



# Qontigo Investment Intelligence Summit— Dec 9<sup>th</sup>, 2020

## Addressing Climate Change in Investment



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



We believe the best investment insights come from specialized investment teams with discrete investment perspectives, operating under a disciplined philosophy and process with strong risk oversight.

### Pure Investing Focus

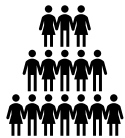
Our pure focus on investment management eliminates the distractions that compromise results.

As an independent firm, our global organization is solely focused on investment management.

### Organizational Strength

We direct all of our intellectual capital, global strength and operational stability toward helping clients achieve their investment objectives.

Over  
**8,000 employees**  
focused on client needs across the globe



On the ground in  
**25 countries**  
to better serve our clients



We manage more than  
**US\$1,206.5 billion**  
in assets for our clients



# Invesco's Current Climate Change Programme

## Built on four pillars

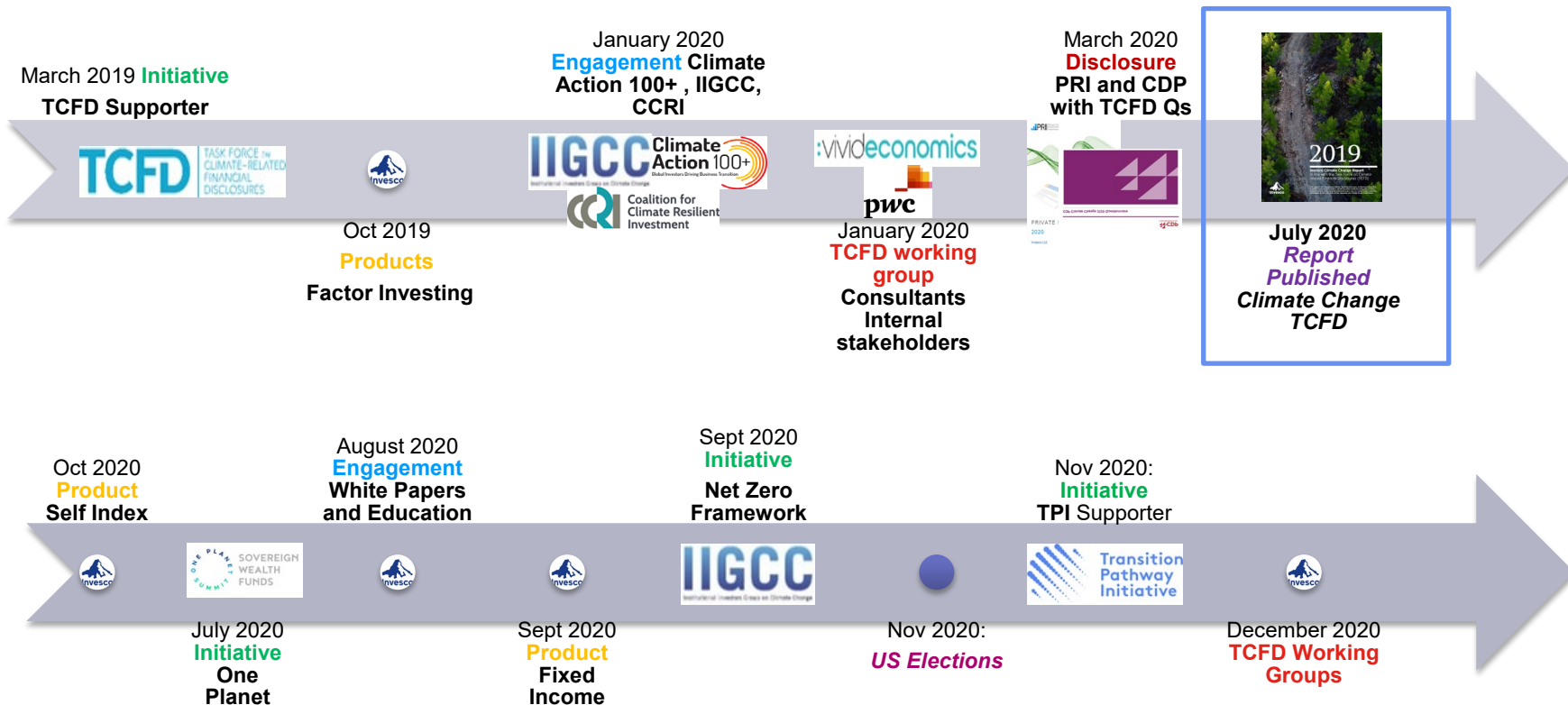


Executing on TCFD	Industry commitment	Company Research & Engagement	Product and solutions
<ul style="list-style-type: none"> <li>Publication of the <b>Climate Change Report</b> compliant the TCFD guideline</li> <li><b>Scenario Analysis</b> in collaboration with Vivid Economics climate change analysis data provider</li> <li>Selection of more <b>data</b> support providers</li> </ul>	<ul style="list-style-type: none"> <li><b>CDP</b> investor member and discloser</li> <li><b>IIGCC</b> – Investor member organisation working with businesses, policy makers and investors to address climate change</li> <li><b>CCRI</b> - Coalition for Climate Resilient Investment</li> <li><b>IIGCC Net Zero</b> Framework – Phase 2 Supporter</li> <li><b>PRI Taxonomy</b> Group Participant and Case study</li> <li><b>TPI</b> Transition Pathway Initiative Supporter</li> <li><b>One Planet</b> Asset Managers Initiative</li> </ul>	<ul style="list-style-type: none"> <li><b>Climate Action 100+</b> supported by over 450 investors worth \$40trillion</li> <li>Taking lead role on collective engagements</li> <li>Individual engagement with companies Climate Change focused.</li> </ul>	<ul style="list-style-type: none"> <li>Low Carbon and Paris aligned investment solutions in:</li> <li>Self Indexing</li> <li>IQS</li> <li>Fixed Income</li> <li>Upcoming in ETF</li> <li>Upcoming in Active Equities</li> </ul>



# Our approach to Climate change

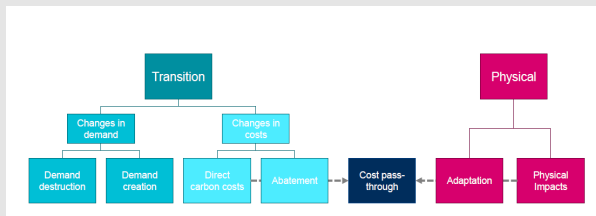
## From supporter to practitioner



### Integration

Teams incorporating ESG into their investment process consider climate change as one aspect of the evaluation of ideas, company dialogue and portfolio monitoring

- **Materiality** - The financial risks and opportunities related to climate change will not be felt evenly by all companies and countries
- **Potential** - Our approach seeks to encourage companies that are on the path of decarbonisation



### Investment solutions

- Solutions include **ETFs and self-indexing products**, as well as bespoke discretionary solutions focused on decarbonised portfolios in line with our solutions-based client approach
- Diverse ESG implementation across investment styles, strategies and asset classes
- We plan to increase ESG and climate market large- and mid-capitalization product offerings and to work both in partnership with our clients to decarbonise portfolios, and with our industry partners to define climate-focused product solutions.
- We are in the process of developing ESG fact sheets that include climate-related metrics

**Multi-factor strategies and ESG - perfect partners**  
Case study for a carbon-optimized multi-factor portfolio  
Jan 2021

**Index construction**  
Invesco Global Climate Alignment Index

**ESG Inclusions:**

- G20<sup>1</sup> members and G3
- Carbon S&P500<sup>2</sup> stocks (11 industries)

**ESG Exclusions:**

- Carbon Underground 200, UN Global Compact non-compliant
- Weapons, tobacco, coal, tobacco
- Nuclear 10% by ESG score<sup>3</sup>
- High controversy market<sup>4</sup>

**Constraints<sup>5</sup>**

- Sectors and country: <math>\leq 5\%</math> to comparative, cap-weighted
- Security: sector exclusions: Max 5%
- Security: others: Max 5% weight in comparative benchmark

**ESG Data Sources**

- Carbon Underground 200
- Sustainability

**Security Weighting**

- Carbon solutions stocks allocated 20%, all others: 80%
- Market cap weighted within each allocation

**Investor Sustainability Risk & Metrics Check**

Category	Score	Weight	Weighted Score
ESG	75	70%	52.5
Climate	85	30%	25.5
<b>Total</b>	<b>78</b>	<b>100%</b>	<b>78</b>

# Strategy

Climate risks and opportunities may significantly impact our delivery of our four strategic objectives



## Engagement

We focus on engagement over divestment and aim to take advantage of Invesco's scale and long-term investment approach. This helps us capture the attention of management and use our influence to encourage more proactively sustainable behaviour from the firms and entities in which we invest

- **Collaborative engagements** – e.g. Climate Action 100+ taken a lead investor role
- Invesco has set up a **centralised process to collaborate internally** on ESG-focused engagements
- The ESG research team also provides **in-depth research** on certain issuers before engaging
- Invesco has a **decentralised approach to proxy voting**

## Advocacy

Collaborative initiatives have helped us to shape our dialogue with investee companies, and topics covered have provided the basis of a reference framework for our climate risk assessment

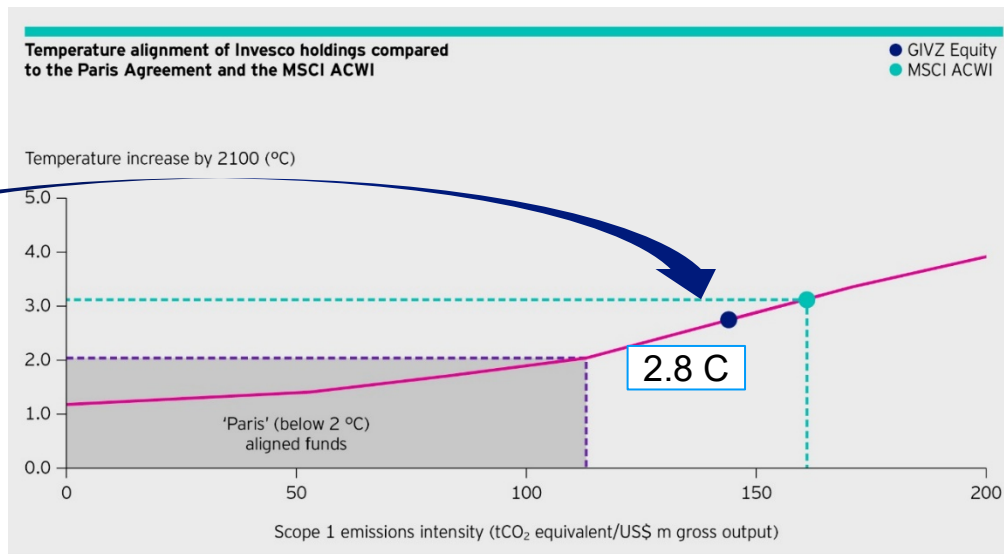
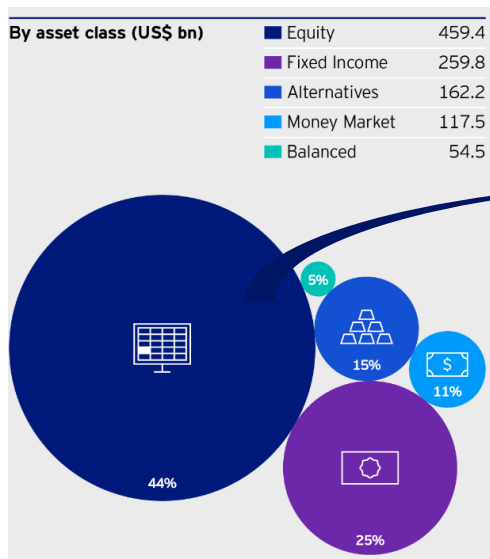
Invesco is a member of the **IIGCC** (Institutional Investors Group on Climate Change), World Economic Forum **CCRI** (Coalition for Climate Resilient Investment), **CFRF** (Climate Financial Risk Forum)

- In the EU: We contributed to the European Commission's work on an EU Green Bond Standard and EU Climate Benchmarks, we are members of the **PRI EU Taxonomy Working Group**
- In Asia: Invesco is a member of AIGCC (Asia Investor Group on Climate Change) and **Japan TCFD Consortium**
- In the US: Invesco is a member of various trade bodies, such as **ICI**



# Scenario Analysis

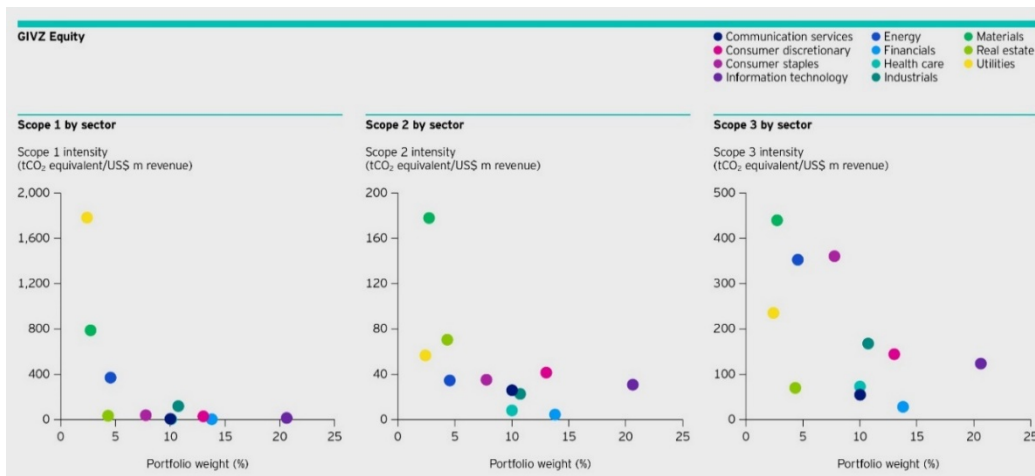
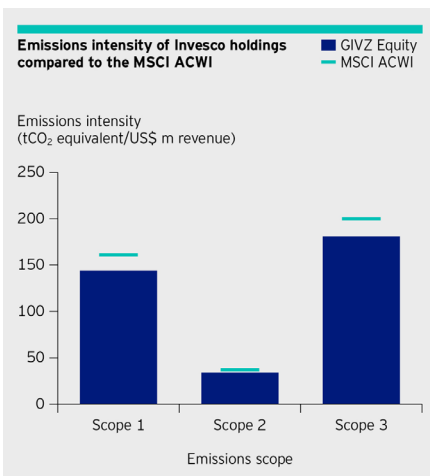
## Invesco temperature alignment of our investments



**44% our Invesco AUM, represented by our Equities holdings, are positioned on a trajectory towards 2.8 degrees C warming**

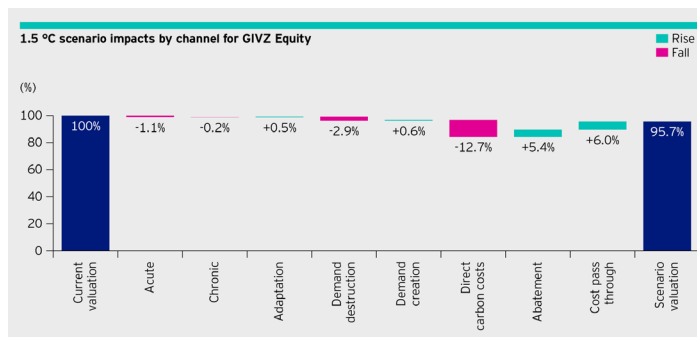
# Scenario Analysis

## Invesco Equity holdings



Invesco Emission Intensity Scope 1, 2 and 3 are below the benchmark and differentiated by sectors

The impact of moving out equity holdings towards limiting global warming to 1.5 degrees Celsius, has a net cost that we need to take into account in its full components





# Investment Solutions

## Case Study Factor Investing



Multi-factor strategies and ESG - perfect partners  
Case study for a carbon-optimized multi-factor portfolio  
June 2020

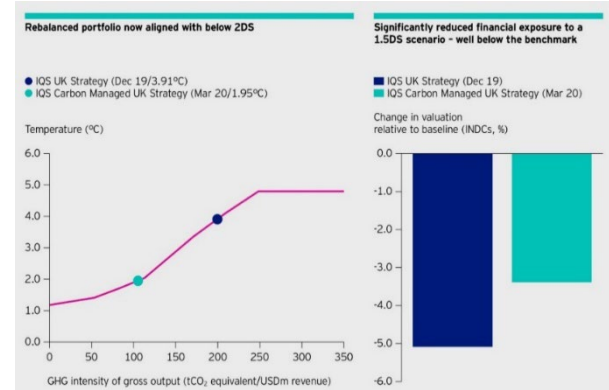
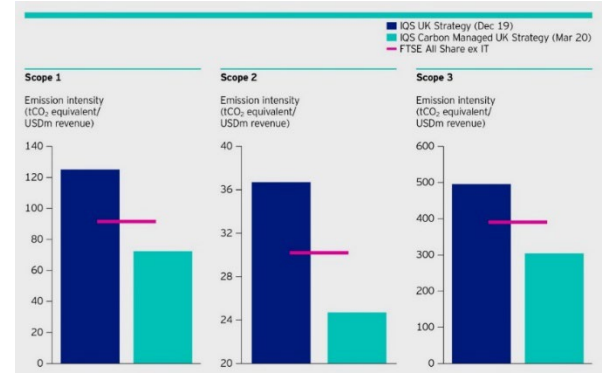
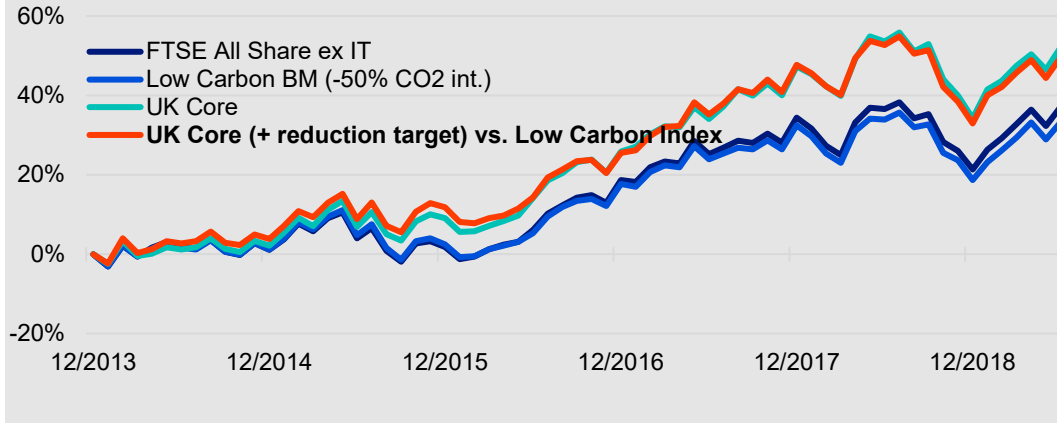


**Executive summary**  
Invesco's multi-factor approach to ESG integration is designed to identify and invest in companies that are well-positioned to thrive in a low-carbon world. This approach is based on a combination of factors, including carbon intensity, climate change risk, and other ESG factors. The result is a portfolio that is not only more resilient to climate change risk but also better positioned to capture the growth opportunities of the low-carbon economy.

**Key findings**  
• The Invesco Carbon Managed UK Strategy (Mar 20) has significantly outperformed the benchmark (FTSE All Share ex IT) since its inception in 2013, demonstrating the power of a carbon-optimized multi-factor approach.  
• The Invesco Carbon Managed UK Strategy (Mar 20) has significantly reduced its financial exposure to a 1.5DS scenario, well below the benchmark.  
• The Invesco Carbon Managed UK Strategy (Mar 20) has significantly reduced its GHG intensity of gross output (CO<sub>2</sub> equivalent/USDm revenue) relative to the benchmark.

Strategy	Description
FTSE All Share ex IT index	Benchmark
Low Carbon BM (-50% EI)	BM with Emission Intensity reduction by 50%
UK Core	Existing active strategy
UK Core vs. Low Carbon Index	Active UK Core Strategy against BM with 50% EI reduction
UK Core (+ reduction target) vs. Low Carbon Index	Active UK Core Strategy against BM with 50% EI reduction and Emission Intensity control (-30% EI vs. FTSE All Share ex IT index)

### Cumulative performance



# Investment Solutions

## Case Study Self-Indexing



### Index Universe

- Global, developed market large- and mid-capitalization securities

### Stock Selection

#### ESG Inclusions:

- Carbon Emission provider scores A and B
- “Carbon solutions” stocks (11 industries)

#### ESG Exclusions

- Carbon Underground 200, UN Global Compact non-compliant, oil sands, coal, other exclusions
- Bottom 10% by ESG score
- High controversy stocks

### Constraints

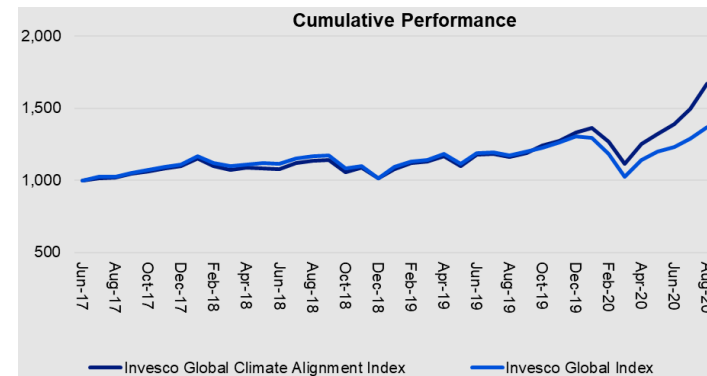
- Sector and country: +/-5% to comparative, cap-weighted index
- Security, carbon solutions: Max 3%
- Security, others: Max (5%, weight in comparative benchmark)

### ESG Data Inputs

- Carbon Emission Provider
- Carbon Underground 200
- ESG Data Provider

### Security Weighting

- Carbon solutions stocks allocated 20%; all others: 80%
- Market cap weighted within each allocation



Source: Invesco Indexing. June 30, 2017 – August 31, 2020. The Invesco Global Climate Alignment Index was launched on September 8, 2020; all data prior to launch dates are back-tested. Back-tested performance (i.e. calculations of how the Index might have performed over that time period had the Index existed) is subject to inherent limitations because it reflects retroactive application of an Index methodology and selection of Index constituents with the benefit of hindsight. Past performance, actual or back-tested, is no guarantee of future performance.

# Engagement

## Invesco Corporate Engagement

Co-lead investor in Climate  
Action 100+

ESG covered in over 1000  
investment team meetings in  
2019

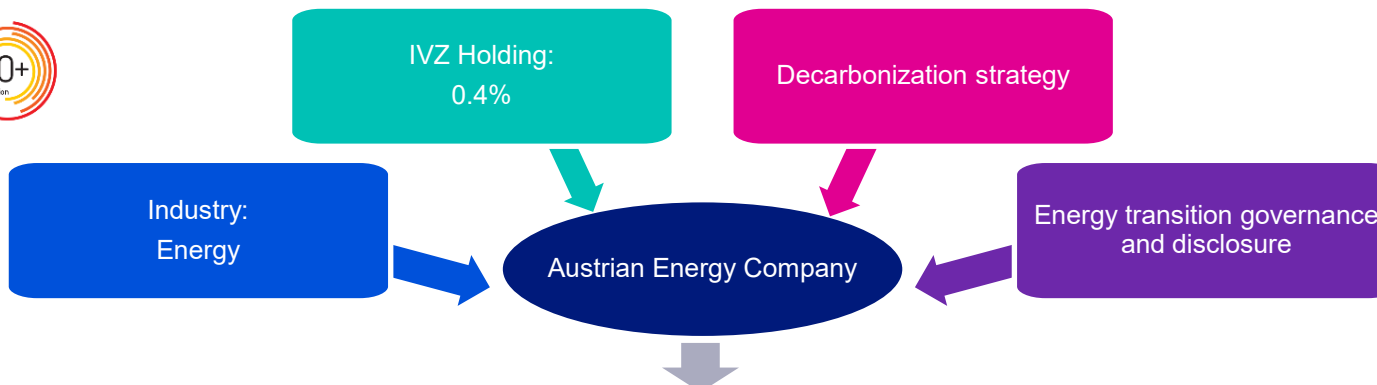
Invesco Corporate  
Engagement

Active participant investor in 7  
Climate Action 100+ companies

More than 100 targeted ESG  
engagement meetings in 2020

# Recent Engagement Case Study

## Shareholder Stewardship in Action



- co-lead investor role in the Climate Action 100+.
- signed and sent a letter to the CEO and Chairman to explain the new Climate Action 100+ framework and benchmark.

The company has made progress this year by:

- issuing their first lobbying report,
- setting a net zero target on scope 1 and 2 emissions,
- updated its scope 3 near term target,
- enhanced the inclusion of emissions in the Long-Term Incentive plan for executives.

Source: Invesco. For illustrative purposes only.

# Annex





## **Invesco Inaugural Climate Change Report:**

Invesco believes the issues of climate change should be top of the agenda for us as a society and for our clients. As a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) we are launching our first report on Climate Change aligned to their framework. The report also sets out Invesco's assessment of a significant part of its listed equities and corporate fixed income holdings in respect of emissions intensity, temperature alignment and climate scenario analysis. Click [here](#) for more information.

# Some Thought Leadership papers



- **ESG Disclosure the bedrock of the sustainable finance agenda.** Maria Lombardo, Elizabeth Gillam and Nikki Gwilliam Beeharee examine the ESG disclosure framework jigsaw and suggest harmonization solution of the most important disclosure references. Click [here](#) to access the article.
- **Coronavirus does discriminate:** The crisis gives fresh urgency to calls to better understand the distributional impacts of the health and economic crisis that is unfolding and use the economic recovery as an opportunity to deliver economic prosperity for all. Click [here](#) for more information
- **COVID-19 highlights the role of urbanization and climate change:** Covid-19's sudden emergence not only reminds us of our fragility as a species, it reveals serious structural vulnerabilities that allow diseases like this to spread. Click [here](#) to access the full article
- **COVID-19, Why the 'S' in ESG Matters:** Issues such as climate change and diversity have dominated the news in recent years, but the pandemic is showing us that keeping an eye on employee welfare, corporate culture and supply-chain sustainability is also important. Click [here](#) to access the full article
- **ESG investing stands out during Covid-19 volatility:** Nathan Miller, Unit Trust Equity Portfolio Manager finds that ESG initiatives have gained traction in many companies over the past few months. Companies are using this crisis to make meaningful changes, not just adapt to COVID-related challenges, as evidenced by the 28% increase in signatory growth seen by the UNPRI this year among other indicators. It's become increasingly clear that not enough has been done to close racial gaps and disparities that have existed for decades, and its been encouraging to see the new or renewed public declaration of initiatives by various companies to help address this issue. Shifting from initiatives to performance, Nathan examines the belief that companies with better ESG practices and engagement are well-positioned to outperform peers with lower levels. Click [here](#) for more information
- **How have ESG objectives behaved during this year's market turbulence?** – Following an extended bull market, the spread of the corona virus in early 2020 and the associated containment measures by various governments caused severe equity market correction starting mid-February. For many investors, this is probably the first live experience investing in ESG strategies during a crisis period. Some investors may still hold concerns that application of ESG criteria is at odds with the maximization of returns. It is interesting to review how securities that exhibit attractive ESG features have held up compared to securities with poor ESG scores. Click [here](#) to access the full article

# ESG Leadership Team



Cathrine De  
Coninck-Lopez

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Based in the UK, Cathrine is Global Head of ESG for Invesco, with global responsibility for environmental, social and governance (ESG) research and engagement. She joined Invesco in October 2017 as Head of ESG for Invesco's Henley Investment Centre following nine years at Columbia Threadneedle Investments. Cathrine started her career in 2008 as a responsible investment analyst and has experience across the responsible investment spectrum of ESG integration to specific fund strategies. She is a non-executive board member of the UK Sustainable Investment and Finance Association (UKSIF). She holds an MBA from London Business School, a MSc in Water Science, Policy and Management from Oxford University and a BSc in Environmental Science from Nottingham University. She also holds the Investment Management Certificate from the CFA Society of the UK.

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Glen K. Yelton

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Glen K. Yelton joined Invesco in 2019 as Head of ESG Client Strategies North America based in Atlanta. Mr. Yelton served as the Director of ESG & Impact Investing on OppenheimerFunds' SNW Investment Team with analytical responsibilities for the Impact strategies. SNW was acquired by OFI Global in 2017. Prior to joining the SNW team in 2015, Glen managed the ESG research program at IW Financial. Before that, he oversaw ESG data collection at American Values Investments. Additionally, he has provided competitive intelligence research for a variety of Fortune 100 clients across several industries and served as an interrogator for the U.S. Army. Glen holds a B.S. from East Tennessee State University.

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Maria Lombardo

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Maria Lombardo joined Invesco in 2019 as Head of ESG Client Strategies EMEA based in London. Ms. Lombardo has more than 20 years of experience serving as managing director in investment banking with Lazard, UBS, Sberbank and Unicredit. Prior to joining Invesco, she was coordinating the global investor initiative group at CDP, the environmental disclosure non-for-profit organization at the forefront of climate change. Ms. Lombardo graduated from Bocconi University in Milan with a CEMS Master in Bocconi and UCL/Brussels, she holds the ESG CFA Certificate and a diploma in Business Sustainability Management from Cambridge University Institute of Sustainability Leadership where she is mentor to the Acceleration hub. Ms. Lombardo is fluent in Italian, English and French.

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Nikki Gwilliam-  
Beeharee

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Nikki Gwilliam-Beeharee is Director of ESG Research for Invesco. In this role she leads Invesco's environmental, social and governance (ESG) research and engagement agenda. This includes working with investment teams globally to actively engage companies on ESG aspects, to evolve the ESG investment tools, and to deliver in-depth ESG company and thematic research. Nikki joined Invesco in April 2019 following nine years at Vigeo Eiris. Nikki started her career as a Food and Health ESG analyst before managing the ESG research team and supporting asset managers with ESG solutions in her previous role as Director of Research at Vigeo Eiris. Nikki holds an MA in Human Rights from University of Sussex, a BA in Economics and Social Anthropology from the University of Manchester and has attained the Chartered Institute for Securities & Investment's certificate on the 'Introduction to Securities and Investment'.

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Zoje Vataj

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Zoje Vataj is Global Proxy Governance & Voting Manager at Invesco. In this role she is responsible for overseeing proxy governance and voting across Invesco, interacting on ESG research and integration, engagement with Invesco PM teams and company management, and developing policy. Zoje joined Invesco in 2019 when the firm combined with OppenheimerFunds where she spent three years overseeing proxy voting. Before that, Zoje spent three years as Client Service Manager at Institutional Shareholder Services, Inc. (ISS) supporting governance and proxy voting services. Previously, she spent over 5 years as Account Executive at Morrow & Co., LLC a proxy solicitation firm in CT. Zoje brings over 12 years of experience in the proxy voting space. She earned a bachelor's degree in Sociology and Early Childhood education from Manhattanville College.

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Ankur Gupta

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Ankur Gupta is a Senior ESG Specialist in Invesco based in Hyderabad, India. In his current role, he leads the global ESG analytics and data, strategizing technology initiatives, building investment tools and data analytical capabilities to assist global investment teams with ESG products, analysis and research. Ankur joined Invesco in April 2015 and has over 13 years of experience in the financial industry. Prior to joining Invesco, Ankur has worked as a product manager at Broadridge Financial Solutions and CGI for 8 years doing market research, product management and creating a strategic roadmap for wealth management and trade processing solutions. He holds a Bachelor of Technology degree specialized in Electronics and communications from the ICFAI University and is a CFA charter holder since 2018.

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