



Qontigo Investment Intelligence Summit— Dec 9th, 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

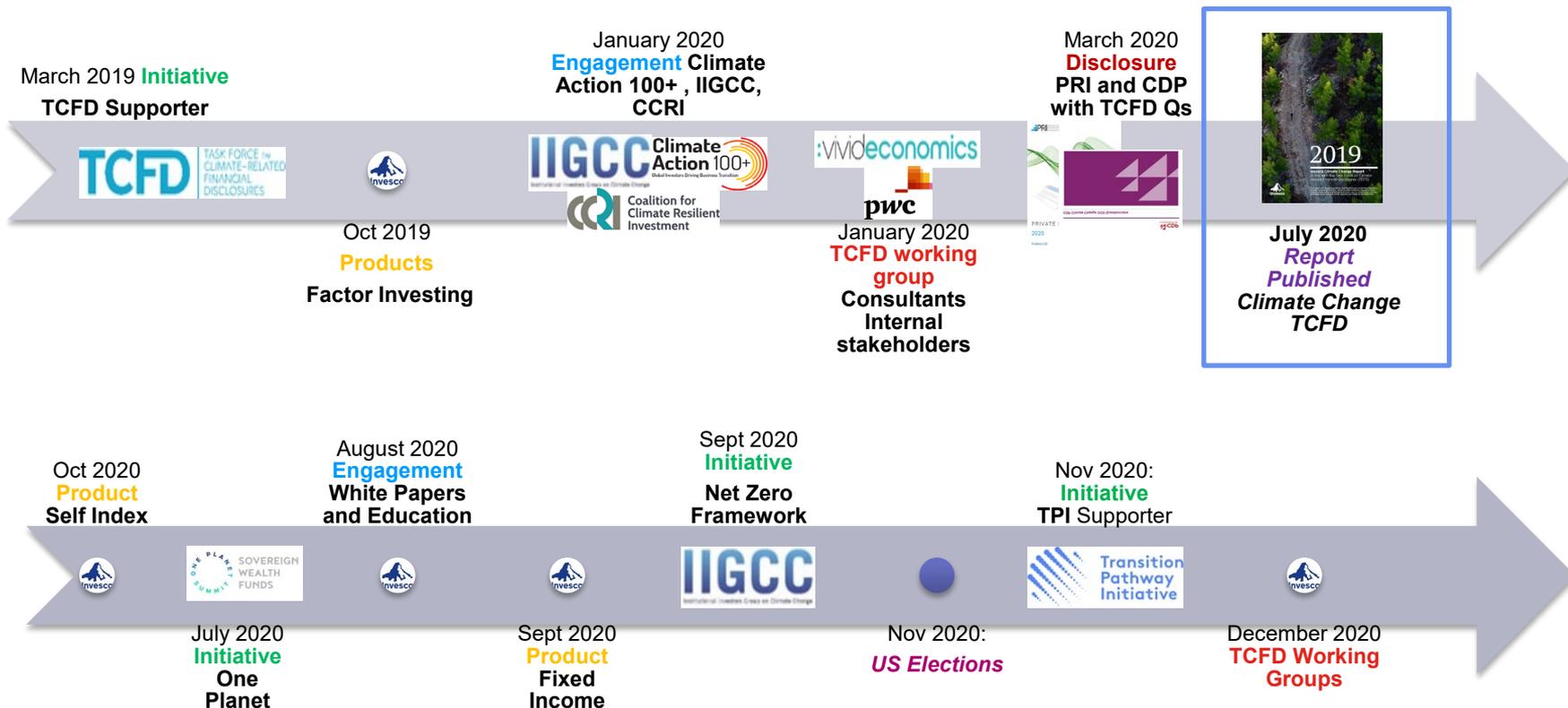


Executing on TCFD	Industry commitment	Company Research & Engagement	Product and solutions
<ul style="list-style-type: none"> Publication of the Climate Change Report compliant the TCFD guideline Scenario Analysis in collaboration with Vivid Economics climate change analysis data provider Selection of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



Our approach to Climate change

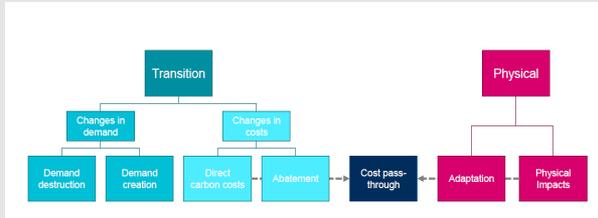
From supporter to practitioner



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 2020

Index construction
Invesco Global Climate Alignment Index

ESG Inclusions:

- G20¹ members and G3
- Carbon S&P500² stocks (11 industries)

ESG Exclusions:

- Carbon Underground 200, UN Global Compact non-compliant
- Weapons, tobacco, coal, tobacco
- Alcohol 10% by ESG score³
- High controversy market⁴

Constraints⁵

- Sectors and country: $+10\%$ to comparative, cap-weighted
- Security: sector deviations: Max 5%
- Security: other: Max 5% weight in comparative benchmark

ESG Data

Security Weighting

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

Investor Sustainability Day & Network Lunch
CO2

1 Source: COP Resolutions
2 Source: S&P500
3 Source: S&P500
4 Source: S&P500
5 Source: S&P500

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

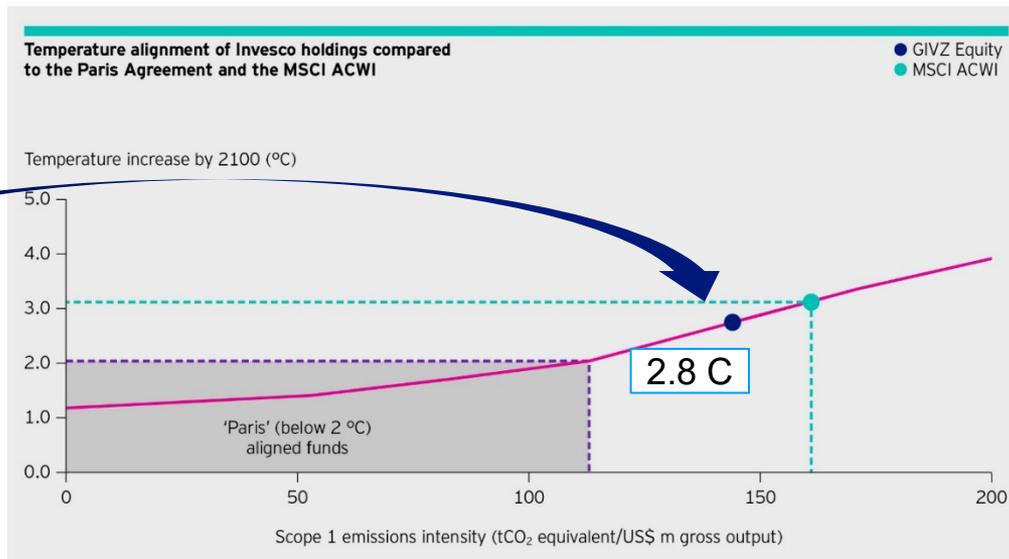
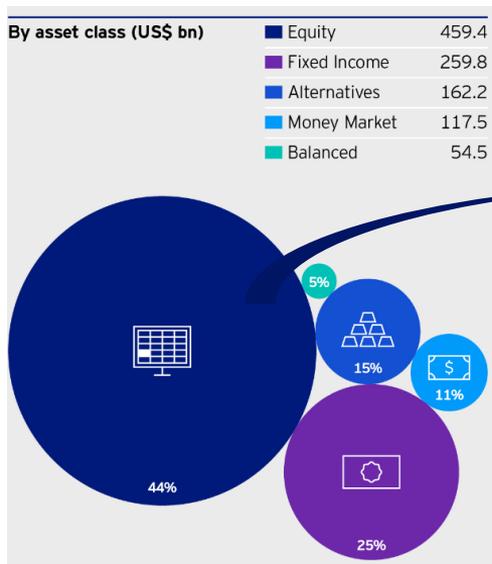
Invesco is a member of the **IIGCC** (Institutional Investors Group on Climate Change), World Economic Forum **CCRI** (Coalition for Climate Resilient Investment), **CFRF** (Climate Financial Risk Forum)

- 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

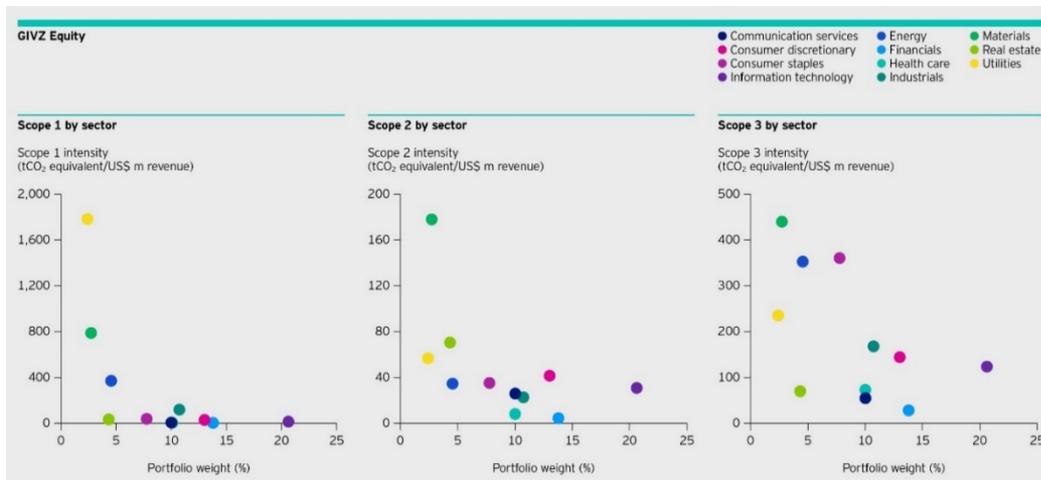
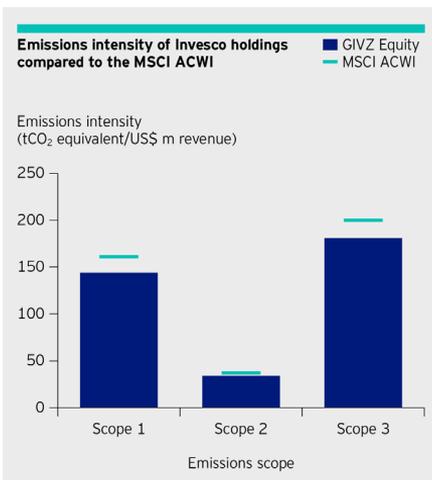
Invesco temperature alignment of our investments



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

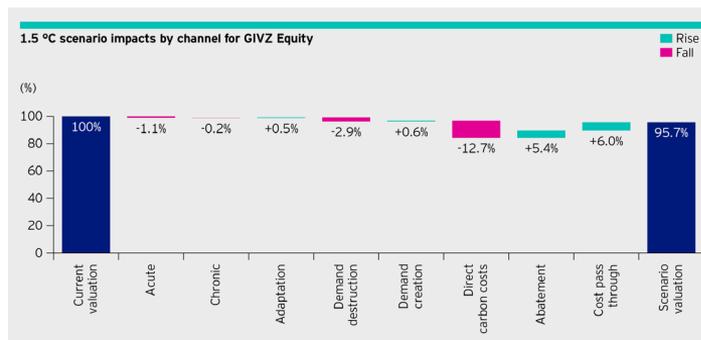
Scenario Analysis

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

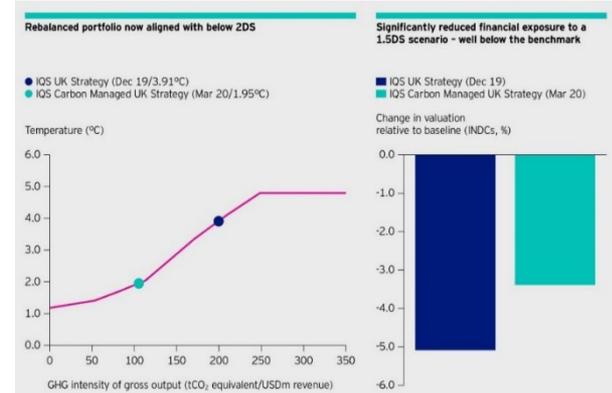
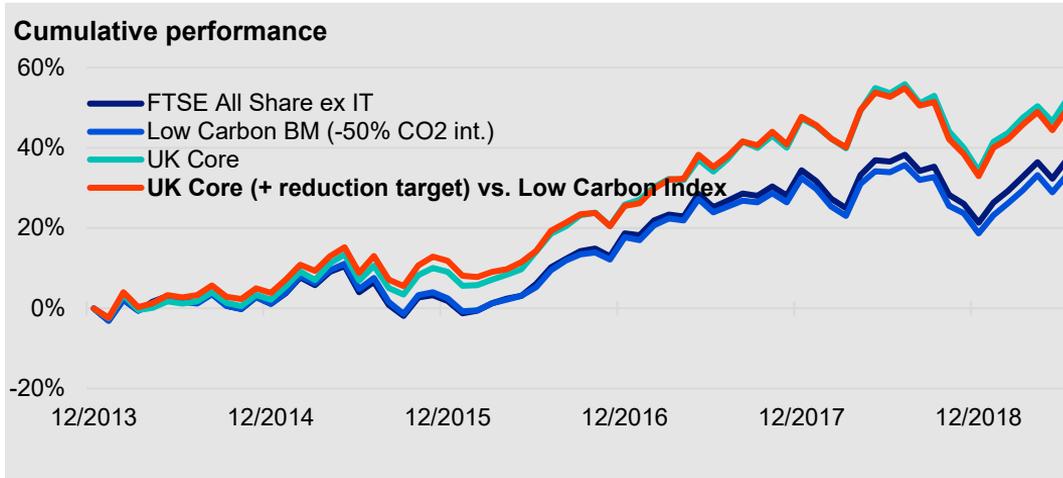
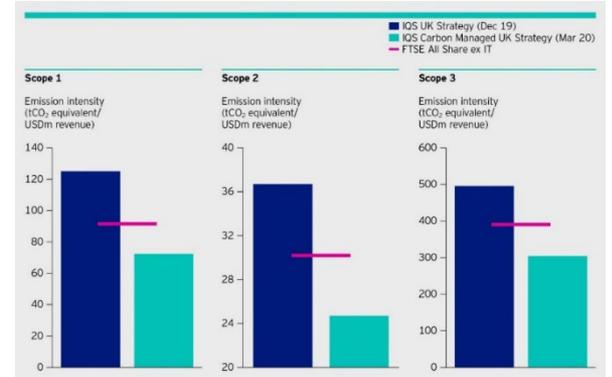


Multi-factor strategies and ESG - perfect partners
Case study for a carbon-optimized multi-factor portfolio
June 2020



Executive summary
Invesco's multi-factor strategy, which combines ESG factors with traditional financial metrics, has demonstrated superior performance compared to its benchmark, the FTSE All Share ex IT index, over the long term. This is particularly true in the context of a carbon-optimized portfolio, which has shown a significant reduction in carbon emissions while maintaining competitive returns. The strategy's focus on ESG factors, particularly carbon intensity, has been a key driver of its success, as it has allowed investors to avoid high-carbon assets and invest in companies with strong ESG profiles. This approach has not only reduced the portfolio's carbon footprint but also enhanced its resilience and long-term growth potential. The strategy's performance is a testament to the power of ESG integration in investment decision-making, demonstrating that companies with strong ESG profiles are better positioned to succeed in the long run.

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)



Source Invesco IQS and Vivid Economics. For illustrative purposes only.

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

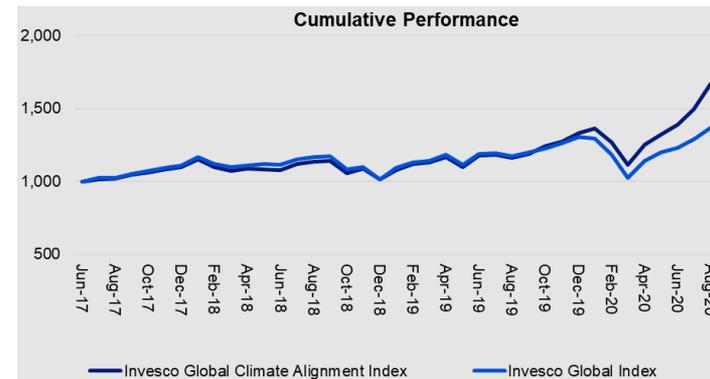
- Sector and country: +/-5% to comparative, cap-weighted index
- Security, carbon solutions: Max 3%
- Security, others: Max (5%, weight in comparative benchmark)

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

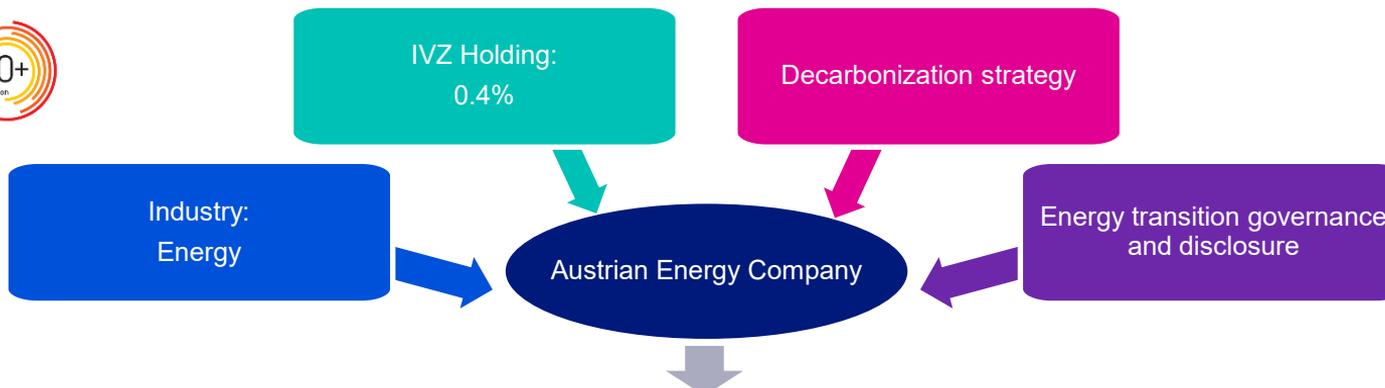
Invesco Corporate Engagement

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

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.



Glen K. Yelton

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.



Maria Lombardo

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.



Nikki Gwilliam-
Beeharee

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'.



Zoje Vataj

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.



Ankur Gupta

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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