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2020 ESG Investment Stewardship Report

In our newest report, we share key achievements over the past year and highlight our continuing commitment to ESG investing.



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**Top tip**

Where you see this icon, either follow the instructions or roll over the content to interact with it and explore further.

Statement of ESG Beliefs

At Invesco, our commitment to environmental, social and governance (ESG) investing is a key element of our ambition to provide an investment experience that helps people get more out of life. We recognize that ESG matters greatly to our clients, communities and stakeholders.

It matters to us.

Marty Flanagan



We are motivated by the belief that doing what's right for the environment, our people and the communities we serve helps us deliver the best possible experience to clients.

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Our fundamental belief is that ESG investing is an essential part of the solution to a sustainable future. We view it as an important agent of change in driving a holistic perspective on the investment industry's role in creating value. Our commitment goes far beyond delivering elements of ESG at a functional level, it goes to the heart of the way we are working with our clients to realize the value they seek.

Invesco's purpose is to deliver an investment experience that helps people get more out of life. Sustainable value creation and effective risk mitigation are fundamental to achieving that goal. As a result, our focus is on integrating ESG into the heart of our investment process, with our investment teams taking decisions every day on how to manage this integration and how to use our leverage in important areas such as client engagement and proxy voting. We also flex this work around more specific client needs, using skills such as our self-indexing capabilities to provide the right ESG solutions. Our dedicated global ESG Team act as a center of excellence to guide, support and inform all our work in this area.

Our clients expect us to take the lead on how ESG will reshape the investment landscape. And for the next generation of investors, ESG will be a given. We have achieved much so far, but we know there is always more to do.

ESG investing is a journey not a destination. ESG will always evolve and we are committed to continually reviewing and developing our approaches further.

Sincerely,

The signature of Marty Flanagan, written in blue ink.

Marty Flanagan
President and Chief Executive Officer

The signature of Greg McGreevey, written in blue ink.

Greg McGreevey
Senior Managing Director, Investments



Already, we manage more than
US\$34.5bn

in dedicated sustainable investing
strategies and we will build
on our experience!¹



Currently we are at
75%

Invesco aspires to 100% ESG
integration across all investment
capabilities by 2023²

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What is Invesco doing to put ESG at the forefront of our role as investors?



ESG integration everywhere
Various aspects of ESG have an impact on sustainable value creation, as well as risk management. We aspire to incorporate ESG considerations in all our investment capabilities and our processes. We are currently integrating ESG for approximately 75%¹ of our strategies, with aim to integrate 100% by 2023.

¹ Invesco uses an internal framework to measure the level of ESG considerations as an influence in investment decision making. Currently approximately 75% of Invesco's investment teams have attained the ESG integration level defined as minimal but systematic integration.



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



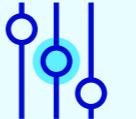
Using our influence
Much of our work is rooted in fundamental research and frequent dialogue with companies making Invesco well placed to use our ESG expertise and beliefs in ways that drive corporate change. As a provider of both active and passive strategies, we amplify our active votes as our passive vote follows the largest active holder. In addition to corporate change we also participate in extensive industry dialogue to influence systemic industry developments.



A track record to build on
We have a recognized ESG track record. For the last four consecutive years, we've achieved an A+ rating from the PRI (Principles for Responsible Investment) for our strategy and governance. In Private Markets, over the last five years, Invesco Real Estate has been recognized by GRESB as a global leader in its sustainable management of buildings. We will continue to evolve and set a leading standard for our ESG approach. We will not be afraid to raise our voice on this topic and to call for our whole industry to make meaningful progress, more quickly.



Climate as a focus topic
Climate change is a key focus for us and our clients. Every year we [report](#) how climate change is addressed at corporate and investment levels in alignment with the Task Force on Climate-related Financial Disclosures (TCFD). Our Global Real Estate Investment group has committed to net zero by 2050 and investment solutions increasingly offer decarbonization or net zero strategies. We are part of the solution by supporting and investing in companies that are allocating capital towards the transition to a climate sustainable and resilient world.



A commitment to solutions
Increasingly, our clients want us to provide the means for them to explicitly express their own ESG values through investment vehicles. We will continue to develop innovative solutions and products to deliver for them. Already, we manage more than \$34.5bn in dedicated sustainable investing strategies (exclusionary/inclusionary/impact) and we will build on our experience.



Transparency
We have a deep belief in the need for transparency and to hold up a mirror to our own internal corporate commitment to ESG investing as well as our corporate commitment to social responsibility. We will continue to evolve our investment and corporate disclosures and have taken a leading standard through our annual ESG Investment Stewardship Report. For details on our corporate activities please see our [Corporate Responsibility Report](#).



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Our focus is on integrating ESG into the heart of our investment process. We're also highly focused on meeting specific client needs, leveraging our broad range of capabilities to provide the right ESG solutions.

Marty Flanagan
President and Chief Executive Officer

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ESG Approach

Invesco's purpose is to deliver an investment experience that helps people get more out of life. Sustainable value creation and effective risk mitigation are fundamental to achieving that goal.

Commitment to Principles for Responsible Investment (PRI)

Invesco is a strong advocate of responsible investing practices, formalizing our commitment globally in 2013 when we became a signatory of the PRI. We believe that our policies, processes and overall company approach value the spirit of the PRI and demonstrate Invesco's commitment to stewardship.

We were proud to be awarded an A+ rating in 2020 for our overall approach to responsible investment (Strategy and Governance) for the fourth consecutive year as well as achieving an A or A+ across all categories in the 2020 assessment period.

The PRI carries out the annual assessment based on how a signatory has progressed year-on-year and relative to peers. This rating demonstrates our extensive efforts in terms of ESG integration, active ownership, investor collaboration and transparency.



We believe that our policy, processes and overall company approach comply with the spirit of the PRI.



We improved our scores from the 2019 assessment, achieving A or A+ across all categories in 2020.



2018 - 2020 Summary Scorecard



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Source: 2020 Assessment Report for Invesco Ltd., PRI. *Direct and Active Ownership Modules.



Organization

Governance

We organize our ESG efforts in three dimensions:

Firstly, we have executive corporate and investment oversight and sponsorship of both corporate social responsibility (CSR) and ESG investment efforts. This is supported by a Corporate Responsibility Committee (CRC) and the CRC Working Group. Our CRC is comprised of members of the executive leadership team. The committee drives the strategy, oversight, and governance of our internal programs, which include progress against climate change, demonstrating Invesco's broad executive leadership commitment to responsible investment.

Governance and coordination

Corporate Responsibility Committee (CRC)

Define corporate strategic vision for ESG and CR

Our CRC is designed to support our investment and corporate stewardship leaders across the globe in aligning our advocacy, policy and community efforts.

Global Investment Council (GIC)

Our GIC provides oversight to our specialized investment teams and offers a balance of global expertise, support and connectivity. In this way, it helps provide better outcomes for clients with greater consistency over the long term.

CRC Working Group (WG)

Identify, track, assess and establish or decide policy matters pertaining to ESG or CSR

Our CRC Working Group identifies, tracks, assesses and measures our ESG and CSR activities. This information is periodically reported to the main CRC.

GIC ESG Sub-Committee

Where our GIC provides broad coverage, guidance and discussion to investment teams, our ESG Sub-Committee focuses on addressing ESG investment issues, including climate change and social equity.

Regional Working Groups

Define regional ESG requirements and implement activity accordingly.

North America ESG Working Group



EMEA ESG Working Group



Asia-Pacific ESG Working Group



The CRC provides direction to Invesco's investment and corporate stewardship leaders on core ESG and CSR topics, participation in industry advocacy and policy efforts, charitable and community organizations to enhance our impact in sustainable global efforts. Local and global management teams, including regional managing directors, report into the CRC for matters related to ESG and CSR.

The Global Investment Council (GIC), made up of Chief Investment Officers and Managing Directors from Invesco's global investment centers and asset classes, is co-chaired by Invesco's President & CEO, Marty Flanagan, and Invesco's Head of Investments Senior Managing Director, Greg McGreevey. The GIC provides oversight to our specialized investment teams and offers a balance of global expertise, support, and connectivity. In this way, it helps provide better outcomes for clients with greater consistency over the long term. Chaired by our Global Head of ESG, Cathrine De Coninck-Lopez, Invesco's GIC ESG Sub-Committee focuses on ESG investment issues, including climate change and social equity.



Our regional ESG working groups, led by members of our Global ESG team, help to coordinate efforts across functions such as policy, distribution and operations.

The Global ESG Team

Global center of excellence

Global Investments Organization

	Client	Research	Proxy	Analytics	
Greg McGreevey SMD, Investments	Glen Yelton Head of ESG Client Strategy, NA (Atlanta)	Tom Woodfield Senior ESG Analyst (London)	Zoje Vataj Global Proxy Governance and Voting Manager (New York)	Ankur Gupta Manager, ESG Analytics (Hyderabad)	<ul style="list-style-type: none"> Invesco China and Invesco Japan Invesco Equities Invesco Fixed Income Invesco Global Bank Loans Invesco's Henley Investment Centre Invesco Systematic and Factor Investing Invesco Unit Investment Trust
Lance DiLorio Head of Investment Specialized Services	Dana Ginsberg ESG Client Strategy Specialist (New York)	Mariela Vargova Senior ESG Analyst (New York)	Andres Del Gallego Proxy Governance and Voting Specialist (New York)	Vinayaka Muppana ESG Specialist (Hyderabad)	
Cathrine De Coninck-Lopez Global Head of ESG	Maria Lombardo Head of ESG Client Strategy, EMEA (London)	Jonny Salvage Junior ESG Analyst (Henley)	Shane Keenaghan Senior Governance Analyst (Henley)	Bailey Buckner ESG and Impact Investment Analyst (Atlanta)	

Investment centers

Source: Invesco.

Secondly, we have a Global ESG team, led by Cathrine De Coninck-Lopez, Invesco's Global Head of ESG. Our Global ESG team is responsible for leveraging best practices in ESG capabilities across Invesco including ESG integration, voting and engagement, supporting the distribution teams with client engagement, and advising product teams on ESG innovation. This team of ESG professionals, located in three regions: North America, Asia Pacific and EMEA, act as a center of excellence to guide, support, and inform our investment teams on all work in this area. In addition, our Global ESG team chairs regional working groups to coordinate functions such as policy, distribution, and operations. Our ESG regional working groups consist of: EMEA ESG Working Group, North America ESG Working Group and Asia Pacific ESG Working Group. Invesco's ESG efforts are

also supported by our proxy administration team located in Hyderabad, India.

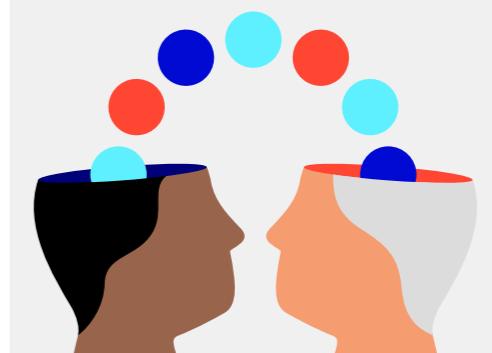
Thirdly, the incorporation of ESG considerations is conducted by investment teams on a team-by-team basis. Invesco has dedicated ESG specialists as well as ESG Champions within individual investment centers globally to support this effort, who are closely connected with our Global ESG team and formally collaborate via the GIC ESG Sub-Committee. We have multiple focused ESG groups that are broadly governed by the GIC ESG Sub-Committee at various sectors of the organization to ensure there is a purposeful, holistic, and impactful approach and integration towards responsible investing, such as: Real Estate Sustainability Focus Group, Fixed Income ESG Focus Group, Henley ESG Focus Group and Factor Investing ESG Focus Group.

Training

Training is an essential part of our commitment to ESG integration, and keeping abreast of the rapidly evolving industry landscape. Our Global ESG Team conducts meetings with Invesco's investment professionals to provide ESG training, frameworks, industry information, expertise, research, analysis, and updates regarding ESG activities.

Each meeting is tailored for each investment team or center based upon region, asset class, and existing ESG capability. Our Global ESG team also coordinates training sessions with ESG vendors and prepares investment professionals regarding engagement protocol and material non-public information. Internal communications include a monthly ESG newsletter, SharePoint ESG Resources website, postings to MyInvesco (our intranet), podcast, video and email announcements. In addition, our continuing personal development training program includes ESG modules.

Our Global ESG team aims to establish and enable ESG policies and practices across investment capabilities.

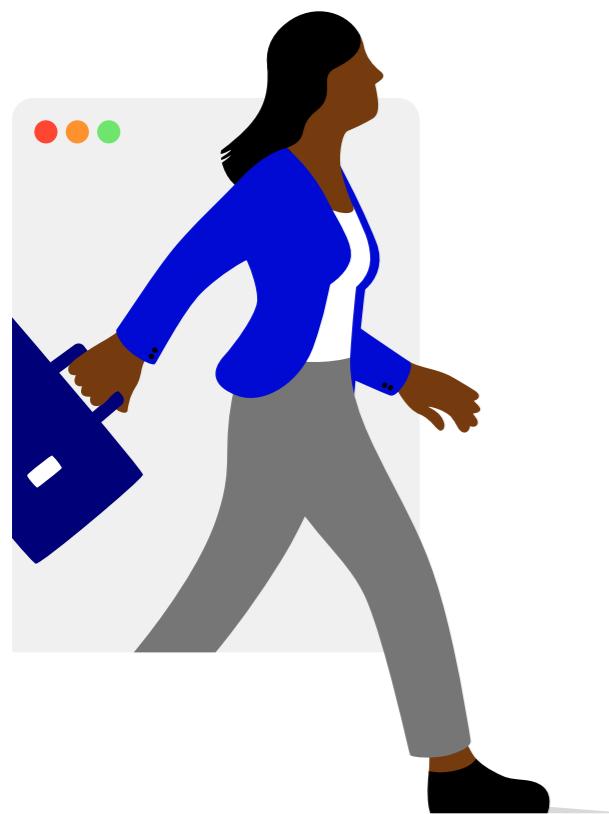


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Assurance

Invesco's Internal Audit department provides independent, objective assurance and consulting services which are designed to add value and improve the firm's operations. Internal Audit provides these services on an ongoing basis through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. All business units, including ESG investing and proxy voting activities globally, are subject to Internal Audit oversight. Internal Audit plans to do certain testing regarding ESG matters as part of its 2021 Audit Plan.



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 and seeks to avoid duplication of testing and considers other control reviews, including internal audits. Invesco's Compliance Monitoring team seeks to apply testing standards consistent with regulatory expectations in each region and reports findings to senior management of Compliance and of impacted business functions.

As an example of a review with a relationship to ESG topics, the Compliance Monitoring team conducted an advisory review of Proxy Voting in North America in 2020. The purpose of the review was to provide guidance and recommendations around the proxy voting process, evaluate whether policies and procedures are reasonably designed and to determine how effective the controls are in place to comply with regulations.



We have a deep belief in the need for transparency and to hold a mirror up to our internal processes. These reviews enable us to continue to evolve over time.

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Integration Developments across Key Asset Classes

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



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

In general, teams incorporating ESG into their investment process consider ESG as one input to their investment process, as part of the evaluation of ideas, company dialogue and portfolio monitoring. As such, assessment of ESG aspects is incorporated into the wider investment process as part of a holistic consideration of the investment risk and opportunity. ESG aspects may therefore be considered alongside other economic drivers when evaluating the attractiveness of an investment. Our fund managers have absolute discretion in taking a view on any given ESG risk or opportunity.

The core aspects to our ESG philosophy include:

- **Materiality**
The consideration of ESG issues on a risk-adjusted basis and in an economic context. We do not view ESG aspects as constraints, aside from certain restrictions driven by legal obligations in certain territories, such as our non-investment policy in controversial weapons in EMEA.
- **ESG momentum**
The concept of improving ESG performance over time, is particularly interesting in our view. We find that companies that are improving in terms of their ESG practices may enjoy favorable financial performance in the longer term.
- **Engagement**
We take our responsibility as active owners very seriously and see engagement as an opportunity to encourage continual improvement. Dialogue with portfolio companies is a core part of the investment process for our fundamental teams. Taking advantage of Invesco's scale, we often participate in board-level dialogue and are instrumental in giving shareholder views on management, corporate strategy, transparency, and capital allocation as well as wider ESG aspects.

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The starting point for our company level ESG research is the analysts and fund 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 fund managers and analysts wish for more detailed ESG information, our Global ESG team can provide proprietary analysis. We maintain such analyses in our proprietary ESGintel platform. This delivers an internal rating, a rating trend, and a rank in GICS sector to our analysts and fund managers, as described further on the following pages. Crucially, while there is global centralized support, decisions are ultimately made by our investment managers and analysts – the individuals who know their asset classes and sectors best.

ESG integration is an ongoing strategic effort and investment teams will vary in the level of ESG integration. We aspire to incorporate ESG considerations in all our investment capabilities and processes.

ESG Focus Topics

Key Performance Indicators for ESGintel

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ESG Research Tools & Resources

ESGintel

ESGintel is a proprietary tool built by Invesco's Global ESG research team in collaboration with our Technology, Strategy, Innovation and Planning (SIP) team providing ESG insights, metrics, data points and direction of change. Available to all investment teams, this tool is used as an input to their investment processes in a variety of ways.

ESGintel Framework

As an initial step, financially material ESG topic areas were identified for each sector by reviewing existing standards, frameworks, surveys, input from analysts and fund managers, insights from specialist financial market participants as well as the expertise of the Global ESG research team.

Next, for each topic we sought to identify data and representative indicators from various sources which will continue to evolve over time to maintain relevance and accuracy. In addition, machine learning algorithms and extrapolations are used to ensure broad coverage using a process by which statistical proxies are created in place of missing data and an estimated ESG score is assigned to an indicator.



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

Stephanie Butcher
Chief Investment Officer,
Henley-on-Thames, UK

ESGintel provides users with an internal rating, a rating trend, and a rank in GICS sectors. By taking a sector materiality focus to select indicators, we ensure a targeted focus on the issues that matter most for sustainable value creation and risk management. ESGintel utilizes many indicators for various ESG topics as shown on the previous page. This provides a holistic view on how various ESG topics impact companies' value chains in different ways.

These data points are then classified by sector or regional relative performance at the indicator level. In addition, machine learning algorithms and extrapolations are used to ensure broad coverage, in the absence of coverage data, using a process by which statistical proxies are created in place of missing data and an estimate ESG score is assigned to an indicator. Ratings on a scale of 1-5 are calculated at the overall company, topic and indicator levels to facilitate a focus on higher risk company-specific issues. In addition to the individual rating, the momentum (trend) highlights changes to the rating over time. ESGintel is housed in a proprietary Invesco ESGintel platform which is available to all Invesco employees.

Since launching, Invesco has continued to enhance the ESGintel platform bringing in more underlying data. This has led to coverage increases moving from approximately 8,000 companies to approximately 45,000 companies having data included in the system. Of these, approximately 16,500 companies have enough ESG data to create an overall ESG rating with more to come. For companies where there is insufficient ESG data to create an overall rating, we have implemented a suggested rating, projected by reviewing the rating of similar companies (i.e., the same GICS classification, region, and market cap within +/- 20%). Additionally, ESGintel has a built-in active feedback loop to encourage continuous improvements, gathering users' feedback including issues, observations and requests on sources, data, and methodology.

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ESG Data Providers

Invesco leverages a host of internal resources as well as external tools to enable ESG capabilities across asset classes. Our investment teams manage ESG strategies using a diverse range of approaches and may supplement internal research with information from third-party service providers such as proxy advisory firms, research providers and ESG analytical tools. Invesco ensures that data providers are providing the most up to date information prior to being integrated into our investment decision making framework. Due diligence monitoring is done to ensure data providers are providing on time deliverables such as ESG data, research, and recommendations. Invesco is constantly evaluating vendors to ensure our investment teams and clients are provided the most current information.



Integration of quality ESG data to our investment platforms enables us deliver detailed analytical insights on ESG opportunities and risks to our investment teams. We consider timely due diligence, selection and monitoring of our data providers as a key part of this process.



Ankur Gupta
Manager, ESG Analytics,
Hyderabad

Our ESG Research Providers, Tools and Technology

A broad platform

ESG Research Providers	Sustainalytics	MSCI ESG Research	Truvalue labs	ISS Climate Solutions	Sell-side Research
	Vivid Economics	Vigeo Eiris	Morningstar	Nikko Research Centre	
Proxy Voting Research and Vote Recommendations	Glass Lewis		IVIS (UK Equities)		ISS
Business Involvement Screening	ISS-Ethix		Sustainalytics		MSCI ESG Research
Trade Associations	UKSIF	QCA (UK)	UK Investor Forum	GRESB	ACGA (Japan)
	CII (US)	RIA (Canada)	RIAA (Australia)	ItaSIF (Italy)	
Technology Enablers	Bloomberg	Proxyintel	FactSet	ESGintel	

Source: Invesco, as at 31 December 2020. ACGA: Asian Corporate Governance Association. CII: Council of Institutional Investors. GRESB: Global Real Estate Sustainability Benchmark. QCA: Quoted Companies Alliance. RIA: Responsible Investment Association. UKSIF: UK Sustainable Investment and Finance Association. RIAA: Responsible Investment Association of Australia. ItaSIF: Italian Sustainable Investment Forum. For illustrative purposes only.



Equities

We analyze the magnitude of ESG risks impacting a company's financial integrity, brand/reputation, long-term profitability and value creation. In our fundamental investment research, we analyze how companies' address key ESG issues to assess incremental change.

As part of our ongoing portfolio monitoring and risk management, we have access to updates to ESG ratings to continuously evaluate changes. ESG issues are considered alongside other risks and valuation drivers to help identify better managed companies who are well positioned to succeed in the long-term. Evaluation of ESG aspects will be incorporated into the wider investment process as part of a holistic consideration of the investment risk and opportunity.

Our equity investment teams can rely on a mixture of external ESG data and internal proprietary ESG ratings, such as ESGintel. We recognize that ESG investing goes beyond screening out companies that have adverse ESG impacts. We seek to achieve positive outcomes by combining ESG flags, ratings, and bottom-up research with active engagement with companies' management teams. ESG flags highlight issues for further analysis and engagement, allowing us to target our efforts towards those companies. 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 find working on the basis of engagement or dialogue rather than exclusion, to be better aligned with both superior investment performance and improving ESG performance. Consequently, we regularly incorporate ESG elements into our dialogue with companies. Active engagement is key for us to better understand managements' views and strategies for ESG.

We believe our combination of active engagement, ESG ratings, and in-depth research enables our portfolios to deliver a value proposition to clients seeking an ESG collaborator for equity investments.

Fixed Income

Our fixed income investment approach emphasizes proprietary research and focuses on fundamental valuation to support the active management of our clients' portfolios. ESG integration is strongly consistent with this investment focus. Our approach to ESG is rooted in a belief that evaluating ESG criteria leads to better long-term risk-adjusted returns. With this in mind, we look for a combination of materiality and momentum.



We take our responsibility as active owners very seriously and see engagement as an opportunity to encourage continual improvement.

We take a responsible investing approach that is built on twin pillars of integration and engagement. We integrate ESG risk and opportunity factors into our investment decisions and engage with investee companies and issuers as part of our wider commitment to active ownership, which we regard as one of the most powerful mechanisms for reducing risks, enhancing returns and having a positive impact on society and the environment.

The fixed income landscape is wide and varied, encompassing securities issued by countries, securitized debt, private company loans and many other asset forms. Geographical, structural and regulatory differences mean that data availability, ESG awareness and management engagement levels are highly diverse.

As a result, while our underlying approach to ESG remains constant, the path to arriving at an ESG-based assessment necessarily differs to account for the constraints and challenges of a particular asset class. We use third-party research and data to provide broad market context and transparency. These external sources supplement our in-depth proprietary research. To provide clear and consistent outputs, we developed our own ESG methodology and rating system, which includes sub-ratings for each of the three E, S, and G pillars and trend assessments. The analysts store this research in a platform making it easily accessible for portfolio managers. Some teams also use a proprietary ESG scoring tool which generates a composite ESG country score to enable comparison of relative performance across developed and emerging markets. The fixed income ESG integration process relies primarily on including ESG factors as part of our analysis of primary and secondary market opportunities. Identified ESG concerns feed into the final investment decision and assessment of relative value.

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

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Real Assets

In the case of real assets, which can be significant contributors to global risk, the importance of ESG issues is undeniable. We believe that investment managers have a key role to play in respecting, protecting, and in so much as possible, enhancing the environment and wider social prosperity. Our approach fully recognizes that the places where we live, and work are uniquely vital to the future of our planet.

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

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

Sustainable real estate is about more than countering a global threat: it is also about individuals. The choices that tenants and occupants make can contribute massively to an asset's long-term performance. We believe effective ESG integration offers a vital means of identifying and managing global risk. Our approach is holistic, forward-looking and proactive; makes best use of data and dialogue; fosters transparency, accountability and pride of ownership; and is rooted in a long-term outlook that prizes stewardship over speculation.

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

IRE Global ESG+R Objectives

ESG+R is integrated into all phases of the investment management process. We have developed and implemented an ESG+R acquisition assessment that is performed during due diligence and our active investment management approach specifically focuses on the following ESG+R Goals and Objectives across our global strategies. Please roll over ESG+R icons below for details on our focus areas for each:



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Multi-asset

Combining diversification with robust risk management, our distinctive multi-asset strategies aim to provide reduced volatility and smoother returns to help investors achieve their financial objectives. We recognize that there are a variety of ESG frameworks at a macroeconomic level as shown in the below graphic. Alongside our Global ESG team, investment teams who manage multi-asset strategies have identified relevant ESG factors based on consideration of global frameworks and external ESG research providers. Our teams find that ESG issues, per se, may or may not be determining factors of their economic analysis, but could influence their overall evaluation. ESG factors are amongst those incorporated in several stages of the investment process, including research into individual ideas, the formulation of the central economic thesis and within scenario analysis.

ESG Framework for Multi-asset Strategies	
Macro governance elements	Potential impact on economies
Political rights	<ul style="list-style-type: none">Major political changes such as a shift from one party to another or major eventsInstability related to future public concerns and power struggles (or the dominance of political rule)
Trading practices	<ul style="list-style-type: none">Socially irresponsible governance of trade tariffs, regulations and rulesLack of support for global links and private property rights
Macro social elements	
Human rights governance	<ul style="list-style-type: none">Lack of freedom of religion leading to clashes and human rights controversiesLack of tolerance of diversity can lead to closed borders for immigration
Demographic shifts	<ul style="list-style-type: none">Ageing populations leads to greater dependency on the healthcare system and a smaller working population leads to greater burden of taxationMillennials driving changing trends in consumption and flow of goods and services as well as need for mobile service provisions
Inequality	<ul style="list-style-type: none">Regulatory scrutiny can lead to minimum wage rises and tax implications to close the gapGaps can lead to social unrest and strikes
Urbanisation	<ul style="list-style-type: none">Infrastructure investment needed for urban centers due to movement from farming to cities due to search for jobs and greater provision of basic services (water; shelter; medical care)Changes towards more service based economies
Macro governance elements	
Climate change	<ul style="list-style-type: none">Regulatory developments; infrastructure spending; demand side impact on commoditiesChanging energy mix towards lower carbon intensity sources
Land use and biodiversity	<ul style="list-style-type: none">Natural resources development and competing land uses
Water management	<ul style="list-style-type: none">Flood risk management and infrastructure investment for water access
Air pollution	<ul style="list-style-type: none">Air pollution in the form of SOX and NOX and particulates – health impacts; regulatory impacts; technology developments
Natural disasters	<ul style="list-style-type: none">Typhoons, hurricanes, volcanic eruption disrupts global interactions and can impact commodity prices



Responsible investing is becoming more and more relevant to our clients. With Clive Emery's leadership we have pioneered Responsible Asset Allocation as a separate step to a traditional Multi Asset investing process, bringing ESG to the front and centre of our focus.



David Millar
Head of Multi Asset
Henley-on-Thames, UK

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Active Ownership for Real World Outcomes

We draw upon Invesco's collective power to encourage stronger sustainability-related behavior from the entities in which we invest.

Proxy Voting

Approach

Invesco's Policy Statement on Global Corporate Governance and Proxy Voting (Global Proxy Policy) sets forth the framework of our broad philosophy and guiding principles that inform the proxy voting practices of our investors around the world. Our clients rely on our expertise, as their fiduciary, and our commitment to active engagement and dialogue with investee companies to make voting decisions in the best interests of shareholders. We take our responsibility as active investors very seriously and view proxy voting as an integral part of our investment management responsibilities.

Our investment-led proxy voting approach focuses on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders. Invesco's good governance principles outline our views on best practice in corporate governance and long-term investment stewardship. The voting decision lies with our portfolio managers and analysts with input and support from our Global ESG team and Proxy Operations functions, incorporating a number of factors and inputs including the unique circumstances affecting companies, public disclosures, regional best practices, third-party research and any dialogue we have had with our portfolio companies. Our proprietary proxy voting platform, PROXYintel, facilitates implementation of voting decisions and rationales across global investment teams. We believe our good governance principles, governance structure and processes are designed to ensure that proxy votes are cast in accordance with clients' best interests.

Statistics

Meetings voted

10,399

Resolutions voted

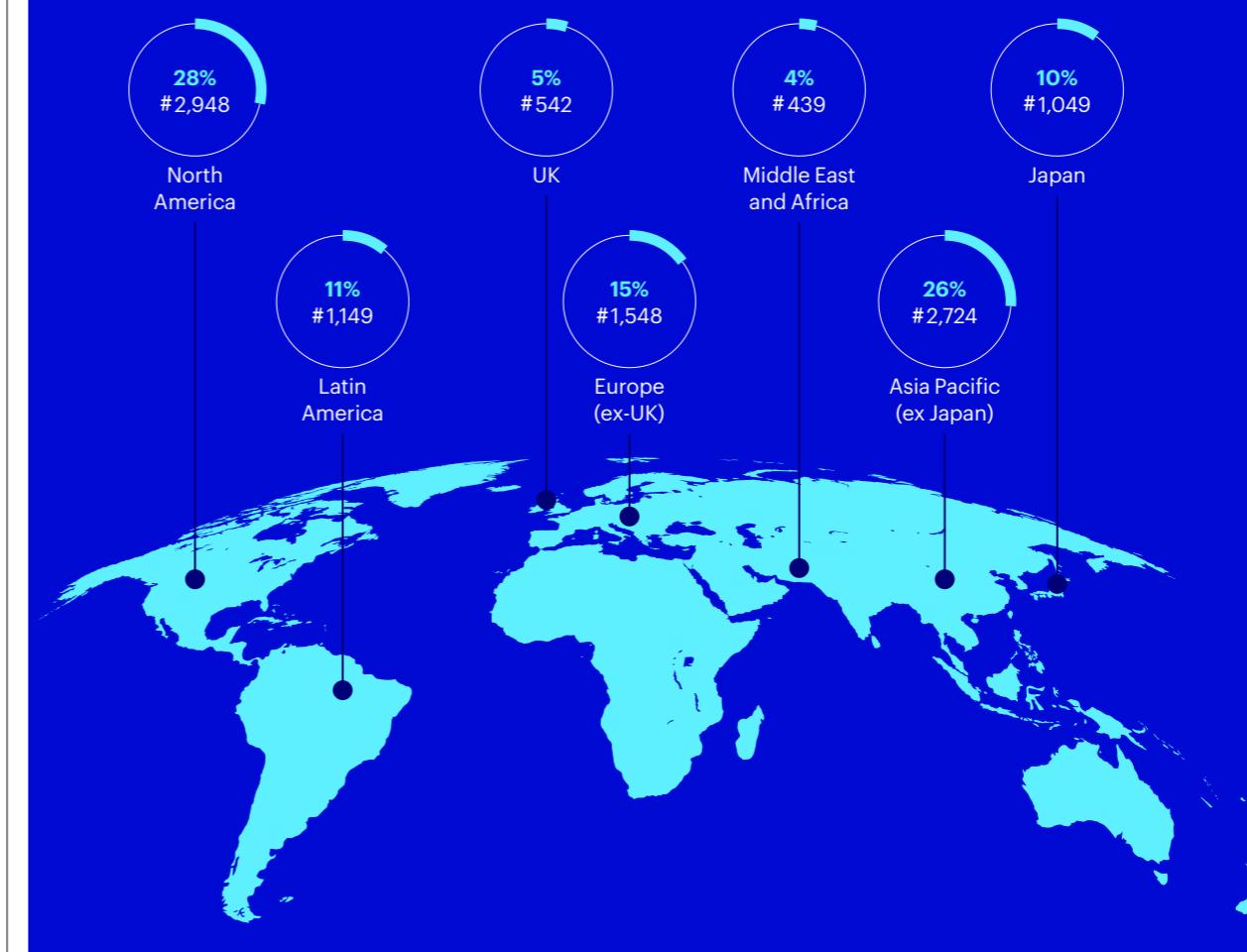
247,465

Markets voted

74

Votes by Region (%)

% voted by region



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Global Invesco Proxy Advisory Committee (IPAC)

Guided by our philosophy that investment teams should manage proxy voting, Invesco's Global Invesco Proxy Advisory Committee (Global IPAC) is an investments-driven committee, comprised of representatives from various investment management teams globally, our Global Head of ESG, Cathrine De Coninck-Lopez, and is chaired by our Global Proxy Governance and Voting Manager, Zoje Vataj. 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 and to consider conflicts of interest in the proxy voting process, all in accordance with our Global Proxy Policy.

Use of Third-Party Proxy Advisory Firms

Globally, Invesco leverages research from Institutional Shareholder Services Inc. (ISS) and Glass Lewis (GL). ISS and GL both provide research reports, including vote recommendations, to Invesco and our portfolio managers and analysts. Invesco generally retains full and independent discretion with respect to proxy voting decisions. As part of our fiduciary obligation to clients, Invesco performs extensive initial and ongoing due diligence on the proxy advisory firms we engage globally. Invesco also retains ISS to assist with services that include receipt of proxy ballots, vote execution through our proprietary proxy voting platform, PROXYintel and vote disclosure in Canada, the UK and Europe to meet regulatory reporting obligations. In addition to ISS and GL, Invesco may use regional third-party research providers to access regionally specific research.

Conflicts of Interest

We endeavor to maintain and operate effective organizational and administrative arrangements with a view to taking all appropriate steps to prevent and manage conflicts of interest whose existence may damage the interests of clients. Under our Global Code of Conduct, Invesco entities and individuals must act in the best interests of clients and must avoid any situation that gives rise to an actual or apparent conflict of interest. We maintain policies and procedures that deal with conflicts of interest in all of our business dealings. There may be occasions where voting proxies may present a real or perceived conflict of interest between Invesco, as investment manager, and one or more of our clients or vendors. In relation to conflicts of interest that exist in our stewardship and proxy voting activities, these policies can be found on our website in our Global Proxy Policy.

Disclosure of Our Voting Records

We are committed to being transparent with our clients and companies about our investment stewardship and voting activities. Our Global Proxy Policy is intended to help Invesco's clients understand our commitment to responsible investing and proxy voting, as well as the good governance principles that inform our approach to engagement and voting at shareholder meetings. It is reviewed on an annual basis and updated as necessary to ensure it remains consistent with Invesco's views on best practice in corporate governance and long-term investment stewardship.

Invesco makes our proxy voting records available publicly in compliance with regulatory requirements and industry best practices globally. For more information on our proxy voting disclosures, please visit our corporate website or see our Global Proxy Policy: invesco.com/corporate/about-us/esg



Zoje Vataj
Global Proxy Governance
and Voting Manager

Source: Invesco voting data 1 January 2020 through 31 December 2020.¹ % of meetings voted against one or more management recommendations.
² Invesco's global voting statistics aggregated at the proposal level across all ballots voted.

“

Invesco's Global Proxy Policy is designed to ensure proxy votes are cast in our clients' best interest while also leveraging our good governance principles for positive stewardship impacts globally.



Engagement Approach

Engagement with company management and proxy voting play a fundamental role in our efforts to help manage, bolster, and enhance the value of Invesco's clients' investments. As such, we may question or challenge a company about ESG issues that could have an impact on future value. Before and during investment in a company, many of our investment teams will engage with company management on a number of issues, including those that are ESG-related. As a result, we held over 2,000 engagement meetings with companies during calendar year 2020, an increase of over 100% compared with the prior one-year period.

Invesco's Global ESG team works in collaboration with investment teams to have targeted, outcomes-focused ESG engagements with our investee companies, leading to over 2,000¹ engagements in 2020.



¹ Includes meeting with some companies more than once during 2020.

Process

Through our centralized engagement process, we take advantage of Invesco's scale, which increases the chance of meaningful engagement. We draw on this collective power to capture managements' attention and use our influence to encourage stronger sustainability-related behavior from the firms and entities in which we invest.



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We take a highly active approach to achieving our clients' dual objectives of maximizing return on capital and delivering on ESG principles. Engaging management teams on the importance of ESG from an investor perspective has been a notable benefit of our approach.

Alongside these activities that are part of the day-to-day investment process, Invesco has identified several companies to target for more systematic ESG engagement. Our Global ESG research team supports our investment teams on these ESG engagement activities. This includes maintenance of a Focus List to guide our ESG engagement activity. This is built using absolute ESG ratings, ESG momentum, UN Global Compact compliance and governance ratings. Our Focus List helps to track Invesco's holdings across portfolios that are identified as having exposure to ESG risks. To evaluate such risks, we look at ESG risk rating, controversies, business screening, companies involved in Climate Action 100+, significant carbon operations, governance scores, shareholder dissent in proxy voting along with ownership materiality of the holdings. Securities with significant ESG risks are highlighted for further actions to mitigate such risks. As a result, we conducted more than 120 targeted ESG engagement meetings in 2020.

Invesco has also established a global process to ensure that our ESG targeted engagements are a collaboration between the Global ESG research team and the investment teams across the firm who may have interest in the issuer:

- **Email**
In order to enhance Invesco's engagement with corporate issuers, portfolio managers liaise with our Global ESG team, via a global centralized mailbox at ESGengagements@invesco.com
- **Internal assessment and coordination**
Our Global ESG team consults with the appropriate investors and reviews the ESG engagement focus list and decides whether to:
 - a. gather feedback on a topic and provide that feedback to an issuer,
 - b. schedule a call if it is deemed to be necessary, or
 - c. engage directly and serve as a liaison
- **Research and follow up**
Our Global ESG research team conducts in-depth ESG research in preparation for these meetings and discusses with shareholders across Invesco to ensure that companies are questioned on the key ESG topics. Our Global ESG team writes up an Engagement Report for these meetings and this is shared on Bloomberg and ESGintel for all Invesco investors to access.

Invesco's Global ESG team will set up the calls with investors and issuers when and if a call is deemed necessary. Any ESG engagement meeting is added to a centralized calendar that investment teams can access.

Methods of Escalation

We believe the success of any engagement is dependent upon having clear and consistent objectives that are challenging for a company to meet but also provide demonstrable goals to measure individual performance and monitor wider trends. To make the most of limited time with management teams, we prioritize ESG risk factors and key issue relevance per internal and external resources. ESG integration is evolving as companies are expanding ESG reporting and working to enhance the overall quality of their corporate disclosures.



Engagement is core to our responsibility as active stewards and presents an opportunity to influence corporate ESG behavior as well as systemic industry issues.



Cathrine De Coninck-Lopez
Global Head of ESG

Engagement themes



Good Governance

- Board Independence
- ESG Oversight & Expertise
- Board Diversity
- ESG Metrics in Executive Compensation
- Shareholder Rights
- Environmental and Social Resolutions



Climate Change

- Net Zero Commitment by 2050
- Climate Change Oversight
- Climate Accounting (Financial Disclosures)
- Greening of the Value Chain (Consumer Engagement, Operations, Community Impact)
- Natural Capital (Deforestation, Land Use)



Social Equity

- Labor Management (COVID-19, Wage, Benefits, Employee Well-being)
- Diversity & Inclusion (Gender, Racial, Ethnic)
- Supply Chain Responsibility
- Digital Rights & Security

Company region¹

	% (#)
Asia	27 (613)
Europe	38 (873)
Americas	35 (803)

ESG breakdown¹

	% (#)
Environmental	30 (879)
Social	32 (910)
Governance	38 (1,099)

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Top 10 topics for Global ESG team engagements

Topic	% of meetings where topic was addressed
Climate transition	44
Executive compensation	22
ESG disclosure	14
Diversity	12
Human rights	9
Board composition	7
Data privacy	6
Governance reform	5
Circular economy	5
Lobbying	4

Source: Invesco January 1, 2020 through December 31, 2020.

¹ Totals don't add up to 100% due to overlap.



Case studies

In this section, we provide a detailed summary of Invesco's engagements with specific investee entities in 2020. We have organized our efforts by theme of disclosure and policy, climate change and social equity.

To view these case studies, please roll over the icons below.



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Climate Change

Social Equity

Collaborative Engagements

Invesco is part of several organizations that facilitate collective dialogue with companies and are assessing other collective engagement opportunities that we would like to be more actively involved in the future. We recognize the importance of participating in collaborative investor engagement alongside our own one-to-one company engagements.



Climate Action 100+

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take action on climate change. Engagement through Climate Action 100+ is focused on 167 companies who have a major role to play in the transition to a net-zero emissions economy. As a signatory, we are seeking commitments from companies regarding implementation of a strong governance framework on climate change, actions to reduce greenhouse gas emissions across the value chain and provision of enhanced corporate disclosures.

Invesco became a signatory at the beginning of 2020, acting as the co-lead investor with one company and actively participating with seven other companies. Our Global ESG research team worked with investment teams to identify appropriate holdings to actively engage with through the initiative.

For the company where we are the co-lead, the Global ESG research team and largest active equity Invesco holder engaged in a 1-1 conversation with the Chairman regarding climate topics. We knew that the company had made progress, but we considered that there was still room to evolve significantly on their climate strategy and their approach to climate-related topics. As lead investors we also signed and sent a letter to the company's CEO and Chairman to explain the new Climate Action 100+ framework and benchmark which launched in September 2020. This benchmark has been designed to clarify investor expectations and serves to evaluate company action and degree of ambition in tackling climate change. The company has made progress this year by issuing their first lobbying report, setting a net zero target on scope 1 and 2 emissions, updating its scope 3 near term target, and enhancing the inclusion of emissions in the Long-Term incentive plan for executives. We have provided detailed feedback to the company on their first lobbying report and held two constructive engagement meetings where we were able to ask clarifying questions but also state the evolutions that we are looking for. We will continue to actively monitor and engage with the company, who has stated that these meetings with investors have provided useful insight as they shape their strategy.

Investor Mining and Tailings Safety Initiative

We joined the Investor Mining and Tailings Safety initiative led by the Church Commissioners for England when it was first launched in 2019, following the major collapse of a tailings dam. This collaborative initiative was created with the primary objective of preventing another catastrophic tailings dam collapse from occurring again. Working alongside organizations such as the PRI and International Council on Mining & Metals (ICMM), a great deal has been achieved in a short space of time, including the creation of an online tailings database and the Global Industry Standard on Tailings Management. Invesco has been a strong supporter of the initiative and was a co-signatory of a letter sent out to 726 extractive companies requesting greater disclosure of the tailings facilities they operate. Our active participation in meetings with companies and governments demonstrate our efforts to ensure the development of higher standards and to evolve the tools to assess companies in this space. Going forward, we will consider whether or not an extractive company has signed up to the Global Tailings Standards as a key ESG indicator and will strongly encourage companies to sign up in our corporate engagements.

Shareholders' Gold Council Open Letter to Global Gold Company CEOs & Boards

Invesco signed on to the Shareholders' Gold Council Open Letter to Global Gold Company CEOs and boards. Invesco is a member of the Shareholders' Gold Council, which is a Canadian not-for-profit corporation established to conduct research reports and studies of interest to investors in the gold industry. The letter was released in September 2020 and includes Invesco's senior portfolio manager alongside 23 other signatories. The letter is intended to offer some solutions that would provide for greater alignment of interests between management teams, board members and shareholders. The signatories believe this would allow boards to effectively manage the best interests of companies and improve perception of the sector. The letter covers 16 suggestions for topics related to corporate governance, shareholder alignment & compensation, and strategy & execution.

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Social Equity and Climate Change

Social Equity & Climate Change are key focus areas for us and our clients. Invesco has committed to the Task Force on Climate-related Financial Disclosures and we are part of the solution by supporting and investing in companies that are allocating capital towards the transition.



Maria Lombardo
Head of ESG Climate
Strategies, EMEA

“

Our scenario analysis exercise offered evidence and clear directions to address climate change risks and opportunities for our clients and their investments.



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Social Equity

At Invesco, we are driven by the belief that doing what is right for our people and the communities in which we have a presence helps us deliver positive outcomes for our shareholders. As a corporate entity, we have a global initiative that includes a women's network, an LGBT network and a black professionals' network, plus many others. Although diversity is country and culturally specific, the need for greater gender diversity is a constant across the globe, which is why we focus on gender diversity at the enterprise level. Today we have a diverse, talented pool of women across our global firm and we aspire to have more women at senior levels and across all functions within our firm.

Our case studies on Social Equity can be found [here](#)

We know there are many ways in which Invesco can still improve, and we acknowledge that we're on a journey that reflects that of society at large. We actively partner with non-profits, start-ups and other organizations to improve financial education, promote diversity and inclusion in our industry and our company and support and collaborate with our local civic and community organizations to improve quality of life in our cities. These initiatives include programs focused on developing the next generation of leaders, training efforts intended to strengthen our inclusive culture, development of internal and external partnerships and more robust recruitment practices to attract diverse talent into the firm. The COVID-19 pandemic and its far-reaching impacts highlight the persistence of social and economic inequality in the 21st century.

COVID-19 is forcing us to take a good, hard look at the vulnerabilities at our local, state and national systems. Investors have a potentially enormous part to play in bringing about the desired transformation, given our ability to allocate capital responsibly and to exercise the power of active ownership in pursuing outcomes whose benefits extend far beyond the bottom line. This further underlines the importance for us to facilitate discussion with companies on their specific responses to this situation. As long-term investors, this is a crucial time to maintain pressure and push for real structural and institutional change, particularly in regard to healthcare, social support structures and gender equality. Striving for equality is about more than doing the right thing: it is also about acting in the best interests of an entity and its stakeholders – shareholders included. As asset managers, as with any element of ESG, our responsible allocation of capital can be fully aligned with our obligation to protect and grow clients' wealth.

As such, COVID-19 has motivated us to help our investment teams refocus on the 'S' in ESG. Core social issues such as employee welfare, access to healthcare, consideration of corporate culture and supply chain sustainability are all directly related to this pandemic. We are providing our investors with enhanced education on such factors through our Global Investors Council (GIC) ESG Subcommittee. With many of the world's largest companies adapting to remote working models due to the pandemic, flexible working and mental health support are increasingly important topics. Future working patterns are likely to change drastically, and corporate responses will become even more vital. Active ownership is crucial to ensuring that the necessary organizational responses transcend mere box-checking and are genuinely geared towards the greater good. As investors, we have the opportunity to encourage policies that support diversity, equity and fair treatment at our portfolio companies. If properly devised and implemented, socially responsible solutions square moral and fiduciary duties by potentially enhancing both ESG performance and financial performance.

Interfaith Center on Corporate Responsibility's (ICCR's) Investor Statement on Coronavirus Response

We have provided public support to companies through signing on to the ICCR's Investor Statement on Coronavirus Response. As one of the largest investors supporting the ICCR's statement, Invesco joins over 330 other institutional investors representing over \$9.5 trillion USD in assets under management with global exposure across capital markets. The statement urges the business community to take any steps possible with focus on the following:

1. Providing paid leave
2. Prioritizing health and safety
3. Maintaining employment
4. Maintaining supplier/customer relationships
5. Financial prudence

Invesco encourages our investee companies to take what steps they can to mitigate the social impacts caused by the global pandemic. We have been engaging on these topics as part of our ongoing 1:1 ESG engagements.

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Climate Change

The development of corporate understanding of the effects of climate change on business, strategy and financial performance is highly challenging. The lack of clarity on the timing and scope of transition efforts and policies to a low-carbon economy has created significant uncertainty. With the COVID-19 pandemic, the uncertainty has only increased. While climate change is not slowing down, financial decisions are being made in response to the pandemic; decisions that will have a lasting impact on the global economy. On top of this, transformation of the economy to mitigate climate change brings on its own set of risks.

Our case studies on Climate Change can be found [here](#)

EU Taxonomy Alignment Case Study Corporate Engagement Case Studies

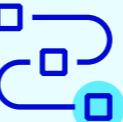
Nordic renewable manufacturer = 90 – 100% taxonomy revenues, high EM mkt presence – does not consider taxonomy important



German manufacturer transitioning to green production – no taxonomy revenues. Set to benefit from increased taxonomy aligned spending/flows.



Southern European utility company going through transition plans – less than 30% taxonomy but long term commitment.



Global steel group. Disclosure transparency, capex directly linked to schemes such as the green fund.



To view the full case study, please visit the [PRI website](#)

Our clients are increasingly placing climate issues at the center of their investment decisions. They want to protect their savings from climate-related risks and invest in resilient and sustainable businesses. We partner with our clients to develop ESG and climate-related solutions to meet their evolving needs. The transition to a low-carbon economy will require innovative forms of investments. This creates opportunities for us to develop and bring to market additional products and services across the business landscape.

We plan to increase ESG and climate product offerings and to work both in partnership with our clients to decarbonize portfolios and with our industry partners to define climate-focused product solutions. As investors, we believe we must be part of the solution to climate change through supporting and influencing companies that are adapting, transitioning and allocating capital towards future-proofing our planet. We acknowledge the opportunity to influence company behavior in our voting for climate resolutions and will consider their merits on an individual basis.

Throughout Invesco's time as a PRI signatory, we have participated in various committees and groups contributing knowledge and expertise from our daily activities. In late 2019, the PRI organized a Taxonomy Practitioners Group bringing together over 40 investment managers and asset owners, including Invesco, to implement the EU taxonomy on a voluntary basis in anticipation of upcoming European regulation.

As such, Invesco published a case study around how to use the EU taxonomy with investee companies and provided recommendations to policymakers and supervisors on continuing implementation and development of the taxonomy. Invesco's EU taxonomy alignment case study can be found on the PRI's website. Investors that offer funds in Europe described as 'environmentally sustainable' will need to explain how, and to what extent, they have used the taxonomy in determining the sustainability of the underlying investments by the end of 2021. Many challenges remain, not least the availability of data and potential changes to the detailed taxonomy criteria. Nonetheless, the progress made by the group is encouraging.

The case studies demonstrate that the taxonomy framework can be operationalized and offer important insights for investors beginning their taxonomy preparation. The report also summarizes recommendations from the group to policymakers and supervisors who will oversee the implementation and development of the taxonomy. Invesco supports the PRI's hope that circulating such findings will foster confidence and facilitate implementation of the taxonomy.

Invesco has been a supporter of the Task Force for Climate-Related Financial Disclosures (TCFD) since March 2019 with our first Climate Change Report published in July 2020. Our intention is twofold: to leverage the TCFD framework for our engagement activities and to implement our own climate change risk management and reporting process. The TCFD framework aligns with our belief that climate change is a strategic business issue that can impact long-term financial performance. This belief guides our approach as a corporate, making the TCFD a valuable frame of reference for engaging with investee companies on issues relating to their own climate strategies. To enhance our understanding of the contribution of our investments to global carbon emissions, we worked with Vivid Economics to assess emissions intensity, temperature alignment and climate scenario analysis for a significant part of our listed equities and corporate fixed-income holdings. For more information on this, please review Invesco's Climate Change Report on our [website](#). Invesco has examined the potential impact of climate change in detail, analyzing both transition risks, driven by policy, and physical risks of climate change itself.

In 2020, we supported

Over 55%

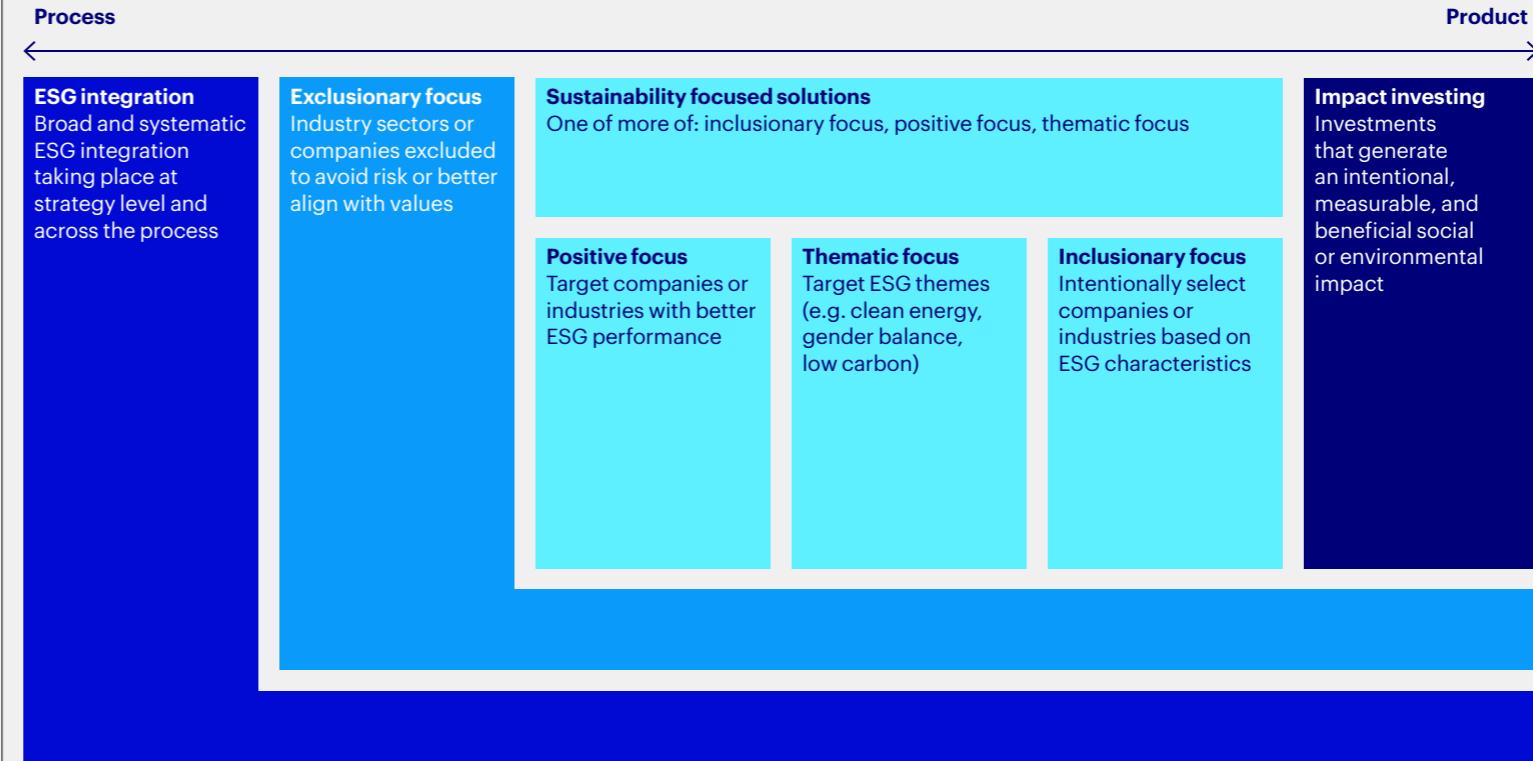
of shareholder proposals requesting that companies report on the financial and physical risks of climate change on the company's operations and requests for greater transparency regarding the company's oversight, control mechanisms, and reduction goals of its GHG emissions, including methane emissions.

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Invesco ESG Product Capabilities

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

At Invesco, we have been implementing ESG strategies for over 30 years, and today deliver through equities, fixed income, multi-asset, alternatives, real estate, ETFs and bespoke solutions. Each of our investment centers has a unique approach defined in their investment process as well as the respective asset class. We offer a variety of ESG implementation techniques which reflect clients' diverse needs. We manage numerous accounts with ESG strategies and criteria as indicated in our ESG Investing spectrum below.



We aim to integrate ESG into 100% of our AUM by 2023. Currently we are at approximately 75%.



Invesco manages more than 40 commercially available ESG dedicated products around the globe.

Not all Invesco global ESG capabilities could be available for all products/investment solutions provided in different countries.

Invesco uses an internal framework to measure the level of ESG considerations as an influence in investment decision making. Currently approximately 75% of Invesco's investment teams have attained the ESG integration level defined as minimal but systematic integration.

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Invesco managed

US\$34.5bn

in ESG assets

This amount covers our ESG dedicated product offerings. To be included in this category, ESG considerations must drive the investment process. This can include specific frameworks, manager purposely looking for investments with defined ESG characteristics, exclusion or sustainability focus in the objectives or prospectus as well as a high degree of ESG content in marketing materials and investment procedures.

Location AUM (\$bn)



ESG Product Type AUM (\$bn)

Type AUM (\$bn)

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	Type	AUM (\$bn)

As of December 31, 2020.

Our ESG capabilities

	ESG Integration	Exclusionary Focus	Sustainability Focused Solutions	Impact Investing
Equities	✓	✓	✓	
Fixed Income	✓	✓	✓	✓
Real estate	✓			
Quantitative strategies	✓	✓	✓	
Alternatives	✓	✓		
ETFs	✓	✓	✓	

Not all Invesco global ESG capabilities could be available for all products/ investment solutions provided in different countries.





ESG Implementation in ETFs

Invesco has managed ETFs for 15 years and have been a pioneer in the industry, bringing many innovations to investors. Today our line-up includes fixed income, equity and alternative ETFs, as well as asset allocation solutions that enable investors to diversify across various asset classes. Our passive ETFs focus on well-known market indexes, mirroring their composition, and providing investors with full transparency into the investment process.



2nd Largest

ESG ETF provider in United States

Source: Bloomberg, as of December 31, 2020.

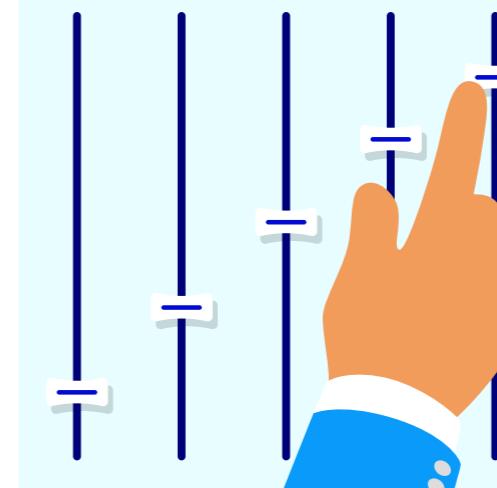


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Invesco Indexing

Invesco's Global ESG team collaborates with Invesco Indexing to develop customized, proprietary ESG indexes across equity, fixed income and alternative asset classes.

Invesco Indexing administers dozens of equity and fixed income indexes, spanning developed and emerging markets globally, across the full market capitalization and credit rating ranges. The team is continually examining new and innovative approaches to index design to address clients' unique needs.

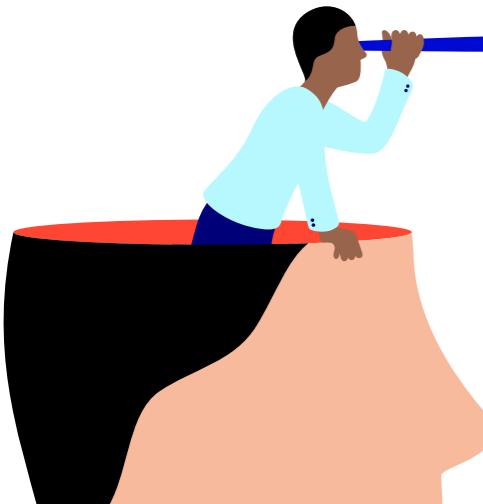


Invesco Indexing LLC is an indirect, wholly owned subsidiary of Invesco Ltd. The group is legally, technologically and physically separate from other business units of Invesco, including the various global investment centers.

Invesco Indexing Limited Liability Corporation (IILLC) is recognized as a third country benchmark administrator under the UK Benchmark Regulation and under the EU Benchmark Regulation. Invesco Asset Management Limited is the legal representative of IILLC in the UK. Invesco Investment Management Limited is the legal representative of IILLC in the EU.

ESG Product Launches

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



Over the past year, we developed ESG strategies consistent with our core values and capabilities and at the same time delivered several customized client solutions with focus on ESG factors, strategies and themes. Our investment teams are focused on strategically developing client-centered investment solutions that align with ESG market opportunities, identifying potential strategies for ESG conversion or new launches and introducing innovative ESG investment strategies based on Invesco resources and capabilities. In this section, we highlight some of the new strategy launches and conversions this year.

Examples

Our multi-asset investment team developed a new Responsible Range of strategies comprising multiple risk-targeted global multi-asset options that intend to invest 100% of their assets in underlying investments that meet certain ESG criteria. Each strategy in the range is managed to a different volatility to meet a wide range of risk and return appetites. The underlying investments for the investment team considers typically follow all or some of the following methodologies: Negative ESG screening by which certain sectors may be excluded, including but not limited to weapons, oil sands, tobacco or companies that have not been assessed on the basis of their ESG credentials; positive ESG screening or tilting increasing overall exposure to those companies demonstrating a robust ESG profile and/or a positive trend in improving that profile; sustainability focused selection with exposure to issuers and instruments linked to activities that positively contribute to certain environmental or social sustainability objectives such as companies in a specific sector or industry.

Not all Invesco global ESG capabilities could be available for all products/ investment solutions provided in different countries.

Invesco's Bank Loan team manages strategies that employ a formal ESG rating process, which we view as an additional level of risk due diligence performed on all issuers in which the investment team invests. Our portfolio management team has been incorporating ESG considerations into the investment process since 2015. ESG plays a critical role in our investment team's credit underwriting process and is a key discussion factor in evaluation of potential investment opportunities. Our investment team developed a proprietary framework to rate each issuer for ESG and our bank loan analysts have conducted ESG diligence reviews and independently rated over 750 global issuers.

Invesco's municipal team developed a new strategy integrating a proprietary environmental-focused ratings and exclusionary system into the criteria of selecting investment opportunities with a focus on municipalities and projects that exhibit strong performance in the areas of environmental performance, environmental policies, programs and outcomes. The implementation of these ratings would be in addition to the ESG risk evaluation already incorporated into the team's fundamental credit research process. The investment team seeks to focus in municipal securities issued by issuers involved in projects or technologies with high potential positive environmental impact, as determined by the team using its proprietary evaluation system, in areas such as land, water and energy conservation. Such themes may include, but are not limited to, investments in projects or technologies intended to minimize anthropogenic impacts on climate, such as those relating to energy efficiency, mass transit, carbon capture technologies and renewable energy (including solar, wind, geothermal, and hydropower), as well as focusing on issuers with positive environmental performance records, based on metrics determined by the team. Further, the investment team will seek to exclude where tax and other related revenue from a security's issuer is derived from the leasing of extractive rights, such as fossil fuel reserves.

Our bank loan analysts have conducted ESG diligence reviews and independently rated over

750
global issuers

Invesco launched or converted more than

10
new ESG strategies in 2020

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- 6.0**
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Thought Leadership



Throughout 2020, we released a variety of leading ESG related publications.



Risk and Reward #3 2020, Responsible Investing: Common Myths Debunked

There are two common myths surrounding ESG investing. First, it is often claimed that responsible investing is only possible at the expense of performance. Second, it is claimed that implementing an ESG strategy requires large-scale portfolio changes and divestment. We show that both claims are not necessarily correct. There are good reasons for outperformance by companies with sound ESG policies, and there are alternatives to divestment – most notably engagement.



Climate Risk – Transitioning from thinking into action for European Insurers

The first white paper (of a series of two) stresses the clear link between climate change and financial stability, and underlines that it's not a question of if climate risks are integrated into the regulatory framework happen, but when. It also reviews the key requirements that firms are expected to follow and tools that can be used to prepare for climate risk.



IVZ and ESG Incorporation

This paper provides a framework and common terminology for assessing Invesco's various ESG capabilities across geographies, asset classes and investment strategies. It provides the foundation for future pieces that will be more focused on particular ESG capabilities or investment centers.

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Tackling inequality through ESG and active ownership

Cathrine De Coninck-Lopez, Nikki Gwilliam-Beeharee, Colin Meadows and Dr. Henning Stein team up to explore the important role of ESG investing in addressing the pernicious effects of social and economic inequality. Recent events such as the disparate impact of the COVID pandemic and social unrest following the killing of George Floyd have led to increased focus on the social ("S") component of ESG investing and how socially responsible investment solutions can help address inequality. Active ownership plays a vital role in allocating capital responsibly and ensuring that the organizational responses transcend mere box-ticking and are genuinely geared towards long-term sustainability and the greater good. Properly devised and implemented socially responsible investment solutions square moral and fiduciary duties by enhancing both ESG performance and financial performance. A powerful example of this sort of responsible investment is Invesco's partnership with Amalgamated Bank in the US. We worked closely with them to design a bespoke investment platform aligned with the bank's mission to support non-profits, unions, political organizations, social impact enterprises and other entities that further social, economic, racial and environmental justice.



Finding the opportunity in ESG, ESG disclosures: the bedrock of the sustainable finance agenda

To be successful, the development of sustainable finance in Europe needs to be grounded in access to high quality and meaningful ESG disclosures. While the quality and reliability of ESG data has improved considerably, so has the sophistication of investors and their needs for improved ESG disclosure. Greater convergence in reporting could fill the gaps in accessing core ESG metrics that investors rely on to develop their ESG screening tools and assessment methodologies. We need to connect ESG disclosures with real world outcomes, both adverse impacts as well as opportunities for transition. A holistic approach based on the three pillars of people, planet and prosperity is key to creating true long-term value for all stakeholders.



Investing in aquaculture: how do the risks weigh against the rewards?

Nikki Gwilliam-Beeharee, Director of ESG Research examines the opportunities and risks investors might consider when evaluating the aquaculture (aka fish farming) sector. As aquaculture is a relatively new industry, there is limited mainstream knowledge or research on company practices, particularly when compared to terrestrial farming practices, and there are many financially material sustainability risks which investors should be cautious of. Nikki details Invesco's ESG team's visit to Norway to assess one aquaculture company's operations. Companies are increasingly taking steps to manage risks and mitigate impacts on the marine ecosystem from aquaculture.



Henning Stein
Global Head of Thought Leadership, Zurich

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Through our thought leadership in ESG we aim to push the boundaries and bring innovative and new angles to the ESG conversation with our clients.

Our

33-year ESG journey



To view the details of Invesco's ESG journey, roll over the dots for each time period above.

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

Any reference to a rating, ranking or an award is not a guarantee of investment performance and is not constant over time.

Industry engagement

We are an active member and supporter of several external organizations as well as participants in various industry advocacy groups.

New industry engagements



Invesco became a partner of the **Climate Bond Initiative**, a global movement that seeks to utilize bond markets to deliver a rapid transition to a low-carbon and climate-resilient economy. The international organization was set up to help grow a market of green and climate bonds through outreach and education projects centred on growing robust and sustainable green bond markets that contribute to climate action and low carbon investment solutions. Partners assist in developing initiatives to grow investment in climate finance solutions, participate in different market development committees & help define policy agendas for sector, country & sub-national green bond development programmes.

Invesco is officially a supporter of the **Transition Pathway Initiative** (TPI), a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. Launched in 2017, the TPI tool is rapidly becoming the go-to corporate climate action benchmark. TPI provides robust, independent research which empowers investors to assess the alignment of their portfolios with the goals of the Paris Agreement and to drive real world emission reductions through our actions. 94 investors globally have pledged support for the TPI to-date (January 2021), representing over \$23.6 trillion combined assets under management and advice.

Supporters have committed to using the tool and its data in a range of ways, including to inform their investment research, in engagement with companies and in tracking managers' holdings.

In July 2019, the CEO representatives of eight global asset managers launched the **One Planet Asset Managers** (OPAM) initiative to support the members of the One Planet Sovereign Wealth Funds (OPSWF) in their implementation of the OPSWF Framework. Invesco is pleased to announce its support of the One Planet Asset Management initiative, alongside five other asset managers newly joining in 2020, and supports the implementation of the TCFD (Taskforce for Climate Related Financial Disclosure) recommendations as a global reporting standard. The TCFD is an indispensable framework of reference that helps Invesco and our clients in addressing climate change's risks and opportunities through their investments and ultimately in leaving a better planet for our future generations. As part of this support, Invesco commits to actively collaborate within the OPSWF Framework and to engage with other key actors, including standard setters, regulators and our broader industry to further the objectives set out in the Framework. The goal is to accelerate the understanding and integration of the implications of climate-related risks and opportunities within



Glen Yelton
Head of ESG Client
Strategy, NA (Atlanta)



Invesco believes that ESG investing is an essential part of the solution to creating a sustainable future and by joining TPI, OPAM and other initiatives, we reconfirm our commitment to ESG investing for the long term.



long-term investment portfolios through sharing of investment practices and expertise with the members of the OPSWF and publication of relevant research.

Invesco signed the **Confluence Philanthropy Belonging Pledge to Advance Racial Equity**. Signatories of the pledge agree to take steps to help identify industry-wide barriers and the technical resources required to advance the practice of investing with a racial equity lens. Confluence Philanthropy, a global network of values-aligned investment philanthropies and advisors, announced that through the growing momentum a collection of over 150 institutional investors, public and private foundations, family offices, and individual donors representing a collective \$1.83 trillion in assets under management have signed on to the Belonging Pledge. With respect to advancing racial equity across asset classes, participants recognize the significant role we play in dismantling systemic barriers to capital allocation. The Belonging Pledge reflects Confluence Philanthropy's mission to transform the practice of investing by aligning capital with values of sustainability, equity, and justice.

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More on our engagement approach can be found [here](#)



Invesco is an active member and supporter of several external organizations largely via the different investment centers, including:

- PRI Investor Signatory
- Task Force for Climate Related Disclosure (TCFD) (Supporter and Discloser)
- Carbon Disclosure Project (CDP) (Investor Member and Discloser)
- Sustainability Accounting Standards Board (SASB)
- Global Real Estate Sustainability Benchmark (GRESB)
- Climate Bonds Initiative (Partner)
- Confluence Philanthropy Associate Advisor Member
- Farm Animal Investment Risk & Return Initiative (FAIRR)
- UK Stewardship Code (Tier 1)
- Japanese Stewardship Code (Signatory)
- Quoted Companies Alliance (QCA)
- UK Sustainable Investment and Finance Association (UKSIF)
- Investment Association (UK)
- Asian Corporate Governance Association (ACGA)
- Italian Sustainable Forum (ItaSIF)
- Council of Institutional Investors (CII) (US)
- Responsible Investment Association (RIA) (Canada)
- Responsible Investment Association Australia (RIAA) (Australia)

Invesco serves in an advocacy role for the industry through participation in the following groups:

- Climate Action 100+ (Leader & Participant)
- Coalition for Climate Resilient Investment (CCRI) (Founding Member)
- World Economic Forum Financing the Transition to a Net-Zero Future Working Group
- Sustainability Accounting Standards Board (SASB) Standards Advisory Group
- One Planet Asset Managers Initiative (OPAM)
- Transition Pathway Initiative (TPI)
- UKSIF Board of Directors
- ICI Global ESG Task Force
- Climate Financial Risk Forum (CRRF) (UK)
- Climate Financial Risk Forum (CRRF) Risk Working Group (UK)
- Quoted Companies Alliance (QCA) Financial Reporting Expert Group (UK)
- Investor Forum (UK)
- Asia Investor Group on Climate Change (AIGCC)
- Institutional Investors Group on Climate Change (IIGCC)
- IIGCC Net Zero Framework Working Groups
- Active participation in PRI advisory committees and working groups (past and current):
 - PRI Taxonomy Consultation Group
 - PRI Fixed Income Advisory Committee
 - PRI Global Policy Reference Group
 - PRI Macroeconomic Risk Advisory Group
 - PRI Plastics Investor Working Group

GRESB and Invesco Real Estate (IRE)

- GRESB provides the basis for the reporting, scoring and peer ranking of IRE's ESG management and policies
- IRE has submitted data to GRESB since 2012 and has been a GRESB member since 2014
- IRE submitted 13 funds – which accounts for 60% of IRE Global AUM – to GRESB in 2020
- Four IRE-managed funds received five out of five Green Stars, placing them in the top 20% of all global submissions in 2020, and six funds received four out of five Green Stars



Find out more

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



Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. Property and land can be difficult to sell, so investors may not be able to sell such investments when they want to. The value of property is generally a matter of an independent valuer's opinion and may not be realized.

The use of ESG criteria may affect the product's investment performance and therefore may perform differently compared to similar products that do not screen investment opportunities against ESG criteria.

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Jurisdiction

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