Invesco

2023

UK Stewardship Code

At Invesco (collectively the firm), we believe that effective stewardship goes beyond just managing assets. It involves active engagement and a commitment to long-term, sustainable value creation for clients and beneficiaries. With respect to our UK operations / clients and assets, it also means adhering to the Financial Reporting Council's (FRC) UK Stewardship Code, which includes not only the transparent reporting of stewardship activities and outcomes, but also maintaining a strong dialogue with clients and stakeholders.

Doug Sharp
Head of Invesco EMEA and Americas

As a founding signatory and supporter of the FRC's Stewardship Code since 2010, Invesco has long been an advocate for excellent stewardship practices, both in the UK and internationally. Our dedication to responsible stewardship is a fundamental part of our commitment to be a client-focused asset manager. This client commitment aligns us with the objectives of the UK Stewardship Code, which we strongly endorse.

This document outlines Invesco's stewardship strategy in the UK and demonstrates how our policies and procedures fulfil the FRC's UK Stewardship Code (the Code) requirements.

Expanding on our 2022 UK Stewardship Code report, this report shows how we are meeting our clients' needs and our own commitments by documenting our stewardship activities and results in 2023. This report also includes helpful links to relevant documents, codes, and regulations for those interested in exploring the wider context of our policies, the Code, and our commitment to other initiatives in this field.

Sincerely,

Doug Sharp

1 For more information on stewardship and the FRC's UK Stewardship Code, visit here.

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Principle 01

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

Our purpose and culture

Our purpose – to help our clients get more out of life – moulds our culture, guides our responsible management of clients' funds, and influences how we cater to our clients' specific investment needs.

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

To ensure our employees can fulfil our clients' objectives, we make significant investments in talent development, technology, and resources that help our employees realize their full potential, both personally and professionally. We believe that diversity of thought fosters the best results for our employees, our clients, and our communities. This expansive view of diversity encourages employee well-being, equity, and inclusion throughout our organization, creating a space where diversity of thought can set us apart from other firms in our industry. Our commitment to enhancing diversity across all levels and functions of our firm is demonstrated by our CEO and Senior Managing Directors (SMDs) – the top leaders for areas of our firm, who incorporate diversity and inclusion into their annual performance goals.

Find out more
For more information on our commitment to our people, our communities and the environment, please see our latest Corporate Responsibility report.

Our business model and strategy

Invesco Ltd. and its consolidated subsidiaries (collectively the firm), is an independent investment management firm dedicated to delivering a superior investment experience. Our comprehensive range of active, passive, and alternative investment capabilities has been constructed over many years to help clients achieve their investment objectives. We draw on this comprehensive range of capabilities to provide solutions designed to deliver key outcomes aligned to client needs.

With approximately 8,500 employees and an on-the-ground presence in more than 20 countries, Invesco is well positioned to meet the needs of investors across the globe. We have specialized investment teams managing investments across a broad range of asset classes, investment styles and geographies. For decades, individuals and institutions have viewed Invesco as a trusted partner for a comprehensive set of investment needs. We have a significant presence in the retail and institutional markets within the investment management industry in Europe, Middle East, and Africa (collectively EMEA), the Americas and Asia-Pacific (APAC), serving clients in more than 120 countries. As of December 31, 2023, the firm managed approximately $1.6 trillion in assets for investors around the world.

At Invesco, we seek to drive sustainable profitable growth by delivering capabilities that build enduring partnerships and create better outcomes for our clients. The firm focuses on four key long-term strategic objectives that are designed to sharpen our focus on client needs, further strengthen our business over time and help ensure our long-term success.

As an integrated global investment manager, we are keenly focused on meeting clients' needs and operating effectively and efficiently. We take a unified approach to our business and present our financial statements and other disclosures under the single operating segment "investment management."

A key focus of our business is fostering a strong investment culture and providing the support that enables our investment teams to maintain well-performing investment capabilities. We believe the ability to leverage the capabilities of our investment teams to help clients across the globe achieve their investment objectives is a significant differentiator for our firm.

Our four key long-term strategic objectives

1. Deliver the excellence our clients expect

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

2. Grow high demand investment offerings

- Deliver ahead of clients' expectations through product innovation, investment styles, and packaging options.
- Focus our offerings at the intersection of high opportunity markets and high demand capabilities.

3. Create an environment where talented people thrive

- Attract and develop high performing, diverse talent with skills aligned to deliver against business outcomes.
- Create an inclusive and engaging culture that values diversity of thought which enables us to work as one team to deliver better outcomes.

4. Act like owners for all stakeholders

- Be disciplined stewards of firm resources with a focus on profitable growth.
- Invest in the success of our clients, our shareholders, and ourselves.

Our approach to sustainable investing

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

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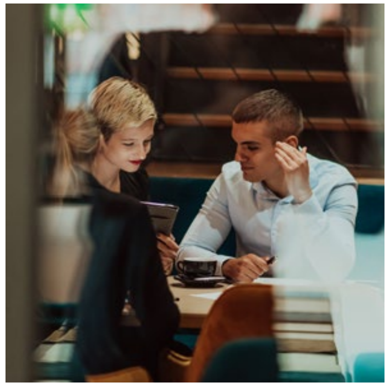
At Invesco, our ambition in sustainable investing is to be the preferred Environment, Social and Governance (ESG) partner for our clients. For many of our clients, long-term value creation and effective risk mitigation are fundamental to achieving their investment goals. As a result, we offer a range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

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



Act as fiduciaries for our clients, putting their objectives first

We understand that our clients have different needs and objectives that could be financial, non-financial or a combination of both. As such, we have a responsibility to protect our global clients from the associated risks. Where client objectives include specific environmental, social, or governance related targets, our diverse investment teams define and implement processes aligned towards achieving those outcomes.

Deliver expertise and analysis aligned to client needs

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

Combine data, tools and thoughtful analysis to achieve better decisions

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

Commit to responsible stewardship of our clients' assets

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

Our investment beliefs enable effective stewardship

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

ESG Integration

Focus on sustainable value creation and effective risk mitigation

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

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

Our Global ESG team provides support and analysis, while our investment managers maintain discretion on portfolio decisions.

Active Ownership

Exercising our rights and responsibilities as stewards of capital

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

Innovation and Data

Growing together, supporting our capabilities

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

For more information, please see Principle 7.

Client Partnerships

Meeting our clients where they are

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

Industry Engagement

Enabling Better ESG Conversations

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

Principle 02

Signatories' governance, resources, and incentives support stewardship

Our Governance structures and resourcing our Stewardship Activities[1]

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

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

2. Our Global ESG Team and Proxy and Governance Team act as a centre of excellence, responsible for leveraging best practices in ESG capabilities across Invesco. The teams are organised across five pillars: Client, Research, Analytics, Operations and Proxy respectively. Located across the three regions of North America, APAC and EMEA, the Global ESG team provides support and analysis, while investment teams maintain discretion on portfolio decisions.

3. The ESG Steering Committee, comprised of representatives designated by our investment centre leaders and representatives from other groups, specifically focuses on ESG investment related issues, such as legal, marketing and compliance. The incorporation of ESG considerations is determined by investment teams on a team-by-team basis. The group enables collaboration on ESG matters across investment teams globally. For example, in 2023, the ESG Research Data Committee continued to support the implementation of an approach that considers PAIs (Principle Adverse Impacts) in order to fulfil EU Sustainable Finance Disclosure Regulation (SFDR) requirements.

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

5. The Proxy Voting & Governance team serves as a dedicated resource to our investment teams globally with a focus on making recommendations to the Global IPAC on potential enhancements to the firm's Global Proxy Voting Policy, supporting investment teams on governance and proxy voting research, while investment teams maintain full discretion on voting decisions. This team also facilitates proxy voting operations, implementation of proxy voting policies and procedures, data analysis and client reporting. At the end of 2023, the overall team consisted of 11 team members. The proxy voting function has been in place for over a decade.

6. The ETF Proxy Voting Stewardship Committee (comprising of a wide variety of internal stakeholders from various teams, including ETF portfolio management, product management, proxy voting & governance, operations, legal, ESG and compliance), is a sub-committee of the Global IPAC. It is responsible for overseeing proxy voting for the exchange-traded funds managed by Invesco Capital Management LLC.

7. Henley Investment Advisory team has been in place since 2017 with four team members based in Henley responsible for supporting stewardship activities for Invesco Fundamental Equities EMEA and Asia portfolio management teams.

As a large, global asset manager, Invesco believes our governance structure enables us to benefit from diversity of thought while maintaining globally consistent standards for stewardship. Our investment teams manage their own ESG processes but can leverage the resources of the Global ESG team and escalate any ESG issues as required through the ESG Executive Steering Committee. This structure enables our specialised investment teams to have the capability to implement ESG approaches relevant to their asset classes and investment styles, for the benefit of our clients.

1 Source: Invesco, as of 31 December 2023. The description of Invesco's governance and structure reflects the reporting period of 2023.

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

The Global ESG and Proxy and Governance teams are comprised of 31 dedicated full-time professionals that support the effective stewardship of our clients assets.

Global ESG and Proxy Voting and Governance Team Statistics

31
Team members

29
Professional Certifications[1]

25
Different Academic Disciplines[1]

13
Languages[1]

3
Regions

>41%
Women

10+
Average years of ESG experience for Senior Team Members

ESG team statistics are based on self-reported data provided by Invesco's Global ESG team, as of January 2024.
1 As of February 2024, based on survey data self-reported provided by 24 responses. These statistics reflect the distinct count.

Investment in systems, processes, research, and analysis

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

In 2023, we continued to support Invesco's research and analysis capabilities by building out our proprietary tools. For example, we incorporated climate scenario and ITR analysis from Planetrics into the climate metrics of our ESGCentral platform. By integrating these tools, we can better assess the potential risks and opportunities associated with climate change and make more informed investment decisions. This is part of our commitment to being disciplined stewards of firm resources and investing in the success of our clients, shareholders, and ourselves.

Our use of service providers

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

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

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

Our ESG Research Providers, Tools and Technology

A broad platform

ESG Research Providers

Sustainalytics	MSCI	Bloomberg	ISS

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

Proxy Voting Research and Vote Recommendations

Glass Lewis	ISS	IVIS (UK Equities)

Our Proprietary Tools

ESGintel	FocusIntel	ESGCentral	PROXYintel

Source: Invesco, as of February 2024. For illustrative purposes only. ISS: Institutional Shareholder Services. FAIRR: Farm Animal Investment Risk & Return. IVIS: Institutional Voting Information Service. MSCI: Morgan Stanley Capital International.

Workforce Incentives

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

While all of the firm's compensation plans adhere to Invesco's compensation philosophy, each investment team's plan is tailored to help ensure consistency with its stated investment philosophy and client objectives. The firm routinely measures its practices against industry benchmarks. The plans are competitively positioned with a meaningful mix of cash and deferred compensation vehicles to attract, motivate, and retain high-calibre investment professionals and appropriately align with long-term client and shareholder success.

As outlined in Invesco's Global Remuneration Policy, the measurement of performance used to determine incentive pools includes an adjustment mechanism to consider all relevant types of current and future risks – including sustainability risks integrated within the investment process of Invesco's investment centres subject to the EU's SFDR.

Current Year Awards are annual awards structured as a mix of cash and deferrals into Invesco stock and Invesco investment portfolios, as applicable. These awards reflect investment results consistent with stated client investment objectives and non-quantitative factors (such as individual performance, risk management and teamwork).

The majority of the award is investment performance driven, based on the success of the team's overall investment results, as measured against client and firm benchmarks. The award also incorporates business performance, typically measuring the year-over-year change of financial metrics. Further, the allocation or apportion of the award is discretionary. Deferred awards vest pro-rata over a four-year term.

Long-term awards are annual awards that are 100% deferred. A portion of the incentive award is granted as a long-term fund award and a portion is granted as a long-term equity award. The awards encourage retention and align the interests of the investment professional with those of shareholders. These awards vest pro-rata over a four-year term.

Effectiveness of our governance structures and processes in supporting stewardship

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

In 2023, our Global ESG team made significant strides in developing our proprietary ESG data analytics tools, reflecting our ongoing commitment to strengthen our stewardship capabilities. We didn't just stop at tool development; we also rolled out ESG training to ensure these tools are effectively utilized across the organization. The ESG team offered ad-hoc training for ESGIntel and ESGCentral throughout the year.

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

Principle 03

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

Conflicts of interest & Invesco's approach to Conflicts Management

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

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

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

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

Conflicts of Interest relating to Stewardship

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

The scenarios below set out two examples of conflict situations that may arise in stewardship activities, among others:

- Voting a proxy issued by a portfolio company who is also a client of Invesco.
- Voting a proxy issued by an Invesco fund held by other Invesco funds.

Effectiveness of our approach

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

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

- Proxies issued by Invesco Ltd. that are held in client accounts. To avoid any appearance of a conflict of interest, Invesco will not vote proxies issued by Invesco Ltd. that are held in client accounts.
- Where Invesco funds are held by other Invesco funds, Invesco will echo vote the shares held in line with the votes of external shareholders when operationally possible.

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Principle 04

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

How we consider market-wide and systemic risks

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

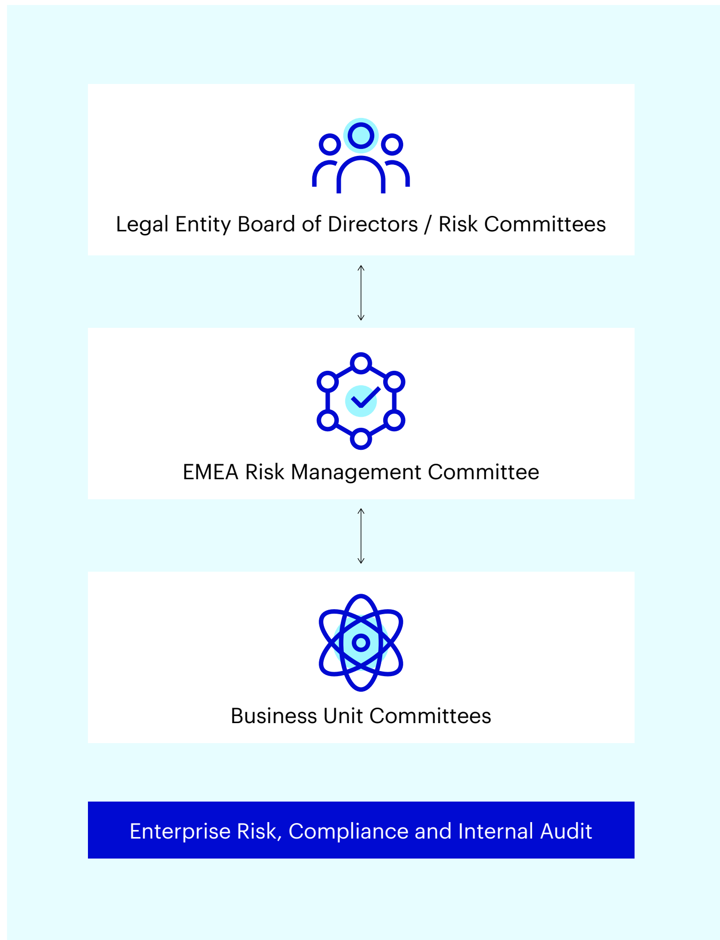
Our Risk Management Framework

We are committed to continually strengthening and evolving our risk management activities to ensure they keep pace with business change and client expectations. We believe a key factor in our ability to manage through challenging market conditions and significant business change is our integrated and global approach to risk management. This risk management framework enables our investments to be aligned accordingly, given the market-wide risks we identify.

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

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

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



Policy response and engagement

Identifying and mitigating systemic risk and promoting well-functioning financial markets were key public policy themes at global, regional, and local levels throughout 2023.

- While policy work in both respects relates to the financial sector as a whole, of particular relevance to Invesco were the parallel workstreams of the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO) focused on enhancing the resilience of the non-bank financial intermediation (NBFI) sector, including asset managers, with which Invesco engaged both directly and via our relevant trade associations globally.
- Other similar initiatives were undertaken across the markets in which we operate in North America, Europe, and APAC, with Invesco's engagement coordinated globally under the recently established Global Public Policy office. In Europe, Invesco's policy engagement centred on initiatives such as the FCA's review of the UK asset management regime and the review of the EU's retail and alternative investment fund frameworks, as well as ongoing considerations relating to money market fund reform in both jurisdictions.
- While international work in relation to enhancing the transparency and functioning of financial markets is also a global priority, our engagement was for the most part targeted at policy initiatives progressing locally. In the UK, these included the remaining elements of the Edinburgh Reforms, including contributions to the Investment Research Review and the Accelerated Settlement Taskforce. Similarly, in the EU, Invesco engaged with policymakers on the concurrent reviews of the EU MiFID II and market infrastructure and clearing frameworks both directly and alongside our industry partners in Europe.

Market-wide and systemic risks

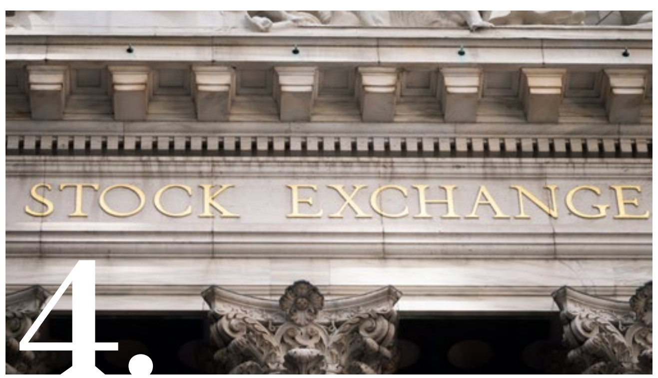
Invesco's Public Policy team is actively involved in engaging with policymakers on a variety of issues that are critical to the asset management industry and our clients, including addressing market-wide and systemic risks. Our risk management framework is designed to identify, assess, monitor and manage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

For 2023 we identified the following themes:

Geopolitical

Macro-economic

Climate change



Financial market integrity and liquidity

Artificial Intelligence (AI) and operational resilience

Global Public Policy and Strategic Partnerships

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1. Geopolitical

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

Our annual political and regulatory outlook sets out the key issues we see both at a global level as well as in the principal regions of the world in which we operate. The 2023 edition cited the wide range of sources of political volatility and instability, ranging from the continuing Russia-Ukraine war to US-China tensions to the realignment of global supply chains, as well as analysing forthcoming policy and regulatory changes at a regional level.

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

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

Case Study

Invesco's Global Investor Forum (GIF)

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

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

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

In 2023, the GIF operating team had:

- 57 calls (a 2% increase on 2022) focused on various issues, including geopolitics, market conditions, government affairs, etc.
- 4 Team Spotlight calls spotlighting particular investment teams and their processes.
- 1 Investment Lab call featuring two portfolio managers talking about their portfolio construction process and how it has changed over time.

Topics covered ranged from the immediate sectoral and systemic implications of the collapse of Silicon Valley Bank through to the longer-term implications of AI and the supply of critical minerals.

2. Macro-economic

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

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

Interest Rate Risks
Since 2022, we have been closely monitoring markets for signs of financial accidents occurring as a result of the rapid tightening of monetary policy in many Western developed economies. Last year, two market events early in the year – the AT1 bond issue in Europe and the regional banking case in the United States, were the result of rapidly rising yields. When the market signaled an event with some regional banks, we researched the situation, collaborating with various investment professionals with expertise in the banking industry. We concluded that the issue was likely contained, assessed the possible implications, and shared that with clients. We closely monitored the problem as it evolved. We followed a similar process for the AT1 bond challenge, which resulted in similar conclusions.

Geopolitical Risks
In 2023 we continued to closely follow developments in the Russia-Ukraine war, assessing its implications for energy markets and overall inflation. In addition, the eruption of the Israel-Hamas war caused us to pay even closer attention to the Middle East; we of course assessed this conflict's impact on energy markets and overall inflation. With regard to the Israel-Hamas conflict, we have been doing research on the potential impact to supply chains and inflation the longer that the Red Sea is dangerous to navigate.

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

Multidisciplinary Approach
Diversity of thought is a core feature of our approach to both investment and risk management, aiming to bring together the available skills and experience across the firm to inform investment decisions in normal times, as well as risk management and crisis management when necessary.

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

When considering geopolitical or domestic political risks, we collaborate closely with our Government Affairs Team in EMEA, North America and APAC regions, to provide a global view. In many instances, we round out our own internal analysis with external experts and advisors in virtual "Global Investor Forum" conversations across our investment teams.

Client Outreach
An important part of our work is adequate communication to clients. We regularly provide 'rapid response' documents that assess important data points or macroeconomic developments that could impact markets; this document includes our assessment of the situation and possible market implications.

Some of our GIF conversations about evolving market-wide topics and risks are opened up to major, qualified institutional investors as a part of our client communication, so that such key clients can participate directly in our investment discussions. Other institutional clients can both read relevant publications or reach out to speak to relevant Invesco specialists through sales contacts, relationship managers or through the networks of financial advisors and distributors depending on client type and region.

Invesco's Public Policy Team actively engages with policymakers to discuss and address key risks that could impact the asset management industry and our clients. This includes market-wide risks, such as economic downturns or fluctuations in the stock market, and systemic risks, which are risks that could cause a collapse in a particular industry or economy.

Case Study

Invesco's Global Investment Outlook

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

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

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

3. Climate change and sustainability

Public Policy and regulatory engagement on sustainable finance in EMEA

At Invesco, we are committed to engaging in policy and regulatory initiatives to promote effective approaches to sustainable finance. The sustainable finance regulatory environment across the UK and EU is developing rapidly. In order to target our resources more effectively during 2023, we focused our engagement on the two themes of product disclosures and labelling.

Product disclosures and labelling

In 2023, we continued to see opportunities to contribute our insight and experience in the development of regulations designed to assist retail investors in navigating to products that accurately reflect their sustainability preferences. In particular:

- **FCA Sustainability Disclosure Requirements (SDRs) and investment labels.** Invesco offered detailed feedback on the FCA's consultation paper proposals for an investment product categorisation and labelling regime, proposing pragmatic changes to the draft rules to make them more effective. Invesco also contributed to the work of the FCA's Disclosure and Labelling Advisory Group, which provided additional external support to the FCA as it refined its final proposals.

- **European Commission proposals to reform the SFDR.** Invesco also offered feedback to the European Commission's targeted consultation on implementation of the SFDR, proposing ways in which the disclosure regime could better serve the interests of retail investors while increasing coherence with comparable regimes in other jurisdictions.

- **Green Taxonomies.** Through our Head of EU Government Relations and Public Policy, Invesco continued to represent financial services users on the UK's Green Technical Advisory Group, advising the UK Government on the development of its own green taxonomy.

Industry Initiatives

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

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

- Invesco is represented in the IIGCC Transition Research Working Group which was formed in 2023. This working group aims to provide guidance and develop analytical approaches that help investors establish the credibility of corporate transition plans. This is consistent with the principles established in the Net Zero Investment Framework and aims to support real world emissions reductions by encouraging decarbonisation from companies, at the underlying assets level they hold.

- Invesco continues to participate in the Net Zero Implementation Working group, which guides NZAMi members on practical steps and knowledge sharing to support development and implementation of the IIGCC Net Zero Investment Framework

- Invesco is a supporter and discloser to the TCFD. In 2023, we published our fourth Climate Change report. More information can be found in Principle 5.

Invesco participates in the Climate Financial Risk Forum and is a member of the Climate Financial Resilience Working Group.

In 2023, we contributed to the nature-related risk guide for asset managers, due to be published in June 2024.

4. Financial market integrity and resilience

Fair, well-functioning, and resilient markets are crucial to our business, our clients, and investors, and to the wider economy. As such, Invesco prioritizes policy initiatives that focus on changes to the way markets operate. In addition initiatives that seek to enhance the functioning and resilience of the global NBFI sector in which Invesco operates. In each of these areas, Invesco sought to engage constructively with policymakers either directly or via our relevant Trade Associations.

In this context, in 2023, Invesco's EMEA Government Relations and Public Policy team engaged actively with policymakers at international and European level across a number of legislative and regulatory initiatives progressed as part of the FSB and IOSCO respective Work Programs, the EU's Capital Markets Union (CMU) agenda, as well as the UK's Edinburgh Reforms and Wholesale Markets Review.

From an international perspective, one of Invesco's key areas of focus was the joint FSB-IOSCO work on enhancing liquidity risk management in open-end investment funds which culminated in the publication of policy recommendations in December 2023. The recommendations will see member jurisdictions take a more harmonised approach to rulemaking around the redemption terms that open-end funds offer to investors, based on the liquidity of underlying assets, as well as the way in which managers of such funds implement their respective liquidity risk management frameworks.

In the EU, policymakers reached a political agreement on a review of the overarching regulatory framework governing retail and alternative investment funds. Once enacted, this piece of legislation will ensure consistency in the availability and use across EU Member States of a broad range of liquidity management tools for managers of open-end funds, introduce new rules for loan-originating funds, and updated regulatory reporting requirements, in particular in relation to the delegation of management company activities. Notably, EU policymakers also finalised legislation updating its broad regulatory framework governing the operation of financial markets, including updated trade transparency requirements and, importantly, a strengthened ruleset which should see a consolidated tape of record for market data established.

Similarly, in the UK, the FCA consulted on potential improvements to the domestic regime applying to asset managers, including in relation to liquidity risk management in open-end funds. UK authorities also progressed regulation on the operation of wholesale markets, in particular improving the operation of equity secondary markets, as well as transparency in bond and derivatives markets. The UK also proposed to overhaul its Listing Regime with the aim of making the UK a more attractive listing destination, though some of the proposed changes will only be implemented following further consultation.

5. Artificial intelligence and operational resilience

Over the course of 2023, citizens around the world became increasingly familiar with the transformational capabilities of AI, including large language models and other generative AI tools. This created a lot of excitement and apprehension about the potential application of such capabilities across the economy, with policymakers increasing scrutiny over the regulation of such technology.

In the EU, this increased scrutiny gave rise to a political agreement on the AI Act which will regulate AI systems deployed in the EU, and their developers, depending on the perceived risk that they pose to users and citizens more broadly. The UK, however, took a different approach, unveiling plans to establish a non-statutory framework which would see sectoral regulators use their domain-specific expertise to implement and supervise against a set of common principles designed to inform the responsible development and use of AI across the economy.

Operational resilience is another area where policymakers were active globally in 2023, with the FSB consulting on a toolkit for enhancing third-party risk management and oversight. While the development of international standards in this area continues, the EU took steps to implement its Digital Operational Resilience Act which will apply to financial services firms operating in the region from January 2025. Meanwhile, in the UK, regulatory authorities consulted on the monitoring of firms' critical third-party risk management practices, as well as the deployment of new intervention powers which will allow the FCA, PRA, and the Bank of England, where relevant, to require enhancements to individual firms.

6. Global Public Policy and Strategic Partnerships

In 2023, Invesco's newly formed Global Public Policy and Strategic Partnerships function was fully operationalised. With subject matter experts based in the North America, Europe, and APAC, Invesco provides policymakers with global, regional, and local perspectives as relevant in the policy areas on which they most require our input. Such engagement is often undertaken directly, through bilateral meetings with policymakers or written submissions to consultation processes, or via our relevant trade associations with whom we work closely to achieve our shared objectives.

Increasingly, policymakers are having to navigate complex global issues, even where international standards exist and where proposed legislation or regulation is intended to be applied locally. The global nature of financial markets can lead to overlaps in jurisdictions' respective regulatory frameworks, with extraterritoriality becoming increasingly common in policy areas governing financial markets (e.g., the move to a T+1 settlement cycle), ESG and sustainability (e.g., corporate disclosure requirements), and digital operational resilience.

With the formation of Invesco's Global Public Policy and Strategic Partnerships function, we act as a constructive partner to policymakers at all levels and in all jurisdictions that are crucial to our business, our clients, and investors.

Case Study

Invesco's Global Policy Outlook

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

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

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

Thought Leadership

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

Case Study

Our collaboration with Cambridge Judge Business School

Invesco completed the sixth year of a long-term collaboration with Cambridge Judge Business School (CJBS) in 2023. Through this relationship, we support research activities in long-term asset management, alternative finance and data analytics – all while Invesco's clients benefit from access to cutting-edge insights and research from this globally renowned business school.

Through both funding and active participation, Invesco supported the publication of a Cambridge study focused on Diversity & Inclusion in the investment management industry, in 2023.

Invesco representatives participated in the Cambridge Wo+Men's Leadership Centre annual conference, to talk about 'Inclusion in Investment Management'.

As part of Black History Month, we jointly hosted (with JP Morgan) a session with Prof Jason Arday (the youngest ever black professor at Cambridge University) to talk about his experiences with the intersectionality of race and neurodiversity.

We also continued our sponsorship support for the Cambridge Digital Assets Programme and Regulatory Genome Project.

UNIVERSITY OF CAMBRIDGE
Judge Business School

Highlights of our collaboration include:

30+
Thought leadership items created in collaboration with CJBS

8
Global consulting research projects supported, providing opportunities for
40
MBA and MFin students

Founding sponsor for Centre for Alternative Finance through funding from Invesco

Numerous collaborations relating to climate risk, sustainable investing and ESG investing initiatives

Invesco expert speakers have participated in 19 CJBS-hosted academic events and research report launches

9
Invesco-sponsored studies published by CJBS

CJBS speakers at
65
Invesco client events,
held across
19
different locations globally,
attended by over
3,800+
Invesco clients

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Principle 05

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

Review and Improvement of Stewardship Policies, Processes and Reporting

In 2023 Invesco has continued to review our processes and policies to better support the effective implementation of our stewardship responsibilities.

Policies and Processes

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

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

In 2023, for example, Invesco reviewed its Global Proxy Voting Policy, overseen by the Global Invesco Proxy Advisory Committee to consider whether any changes are warranted. The annual review seeks to ensure the Policy and the internal proxy voting guidelines remain consistent with clients' best interests, regulatory requirements, local market standards and best practices. Further, this Policy and our internal proxy voting guidelines are reviewed at least annually by various departments within Invesco to seek to ensure that they remain consistent with Invesco's views on best practice in corporate governance and long-term investment stewardship (see Principle 12 for more detail on Invesco's Policy Statement on Global Corporate Governance and Proxy Voting).

Internal Assurance

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

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

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

Reporting

In 2023 Invesco progressed in relation to SFDR classification. In line with the new regulatory requirement, Invesco now produces a pre-contractual disclosure for our SFDR classified article 8 and 9 funds. The disclosure describes the sustainable targets of a fund and is available on our website as an annex of such fund's prospectus. In addition, Invesco also publishes a periodic report, as an annex of such fund's annual report, on our website. The disclosure shows how the fund has performed against the sustainable targets laid out in the pre-contractual disclosure.

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

In accordance with this new FCA rule, Invesco has taken the following actions:

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

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

Principle 06

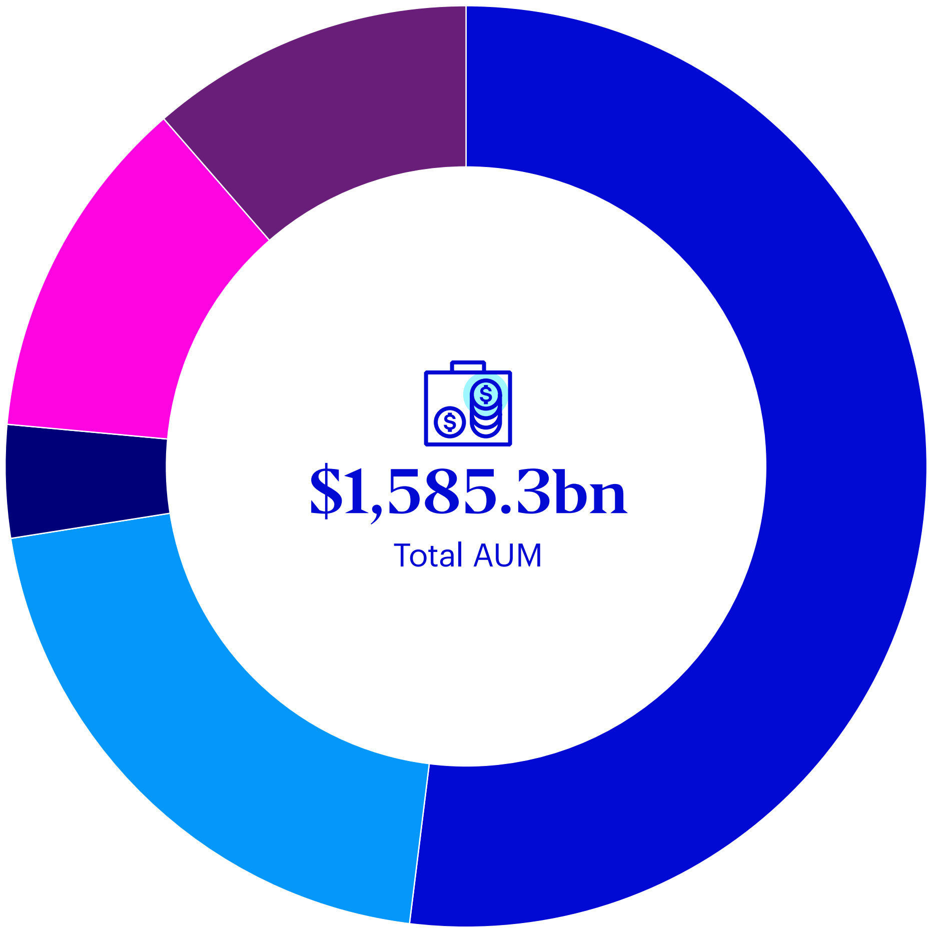
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Breakdown of Our Assets Under Management and Client Base

Breakdown of AUM

($bn)
As at 31 December 2023[1]

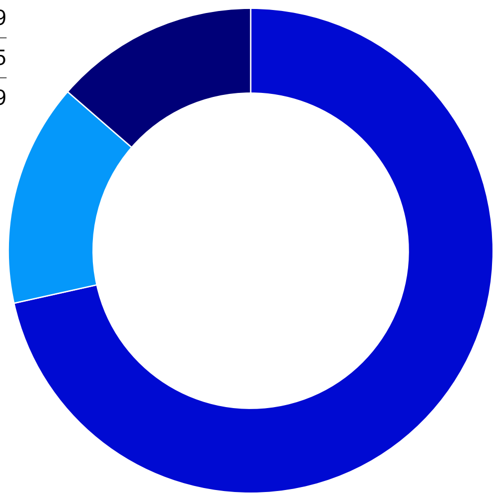
Equity[2]	**823.7**
Active	302.9
Passive	520.8
Fixed Income[2]	**325.7**
Active	280.0
Passive	45.7
Balanced[2]	**62.7**
Active	61.8
Passive	0.9
Money Market[2]	**192.7**
Active	192.7
Alternatives[2]	**180.5**
Active	147.9
Passive	32.6



Geographic Breakdown of AUM

By Client Domicile Q4 2023 ($bn)
As at 31 December 2023[1]

Americas	1,133.9
Asia Pacific	235.5
EMEA	215.9



Channel Breakdown

Of our Client Base Q4 2023 ($bn)
As at 31 December 2023[1]

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

Active engagement

Invesco engages with clients through regular meetings. This approach of direct dialogue allows us to have in depth conversations with our clients and to understand their current and evolving stewardship requirements. In 2023, the Global ESG team was involved in more than 150 client meetings globally.

During 2023, Invesco partnered with our clients to provide effective solutions that fit their specific needs. We recognise that our clients have differing levels of requirements for stewardship investing and investment policies. All our investment teams are focused on strategically developing client-centred investment solutions that align with market opportunities. For clients who want us to provide the means for them to explicitly express their own ESG values through investment vehicles, these may include identifying potential strategies for ESG conversion or new launches and introducing innovative ESG investment strategies based on Invesco resources and capabilities.

In 2023 Invesco implemented an annual process to ensure that should a client request any additional stewardship investing requirements that fall outside of the current stewardship and investment policies, a framework will be implemented to monitor them.

Time Horizons

Time horizons greatly differ depending on the product that is offered and the region it is offered in. Time horizons and investment objectives are calculated using multiple time periods and different market cycles dependent on the specific product offered. Invesco integrates stewardship and investment to align with the investment time horizons of our clients.

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

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

Case Study

Passive enhanced equities with ESG objectives

In 2023, Invesco partnered with a German pension fund to develop a customized US equities strategy with client specific ESG objectives and a strictly controlled tracking error. The client's ESG policy excluded the investment in certain controversial business activities. This included, among others, no investments into companies with significant exposure to fossil fuels, nuclear power generation, coal, weapons and many more. On top, a controversial business behaviour screening based on areas such a labour rights or human rights was implemented. In line with the client's net zero commitments, the portfolio was designed to achieve a 30% carbon reduction by the end of the decade. The decarbonization is achieved via a gradual reduction towards the goal.

Our approach is to separate the two key objectives – ESG and risk & return: all ESG controls are implemented in a separate portfolio optimization step which replicates the benchmark as closely as possible while adhering to the ESG target. In a second step, the optimization then adds an active multi-factor approach on top. The goal is to harvest factor premiums in line with the client's financial objective of marginally outperforming the benchmark given a tight tracking error of 1.5%.

Communicating to our clients

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

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

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

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

Corporate Responsibility Report
This annual global report describes our corporate sustainability efforts, which complement our stewardship and investment activities.

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

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

Effectiveness of Our Approach to Clients

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

In 2021, our Client Research teams developed a 'Voice of Client' programme called 'Invesco Listens' in which we leverage software as a service technology to evaluate the experience prospects/clients have on our digital properties (content, tools and thought leadership) to identify gaps and opportunities for improvement. In 2023, we continued to gather feedback on digital properties, helping inform our digital experience roadmaps. In 2023, in EMEA (UK, Italy, Germany, Austria, and Switzerland), we gathered feedback from approximately 1,966 responses from investors, advisors, and institutional investors.

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

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

Principle 07

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

Stewardship & Investment

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

Our ESG philosophy

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

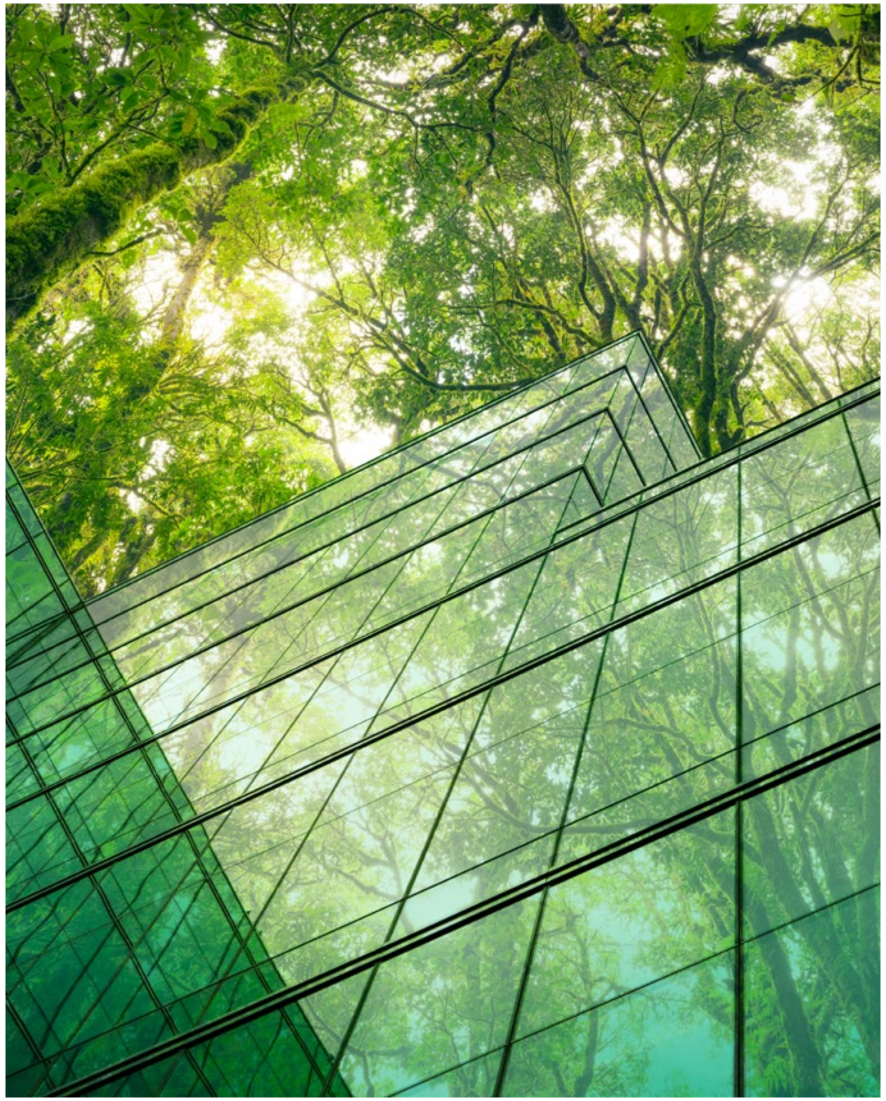
Dialogue with portfolio companies is a core part of the investment process for our fundamental teams. As such, we often participate in board level dialogue and are instrumental in giving shareholder views on management, corporate strategy, transparency, and capital allocation, as well as financially material ESG aspects. The starting point for our firm level research is the analysts and portfolio managers who will look at a variety of factors. These will differ per asset class, sector, geography, and company, and will typically be one component of an overall investment view. Based on this initial view, where the portfolio managers and analysts wish for more detailed ESG information, our Global ESG team can provide proprietary analysis. Decisions are ultimately made by our investment managers and analysts – the people who know their asset classes and sectors best.

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

1. **Materiality:** The concept of financial materiality refers to consideration of ESG issues on a risk-adjusted basis and in an economic context.

2. **Momentum:** The concept of an issuer's ESG momentum or improving financially-material ESG factors over time, is particularly interesting in our view.

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



Our Proprietary Tools

At Invesco, we believe having quality data on ESG factors is critical for effective investment analysis to support our stewardship efforts in the area of ESG. In 2023 we continued to enhance our ESG data and analytics capabilities by building out and updating our proprietary tools – ESGintel, PROXYintel and ESGCentral. ESG data continues to evolve at a rapid pace, while the industry also faces challenges such as data comparability and coverage.

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

The tool enhances the ESG investment process by:

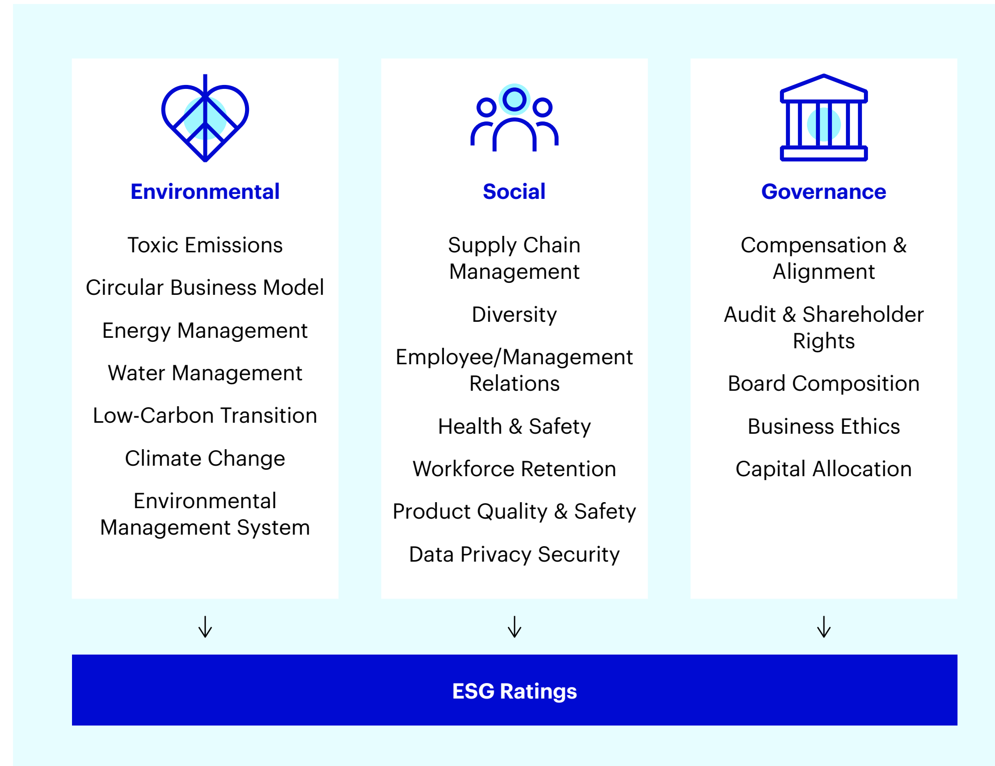
- Highlighting ESG factors with potential investment implications
- Storing ESG engagement notes
- Facilitates monitoring of issuers' ESG risk profiles

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

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

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

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



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

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

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

FocusIntel
Prioritising Issuers for Engagement
Using ESGintel's research and data points, the ESG research team maintains FocusIntel, a list of the highest ESG risk issuers across all of Invesco's aggregated holdings. Issuers are categorised into High/Medium/Low ESG risk buckets, based on a number of ESG criteria such as ESG ratings, controversy scores, governance data, business involvement data, and United Nations Global Compact (UNGC) compliance status.

Case Study

Enhanced integration with ESGIntel

ESGintel, Invesco's proprietary ESG ratings and research platform, is used by some investment teams to enhance ESG integration in the investment process. An example of this is where fundamental equity teams use ESGintel to assess financially material sustainability risks. Where ESGintel ratings for individual indicators in either Environmental, Social or Governance pillars are scored 4 or 5, out of a rating system of 1-5 with one being the best and 5 being the worst, the investment team will document how these indicators have been factored into the investment decision making process.

In the case of a new investment idea, this could take shape in factoring in the materiality of the indicator, such as whether the company has separated CEO and Chairman roles and determining whether the potential risk posed by this – depending on context of sector/regional norms – is outweighed by expected returns on the investment. Another example of ESGintel's potential use case would be as part of ongoing monitoring of existing holdings, an investment team would document whether a shift in indicator score to a 4 or 5 would require engagement with the portfolio company.

	ESGintel	ESGCentral	FocusIntel	PROXYintel
Description of Tool	A research tool integrating third-party ESG data and Invesco's views on materiality	A cloud-native ESG platform to enable our investment teams to have holistic, customised portfolio-level ESG analytics capabilities	An updated list of highest ESG risk issuers across all of Invesco's aggregated holdings	A global knowledge-share platform tracking proxy votes and rationales across Invesco with respect to individual companies and proxy issues
Scale of Analysis	Issuer-level data	Portfolio-level, issuer-level data	Issuer-level data	Issuer-level data
Outputs	• An overall ESG rating out of 5 • E, S and G scores • Peer comparison and historical comparison • Engagement notes	• Portfolio-level analytics, monitoring and screening • Support for risk management and regulatory compliance (e.g. SFDR) • ESG reporting	• A list of highest risk ESG companies • Clear indicators of why the issuer is deemed high risk	• Votes cast • Vote rationales
Primary Use (by investment teams)	Research a company's ESG profile during the investment process to integrate ESG risks into investment decisions	Analyse portfolios to understand ESG opportunities and risks compared to benchmarks using 40+ ESG data sources. Screens portfolios for various ESG Screens like net zero, Article 8, sustainable/responsible investing and various ESG Frameworks	Identify whether they have a high-risk holding and coordinate with the Global ESG team to organise an engagement	Support the execution of proxy voting decisions, view how other shareholders within Invesco have voted and share knowledge with respect to individual companies and proxy issues

Case Study

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

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

Our Asia & EM Equities team
Incorporating ESG considerations

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

Identify risks and opportunities uses ESGintel

Team research + **proprietary ESGintel** platform

Quantifying valuations uses ESGintel

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

Engage leverages PROXYintel and ESG team specialists

Adding value through **active engagement and voting** for positive change

Portfolio review leverages outputs from ESGCentral and ESG team specialists

ESG team input into the challenge processes

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

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

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

Engaging with companies
The team believes that buying 'potential for improvement' rather than 'perfection' is compatible with both favourable ESG outcomes and solid investment returns. As such, the team actively engages with company management on ESG issues to help enhance the value of its investments. Where beneficial, it will involve the Global ESG Team during company engagements, thus sharing best practices and insights. An in-house proxy voting platform, PROXYintel, helps ensure the team makes use of its voting rights effectively. The Investment Advisory Team also provides voting analysis and recommendations on all voting for the team and to all equities portfolios managed in Henley. As part of this analysis, a recommendation may be to engage with the portfolio company on a meeting resolution prior to voting. All voting decisions and rationales are reported on a monthly basis for each equity team managed in Henley.

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

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

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

Equities – Henley Equities

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

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

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

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

Equities – Invesco Japan Equities

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

Invesco Japan takes a high-conviction fundamental active approach from a long-term perspective based on insights of a team of eight seasoned Japanese equity experts with an average of over 20 years of industry experience on the ground in Tokyo.

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

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

There is a multitude of ESG/ sustainability materiality, challenges, and themes considered by Invesco Japan in the investment decision-making process. ESG engagement is crucial to strengthen conviction in investment decisions from a long-term perspective, contributing to reducing a company's risk premium.

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

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

ESG Integration

- Assess sustainability as part of investment case for a company
- Evaluate ESG risks and opportunities
- Identify ESG financial materiality

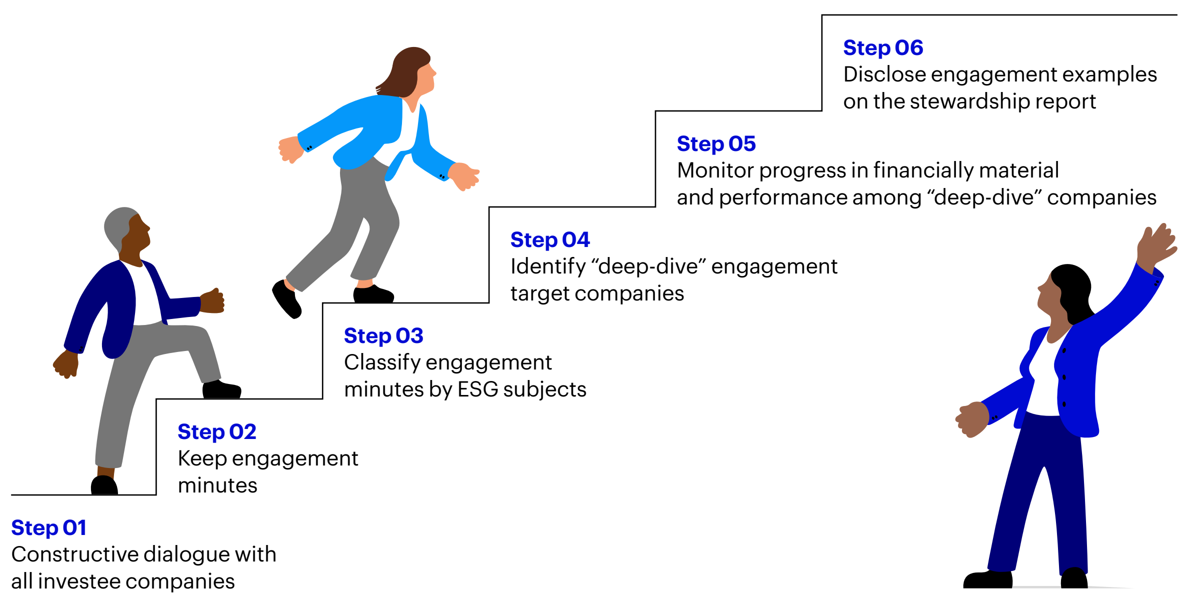
- Engage with all portfolio companies
- Focused engagement with companies with specific ESG issues

- Regular portfolio review including ESG risks
- Regularly monitor stewardship activities including engagement and proxy voting on ESG issues
- In-house ESG Score

- In-house proxy voting guideline
- Vote decisions aligned with corporate value enhancement
- ESG is taken into consideration for all votes

Provided for illustrative purposes only. As at 31 December 2023.

Our Engagement Process Step by Step



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Equities – Invesco Asia ex-Japan Equities

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

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

The Invesco Asia Equity Team believes that ESG issues can have an impact on sustainable value creation and that companies with ESG potential may present investment opportunities. When managing assets on behalf of UK clients, ESG-related investment risk analysis is integrated throughout the investment process. With the investment team's focus mainly on bottom-up stock selection, there is a strong emphasis on proprietary company research through detailed fundamental analysis.

The investment team's proprietary stock analysis focuses on quantitative factors as well as qualitative factors. An assessment of financially material ESG factors is required to form the basis of the investment team's analysis and a risk rating (five tiers spanning low risk, low-medium risk, medium risk, medium-high risk, and high risk) is assigned to reflect the investment team's views on ESG impacts. Fair value will be adjusted to reflect our concerns on material ESG risks and used as guidance for portfolio construction. The starting point for company-level ESG research is our portfolio managers and research analysts, who will look at a variety of factors. These will differ by industry, geography, and company, and will typically be one component of an overall investment view. Our Head of ESG, Asia ex-Japan, may also provide inputs to the research.

The approach focuses on the financially material ESG issues identified at the company level. We identify issues that can influence the supply chain, manufacturing process, distribution channel, operations and finally the product/service itself.

The Invesco Asia Equity Investment team conducts various periodic meetings. In the weekly regional in-depth stock discussion meetings, detailed research and analysis are summarised and documented in the Stock Research. Stock Research Discussion Notes currently include an ESG section that provides a fair assessment of the impact of ESG factors on the company with an internal ESG rating. During these meetings the investment team challenges the investment thesis, including material ESG issues.

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

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

Fixed Income – Sovereign Debt

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

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

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

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

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

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

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

Structural ESG assessment

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

Event-based ESG assessment

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

IFI ESG scores and trend

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

We assess the following measures in each quantitative scorecard:

Environmental

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

Social

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

Governance

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

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

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

Fixed Income – Corporate Credit

Scope: IFI portfolios managed on behalf of UK clients.

IFI's credit research is a critical component of our efforts to produce strong results for clients. Our corporate research follows the same set of standards globally, encompassing investment grade and high yield issuers, whether an issuer is in a developed or an emerging market. This approach is also applied to short dated securities held in IFI-managed global liquidity products. Our analysts are primarily focused on identifying risk factors that could be financially material, and these may be common to all industry participants or unique to a specific issuer.

Alongside their fundamental financial analysis, IFI's credit analysts are tasked with understanding the financially material ESG drivers for the companies they cover and conducting ESG-based analysis. The starting point for ESG assessment is at the industry level. Context and materiality are critical, and having sector specialist credit analysts means that the team has an awareness of certain ESG factors that are more prevalent in some sectors than others. Our Global Sector analyst teams set out common ESG risk factors for each industry, and individual analysts then work within this framework on each issuer in their coverage area while also seeking to identify any idiosyncratic ESG risks to which individual issuers might be exposed.

Issuers receive a proprietary overall ESG grade, accompanied by sub-grades covering the three pillars of Environmental, Social and Governance. In addition, ESG momentum is captured through trend assessments, which add further useful information for portfolio managers in the same way that creditworthiness trend assessments do for fundamental credit ratings. All ESG research is stored on our research platform so that portfolio managers across asset classes may easily access it. The fixed income team are an active investor in the primary market, reviewing new issue prospectuses as part of our decision-making process.

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

For client accounts and portfolios with stated net zero objectives, we implemented assessments of net zero alignment in our corporate bond research process. This approach follows the Net Zero Investment Framework developed by the IIGCC.

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

For client accounts and portfolios with stated net zero objectives

Net Zero Alignment Spectrum

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

Key Components Assessed

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

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

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

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

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

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

Source: IIGCC. For illustrative purposes only.

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

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Scope: Direct real estate portfolios managed by IRE on behalf of UK clients.

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

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

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

Examples of integrating ESG factors include:

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

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

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

Case Study

Renewable energy procurement

Recognising the potential carbon emissions associated with real estate, procurement of renewable energy is a key component to support the decarbonisation of real estate assets. One example of successful tenant engagement was through the procurement of renewable energy (in Australia). A renewable energy contract was negotiated to provide 100% renewable energy to the base building for landlord controlled spaces.

Through engagement with the tenants, identification of their ESG related objectives, and demonstration of the positive impact on carbon emissions, we were able to onboard the majority of tenants in the office building to join the same tariff and demonstrate a reduction in scope 3 emissions.

ESG+R - a framework to drive performance

Environmental

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

Social

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

Governance

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

Resilience

- Physical risk **due diligence analysis** (sea level rise, floods, hurricanes, wildfire, earthquakes, heat stress and water stress)
- **Monitoring of transition risk** exposure to a low-carbon economy

Invesco Real Estate Securities

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

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

ESG+R has been Invesco Real Estate's fundamental commitment for many years. This commitment means we work together with our partners to improve ESG performance and promote best practices. As such, recognition of asset quality, sustainable financing, long-term corporate strategy, and wider considerations around the impact the built environment has on society and the natural world are factors that may be considered within IRE's investment process.

IRE views itself as a long-term, fundamentally driven investor. The investment discipline is guided by a rigorous process, designed with the intention of delivering consistent and predictable benchmark relative returns.

The structured process relies on combining fundamental views and security valuation disciplines with top-down portfolio construction and risk-management techniques. Understanding and allocating investment risk forms a key aspect of the structured process. Ensuring issues related to ESG are considered within the investment discipline is an important measure of risk management.

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

An overview of the Invesco Real Assets approach

Investment process

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

Engagement

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

Proxy voting

Source: Invesco Real Assets.

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Senior Secured Loans

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

Invesco manages senior secured bank loans on behalf of UK institutional clients. Bank loans are an alternative asset class; they are privately arranged debt instruments, usually below investment grade quality, but they are not securities.

Each loan has unique characteristics tailored to its underlying corporate issuer. Issuers are often private companies or may be sponsored by a private equity firm. A growing segment of Invesco's bank loan clients are focused on ESG and have asked for ESG-managed portfolios.

Since only a small pool of the investable universe is covered by third-party ESG rating providers, we set out to develop a proprietary, quantifiable framework for rating each issuer and began incorporating this into our credit process in 2018. As a result, our analysts are now responsible for independently rating each loan they cover from an ESG perspective. They conduct due diligence reviews with issuers' management teams to inform a rigorous, multifaceted screening process in which each loan is measured on a scale of 1 to 5 (with 1 signifying 'no risk' and 5 signifying 'high risk') on numerous ESG factors.

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

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

Although the process of rating each issuer has been time-consuming and complex, our analysts are now leaders in understanding the implications of ESG issues across the investable universe and, as such, they are able to make more impactful investment decisions.

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

Invesco Quantitative Strategies

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

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

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

IQS acknowledges that ESG risks and opportunities can be potential drivers of future returns, which might not be materialised in historic data. As part of the investment process, IQS focuses on robust ESG integration. Financially material ESG aspects are considered and the IQS team has continuously developed and broadened its experience in the implementation of customised ESG criteria based on clients' beliefs, which derive from open conversations with our clients. In addition to the implementation of dedicated ESG policies, the team conducts an active dialogue with carefully selected investee companies through engagement programmes and participates in investor-driven proxy voting enabled through Invesco's proprietary voting platform. When managing assets on behalf of UK clients, the team offers a holistic ESG approach, taking financially material ESG factors into consideration systematically at various levels of its portfolio management process.

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

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

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

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

IQS uses a ranking framework whereby no companies or sectors are automatically completely excluded from a given investment universe. Instead, all companies are provided with a score based on the points achieved in relation to various positive and negative factors. These point scores can then be used to develop a preference approach by either identifying companies that are best in sector or are over a certain threshold score. Furthermore, all portfolios can be managed to achieve an explicit carbon footprint reduction relative to the benchmark or universe. Lastly, the team can establish a minimum of social or green revenues in a portfolio and can also construct United Nations Sustainable Development Goals aligned portfolios.

Within IQS's multi-asset product range, we facilitate the application of sustainability criteria to fixed income instruments using sustainability ratings. To assess an issuer in terms of these criteria, a large number of indicators are used from the area of political and social issues, as well as environmental issues. These are combined into an overall rating. For sovereign bonds, details of how well countries perform on specific concerns, such as nuclear power as a percentage of nationally produced energy consumption and religious freedom, can also be provided.

Principle

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

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

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

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

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

How we onboard external service and data providers

To onboard external service and data providers we generally follow this process:

1. Identify the business need and fill out a new data request template and make the business case.

2. Conduct an initial vendor assessment to ensure that vendor data aligns with Invesco's policies and the business requirements. This includes the option to perform a trial run to see if the data fits the stakeholders needs.

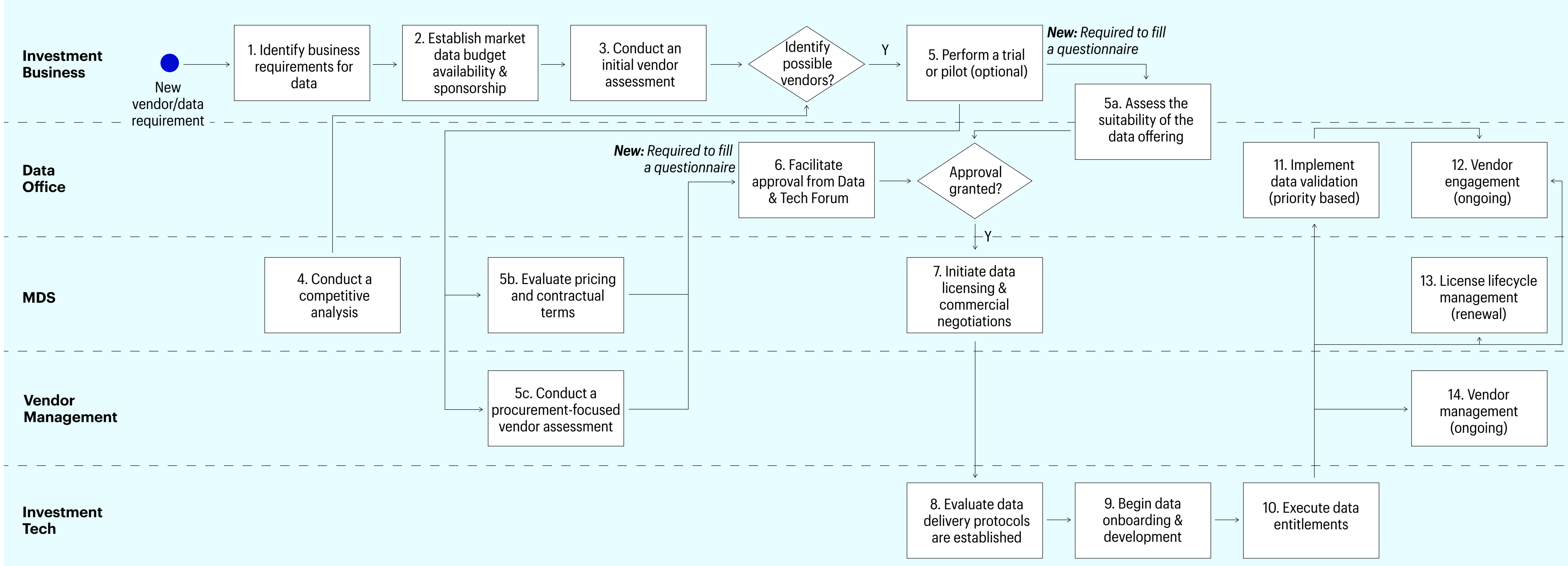
3. Assess the suitability of the data offering along with pricing and contractual terms and confirm the vendor's operations meet Invesco's Vendor Management Policies.

4. The request is then put forward for approval from the Data & Tech Forum. If approved, begin data licensing negotiations – includes evaluation of pricing and contractual terms, confirmation that the vendor has proper data security protocols (data encryption, access controls etc.) in place.

5. Work with Investment Tech and associated data office to begin data on-boarding process, including proper data entitlements, quality checks and development based on priorities and availability of funding and resources.

Operating Model for Onboarding New Vendor/New Data

Formalizing the new vendor/data onboarding process



How the services have been delivered to meet our needs

Through 2023, Invesco has been broadly satisfied with how third-party services have been delivered to meet our and our clients' needs and expectations.

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

Proxy Service Providers
Invesco retains Institutional Shareholder Services Inc. (ISS) and Glass Lewis to provide proxy research and recommendations on proxies for portfolio companies held in by our clients. We leverage ISS to assist with the administration and operational processing of proxy votes and certain related functions, including, but not limited to, vote reporting and recordkeeping services. In addition, ISS provides a comprehensive analysis of each voting item and interpretations of each voting item based on Invesco's internally developed proxy voting guidelines. However, our portfolio management teams retain full and independent discretion on how to vote proxies.

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

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

Annual due diligence:

- Both proxy services providers are required to complete a due diligence questionnaire. In 2023, this questionnaire was updated with additional questions surrounding compliance, training, and risk management.
- Invesco conducts in-depth annual due diligence meetings with both proxy service providers. These meetings generally cover material changes in service levels, leadership and control, conflicts of interest, methodologies for formulating vote recommendations, operations, and research personnel, among other topics. Members of the Proxy Voting & Governance team attend these meetings in addition to representatives from Legal, Compliance, ESG and Procurement.

How we monitor external service and data providers

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

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

We have implemented:

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

- Procure the latest data dictionaries, methodologies, and sample data for internal alignment.
- Escalate data issues received from the business teams to drive resolutions.
- Have two cross-functional groups:
  1. Data & Tech forum (leadership)
  2. Data & Tech implementation (tech team and business data users)

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

- **Timeliness Checks** – Implemented on all major data vendors (90 files)
- **Conformity Checks** – Implemented on all major data vendors (90 files)
- **Completeness Checks** – Implemented for 5 major vendors (>50 data fields) that are used in portfolio monitoring & compliance checks
- **Accuracy Checks (Proxy)** – Implemented for 5 major vendors (>50 data fields) that are used in portfolio monitoring & compliance checks

Vendor Governance Cadence

ESG Data & Tech representation

- Investment Teams
- Investment Compliance
- Investment Risk
- Regulatory & Legal
- Product Team
- Global Distribution Services
- ESG Team

Organisation platforms

- Investment Tech – ESG, Compliance, Risk and Finance
- Investment Data Office
- Enterprise Market Data Services

Cross-functional groups

1. **ESG Data & Tech Forum** (met monthly now bi-monthly)

   ESG sub-committee reporting to Investment Domain

   – Decision Making: Provides strategic direction by reviewing business priority recommendations, budget drafts, preliminary budget approval, and acting as direct line of sight to ESG tech & data implementation activities and escalation items

   – Inform/Update/Awareness: Provide a collaborative forum for the teams to stay informed on key data & tech topics, share updates on progress, provide demos, and gather key topics for future discussions

2. **ESG Data & Tech Implementation Group** (meets weekly)

   Responsible for implementing tech/data solutions aligned to priorities. Identifies and escalates key issues to enable timely delivery.

ESG Data Quality Checks

Timeliness

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

Conformity

Description:
Check the data structure of incoming files

Completeness

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

Accuracy

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

Integration

Description:
ESG data is successfully integrated with Invesco portfolio data

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Actions we take when our expectations are not met

Where gaps have been identified or our expectations are not met, we try to resolve the issue.

Our Global ESG team provides additional support to ensure that our ESG service providers facilitate our increasing ESG capabilities and meet our clients' needs. Invesco recognises that ESG research and data are evolving at a rapid pace. We explore new data sets and approaches that can provide enhanced insights into ESG themes. Other ways we assess our effectiveness of serving the best interests of clients are discussed in Principle 1 and Principle 6.

Our ESG Data Governance Model

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

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

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

Principle 09

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

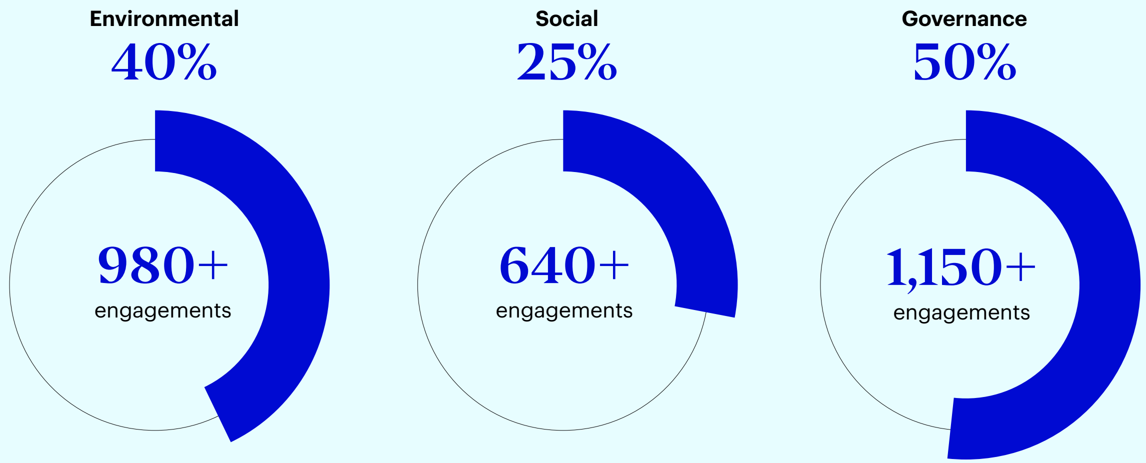
Engagements

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

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

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

% of Invesco's engagements covering ESG themes[1]



In 2023, Invesco conducted more than

2,200

engagements covering ESG themes firm-wide[2]

1 Percentages don't add up to 100% because Invesco may engage with an issuer multiple times on ESG themes and conversations often cover more than one theme. Figures are rounded. These percentages were calculated through documentation by investment teams and/or the Global ESG team.
2 The Global ESG team uses both their own and investment team documentation to calculate this figure on an annual basis.

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Our Engagement Process

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

We aim for engagements to be...

- **Targeted:** We prioritize our engagements based on investment team alignment and client expectations and goals. We take bottom-up approach, which means that our engagement objectives and the topics covered are specific to the issuer.

- **Outcome-based:** We aim to run engagements that have clear objectives in order to achieve meaningful outcome that promotes risk mitigation and enhances long-term sustainable value creation in our portfolios.

- **Positive direction of change:** Engagements are most effective when they are not stand-alone conversations. Our engagements are long-term and, in many cases, multi-year oriented, with each one building on a series of issuer dialogues. We monitor and track progress on each engagement through engagement reports and case studies, so we can build on momentum of previous engagements.

How we select and prioritise engagement

There are multiple reasons why we may choose to engage with an issuer, some of which are highlighted in accompanying case studies. These reasons may include informing investment or proxy voting decisions or protecting shareholder value. We may engage on material ESG risks and opportunities with an eye towards protecting or enhancing sustainable value creation.

Engagement Objectives

Engagements should have clear and consistent objectives. To make the most of limited time with management teams, we prioritize key issues. We take a bottom-up approach, which means that the topics covered, and our objectives are specific to each issuer.

Methods of Engagement

We believe peer-to-peer dialogue is the most productive form of engagement and we will primarily engage via direct means of communication. However, we recognize that each situation is unique and as such we make use of several different methods of engagement. As a large global asset manager, our investment teams are often located in different cities, regions, and time zones (as detailed in Principle 2).

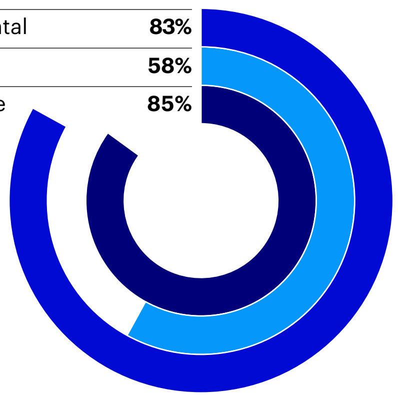
As such, we have found the most effective (and most often used) methods of engagement to be video calls and phone calls. These methods facilitate collaboration and dialogue among more stakeholders in our global teams. In 2023, Invesco also made use of written correspondence, including letter writing and email correspondence. Other examples of variation in our engagement approaches are detailed in Principle 11.

2023 ESG Team Engagement Statistics

These statistics relate to the ESG engagements that the Global ESG team participated in and documented, which are a sub-set of the firm-wide statistics provided earlier on page 54.

% of ESG team engagements[1]

Environmental	**83%**
Social	**58%**
Governance	**85%**



2023 ESG sub-topics

% of ESG team engagements[1]

Environmental

Air pollutant	2%
Biodiversity	19%
Circular economy	3%
Climate change and low carbon transition	71%
Climate lobbying	3%
Deforestation	1%
Electrification	6%
Energy efficiency and renewable energy	27%
Green financing	7%
Natural capital	1%
Physical climate change risks	2%
Plastics and packaging	2%
Product sustainability	13%
Recycling	3%
Water and wastewater management	6%

Social

Advertising practices	3%
Community relations	11%
Cybersecurity	3%
Data privacy	4%
Diversity and inclusion	15%
Forecd labor	3%
Human rights	8%
License to operate	4%
Operational health and safety	10%
Product quality and safety	11%
Racial equity	3%
Sexual harrasment	0%
Supply chain management	9%
Workforce relations and pay	17%

Governance

Anti-takeover devices	1%
Audit and internal controls	6%
Board composition	20%
Board leadership	38%
Compliance systems and business ethics	6%
Covenants	0%
ESG discloures	24%
Executive compensation	41%
Regulatory environment	6%
Related party transactions	1%
Shareholder rights	5%
Succession planning	5%
Sustainable capital allocation	8%
Systemic risk management	22%
Tax policy	0%

1 These percentages relate to engagements that the Global ESG team participated in and documented the issuers. Percentages are approximated where appropriate and don't add up to 100% because Invesco may engage with a company multiple times on ESG themes and engagements often cover more than one theme.

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Case Study

Company A

Real Estate Company

Issues Addressed
Board Independence

Method of Engagement
Face to face /
One to one meeting

Issue
Company A appointed an independent outside director who used to work for its business partner. In addition, the company's non-financial disclosures provided limited external evaluations/ratings.

Action
Invesco Japan engaged with the issuer, and they explained that the outside director contributed to increasing corporate value in engagements. Therefore, approval was obtained from the Responsible Investment Committee and the appointment was voted for. In the same meeting with the president it was highlighted that the director had a low approval rating and this should be communicated clearly with investors. Examples of good practice non-financial disclosures by other companies were shared to demonstrate the positive implications this has for corporate value.

Outcome
The company set up a sustainability page on its website and illustrated alignments between its business and the Sustainable Development Goals (SDGs). Furthermore, the following year's Notice of Annual General Meeting included skill matrixes.

Next steps
Invesco appreciated the company's attitude towards further disclosures but acknowledged room for improvement. While the company has a unique business model and high profitability, it should be aware that higher disclosure and governance standards must be achieved along with its corporate value growth. Dialogue will continue on these issues to ensure they continue to be addressed.

Source: Invesco. For illustrative purposes only.

Case Study

Company B

Multinational Steel Manufacturing Corporation

Issues Addressed
Health & Safety

Method of Engagement
Video Call

Issue
The focus of the discussion was the safety performance of the company, and specifically, an event which led to employee fatalities and the subsequent nationalism of assets.

Action
Invesco engaged with Company B to understand what steps are / will be taken to mitigate any future health and safety incidents. Company B stressed that they apply the same standards and expectations for each and every asset across their global portfolio and have tried to apply learnings on safety from best-performing assets to higher risk assets. However, they explained that it was not possible within a realistic time horizon, to evolve the assets in that region to a level comparable with these best-performing assets. Even though they had made investments into training and equipment, there were idiosyncratic risks inherent in this type of asset that made it uniquely challenging to operate safely.

Outcome
Company B described their engagement with third-party rating providers as "constructive", explaining their enquiries are centred around 1) the remediating actions Company B have taken towards those affected by the incident, 2) the efforts Company B is making across the group on safety and 3) the likelihood of exit from the location. Company B is confident that exit from the location will structurally improve the risk profile of their portfolio. To demonstrate this, Company B have appointed a third-party auditor to review the firm's safety practices and policies, the key recommendations of which will be published publicly.

Next steps
Invesco has exited the position in some portfolios and will continue to monitor the position in others.

Source: Invesco. For illustrative purposes only.

Case Study

Company C

UK Oil & Gas Company

Issues Addressed
Emissions reduction targets and decarbonization

Method of Engagement
Video Call

Issue
Company C is exposed to climate risks and challenges related to its governance and management of the energy transition.

Action
In 2023, Invesco met with the company to discuss energy transition and decarbonization.

Invesco was represented by the Fixed Income investment team with the support of the ESG team, and the company was represented by senior management.

The focus was on understanding Company C's approach to the energy transition and its commitments to achieving net zero goals by 2050, in line with client objectives. Invesco looked to understand the rationale behind recent amendments to their emissions targets and to assess the alignment of these changes with their net zero aspirations.

Outcome
Concerns were raised about Company C's revised emissions targets and investment strategy in relation to their commitment to Net Zero.

Renewable energy and bioenergy discussions revealed a cautious approach, focusing on returns and strategic value, with an emphasis on oil and gas as core strengths.

Next steps
Invesco will continue to engage with the company to understand progress on their medium and long-term decarbonization goals, with a keen focus on biodiversity practices and governance stability.

Source: Invesco. For illustrative purposes only.

Principle 10

Signatories participate in collaborative engagement to influence issuers where necessary.

Between 2021 and 2023, Invesco's Henley UK Equities team and investment Advisory Team led a collaborative, direct shareholder engagement.

Please refer to the following case study.

Case Study

Company D

Investment company

Issues Addressed
Discount to net asset value of the shares, board independence, change to investment strategy and capital return strategy

Method of Engagement
Written correspondence, telephone calls, video calls and in-person meetings

Issue
Company D, an investment company listed in the UK, had acquired an investment in a multinational plumbing and heating products distributor. Shareholders expected Company D to realise the investment and return capital to shareholders. However, in May 2021 Company D announced that it proposed to change the investment strategy and allow further investments to be made without capital being returned to shareholders. This proposed change was voted through with a 52/48% majority. There was material dissent to this decision and shareholders had concerns over the discount to the net asset value that the shares traded at and the available path to exit by shareholders given the change in investment strategy. There were also concerns regarding the independence of the board.

Action
Following the decision of the board and manager to change the investment strategy and given the discount to the net asset value that the shares traded at we engaged with the board and the manager, expressed our concerns, and requested that the decision to change the investment strategy be reversed. Following engagement, it became clear that the board would not reconsider the decision to amend the investment strategy. Given this we decided to directly and collaboratively engage with four other shareholders of Company D to discuss what action could be taken to address the issues. The Henley Equities team supported a proposal to seek the removal of various directors, including the chairman. We would also put forward an independent nominee to be appointed as a director to the board. The intention was to put in place a board that would be more receptive to shareholder concerns.

Outcome
The proposal was made in 2022 and following the general meeting Company D announced that the chairman had been removed and our nominated candidate appointed to the board. Following the removal of the chairman and the appointment of the director we supported, we continued to engage directly with the board and the manager seeking to reverse the changes made to the investment strategy. Following this engagement, Company D announced that it would realise the assets held by it and return capital (cash and/or shares) to shareholders. Following the distribution of all assets to shareholders, Company D would be wound up. In 2023, Company D returned all assets to shareholders and following the final distribution, the company was wound up.

Next steps
No further steps following the return of capital to shareholders and the dissolution of the company.

Source: Invesco. For illustrative purposes only.

Principle 11

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

Case Study

Company E

UK Consumer Discretionary company

ESG Issues Addressed
Governance

Method of Engagement
Video Call, Vote

Issue
Engagement on executive remuneration and board composition.

Action
In 2023, Invesco's UK Investment Advisory Team and investment teams engaged with Company E regarding concerns around remuneration.

In 2022, the new Remuneration Policy was approved following shareholder consultations (including Invesco), however the policy received 32% of the vote against. This was largely due to the increase of the maximum opportunity under the LTIP (Long-Term Incentive Plan).

In addition, governance concerns were also raised around board composition following changes in senior management, specifically in the roles of COO and CFOs. A review was held to better understand the overall board composition to see if any material concerns arose from the changes.

Outcome
After engaging with the company, they agreed not to increase the LTIP opportunity, and a review raised no concerns over the new board composition.

Following this decision, the Invesco funds supported the remuneration policy and voted in in favour of the director re-election resolutions affected by the change.

Next steps
Invesco will continue to closely monitor the company's remuneration practices and engage with the board to ensure it continues to provide an appropriate level of pay for performance.

Source: Invesco. For illustrative purposes only.

Case Study

Company F

UK Consumer Discretionary company

Issues Addressed
Environmental

Method of Engagement
Video Call, Vote

Issue
Engagement on sustainable sourcing, supply chain labour and circular economy initiatives.

Action
In 2023, Invesco engaged with Company F to discuss concerns around sustainable sourcing, supply chain labour and circular economy initiatives. These issues are material for Company F given its business model as a major UK fashion retailer. They source clothing, footwear and home products from suppliers globally, so have significant sustainability risks around materials sourcing, manufacturing, and end-of-life product disposal.

Through engagement, it was established that Company F has made major commitments on responsible sourcing, supply chain auditing and circular economy projects. A large in-house staff constantly monitors supplier factories, visiting each site every 9 months. This level of oversight surpasses industry norms and gives confidence in Company F's ability to mitigate ESG risks.

Outcome
Engaging directly with the management team of Company F validated the initial assessment that they are adequately resourcing sustainability and taking steps to reduce their ESG risk.

Next steps
Invesco will continue to closely monitor the company's responsible sourcing targets and circular economy initiatives.

Source: Invesco. For illustrative purposes only.

Case Study

Company G

Environmental and Facilities Services

Issues Addressed
Remuneration and composition of the board

Method of Engagement
Video Calls

Issue
Concerns were raised with Company G regarding the CEOs salary and total compensation which were both above median compared to peers. In addition, concerns were raised over the composition of the board and succession planning of the CEO position.

Action
In January 2023 a call was held with the Chair, the Senior Independent Director and Investor Relations. During the call we spoke about the composition of the board, in particular the succession planning for the former CEO. Company G discussed the process by which the current CEO would take over the CEO role. The remuneration structure was also discussed with preference outlined for there to be a focus on free cash flow, Total Shareholder Return (TSR) and return on capital invested. The opinion was expressed that these metrics should drive the right behaviours.

Outcome
After engagement with Company G and discussing various issues regarding corporate governance, voting was cast in favour of both the remuneration report and the re-election of the chair.

Next steps
Board composition and remuneration will continue to be monitored and any concerns will be raised with the relevant members of the board.

Source: Invesco. For illustrative purposes only.

Principle 12

Signatories actively exercise their rights and responsibilities.

Our approach to proxy voting

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

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

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

As discussed in Principle 8, we leverage the services of two proxy service providers globally to provide proxy research and recommendations on proxies. We also leverage ISS to assist with the administration and operational processing of proxy votes and certain related functions, including, but not limited to, vote reporting and recordkeeping services. For example, ISS may flag emerging trends or issues that require review post proxy season by our portfolio management teams as part of our annual policy review process. Acting as our proxy voting agent, ISS monitors securities held in our accounts for which we have a fiduciary obligation to vote, provides information on shareholder meetings including proxy materials and receives electronic ballots on votable positions for each shareholder meeting. Our portfolio management teams, supported by the Investment Advisory Team, access proxy materials, proxy research and vote recommendations, and execute voting decisions using our proprietary proxy voting platform.

Invesco aims to vote all proxies where we have been granted proxy voting authority. In 2023, Invesco voted at 12,780 shareholder meetings, which represents 98.9% of votable meetings. We did not vote a proxy in certain circumstances which included for example, where temporary trading restrictions known as share blocking were in place, or where voting restrictions or other market or operational limitations existed. These matters are left to the discretion of the relevant portfolio manager. During the reporting period, we supported management on approximately 92% of proposals voted.

2023 Overview

12,780
meetings voted

9,619
companies voted

72
markets voted

125,030
proposals voted

151,165
ballots voted

98.97%
of meetings voted

Source: Invesco, Institutional Shareholder Services (ISS). Reflecting data from 1 January 2023 through 31 December 2023.

Global Invesco Proxy Advisory Committee (Global IPAC)

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

Investment Advisory Team

Portfolio managers that manage funds managed in the UK are supported on voting by the Investment Advisory Team. A team dedicated to reviewing voting research (both external and internal) and providing analysis and advice on AGM and EGM resolutions. The portfolio manager, working with the Investment Advisory Team, will make the ultimate decision on all resolutions and provide the voting instruction to the Investment Advisory Team to execute. The Investment Advisory Team provides monthly voting reports to each of the fund ranges that it supports which sets out those resolutions that have been voted against the details the rationale for the vote decision. In addition to voting analysis and voting recommendations, the Investment Advisory Team also facilitates company engagement on AGM/EGM resolutions where appropriate.

Monitoring our voting rights

We proactively monitor whether we have received proxy ballots for all shareholder meetings where we are entitled to vote. This involves coordination between various parties in the proxy voting ecosystem, such as our proxy voting agent, custodians and ballot distributors. We may choose to escalate the matter to ensure we are able to exercise our right to vote where necessary.

Stock Lending

Invesco's funds may participate in a securities lending program as a way to provide additional investment return or increase portfolio performance. For securities on loan as part of a stock lending program, Invesco may determine that the benefit to the client of voting a particular proxy outweighs the benefits of securities lending. In those instances, Invesco may determine to recall securities that are on loan prior to the meeting record date, so that we will be entitled to vote those shares. There may be instances where Invesco may be unable to recall shares or may choose not to recall shares. The relevant portfolio manager will make these determinations in the client's best interest.

Client engagement on voting and policies

We believe that engaging with our clients on our stewardship activities provides an opportunity for us to better understand their engagement priorities and voting preferences. These discussions may include portfolio management teams, Client Portfolio Managers, representatives from ESG and the Proxy Voting & Governance team and the Investment Advisory Team alongside the Client Relationship team, among others. We aim to incorporate our clients' feedback in our stewardship activities, where appropriate. As part of our commitment to working with our clients, Invesco may accommodate custom voting policies for some clients in segregated mandates (where these clients have not delegated proxy voting rights to Invesco in a mandate). Invesco's portfolio management teams retain full discretion over voting decisions for pooled portfolios.

Monitoring and use of proxy advisory firms

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

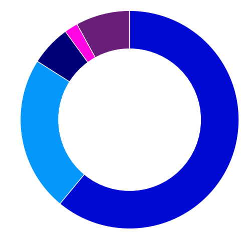
For more information on Invesco's ongoing proxy advisory firm due diligence, please see Principle 8.

Disclosure and reporting

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

Our voting record is publicly available at: https://www.invesco.com/corporate/en/our-commitments/esg.html

Votes against management proposals by issue[1] (%)



Director Related	61%
Compensation	23%
Capitalization	6%
Strategic Transactions	2%
Other[2]	8%

1 Reflects percentage breakdown of votes where we did not support management on management proposals by issue.

2 "Other" management proposals include the following categories: Audit Related Company Articles, Corporate Governance, Environmental, Miscellaneous, Mutual Funds, Non-Routine Business, Routine Business, Social, and Takeover Related.

Total meetings voted by key market and region

Key market and region	Companies voted	Meetings voted	Proposals voted	# of meetings with at least one vote against management
APAC (ex. Japan)	2,385	4,610	32,537	2,346
Japan	1,133	1,160	12,578	749
EMEA (ex. UK)	1,681	2,071	31,150	1,279
UK	404	473	7,837	142
Americas (ex. US)	884	1,203	11,697	707
U.S.	3,132	3,263	29,231	2,245
Global total	9,619	12,780	125,030	7,468

Source: Invesco, Institutional Shareholder Services (ISS). Reflecting data from 1 January 2023 through 31 December 2023.

Voting decisions and rationale

To provide increased disclosure of Invesco's proxy voting decisions and rationales, the highlighted case studies below are examples of the types of shareholder proposals evaluated by Invesco during the 2023 proxy season. When considering such proposals, we will consider various factors such as a company's track record on these issues, the efficacy of the proposal's request, whether the requested action is unduly burdensome, and whether we believe the adoption of such a proposal would promote long-term shareholder value.

Issue: Director Related

Proposal: Elect Director

Sector: Industrials

In December 2023, Invesco did not support management's recommendation on the election of a non-independent director nominee given concerns related to board independence. The proposal passed, but the director nominee received over 11% dissent.

Issue: Remuneration Policy & Implementation

Proposal: Advisory Vote to Ratify Named Executive Officers' Compensation

Sector: Real Estate Management & Development

In November 2023, Invesco did not support management's recommendation on the proposal to approve the remuneration report due to problematic pay practices and the portfolio company failing to establish clear links between variable awards and the portfolio company's performance. The proposal passed but received over 15% dissent.

Issue: GHG Emissions

Proposal: Disclose Scope 3 Emissions and Setting Scope 3 Emission Targets

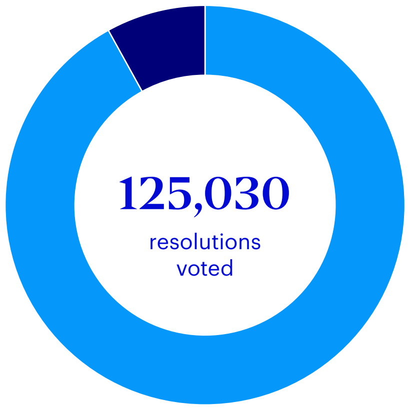
Sector: Multi-Utilities

In April 2023, Invesco did not support a shareholder proposal requesting the Board disclose all Scope 3 emissions and set Paris-aligned, 1.5°C, Scope 3 targets across its full range of value chain emissions, including short, medium, and long term targets. We did not support this proposal because the portfolio company's Scope 3 emissions reporting and targets setting are not lagging the industry standards. The proposal did not pass and received over 81% dissent.

Invesco, Institutional Shareholder Services (ISS). Reflecting data from 1 January 2023 through 31 December 2023.

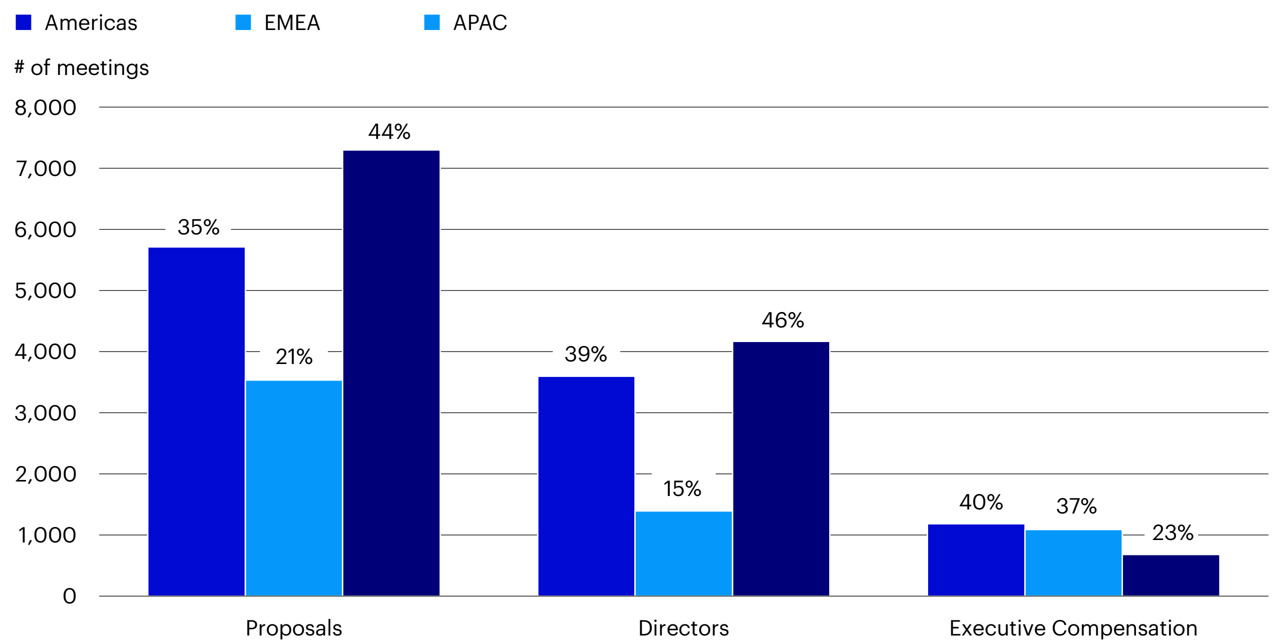
2023 Global Voting Statistics

How we voted in 2023 (%)



With management[1]	91.97
Against management[2]	8.03

% and # of meetings with at least one vote against management[2]



Invesco, Institutional Shareholder Services (ISS). Reflecting data from 1 January 2023 through 31 December 2023.

1 Percentage of votes in favour of management.
2 Percentage of votes against management

Fixed income

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

Scope: Invesco Fixed Income (UK)

As fixed income investors, we do not have the same opportunities to vote as our equity colleagues. However, that does not mean we do not have an important role to play in liaising with issuers to achieve positive outcomes for our clients. Indeed, given the relative frequency with which issuers need to access the fixed income markets, we believe that we have multiple opportunities to meaningfully engage with issuers during the bond issuance process. We are active fixed income owners and proactively seek amendments to terms and conditions of financial instruments in both primary and secondary markets. In the primary markets, our ability to engage is influenced by the extent of the roadshow process that the management team conducts. In the area of Sustainable Finance, management teams looking to issue a bond will often canvass our view on how a Green bond or a Sustainability Linked Bond (SLB) should be structured.

This can be as simple as an issuer looking at what projects we would consider as suitable for a Green bond or as complicated as working through the relevance and calculation of a specific key performance indicator in an SLB. In the field of Sustainable Finance, we will share with the issuer what steps it can take to improve our assessment of a bond's alignment with the United Nations Sustainable Development Goals, which will make the bonds more attractive for our portfolio managers to purchase.

Away from the Sustainable Finance segment, we are also vocal in providing feedback to management teams and syndicate desks regarding our views across many topics, including length of maturity, currency of issuance, pricing, and protective covenants (i.e. change of control language, coupon steps). On a "drive-by" transaction (unexpected deals launched and priced on the same day without lengthy roadshow), our ability to influence bond documentation is more limited, but we will only invest in such transactions where the credit is a well-known, frequent issuer. In the secondary markets, dialogue between portfolio manager and research analyst provides feedback to issuers in determining what type of bond documentation we expect in business-as-usual settings.

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Invesco

Find out more

To find out more about Invesco's approach to ESG, please visit: invesco.com/corporate/about-us/esg

Important information

Views and opinions are based on current market conditions and are subject to change. All information as at 31 December 2023 sourced from Invesco unless otherwise stated.

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