Directive, are disclosed on our corporate website. We disclose portfolio-specific proxy votes and rationales to clients upon request. Included throughout this report are examples of our stewardship activities including engagement.

Our voting record is publicly available at: https://www.invesco.com/corporate/en/our-capabilities/investment-stewardship.html

Voting decisions and rationale

Provided below are some examples of voting decisions and their outcomes during the 2024 proxy season.

Our methodology for selection of our votes and their outcomes vary and may consider the following factors, among others: aggregate size of holdings in the company, significance of the voting issue, where we engaged with the company on the governance issue, or impact on shareholder value. For more details including an explanation of the most significant votes pursuant to the European Shareholder Rights Directive II 2017/828 (SRD II) and the UK Financial Conduct Authority's Conduct of Business Sourcebook (UK COBS), please visit our website.

Sector: Industrials

Country: United Kingdom

Topic: Compensation

Proposal: Approve Remuneration Report

In May 2024, Invesco opposed the remuneration report due to problematic pay practices, notably the lack of clear links between variable awards and company performance.

The proposal passed but faced around 43% dissent.

Sector: Financials

Country: United States

Topic: Climate

Proposal: Audit on Climate Transition Policies

In April 2024, Invesco did not support a shareholder proposal requesting an audit report on the company's climate transition policies, citing a lack of compelling rationale and the company's existing measures.

The proposal failed and received 96% dissent.

Sector: Brewers

Country: Denmark

Topic: Director Related

Proposal: Elect Director

In April 2024, Invesco deviated from its voting policy regarding a director with excessive mandates. After evaluating the director's performance and attendance level, Invesco recognized that nothing suggested that the nominee's additional mandates were adversely impacting their duties and supported the director nominee.

The proposal passed but faced around 7% dissent.

Top governance concerns for which Invesco did not support management

Director related: Insufficient independence, classified board structure not being phased-out, excessive board mandates

Compensation: Problematic pay practices, inadequate risk mitigating features, less than half of variable pay is linked to performance targets

Capitalization: Excessive dilution, shares are issued at a substantial discount to the market price, shares may be used as a takeover defense

Invesco, Institutional Shareholder Services (ISS). Reflecting data from 1 January 2024 through 31 December 2024.

2024 Global Voting Statistics

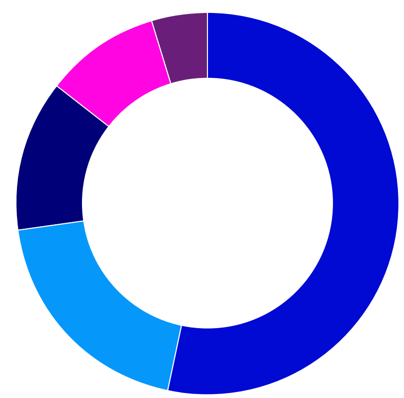
Total meetings voted by key market and region

Key market and region	Companies voted	Meetings voted	Proposals voted	# of meetings with at least one vote against management
APAC (ex. Japan)	2,413	4,915	34,330	2,400
Japan	1,125	1,150	12,620	742
EMEA (ex. UK)	1,601	2,045	29,952	1,181
UK	375	458	7,318	149
Americas (ex. US)	845	1,147	11,237	619
U.S.	3,086	3,220	27,807	1,809
Global total	9,445	12,935	123,264	6,900

How we voted in 2024 (%)

Percentage of votes submitted with management[1]	93.18
Percentage of votes submitted against management[2]	6.82

Votes against management (%)[3]



Director Elected and Board Related	53.52%
Compensation	19.5%
Shareholder Proposals	12.55%
Routine Business and Other Items[4]	9.81%
Capitalization	4.63%

Source: Invesco Proxyintel. Reflects the aggregated voting record for reporting period 1 January 2024 through 31 December 2024. 1 Percentage of votes submitted in favour of management. 2 Percentage of votes submitted against management. 3 Reflects percentage breakdown of votes where we did not support management by issue. 4 "Other" proposals include the following management proposals in the following categories: Audit Related Company Articles, Corporate Governance, Environmental, Miscellaneous, Mutual Funds, Non-Routine Business, Routine Business, Social, and Takeover Related.

Fixed income

Our approach to seeking amendments to terms and conditions in indentures or contracts.

Scope: Invesco Fixed Income (UK)

As fixed income investors we perform an important role as we engage with issuers to achieve positive outcomes for our clients. Given the frequent need for issuers to access fixed income markets, we have multiple opportunities to engage meaningfully with companies both as new bonds are being marketed, throughout holding periods and also during refinancing processes. In addition we actively participate in credit committees as part of the debt restructuring process.

We are proactive fixed income owners which means that we want to engage with issuers whenever possible. In primary markets, our engagement is usually influenced by a management team's roadshow process. Sometimes we are part of a tightly regulated process that enables early feedback for issuers looking to raise money in the market. For example, where there is opportunity, we may seek amendments to financial instrument terms for different security types or comment on preferred maturity, currency, covenants. as well as giving guidance on our thoughts around appropriate pricing levels.

For sustainably labelled securities, management teams may seek our input on structuring Green Bonds or Sustainability Linked Bonds (SLBs). This can range from identifying suitable projects for a green bond, to determining key performance indicators appropriate for an SLB. For example, we may discuss alignment of bonds with the United Nations Sustainable Development Goals, which can enhance their attractiveness for certain mandates.

Invesco

Find out more

To find out more about Invesco's approach to investment stewardship, please visit: inveso.com/corporate/our-capabilities/investment stewardship

Important information

Views and opinions are based on current market conditions and are subject to change. All information as at 31 December 2024 sourced from Invesco unless otherwise stated.

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