



# Engagement Policy for Invesco Real Estate





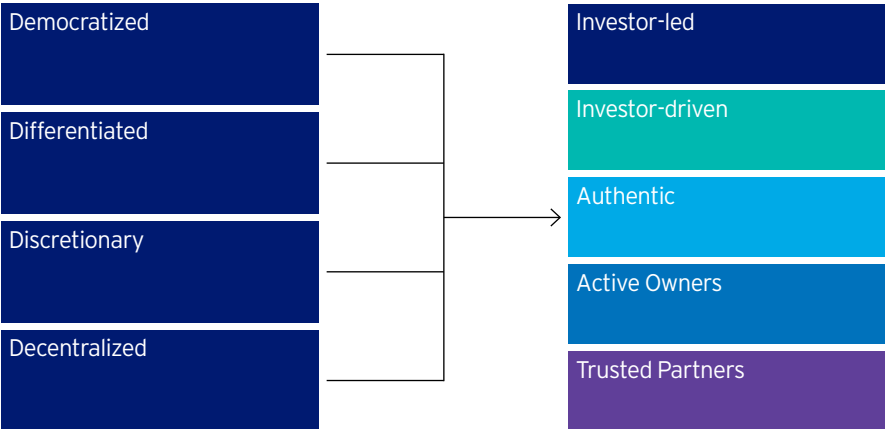
# 1.0 Introduction: Invesco's Global Approach to ESG Integration and Engagement

## Active Ownership:

Invesco is committed to adopting and implementing responsible investment principles in a manner that is consistent with our fiduciary responsibilities to clients. As fiduciaries, our priority is to protect our clients' interest, while seeking to deliver strong, long-term investment performance. Invesco is a signatory to the UNPRI - Principles of Responsible Investment and recognizes the importance of ESG issues as part of robust investment process. Invesco secured an A+ rating in 2017 and 2018 for Strategy & Governance.

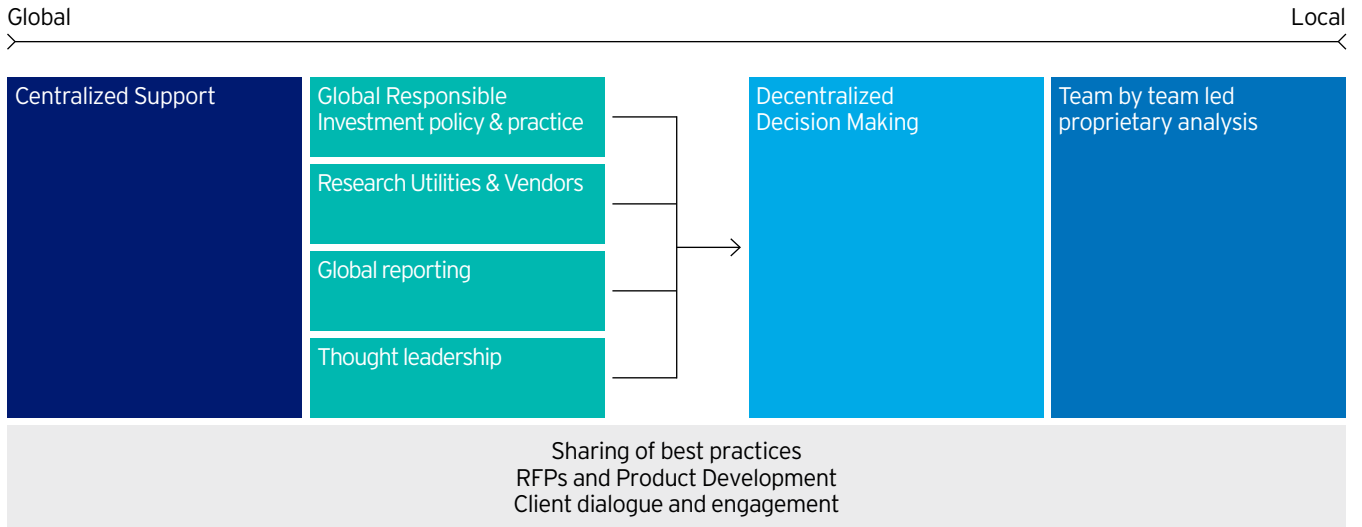
**The hallmark of Invesco's ESG approach is active ownership.** In our function as fiduciaries for our clients, we see our role as business owners rather than shareholders. We believe that active ownership is the most effective mechanism to drive responsible investment and strong investment stewardship.

## ESG Integration: Centralized Support, Decentralized Decisions



Invesco's approach to responsible investment (RI) is decentralised ESG integration where every investment centre defines their own holistic ESG approach. This is key to achieve a robust ESG practice across all investment centres.

**ESG Integration: Centralized Support, Decentralized Decisions**



Invesco’s Global ESG Risk Repository is Invesco’s ESG knowledge engine and was built to comprise ESG reports and presentations, information on Invesco’s ESG capabilities, corporate stewardship, ESG fund scores and oversight, ESG industry information, ESG issuer and industry ratings, and the ESG watchlist report. The Risk repository acts as a main source of information to many of our investment teams to make reliable investment decisions. Our investment teams are also enabled with access to critical watch lists to help them spot key issues with the companies in their portfolios.

**Global Engagement philosophy:**

Aligned closely to the democratized approach to active ownership, our Fund managers drive engagement. At Invesco, we believe that the most productive dialogue with our portfolio companies occurs outside peak voting season. Therefore, we suggest reaching out to Invesco in the early fall of each year.

For a streamlined approach, all requests for Invesco’s engagement with corporate issuers are directed to our global centralized mailbox at [proxygovernance@invesco.com](mailto:proxygovernance@invesco.com). Once the request is received, ESG analysts look at all of Invesco holdings by issuer, pull historical voting data and relevant research and involve all Invesco fund managers that hold the respective issuer across Invesco. In advance of any call, issuers are requested to provide a “key topics” list of discussion points as well as any material changes to key items such as compensation, management or strategy in order to enable a focused and impactful engagement.

**Global proxy governance and responsible investing Team:** The centralized and dedicated global team of Responsible Investment professionals equips investment teams with a best-in-class support platform of tools, research, resources, and training. The team can assist IRE with access to engagement, research, resources and training around ESG criteria and how they can be incorporated into a robust investment process.

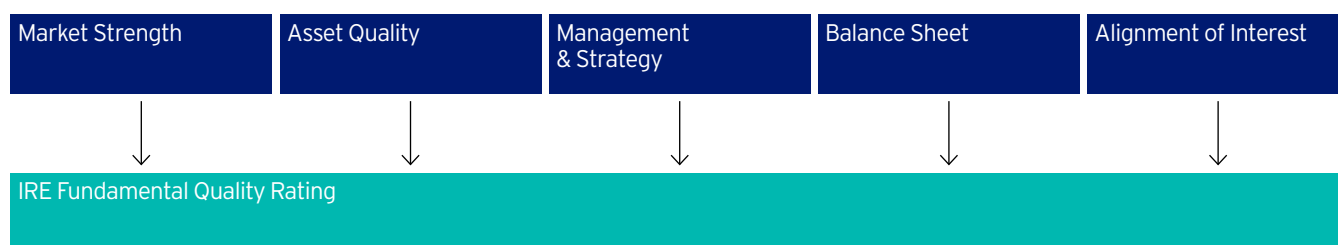
## 2.0 ESG Integration for Invesco Real Estate Securities (“IRE”)

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

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

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

### IRE Fundamental Quality Rating Factors:



ESG considerations are explicit in most of the factors used to determine fundamental quality.

Factor	Considerations
Asset Quality	Analysis favours investments that own and operate well located, modern, effective and efficient assets that are developed and managed to higher environmental standards.
Management & Strategy	Analysis favours investments which show investment or corporate strategy that clearly articulates stability, long term planning and a path to long term shareholder value creation.
Balance Sheet	Effective and efficient use of capital is critical in real asset investing. The investment process recognises the long term importance of sustainable financing and effective capital allocation.
Alignment of Interest	Analysis favours investments which evidence higher standards of board composition, governance and executive oversight, good transparency, fair and proportionate incentive and remuneration policy and evidence of social contribution.

The fundamental screen uses inputs from third party ESG research providers, company financial reporting and the investment team’s knowledge of each company’s asset base, which is derived from asset visits, discussion with company management and by leveraging knowledge of investment professionals from across Invesco’s global real asset investment platform.

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## 3.0 Stewardship for IRE strategies

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### 3.1 Monitoring investee companies:

The specialist nature of IRE's investment focus and depth of investment team allows rigorous investment monitoring to occur. Inputs into the investment decision and investment monitoring process are received from wide ranging sources. Financial information published by companies, analysis provided by third party research firms, a variety of industry specific and more general news feeds, in-house analysis and financial modelling and regular in-person dialogue with the company management teams provide some of the means by which companies are monitored on a day to day basis. When issues or activities of interest at the company level arise, they may be discussed at frequent investment team meetings. Decisions relating to the possibility of a change in investment opinion or the need to engage with a company will be drawn from collective input among the investment team and decisions will be collectively made among the Senior Portfolio Manager team. The fundamental quality screen, which provides a key means of integrating ESG considerations into the investment process, is undertaken on a quarterly basis. Changes to each company's rating which cause it to move into the fail category will be implemented immediately after the quarterly review and will be done without any reference to the investment's market implied pricing.

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### 3.2 Proxy Voting

IRE is guided by a combination of Invesco's global proxy policy ([available here](#)) and third party proxy research in understanding best practice and determining proxy voting decisions on behalf of investors.

Invesco generally retains full and independent discretion with respect to proxy voting decisions. Aligning the investment decision with the proxy voting decision results in robust voting outcomes for our clients.

To this effect, Invesco maintains a proprietary global proxy administration platform, known as the "fund manager portal". The platform streamlines the proxy voting and ballot reconciliation processes, as well as related functions, such as share blocking and managing conflicts of interest issuers. It enables fund managers to vote in an efficient manner, increase transparency, share knowledge and effectively influence corporate practices and behaviours.

The IRE Senior Portfolio Manager team are ultimately responsible for determining, agreeing and submitting voting intentions. The team act independently, with freedom to vote with or against management or the recommendations of third party proxy research providers. The portfolio management team will draw upon their deep knowledge of their investment universe and often long term engagement with senior listed company executives in understanding specific company issues or regional or industry nuances in forming judgement. Ultimately, the investment teams' decisions are motivated with the long term economic interest of shareholders in mind. Collective agreement among the decision making Senior Fund Managers is required before votes are cast.

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### 3.3 Engagement

IRE's fundamentally driven investment approach requires the investment team to maintain regular and meaningful contact with companies within the investment universe and more importantly, companies held within portfolios. The objective of engagement is to obtain deep understanding of the investment opportunity and, often as a shareholder, to ensure that issues which help to define long term shareholder value creation and risk are considered.

Engagement with companies may take the form of Invesco driven targeted engagement or company driven reactive engagement. It may take the form of broad, dialogue based, ongoing engagement or alternatively comprehensive engagement, focused on key specific issues, which may commonly relate to issues of appropriate capitalisation and financial structure and specific ESG related issues.

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## 4.0 Management of Conflicts of Interest

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In relation to conflicts of interest that exist in its stewardship and proxy voting activities, Invesco has adopted the Global Policy Statement on Corporate Governance and Proxy Voting which can be found [here](#) in addition to other regional conflict of interest policies which are available upon request from the respective Invesco entities.

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**Important information**

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Invesco Asset Management Limited  
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Authorised and regulated by the Financial Conduct Authority

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