

# INVESCO ESGintel: OUR PROPRIETARY ESG RATING

## OUR ESG PHILOSOPHY

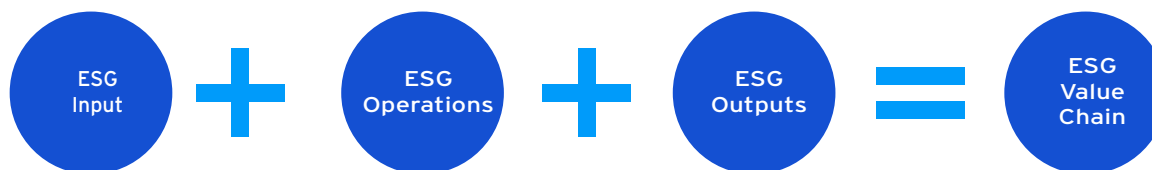
At Invesco, our commitment to environmental, social and governance (ESG) investing is an element of our ambition to be the most client-centric asset manager.

ESG investing is a key part of the solution to a sustainable future. We view ESG as driving a holistic perspective on the investment industry's role in creating value. Our commitment goes far beyond delivering elements of ESG at a functional level, it goes to the heart of being a trusted partner.

We value diversity of thought so our ESG implementation is not generic. Our Global ESG team functions as a center of excellence, setting standards and providing specialist insights on research, engagement, voting, integration, tools, client and product solutions. Invesco's Chief Investment Officers and teams leverage this resource to tailor and implement ESG approaches relevant to asset classes and investment styles.

We have a recognized ESG track record. For the last four consecutive years, we have achieved an A+ rating from the Principles for Responsible Investment for our strategy and governance. We currently manage tens of billions dollars in dedicated sustainable investing strategies and a significant portion of our clients have chosen to engage Invesco, in part, due to our wider consideration of ESG as part of our investment process.

## INVESCO ESGintel



For illustrative purposes only.

Invesco ESGintel is a proprietary tool built by our Global ESG research team in collaboration with our Technology Strategy Innovation and Planning (SIP) team providing environmental, social and governance (ESG) insights, metrics, data points and direction of change. ESGintel provides users with an internal rating, a rating trend, and a rank in sector using the GICS sectors. The approach takes a sector materiality focus to select indicators to ensure a targeted focus on the issues that matter most for sustainable value creation and risk management. This provides a holistic view on how a company's value chain is impacted in different ways by various ESG topics as listed on the next page which each individually have around 3-4 supporting data points.

**The article is intended only for Professional Clients, Qualified Clients/ Sophisticated investors and Qualified Investors (as defined in the important information at the end); for Institutional Investors in Australia and the United States; in New Zealand for wholesale investors (as defined in the Financial Markets Conduct Act); for Professional Investors in Hong Kong; for Qualified Institutional Investors in Japan; for Institutional/Accredited Investors in Singapore; for Qualified Institutions/ Sophisticated Investors in Taiwan. The document is intended only for accredited investors as defined under National Instrument 45-106 in Canada. It is not intended for and should not be distributed to, or relied upon, by the public or retail investors.**



For illustrative purposes only.

## THE ESGintel METHODOLOGY

Invesco ESGintel has been built in several steps.

As an initial step, the team identified financially material ESG topic areas for each sector. This work was done by reviewing existing standards and frameworks surveys and input by analysts and fund managers, insights from specialist financial market participants in addition to the expertise of the Invesco ESG research team.

Following identification of these material ESG topics, the team next sought to identify data and representative indicators for each. Multiple data observations are provided from various sources and will continue to evolve over time to maintain relevance and accuracy. For instance:

- A number of the governance topics are fed by data from the Institutional Shareholder Services (ISS) governance data desk;
- The topic of 'Low carbon transition' combines information from the Science Based Targets database, the CDP disclosure grade, the Transition Pathway Initiative management quality score as well as carbon emissions data from ISS;
- Indicators from Bloomberg ESG have been carefully selected and combined to build a view on a number of topics across the value chain;
- The 'Business Ethics' topic includes an indicator that combines information with on a company's revenue split per per country with insights from Transparency International's corruption perception index;
- Sustainalytics' controversy analysis is used within several topics to get insight into how a company is responding to negative events.

These data points are then classified by sector or regional relative performance at the indicator level. In addition, machine learning algorithms and extrapolations are used to ensure broad coverage, in the absence of coverage data, using a process by which statistical proxies are created in place of missing data and an estimated ESG score is assigned to an indicator.

Ratings on a scale of 1-5 are calculated at the overall company, topic and indicator levels to facilitate a focus on higher risk company-specific issues. In addition to the individual rating the momentum (trend) highlights changes to the rating over time.

Invesco ESGintel is housed in a proprietary Invesco ESGintel platform which is available to all Invesco employees.

### Testimony from Stephanie Butcher, Chief Investment Officer, Henley-on-Thames, UK

"ESGintel provides a way for us to have a proprietary view on ESG risks and opportunities related to our investment companies. The tool is based on our universe of holdings thereby providing high coverage, while giving flexibility to augment the overall view of company ESG performance with our own insights and engagement with companies. Combining our own analysis with different external sources, provides richer insights than simply taking the view of a single external provider."

## Authors and key contributors to ESGintel:

---

### Global ESG Team

**Cathrine de Coninck-Lopez**  
Global Head of ESG

**Shane Keenaghan**  
Senior ESG Analyst

**Nikki Gwilliam Beeharee**  
Director of ESG Research

**Jonny Salvage**  
Junior ESG Analyst

**Mariela Vargova**  
Senior ESG Analyst

---

### Technology Strategy Innovation and Planning Team

**David Reed**  
Technology Strategy Innovation  
and Planning Director

**George Pearse**  
Technology Strategy Innovation  
and Planning Technology Consultant

**Zak Derbazi**  
Technology Strategy Innovation  
and Planning Senior Data Scientist

**William Buckley**  
Technology Strategy Innovation  
and Planning Technology Consultant

**Simon Ware**  
Technology Strategy Innovation  
and Planning Senior Product Owner

TO LEARN MORE ABOUT INVESCO'S COMMITMENT TO ESG VISIT  
<https://www.invesco.com/corporate/about-us/esg>

## INVESTMENT RISKS

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. The use of environmental and social factors to exclude certain investments for non-financial reasons may limit market opportunities. Further, information used to evaluate environmental and social factors may not be readily available, complete or accurate, which could negatively impact the ability to apply environmental and social standards.

## IMPORTANT INFORMATION

By accepting this document, you consent to communicate with us in English, unless you inform us otherwise. This article is intended only for Professional Clients and Financial Advisers in Continental Europe (as defined below); for Qualified Investors in Switzerland; for Qualified Clients/Sophisticated Investors in Israel, for Professional Clients in Dubai, Ireland, the Isle of Man, Jersey and Guernsey, and the UK; for Institutional Investors in Australia and the United States; in New Zealand for wholesale investors (as defined in the Financial Markets Conduct Act); for Professional Investors in Hong Kong; for Qualified Institutional Investors in Japan; for Institutional /Accredited Investors in Singapore; Qualified Institutions/Sophisticated Investors in Taiwan. The document is intended only for accredited investors as defined under National Instrument 45-106 in Canada. It is not intended for and should not be distributed to, or relied upon, by the public or retail investors.

This article is marketing material and is not intended as a recommendation to invest in any particular asset class, security or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication. The information provided is for illustrative purposes only, it should not be relied upon as recommendations to buy or sell securities. For the distribution of this document, Continental Europe is defined as Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Hungary, Luxembourg, Netherlands, Norway, Portugal, Spain and Sweden. The article is written, unless otherwise stated, by Invesco professionals.

The opinions expressed are those of the author or Invesco, are based upon current market conditions and are subject to change without notice. This article does not form part of any prospectus. This article contains general information only and does not take into account individual objectives, taxation position or financial needs. Nor does this constitute a recommendation of the suitability of any investment strategy for a particular investor. Neither Invesco Ltd. nor any of its member companies guarantee the return of capital, distribution of income or the performance of any fund or strategy. This article is not an invitation to subscribe for shares in a fund nor is it to be construed as an offer to buy or sell any financial instruments. As with all investments, there are associated inherent risks.

Source of all data is current as of September 2020, unless otherwise stated.

## IMPORTANT INFORMATION (CONT.)

### Distribution Restrictions:

#### Israel

This document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 1995 ("the Investment Advice Law"). Investors are encouraged to seek competent investment advice from a locally licensed investment advisor prior to making any investment. Neither Invesco Ltd. Nor its subsidiaries are licensed under the Investment Advice Law, nor does it carry the insurance as required of a licensee thereunder.

#### This publication is issued:

- in **Australia** and **New Zealand** by **Invesco Australia Limited** (ABN 48 001 693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, Australia which holds an Australian Financial Services Licence number 239916. The information in this document has been prepared without taking into account any investor's investment objectives, financial situation or particular needs. Before acting on the information the investor should consider its appropriateness having regard to their investment objectives, financial situation and needs. This document has not been prepared specifically for Australian investors.

It:

- may contain references to dollar amounts which are not Australian dollars;
- may contain financial information which is not prepared in accordance with Australian law or practices;
- may not address risks associated with investment in foreign currency denominated investments; and
- does not address Australian tax issues.
- in **Belgium, Denmark, Finland, France, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain and Sweden** by **Invesco Management S.A.**, President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg.
- in **Austria** and **Germany** by **Invesco Asset Management Deutschland GmbH**, An der Welle 5, 60322 Frankfurt am Main, Germany.
- in **Dubai, Jersey, Guernsey, Ireland, Israel, the Isle of Man** and the **UK** by **Invesco Asset Management Limited**, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, United Kingdom. Authorised and regulated by the Financial Conduct Authority.
- in **Canada** by **Invesco Canada Ltd.**, 5140 Yonge Street, Suite 800, Toronto, Ontario, M2N 6X7.
- in **Hong Kong** by **INVESCO HONG KONG LIMITED** 景順投資管理有限公司, 41/F, Champion Tower, Three Garden Road, Central, Hong Kong.
- in **Japan** by **Invesco Asset Management (Japan) Limited**, Roppongi Hills Mori Tower 14F, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6114; Registration Number: The Director-General of Kanto Local Finance Bureau (Kin-sho) 306; Member of the Investment Trusts Association, Japan and the Japan Investment Advisers Association.
- in **Singapore** by **Invesco Asset Management Singapore Ltd**, 9 Raffles Place, #18-01 Republic Plaza, Singapore 048619.
- in **Switzerland** by **Invesco Asset Management (Schweiz) AG**, Talacker 34, 8001 Zurich, Switzerland.
- in **Taiwan** by **Invesco Taiwan Limited**, 22F, No.1, Songzhi Road, Taipei 11047, Taiwan (0800-045-066). Invesco Taiwan Limited is operated and managed independently.
- in the **US** by **Invesco Advisers, Inc.**, Two Peachtree Pointe, 1555 Peachtree Street, N.E., Suite 1800, Atlanta, GA 30309.

GL898/2020