

# 2021 ESG Investment Stewardship Report



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In our latest report, we share **key achievements** from the past year and highlight our **continuing commitment** to ESG investing.

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We integrate financially material ESG considerations across our investment platform, taking into account critical factors that help us deliver strong outcomes to clients.

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Our ESG capabilities cover a variety of asset classes and investment vehicles that employ ESG strategies and criteria across the spectrum.

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At Invesco, we engage with issuers to enhance the sustainable value creation and effective risk mitigation of assets. We exercise our rights and responsibilities as stewards of capital and use our expertise to cast voting decisions in our clients' best interests.

5.0

## A FOCUS ON TOOLS AND INNOVATION

In 2021, we continued to develop our tools and systems to assist with research, portfolio reviews, portfolio optimization, engagement and proxy voting.

6.0

## INDUSTRY ENGAGEMENT

Invesco is involved through membership, other forms of participation, or support, with several external organizations, as well as industry advocacy groups.

7.0

## THOUGHT LEADERSHIP

At Invesco, we strive to contribute to the ESG conversation in a meaningful way that reflects the interests and needs of our clients. Throughout 2021, we released a variety of leading ESG-related publications.

8.0

## 34-YEAR JOURNEY

Invesco's first ESG product launched in 1987 and our efforts continue through today.

1.0

# OUR ESG APPROACH

Invesco has an **investment-led** ESG approach. Our Global ESG team provides **support** and analysis, while our investment managers **maintain discretion** on portfolio decisions.



“ESG is an ongoing strategic effort for Invesco. We aspire to, and are making significant progress towards, incorporating financially material E, S and G factors in all our investment capabilities and processes.”

GREG MCGREEVEY  
SMD, Head of Investments



Image source: AdobeStock

# WE SEE ESG FROM EVERY ANGLE

We provide a comprehensive range of ESG-focused capabilities that enable clients to express their values through investing. We also integrate financially material ESG considerations across our investment platform, taking into account critical factors that help us deliver strong outcomes to clients.

## ESG INTEGRATION

- Consideration of financially material ESG aspects
- Sustainable value creation

### SCREENED (EXCLUSIONARY)

#### Approach

Industry sectors or companies excluded to avoid risk or better align.

#### Process

- Safeguard (e.g. article 8 Exclusion framework) or client-led exclusions

### RESPONSIBLE

#### Approach

**Intentionally avoid** companies or industries based on ESG characteristics.

#### Process

- ESG integration
- Safeguards
- Enhanced exclusions
- (e.g. 0% conventional energy)
- Positive allocation (e.g. eliminate 30% lowest-scored companies from the universe)

ESG labelled

### SUSTAINABLE

#### Approach

**Intentionally select** companies or industries based on ESG characteristics and **optimize to target a declared sustainable feature.**

#### Process

- ESG integration
- Safeguards
- Enhanced exclusions (optional)
- Positive allocation (optional)
- Best in class to achieve a declared feature / KPI (e.g. better ESG or carbon score than the benchmark, thematic approach)

ESG labelled

### IMPACT INVESTING

#### Approach

Includes objective to generate an intentional, measurable, and beneficial social or environmental impact. It prioritises this above financial objectives.

#### Process

- May vary depending on the impact focus

ESG labelled

## INTEGRATED PROCESS

See [Section 2.0](#)

## ESG CAPABILITIES

See [Section 3.0](#)

# TO US, RESPONSIBLE STEWARDSHIP MEANS CREATING LONG-TERM VALUE FOR OUR CLIENTS LEADING TO SUSTAINABLE BENEFITS FOR THE ECONOMY, ENVIRONMENT, AND SOCIETY.



We manage  
approximately

## US\$96bn

in ESG-focused AUM<sup>1</sup>



At present,  
we manage more than

## 190

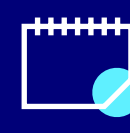
ESG-focused portfolios and mandates  
across a variety of strategies, geographies,  
and client types<sup>1</sup>



Currently we are  
at approximately

## 85%

ESG integration, and aspire to 100% integration  
across all investment capabilities by 2023<sup>2</sup>



We have been implementing  
ESG strategies for over

## 30 years

and today deliver through equities,  
fixed income, multi-asset, alternatives,  
real estate, ETFs and bespoke solutions

<sup>1</sup> Source: Invesco as of December 31, 2021. Our definition of ESG-focused AUM includes our ESG dedicated product offerings (including portfolios and mandates across a variety of strategies, geographies, and client types). To be included within the category of ESG-focused AUM, a portfolio or account must have binding ESG criteria above minimum regulatory requirements. This characterization is evaluated separately and discretely from any integration of ESG factors into the fundamental investment process. This classification approach includes portfolios or accounts ranging from those whose criteria may be simple exclusionary screens to thematic strategies to strategies that employ a multi-prong approach to ESG optimization.

<sup>2</sup> Invesco uses an internal framework to measure the level of ESG considerations as an influence on investment decision making. Currently, investment teams responsible for managing approximately 85% of Invesco's AUM have attained the ESG integration level defined as minimal but systematic integration.

# WHAT IS OUR APPROACH TO ESG IN OUR ROLE AS INVESTORS?



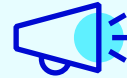
## ESG integration

We integrate financially material ESG considerations across our investment platform, taking into account critical factors that help us deliver strong outcomes for clients.



## Benefiting from diversity of thought

We value diversity of thought, so our ESG implementation is not generic. Invesco's ESG capabilities are investment-led with proprietary tools and practices developed collaboratively between our investment teams and our global ESG team. Our Global ESG team further supports our investment teams by providing specialist insights on research, engagement, voting, integration, tools, client, and product solutions. Invesco's Chief Investment Officers and teams can leverage this resource to tailor, and have the capability to implement, ESG approaches relevant to their asset classes and investment styles.



## Exercising our rights & responsibilities for value creation

At Invesco, we engage with issuers to enhance the sustainable value creation of assets. We exercise our rights and responsibilities as stewards of capital and use our expertise to cast voting decisions in our clients' best interests.



## Leveraging innovative technologies

We appreciate the power of technology, innovation, and data to improve the support and information our investment teams receive. We have launched our own tools and systems to assist with research, portfolio reviews, portfolio optimization, engagement, and proxy voting.



## A focus on the environment

We offer a broad range of ESG capabilities for clients seeking strategies that align with their interests and investment objectives, including many focused on the environment. To help us better understand environmental issues and to help our clients navigate the energy transition, we joined other firms as a signatory to the Net Zero Asset Managers Initiative (NZAMI), participant of Climate Action 100+ (CA100+), supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) and several other initiatives.<sup>1</sup>



## A commitment to solutions

Increasingly, our clients want us to provide the means for them to explicitly express their own ESG values through investment vehicles. We will continue to develop innovative solutions and products to deliver for them. We already manage more than \$96bn<sup>2</sup> in ESG-focused AUM and we will build on this experience.



## Transparency

We have a deep belief in the need for transparency. We will continue to evolve our investment and corporate disclosures and have taken a leading standard through this annual ESG Investment Stewardship report. For details on our corporate activities, please see our [Corporate Responsibility Report](#).



<sup>1</sup> Source: Invesco, as of March, 2021. Read more about our decision to join the Net Zero Asset Managers Initiative [here](#).

<sup>2</sup> Source: Invesco as of December 31, 2021. Our definition of ESG-focused AUM includes our ESG dedicated product offerings (including portfolios and mandates across a variety of strategies, geographies, and client types). To be included within the category of ESG-focused AUM, a portfolio or account must have binding ESG criteria above minimum regulatory requirements. This characterization is evaluated separately and discretely from any integration of ESG factors into the fundamental investment process. This classification approach includes portfolios or accounts ranging from those whose criteria may be simple exclusionary screens to thematic strategies and strategies that employ a multi-prong approach to ESG optimization.



## 1.1 ORGANIZATION

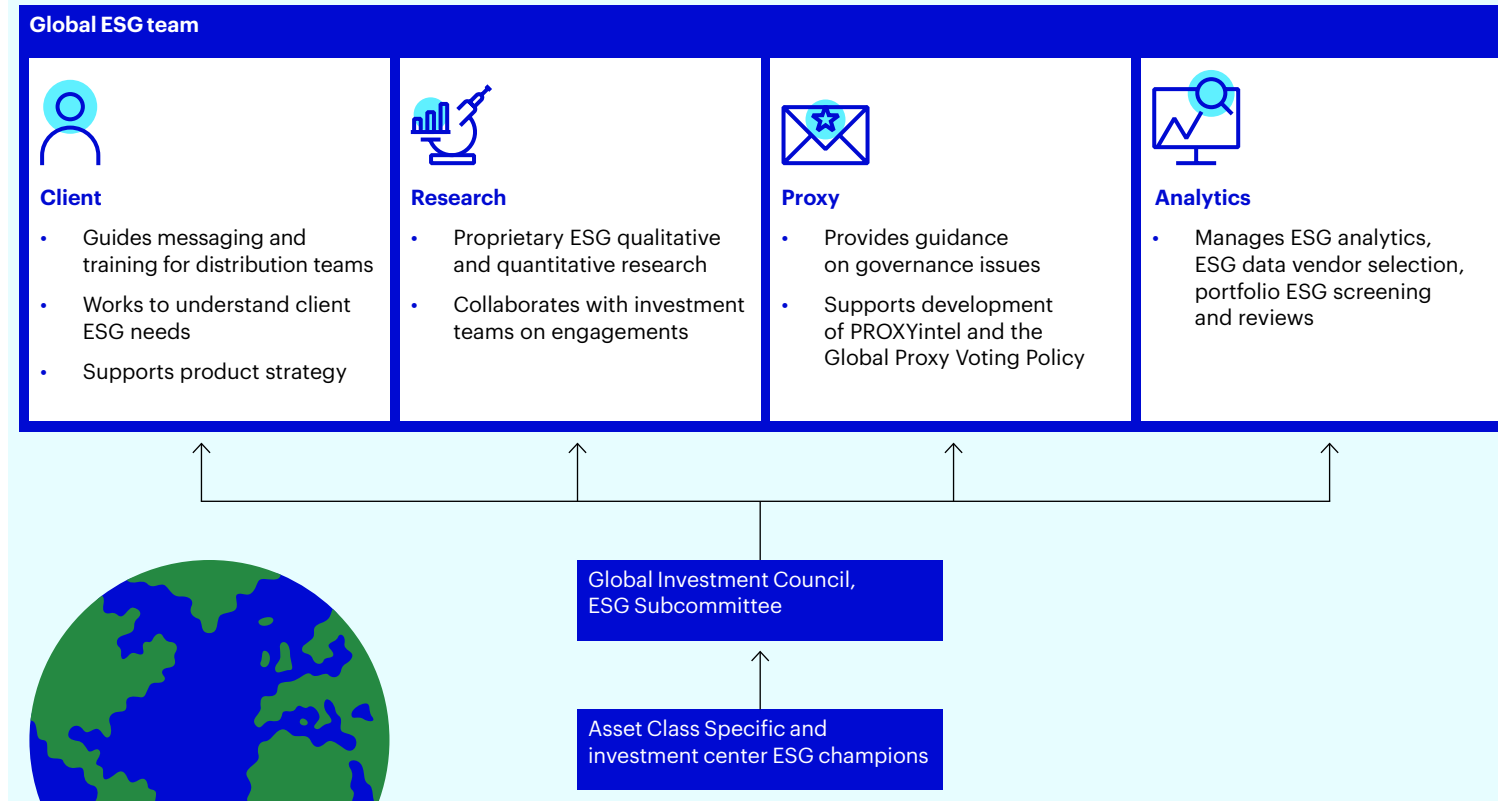
Our Global ESG team acts as a center of excellence, collaborating with our 11 investment centers and more than 45 different investment teams.

### Governance

Our governance in relation to ESG is organized into four dimensions.

1. The Global Investment Council (GIC) comprises Chief Investment Officers and Managing Directors representing our global investment centers and asset classes. It is co-chaired by our CEO and our Senior Managing Director Head of Investments. The GIC drives the strategy and governance of our internal programs. It provides oversight to our specialized investment teams and offers a balance of global expertise, support, and connectivity. In this way, the GIC helps provide better outcomes for clients with greater consistency over the long term.
2. The GIC's ESG subcommittee specifically focuses on ESG investment issues. At Invesco, the incorporation of ESG considerations is conducted by investment teams on a team-by-team basis. This group comprises over 60 individuals from investments teams, operational teams and the Global ESG team. It enables the formal collaboration on ESG matters between individual investment centers globally.
3. Our Global ESG team of 22 professionals acts as a center of excellence, responsible for leveraging best practices in ESG capabilities across Invesco. These include ESG integration, voting and engagement, supporting the distribution teams with client engagement, and advising product teams on ESG innovation. Therefore, the team is organized across four pillars: Client, Research, Proxy, and Analytics. Located across the three regions of North America, Asia Pacific, and EMEA, the Global ESG team provides support and analysis while investment teams maintain discretion on portfolio decisions. Invesco's ESG efforts are also supported by our proxy services team located in Hyderabad, India.
4. Several working groups have formed at various levels of the organization to ensure our ESG integration approach is purposeful, holistic and impactful. Some working groups are brought together to deliver an initiative or increase ESG integration efforts across an asset class or region. Others focus on evergreen ESG investing priorities, including engagement. There is also a cross-organizational effort that brings in functional elements, such as products, marketing, regulatory affairs, technology, and distribution.

### Providing capabilities to support our ambition Organized across four pillars



**“ESG is a collaborative process with each of our 11 investment centers leveraging best practices in ESG capabilities.”**

**LANCE DILORIO**  
Head of Investment Specialized Services

# OUR GLOBAL ESG TEAM'S CAPABILITIES



22

Team  
Members



23

Professional  
Certifications



20

Academic  
Disciplines



12

Languages



3

Regions



35%

Women



13+

Average years of ESG  
experience for Senior  
Team members

Source: Invesco's Global ESG Team, as of February 2022.

**“We are making significant progress on our ESG investing journey. Real momentum is building, and ESG features in daily discussions with clients, portfolio managers, and the world’s smallest and largest companies.”**



**CATHRINE DE CONINCK-LOPEZ**  
Global Head of ESG

## 1.2 TRAINING

Training is an essential part of our aspiration to financially material ESG integration, and keeping abreast of the rapidly evolving industry landscape. Our Global ESG Team conducts meetings with Invesco’s investment professionals to provide ESG training, frameworks, industry information, expertise, research, analysis, and updates regarding ESG activities. Each meeting is tailored for each investment team or center based upon region, asset class and existing ESG capability. Our Global ESG team also coordinates training sessions with ESG vendors and collaborates with investment professionals on in-depth research prior to issuer engagements. Internal communications include a monthly ESG newsletter, an ESG Resources website, postings to our intranet, podcast, video and email announcements. In addition, our continuing personal development training program, which is available to all employees, includes ESG modules.

## 1.3 ASSURANCE

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, including ESG investing and proxy voting activities globally, are subject to periodic Internal Audit oversight.

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, procedures and controls as well as the development of an annual testing plan. The testing plan seeks to assess compliance in key risk areas of the firm. This could also include looking to avoid duplication of testing and considers other control reviews, including Internal Audits. Invesco’s Compliance 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.



# ESG INTEGRATION

We integrate **financially material** ESG considerations across our **investment platform**, 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 recognize the differences between asset classes and geographies. We apply ESG principles in a variety of ways, depending on the asset class and strategy.

In general, our teams consider ESG as one input to their investment process, as part of the evaluation of ideas, company dialogue and portfolio monitoring. As such, assessment of financially material ESG factors and risks is incorporated into the wider investment process as part of a holistic consideration of the investment risk and opportunity. Our portfolio managers have absolute discretion on the view taken on any given ESG risk or opportunity.

The core aspects for our ESG philosophy include:

- **Materiality:** the consideration of ESG issues on a risk-adjusted basis and in an economic context. We do not view ESG aspects as constraints, aside from certain restrictions driven by legal obligations in certain territories.
- **Momentum:** the concept of improving ESG characteristics over time, is particularly interesting in our view. We find that companies that are improving in terms of their ESG practices may enjoy favorable financial performance in the longer term.
- **Engagement:** we take our responsibility as stewards of capital very seriously and see engagement as an opportunity to help achieve sustainable value creation. Dialogue with portfolio companies is a core part of the investment process for our fundamental teams. We often participate in board-level dialogue and are instrumental in giving shareholder views on management, corporate strategy, transparency, and capital allocation, as well as wider ESG aspects.



We analyze the magnitude of financially material ESG risks impacting a company's financial integrity, brand/reputation, long-term profitability and value creation. In our fundamental investment research, we analyze how companies address key financially material ESG issues to assess incremental change. As part of our ongoing portfolio monitoring and risk management, we have access to updates to ESG ratings so we can continuously evaluate changes. Financially material ESG issues are considered alongside other risks and valuation drivers to help identify companies that are positioned to succeed in the long term. Evaluation of financially material ESG aspects may be incorporated into the wider investment process as part of a holistic consideration of the investment risk and opportunity.

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 ESG aspects per sector underpins this research. This allows our investment managers to understand companies' opportunities and risks from as many angles as possible.

## CASE STUDY

### OUR EQV TEAM: INCORPORATING FINANCIALLY MATERIAL ESG CONSIDERATIONS

Our EQV team's investment process for one of their strategies focuses on identifying high quality companies with attractive, sustainable long-term growth potential. This EQV focus leads them to companies with sound ESG fundamentals.



**Our EQV team**, based in **Texas, USA**, has developed a robust and systematic process for integrating financially material ESG opportunities and risks into the investment process for one of their strategies. The team integrates ESG into their investment process for the strategy through a system that they call '**Capture – Analyze – Engage – Monitor**'.

**Capture:** In 'Capture', the EQV team conducts a comprehensive review of each holding's ESG scores and trends (e.g. using ESGintel as well as other third-party ESG sources) to establish an initial ESG profile and investment thesis report. Understanding that there are differences in ESG data availability and quality, they consider ESG issues in the context of each company's geographic region and market capitalization.

**Analyze:** When they 'Analyze', the EQV team identifies ESG issues deemed material to the investment risk profile of each holding and summarizes the level of ESG materiality. While the EQV strategy focuses on strong EQV characteristics overall (including ESG scores), there are occasional names that are more expensive, with more modest growth or weaker ESG profiles. For holdings with weaker ESG scores, the team explores the drivers of the weakness, incorporates those into their risk assessment and lists these as areas to discuss with management.

**Engage:** Engagement ('Engage') represents the most constructive approach. Our EQV team's ESG integration process includes maintaining an ESG watchlist of holdings for engagement.

**Monitor:** The EQV team 'Monitor' as part of their overall risk/oversight process. This includes monitoring the progress of portfolio holdings and companies maintained on the team's watchlist by reviewing the aggregate ESG scores and focusing most closely on those with improving/deteriorating ESG trends. Where appropriate, the EQV team follows up on financially material ESG issues directly with the company or via Invesco's Global ESG Team. The EQV team participates in biannual reviews of ESG issues, led by Invesco's Global ESG team.

Identifying and investing in the most attractive companies with sustainable earnings (E) growth prospects, high quality (Q) characteristics and attractive valuations (V) is our EQV investment team's primary focus. However, they also

believe that integration of ESG considerations enhances their ability to identify the most attractive EQV stocks on a risk-adjusted basis.

The EQV team's investment in a French industrial goods company is an example of the EQV and ESG process in action. This long-term holding is a world leader in Energy Management, developing and selling solutions to help clients control and streamline energy consumption. The team's original – and ongoing – assessment of the company's earnings outlook and business quality was positively influenced by the company's status as a leader in sustainability. As engaged owners for the last decade, they have regularly monitored their investment thesis and had regular discussions with management about important topics, including ESG initiatives. The company's combination of attractive and improving EQV and ESG fundamentals increased the team's conviction and has been instrumental in their long-term ownership of this holding.

For illustrative purposes only. The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

## 2.2 FIXED INCOME

Our fixed income investment approach emphasizes proprietary research and focuses on fundamental valuation to support the active management of our clients' portfolios. Integrating financially material ESG considerations is strongly consistent with this investment focus.

Our ESG approach has continued to evolve, while being rooted in a belief that evaluating financially material ESG criteria leads to better long-term risk-adjusted returns. With this in mind, we look for a combination of materiality, momentum, and engagement.

Our fixed-income teams integrate financially material ESG considerations, those that have potential to most impact an issuer's ability to meet its debt obligations, into their fundamental research process.

We use our expert analysis to determine which issuers have momentum and are outpacing their peers in terms of making progress on ESG considerations.

We exercise our rights and responsibilities as stewards of capital and engage with issuers to enhance the sustainable value creation of assets, in collaboration with Invesco's ESG team. We provide our view on matters such as strategy, transparency, capital allocation and ESG concerns. We view active ownership as a vital element of our fiduciary responsibilities to clients.

The fixed income landscape is broad and varied. It encompasses government securities issued by countries, securitized debt,

loans undertaken by private companies, and many other forms of asset. Geographical, structural, and regulatory differences mean that data availability, ESG factors, and management engagement levels are highly diverse.

As a result, while our underlying approach to ESG is consistent, the path to arriving at an ESG-based assessment differs to account for the constraints and challenges posed by a particular asset class. We use third-party research and data to provide broad market context and transparency. These external sources supplement our in-depth proprietary research. To provide clear and consistent outputs, we developed our own ESG methodology and rating system, which includes sub-ratings for each of the three E, S and G pillars and trend assessments. The analysts store this research in a platform that makes it easily accessible for portfolio managers. Some teams also use Invesco's proprietary ESG scoring tool, ESGintel,

which generates a composite ESG country score to enable comparison of relative performance across developed and emerging markets. The fixed income financially material ESG integration process relies primarily on including ESG factors as part of our analysis of primary and secondary market opportunities. Identified ESG concerns feed into the final investment decision and assessment of relative value.

We believe that our independent research, commitment to financially material ESG integration and global approach create a strong proposition for clients seeking an ESG partner for fixed income allocations.

## 2.3 MULTI ASSET

ESG is normally focused on and well understood within listed equities and fixed income, as well as infrastructure and real estate. Interestingly, ESG in the context of Multi Asset or macro investing is less well covered and discussed. While there are still some challenges, important steps have been taken to incorporate financially material ESG considerations within more multi-faceted portfolios. We feel we have been at the forefront of incorporating financially material ESG considerations in the Multi Asset and macro investment community for many years.

As macro thinkers, ESG considerations naturally form part of our top-down macro research efforts. Major political changes, such as a shift from one party to another, impact the perceived country risk of a particular economy, while social factors like income inequality play an important role in determining a country's growth potential. We recognize that there are many more ESG

frameworks at a macroeconomic level. While our team finds that ESG issues per se may or may not be determining factors of our economic analysis, they do nonetheless influence the overall evaluation.

Our top-down macro research efforts are often complemented by a bottom-up analysis with ESG considerations also playing an important role. As stewards of capital, we utilize proxy voting within our underlying holdings to promote best practice amongst the entities we invest in. Proxy voting decisions are delegated to the portfolio managers of the underlying segregated sleeves and various building blocks that our Multi Asset portfolios invest in. A mixture of external ESG data and internal proprietary ESG ratings, such as ESGintel, are utilized in the process. That said, while proxy voting decisions are delegated, our Multi Asset portfolio managers regularly engage with the

underlying portfolio managers to discuss and monitor their approach to ESG. This is to ensure that the ESG characteristics of our Multi Asset portfolios remain aligned with the client outcomes we aim to deliver.

As institutional investors, we believe we have a duty to act in the best long-term interests of our beneficiaries. To this end, we take our responsibility as stewards of capital very seriously and see engagement as an additional tool to financially material ESG integration to encourage continual improvement. Together with our Global ESG team, we may escalate concerns along a broad escalation hierarchy, such as engaging directly with the company's board and/or senior management, collaborating with fellow shareholders or sponsoring service provider engagement.







**THIS 30,000 SQM, 20-STOREY OFFICE BUILDING IS LOCATED IN MELBOURNE, AUSTRALIA.**

It became the first retrofitted office building in the state of Victoria to achieve the highest market-leading 6 Stars NABERS Energy Rating in 2017. It also has 6 Star NABERS Water Rating and 5.5 Stars Indoor Environment Rating.

Source: Invesco Real Estate, 2021.

In the case of direct real estate, which can be a significant contributor to global carbon emissions, the importance of ESG integration is undeniable. Our approach fully recognizes that the places where we live and work are uniquely vital to the future of our planet.

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

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

Sustainable real estate is about more than countering a global threat: it is also about individuals. The choices that tenants and occupants make can contribute massively to an asset’s long-term performance.

We believe effective ESG integration offers a vital means of identifying and managing global risk. Our approach is:

- holistic, forward-looking, and proactive,
- makes best use of data and dialogue,
- fosters transparency, accountability and pride of ownership, and
- is rooted in a long-term outlook that prizes stewardship over speculation.

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



**“ESG has become one of the defining investment criteria of this decade. As a responsible investor and landlord, Invesco Real Estate (IRE) is focused on delivering on our commitments for the benefit of all stakeholders.”**

**MAX KUFER**  
Head of ESG, Private Markets

# INVESCO REAL ESTATE GLOBAL ESG+R TARGETS<sup>1</sup>



**Net  
zero**

carbon emissions  
by 2050 or sooner



**30%  
reduction**

in energy intensity and  
carbon emissions by 2030



**10%  
reduction**

in water consumption  
by 2030



**10%  
increase**

in waste diversion  
by 2030

<sup>1</sup> There is no guarantee these targets will be achieved.

### IRE Global ESG+R Objectives

Environmental, social, governance, and resilience (ESG+R) is integrated into all phases of the investment management process. In doing so, we focus our efforts on three critical pillars of Better Buildings, Broader Insight and Future Proofing our assets.

Through better buildings we target net zero carbon emissions and implement action plans to improve environmental performance and certification levels. We develop broader insight into new risks and opportunities that inform our investment decisions in implementing our ESG+R framework. Finally, we focus on future proofing our assets by incorporating potential environmental impacts into our investment decisions for both physical and transitional risk.

These thematic pillars that influence our investment decisions are supported by an ESG acquisition assessment that is performed during due diligence, and our active investment management approach specifically focuses on the following ESG+R Objectives across our global strategies at the portfolio level. The table opposite shows the fundamentals of our ESG+R framework that inform our investment decisions.

### Global ESG+R Framework Fundamentals



**Environment**  
Understand the implications of Net Zero Carbon, including the progression of climate positive actions to enable achievement of net zero carbon by 2050, or sooner.

- Tangible objectives**
- Carbon reduction efforts
  - Green building certification
  - Water efficiency
  - Circular economy



**Social**  
Health and Social impact, including a focus on health, active and adaptable spaces for tenants and communities in which Invesco operates.

- Tangible objectives**
- Skills & training
  - Tenant engagement
  - Local communities & social value
  - Health & wellbeing



**Governance**  
Disclosure & transparency, both internally and externally.

- Tangible objectives**
- External (portfolio) disclosures
  - Strategy governance & oversight
  - Compliance management



**Resilience**  
Integration of ESG throughout the investment management process and evaluation of climate risks and opportunities at portfolio and asset level.

- Tangible objectives**
- Physical climate risk
  - Transition climate risk



3.0

# INVESCO ESG PRODUCT CAPABILITIES

Our ESG capabilities cover a variety of asset classes and investment vehicles, which employ ESG strategies and criteria **across the spectrum.**

At Invesco, we have been implementing ESG strategies for over 30 years, and today deliver through equities, fixed income, multi asset, alternatives, real estate, ETFs and bespoke solutions. Each of our investment centers has a unique approach defined in their investment process, as well as the respective asset class.

We offer a variety of ESG implementation techniques that reflect clients' diverse needs.

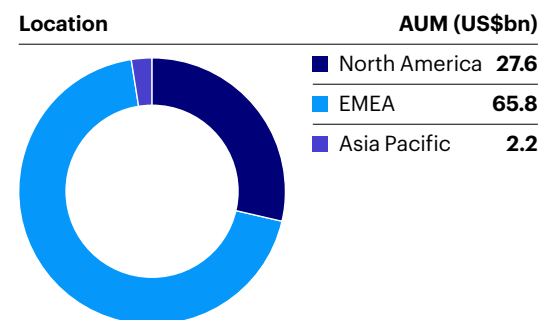
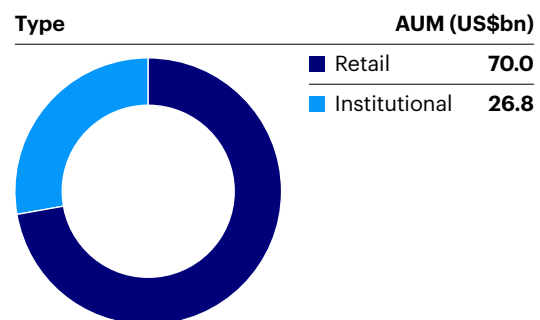
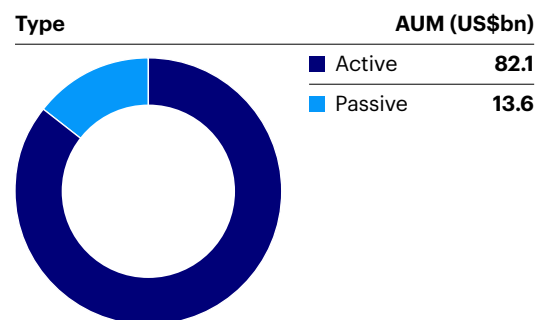


Image source: AdobeStock



# INVESCO MANAGES US\$96<sup>bn</sup> in ESG-focused AUM

across 190 ESG portfolios and mandates across a variety of strategies, geographies and client types.<sup>1</sup>



## ESG Product Launches

Our financially material ESG approach is incorporated into our portfolio management processes underlying our products and mandates, as well as into specific products. Invesco has a client-focused approach in the definition, design and delivery of investment solutions, with the capability to manage ESG solutions tailored to clients through customized portfolios and products. We are instrumental in our clients' success by delivering our distinctive investment capabilities worldwide to meet their needs, through sustainable value creation and risk mitigation.

Over the past year, we have developed ESG products and several customized client solutions with a focus on ESG factors, strategies and themes. Our investment teams are focused on strategically developing client-centered investment solutions that align with ESG market opportunities, identifying potential strategies for ESG conversion or new launches, and introducing innovative ESG investment strategies based on Invesco resources and capabilities. In this section, we highlight some of the new strategy launches and conversions this year, which include ESG specifications at the product level.

Image source: AdobeStock.



**“ESG means different things to different people. We provide a broad range of capabilities and products, which enables clients to align their ESG values with investment.”**



**ALEX CHAN**  
Head of ESG Client Strategy APAC

<sup>1</sup> Source: Invesco, as of December 31, 2021. Not all Invesco global ESG capabilities could be available for all products/ investment solutions provided in different countries. Our definition of ESG-focused AUM includes our ESG dedicated product offerings. To be included within the category of ESG-focused AUM, a portfolio or account must have binding ESG criteria above minimum regulatory requirements. This characterization is evaluated separately and discretely from any integration of ESG factors into the fundamental investment process. This classification approach includes portfolios or accounts ranging from those whose criteria may be simple exclusionary screens to thematic strategies and strategies that employ a multi-prong approach to ESG optimization. In 2021, the Article 8/9 conversion process in EMEA accounted for the majority of the year-on-year ESG-focused AUM growth.

# CASE STUDY

## SFDR IMPLEMENTATION IN EMEA AND INVESCO'S EVOLVING PRODUCT RANGE FOR SUSTAINABLE INVESTING

In March 2021, Invesco welcomed the Sustainable Finance Disclosure Regulation (SFDR) that was implemented as part of the EU's Sustainable Finance Action Plan. The SFDR is designed to help institutional and retail clients understand, compare and monitor the sustainability characteristics of investment products by standardizing sustainability disclosures. As suggested by the name, it is intended to provide greater transparency on what criteria have been applied to products by categorizing them, based on their credentials.

In response, we classified all in-scope products in accordance with SFDR. Throughout the year, we have carried out a methodical review of our product range so we can continue to meet the evolving needs of our clients, but this is just the beginning. We are committed to delivering an increasing set of Article 8 and Article 9 products for our clients, and continuously reviewing our full range.

This SFDR journey is a part of Invesco's broader commitment to developing a range of solutions to meet client needs for ESG, both now and as these needs and regulations evolve over time. We look forward to working side by side with our clients as sustainable investment plays an increasingly central role in our pursuit of investment excellence.



### MARCH 2021

Invesco adopted the SFDR regulation, with 18 existing products complying with Article 8.



### APRIL 2021

Five further products were repurposed based on new explicit ESG criteria, evolving the names and investment objectives of these products accordingly.



### OCTOBER 2021

We continued our journey of expanding our range of Article 8 Responsible and Sustainable products and refocused five existing strategies to ESG.



### NOVEMBER 2021

We reclassified a further 65 products to Article 8 under the Article 8 Exclusion Framework, representing more than US\$47 billion.



### DECEMBER 2021

The EMEA region launched four new ESG products that meet the Article 9 SFDR criteria.

## WHAT IS AN ARTICLE 8 PRODUCT?

An Article 8 product is one that promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices. As of end of 2021, Invesco had over 90 product offerings that comply with Article 8.<sup>1</sup>

### Article 8 Exclusion Framework

The following exclusions apply for the Article 8 Screened (/Exclusionary).

Article 8 Responsible and Sustainable may apply an enhanced level of exclusions.

UN Global Compact	• Non-compliant
Country Sanctions	• Severe violations
Controversial Weapons	• 0% of revenue, including companies involved in the manufacture of nuclear warheads or whole nuclear missiles outside of the non-proliferation treaty
Coal	• Thermal Coal extraction: >=5% of revenue • Thermal Coal Power Generation: >=10% of revenue
Unconventional oil and gas	• >=5% of revenue on each of the following: Arctic oil and gas exploration, oil sands extraction, shale energy extraction
Tobacco	• Tobacco products production >=5% of revenue • Tobacco-related products and services: >=5% of revenue
Others	• Recreational Cannabis: >=5% of revenue
Good Governance	• Ensure that companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance

## WHAT IS AN ARTICLE 9 PRODUCT?

An Article 9 product has an environmental or social objective in addition to its financial objectives, and it invests in 'sustainable investments'. Sustainable investments are in activities that:

- contribute to the achievement of the chosen environmental or social objective of the product; and
- do not significantly harm other environmental or social objectives; and
- are made through companies that follow good governance practices.

As of end of 2021, Invesco had a total of four product offerings that comply with Article 9.<sup>2</sup>

## ESG IMPLEMENTATION IN ETFs

Environmental, Social and Governance (ESG) exchange-traded funds (ETFs) are growing rapidly, as investors harness the benefits of ETFs for their diverse ESG needs. Having managed ETFs for 16 years, Invesco has been a leader in the ESG ETF space, bringing many innovations to investors. Today, our line-up includes fixed income, equity and alternative ETFs, as well as asset allocation solutions that enable investors to diversify across various asset classes. These solutions are available across a suite of actively managed and index-based strategies that deliberately incorporate E, S and G factors into the investment process. Our index-based ETFs focus on key portfolio building blocks and themes and provide investors with transparent ESG strategies to use for building or complementing an investment portfolio.

Our ESG ETF suite includes a wide diversity of ETFs because we know one size doesn't fit all. We know that every investor has unique goals, so our line-up of products aims to help investors pursue their specific objectives, all while enjoying the benefits of ETFs – lower costs, flexibility, greater transparency and tax efficiency.

As a leading global asset manager, our physically replicated ESG ETFs use our wider investment research, proxy voting, and company engagement capabilities through our majority voting and engagement processes. Positions held by our ESG ETFs cross-reference and follow the voting decisions of Invesco active portfolio managers with the largest holding in the same security. Likewise, our ESG ETFs can benefit from company engagement carried out by the Invesco ESG and investment teams.



**“ESG investing is a highly complex subject, one that needs a carefully thought-out approach. At Invesco, we partner with our clients to provide effective ESG solutions that fit their specific needs.”**

**GLEN YELTON**  
Head of ESG Client Strategy EMEA & NA

## INVESCO INDEXING<sup>3</sup>

Invesco's Global ESG team collaborates with Invesco Indexing to develop customized, proprietary ESG indices across equity, fixed income, and alternative asset classes. Invesco Indexing administers dozens of equity and fixed income indices, spanning developed and emerging markets globally, across the full market capitalization and credit rating ranges. The team is continually examining new and innovative approaches to index design to address clients' unique needs.

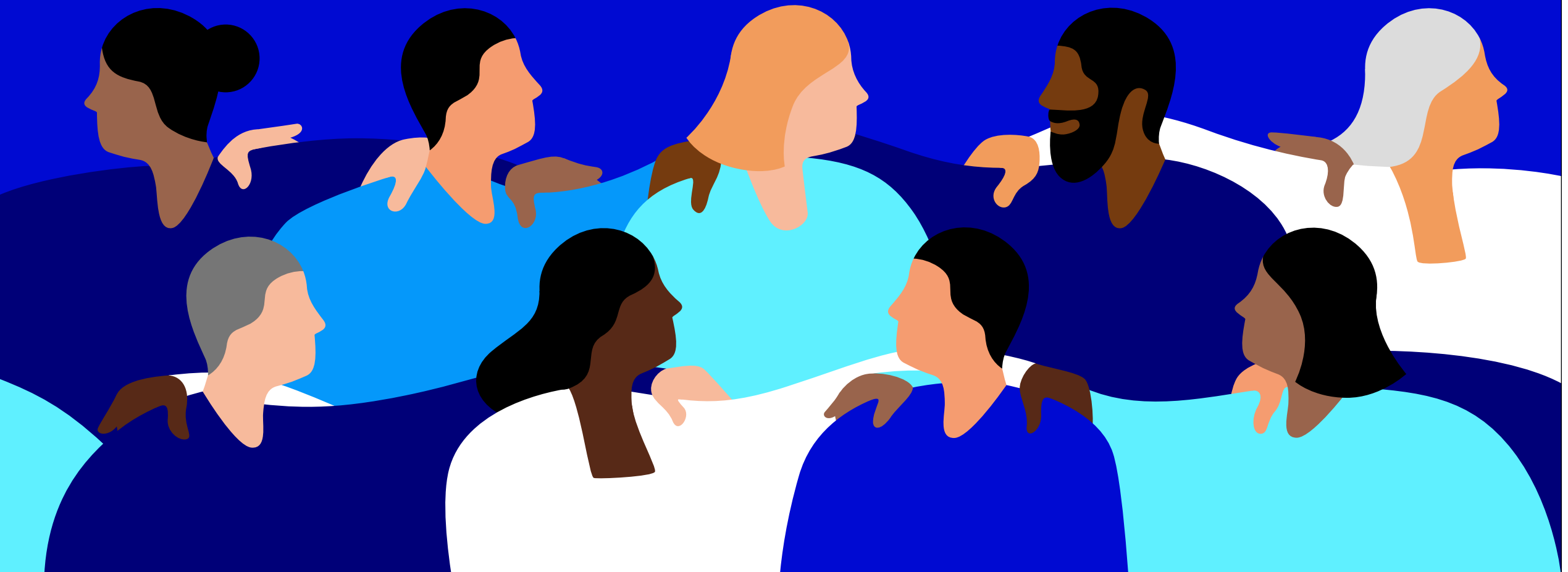


Image source: AdobeStock

<sup>1</sup> Source: Invesco, as of December 31, 2021. <sup>2</sup> Source: Invesco, as of December 31, 2021. <sup>3</sup> (Invesco Indexing LLC is an indirect, wholly owned subsidiary of Invesco Ltd. The group is legally, technologically and physically separate from other business units of Invesco, including the various global investment centers. Invesco Indexing Limited Liability Corporation (IILLC) is recognized as a third country benchmark administrator under the UK Benchmark Regulation and under the EU Benchmark Regulation. Invesco Asset Management Limited is the legal representative of IILLC in the UK. Invesco Investment Management Limited is the legal representative of IILLC in the EU.)

## ACTIVE OWNERSHIP FOR SUSTAINABLE VALUE CREATION

At Invesco, we engage with issuers to **enhance the sustainable value creation** and effective risk mitigation of assets. We exercise our rights and responsibilities as stewards of capital and use our **expertise** to cast voting decisions aligned with our clients' best interests.





## 4.1 ENGAGEMENT

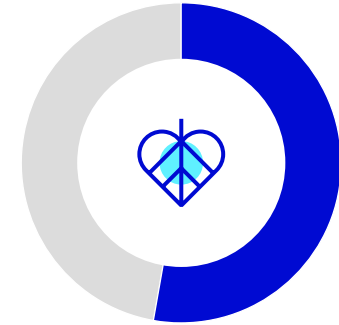
As active managers and good stewards, Invesco considers engagement with investee companies as a powerful and effective tool to promote long-term sustainable value creation, for the benefit of our clients.

Image source: Getty Images.

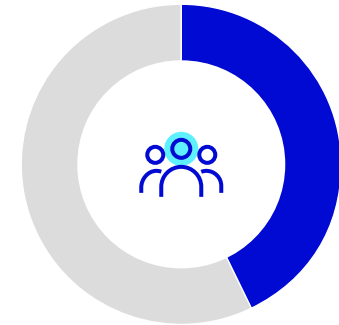


**% of Invesco's ESG engagements covering Environmental (E), Social (S) and Governance (G) themes¹**

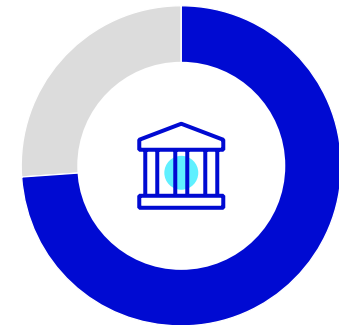
Environmental  
**53%**



Social  
**43%**



Governance  
**74%**



<sup>1</sup> Percentages don't add up to 100% because Invesco may engage with a company multiple times on ESG-related topics and conversations often cover more than one theme. These percentages were calculated through documentation by investment teams and/or the Global ESG team and were approximated, where appropriate, from a sample of 70% (over 2,000) of engagements from our firm-wide total of over 3,000 in 2021.

<sup>2</sup> The Global ESG team uses both their own and investment team documentation to calculate this figure on an annual basis.

# 2021 ENGAGEMENT STATISTICS

## Key Themes (%)<sup>1</sup>

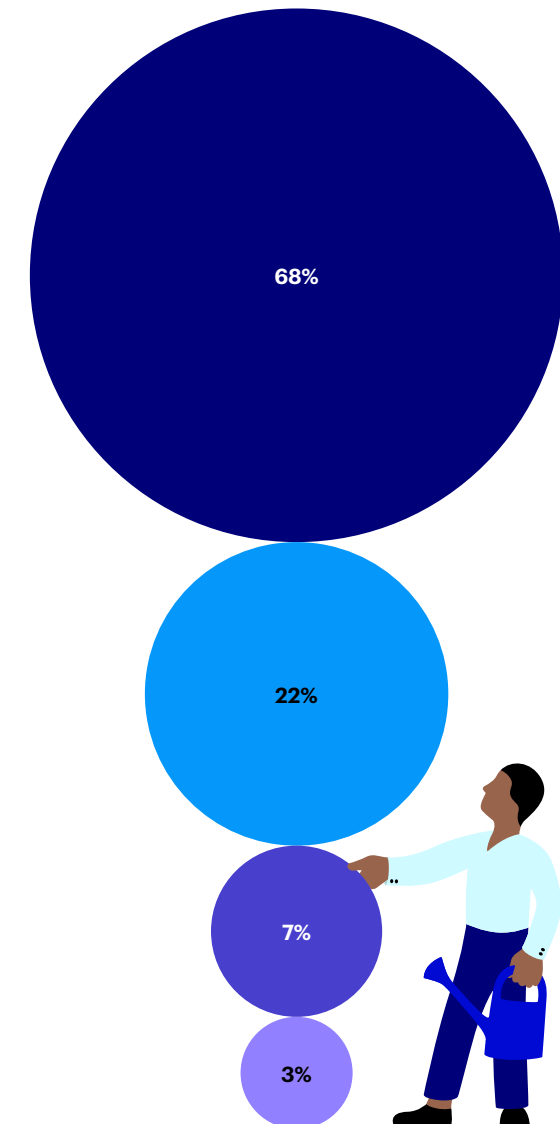
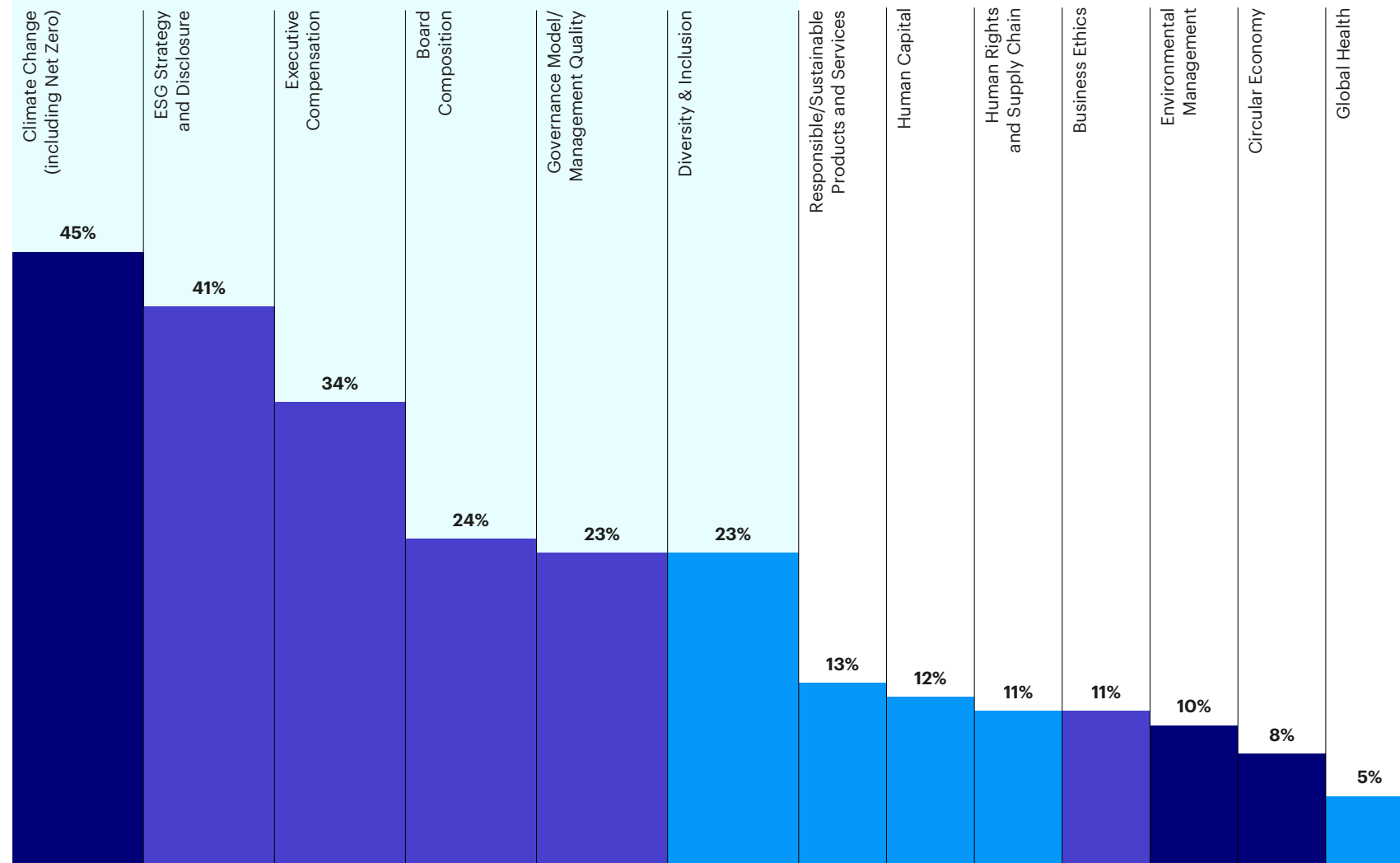
These percentages specifically reflect the engagements when the Global ESG team has been directly involved.

- Environmental
- Social
- Governance

## Company Region (%)<sup>2</sup>

- North America
- Europe and UK
- Australia and Asia
- Other Regions

## TOP SIX THEMES



<sup>1</sup> Percentages don't add up to 100% because Invesco may engage with a company multiple times on ESG-related topics and conversations often cover more than one theme. In one engagement call, the Global ESG team and investment teams may address more than one theme. <sup>2</sup> These percentages relate to the engagements when the Global ESG team has been directly involved.



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# WE BELIEVE A SUCCESSFUL ENGAGEMENT IS...

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## Targeted

We prioritize ESG risk factors and key issues for engagement through a bottom-up approach, which means that our engagement objectives and the topics covered are specific and material to the issuer.



## Scaled

We draw on the collective power of Invesco's investment teams and the Global ESG team to capture management's attention.



## Outcome based

We believe engagements should have clear and consistent objectives to promote risk mitigation and sustainable value creation throughout our portfolios.



## Monitored

Engagements are most effective when they are not stand-alone conversations. Our investee companies' progress towards sustainable value creation is documented through engagement reports and case studies, so we can build on momentum of previous engagements.



**“Engagement is a core aspect of our ESG philosophy and investment processes. As active managers and stewards, we believe it can be a powerful mechanism for sustainable value creation.”**

**SUDIP HAZRA**  
Director of ESG Research

## 4.2 METHODS OF ENGAGEMENT

Meeting investee companies is a core part of Invesco's investment process, and as a general rule, we prefer to engage to maintain or enhance the value of assets, rather than to divest. We recognize that each situation is unique and as such we make use of several different methods of engagement.

Overall, we exercise our rights and responsibilities as stewards of capital and work with company management, and at the board level to enhance sustainable value creation.

Part of our ongoing interaction with company management teams is to ensure that we agree with the vision for the company. If we find ourselves in a position where management teams are digressing from where we think, as shareholders, they should be, we may engage further directly with the company's board, senior management, or in the form of letters to boards and management.

We believe that the success of any engagement is dependent on having clear and consistent engagement objectives that provide demonstrable goals to measure individual performance and monitor wider trends. Our engagement and escalation strategy varies by investment team and is dependent on the objectives they set. At Invesco, we make use of several different approaches, including dialogue at company meetings and Annual General Meeting (AGM) voting. Investment teams may also reach out to the Global ESG team to collaborate on a follow-up engagement, if their previous engagements have been unsatisfactory.

During the one-year period ending December 31, 2021 our investment teams covered ESG topics in over 3,000 meetings with investee companies. This was an increase of approximately 50% over the previous year. For examples of our engagement and voting, please see our case studies on pages 26-30.



### Strengthening engagement

Invesco participates in a number of initiatives and industry bodies in support of our clients' interests and our investment teams' need for information. Participation in these initiatives helps strengthen our understanding on a number of issues that support our ability to engage with issuers and deliver positive outcomes to clients.

- **Climate Action 100+**

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Climate Action 100+ focuses on 167 companies that are critical to the net-zero emissions transition. By focusing on these companies, Climate Action 100+ targets the engagement efforts of its signatories to be more effective. As part of this initiative, Invesco is seeking commitments from companies regarding implementation of strong governance framework on climate change, actions to reduce greenhouse gas emissions across the value chain, and provision of enhanced corporate disclosures.

- **Investor Mining and Tailings Safety Initiative**

We have continued our involvement in the Investor Mining and Tailings Safety Initiative throughout 2021, building on the momentum developed by the initiative over the past two years. Given expected increases in metal demand from a low-carbon transition and several tailings dam failures occurring during 2021, there is a pressing need for global adherence to the highest standards of tailings management. Invesco is a strong supporter of The Global Industry Standard on Tailings Management developed by the International Council on Metals & Mining (ICMM), which, if widely adopted, we believe will play a key role in reducing the risk of devastating tailings dam collapses. During 2021, Invesco discussed the topic of tailings waste with various mining companies, including several that had not yet committed to formally adopting the standard. In some instances, these companies publicly committed to taking action following our engagement. We are planning future engagements with targeted extractive companies in 2022 to encourage them to commit to the implementation of the standard.

Invesco is a member of several initiatives that help inform our stewardship efforts, including:



For further information on our industry engagement and a list of organizations we partner with, see [Industry Engagement](#).

## 4.3 OUR APPROACH TO PROXY VOTING

In our role as stewards of our clients' investments, we regard our stewardship activities, including engagement and the exercise of proxy voting rights, as an essential component of our fiduciary duty to maximize long-term shareholder value. When casting votes, we incorporate a number of factors and inputs to inform the voting process, including company disclosures, internal and external research, proxy voting advisory services, the unique circumstances affecting companies, regional best practices, and any dialogue we have had with company management. The voting decision lies with our portfolio managers and analysts, with input and support from our Global ESG team and Proxy Operations functions.

Invesco's Policy Statement on Global Corporate Governance and Proxy Voting ([Global Proxy Voting Policy](#)) – developed and reviewed by our investment leadership – describes policies and procedures designed to ensure that we vote proxies in the best interests of our clients. It also aims to help clients understand our commitment to responsible investing and proxy voting, as well as the good governance principles that inform our approach to engagement and voting at shareholder meetings.

In January 2021, Invesco's good governance principles were developed by Invesco's investment teams in collaboration with the Global ESG team. The good governance principles outline our expectations of what good governance looks like across six key themes: transparency, accountability, board composition and effectiveness, long-term stewardship of capital, ESG risk oversight, and executive compensation and alignment. These principles describe our views on best practice in corporate governance and long-term investment stewardship, and provide the framework for our internally developed voting guidelines that guide voting decisions. Our Global Proxy Voting Policy serves as the foundation of our well-informed proxy voting decisions focused on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders.

The voting decision lies with our portfolio managers and analysts, with input and support from our Global ESG team and Proxy Operations functions. Our proprietary proxy voting platform 'PROXYintel' facilitates implementation of voting decisions and rationales across global investment teams.

Invesco aims to vote all proxies where we have been granted proxy voting authority in accordance with our Global Proxy Voting Policy. We may choose to refrain from voting in certain circumstances where the economic or other opportunity costs of voting exceeds any benefit to clients (e.g. where our shares will be restricted from trading after sending a vote instruction, otherwise known as 'share blocking') or in the event of certain types of conflicts of interest outlined in our Global Proxy Voting Policy.

Our Global Proxy Voting Policy is formally reviewed at least once a year to ensure it remains consistent with clients' best interests, regulatory requirements, investment team considerations, governance trends and industry best practices. To learn more about Invesco's proxy voting approach and good governance principles, please visit [invesco.com/corporate/about-us/esg](https://www.invesco.com/corporate/about-us/esg).

**“Proxy voting is one of the most powerful ways of ensuring that investors' voices are heard and an essential component of our fiduciary duty to seek to maximize long-term shareholder value.”**



**ZOJE VATAJ**  
Global Proxy Governance and Voting Manager



<sup>1</sup> Percentage of global meetings with at least 1 vote against management. In 2020, we voted against management at 43% of meetings.

## 2021 PROXY VOTING SNAPSHOT



**THIS REPRESENTS EXECUTION ON MORE THAN**



**98.4%**  
of eligible meetings

## 4.4 HIGHLIGHTS OF INVESCO'S 2021 GLOBAL PROXY VOTING POLICY UPDATES

In January 2021, we expanded our expectations on board diversity, board independence, board responsiveness, ESG risk oversight and how we evaluate E&S shareholder resolutions, to name a few. Key highlights include:



### Diversity

We encourage companies to continue to evolve diversity and inclusion practices. We expect boards to comprise directors with a variety of relevant skills and industry expertise, together with a diverse profile of individuals of different genders, ethnicities, races, skills, tenures and backgrounds in order to create a robust challenge and debate in the boardroom. Where we identify that a board is not sufficiently diverse, Invesco will generally vote against the chair of the nominating committee.



### Board Independence

We expect a majority of the directors on a board to be independent from management. We consider local market practices in this regard and in general we look for a balance across the board of directors. Invesco believes that independent board leadership generally enhances management accountability to investors. Above all, we like to see signs of robust challenge and discussion in the boardroom.



### Board Responsiveness

We expect boards to engage and respond to investor concerns in a timely fashion. We may oppose director nominations where we believe a board has not adequately addressed shareholder concerns, including the following common circumstances:

- Board has not taken the appropriate action to address items receiving significant voting opposition at a shareholder meeting
- Board fails to implement shareholder proposals receiving significant support at a shareholder meeting
- Where we observe a lack of board responsiveness to engagement requests from Invesco



### ESG Risk Oversight

We believe the board of directors is ultimately responsible for overseeing management and ensuring proper oversight of financially material ESG risks. Invesco may hold certain director nominees accountable where we identify financially material ESG risk oversight failures, including significant bribery, corruption, ethics violations, events causing significant climate-related risks, human rights issues, or health and safety incidents.



### Shareholder Proposals Addressing E&S Issues

For investors to effectively assess a company's strategic planning and business practices related to E&S risks and opportunities, transparency is essential. Invesco supports robust disclosure and reporting on financially material E&S topics provided that such requests are not unduly burdensome or duplicative and promote long-term shareholder value.



### Category of proposals voted against management<sup>1</sup>

Directors related	65%
Non-salary compensation	18%
Capitalization	7%
Routine/business	5%
Reorganization and mergers	3%
Anti-takeover related	1%
Other	1%

<sup>1</sup> Percentage of votes by category against management proposals. Certain figures have been subjected to rounding adjustments.

## HOW INVESCO VOTED ON SHAREHOLDER PROPOSALS

### ESG voting outcomes



#### Environmental

We supported a shareholder proposal requesting a financial services company to publish an annual assessment on how the company manages physical and transitional climate-related risks and opportunities, given the assessment would allow shareholders to better understand how the company is managing systemic risks posed by climate change and transition to low carbon economy.



#### Social

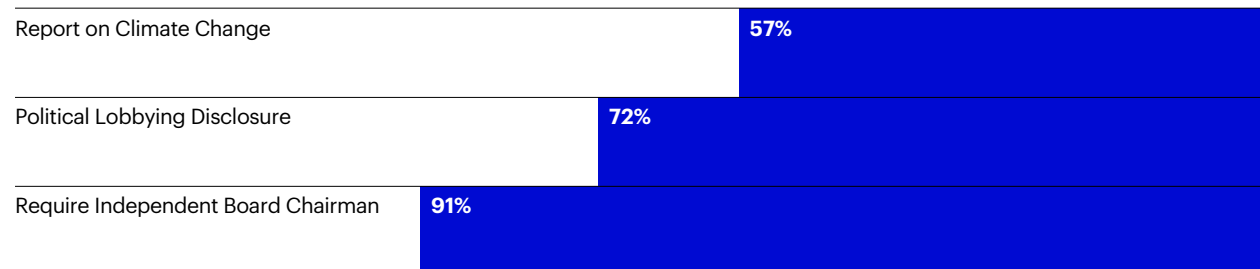
We supported a shareholder proposal asking a financial company to publish annually a report assessing the company's diversity and inclusion efforts, given the disclosure of quantitative and comparable diversity data would allow shareholders to better assess the effectiveness of the company's diversity, equity and inclusion efforts and management of related risks.



#### Governance

We supported a shareholder proposal requesting a healthcare company take all the steps necessary to reorganize the Board of Directors into one class, with each director subject to election each year for a one-year term, which would enhance board accountability as annual director elections are generally viewed as a corporate governance best practice.

### ESG shareholder proposals supported



## DEMONSTRATED ACTIVE OWNERSHIP HOLDING DIRECTORS ACCOUNTABLE

### Proxy voting disclosure

We are committed to being transparent with our clients and companies about our investment stewardship and voting activities. We disclose proxy voting records in compliance with regulatory requirements and industry best practices globally on Invesco's Environmental, Social and Governance [website](#).

### Key reasons we voted against directors<sup>1</sup> (# of companies)

	Americas	EMEA	APAC	Total
Lack of independence	639	448	718	1,805
Over-boarding	712	360	261	1,333
Lack of board diversity	814	126	292	1,232
Classified board	1,060	16	15	1,091
ESG failures	78	14	46	138
Lack of board responsiveness	46	11	1	58

### Did you know?

Image source: AdobeStock.



As part of our commitment to working with our clients, Invesco will accommodate custom voting policies for some clients in segregated mandates (where these clients have not delegated proxy voting rights to us in a mandate). We offer these clients options to choose from a third-party proxy voting policy using Invesco's voting infrastructure. Invesco's portfolio managers and analysts retain full discretion over voting decisions for pooled portfolios, in line with our Global Proxy Voting Policy.

# CASE STUDY 01



## VOTING/ENGAGEMENT CASE STUDY

# CLIMATE CHANGE/ ENVIRONMENT

COMPANY	ESG ISSUES ADDRESSED	METHOD OF ENGAGEMENT
European Automotive company	Climate change/Environment	Video Call

### Issue

The company is a leading European automotive company but is seen as an operational underperformer in the sector. The automotive sector is experiencing transformational change as demand shifts towards electric vehicles. This is driven by consumer preferences as well as regulatory pressure in key markets, for example the proposal in the EU to ban internal combustion engines from 2035 onwards. While we consider that the company has a good level of experience in EV and has set a target for 100% EVs in Europe by 2030, we are concerned that its loss of relative scale could hinder its ability to invest sufficiently to compete with global peers.

### Action

- Invesco's investment team met with the company's management to discuss their strategy to restructure the business, including potentially forming partnerships with peers and spinning off the EV business. Management confirmed its plans to restructure the business but had not determined the precise scope of the restructuring plans. Invesco expressed concern that as investors, we cannot increase exposure until we have the final structural details.

### Escalation

- The investment team did not participate in a subsequent bond offering due to these concerns.

### Outcome

- The investment team concluded that there is a lack of strategic cohesion in the company's plans. They downgraded our internal assessment of the company to weakening trend as a result.

### Next steps

- We continue to monitor the company's strategy as it narrows the scope of its restructuring plan.



# CASE STUDY 02



## VOTING/ENGAGEMENT CASE STUDY

# GOVERNANCE / STAKEHOLDER MANAGEMENT

COMPANY	ESG ISSUES ADDRESSED	METHOD OF ENGAGEMENT
Food Retail Company	Stakeholder Management; Poor Governance	Call

### Issue

Invesco's Henley Fixed Interest team initially had the view that the yield on offer compensated for embedded ESG risk. However, since initiating the position, the issuer used excess cash to pursue an aggressive share-buyback scheme, bringing the organisation back into full family ownership. The investment team disagreed with the decision to utilise the funds to further weaken the corporate structure, rather than return business rate relief designed to assist companies during the pandemic restriction, a step common among its peers, or pay down debt.

### Action

- Corporate governance is always an important consideration bond holders and the described steps have contributed to the company's bonds underperforming peers. As such, the Henley Fixed Interest team raised the ESG issues in a call with management.

### Escalation

- Following the discussion with management, the food retail company's governance risks combined with its poor stakeholder management led the sector analyst to flag a significant deterioration in ESG credentials, concluding that the yield no longer compensated for the increasing ESG risk. As a result, the team divested from the issuer.

### Outcome

- The team's divestment was a result of their conclusion that the yield no longer compensated for the increasing financially material ESG risk.

### Next steps

- Due to the concerns around governance and lack of improvement in ESG risks, the Henley Fixed Interest team exited the position and declined to participate in new issuances.
- The team will continue to monitor the issuer and reassess the ESG risks on an ongoing basis.

# CASE STUDY 03



## VOTING/ENGAGEMENT CASE STUDY

# GOVERNANCE/BOARD QUALITY/INDEPENDENCE

COMPANY	ESG ISSUES ADDRESSED	METHOD OF ENGAGEMENT
A North American Bank	Board Independence	Audio Call, Vote

### Issue

In 2020 and 2021, Invesco met with the bank and discussed a broad range of ESG issues with the company. In previous engagements, Invesco discussed increasing board independence and diversity, as well as greater board oversight of ESG and climate change issues. In 2021, our engagements were prompted by multiple proposals filed at the company's AGM, including one on separation of the Chair and CEO roles. Invesco believes that a strong independent board ensures best governance practices.

### Action

- Representatives from equity and credit investment teams met with the bank. During the call, the bank highlighted its notable effort to improve board quality and independence. In 2021, the company announced its progress in increasing gender diversity by adding two more women to the board, bringing female representation on the board up to 40 percent. Under pressure from institutional investors, the company also appointed a new Lead Independent Director in 2020. In response to the 2021 shareholder proposal seeking separation of the CEO and Chair roles, the company argued its appointment of the new Lead Independent Director was robust and it makes sense for a large and global company to have a combined CEO and Chair role.
- Although formally reporting 90% independence, the average tenure of the bank's board is eight years. Two board directors, including the new Lead Independent Director, have been members of the Board since 2004 with 17 years tenure. Invesco expressed concerns about the tenure and independence of the new Lead Independent Director.

### Escalation

- Following the discussions with the bank, Invesco's investment teams unanimously supported the proposal on the grounds that it benefits shareholders to have independent oversight of management.

### Outcome

- At the 2021 AGM, the proposal on separation of the Chair and CEO roles gained significant approval.

### Next steps

- Invesco's investment teams and the Global ESG teams are planning on engaging with the company during the 2022 AGM season, arguing again for separation of the Chair and CEO roles.

# CASE STUDY 04



## SOVEREIGN/ENGAGEMENT CASE STUDY

# GOVERNANCE/SUSTAINABILITY

COMPANY	ESG ISSUES ADDRESSED	METHOD OF ENGAGEMENT
A South American Sovereign Bank	ESG Risks, Sustainability	Video Call

### Issue

This meeting was offered by the sovereign bank to discuss its recent sustainability initiatives. Invesco proposed several topics for discussion, including climate change in stress tests, deforestation, and government synchronization. These issues were identified as material, as the sovereign has publicly committed to achieving 50% carbon reduction by 2030 and net zero by 2050. One day prior to the meeting, the sovereign bank released its first sustainability publication titled Report on Social, Environmental and Climate-related Risks and Opportunities. The publication touched on Invesco’s proposed topics. However, it was missing some of the finer details. Therefore, the meeting was primarily used to gain clarity on how the sovereign’s new objectives would be put into practice.

### Action

- Invesco bondholders and the ESG team discussed sustainability and long-term strategy, as well as ESG risks of banking institutions, with the bank. The sovereign is conducting a stress test of ESG risks at individual banks in the country and is expected to publish the results in early 2022. The sovereign bank expressed that the first tests are meant to “test the waters” without designated pass/fail criteria.
- The sovereign is also evolving its rural credit system to be more sustainable. Its rural credit system provides credit to rural banks and collects 270 data fields that are cross-referenced with government databases to ensure veracity of information. The sovereign bank recently included four data fields relating to illegal deforestation and one relating to “slave-like” work conditions. The sovereign expressed confidence it will be notified of violations in a timely manner.

### Outcome

- Invesco gained some clarity on how the sovereign’s new sustainability objectives would be put into practice.
- Invesco recommended that the sovereign form a sustainability investor working group.
- Though its country has a net-zero target, the bank is independent from the government and doesn’t have a net-zero target itself. Since the sovereign has publicly committed to achieving net zero by 2050, it is Invesco’s expectation that the sovereign bank develop a net-zero investment framework to align its portfolio with national climate-related targets.

### Next steps

- Invesco will monitor the sustainability objectives of the company, including the stress test results, the rural credit system’s sustainability developments, and the bank’s efforts to adopt a net-zero target.

# CASE STUDY 05



## VOTING/ENGAGEMENT CASE STUDY

# GOVERNANCE/EXECUTIVE COMPENSATION

COMPANY	ESG ISSUES ADDRESSED	METHOD OF ENGAGEMENT
A British Mining Company	Executive Compensation	Phone Call

### Issue

In preparation for the departure of its long-time founder and CEO, the company reached out to shareholders to discuss leadership succession and revisions to its remuneration policy proposed in connection with this transition.

### Action

- Invesco's investment teams and the Global ESG team met jointly with the company to discuss executive remuneration and other voting topics.
- The company discussed its proposal to adopt restricted share awards for its long-term incentive program in lieu of conventional performance equity based on financial performance targets.
- The company described its rationale for this change, which included incentivising executive outperformance at a company where commodity price fluctuations largely outside of managerial control heavily influence financial performance.
- Invesco has expressed the view that greater specificity on performance underpinning criteria for restricted stock/ share unit awards is required to ensure that compensatory outcomes reflect strong operational execution.

### Escalation

- Due to the view that further action was required to ensure compensatory outcomes that reflect strong operational execution, Invesco broadly voted in favour of the updated remuneration policy and the adoption of a restricted share plan.

### Outcome

- These resolutions were opposed by some shareholders at the 2021 AGM.

### Next steps

- Invesco will evaluate the company's response to shareholder concerns expressed at the 2021 AGM, including matters raised in our engagement calls.
- Additionally, Invesco's investment teams and the Global ESG team will determine whether or not the revised remuneration policy has been implemented to our satisfaction going forward.

## A FOCUS ON TOOLS AND INNOVATION

Invesco appreciates the **power of technology, innovation, and data** to improve the support and information our portfolio managers receive. We have therefore **launched our own tools and systems** to assist with research, portfolio reviews, portfolio optimization, engagement and proxy voting.



## 5.1 TOOLS & INNOVATION

ESG data continues to evolve at a rapid pace, while the industry also faces challenges such as data comparability and coverage. At Invesco, we believe having quality data about Environmental, Social and Governance (ESG) factors is critical for effective investment analysis. In 2021, we enhanced our ESG data and analytics capabilities by building out and updating our proprietary tools – ESGintel, FocusIntel, PROXYintel and ESGCentral.

### ESG Data Providers

Invesco leverages a host of internal resources as well as external tools to enable ESG capabilities across asset classes. Our investment teams manage ESG strategies using a diverse range of approaches and may supplement internal research with information from third-party service providers. These consist of ESG research providers, proxy advisory firms, trade associations, and ESG analytical tools (including our proprietary tools).

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



### Our ESG Research and Engagement Partners

A broad platform

<b>ESG Research Providers</b>	Sustainalytics	MSCI	Bloomberg	ISS	
	Sell-side Research	Carbon Disclosure Project	Planetrics	Transition Pathway Initiative (TPI)	
	Science Based Targets Initiative	Carbon Underground 200	SG Analytics	Moody's ESG Solution	
	Equileap	Just Capital	Morningstar	Nikko Research Center	
	Climate Bonds Initiative	International Energy Agency	Net Zero Tracker	UN Human Development Index	
	Transparency International	Worldwide Governance Indicators (WGI)	Sustainable Development Goals (SDG) index	Environmental Performance Index (YEPI)	
	CA100+	Proxy Insight	FAIRR		
<b>Proxy Voting Research and Vote Recommendations</b>	Glass Lewis	ISS	IVIS (UK Equities)		
<b>Our Proprietary Tools</b>	ESGintel	FocusIntel	ESGCentral	PROXYintel	Vision

Source: Invesco, as of February 2022. For illustrative purposes only. ISS: Institutional Shareholder Services. FAIRR: Farm Animal Investment Risk & Return. IVIS: Institutional Voting Information Service. MSCI: Morgan Stanley Capital International.



# OUR PROPRIETARY TOOLS

## ESGINTEL

Launched in 2020, ESGintel is a proprietary ESG research and ratings platform that provides insights on key ESG topics for corporate and sovereign issuers across a range of metrics and data points. The tool enhances the ESG investment process by:

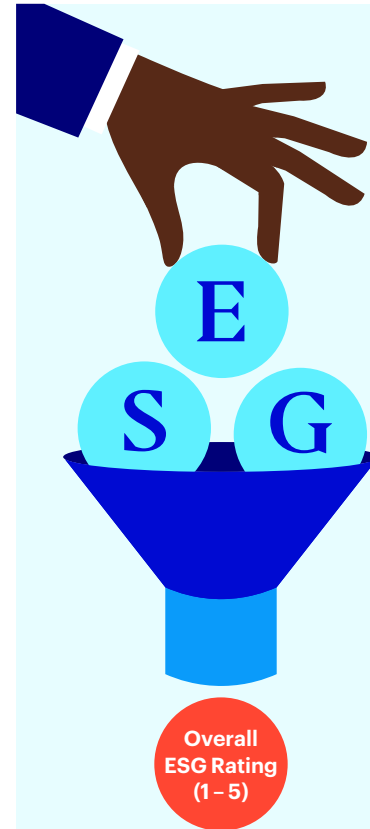
- Highlighting ESG factors with potential investment implications
- Storing ESG engagement notes
- Facilitating ongoing monitoring of issuer progress towards sustainable value creation

### ESGintel Corporate Ratings

ESGintel corporate provides users with ESG ratings based on Invesco's internally developed methodology, ratings trends, momentum information, and access to the underlying company-level data. Sector and sub-sector materiality lenses are applied within the framework, ensuring that companies are evaluated on the most relevant ESG topics according to their business activities. A variety of underlying indicators feed into the topic-level assessments, providing a holistic view in each of these key areas. Topic-level ratings are aggregated into both 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. These ratings are updated monthly 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.

Statistical approximations are used to further supplement coverage, where appropriate. This process 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.



### Environmental

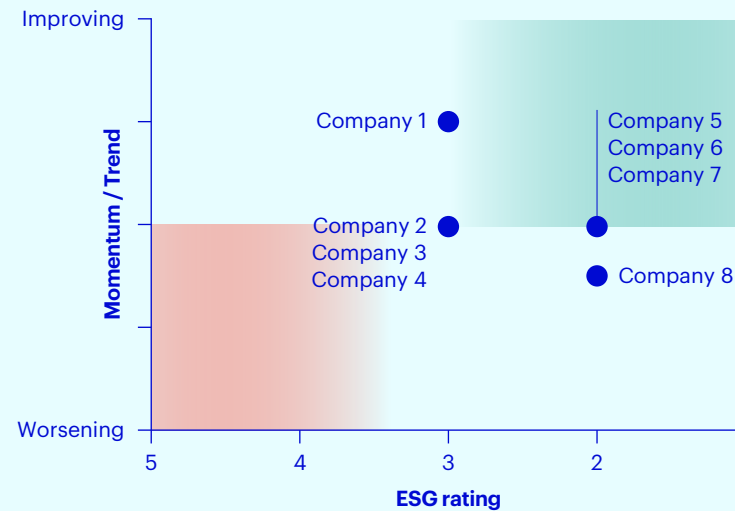
- Toxic Emissions
- Circular Business Model
- Energy Management
- Water Management
- Low Carbon Transition
- Climate Change
- Environmental Management System

### Social

- Supply Chain Management
- Diversity
- Employee/Management Relations
- Health and Safety
- Workforce retention
- Product quality and safety
- Data Privacy Security

### Governance

- Compensation and Alignment
- Audit and shareholder rights
- Board Composition
- Business Ethics
- Capital Allocation



# 3.0

Average  
(1 - 5 rating)



## Engagement Notes

As the ESG data landscape evolves, Invesco is enhancing ESGintel by refining the ratings methodology and incorporating new datasets.

### SovereignIntel

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, SovereignIntel generates a score for countries across E, S and G categories that can then be aggregated into an overall ESG score. SovereignIntel provides an internal rating, a rating trend, and a global ranking out of 160 countries.

### Engagement Notes

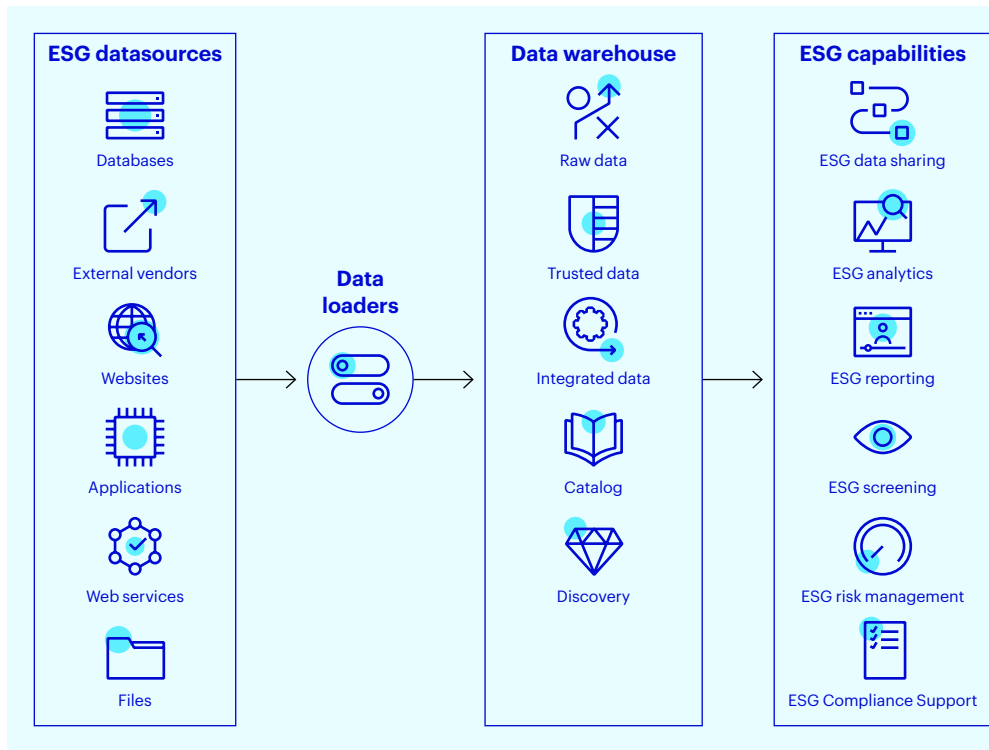
Another ESGintel platform development means that investment teams can now upload any of their own company-level ESG research or engagement notes to share this insight with others across Invesco. Using this function, the Global ESG Research team has uploaded all its historical ESG research and engagement reports, so these are now all available on the platform.

CURRENTLY,  
APPROXIMATELY

# 15,000

companies meet our minimum coverage criteria for creating an overall ESG rating

## ESGCENTRAL



While ESGintel is primarily used as a research and engagement tool at the issuer level, ESGCentral is a one-stop solution for all ESG data and various ESG capabilities across Invesco, including ESG portfolio analytics, principle adverse impact indicators, net zero climate initiative and ESG screening.

ESGCentral brings in 40+ ESG data sources, together covering more than 52,000 companies and over 2,500 ESG data metrics and integrates them with Invesco's ESG portfolios and benchmarks to provide a holistic portfolio-level ESG analytics capability. The platform's data-fuelled ESG insights highlight ESG opportunities and risks within the portfolios. The tool enables users to screen the portfolios for positive and negative ESG screens, net zero, Article 8, sustainable/responsible investing and other ESG frameworks. Through these capabilities, the platform supports ESG compliance, risk management, ESG reporting, and regulatory initiatives such as SFDR and TCFD. As a result, ESGCentral provides clear differentiation to Invesco's ESG approach and integration.

## FOCUSINTEL

### Prioritizing Issuers for Engagement

Using ESGintel's research and data points, the ESG research team maintains FocusIntel, a list of highest ESG risk issuers across all of Invesco's aggregated holdings. Ownership and ESG risk materiality criteria are applied on the aggregated holdings and the issuers are segregated into High/Medium/Low buckets, signifying the ESG risk of issuers.

**“ESGCentral expands on our ESG data capabilities to deliver a ‘one-stop’ solution for all the ESG analytical capabilities across Invesco.”**



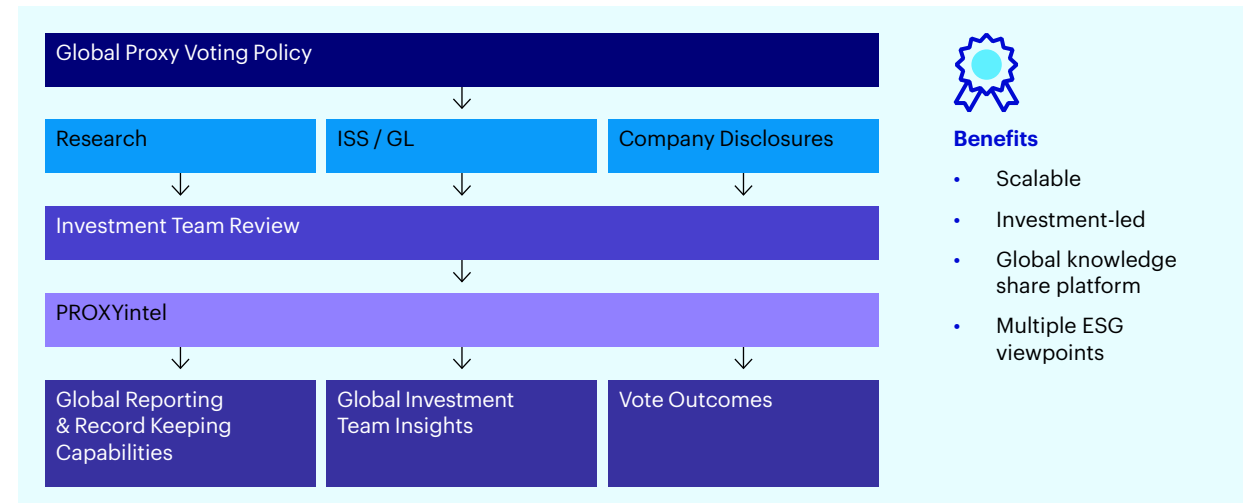
**ALAKA MISHAL**  
Associate Director, Investment Technology

## PROXYINTEL

Our proprietary proxy voting platform PROXYintel facilitates implementation of voting decisions and rationales across global investment teams. It tracks proxy votes and rationales in real time, and investment teams are able to view votes cast by other shareholders within Invesco. This tool helps to build institutional knowledge across the Invesco complex with respect to individual companies and proxy issues.

PROXYintel integrates:

- Meeting Information & Proxy Ballots
- Vote Execution & Vote Rationales
- IVZ Global Proxy Voting Guidelines
- Client-Customized Voting Policies
- Third-Party Proxy Research
- ESG Ratings
- Conflicts of Interest
- Historical Proxy Vote Record Keeping
- Client Reporting
- Ballot & Vote Reconciliation
- Security Lending
- Account/Data Maintenance
- Custodian/Vendor Management



## COMPARISON OF OUR PROPRIETARY TOOLS

	ESGintel	ESGCentral	Vision	FocusIntel	PROXYintel
Description of Tool	A research tool integrating third-party ESG data and Invesco's views on materiality	A cloud-native ESG platform to enable our investment teams to have holistic, customized portfolio-level ESG analytics capabilities	A cloud-based portfolio management platform allowing investors to make better informed investment decisions, considering their specific ESG considerations	An updating list of highest ESG risk issuers across all of Invesco's aggregated holdings	A global knowledge-share platform tracking proxy votes and rationales across Invesco with respect to individual companies and proxy issues
Scale of Analysis	Issuer-level data	Portfolio-level, issuer-level data	Portfolio-level data	Issuer-level data	Issuer-level data
Outputs	<ul style="list-style-type: none"> <li>An overall ESG rating out of 5</li> <li>E, S and G scores</li> <li>Peer comparison and historical comparison</li> <li>Engagement notes</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio-level analytics, monitoring, and screening</li> <li>Support for risk management and regulatory compliance (e.g. SFDR)</li> <li>ESG reporting</li> </ul>	<ul style="list-style-type: none"> <li>Modelling assets and liabilities</li> <li>Portfolio optimization</li> <li>Portfolio analytics</li> </ul>	<ul style="list-style-type: none"> <li>A list of highest risk ESG companies</li> <li>Clear indicators of why the issuer is deemed high risk</li> </ul>	<ul style="list-style-type: none"> <li>Votes cast</li> <li>Vote rationales</li> </ul>
Used by investment teams primarily to	Research a company's ESG profile prior to or during the investment process to integrate ESG risks into investment decisions	Analyze portfolios to understand ESG opportunities and risks compared to benchmarks using 40+ ESG data sources. Screens portfolios for various ESG Screens like net zero, Article 8, sustainable/responsible investing and various ESG Frameworks	Enhance their understanding of a portfolio's risk-exposure, develop consistent return expectations, model liabilities, design optimized portfolios, evaluate portfolios taking into account investors' ESG considerations	Identify high-risk holdings and choose whether to arrange an engagement	Execute proxy voting decisions, view how other shareholders within Invesco have voted, and share knowledge with respect to individual companies and proxy issues

Image source: AdobeStock.



Invesco's proprietary tools have built-in feedback loops 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 scene. We are seeing a growing number of international initiatives underway that are designed to foster convergence and global consistency. Most recently, the creation of the International Sustainability Standards Board has drawn a line in the sand for global standards on ESG reporting by companies. This will go a long way to feeding more standardized metrics and data into our systems. While still mindful of the need to augment and customize them to fit our proprietary views of ESG materiality, our proprietary ESG rating tools will benefit from these trends and continued improvements to data inputs.

**“Improving our data analytics is an important way we can scale our ESG integration, and ESGCentral enables portfolio managers with ESG insights to actively shape their ESG approach.”**



**VINAY MUPPANA**  
Senior ESG Specialist, Data Analytics

# INDUSTRY ENGAGEMENT

Invesco is involved with various industry organizations **supporting important** ESG topics.<sup>1</sup> In **partnership** with these organizations, we...



Image source: Invesco.



Engage with the world's largest corporate greenhouse gas emitters as a participant



Disclose annually and report publicly on our climate-related impact and risks



Measure the sustainability performance of our real estate strategies since 2012, achieving 5-stars for seven strategies in 2021



Collaborate as part of various industry working groups, focused on facilitating green finance and sustainable investments in Hong Kong and beyond



Work to promote transparency, disclosure, and best practice on ESG through participation in working groups, including ICI Fund Disclosure Working Group, ICI Global ESG Task Force, and ICI Proxy Issues Working Group



Demonstrate our commitment to net zero through membership of the Net Zero Asset Managers Initiative (NZAMI), and support development of the Net Zero Investment framework



Promote responsible investment principles as a signatory since 2013 and participate in multiple working groups



Advise and provide ongoing feedback on the use of the SASB standards (guiding disclosure of financially material sustainability information)



Support the TCFD and disclose to our stakeholders on our climate-related financial risks in our [Climate Change report](#)



Report annually to the FRC demonstrating how we have applied the code in the previous 12 months

<sup>1</sup> These following statements reflect Invesco's participation with these organizations in the calendar year of 2021 to date, as of February 2022, and do not represent commitments to future participation.



## 6.1 OUR COMMITMENT TO THE NET ZERO ASSET MANAGERS INITIATIVE

In March 2021, Invesco signed up to the Net Zero Asset Manager's Initiative (NZAMI), an initiative committed to supporting the goal of net-zero greenhouse gas emissions by 2050 or sooner. Our decision to join the initiative is a key element of our aim to deliver a broad range of ESG capabilities for clients seeking strategies that align with their interests, including many focused on the environment.

### Our net-zero approach

Invesco is taking a thoughtful, rigorous, transparent approach to net zero, which helps ensure the AUM we've identified are being committed with integrity. At Invesco, we have a broad range of investment capabilities and are being thoughtful in assessing the feasibility of net zero for each asset class and instrument, driven by the needs of our clients and the thoughtful approach of our investment teams.

We have taken the time to assess each of our clients' investment portfolios and investment strategies on an individual basis. Our AUM commitment includes portfolios where clients are seeking to implement a decarbonization objective, portfolios that are aligned to a Sovereign which is committed to net zero, or portfolios for which the investment team is engaging with companies with the intention of improving client outcomes, specifically supporting companies in managing transition risk consistent with net zero by 2050 or sooner.

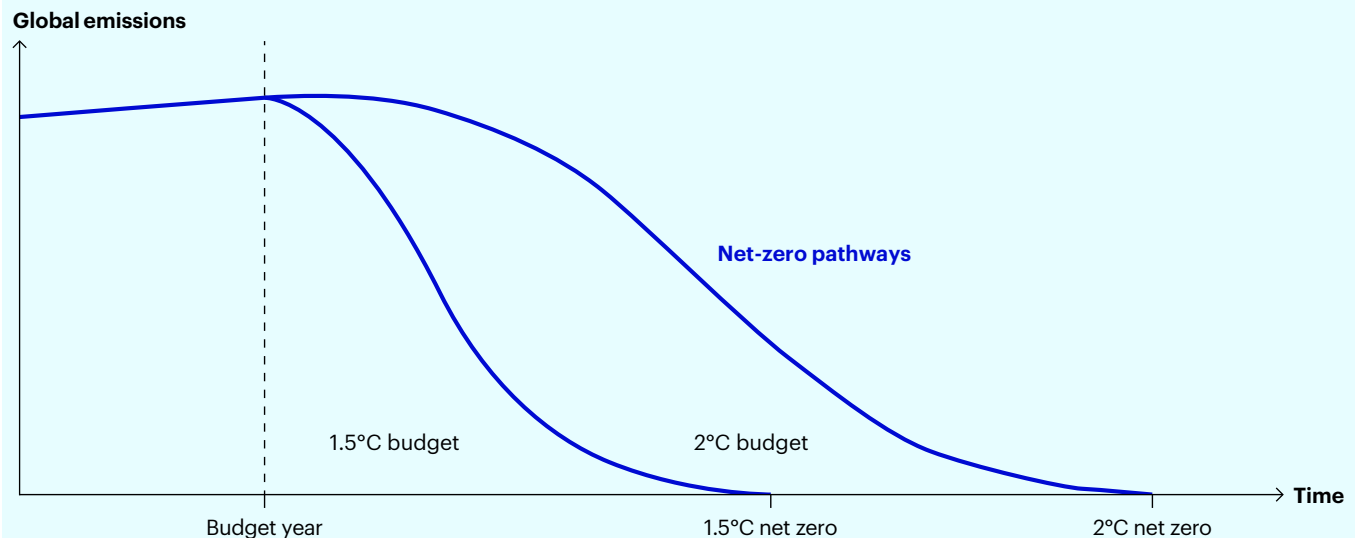
We anticipate our committed AUM will increase over time as more of our clients make net-zero commitments and as we work to meet the evolving needs of our clients.

More specifically, we are:

- **Having conversations with clients** to understand their needs and further refine our approach to support them in their transition to net zero
- **Engaging with company management** and, where it makes sense, collaborating globally to ensure a coordinated approach to support companies on their net-zero pathway
- **Building proprietary tools** to support our investment teams in screening their portfolios for net-zero alignment, measure portfolio-level climate metrics and identify issuers for engagement
- **Producing a net-zero research methodology** that provides firmwide net-zero ratings to assess alignment.

### What is net zero?

Net zero refers to a state in which the anthropogenic emissions of greenhouse gases going into the atmosphere are balanced by anthropogenic removals out of the atmosphere, over a specified period. The 'net' in net zero is important because it will be very difficult to reduce all emissions to zero on the timescale needed. As well as significant cuts in emissions, there will likely be a need to scale up GHG removals.







We are also involved through membership, other forms of participation, or support, with the following organizations and industry advocacy groups. We are...

#### A MEMBER OF:

- 30% Club Japan Investors Group
- Asian Corporate Governance Association (ACGA)
- Asia Investor Group on Climate Change (AIGCC)
- Better Building Partnership (BBP)
- Bipartisan Policy Center ESG Task Force
- Climate Bonds Initiative
- Coalition for Climate-Resilient Investment (CCRI) (founding member)
- Confluence Philanthropy (Associate Advisor Menu)
- Corporate Responsibility Interface Center (CRIC) (DACH countries)
- Council of Institutional Investors (CII) (US)
- Disclosures and Labels Advisory Group (DLAG)
- Farm Animal Investment Risk & Return Initiative (FAIRR)
- EFAMA Sustainable Finance Committee
- ESG Disclosure Study Group (Japan)
- Green Technical Advisory Group (GTAG)
- Hong Kong Green Finance Association
- Investment Association (UK)
- Investment Management Education Alliance (IMEA)
- Investor Forum (UK)
- Irish Funds ESG Legal committee
- Italian Sustainable forum (ItaSIF)
- One Planet Asset Manager Initiative
- Quoted Companies Alliance (QCA)
- Responsible Investment Association (RIA) (Canada)
- Responsible Investment Association Australasia (RIAA)
- Singapore Green Advisory Group
- Taskforce on Nature-Related Financial Disclosures Forum (TNFD)
- TCFD Consortium
- Transition Pathway Initiative
- UK Sustainable Investment and Finance Association (UKSIF)
- World Economic Forum Financing the Transition to a Net Zero Future Working Group

#### A SIGNATORY TO:

- EFAMA Stewardship Code
- Indian Stewardship Code
- Japan's Stewardship Code
- Net Zero Asset Managers Initiative
- UK Stewardship Code<sup>1</sup>

<sup>1</sup> In 2021, Invesco was listed as a signatory to the UK Stewardship Code 2020.



# THOUGHT LEADERSHIP

At Invesco, we **recognize** our position as a bridge between **industry practitioners** and **academia**, for the benefit of our clients.

Our Global Thought Leadership team collaborates with internal teams to produce ESG content that leverages practitioner expertise, responds to the needs of our clients, and stays abreast of policy, governmental, and regulatory developments. We also partner externally with a broad network of academic scholars and other practitioners from across the asset management industry to deliver quality research and contribute to broader industry-wide conversations. There is an increasing rise in the supply of and demand for ESG-related thought leadership for the asset management industry.

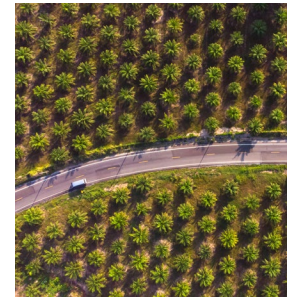
**At Invesco, we strive to contribute to the ESG conversation in a meaningful way that reflects the interests and needs of our clients.**

## 2021 HIGHLIGHTS



**Economic Transition Monitor**  
– The path to net zero

In the [first paper](#) of a series regularly monitoring the path to net zero, we focused on the C20 – the 20 largest CO<sub>2</sub> emitting countries – and examined progress against the net-zero targets set by each country. This piece analyzed the success of meeting those targets by looking at recent trends in emissions, emissions per capita and the CO<sub>2</sub> intensity of economic activity. Based on recent trends, they expect only the UK will meet its net-zero target.



**Appetite for change: food, ESG, the nexus of nature**

In this white paper, we explore the dangerous lack of sustainability in prevailing approaches to food production and consumption, especially factory farming.



**Game Changers**

Developed in collaboration with the University of Cambridge Judge Business School, this innovation-focused video interview series features several ESG pioneers, including Lord Browne (former BP CEO), Dame Stephanie Shirley (gender-equality trailblazer and philanthropist) and Tilly Franklin (University of Cambridge CIO).

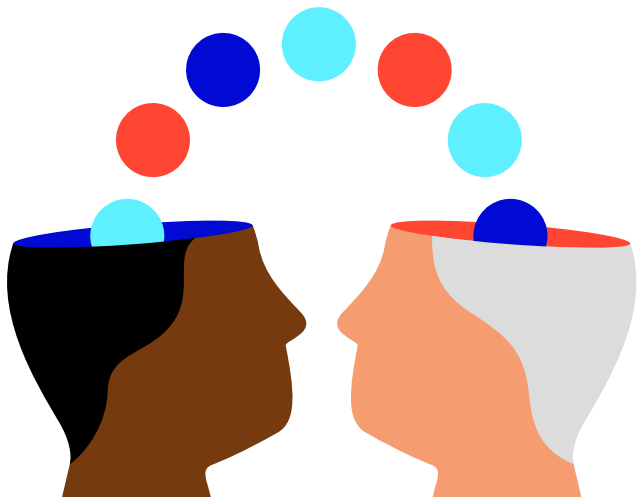
You can view the video series [here](#).



**Reflections on COP26: meaningful progress or more “blah blah blah”?**

In this podcast, Invesco delegates at the 2021 United Nations Climate Change Conference share some of their insights on the decisions reached in Glasgow – and, just as importantly, some that were not.

You can listen to the podcast [here](#).





# OUR 34-YEAR JOURNEY



## 1987

Invesco Real Estate launches a strategy excluding military-related investments

## 1989

Invesco Fundamental Equities offers a strategy excluding alcohol, tobacco and gambling

## 1990

Invesco Quantitative Strategies launches a strategy with ESG positive/best-in-class techniques

## 2003

Invesco Quantitative Strategies & Invesco Fixed Income launches a co-managed strategy with a combination of ESG best-in-class, positive, negative and exclusionary techniques

## 2005

Invesco ETFs launches two ESG thematic strategies

## 2006

Invesco Japan launches a strategy using a Womanomics score

## 2007

Invesco Direct Real Estate begins ESG integration for their strategies

## 2013

Invesco becomes a PRI signatory

## 2014

Invesco's first PRI report is submitted for period covering 2014

Invesco US begins voting proxies on proprietary portal now called PROXYintel

Invesco signs on to the newly established Japanese Stewardship Code

## 2015

Invesco begins global internal distribution of an ESG focus list

Invesco adopts a Global Proxy Voting Policy

Invesco establishes a Global Invesco Proxy Advisory Committee (IPAC)

Invesco selects a global ESG research vendor

Invesco rolls out annual Responsible Investment (RI) training globally

## 2016

Invesco is assessed as a Tier 1 signatory to United Kingdom Stewardship Code by Financial Reporting Council (FRC)

Invesco achieves 'A' rating from PRI for Fixed Income, Direct Property and Proxy Voting

Invesco is ranked #1 in amLeague's Global Low Carbon Mandate for April, July & September 2016

Invesco Real Estate has three strategies ranked #1 in their peer groups by the Global Real Estate Sustainability Benchmark Assessment (GRESB)

Invesco Quantitative Strategies launches a strategy with a global focus on social and environmental investing

Invesco is ranked #1 in US Capital Markets Industry by Newsweek Green Rankings

Invesco Managed Accounts (known as SNW Asset Management at the time) launches impact overlays focusing on Environmental Issues and Gender Equity

## 2017

Invesco achieves A+ rating from PRI for Strategy & Governance and Fixed Income SSA

Invesco is named to PRI SDG Working Group for Active Ownership

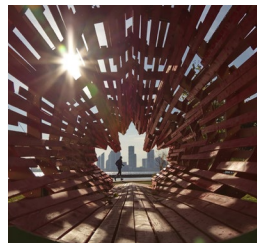
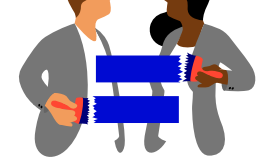
Invesco is named to UK Sustainable Investment and Finance Association (UKSIF) Board of Directors

Invesco is a finalist for CIO's inaugural Industry Innovation Award for ESG<sup>1</sup>

Invesco is named to PRI ESG Engagement Advisory Committee

Invesco publishes inaugural Investment Stewardship and Proxy Voting Report

Invesco publishes inaugural Corporate Social Responsibility Report



## 2018

Invesco is named to PRI Fixed Income Advisory Committee

Invesco is named to PRI Macroeconomic Risks Advisory Group

Invesco is named to Investment Company Institute (ICI) Global ESG Task Force

Invesco joins Responsible Investment Association (RIA) Canada

Invesco wins CIO's Industry Innovation Award for ESG<sup>1</sup>

Invesco achieves A+ rating from PRI for Strategy & Governance and Fixed Income SSA

Invesco is named to PRI Advisory Committee on Plastic

This is not an exhaustive list but it gives an indication of the variety of Invesco's achievements/activities over the last 34 years. Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time.

<sup>1</sup> For details on the awards, visit: <https://www.ai-cio.com/lists/2018-asset-management-servicing-winners/?type=ESG>

<sup>2</sup> For more details on the NASSCOM GCC Conclave event, visit: <https://nasscom.in/gcc2019/>

<sup>3</sup> For more details on the criteria and award, visit: <https://cfi.co/awards/north-america/2020/invesco-best-esg-responsible-investment-expert-united-states-2020/>

<sup>4</sup> For details on the winners and finalists, visit: <https://www.esginvesting.co.uk/awards/shortlistedfinalists>. Awards categories are assessed by a panel of independent judges comprising financial market professionals, academics and independent experts.



## 2019

Invesco joins Sustainability Accounting Standards Board (SASB) and is named to SASB Standards Advisory Group

Invesco wins NASSCOM 2019 Global Capability Centers (GCC) Innovation Award<sup>2</sup>

Invesco achieves A+ rating from PRI for Strategy & Governance and Listed Equity Incorporation

Invesco formally supports the Task Force for Climate-Related Financial Disclosure (TCFD)

Invesco joins the Council of Institutional Investors (CII) and Farm Animal Investment Risk and Return (FAIRR)



## 2020

Invesco joins Climate Action 100+, Institutional Investors Group on Climate Change (IIGCC) and World Economic Forum Coalition for Climate Resilient Investment (CCRI)

Invesco achieves A+ rating from PRI for Strategy & Governance as well as achieving A or A+ across all other categories

Invesco publishes inaugural Climate Change Report aligned to TCFD recommendations

Invesco launches ESGintel, our global proprietary platform for ESG insights

Invesco wins Best ESG Responsible Investment Expert (United States) from Capital Finance International<sup>3</sup>

Invesco makes shortlist for ESG investing awards in two categories (Best ESG ETF Provider & Best ESG Investment Fund: Specialist Fixed Income)<sup>4</sup>

Invesco launches 10 new ESG strategies and converts 4 strategies to ESG



## 2021

Invesco attends the UN Climate Change Conference (COP26)

Invesco joins the global Net Zero Asset Manager's Initiative (NZAMI) – a global pledge focused on investment managers committing to net zero

Invesco announces aspiration to achieve 100% ESG integration across all capabilities by 2023

Invesco is named Runner-Up in Best ESG Specialist Research category at the ESG Investing Awards<sup>4</sup>

Invesco launches more than 40 ESG products

Invesco is listed as a signatory to the UK Stewardship Code 2020

Invesco creates ESGCentral, a technology solution for all the ESG portfolio analysis needs of Invesco

All images source: AdobeStock.

Our efforts continue...

# FIND OUT MORE

To find out more about Invesco's approach to ESG, please visit our website:  
[invesco.com/corporate/about-us/esg](https://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. Property and land can be difficult to sell, so investors may not be able to sell such investments when they want to. The value of property is generally a matter of an independent valuer's opinion and may not be realized.

## IMPORTANT INFORMATION

The document is intended only for Professional Clients in Continental Europe, Dubai, Ireland, the Isle of Man, Jersey and Guernsey, UK and Switzerland; for Sophisticated or Professional Investors in Australia; Institutional Investors in the United States; for Professional Investors only in Hong Kong; for Qualified Institutional Investors in Japan; for Institutional Investors and/or Accredited Investors in Singapore; for certain Qualified Institutions/Sophisticated Investors in Taiwan; for wholesale investors (as defined in the Financial Markets Conduct Act) in New Zealand, for certain specific sovereign wealth funds and/or Qualified Domestic Institutional Investors approved by local regulators only in the People's Republic of China, for Qualified Professional Investors in Korea, for certain specific institutional investors in Brunei, for Qualified Institutional Investors and/or certain specific institutional investors in Thailand, for certain specific institutional investors in Indonesia and for qualified buyers in Philippines. 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.

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### Australia

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