



# 2019

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## Invesco Environmental, Social and Governance Investment Stewardship Report





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



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# Introduction from CEO



## Dear Investor,

For more than 30 years, Invesco has demonstrated its commitment to responsible investing by actively encouraging ESG (environmental, social, governance) practices across every area of our business. In our newest report, we share key achievements over the past year and highlight our continuing commitment to responsible investing.



We see ESG as a strategic competitive differentiator that helps us deliver an investment experience that helps clients get more out of life around the globe. We incorporate sound ESG practices into activities across our firm to ensure that we're doing what's right for our clients, as well as our shareholders, employees and the communities in which we operate. The depth of our innovative strategies provides opportunities to deliver sustainable, long-term performance to clients in ways that help us achieve our purpose of helping people get more out of life.

Invesco continues to strengthen its commitment to ESG through advocacy, leadership, innovation and authenticity. As a result of our dedication to responsible investment:

- United Nations Principles of Responsible Investment (PRI) gave Invesco an A+ rating in "Strategy and Governance" for third consecutive year
- MSCI upgraded Invesco's ESG rating from BBB to A
- Invesco became an official supporter of the Task Force for Climate-Related Disclosure (TCFD)



**Introducing**  
**Cathrine De Coninck-Lopez**  
Global Head of ESG

Additionally, in September 2019, Cathrine De Coninck-Lopez was appointed Global Head of ESG. Cathrine is working with her team and colleagues across the globe, leveraging best practices in ESG capabilities across investments, distribution, client engagement and product development.

As the chair of our Global Corporate Responsibility Committee (CRC), I am personally involved in setting the focus areas for our sustainability practices and ESG stewardship activities. The CRC supports our investment stewardship leaders across the globe in aligning our advocacy, policy and community efforts.

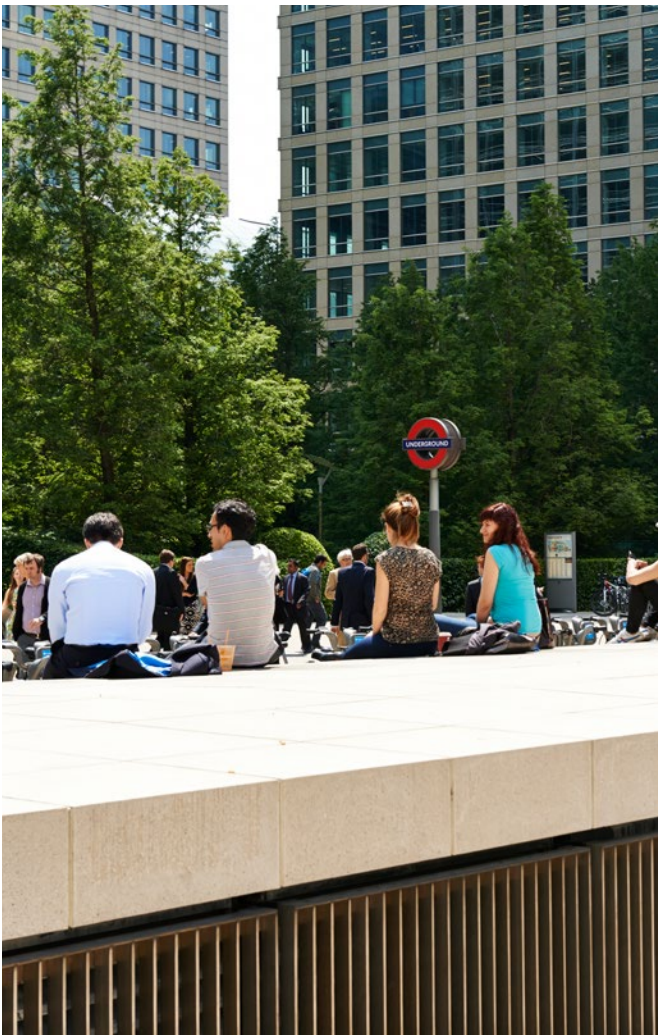
In the pages that follow, we highlight the strength of our commitment to ESG. We invite you to learn more about our dedication to meeting client needs through our globally integrated approach.

Yours sincerely,

**Martin L. Flanagan**  
President and CEO, Invesco

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

# Invesco ESG philosophy and approach



## 2.1

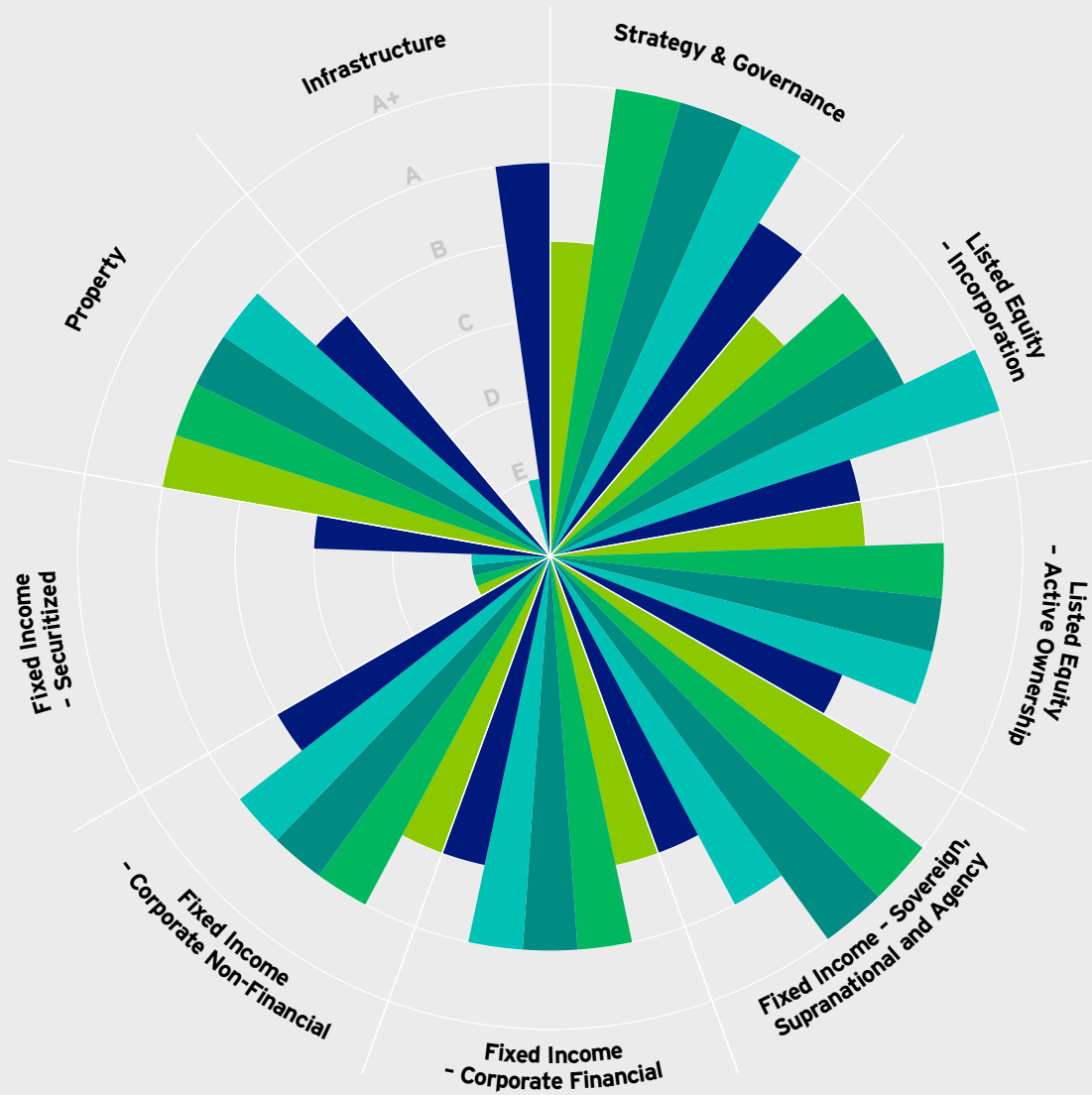
### **Commitment to Principles for Responsible Investment (PRI)**

Invesco is a strong advocate of responsible investing practices, formalizing our commitment to responsible investment globally in 2013 when we became a signatory of the UN-sponsored Principles for Responsible Investment (PRI). We were proud to be awarded an A+ rating in 2019 for our overall approach to responsible investment (Strategy and Governance) for the third consecutive year.

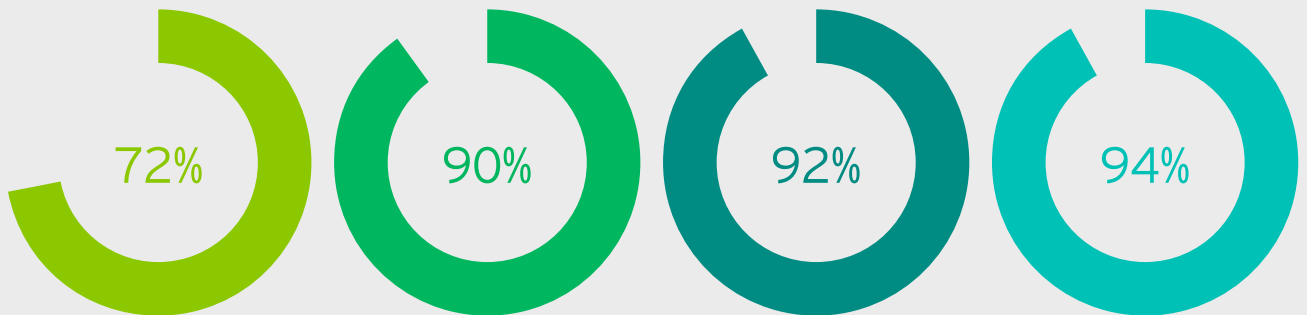
The PRI carries out the annual assessment based on how a signatory has progressed year-on-year and relative to peers. This rating demonstrates our extensive efforts in terms of ESG integration, active ownership, investor collaboration and transparency. We are committed to delivering an investment experience that helps people get more out of life.



<sup>1</sup> 2019 Assessment Report for Invesco Ltd., PRI. The investment categories are evaluated using 6 performance bands (A+, A, B, C, D, and E), where A+ distinguishes the top scoring signatories, representing a score of 95% or above and A distinguishes a score of 75% or above.



Overall Scores



## 2.2 Approach to ESG

Environmental, social and governance (ESG) investing is a fundamental commitment at Invesco. Our ESG philosophy is based on our belief that ESG aspects can have an impact on sustainable value creation as well as risk management, and that companies with ESG momentum may present investment opportunities. As one of the largest asset managers globally, we are in a unique position to encourage change and have an impact through our engagement and dialogue with companies. We serve our clients in this space as a trusted partner by adopting and implementing ESG principles in a manner consistent with our fiduciary responsibilities to our clients.

We apply ESG concepts in several dimensions, including in our investment processes, in engagement with companies and in our collaboration with clients for successful ESG solutions. Our approach focuses on integrating ESG risk and opportunity factors into investment decisions, differentiated by asset classes and decentralized by local investment centers. We engage with investee companies as part of our wider commitment to investment stewardship. Invesco leverages a host of internal resources as well as external tools to enable ESG capabilities across asset classes.

Invesco have strengthened our position in ESG investment through investment leadership and innovation and are highly qualified to facilitate our clients' ESG investing journey amid the evolving regulatory requirements and market landscapes.

- Trusted partner with commitment to ESG
- UN-sponsored PRI A+ Rating for our strategy and governance in responsible investment for three consecutive years
- Climate Change Programme rooted in our commitment to Task Force for Climate Related Financial Disclosures (TCFD)
- Stewardship Code Signatories in United Kingdom and Japan
- ESG thought leader in industry forums

At the heart of our firm is our ability to think differently. The diversity of Invesco means that our investment centers and strategies will vary in their approaches to implementation of responsible investment. Our global team of ESG experts, embedded across investment teams and centers around the world, work closely with our investment professionals to develop industry leading ESG practices and deliver an investment experience that helps people get more out of life.

## 2.3 Resources

### Global ESG Team Functional Model



Source: Invesco. For illustrative purposes only.

### Global ESG Team Description

Invesco's Global ESG efforts are led by our Global Head of ESG, Cathrine De Coninck-Lopez. The degree of ESG integration varies from team to team. However, our investment teams are supported by our centralized team of ESG professionals, located in three regions; the US, Asia and EMEA. With over 12 years of average experience amongst the senior team members, our Global ESG team is responsible for leveraging best practices in ESG capabilities across our firm including ESG integration, research, voting and engagement, supporting the distribution team with client engagement, and advising the product teams on ESG innovation. Invesco's ESG efforts are also supported by our proxy administration team.

In addition to our Global ESG team, Invesco has dedicated ESG specialists within certain individual investment centers globally, who are closely connected with our Global ESG team. For example, in 2019 Invesco created the role of Head of ESG, Asia ex-Japan, who provides advice on ESG issues to investment teams as they relate to our funds in the region. The Global ESG team and regional ESG specialists formally collaborate via a Global Investors ESG forum, chaired by the Global Head of ESG. We also conduct regional ESG Forums to support further coordination in North America and EMEA.



## ESG Providers, Tools & Technology

ESG research providers						
Sustainalytics	MSCI ESG research	Truvalue labs	ISS-Climate solutions	Brokers	Nikko research centre	
Proxy voting analysis						
ISS		Glass Lewis		IVIS (UK equities)		
Business involvement screening						
ISS-Ethix		Sustainalytics		MSCI ESG research		
Trade associations						
UKSIF	QCA (UK)	UK Investor Forum	GRESB	ACGA (Japan)	CII (US)	RIA (Canada)
Technology enablers						
Bloomberg		Fund Manager Portal		Illuminate		

Source: Invesco, as at 31 December 2019. 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. For illustrative purposes only.

### Assurance

Invesco's Global ESG team is connected to Invesco's investment teams and supports teams with implementing ESG strategies, researching companies and facilitating targeted engagement. Deep research capabilities are leveraged from a variety of sources including: ESG rating providers, proxy research, business involvement screening, carbon data and more. The team also assists distribution and product teams with delivering our ESG capabilities to clients and providing innovative investment capabilities. ESG portfolio analytics and ESG reporting is provided both to internal and external stakeholders. Many of Invesco's investment teams and centers have clarified their approach, in conjunction with Invesco's Global ESG team, and to that end have published a formal framework that describes how the team incorporates ESG in its investment process.

Training is an essential part of our commitment to ESG integration, and keeping abreast of the rapidly evolving landscape for responsible investment. Our Global ESG Team conducts meetings with Invesco's investment professionals to provide ESG training, frameworks, industry information, expertise, research, analysis, and updates regarding Invesco's responsible investment 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, postings to MyInvesco (our intranet), podcast, video and email announcements. In addition, our continuing personal development training program includes ESG modules.

To provide independent assurance, our Global ESG team was evaluated by Invesco's Internal Audit department in 2019. This function provides objective advisory and investigative services for the entire organization, which are designed to add value and improve Invesco's operations. While partnering closely with business leaders, our Internal Audit department focuses on the most critical risks and issues facing our organization and delivers strategic, innovative, and data-driven results. This disciplined approach is designed to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit provided counsel and guidance to Invesco's Global ESG team and improved the integrity, consistency and quality of our team's practices.

### ESG Data Providers

Our investment teams manage ESG strategies using a diverse range of responsible investment approaches and leverage multiple ESG data providers:

- Glass Lewis
- ISS
- ISS Climate Solutions
- ISS-Ethix
- IVIS
- MSCI ESG Research
- Morningstar
- Nikko Research Centre
- Proxy Insight
- Sustainalytics
- Truvalue Labs
- Vigeo Eiris

Our greatest opportunity to be part of the solution for a sustainable future is to embed the principles of ESG in everything we do.



**Cathrine De Coninck-Lopez**  
Global Head of ESG

# ESG integration developments across key asset classes

**As investors in global equities, corporate and sovereign fixed income, real assets as well as 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 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; ESG momentum and engagement. Materiality refers to 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. The concept of ESG momentum, or 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. 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. As such, we often participate in board-level dialogue and are instrumental in giving shareholder views on management, corporate strategy, transparency, and capital allocation as well as wider ESG aspects.

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. 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 are presently working to apply these principles into all of Invesco's strategies.



#### **Business ethics**

Business ethics seen as an earnings related risk due to fines and cash flow leakage to contracts; governments; sales practices.



#### **Capital allocation for future**

Long-term thinking and related capital allocation seen as intricately linked to long-term sustainability of the business.



#### **Carbon emissions**

The United Nations 2015 Paris agreement to reach a global goal of reaching 2°C by 2050 results in both regulatory, societal and physical risks and opportunities.



#### **Corporate governance**

Quality of boards, remuneration, audit, board effectiveness, and transparency in reporting indicates quality of the business.



#### **Data privacy**

Scrutiny on consumer rights with regards to data management alongside cybersecurity constitute a cost and an opportunity.



#### **Health and safety**

Operational health and safety is a key impact on costs and could be disruption to the business.



#### **Labour relations**

Workforce dynamics, employee engagement, turnover, union relationships, diversity and supply chain practices impacts on costs, productivity and brands.



#### **Product characteristics**

The impact of the product to society and the quality of products produced have direct link to sustainability of earnings.



#### **Water, waste and biodiversity**

Operational management of environmental resources seen as an important impact on cost and social licence to operate.

## 3.1 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. We recognize that ESG investing goes beyond screening out companies that have

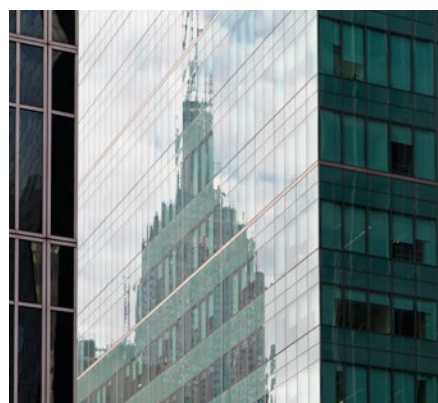
adverse ESG impacts. We seek to achieve positive outcomes by combining ESG flags, ratings, and bottom-up research with active engagement with companies' management teams. This allows our investment managers to understand companies' opportunities and risks from as many angles as possible.

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.



## 3.2 Fixed Income



Our fixed income investment approach emphasizes proprietary research and focuses on fundamental valuation to support the active management of our clients' portfolios. 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 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, some fixed income teams have developed an 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 so that portfolio managers can easily access it. Some teams also use a proprietary ESG scoring tool to generate a composite ESG country score to enable comparison of relative performance across developed and emerging markets.

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.



### 3.3 Real Assets

We believe that investment managers are the principal agents of positive, ESG-led change. In the case of real assets, which can be significant contributors to global risk, the importance of ESG issues is undeniable. Our approach fully recognizes that the places where we live, and work are uniquely vital to the future of our planet.

Real assets are central to both creating these challenges and addressing them. 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. 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 a well-thought through 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.



#### Multi-faceted ESG integration by Invesco Real Estate

The Invesco Real Estate (IRE) team takes into account the following ESG considerations when identifying and managing sustainable properties:

##### Environmental

- Measuring and regularly reporting buildings’ energy, emissions, water and waste levels
- Evaluating and implementing low-cost measures, capital improvements and new technologies to improve asset performance and advance the built environment
- Using rating schemes to evaluate buildings’ energy efficiency
- Evaluating the feasibility of pursuing third-party certification through schemes such as BREEAM, LEED and Energy Star
- Taking a managed approach to the procurement of energy in deregulated energy markets



##### Social

- Providing tools and resources to engage property managers on sustainability issues
- Encouraging sustainable practices by tenants through engagement tools relevant to each property type
- Providing services and amenities (e.g. gyms, bicycle storage areas and green spaces) at properties to encourage tenants and occupants to lead healthier lifestyles
- Providing employee training on ESG issues
- Engaging with communities on sustainability-related issues
- Supporting diversity and inclusion



##### Governance

- Leading the real estate industry in the implementation of ESG practices and the integration of sustainability considerations into investment decisions
- Transparently disclosing ESG strategy and performance to investors through reporting frameworks such as GRESB (Global Real Estate Sustainability Benchmark), GRI (Global Reporting Initiative), INREV (European Association for Investors in Non-Listed Real Estate Vehicles), CDP (Carbon Disclosure Project) and UN PRI (United Nations Principles for Responsible Investment)
- Ensuring that our employees adhere to the highest standards of honest and ethical conduct



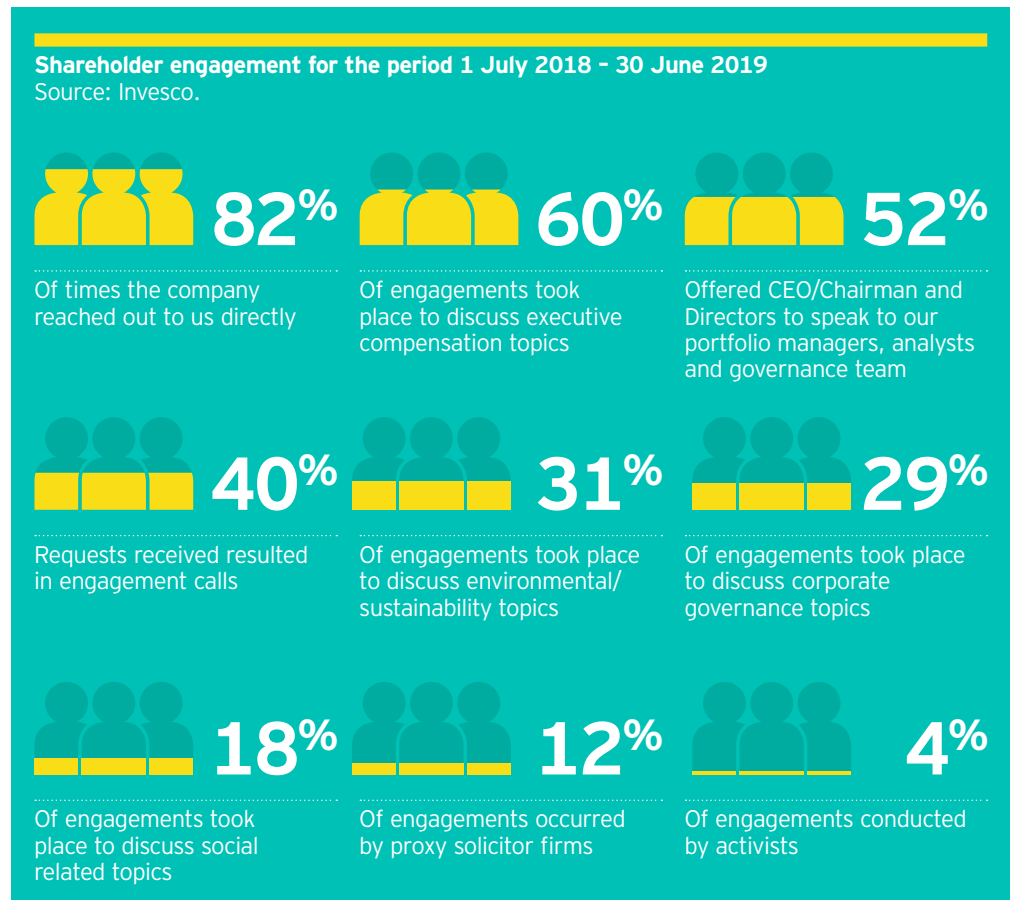
# Active ownership for real world outcomes



**We take our responsibility as active owners very seriously and see engagement as an opportunity to encourage continual improvement. Our investment teams 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.<sup>1</sup> During the one-year period ending June 30, 2019, our investment teams covered ESG topics in over 1,000 meetings with investee companies. This was an increase of 43% over the prior one-year period.**

We believe the success of any engagement is dependent upon having clear and consistent engagement 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: companies are expanding ESG reporting and working to enhance the overall quality of their corporate disclosures.

Through our engagement process, we take advantage of Invesco's scale, which increases the chance of meaningful engagement. We are able to 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. 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.



<sup>1</sup> A number of investments centers have published engagement policies that guide this activity, including the Henley Investment Centre's Stewardship Code, Real Estate's Engagement policy and Quantitative strategies engagement policy.

## 4.1 Case Studies



**Environmental Engagement & Voting Case Study**  
Our key objective was to better understand the steps the company was taking to transition away from carbon intense fossil fuels in order to stay within a 2-degree scenario. This is possibly the most material long-term ESG risk factor facing energy companies, and the outcome of our engagements would influence how we voted in the company's 2019 Annual General Meeting.

We met with the head of investor relations and discussed their plans to address climate change. Although the company has made positive steps, it was felt that their decarbonization plan was significantly behind other Organisation for Economic Co-operation and Development (OECD) countries and that they do not disclose enough information about how their current fossil fuel investments fit into this plan. For this reason, we supported a resolution calling for the company's management to outline 1) how the company's capital expenditure on fossil fuels is aligned with the Paris Agreement 2) the short, medium and long-term targets for reductions in scope 1, 2 and 3 emissions and 3) details for how remuneration policy will incentivize progress towards these targets.

Although the resolution failed to pass, it was the most supported shareholder resolution with 7.90% of proxy votes cast in favour. This indicates a tangible level of opposition from shareholders about the speed at which the company is decarbonising and a desire for greater disclosure around their new fossil fuel investments. We will continue to monitor the situation and reiterate to management our desire for these concerns to be addressed.

**We continue to be actively involved in the collaborative investor engagement initiative on tailings dams and safety in the mining industry.**



**Environmental Engagement Case Study**  
As long-term shareholders, we believe it is part of our duty to address this company's recent progress on an annual basis. This American Industrial company made significant updates to their disclosures over the past year so in the third quarter of 2019, we met to discuss their presentation on ESG.

New disclosures this year included information that needed more clarity such as: board changes, commitments to diversity, links between corporate vision, strategy and long-term financial objectives to compensation practices, and a new charter for ESG and Corporate Social Responsibility (CSR) initiatives.

From 2015 through 2018, we have seen the company introduce a steady reduction in energy, carbon, water and waste and indicated that we would like to see it continue. In this line, we wanted to know their plans for maintaining and expanding on this in the future. The company shared a framework to ensure this going forward, including a focus on energy efficiency and evaluating how to utilize Sustainability Accounting Standards Board (SASB) indicators.





### Social Engagement Case Study

Many large UK banks have received criticism for their gender pay gaps, and this has been an area of strong interest for us given the documented link between financial performance and diversity. We engaged with this major bank with the key objectives of understanding what was being done by the company to address gender diversity, in addition to more general steps to improve oversight and change the culture of the firm.

Between 2018 and 2019 our dedicated ESG team held several meetings with the company's management and chairman. During these meetings we stressed the importance of addressing these sector wide issues and asked what the bank was doing to address them. We then followed these engagements up by attending a collaborative investor roundtable on the bank's corporate governance.

As a result of these engagements, it was felt that the bank had been addressing these issues and was on a positive ESG trajectory. The bank had attempted to improve its gender balance through initiatives such as the 'Come Back' program, targeted primarily at women returning to work following a career break. Evidence of the bank's progress is demonstrated by the appointment of a female chief executive in 2019, becoming the first major UK lender to do so. Attempts have also been made to change the culture of the firm, with staff training sessions around culture and removing bonuses from frontline staff in order to prevent incentives for ethical violations. Based on this, we are satisfied that action is being taken, and we will monitor the company to look for progress in the firm's diversity metrics.

**Company meetings with members of senior management are an integral part of our investment processes and do frequently cover key ESG topics.**



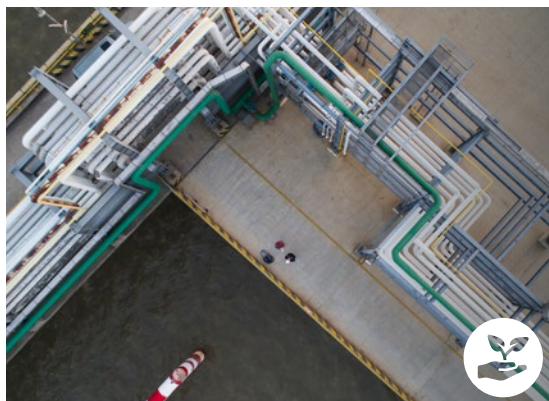
### Governance Engagement Case Study

We have been a long-term shareholder in a large Japanese real estate owner and developer, which owns a concentration of office buildings in central Tokyo. The company has excellent quality real estate assets, but its share price has persistently traded well below the value of its underlying asset portfolio.

Over several years, we have engaged directly with company management and persistently revisited the issue of improving the company's governance from a traditional Japanese Board staffed by a supermajority of insiders, to a more shareholder-friendly approach to governance. Discussions have focused on board structure and independence, management compensation, shareholder return policies and takeover defense measures (poison pill). Progress has been slow, but incrementally positive, with the company receptive to engagement. By 2018, the company had adopted a three-committee board structure (Audit, Compensation and Nominating), with all committees chaired by an independent board member, which is more in line with best practice.

However, takeover defense and shareholder return policies had not been addressed, despite the shares maintaining their significantly discounted valuation. We continued to engage and stress the importance of a comprehensive shareholder return policy that can allow flexibility to take advantage of discounted valuation to buy back shares in the market and create value for shareholders. In 2019, after further dialogue, the company eliminated its poison pill and adopted a share repurchase program.

## 4.1 Case Studies



### Environmental Engagement Case Study

We are an investor in a major Chinese oil company. The company is exposed to risks stemming from its carbon liabilities and its Canadian subsidiary increases the company's vulnerability to such issues from a regulatory standpoint and financially in a low-carbon scenario.

The company has implemented a low-carbon strategy and strives to promote clean energy and improve energy efficiency. The company invested special funds for energy conservation and emission reduction as well as promoted energy conservation and emission reduction via technological advances. They also implemented systematic energy conservation based on a clear and complete organizational structure.

However, the company did not have a clear reduction target or deadline for their greenhouse gas (GHG) risk management program despite that their industry peers did. During several group calls and meetings that we attended, these concerns were repeatedly raised.

Finally, during a press conference in June 2019, the group announced its Green Development Action Plan, which included targets to reduce carbon emission in 2020 back to levels of 2015 and to become a global leader in major indicators of low carbon emissions by 2050 (overall group target announced by the parent company).

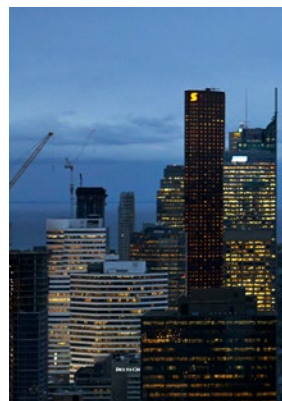


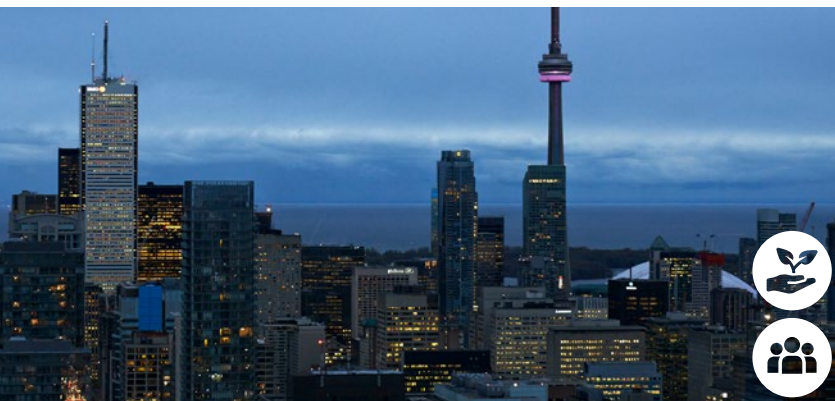
### Environmental & Governance Case Study

We met with a New Zealand Retail Manufacturing company's CFO in order to get an update on their ESG story. At the time, we had a fairly negative ESG opinion of them, given a relatively small amount of disclosure and a controversy related to the safety of a Chinese infant formula. During the meeting with the CFO, we learned that the company was doing a lot of interesting and positive things related to their ESG profile that were being undersold in their current communications to investors.

In health and nutrition, the company was offering a number of dairy products with better nutrition profiles, a key ESG growth area. In carbon emissions, the company was increasing its use of renewable energy to lower its carbon footprint. In packaging, the company was working with suppliers to reduce the amount of packaging it uses in its products. In these three key ESG factors for food and beverage companies, they were actively pursuing industry-leading policies, yet investors would never have known unless they had a one-on-one company meeting.

We told management about the emerging importance of ESG to the investor community, and how absent any messaging from them, the most readily available ESG-related information on the company was their past troubles with the Chinese infant formula. From the time of our meeting, we have seen ESG more prominently featured in the company's reporting, and ESG goals now featured alongside the company's financial goals in investor presentations. We consider this a positive step for the company's ESG profile, and a positive example of ESG engagement. While we take past missteps on product safety into account in our assessment of the company's ESG profile, we do consider them to have an improving profile, and will review again when the next sustainability report is released.





### Environmental & Social Engagement Case Study

A Canadian mineral producing company is one of our highest conviction names in one of our funds. The company built a mine in Mexico in 2016; we were early seed investors and had an active dialogue with management that ensured best safety and environmental practices were implemented from the start and the company was actively engaged with the local community.

This is best reflected in the most recently completed fiscal year with a loss-time injury frequency of less than one (per one million hours), a workforce that is 98% from Mexico, 63% from the local state and 52% from nearby local communities. This is in addition to having implemented strong environmental practices that are externally audited twice a year and resulted in zero reportable incidents in 2018.

A recent example of why it is so important to harbor good relations with the local community occurred this year. A very small subset of the workforce put a blockade on the mine operations as they were looking to replace the current local employees' union with a bigger national union. During this period, management made themselves accessible and had an active dialogue with us, walking us through each step they took to resolve the issue. Rather than use a heavy-handed approach and create negative goodwill within the community - the company looked to work with local members and hear the concerns of the aggrieved.

The management team's first step was to suspend operations in order to ensure the safety of all mine employees. They initiated a dialogue with the dissident group and expressed their openness to new union elections provided it was what the majority of the work force wanted. The company avoided involving the state police or any sort of violence to ensure safety remained paramount to their operations. Eventually, because of the goodwill they had created with the wider community through a history of community outreach programs, the issue was resolved by local community members ordering the removal of the blockade (in a non-violent manner). The communication management had with us alongside their actions have been very reassuring and we consequently remained invested in the shares. As a matter of fact, we consider management's actions a model for other companies operating in undeveloped regions. The case also demonstrates the added value of strong community support.



**Invesco recognizes the importance of participating in collaborative investor engagement alongside our own 1-1 company engagements. We will therefore be taking on a co-lead investor role as part of Climate Action 100+ in 2020.**



## 4.2 Decentralized Proxy Voting

### Approach

Invesco's approach to corporate governance and proxy voting is set out in our Policy Statement on Global Corporate Governance and Proxy Voting (Global Proxy Policy) which is available on our website. Our 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 proxy voting process is driven by investment professionals and focuses on maximizing long-term value for our clients, protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders.

We have developed our own in-house proxy voting system, the Fund Manager Portal, that has been actively used in the US for over 5 years and rolled out globally in early 2017. We wanted our fund managers to make their own decisions in AGM votes, so that the votes would reflect their own opinions while being able to collaborate across Invesco on key issues. The Fund Manager Portal is patented in the US and is a global knowledge share platform that can be leveraged by fund managers to build the institutional base of knowledge on corporate issuers. In 2019 wider ESG metrics were introduced to the system for a holistic perspective when voting proxies. Investment professionals are supported by our global governance specialists and by an administration team in India. The Fund Manager Portal is also supported by a dedicated IT team.

Our Global Invesco Proxy Advisory Committee (Global IPAC) is comprised of global investors and is chaired by our Global Proxy Governance and Voting manager. The IPAC, proxy administration, compliance and legal teams review our Global Proxy Policy and operating guidelines and procedures of each regional investment center to ensure that they remain consistent with clients' best interests, regulatory requirements, governance trends and industry best practices. This includes Invesco's conflicts management policies and procedures, which can be found in our Policy Statement on Global Corporate Governance and Proxy Voting.

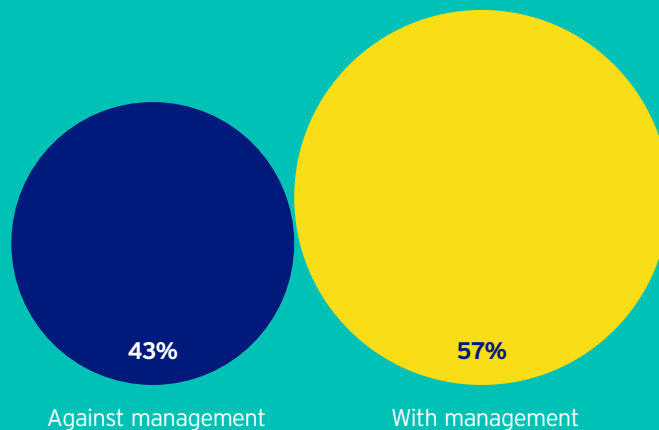
We disclose our voting publicly each year in a filing with the US Securities and Exchange Commission for all IVZ US 1940 Act mutual funds and on our website. In the UK and Europe, Invesco publicly discloses our proxy votes monthly in compliance with the UK Stewardship code and the European Shareholder Rights Directive. In Canada, Invesco publicly discloses our proxy votes annually to be compliant with the National Instrument 81-106 Investment Fund Continuous Disclosure.

### Overview Statistics for Invesco

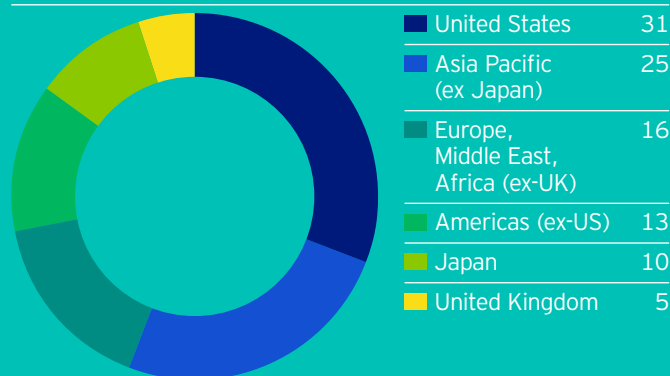
# of meetings voted  
Number of unique meetings only

# 9,854

### Meetings voted



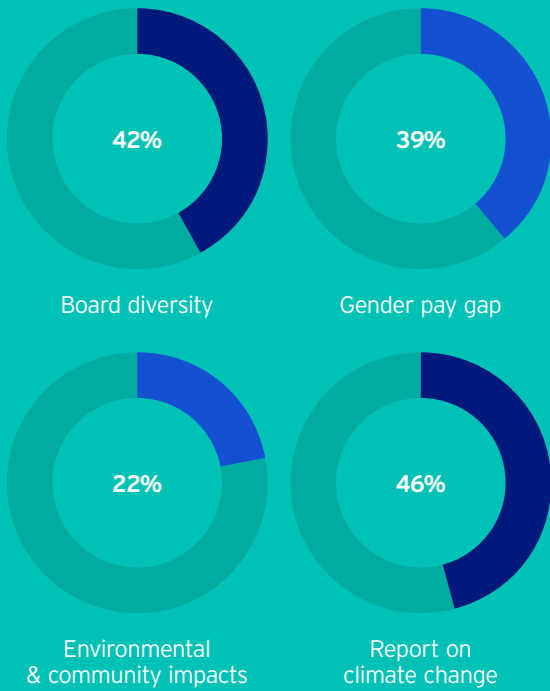
### Voting by region



Source: Invesco voting data 1 January 2019 through 31 December 2019.



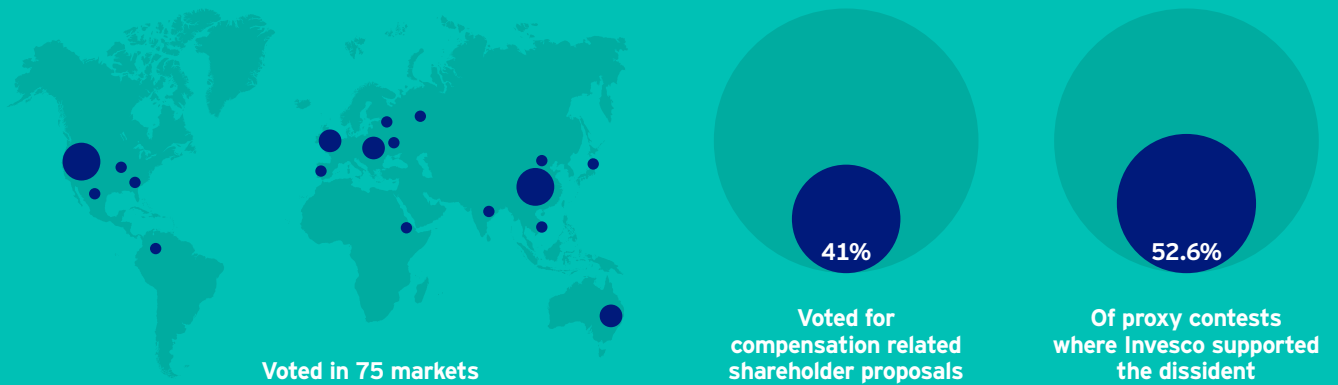
**Shareholder proposals**  
% voted for



**% of meetings voted against management by category (%)**



**Other 2019 Invesco Voting Statistics**



**Zoje Vataj**  
Global Proxy Governance  
and Voting Manager

How Invesco thinks about proxy voting and governance sets us apart. Our approach to proxy voting puts the voting decision in the hands of our investors which ultimately leads to robust proxy voting outcomes for our clients.



# Invesco ESG product capabilities

**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 manage numerous accounts with ESG strategies and criteria such as:**

**Broad ESG Integration**

- The systematic inclusion of ESG factors into the investment process

**Exclusionary Solutions**

- The exclusion from a fund/portfolio of certain sectors, companies or practices based on specific ESG criteria or values
- Issues such as alcohol, gambling, nuclear energy, pornography, tobacco and weapons.

**Sustainability focused Solutions**

- Sustainable responsible investment outcomes included as part of the investment objectives.
- Positive/best-in-class screening
- Combined ESG strategies
  - The combination of best-in-class, norms-based, positive, negative and/or exclusion criteria
- Thematic investing

**Impact Investing**

- Primary intention to generate a measurable, beneficial social or environmental impact alongside a financial return





Our ESG Capabilities	ESG integration and engagement	Exclusions	Sustainability focus	Impact investment
Equities	✓	✓	✓	
Fixed Income	✓	✓	✓	✓
Real estate	✓			
Quantitative strategies	✓	✓	✓	
Alternatives	✓	✓		
ETFs	✓	✓	✓	

## 5.1 ESG Product Launches 2019

At Invesco, our ESG approach is incorporated into general portfolio management processes as well as into specific products. In this section, we highlight some of the new strategy launches this year, which include ESG specifications at the product level.

Portfolio	Investment Region	ESG Criteria
<b>New Strategy 1</b>	Europe	<ul style="list-style-type: none"> <li>- MSCI ESG Leaders Index</li> <li>- Best-in-class with values-based exclusion</li> <li>- High ESG ratings relative to sector peers</li> </ul>
<b>New Strategy 2</b>	Europe, USA or Global	<ul style="list-style-type: none"> <li>- MSCI Europe/USA/World Index</li> <li>- Increase exposure to companies with robust ESG profile and positive improving profile trend</li> <li>- Exclusion based on ESG factors</li> <li>- Eligible securities weighted on ESG ratings and trends</li> </ul>
<b>New Strategy 3</b>	Europe	<ul style="list-style-type: none"> <li>- Seeks long-term capital growth integrating ESG</li> <li>- Particular focus on environmental criteria</li> <li>- Quantitative methods used in stock selection</li> </ul>
<b>New Strategy 4</b>	USA	<ul style="list-style-type: none"> <li>- Seeks long-term capital growth integrating ESG</li> <li>- Broad diversification, general avoidance of fundamental flawed or speculative industries</li> <li>- Considers issuers' ESG characteristics and implements internal ESG rating methodology</li> </ul>
<b>New Strategy 5</b>	Global	<ul style="list-style-type: none"> <li>- Seeks superior risk-adjusted returns over long-term</li> <li>- Global equities that meet defined ESG criteria</li> <li>- Value, quality and momentum factor internal scoring process</li> <li>- Quantitative investment model used in stock selection</li> </ul>



**One of our Invesco funds was awarded 'Towards Sustainability' label by Febelfin, the Belgian federation of the financial sector. This label aims to instill trust & reassure potential investors that the financial product is managed with sustainability in mind and is not exposed to very unsustainable practices, without requiring investors to do a detailed analysis themselves.**





At Invesco we are committed to working with internal and external stakeholders to provide the best investment solutions – including solutions built around ESG factors.



**Glen Yelton**  
Head of ESG Client Strategies,  
Americas



# Climate change and the Sustainable Development Goals

## 6.1 Climate Change



### Governance

Invesco recognizes our responsibility to help sustain a healthy, clean environment for future generations and we are committed to continuous improvement in environmental management within our business. Addressing climate change will require significant and continued capital deployment to finance the transition to a sustainable and climate neutral economy in line with the Paris Agreement.

In 2019, Invesco became a supporter of the Task force for Climate Financial Related Disclosures (TCFD) and in 2020 will present our first TCFD report. The TCFD is the framework guiding our climate change approach not only at corporate level but also within our investment approaches at large, particularly in our corporate engagement. In accordance with the TCFD, our climate change approach is built on the four pillars of Governance, Strategy, Risk Management and Disclosure.

The importance of climate change at our firm has led us to start developing structural governance oversight. Currently, we take a decentralized approach to oversight of climate change, giving autonomy to each investment center. Our Corporate Responsibility Committee (CRC), which is comprised of members of the executive leadership team, governs core ESG topics globally, exercising the oversight of our global corporate and investment stewardship programs and policy. Our Global ESG team takes an advisory role in investment risk analysis, engaging with investee companies and enabling proxy voting. Climate risk is also governed by management within investment teams.



### Strategy

As active investors across various equity, fixed income and multi-asset solutions in the global economy, we are concerned by climate change contributions throughout every sector and asset type. Our climate change strategy aims to identify how the impact of climate-related risks and opportunities directly affects our portfolios and the assets in which we choose to invest in our clients' best interests. We set our focus on integration, engagement and product solutions. Our investment teams are developing climate focus frameworks to screen investments and incorporate data disclosures to identify investment opportunities among those assets in transition towards a climate resilient model in line with the Paris Agreement. Our inclusive engagement with corporates and issuers, as opposed to investment exclusion, not only ensures that investors can combine high sustainability performance with compelling investment returns, but also sends a strong signal to companies that we all have our roles to play in the transition to a climate neutral economy.

In January 2020, we joined Climate Action 100+ and the Institutional Investors Group on Climate Change (IIGCC), taking active leadership on selected companies. We also joined the World Economic Forum Coalition for Climate Resilient Investment (CCRI). The CCRI is a working group which aims to transform investment by integrating climate risks into decision-making, driving a shift toward a more climate-resilient economy for all countries. As a leading real estate investor, participation in the CCRI facilitates better integration of climate change assessments into existing investments as well as helps to direct future investments into climate change-resilient infrastructure. These initiatives have helped to shape our dialogue with investee companies and create a reference framework for our climate risk assessment based on the topics covered by these initiatives.

Through continued integration of carbon neutral metrics and increased climate change engagement with clients and investee companies, we have demonstrated our ability to provide investors with compelling investment solutions that deliver carbon emissions reductions combined with investment outperformance.

Climate change generates financial risks and opportunities at an extraordinary pace of change. It is a systemic cross cutting issue that needs a systemic response.



**Maria Lombardo**  
Head of ESG Client  
Strategies EMEA



### Risk Management

Our investment teams which seek to implement a climate change strategy aim to hit return targets by investing in companies that prime themselves for the future by managing material climate risks. This can include plans to move sections of their business away from damaging emissions, initiatives to counteract such business lines and/or innovations involving emission-reducing technologies.

Our approach is focused on integrating climate change risk and opportunity factors into investment decisions, differentiated by asset classes and decentralized by local investment centers. Our capabilities vary from managing portfolios to bespoke low carbon benchmarks to applying climate screening processes. The diversity of Invesco means that investment centers and strategies will vary in their approaches to implementation of climate change risk.

### Case Study

In 2019, Invesco created a bespoke low carbon solution for a pension fund wanting to reduce the overall carbon emissions of an existing multi-factor strategy to significantly below benchmark levels. Our Quantitative Strategies (IQS) team designed a bespoke low carbon portfolio that incorporated the desired carbon reduction targets while keeping minimal distance to the capitalization-weighted market benchmark. The process resulted in a decarbonized portfolio by at least 30% versus its index and at the same time allowed for the active multi-factor investment process to be set to generate above benchmark returns in a thoroughly risk-controlled framework. The final portfolio demonstrated similar factor characteristics as the conventional portfolio, hence similar risk and return expectations, while at the same time reducing carbon emissions to below benchmark levels in a stable, predictable and strictly risk-controlled way.



### Disclosure

As we expect disclosure from the companies in which we invest, we must also deliver our own disclosures to inform constituents of our current actions and initiatives. We believe in the transparency of data and actions towards a climate resilient management of our business and our fiduciary duty. As such, we have been disclosing to the Carbon Disclosure Project (CDP) since 2016.

We assess and manage GHG emissions data and environmental initiatives aimed at reducing our impact from an operational perspective. As previously mentioned, we are reporting our governance, strategy and physical and transition risk management and scenarios to the TCFD for the first time in 2020. We provide operational metrics related to environmental impact, including carbon footprint, plastic, water and waste. Metrics considered in investment decisions, such as the metrics on shareholder votes for climate change and GHG emissions proposals are disclosed publicly; metrics (GRESB scores) on ESG performance of Invesco's real estate portfolios are also provided. ESG fact sheets which include climate-related metrics (scope 1, 2 and 3 emissions, carbon intensity) have been developed for certain funds. We are deploying the template for more funds with the objective to have a scalable system before the end of 2020.

At Invesco, our purpose is to deliver an investment experience that helps people to get more out of life. This purpose shapes our culture, how we manage our clients' money responsibly and how we strive to contribute to global sustainability. The United Nations Sustainable Development Goals (SDGs) support the application of our purpose by providing a broad outline for achieving sustainable development by the year 2030. Through our investment stewardship practices, we are fully committed to that agenda.

The 17 SDGs are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth - all while tackling climate change and working to preserve our oceans and forests.

We believe that investing responsibly by incorporating ESG practices into our investment activities can positively impact the value we provide to clients - and help ensure a sustainable environment for future generations.



**Nikki Gwilliam-Beeharee**  
Director of ESG research

**The SDGs are a framework that we are utilizing in a myriad of ways today. We are engaging companies on energy transition, access to medicines and affordability, and gender diversity as a few examples.**

**Sustainable Development Goals**

For illustrative purposes only.





**Our engagement in SDGs is outcome oriented and takes different shapes depending on the theme:**

3 12 13  
14 15

**Plastics**

We use engagement to encourage plastic reduction target setting; encourage plastic initiative sign up to create a plastic circular economy: e.g. New Plastics Economy Global Commitment (over 400 signatories); encourage more transparency and disclosure from the industry: for example, about leakage of plastic pellets into the environment. We are also involved in investor initiatives such as the Plastic Investor Working Group (set up by PRI).

13 14

**Climate Change and Life under water**

We invest in new climate technology and innovations; we are a member of Farm Animal Investment Risk and Return (FAIRR) and extended our research on aquaculture; as well as our disclosure to CDP and supporter of TCFD and Carbon Trust Standard. We are supporter of the TCFD, which will see companies measure and set targets in relation to climate change.

5

**Gender Equality**

We encourage company disclosure of diversity; diversity and Inclusion (D&I) training; and encourage gender quotas. We are a lead signatory in the UK Women in Financial Services Voluntary Charter; set a target for female representation of Senior Managers; Invesco EMEA is an active participant in the Diversity Project through improving ability to engage and retain, hire and develop female talents.

2 3 6  
8 12 13  
14 15

**Biodiversity**

We use engagement to improve corporate disclosure and active environmental risk management; we have become involved in multi-stakeholder initiatives to reduce supply chain emissions such as FAIRR which raises awareness of the material ESG risks and opportunities from livestock production and a shift to a sustainable animal protein supply chain; livestock production is the single largest driver of habitat and forest loss; provides a risk profile analysis of animal protein supply chains; requires member commitment to less resource intensive food products.

7 9 11  
13

**Renewable Energy**

We integrate climate change into our investment strategies and engage with companies on their low carbon transition; we will be disclosing climate related data to TCFD and through this will identify and monitor supply chain impacts and separation of scope 1, 2, 3, GHG emissions; promote collaboration with governments, utilities, and other stakeholders to reduce reliance on fossil fuels.

**Alignment of SDGs with our strategies**

**SDG 5**  
Japanese Equity - Women Focus

**SDG 6**  
Three thematic water ETFs

**SDG 7**  
Three thematic clean energy ETFs

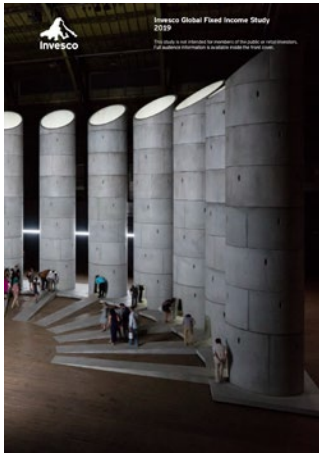
**SDG 9**  
Invesco Fixed Income invests in infrastructure solutions

**SDG 11**  
Invesco Real Estate invests directly in green buildings

**SDG 13**  
TCFD Commitment, World Economic Forum CCRI, CDP Cities Workshop, Invesco Fixed Income Separately Managed Accounts Impact strategies

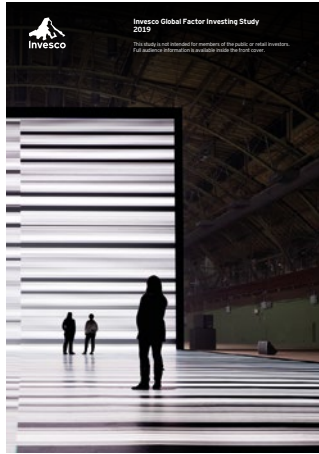
**SDG 15**  
One thematic timber ETF

# Thought Leadership



## 2019 Invesco Global Fixed Income Study

Our second global fixed income study provides insights on the views, opinions and experiences of 145 fixed income specialists, across pension funds (both defined benefit and defined contribution), sovereign wealth funds, insurers and wholesale investors including private banks, diversified fund managers, multi-managers, and model builders. While last year's study found the application of ESG principles to fixed income to be in the early stages, this year's findings indicate ESG has already moved from niche to the mainstream.



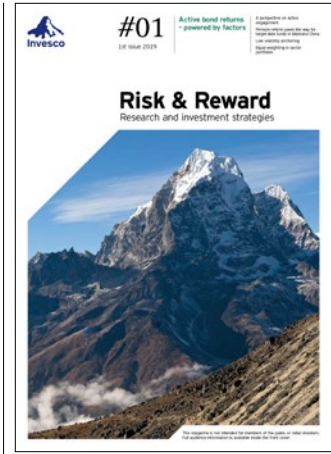
## 2019 Invesco Global Factor Investing Study

Our fourth annual global factor investing study incorporates the views of 132 institutional investors and 109 wholesale investors that are together responsible for managing over US\$25 trillion in assets as of March 31, 2019. This year's study explores paths of adoption, experiences, implementation, future intentions and challenges to be overcome in factor investing. One of the main themes this year looked into how ESG fits within a factor framework and the nature of the interaction.



## Invesco Global Sovereign Asset Management Study 2019

Our seventh annual study of sovereign investors represents the views and opinions of 139 chief investment officers, heads of asset classes and senior portfolio strategists (68 sovereign funds and 71 central banks) that are together responsible for managing over US\$20 trillion in assets as of March 31, 2019. ESG is one of five key themes in the report, which builds on previous years' studies by analyzing long-term trends as well as uncovering new insights. We found that ESG adoption has continued to gain traction with both sovereigns and central banks, as it becomes clearer how to derive value from its application.



## Risk & Reward Research and Investment Strategies - 1st Issue 2019

ESG engagement plays a crucial role in all of the investment processes of our Henley Investment Centre. We describe our core beliefs - most notably our preference for engagement over exclusion - and show how we implement them in equity portfolio management, as well as illustrating our ESG engagement with three case studies. In this issue of Risk & Reward, we describe how engagement on behalf of the clients whose capital we invest is a central tenet of our investment process and how we use this shareholder power to influence corporate behavior at the highest levels.



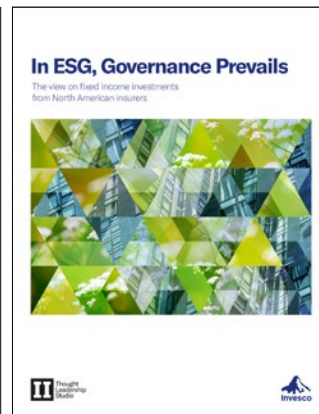
### The China position: Gauging institutional investor confidence

The China position is a comprehensive survey commissioned by Invesco and conducted by the Economist Intelligence Unit to gauge current and future investment allocations to Chinese investments. This survey analyzes results from 411 institutional investor and asset owner organizations globally. We found that concerns about transparency in reporting can influence the process used by institutional investor and asset owner organizations when researching and assessing Chinese investments. ESG factors are also increasingly used in the investment process due to growing concerns about the impact of climate change.



### Real Assets: Driving change for the long term

In this paper we explore the effective identification and management of ESG risks around real assets, focusing in particular on real estate. Our real assets team describes how their investment process encompasses elements of ESG and supports the cause of sustainable capitalism by aiming to deliver long-term benefits for investors and other stakeholders. As the meaningful incorporation of ESG factors assumes ever-greater importance, we believe real assets investment managers should be the primary providers of momentum and the principal agents of positive, ESG-led change.



### Insurance Research Study: In ESG, Governance Prevails

Investment decision makers at North American insurance companies are likely to see ESG factors as a way to inform risk-aware, economically sound decisions about fixed income assets. Investment decision makers in this study affirm the value of the information embedded in companies' ESG practices and performance - especially in their corporate governance policies. Insurers look forward to better information on ESG performance through improved reporting that is more frequent, uniform, and standardized. Over the long term, investors anticipate that climate change may eventually drive insurers to reassess their strategies for diluting risk through reinsurance.



### Invesco Global Fixed Income Strategy

In the bottom line, we examine Invesco Fixed Income's (IFI's) approach to integrate ESG factors into the credit research process. ESG is now a focus of all IFI credit analysts globally. Analysts factor ESG consideration into their analysis of all companies and sovereigns, making sure that we have what we believe is a state-of-the-art implementation of ESG factors in the credit research process. This publication includes a discussion with leaders of IFI's implementation of ESG about methodology and how ESG has become embedded in IFI's credit research process.

# 32-year journey

## 1987 - 1990

### 1987

- Invesco Real Estate launched a strategy excluding military related investments

### 1989

- Invesco Fundamental Equities offers a fund excluding alcohol, tobacco and gambling

### 1990

- Invesco Quantitative Strategies launched a fund with Positive/ Best-in-class Screening ESG strategy

## 2003 - 2010

### 2003

- Invesco Quantitative Strategies & Invesco Fixed Income launched a co-managed fund with a combination of best-in-class, positive, negative and exclusionary ESG strategies

### 2005

- Invesco ETFs launched two ESG thematic ETFs

### 2006

- Invesco Japan launched a fund using a Womanomics Score
- The PRI Principles were launched by the UN at the New York Stock Exchange

### 2007

- Invesco Direct Real Estate began ESG integration

### 2010

- The UK Stewardship Code was first published

## 2013 - 2015

### 2013

- Invesco became a UNPRI signatory
- Invesco signed on to the UK Stewardship Code

### 2014

- Invesco's first PRI report submitted for period ended 2014
- Invesco US began voting proxies on Invesco's proprietary Fund Manager (FM) Portal
- Council of Experts Concerning the Japanese Version of the Stewardship Code published the Principles for Institutional Investors (Japan's Stewardship Code)
- Invesco signed on to the Japanese Stewardship Code
- Invesco ETFs Proxy voting transitioned to Invesco

### 2015

- Commenced global distribution of an ESG watchlist
- IVZ Global Proxy policy adopted
- Invesco US Proxy Advisory Committee (IUPAC) established
- Invesco Proxy Advisory Committee (IPAC) expanded to Global scope
- Established a global ESG research vendor
- Annual Responsible Investment (RI) training rolled out globally





## 2016

- FRC (Financial Reporting Council) began tiering signatories and Invesco was assessed as Tier 1 for our robust process and adherence to stewardship code principles
- 'A' rated by PRI for 2016 in Fixed Income, Direct Property, Proxy Voting
- Invesco ranked #1 in amLeague's Global Low Carbon Mandate for April, July, and September 2016
- Invesco Real Estate has three strategies ranked #1 in their peer group for the 2016 Global Real Estate Sustainability Benchmark assessment (GRESB)
- Invesco Quantitative Strategies launched a fund with a global focus on social and environmental investing
- Ranked #1 in US Capital Markets Industry for 2016 Newsweek Green Rankings

## 2017

- 'A+' rated by PRI in 2017 for Strategy & Governance and Fixed Income SSA
- Identified as an ESG leader among Asset Managers and Brokers in North America
- Named to PRI SDG Working Group for Active Ownership
- Named to Deep Data Delivery Standard
- Named to UKSIF Board of Directors
- Finalist for CIO's inaugural Industry Innovation Award for ESG in 2017
- Named to PRI ESG Engagement Advisory Committee
- Invesco's inaugural Investment Stewardship and Proxy Voting Annual Report
- Invesco's inaugural Corporate Social Responsibility CSR Report

## 2018

- Named to PRI Fixed Income Advisory Committee
- Named to PRI Macroeconomic Risks Advisory Group
- Collaborated with Danske Bank on Whitepaper
- Named to ICI Global ESG Task Force
- Joined RIA Canada
- Winner of CIO's Industry Innovation Award for ESG in 2018
- 'A+' rated by PRI in 2018 for Strategy & Governance and Fixed Income SSA
- Named to PRI Advisory Committee on Plastic

## 2019 - 2020

- Named to SASB Standards Advisory Group
- Winner NASSCOM 2019 GCC (Global Capability Centers) Innovation Award
- 'A+' rated by PRI in 2019 for Strategy & Governance and Listed Equity Incorporation
- Supporter of the TCFD - Task Force for Climate Related Disclosure
- Joined CII (Council of Institutional Investors)
- Joined SASB
- Invesco joined Climate Action 100+ in 2020
- Invesco joined the Institutional Investors Group on Climate Change (IIGCC) in 2020
- Invesco joined the World Economic Forum Coalition for Climate Resilient Investment (CCRI) in 2020
- Invesco has also joined Farm Animal Investment Risk and Return (FAIRR) in 2019

# Industry engagement

## Memberships & Collaborations

Invesco has joined the Sustainability Accounting Standards Board (SASB) as a participating member. We support SASB's mission to establish industry-specific disclosure standards across environmental, social, and governance topics that facilitate communication between companies and investors about financially material, decision-useful information. This membership also provides us with an opportunity to engage with SASB leadership and fellow members to collectively adapt to calls for integrating sustainability into the capital markets. Invesco is proud to join a growing movement of organizations that believe standardized, industry-specific, and materiality-based standards help companies and investors adapt to the market's expectations.

Invesco joined Farm Animal Investment Risk and Return (FAIRR) (a Collier Initiative), which is a collaborative investor network that raises awareness of the material ESG risks and opportunities caused by intensive animal production. FAIRR helps investors to identify and prioritize these factors through cutting-edge research that investors can then integrate into their investment decision-making and active stewardship processes.

Invesco became members of the Council of Institutional Investors (CII). CII is a non-profit, non-partisan association of U.S. asset owners, primarily pension funds, state and local entities charged with investing public assets and endowments and foundations, with combined assets of \$4 trillion. CII is a leading voice for effective corporate governance, strong shareholder rights and vibrant, transparent and fair capital markets. CII promotes policies that enhance long-term value for U.S. institutional asset owners and their beneficiaries. CII educates members about best corporate governance practices and provides opportunities for members to interact with peers, policymakers and investment executives.

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

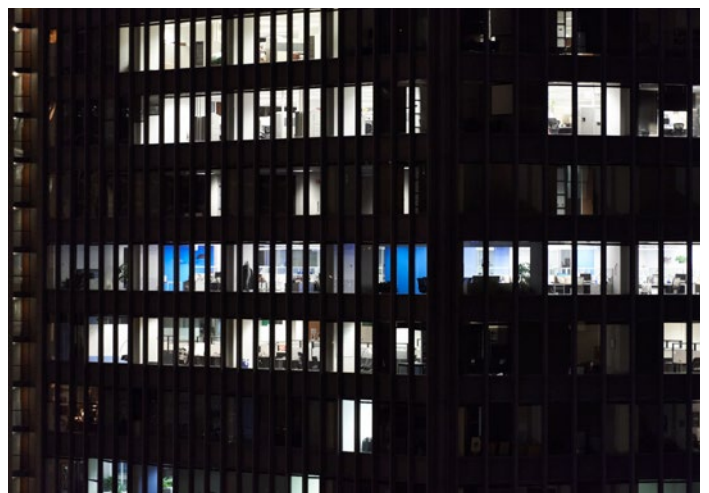
- PRI Investor Signatory
- Task Force for Climate Related Disclosure (TCFD) (Supporter and due to disclose March 2020)
- Carbon Disclosure Project (CDP)
- Council of Institutional Investors (CII)
- Sustainability Accounting Standards Board (SASB)
- Farm Animal Investment Risk & Return Initiative (FAIRR)
- Investor Forum UK
- UK Stewardship Code Tier 1
- Quoted Companies Alliance (QCA)
- UK Sustainable Investment and Finance Association (UKSIF)
- Investment Association UK
- Asian Corporate Governance Association (ACGA)
- Responsible Investment Association (RIA) (Canada)
- Global Real Estate Sustainability Benchmark (GRESB)
- Japanese Stewardship Code
- Coalition for Climate Resilient Investment (CCRI)
- Climate Action 100+
- Institutional Investors Group on Climate Change (IIGCC)
- Asia Investor Group on Climate Change (AIGCC)
- Corporate Responsibility Interface Center (CRIC) (German-speaking countries)

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

- Sustainability Accounting Standards Board (SASB) Standards Advisory Group
- UKSIF Board of Directors
- Climate Financial Risk Forum (CFRF) (UK)
- Climate Financial Risk Forum (CFRF) Risk Working Group (UK)
- PRI Fixed Income Advisory Committee
- PRI Global Policy Reference Group
- PRI Macroeconomic Risk Advisory Group
- PRI Plastics Investor Working Group
- Quoted Companies Alliance (QCA) Financial Reporting Expert Group (UK)

**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 received a GRESB four-star rating in 2019
- IRE has held a GRESB Green Star Rating for five consecutive years
- GRESB ranked several IRE funds as regional and/or sector leaders







## 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.

## Scope

This report refers to the vast majority of Invesco's assets and the widely held views of the firm. There are certain investment teams that are in a transition period and are not in scope for this report. This may be because of being recently integrated into the Invesco overall business and in other cases it may be because of being earlier in the journey of ESG adoption.

## Important information

This document is written, unless otherwise stated, by Invesco professionals. The opinions expressed herein are based upon current market conditions, may differ from those of other investment professionals and are subject to change. This document does not form part of any prospectus. Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time. All data is as of 31 December 2019 and sourced by Invesco unless otherwise noted. All images are sourced from Invesco unless otherwise noted.

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NA4401/2020 (adapted GL304/2020)





