Invesco UK Ltd Consolidation Group

Pillar 3 Disclosure

As at 31 December 2021

Contents

1. Background

This document sets out the Pillar 3 market disclosures for the Invesco UK Limited (“IUK”).

The Group is regulated by the Financial Conduct Authority (“FCA”). As at 31 December, the group were subject to the rules set out in the FCA’s General Prudential Sourcebook (“GENPRU”) and Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”).

With effect from 1 January 2022, the group is regulated as an Investment Firm Group under the MIFIDPRU regime. In accordance with that regime, future disclosures will be made at the individual MIFIDPRU entity level. As such Invesco Asset Management Ltd (IAML), which is a MIFIDPRU entity wholly owned by IUK, will publish its first disclosure as part of the publication of its Financial Statements as at 31 December 2022 and annually thereafter.

The BIPRU framework of rules is comprised of three pillars:

- Pillar 1: Minimum capital requirements that we are required to meet;
- Pillar 2: Guidance for the setting of bespoke capital requirements by the firm’s Board through the Internal Capital Adequacy Assessment Process (ICAAP) and subsequent Supervisory Review and Evaluation Process (SREP).
- Pillar 3: Rules for the disclosure of certain details of risk and capital management controls, including capital adequacy.

Chapter 11 of the BIPRU sourcebook sets out certain aspects of capital and risk management that are required to be disclosed publicly (referred to as “Pillar 3”). The purpose of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm’s capital, risk exposures and risk assessment process. The disclosures are to be made public for the benefit of the market.

1.1 Basis of Disclosure

The Investment Firm Prudential Regime came into effect on 1 January 2022, however the transitional provisions (specifically MIFIDPRU TP 12.5) require firms with a reference date (i.e. the financial year-end) prior to 1 January 2022 to comply with the regulatory public disclosure requirements in line with BIPRU 11.

IUK is a directly owned subsidiary of Invesco Ltd and is the parent company of the regulated corporate entities falling under CRD III. Invesco Ltd is the ultimate parent of IUK. Invesco Ltd is listed on the New York Stock Exchange and is a Bermudian domiciled company.

This document is produced in order to comply with the disclosures required by BIPRU Chapter 11 and covers the Pillar 3 disclosures for the IUK Group (“the Group”) of companies as described in section 1.4 and illustrated in Appendix 1 on a consolidated basis. The disclosures cover both qualitative (e.g. processes and procedures) and quantitative (e.g. capital requirements under the BIPRU rules) aspects of the Group’s capital and risk management.

1.2 Frequency of Disclosure

This Pillar 3 Disclosure document is required to be updated and published at least annually.

Due to the MIFIDPRU regime taking effect from 1 January 2022, this will be the last IUK consolidated Pillar 3 disclosure. Future disclosure will be made at an IAML level in line with the requirements of chapter 8 of the MIFIDPRU handbook.

1.3 Media and Location of Publication

These disclosures have been provided to meet the requirements of Pillar 3 as required by BIPRU Chapter 11. The disclosures have been approved by the Board of Directors of IUK. These disclosures are not audited and do not form part of the financial statements.

The disclosures have been put together to explain the basis of preparation and disclosure of certain capital requirements and to provide details of the management of certain risks and for no other purpose.

The Board of Directors of IUK is responsible for the Group’s system of internal control and for reviewing its effectiveness. Such a system can provide only reasonable and not absolute assurance against material financial miss-statement or loss and is designed to mitigate, not eliminate risk.

These Pillar 3 disclosures are available by contacting the Head of Compliance UK at Invesco UK Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH.

They are also published in the ‘About Us – Corporate policies’ section of the Invesco website (https://www.invesco.co.uk/uk/about-us/corporate-policies).

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1. Background

1.4 Scope of Application

Key financial information is produced on a consolidated basis for IUK and all the entities under its control, in line with the relevant accounting principles.

IUK and the entities it controls form a UK Consolidation Group ("the Group"), for regulatory purposes, which is subject to consolidated prudential supervision. The non-statutory consolidated financial statements have been prepared for IUK and its subsidiaries which are shown in Appendix 1.

Invesco Pensions Limited (IPL) is a wholly owned subsidiary of IUK but has been excluded from the Group since, for consolidated supervision purposes, an insurance company does not need to be consolidated in accordance with BIPRU 8.5. The chart in Appendix 1 shows the Group structure as at 31 December 2021.

Invesco Great Wall Fund Management Company Limited is accounted for using the Equity Method under the accounting consolidation as this is a requirement under IFRS 10. For the calculation of this entity's contribution to the regulatory requirements of the Group, the proportional consolidation method is used.

IUK is a directly owned subsidiary of Invesco Ltd. At 31 December 2021 IUK owned the following entities that are directly regulated by the FCA:

- Invesco Asset Management Limited (IAML), a BIPRU Limited Licence investment firm[1];
- Invesco Fund Managers Limited (IFML), a Collective Portfolio Management (CPM) firm

There is no current or foreseen material, practical or legal impediment to the prompt transfer of capital resources or repayment of liabilities between IUK and its subsidiary undertakings subject to local regulatory and tax requirements being met.

The IUK Board and IUK Audit Committee and EMEA Risk Oversight Committee represent the formal infrastructure within the subsidiaries of IUK in the EMEA region ("EMEA Group") to control and direct activity and manage risk and to ensure that IUK meets its obligations under CRD III, and subsequently MIFIDPRU.. Throughout this document, references to the IUK Board's activities may relate to activities conducted for it by its committees - the IUK Audit Committee and EMEA Risk Oversight Committee.

The IUK Board and its committees have formally documented roles and responsibilities, matters reserved, and materiality levels for escalation and reporting obligations.

The governance framework and processes described below help to ensure that the IUK Board and its committees are informed of and able to identify deviations from strategic objectives, business plans and risk appetite and, accordingly, that they can consider the consequences for the Group's financial position.

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2. Governance of risk & capital adequacy

2.1 IUK Board

The IUK Board has two executive directors and three independent non-executive directors. The IUK Board is responsible for the Group's compliance with the requirements of GENPRU and BIPRU where applicable in relation to the firm's ICAAP[2] including approving the Pillar 2 and stress testing scenarios.

It is Company policy to treat job applicants and employees in the same way regardless of their gender, sexual orientation, religion or belief, age, race, ethnic origin, marital or civil partnership status, pregnancy and maternity or disability. Our objective is to attract and retain quality employees and also those able to develop their skills with the assistance of appropriate training and development. This policy applies to recruitment and selection and terms and conditions of employment, including pay, promotion, training, transfers and every other aspect of employment. It is our policy to ensure that employment by the Company and progression within the organisation are based upon merit. This applies equally across the organisation, up to and including the IUK Board and the non-executive directors.

The IUK Board delegates authority for the leadership and oversight of the day-to-day operation of the EMEA Group to the following bodies and they report regularly to the IUK Board:

IUK Audit Committee and IUK Risk and Compliance Committee

Membership of these committees is comprised solely of the independent non–executive directors of the IUK Board.

The IUK Audit Committee is authorised by the IUK Board to promote high standards of conduct and ethical practice, financial reporting, risk management and internal financial control, having regard to relevant laws and regulations.

The IUK Risk and Compliance Committee is authorised by the IUK Board to oversee and advise the IUK Board on the current risk exposures and future risk strategy of IUK, including strategy for capital and liquidity management, risk management and internal control and the embedding and maintenance of a supportive culture in relation to the management of risk across IUK.

The IUK Risk and Compliance Committee meets at least four times a year, and as and when necessary.

IUK Audit Committee

Membership of this committee is comprised solely of the independent non–executive directors of the IUK Board.

The IUK Audit Committee is authorised by the IUK Board to promote high standards of conduct and ethical practice, financial reporting, risk management and internal financial control, having regard to relevant laws and regulations.

EMEA Risk Management Committee

The EMEA Risk Management Committee has been established to assist Management oversee risk management related activities across the EMEA region. The Committee reports directly to the IUK Board on risk matters. The Committee will also provide reporting to the IUK Audit Committee.
The role of the committee is to advise the Board on the EMEA Enterprise Risk Management Framework. The committee takes a 'deep dive' approach to analysing activities from a risk perspective and provide recommendations on mitigating actions to the IAML Risk Committee.

Financial Resources Committee

The purpose of the FRC is to ensure regular review and challenge of the processes that influence IUK's financial resources assessments.

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3. Risk Management

Invesco promotes a risk culture embedded into the business model, strategy, organisational structure, and operations of the firm which is described as 'managing risk is everyone's job, every day'. This principle underscores the firm's commitment to sound practices of risk management embedded in all aspects of the firm, seen through the firm's strategic, financial, investment and operational frameworks. These principles and the firm's undertaking of enterprise risk management is set out within the EMEA Enterprise Risk Management Policy and the EMEA Enterprise Risk Management Framework, which are both approved and adopted by IUK.

The company's risk management framework is embedded in its daily operations as well as its strategic planning process and the framework's three lines of defence structure defines the roles, responsibilities and accountabilities necessary to achieving effective governance, control and risk management.

At a high level, the company's risk management framework is designed as follows:

- The IUK Board has oversight of the company's risk management framework and processes including approving the company's risk appetite and monitoring the operations of the company within the stated appetite;
- The company's business lines identify, assess, mitigate and monitor risks and maintain controls to manage business risks according to risk appetite;
- The independent risk functions of Enterprise Risk and Investment Risk Oversight along with Compliance oversee and assist the business lines with their risk management responsibilities and report risk and control exceptions to the appropriate committees including the Invesco UK Board and boards of the respective Funds and Management Companies as appropriate;
- The risk management reporting and escalation processes enable the IUK Board to review and challenge the extent to which the company is operating within its risk appetite and where necessary direct further action to reduce risks to within risk appetite as well as assess impact on capital adequacy and capital planning.
- Importantly, the company's risk management framework and processes enable the company to assess its risks and capital requirements for the ICAAP[2] on an ongoing basis.

3.1 Three Lines of Defence Model

First line of Defence: Risk-Taking and Management

The 'first line' is made up of business processes that support the design, development, manufacture, supply and delivery of products and services to clients. The 'first line' is responsible for implementing and managing processes to identify, measure, manage, monitor, and govern risks in the day-to-day operation of the business, with an emphasis on seamlessly integration risk management standards and processes into the functioning of existing business processes.

Examples of 'first line' functions include Investment Centres, Operations, Marketing, Sales and Finance. These functions are responsible for managing risks and implementing actions to manage & treat risks and oversee the effective operation of internal systems and controls, including the remediation of issues in the design or operating effectiveness of internal controls.

Second line of defence: Risk Oversight & Challenge

The 'second line' functions for Invesco are Compliance, Enterprise Risk and Investment Risk. These functions provide expertise, advice, guidance, monitoring, challenge, and oversight related to the management of risks. Certain activities undertaken by 'second line' functions may require independence from 'first line' activities, providing management with critical risk insights to aid the balance of strategic, financial, investment and operational decision-making.

The key risk responsibilities for the 'second line' include:

- Oversight of the Enterprise Risk Management Framework to direct the development, implementation, and continuous improvement of risk management practices (including internal controls) at a process, systems, and entity level;
- Provide advice, guidance, tools and technology to embed consistent risk management processes across the business;
- Assist the formulation, implementation and monitoring of the risk appetite, risk, risk policies, risk reporting and end-to-end risk management processes.

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Third line of defence: Internal Audit

The EMEA Internal Audit function is the 'third line', providing independent assessment and assurance on the adequacy and effectiveness of governance and risk management (including internal control) to support the achievement of firm-wide objectives and to promote and facilitate continuous improvement.

The Invesco UK Audit Committee have the responsibility for overseeing the financial reporting, risk management and internal control environment and report on such to the IUK board.

3.2 Management of principal risks and uncertainties

The management of principal risks and uncertainties involves the following activities:

Annual Risk and Control Self-Assessment Process

The Enterprise Risk team meets with the business lines and functional areas Annually to assess and challenge the business units' assessment of their own risks. This ensures that existing and emerging risks are identified, assessed and quantified and that controls are appropriate to ensure risks are managed to within risk appetite. Risks that are assessed as being outside of the company's risk appetite are escalated to the EMEA Risk Management Committee and potentially to the IUK Board for further discussion, challenge and appropriate follow on action.

The Enterprise Risk team uses the individual business line and functional area Risk Profiles that result from the Risk and Control Self-Assessments to generate an overall Risk Register and Top Risks to the business and entities. All risks are categorised and reported using a standard the risk taxonomy which also provides a basis for identifying the operational risk scenarios required of the Pillar 2 process for the ICAAP[2], and to further inform the quantification of the ICAAP risk capital scenarios.

Capital Scenarios

Capital scenarios are quantified by using the risk framework and reporting and gathering additional input from risk owners and subject matter experts within the business. Scenario analysis conclusions are further evaluated to determine control, business and process improvements that may be appropriate.

Incident Reporting

The Operational Risk team manages the incident reporting process designed to capture, assess and report control failures that may or may not generate a loss. Each reported incident is documented and analysed to determine the root cause and to inform the specific actions needed to address the incident immediately and to prevent a future reoccurrence. The Operational Risk team tracks and reports the status of incidents through to resolution and completion. Incident reporting is also used to inform the scenario quantifications as part of the ICAAP Pillar 2 process.

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4. Capital Resources

IUK holds the vast majority of its capital in Core Tier 1 capital, comprising permanent share capital, share premium, profit and loss and other reserves as well as minority interests.

The deductions to capital consist of intangible assets primarily relating to goodwill in relation to the acquisition of the Invesco Perpetual business and subsequent smaller business acquisitions. The deduction of material holdings in financial entities is primarily for the investment in IPL.

The below table summarises total capital resources as at 31 December 2021. A comparison between the non-statutory group balance sheet and the amounts reported in capital resources is provided in Appendix 2.

Regulatory Capital Resources as at 31 December 2021	£000
Permanent share capital	147,232
Profit and loss account and other reserves	1,148,956
Tier 1 Capital before deductions	**1,296,188**
Deductions from tier one capital	(681,535)
Total Tier 1 Capital after deductions	**614,653**
Tier 2 Capital: Revaluation reserve	**8**
Deductions from total of tiers one and two capital: Material holdings	(15,000)
Total Capital after deductions	**599,661**

5. Capital Adequacy

It is the policy of the Group that all regulated entities maintain sufficient capital to meet their capital resource requirements and ongoing working capital requirements. In line with these requirements, the Group maintains the higher of its Pillar 1, Pillar 2, wind down capital requirements and any Individual Capital Guidance issued by the FCA. The adequacy of the capital held by the Group and individual regulated entities is reviewed formally quarterly or more often when there are changes to the business, and is subject to formal sign-off by the IUK Board. The following key assessments are made in order to determine the level of capital that the Group should hold:

Pillar 1

A Pillar 1 requirement is calculated in line with the requirements under CRD III. The Pillar 1 capital resources requirement methodology is the higher of the Fixed Overhead requirement (FOR); or the sum of the credit risk and market risk requirements. The Pillar 1 requirement for the Group at 31 December 2021 was the FOR.

Pillar 1 Capital Requirement	**£000**
(A) Credit Risk	73,070
(B) Market Risk	18,315
(C) Sum of (A) & (B)	91,385
(D) Fixed Overhead Requirement (FOR)	111,426
Pillar 1 Capital Requirement - higher of (C) & (D)	111,426

Pillar 2

Pillar 2 involves an assessment of major operational and other risk exposures, including identifying and quantifying extreme one-off events with a very low probability of occurring (defined as once in a career events) in order to assess how much capital the Group would need to hold to cover these risk occurrences. The Group has assessed its Pillar 2 requirement utilising the 'Pillar 1 plus' approach. This means that for each risk category for which both a Pillar 1 and Pillar 2 capital requirement are calculated, the total capital requirement should be no less than the amount calculated under Pillar 1.

Wind down

Wind down planning is the process by which Management:

(a) identifies the steps and resources required to wind down the business; and
(b) evaluates the potential risks and impacts of a wind down and considers how to mitigate them.

This is performed in order to assess how much capital the firm would need to hold to ensure that all liabilities would be covered in this extreme eventuality.

The Group's assessment of internal capital determined that the Pillar 2 was higher than the Pillar 1 and wind down amounts. A summary of risks that have been quantified for Pillar 2 purposes is provided below.

5.1 Credit Risk

Credit risk is defined as the risk of loss caused by the failure of a counterparty to perform its contractual obligations. The Group is primarily exposed to credit risk in respect of outstanding debtors due from clients, outstanding fees due from funds, segregated mandates and from cash deposits with banks and money market funds held. Credit risk is subject to change on a daily basis due to the fluctuating level of debtors. Clients are invoiced for fees on a monthly or a quarterly basis. IUK has a robust debtor collection process and does not have a history of material defaults.

In accordance with the Group's risk appetite, liquid assets are invested as follows:

- In cash and cash equivalents
- With highly rated counterparties
- No more than 20% of total cash held with one counterparty

Cash deposits are placed to varying maturity lengths (all within 90 days) to synchronise with expected outflows. Every month the cash balances held and the proportions of exposure per counterparty are reviewed and monitored against the policy limits and risk analysis to ensure compliance.

The EMEA Counterparty Risk Committee reviews and approves counterparties from a credit risk perspective and monitors and manages counterparty exposure levels. IUK utilises the Fixed Income Risk analysis work performed by the Fixed Income and Risk teams based in the UK and USA to monitor counterparty credit risk. This team performs research and analysis to provide counterparty risk data for Invesco Ltd and its subsidiaries.

5. Capital Adequacy

The Group uses the standardised approach to calculate credit risk, whereby credit risk exposures are converted into risk weighted assets (RWA) by applying the risk weight prescribed under BIPRU as being appropriate to the asset class and credit rating of the counterparty. The Pillar 1 minimum credit risk capital requirement is assessed at 8% of RWA. Credit risk mitigation techniques are not used by the Group.

Credit risk is separately assessed under Pillar 2.

The credit risk capital requirements per significant asset class under Pillar 1 is as follows for 31 December 2021:

Exposure class	Credit risk Capital Requirement £000
Institutions	6,110
Corporates	30,228
Exposures in default	187
Collective investment undertakings (CIU)	27,144
Other items	9,348
Total	**73,017**

Use of external credit assessment institutions (ECAIs)

For counterparties which have a credit rating, these ratings are used to determine the exposure amount, by mapping the credit rating to a credit quality step using mappings provided by the FCA and applying a risk weighting determined by this mapping. The Group makes use of credit ratings produced by Standard and Poor's, Moody's and Fitch.

The exposure values as at 31 December 2021 for each credit quality step are provided below.

Credit Quality Step	Credit Risk Exposure Amount £000
Credit Quality Step 1	401,890
Credit Quality Step 2	103,515
Credit Quality Step 3	0
Credit Quality Step 4	268
Unrated	795,900

5.2 Market risk

Market risk is the current or prospective risk to earnings or value arising from adverse movements in equity and commodity prices, interest and/or foreign exchange rates. This risk includes foreign exchange risk, defined as the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates.

IUK's only market risk for the purposes of Pillar 1 is foreign exchange risk. The Group does not take any market positions other than positions to support the Group's seed capital policy. This arises because companies in the EMEA Group hold assets and liabilities in currencies other than their reporting currencies and movements in exchange rates against these currencies may give rise to losses on translation.

Pillar 1 market risk has been calculated at £18.3 million as at 31 December 2021, representing 8% of the larger of the net aggregated short and net aggregated long open foreign currency position per currency for each entity in the EMEA Group.

5.3 Operational Risk

The Group is not required to calculate an operational risk requirement under Pillar 1 but assesses operational risk under Pillar 2. Operational risk is defined as the risk of loss resulting from inadequate or failed internal control processes, people, systems or from external events. This definition includes all business risks with the exception of financial risk, portfolio risk and investment related credit and counterparty risk. As described in section 3.2, operational risk scenarios are identified using all aspects of the risk framework and feed into the Pillar 2 calculation.

5.4 Pension Obligation Risk

The pension obligation risk is the risk to a firm caused by its contractual or other liabilities to, or with respect to, a pension scheme. It also means the risk that the Group will make payments or other contribution to, or with respect to, a pension scheme because of a moral obligation or because the firm considers that it needs to do so for some other reason. IUK is exposed to Pension Obligation Risk as it operates a defined benefit scheme for some of its employees. Pension Obligation Risk has been assessed for Pillar 2 purposes in the ICAAP.

5.5 Group Risk

Group Risk is the risk that the financial position of a group may be adversely affected by its relationships with other entities in the wider group or by risks which may affect the financial position of the whole group (e.g., reputational or contagion risk). Group Risk has been assessed for Pillar 2 purposes in the ICAAP.

5.6 Interest Rate Risk

Interest rate risk is the risk associated with an adverse movement in interest rates on the financial position or earnings. This includes Interest Rate Risk in the Non-Trading Book (IRRBB), which is the risk of losses arising from changes in the interest rates associated with non-trading book items. Interest Rate Risk has been assessed for Pillar 2 purposes in the ICAAP.

IUK's exposure to IRRBB arises from bank deposits, money market fund investments and loans from other Invesco Group entities. All these assets and liabilities are short-dated and re-price or mature within three months.

6. Remuneration disclosures

The undernoted disclosures, made in accordance with the requirements of BIPRU 11.5.18, provide information regarding the remuneration policies and practices for staff identified as material risk takers ("BIPRU Code Staff").

6.1 Information about the Invesco Ltd Compensation Committee

The Compensation Committee of Invesco Ltd. (the "company" or "Invesco") is chaired by Mr. Henrikson and consists additionally of Messrs. Johnson, Kessler, Sheinwald, and Wagoner and Ms. Beshar and Ms. Wood. The committee met six times during 2021.

Under its charter, the committee:

- is comprised of at least three members of the Board, each of whom is "independent" of the company;
- members are appointed and removed by the company's Board;
- is required to meet at least four times annually; and
- has the authority to retain independent advisors, at the company's expense, whenever it deems appropriate to fulfil its duties, including any compensation consulting firm.

The committee's charter is available on Invesco's web site at www.invesco.com. The charter sets forth the committee's responsibilities, which include, among other items:

- Reviewing and making recommendations to the Board about the company's overall compensation philosophy;
- Approving the company's compensation-related matters requiring the committee's approval, including EU remuneration matters;
- Overseeing the administration of the company's equity-based and other incentive compensation programmes; and
- Approving company-wide annual incentive compensation pools.

External Consultants

Each year the committee engages a third-party compensation consultant to provide an analysis of, and counsel on, the company's executive compensation programme and practices. The nature and scope of the consultant's assignment is set by the committee. The committee currently engages Johnson Associates, Inc., an independent consulting firm, as its third-party consultant for this review.

In general, the outside consultant,

- assists the committee throughout the year in its analysis and evaluation of our overall executive compensation programmes, including compensation paid to our directors and executive officers;
- attends certain meetings of the committee and periodically meets with the committee without members of management present;
- provides the committee with certain market data and analysis that compares executive compensation paid by the company with that paid by other firms in the financial services industry and certain investment management firms which we consider generally comparable to us; and
- provides commentary regarding market conditions, market impressions and compensation trends.

6.2 Invesco's Compensation Philosophy

As an investment management firm, one of our greatest assets is the skill and experience of our employees. It is critical that we are able to attract, retain and motivate talented professionals while aligning their incentives with the interests of our clients and shareholders.

We focus on the following four key multi-year strategic objectives that are designed to sharpen our focus on meeting client needs and strengthen the business over time:

- achieve strong long-term investment performance;
- be instrumental in our clients' success;
- harness the power of our global platform; and
- perpetuate a high-performance organisation.

Invesco's compensation program is designed to support our multi-year strategic objectives and desire to reward the behaviours and discipline that generate strong, investment performance for our clients and shareholders over the long-term by:

- aligning the interests of our senior-level employees and executive officers of Invesco Ltd. with those of clients and shareholders through long-term awards and accumulation of meaningful share ownership positions;
- balancing pay-for-performance with economic outcomes such that compensation is affordable to Invesco Ltd. and its shareholders while fair to employees;
- reinforcing our commercial viability by closely linking rewards to Invesco Ltd., business unit and individual results and performance;
- attracting, recognizing and retaining the best talent in the industry by ensuring a meaningful mix of cash and deferred compensation; and
- discouraging excessive risk-taking that would have a material adverse impact on our clients, shareholders or company.

As employees progress to higher levels in the company, their ability to affect our performance generally increases and our need to retain these employees increases correspondingly. The compensation committee believes that as an individual's compensation increases, the percentage of that compensation that is deferred should therefore also increase.

6.3 Code Staff Criteria

Invesco has identified individuals considered to be material risk takers ("Code Staff") in line with the EBA regulations that came into effect in June 2014. These regulations introduced specific quantitative and qualitative criteria for identifying individuals who have a material impact on the firms risk profile, including:

- Board members of regulated entities;
- Members of the executive committee;
- The heads of risk, internal audit and compliance, and the persons reporting to them directly;
- Individuals responsible for certain functions, including finance, legal and human resources; and
- Members of the new products committee.

Under the criteria, the number of individuals considered to be Code Staff was 71 at 31 December 2021. The Committee's delegate approves the list of Code Staff annually and individuals are notified of their identification and the implications of this status on at least an annual basis.

6.4 Link between Pay and Performance

Management, with the guidance and input from the Board, annually reviews and affirms our multi-year strategic imperatives. The Board establishes an annual operating plan, including financial planning and operational performance based on the multi-year strategic objectives. The Board is regularly updated on progress against our strategic objectives and operating plan which provides the context for performance evaluations at year end.

Based on the company's performance on multiple operating measures, the company's performance toward achieving its strategic objectives and other factors, including pre-cash bonus operating income ("PCBOI"), the committee establishes a company-wide incentive pool that is a percentage of PCBOI. The pool size is limited to a percentage of PCBOI to ensure, at all times, the company-wide incentive pool is linked to Invesco's operating results. All cash bonuses, deferred compensation (consisting of annual fund or stock deferrals and long-term equity awards) and amounts paid under sales commission plans are paid out of this pool.

Performance at an individual level is measured through a company-wide, on-line performance management process that:

- promotes alignment of individual employee efforts with the mission, principles and goals of our company;
- provides the feedback necessary for employee growth and development; and
- improves our ability to assess and recognise performance.

The company's performance management process ensures all employees have their performance consistently assessed regardless of their location or function and consists of 3 key assessments:

- An assessment of individual or team-based objectives which have been agreed between the manager and employee and are aligned with the mission, principles and goals of the company;
- Assessment against a single, global set of competencies which are based on Invesco's business principles. The Invesco competency framework builds on these business principles by highlighting key behaviours that contribute to their achievement. In addition, the framework includes leadership competencies to help gauge the performance of our people managers; and
- An employee self-evaluation is completed prior to the manager evaluation of the employee.

Individual performance, as measured through the performance management process, is used to differentially reward high performers in support of our remuneration philosophy.

6.5 Components of Remuneration

The following table describes each component of our 2020 compensation programme for employees as well as its purpose and key measures:

6. Remuneration disclosures

Component	Purpose	Description
Base salary Cash	Provides fixed pay for the performance of day-to-day job duties Sole source of fixed cash compensation	Based on knowledge, skills, experience and scope of responsibility Relatively small portion of total annual compensation Evaluated on an annual basis; generally, remains static unless there is a promotion or adjustment needed due to economic trends in the industry
Annual incentive award Cash bonus and deferrals	Recognizes current year achievement of goals and objectives Aligns with company, business unit and individual performance Deferral portion aligns executive with client and shareholder interests and encourages retention by vesting over time	Based upon assessment of company performance and individual performance When mandated by local regulatory requirements, we grant awards denominated in our product fund offerings in lieu of annual stock deferral awards Our annual deferral awards generally vest over four years in equal annual increments of 25% per year
Long-term incentive award Equity	Recognizes potential for future contributions to the company's long-term strategic objectives Aligns executive with client and shareholder interests and encourages retention by vesting over time	Based upon assessment of company performance and individual performance Time-based and generally vest over four years in equal annual increments of 25% per year For executive officers of Invesco Ltd., fifty percent of the combined value of the time-based equity and performance-based equity awards is performance-based. For 2021 awards granted in February 2022, vesting is tied to adjusted operating margin and Relative TSR Our performance-based equity awards have a three-year performance period and three-year cliff vesting

Our annual awards

We use our annual awards, which consist of cash and annual fund and stock deferred awards, to recognize current year performance and closely align employees' interests with those of clients and shareholders, differentially reward high performers and link compensation to financial results. Our annual stock deferral and fund deferral awards vest over four years in 25% increments each year. For employees falling under specific regulatory pay-out requirements additional retention periods apply.

Our long-term equity awards

Our long-term equity awards are comprised of time-based and performance-based awards. The committee believes long-term equity awards should align employee and shareholder interests and, with respect to executive officers of Invesco Ltd., a portion of awards should be paid only upon achievement of targeted financial results. In particular, the committee believes that the design of the long-term equity awards should:

- focus our management on preserving value for our shareholders;
- hold our executives accountable for the sound management of the company; and
- tie a specific portion of our executive officers' compensation to a measure that management can most directly influence that will ultimately lead to shareholder value.

Time-based awards

Long-term equity awards that are time-based generally vest ratably in 25% increments each year. With respect to executive officers of Invesco Ltd., 50% of the combined value of the annual deferral award and long-term equity award is time-based.

Performance-based awards[1]

With respect to executive officers of Invesco Ltd., 50% of the combined value of the annual deferral award and long-term equity award is performance-based. Performance-based awards are tied to the achievement of adjusted operating margin and relative TSR over a three-year period.

The committee believes tying the vesting of the performance-based equity awards to the achievement of adjusted operating margin and relative TSR over a multi-year period aligns with shareholder interests and the following goals:

Relative TSR

- tracks value created for shareholders as a quantitative measure
- aligns with shareholder interests

Adjusted operating margin (AOM)

- focuses discipline in corporate investments, initiatives and capital allocation
- is consistent with the way the business is managed
- is an important measure of overall strength of an asset manager
- aligns with Invesco's shareholder value framework
- is a primary measure of focus of industry analysts
- is improved through effective management over the long term
- more effectively avoids conflicts of interest with clients

Performance award vesting matrix

The number of shares that vest will equal the target amount multiplied by the vesting percentage associated with the Average AOM and Relative TSR ranking on the chart below. Vesting to range from 0% to 150%. We believe that the linked vesting performance thresholds provides to the significant rigor of our incentive program as payouts are not a range of outcomes but represent specific performance levels.

1. For the Invesco UK Limited Consolidation Group this section applies to the Senior Managing Director and Head of EMEA on

Absolute 3-year Average AOM	Relative TSR [1]				
	Lowest	40% tile	55%tile	75%tile	Highest
≥41.0%	100%	116%	133%	142%	150%
40.0%	83%	103%	122%	133%	142%
39.0%	67%	90%	111%	123%	133%
37.5%	50%	75%	100%	113%	125%
36.0%	33%	58%	83%	100%	117%
34.5%	17%	42%	68%	88%	108%
≤33.0%	0%	25%	50%	75%	100%

1 Points between the stated data points are determined by ratable straight-line interpolation.

If Invesco’s Relative TSR is equal to or below the lowest percentile and average adjusted operating margin is 33.0% or less, then our CEO and each of our executives will not be entitled to a distribution of any shares or accrued dividends.

The rigor of the thresholds, as well as the partial vesting of awards for failure to meet the target range and an upside opportunity for performance beyond the target range, align with the committee’s belief that the company’s performance-based awards demonstrate our pay-for-performance philosophy.

Below is a summary of the features of our performance awards:

Performance-based award component

Performance period	Three years
Performance metric	Adjusted operating margin and relative TSR
Performance vesting range	Vesting ranges from 0% - 150%; straight line interpolation to be used for actual result. See above table for vesting ranges
Vesting	3-year cliff
Dividends	Deferred and paid only to the extent an award vests
Settlement	Settled in shares
Clawback	Subject to clawback policy in the event of fraudulent or wilful misconduct

6.6 Remuneration Decision Making Rationale

Salary increase decisions take into account market position, performance, and internal equity. Salary increases are targeted where market positioning does not already align with performance.

Bonus decisions support a meritocracy, providing the most significant rewards to the highest contributors. Individual cash bonuses are based on a variety of factors including internal performance comparisons, external market comparisons, and formulaic portions of incentive plans (for specific groups of employees) as well as the amount available to distribute in any given year.

As an individual's compensation increases, the proportion of that compensation received in the form of deferred compensation should increase in order to further the alignment of that employee's interest with those of Invesco Ltd.'s shareholders. As a result, employees earning over a threshold level in cash compensation will typically have a portion of their annual incentive award deferred into restricted shares of Invesco and/or into investment portfolios managed by the firm.

All employees can be considered for long-term equity grants, however, managers use equity pools to retain key talent, to reward those who make the strongest contributions in a given year, and who have high potential to impact business results in the future. Equity grants reward for longer term performance, and therefore, vest over a multi-year period.

6.7 Remuneration in Control Functions

Reporting lines for control functions are typically separated from the business units that they oversee. The amount of any incentives available for distribution to control functions is not determined by the performance of the business unit that they oversee. Decision making regarding remuneration for employees in control functions is not approved by any business unit overseen by these functions.

6.8 Quantitative Disclosures

As at 31 December 2021, a total of 71 individuals have been identified as Code Staff. On the basis that Invesco UK Limited Consolidation Group has one business unit (asset management), aggregate remuneration expenditure in the year to 31 December 2021 was as follows:

Aggregate quantitative information on remuneration

Total	**£248.8m**

Aggregate quantitative information on remuneration for Code Staff

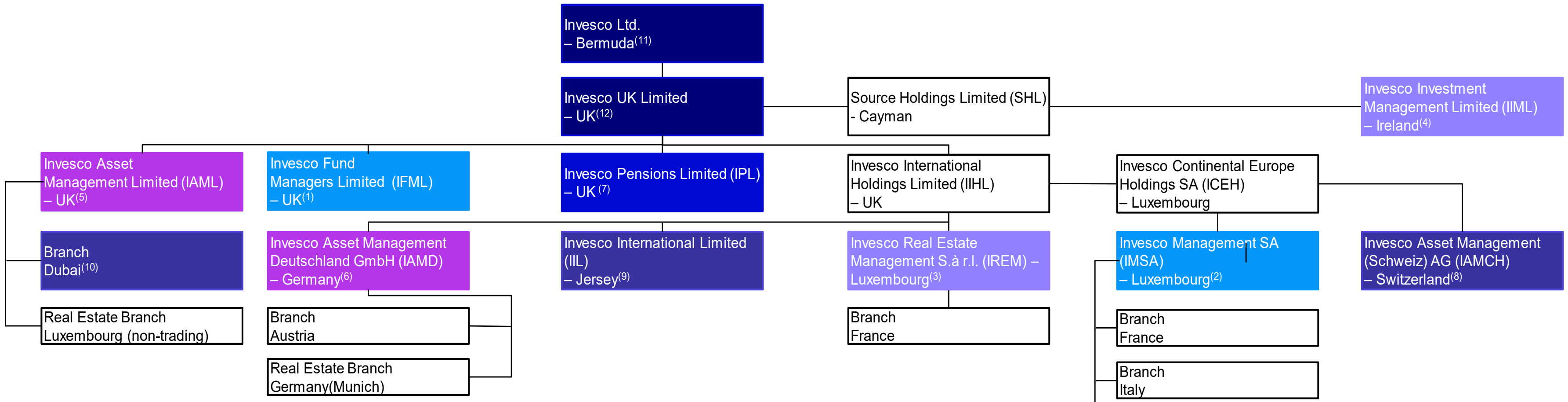
Senior management*	£13.0m
*Of which Board members***	*£4.2m*
Other Code Staff	£40.7m
Total	**£53.7m**
Number of beneficiaries	71

**Senior management includes Board members of Invesco UK Limited ("IUK"), Invesco Asset Management Limited ("IAML") and Invesco Fund Managers Limited ("IFML") and members of the Invesco EMEA Executive team.*

*** Board members of IUK, IAML and IFML*

Overview of EMEA Corporate Structure (abridged)

The legal structure chart below comprises a subset of investment firms, management companies ("ManCos") and other regulated entities that are direct or indirect subsidiaries of Invesco UK Limited (>50% interest), together with their associated branches and holding companies. All holdings are 100% unless shown otherwise.



Both UCITS & AIFM.
(1) Authorised Corporate Director (ACD) for all UK ICVCs. AIFM for non-UCITS UK ICVCs and Investment Trusts. Marketing/distribution of cross-border UCITS SICAV. Regulated by the FCA.
(2) Manages Luxembourg UCITS and AIFs. Authorised to perform collective portfolio management, investment advice, discretionary portfolio management and to provide RTO services (to promote ETCs and crypto-currency ETNs as well as funds managed by other IVZ entities). Regulated by the CSSF. Branches not regulated directly but active under parent's oversight, subject to compliance with local regulatory principles where applicable.

Either UCITS or AIFM. Branch not regulated directly but acting under parent's oversight, subject to local regulatory principles where applicable:
(3) AIFM - real estate funds, passported to Italy and Netherlands. SEC-registered Investment Adviser. Regulated by the CSSF.
(4) UCITS – management company of Irish UCITS (Invesco Markets plc, Invesco Markets II plc, Invesco Markets III plc, Invesco Liquidity Funds plc). Regulated by the CBI.

MiFID Firm. Branches not regulated directly but acting under parent's oversight, subject to local regulatory principles where applicable:
(5) CRD III Investment management, retail/institutional sales, institutional-only advice; real estate investment advice and mgt, EU and EEA. SEC-registered Investment Adviser. Regulated by the FCA. Registered as an external company (CIPC) and operating under license (FSCA) in South Africa.
(6) Portfolio management, investment brokerage, investment advice, distribution of affiliated Invesco products. EU and other. SEC-registered Investment Adviser. Regulated by the BAFIN.

Solvency II Insurance Company: (7) Unit-linked Life Assurance/pension fund clients. Regulated by the PRA.

Other Regulated Activity:
(8) Authorised distributor and representative of foreign funds, retail and institutional. In addition, marketing of ETCs in Switzerland and crossborder marketing of funds to the extent that no licence/authorisation is required. Regulated by the FINMA.
(9) Distributor.
(10) Legal representative of IMSA for registration of Luxembourg-domiciled UCITS.

Holding Company
(11) Invesco Ltd. is listed on the New York Stock Exchange under Ticker Symbol 'IVZ' and is regulated by the US Securities and Exchange Commission (SEC).
(12) Invesco UK Limited is not directly authorised or regulated but is subject to supervision by the UK's Financial Conduct Authority (FCA) as the parent of a consolidation group.

Appendix 2: Balance Sheet Reconciliation

Year to 31 December 2021	Accounting Financial Statements £m	Proportional Consolidation of Invesco Great Wall £m	Regulatory Financial Statements £m	Group Capital Resources items £m	Ref
Balance sheet items					
Non-current assets					
Property, plant and equipment	106.1	7.2	113.3		
Investments	191.4	(175.5)	15.9	(15.0)	a
Goodwill and Intangible assets	679.0	2.5	681.5	(681.5)	
Other non-current assets	71.1	2.2	73.3	(45.6)	b
Current Assets					
Cash and cash equivalents	498.3	113.4	611.7		
Trade and other receivables	399.5	159.9	559.4		
Total Assets	**1,945.5**	**109.5**	**2,055.0**		
Total Liabilities	528.6	109.5	638.1		
of which: Trade and other payables	412.8	100.7	513.4		
Net Assets	**1,416.9**	**-**	**1,416.9**		
Share capital	147.2	-	147.2	147.2	
Retained earnings	1,244.4	-	1,244.4	1,171.8	C
Other reserves	25.4	-	25.4	22.8	d
Equity	**1,416.9**	**-**	**1,416.9**	**599.7**	

a Deconsolidated IPL investment
b Pension scheme assets
c Excluding unverified profits as at 31 December 2021
d Excluding unverified other comprehensive income as at 31 December 2021