



## **ESG Portfolio Report**

### **PORTFOLIO:**

Invesco Quantitative Strategies ESG Global Equity Multi-Factor UCITS ETF

### **INDEX:**

MSCI World

31/12/2019

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# Invesco Quantitative Strategies ESG Global Equity Multi-Factor UCITS ETF



## Invesco Quantitative Strategies integrated ESG approach

Invesco Quantitative Strategies (IQS) offers an integrated ESG investment process which is built on long-standing experience in customized ESG solutions, active engagement with companies and the Invesco proxy voting approach. Having incorporated proprietary aspects of governance for many years (“Quality” factor), the team has enhanced risk management by introducing a dedicated ESG exposure control for all portfolios as well as an adverse ESG momentum measure to restrict certain companies.

### **Quality-Governance-linkage**

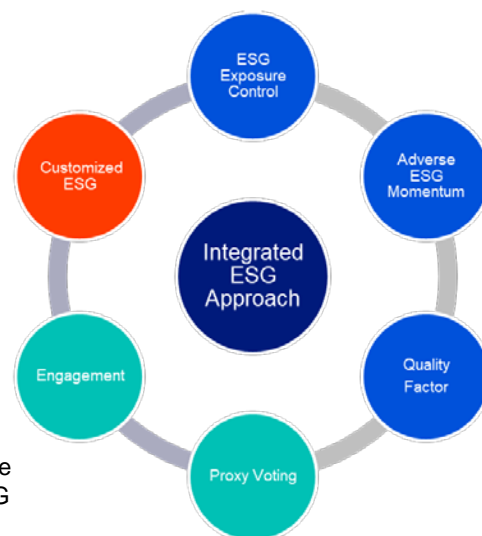
The Quality factor assesses the profitability and the balance sheet quality of companies. The team prefers companies with less aggressive accounting. Arguably strong governance would put breaks on management empire building and CEO vanity projects. Good quality as well as good governance helps to mitigate the agency problem of delegated management.

### **Adverse ESG momentum**

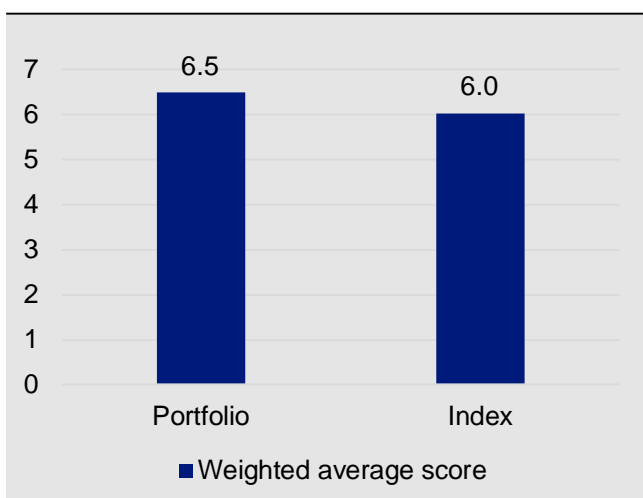
At the intersection of return and risk is the case of stocks that experience severe downgrades to their ESG scores. IQS has integrated sharp downgrades of ESG scores into its risk management and treat such stocks as exceptional.

### **ESG exposure control**

Furthermore, IQS manages the ESG exposure of all multi-factor portfolios. IQS considers it reasonable to ensure that portfolios are not heavily exposed to the risk of scoring much worse from an ESG perspective relative to their respective universes.



## Overall ESG Scores



## ESG theme scores

	Portfolio	Index
Environment	6.6	6.2
Social	5.2	4.8
Governance	5.7	5.5
Weighted coverage <sup>1</sup>	99%	100%

Source: Invesco, MSCI ESG Research. As of 31 December 2019. Index: MSCI World Index. <sup>1</sup> Weighted Coverage is the percentage of the portfolio and benchmark where the MSCI ESG research is available. Overall ESG Score: MSCI ESG industry adjusted company ratings. Scores range from 0-10, 10 are the best ESG scores, while 0 is the lowest ESG score.

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## Top ESG rated companies in portfolio

Identifies the top 5 ESG rated companies in the portfolio

Name	Sector	ESG score <sup>1</sup>	Port. weight
Microsoft	IT	10	3.8%
Boliden	Mat	10	1.5%
Johnson Controls Intl	Ind	10	1.2%
Cummins	Ind	10	1.0%
Accenture	IT	10	0.7%

## Largest holdings in portfolio

Identifies the absolute largest companies in the portfolio

Name	Sector	ESG score <sup>1</sup>	Port. Weight
Microsoft	IT	10	3.8%
Apple	IT	6.4	2.7%
JPMorgan Chase	Fin	2.9	2.4%
Procter & Gamble	ConDis	7.9	2.1%
Amgen	HlthC	8.4	1.6%

## Largest holdings in detail<sup>2</sup>

Name	Area of strength	Area of weakness
Microsoft (leading in peer group)	Environmental domain Commitment to becoming carbon negative by 2030 and to removing its emitted carbon since its foundation; 16.6% revenue from energy efficiency products in 2018	Human Resources domain Set up extensive measures to address stress at work; But, it does not report on its strategy to manage reorganization responsibly with the reported layoffs that occurred 2015 - 2017
Apple (above average in peer group)	Environmental domain Positive trends of GHG emissions and energy-efficiency of products. Formalized commitment to environmental protection; GHG reduction targets are set.	Human Resources domain Apple's lack of transparency, assurance on the Company's ability to manage Human Resources issues is low.
JPMorgan Chase (average in peer group)	Environmental domain Environmental strategy is comprehensive and addresses both direct and indirect impacts stemming from its activities	Corporate Governance domain Due to minority of independent board members (45.4%) and recurrent allegations related to internal control failures
Procter & Gamble (above average in peer group)	Environmental domain Extensive environmental strategy and quantified targets e.g. on energy and water use, reduction of energy related emissions and environmental impacts from the use and disposal of products	Business Behavior domain Commitments to issues reviewed supported by at least basic measures and extended measures for integration of environmental factors in the supply chain; however, controversies linked to its palm oil sourcing
Amgen (leading in peer group)	Human Resources domain Formalized commitments to career development and health & safety with significant measures reported for the latter	Community Involvement domain Only partially relevant commitment to promoting the sustainable development of health care systems, supported by some measures e.g. support to address gaps in national health care systems.

Source: Invesco, MSCI ESG Research, Vigeo Eiris. As of 31 December 2019. <sup>1</sup> Source: ESG Score: MSCI ESG industry adjusted company ratings. <sup>2</sup> Based on MSCI ESG Research and Vigeo Eiris. The mention of company names is for illustrative purposes only and is not intended as a recommendation to invest in any particular security.

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## Carbon Footprint Analysis – Key Data

	Portfolio	Index	Delta
CO2 Intensity (Scope 1)	32.5	37.1	-4.6
CO2 Intensity (Scope 2)	69.3	146.8	-77.5
<b>CO2 Intensity (Scope 1 + 2)</b>	<b>101.8</b>	<b>183.9</b>	<b>-82.1</b>
CO2 Intensity Total	523.6	686.3	-162.7
Coverage <sup>1</sup>	100%	98.4%	

### Glossary:

**Index:** MSCI World Index.

**Intensity:** Carbon intensity is calculated using data from ISS Climate solutions. Carbon intensity is calculated as weighted average of the respective scope emissions(CO2 equivalents) per USD million of revenue.

**Scope 1 emission:** Issuers Scope 1 Direct emissions (tCO<sub>2</sub>e). The Direct emissions data represents the final, ISS-Ethix reviewed and approved value based on the ISS-Ethix Climate Solution methodology, which selects the accurate value from available sources.

**Scope 2 emission:** Issuers Scope 2 Energy Indirect emissions (tCO<sub>2</sub>e). The Energy Indirect emissions data represents the final, ISS-Ethix reviewed and approved value based on the ISS-Ethix Climate Solution methodology, which selects the accurate value from available sources.

**Scope 3 emission:** Issuer's Scope 3 "Other Indirect" emissions (tCO<sub>2</sub>e). For Scope 3 emissions, all provided data has been estimated. Reported Scope 3 emissions are generally unreliable and thus reported Scope 3 emissions are included in this datapoint.

**CO2 Total** aggregate of Scope 1, Scope 2 and Scope 3.

Source: Invesco, ISS Climate Solution. <sup>1</sup> Weighted Coverage is the percentage of the portfolio and benchmark where the ISS Climate Solution Carbon data research is available. Portfolio level carbon intensity figures are an indicative measure of exposure to carbon risk that should be considered alongside sector and company specific metrics. Latest climate dataset available is as of 2017.



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Data as at 31 December 2019, unless otherwise stated.

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EMEA 2020/601