



# Response to ESG Questionnaire Invesco

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## Introduction

The issue of defining ESG and how individual companies express their specific values is now at the forefront of many of our clients' minds. We have researched SRI funds for many years now and have a separate rating category, but we acknowledge that this is now a mainstream strategy for an increasing number of investors and ESG issues are impacting all funds, not just those designated responsible or SRI.

In order to understand each company's stance on ESG factors at the corporate level, and how this is built into the investment managers' research and process we ask all our rated fund managers four questions:

- Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.
- Please provide an overview of how ESG is integrated into your business.
- Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.
- What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?

The responses given by Invesco are shown here.

### 1. Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.

In our role as stewards of our clients' investments, we regard our stewardship activities, including engagement and the exercise of proxy voting rights, as an essential component of our fiduciary duty to maximize long-term shareholder value. When casting votes, we incorporate a number of factors and inputs to inform the voting process, including company disclosures, internal and external research, proxy voting advisory services, the unique circumstances affecting companies, regional best practices, and any dialogue we have had with company management. The voting decision lies with our portfolio managers and analysts, with input and support from our Global ESG team and Proxy Operations functions.

Invesco's Policy Statement on Global Corporate Governance and Proxy Voting ([Global Proxy Voting Policy](#)) - developed and reviewed by our investment leadership — describes policies and procedures designed to ensure that we vote proxies in the best interests of our clients. It also aims to help 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.

In January 2021, Invesco's good governance principles were developed by Invesco's investment teams in collaboration with the Global ESG team. The good governance principles outline our expectations of what good governance looks like across six key themes: transparency, accountability, board composition and

effectiveness, long-term stewardship of capital, ESG risk oversight, and executive compensation and alignment. These principles describe our views on best practice in corporate governance and long-term investment stewardship and provide the framework for our internally developed voting guidelines that guide voting decisions. Our Global Proxy Voting Policy serves as the foundation of our well-informed proxy voting decisions focused on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders.

The voting decision lies with our portfolio managers and analysts, with input and support from our Global ESG team. Our proprietary proxy voting platform, PROXYintel, facilitates the implementation of voting decisions and rationales across global investment teams.

Invesco aims to vote all proxies where we have been granted proxy voting authority in accordance with our Global Proxy Voting Policy. We may choose to refrain from voting in certain circumstances where the economic or other opportunity costs of voting exceeds any benefit to clients (e.g. where our shares will be restricted from trading after sending a vote instruction, otherwise known as 'share blocking') or in the event of certain types of conflicts of interest outlined in our [Global Proxy Voting Policy](#).

Our Global Proxy Voting Policy is formally reviewed at least once a year to ensure it remains consistent with clients' best interests, regulatory requirements, investment team considerations, governance trends and industry best practices. To learn more about Invesco's proxy voting approach and good governance principles, please visit [www.invesco.com/corporate/about-us/esg](http://www.invesco.com/corporate/about-us/esg).

## 2. Please provide an overview of how ESG is integrated into your business.

Invesco is committed to adopting and implementing responsible investment principles in a manner that is consistent with our fiduciary responsibilities to clients. We recognize that ESG matters greatly to our clients, communities and stakeholders. It matters to us. 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.

Invesco's commitment to ESG investing is a key element of our ambition to provide an investment experience that helps people get more out of life. Sustainable value creation and effective risk mitigation are fundamental to achieving that goal.

### ESG integration

We integrate material extra-financial factors, including ESG factors, across our investment platform, taking into account critical factors that help us deliver strong outcomes to clients. As investors in global equities, corporate and sovereign fixed income instruments, as well as real estate and multi-asset strategies, we recognize the differences between asset classes and geographies. We apply ESG principles in a variety of ways, depending on the asset class and strategy.

The degree of ESG integration varies from team to team and Invesco is presently working to apply these principles for strategies where such an approach is appropriate.

In general, our teams 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 financially material ESG factors and risks is incorporated into the wider investment process as part of a holistic consideration of the investment risk and opportunity. Our portfolio managers have absolute discretion on the view taken on any given ESG risk or opportunity.

The core aspects of 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.

- ***Momentum:*** The concept of improving ESG characteristics over time is particularly interesting in our view. We find that companies whose ESG practices are improving may enjoy favourable financial performance in the longer term.
- ***Engagement:*** We take our responsibility as stewards of capital very seriously and see engagement as an opportunity to help achieve sustainable value creation. Dialogue with portfolio companies is a core part of the investment process for our fundamental teams. 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.

### **Investment-led ESG approach delivered through a global team of ESG experts**

Invesco's Global ESG team provides centralised support and analysis while our investment managers maintain discretion on portfolio decisions. ESG integration is an ongoing strategic effort, and investment teams will vary in the level of ESG integration achieved.

More information on Invesco's ESG efforts, including a range of ESG policies, statements and reports, can be found at <http://www.invesco.com/corporate/about-us/esg>.

### **Client-focused ESG solutions**

We provide a comprehensive range of ESG-focused capabilities that enable clients to express their values through investing. Our financially material ESG approach is incorporated into our portfolio management processes underlying our products and mandates, 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 in our clients' success by delivering our distinctive investment capabilities worldwide to meet their needs through sustainable value creation and risk mitigation. 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.

Clients expect Invesco to take the lead on how ESG will reshape the investment landscape. And for the next generation of investors, ESG will be a given. Invesco has achieved much so far but is aware that there is always more to do. ESG investing is a journey, not a destination. ESG will always evolve, and Invesco is committed to continually reviewing and developing our approaches further.

### **3. Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.**

Invesco does not apply top-down exclusions across the firm. The only exception to this is companies that are engaged in the cultivation, production or distribution of cannabis or cannabis derived products for the purposes of recreational use due to increased risk of money laundering in this sector.

Invesco strives to ensure that all activity by or on behalf of the firm is in compliance with applicable laws and regulations in all jurisdictions in which it or its subsidiaries operate.

Invesco complies and will continue to comply with laws and regulations in jurisdictions to which it or its managed accounts and funds are subject. Laws that prohibit investments on behalf of its managed accounts and funds in companies that are or may be engaged in certain activities with respect to particular munitions and armour are included. Invesco also takes seriously the responsibility to act in the best interests of its managed accounts and funds.

Invesco's controversial weapons policy applies across the firm's EMEA domiciled fund ranges (Invesco Funds SICAV and Invesco Zodiac fund ranges and the UK domiciled ICVC fund range). The policy does not apply to the region's UCITS ETFs directly, which are monitored separately.

To help determine which companies may be engaged in controversial weapons covered by the regulations, Invesco has secured the support of a third-party, ISS-ESG, which provides, on an ongoing basis, advice, and research on a list of companies that are:

- Verifiably in breach of the criteria (involved in defined activities by regulation)
- At risk of being in breach of the criteria
- Not in breach of criteria but often assumed to be.

To do this, the product team accesses ISS-Ethix (Ethix), a service with its own research team of specialists that identifies companies involved in a range of business activities, including controversial weapons manufacturing. Ethix uses screens for cluster munition, depleted uranium weapons and anti-personnel mine manufacturers. The product team applies this screening to listed and unlisted companies and generates a restricted list of companies/issuers. The definition of controversial weapons manufacturing companies includes those that are directly or indirectly involved in the development, production, maintenance, or sale of weapons that are illegal. Invesco explicitly includes cluster munitions, anti-personnel mines, and depleted uranium weapons as well as biological and chemical weapons.

Invesco's SFDR Article 8 and 9 funds have exclusionary frameworks which includes 'controversial weapons' as an exclusion category; details can be found in the relevant prospectuses. The 'controversial weapons' category is based on ISS's definition, which includes research on biological and chemical weapons. Other Invesco funds/portfolios will have their own responsible investing policies. Biological and chemical weapons are often mentioned explicitly in these policies.

#### **4. What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?**

Invesco has an evolving and committed approach to ESG investing. We integrate material extra-financial factors, including ESG factors, across our investment platform, taking into account critical factors that help us deliver strong outcomes for clients. The degree of ESG integration varies from team to team, and Invesco is presently working to apply these principles for strategies where such an approach is appropriate.

Below we have summarized key enhancements to our ESG investing framework since January 2022. We are using the beginning of 2022 as a reference point as this time period was significant in terms of team expansion and enhancement of proprietary tools. While there have been no material changes in terms of team and tools through 2023, we have spent the last 12 months refining processes and tools so we can use these resources as efficiently as possible.

##### **Expansion of Global ESG team**

To meet the growing demands for ESG research, ESG data analytics, thought leadership, and support for analysts and portfolio managers, the Global ESG team expanded to a team of circa 30 full-time professionals. This included additional hires such as an ESG Strategy and Operations manager to support project management and an ESG team administrator to support the scheduling of engagements.

##### **Investment in systems, processes, research and analysis**

In addition to the additional hires which have enhanced the capacity of the team to conduct research and analysis, we have invested in systems and processes which enhance the ESG integration process. An example of this has been our focus on the lifeblood of any ESG-aware investment decision: ESG data.

In 2022, the Global ESG team created a centralized Research and Engagement tracker, which investment teams can access to enhance research and engagement documentation. This development has supported Invesco's investment teams by facilitating the sharing of knowledge that is garnered from research and engagement (contact with issuers on matters in the form of direct dialogue or information requests).

Additionally, the Global ESG team created an ESG Investing page on our internal intranet site to improve accessibility to ESG resources across the organization and provide a centralized hub for ESG information, tools, training and standard marketing materials.

To support Invesco's research and analysis, we continued to build out our proprietary tools. For example, in 2022, we added Child Rights Benchmark data into ESGintel. The new ESG data provider assesses exposure to children's human rights in the marketplace and workplace for over 800 global companies, across nine sectors and various regions. Invesco also added the FAIRR Protein Producer index to ESGintel. This data set assesses the world's largest animal protein producers on ESG issues.

#### **Partnering with clients to meet their ESG needs**

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

As of December 31, 2023, we managed \$93 billion in ESG-focused AUM across more than 200 ESG-focused portfolios and mandates with a variety of strategies, geographies, and client types. These mandates include those that apply negative/exclusionary screening, positive/best-in-class screening, thematic investing, sector/values-based exclusion, and combined ESG strategies (combination of positive, best-in-class, norms-based, negative and/or exclusion criteria).

#### **Industry initiatives and regulatory engagement**

We are committed to engaging in policy and regulatory initiatives to promote high standards in sustainable finance. We have continued to support initiatives that are committed to improving ESG impact in our industry, with a focus on themes such as ESG data and disclosure, product disclosures and labelling, and taxonomies. Below are just a few examples of our industry involvement in 2022.

- In March 2022, Invesco became a Forum Member for the Taskforce on Nature-related Financial Disclosures (TNFD). This has allowed us the opportunity to give feedback on the draft frameworks while understanding how we will be able to apply this framework upon its completion. Additionally, Invesco has become a member of TNFD's Consultation Group – where multiple financial institutions have come together to provide input into the usability of the strategy. This initiative has kick-started our exploration into biodiversity data and further incorporating it into our investment and research processes.
- Invesco is a member of the Institutional Investors Group on Climate Change (IIGCC), a European membership body for investor collaboration on climate change.
- In 2022, we continued to participate in the Policy Steering Group (previously 'committee'). Through membership of this group, we contribute to regulatory and policy developments by discussing finance and climate policy at the global, EU and national levels across Europe.
- In recognition of Invesco's Global ESG team efforts to map the current net zero data landscape, in October 2022, the IIGCC invited Invesco's Global ESG team to provide guidance to the wider investor base on how best to navigate net zero data challenges. This participation in the Net Zero Working Group demonstrates our increasing effectiveness in contributing to industry dialogue on navigating net zero data challenges.
- Invesco is a signatory to the Net Zero Asset Manager's initiative. In April 2022, we disclosed our AUM commitment of USD \$195billion to be managed in line with net zero. Invesco is taking a thoughtful, rigorous and transparent approach to net zero, which helps ensure the AUM we've identified are being committed with integrity. At Invesco, we have a broad range of investment capabilities and are being thoughtful in assessing the feasibility of net zero for each asset class and instrument, driven by the needs of our clients and the thoughtful approach of our investment teams.

- Invesco is a supporter and discloser to the Task Force on Climate-Related Financial Disclosures (TCFD). In 2023, we published our fourth [Climate Change report](#).
- We continue to engage with policymakers, regulators, industry associations, and other standard-setting bodies as part of our commitment to sustainable value creation.

We understand that ESG investing is a journey, not a destination. ESG will always evolve, and we're committed to continually reviewing and developing our approaches further.

#### **Important Notice**

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