



Invesco Japan Proxy Voting Guideline

Invesco Japan (hereinafter “we” or “our”) votes proxies to maximize the interests of our clients (investors) and beneficiaries in the long term, acknowledging the importance of corporate governance based on fiduciary duties to our clients (investors) and beneficiaries. We do not vote proxies for the interests of ourselves and any third party other than clients (investors) and beneficiaries. The interests of clients (investors) and beneficiaries are to expand the corporate value or the shareholders’ economic interests or prevent damage thereto. Proxy voting is an integral part of our stewardship activities, and we make voting decisions considering whether the proposal would contribute to corporate value expansion and sustainable growth.

To vote proxies adequately, we have established the Responsible Investment Committee and developed the Proxy Voting Guideline to govern the decision-making process of proxy voting. While we may seek advice from an external service provider based on our own guidelines, our investment professionals make voting decisions in principle, based on the proxy voting guideline, taking into account whether they contribute to increasing the subject company’s shareholder value.

Responsible proxy voting and constructive dialogue with investee companies are important components of stewardship activities. While the Proxy Voting Guideline are principles for our voting decisions, depending on the proposals, we may make an exception if we conclude that such a decision is in the best interests of clients (investors) and beneficiaries after having constructive dialogue with the investee companies. In such a case, approval of the Responsible Investment Committee shall be obtained.

The Responsible Investment Committee consists of members including Chief Investment Officer, as the chair, Head of Compliance, Head of ESG, investment professionals nominated by the chair and the other members, including persons in charge at the Client Reporting department.

We have established the Conflict of Interest Management Policy. In the situation that may give rise to a conflict of interest, we aim to control it in the best interests of clients (investors) and beneficiaries. The Compliance department is responsible for governing company-wide control of a conflict of interest. The Compliance department is independent of Investment and Sales departments and shall not receive any command or order for the matters compliant with the laws and regulations, including a conflict of interest, from them.



Proxy Voting Guidelines

1. Appropriations of Retained Earnings and Dividends

We decide how to vote on proposals seeking approval for appropriations of retained earnings and dividends, taking into account the subject company's financial conditions and business performance, shareholders' economic interests and so on.

- Taking into account the company's capital adequacy, business strategies, and so on if the total payout ratio, including dividends and share repurchases, is significantly low, we consider voting against the proposals unless reasonable explanations are given by the company.
- With respect to the company where the Board of Directors determines appropriations of retained earnings, taking into account the subject company's capital adequacy, business strategies, and so on if the total payout ratio, including dividends and share repurchases, is significantly low, we consider voting against the reappointment of board directors unless reasonable explanations are given by the company.
- Taking into account the subject company's capital adequacy, business strategies, and so on if the total payout ratio, including dividends and share repurchases, is significantly low, we consider voting for shareholder proposals increasing shareholder returns.

2. Appointment of Board Directors

We decide how to vote on proposals concerning the appointment of board directors, taking into account their independence, competence, anti-social activity records (if any), and so on. Furthermore, we decide how to vote on the reappointment of board directors, taking into account their corporate governance practices, accountability during their tenures, the company's business performance and anti-social records (if any), and so on in addition to the above factors.

Board directors should make best efforts to continuously gain knowledge and skills to fulfill the critical role and responsibilities in the company's governance. A company should also provide sufficient training opportunities.

Independent outside directors are expected to play a significant role, such as safeguarding minority shareholders' interests through action based on their insights to increase the company's corporate value. It is desirable to enhance the board's governance function with independent outside directors accounting for the board majority. However, given the challenge to secure competent candidates, we also recognize that it is difficult for all the companies, irrespective of their size, to deploy the independent outside directors' majority on the Board.



Sufficient disclosure is a prerequisite for reflecting the assessment of independence and suitability of director candidates and board composition in voting decisions. Currently, there are cases where sufficient information cannot be obtained due to insufficient disclosure on a board chair, each committee's function and committee chairs in Notice of Annual General Meeting (AGM) and a corporate governance report, as well as untimeliness of these issuances. We generally make decisions based on Notice of AGM, a corporate governance report and an annual securities report disclosed by the time of voting. However, this shall not apply if we obtain such information from direct engagement with the company or find relevant disclosure elsewhere.

(1) Independence

We generally vote for the appointment of outside directors. However, we generally vote against if a candidate is not regarded as independent of the subject company. It is desirable that the company discloses information, such as numerical data, which supports our decision on board independence.

- We view the following outside director candidates are not independent enough.
 - Candidates who have been working for the following companies for the last ten years or are those people's relatives.
 - The subject company
 - Its subsidiary
 - Its parent company
 - Candidates who have been working for the following companies for the last five years or are those people's relatives.
 - Shareholders who own more than 10% of the subject company
 - Principal loan lenders
 - Principal securities brokers
 - Major business partners
 - Auditors
 - Audit companies, consulting companies or any related service providers which have any consulting contracts with the subject company
 - Any other counterparts which have any interests in the subject company

In cases other than above, we separately scrutinize the independence of candidates who are regarded as not independent enough.

- We take extra care when we assess the independence of candidates from a company which is regarded as a policy shareholder under cross shareholding, mutually sends outside directors to each other, and so on, as such cases potentially raise doubts about their



independence. The company should give reasonable explanations. It is also desirable that the company contrives the timing and method of disclosure to allow investors to understand those relationships enough.

- We judge board independence according to the stock exchange's independence criteria with emphasizing independence ensured practically. We consider each company's business environment and make the best effort to engage with the subject company to determine the independence of the candidates.
- We regard an outside director with a significantly long tenure as non-independent and consider voting against the reappointment of such an outside director. We generally consider voting against the reappointment of outside directors whose tenures are longer than ten years.
- If the subject company is a company with Audit Committee, we judge the independence of outside director candidates who become audit committee board members using the same independence criteria for the appointment of statutory auditors in principle.
- We generally consider voting against the appointment of top executives and a nominating committee chair at a company with three Committees if independent outside directors of the subject company account for less than 1/3 of the Board after the AGM. However, this shall not apply if we confirm sufficient planning or special circumstances on increasing the number of independent outside directors in engagements.
- In case the subject company has a parent company, we generally consider voting against the appointment of top executives and a nominating committee chair at a company with three Committees if independent outside directors account for less than half of the Board after the AGM. However, this shall not apply if we confirm sufficient planning or special circumstances on increasing the number of independent outside directors in engagements.

(2) Attendance rate and concurrent duties

- All members are expected to attend board and respective committee meetings in principle. A Company is generally obligated to facilitate all members to attend these meetings. We generally vote against the reappointment of board directors who attended less than 75% of board or respective committee meetings.
 - We take into account not only the number of attendance but nomination reasons and candidates' real contributions if disclosed.
 - We take extra care when we assess the capability of board directors who have many concurrent duties as an outside director or outside statutory auditor of listed companies, as such cases potentially arise doubts about their capacity given the importance of outside directors' role and responsibilities. Accordingly, we consider voting against the appointment of board directors who perform five or more duties as



a director or statutory auditor of a listed company or equivalent company.

- If a company nominates a board director with many concurrent duties, it should provide reasonable explanations. It is also desirable that the company contrives disclosure timing and methods to allow investors to understand the situation enough.

(3) Company's business performance

- We consider voting against the reappointment of board directors if the subject company made a loss for the three consecutive years during their tenures.
- We consider voting against the reappointment of board directors if we judge that the subject company's business performance significantly lags the peers in the same industry during their tenures.
- We consider voting against top executives if, concerning capital efficiency including return on capital, business strategies achieving corporate value expansion and sustainable growth are not demonstrated, and constructive dialogues are not conducted.

(4) Company's anti-social activities

- If we judge that a corporate scandal damages or is likely to damage shareholder value with having a significant effect on society during a board tenure, we conduct adequate dialogues with the subject company on the background and subsequent resolutions of the scandal. Based on the dialogues, we decide how to vote on the reappointment of top executives, board directors in charge of those cases and audit committee board members at a company with Audit Committee or three Committees, considering the impact on shareholder value.
 - With respect to domestic corporate scandals, at the time a company receives administrative dispositions to cartel, bid-rigging, and so on from authorities, such as the Fair Trade Commission, we consider voting against the reappointment of top executives, directors in charge and audit committee board members at a company with Audit Committee or three Committees. However, in case final dispositions are subsequently determined based on appeal or complaints resolutions, we do not vote against the reappointment again at that time. We vote on a case-by-case basis concerning compensation orders in a civil case, dispositions from the Consumer Affairs Agency or administrative dispositions from overseas authorities.
 - With respect to administrative dispositions to an unlisted subsidiary or affiliate, we consider voting against the reappointment of top executives, directors in charge and audit committee board members at a company with Audit Committee or three Committees of the holding or parent company. If a subsidiary or affiliate is listed, we consider voting against the reappointment of top executives, directors in charge and



audit committee board members at a company with Audit Committee or three Committees of both the subsidiary or affiliate and the holding or parent company. However, we may vote on a case-by-case basis, depending on the importance of the disposition to the subsidiary or affiliate, its impact on the holding or parent company's financial performance, and so on.

- With respect to employees' scandals, if the scandal damages or is likely to damage shareholder value, and we judge that the subject company owes management responsibility, we consider voting against the reappointment of top executives, directors in charge and audit committee board members at a company with Audit Committee or three Committees.
- We consider voting against the reappointment of board directors if the subject company engages in window dressing or inadequate accounting practices during their tenures.

(5) Activities against shareholder interest

- If a company raises capital through an excessively dilutive third-party allotment without a shareholders' meeting's approval, we consider voting against the reappointment of board directors, particularly top executives.
- If a company raises capital through a large-scale public offering without reasonable explanations, we consider voting against the reappointment of board directors, particularly top executives.
- If a company does not execute a shareholder proposal regarded as favorable for minority shareholders receiving the majority support from shareholders or does not make a similar company proposal at an AGM in the following year, we consider voting against the appointment of top executives.

(6) Others

- If a company insufficiently discloses board director candidates' information, we generally vote against such candidates.

3. Composition of Board of Directors

While each company's board structure would differ depending on its size and so on, we believe that a company with three Committees (Nomination, Audit and Remuneration) is desirable to achieve better governance as a listed company. For a company with Board of Statutory Auditors (Kansayaku) or Audit Committee, it is also desirable to voluntarily deploy a Nomination Committee, a Remuneration Committee and other necessary committees. Besides, it is desirable that Board Chair is an independent outside director. We believe that a highly transparent board



composition ensures management accountability and contributes to sustained enterprise value expansion. Finally, the disclosure of the third-party assessment on the Board of Directors is desirable.

To strengthen the Board of Directors' monitoring function and increase its transparency and effectiveness, we believe it is important to ensure gender, nationality, career, and age diversity in principle. It is desirable that each company adopts a skills matrix that defines the diversity and expertise required to fulfill the Board's responsibilities reflecting its situation and selects director candidates accordingly.

We are concerned about retired directors assuming consulting, advisory or other similar positions which could negatively impact transparency and decision making of the Board. If such positions exist, and retired directors assume them, it is desirable that the company discloses their existence, their expected roles and contributions and compensations for such posts.

(1) Number of board members and change in board composition

- We decide how to vote on proposals concerning the number of board members and change in board composition, taking into account the impacts on the subject company and shareholders' economic interests compared to the current situations.
 - The number of board members should be optimized to make the right management decision at the right time. We may consider each company's business situation and scale. However, we generally consider voting against the appointment of top executives and a nominating committee chair at a company three Committees if the number of board members is expected to exceed 20 without decreasing from the previous AGM, and reasonable explanations are not given.
 - We generally vote against the appointment of top executives and a nomination committee chair at a company three Committees if a decrease in outside directors or an increase in internal directors reduces the percentage of outside directors to less than half of the board members.
 - If there are no females on the Board, we consider voting against the appointment of top executives and a nomination committee chair at a company three Committees. However, this shall not apply if we confirm sufficient planning or special circumstances on increasing the number of female directors in engagements.
 - We believe that board diversity is important and may set a higher target for a female board member ratio in the future. Similarly, we may set a racial and nationality diversity target, especially for companies with global business operations.



(2) Procedures of board director appointment, scope of their responsibilities and so on

- We decide how to vote on proposals concerning change in board director appointment procedures, taking into account the rationales, and so on, compared to the current procedures.
- We generally vote against proposals reducing board directors' responsibilities for financial damages on fiduciary duty breach.
- Board directors' responsibilities include effective monitoring of top executives succession planning. The Nomination Committee at a company with three Committees or the arbitrary Nomination Committee created at a company with the other governance structures should provide effective monitoring of successor development and appointment with transparency. It is desirable that an independent outside director serves as Nomination Committee Chair. If we judge that the succession procedure significantly lacks transparency and rationality, we consider voting against the appointment of top executives.

4. Appointment of Statutory Auditors (Kansayaku)

We decide how to vote on proposals concerning the appointment of statutory auditors, taking into account their independence, competence and anti-social activities records (if any), and so on. We decide how to vote on the reappointment of statutory auditors, taking into account their corporate governance practices and accountability during their tenures, the company's anti-social activity records, and so on in addition to the above factors.

Statutory auditors and audit committee board directors at a company with Audit committee or three Committees should have deep knowledge specialized in accounting, laws and regulations and should make best efforts to continuously gain knowledge and skills to fulfill the critical role and responsibilities in the company's governance. A company should also provide sufficient training opportunities.

(1) Independence

- We generally vote against the appointment of outside statutory auditors without independency.
 - In general, a person who has no relationship with the subject company other than a statutory auditor appointment is regarded as independent.
 - We regard that an outside statutory auditor with a significantly long tenure is not independent and generally vote against the reappointment of such an outside statutory auditor. We generally consider voting against the candidate whose tenure is longer than ten years.



(2) Attendance rate and concurrent duties

- All statutory auditors are expected to attend board or board of statutory auditors meetings in principle. A company is generally obligated to facilitate all statutory auditors to attend these meetings. We generally vote against the reappointment of statutory auditors who attended less than 75% of board or board of statutory auditors meetings.
 - We take into account not only the number of attendance but nomination reasons and candidates' real contributions if disclosed.
 - We take extra care when we assess the capability of statutory auditors who have many concurrent duties as an outside director or outside statutory auditor of listed companies, as such cases potentially arise doubts about their capacity given the importance of outside statutory auditors' role and responsibilities. Accordingly, we consider voting against the appointment of statutory auditors who perform five or more duties as a board director or statutory auditor of a listed company or equivalent company. If a company nominates a statutory auditor with many concurrent duties, it should give reasonable explanations. It is also desirable that the company contrives disclosure timing and methods to allow investors to understand the situation enough.

(3) Accountability

- If there are material concerns about a published audit report or audit procedures, or insufficiencies of required disclosures, we vote against the reappointment of statutory auditors.

(4) Company's anti-social activities

- If we judge that a corporate scandal damages or is likely to damage shareholder value with having a significant impact on society during a statutory auditor's tenure, we conduct adequate dialogues with the subject company on the background and subsequent resolutions of the scandal. Based on the dialogues, we decide how to vote on the reappointment of statutory auditors, considering the impact on shareholder value.
 - With respect to domestic corporate scandals, at the time a company receives administrative dispositions to cartel, bid-rigging, and so on from authorities, such as the Fair Trade Commission, we consider voting against the reappointment of statutory auditors. However, in case the final dispositions are subsequently determined based on appeal or complaints resolutions, we do not vote against the reappointment again at that time. We vote on a case-by-case basis concerning compensation orders in a civil case, dispositions from the Consumer Affairs Agency or administrative dispositions from



overseas authorities.

- With respect to administrative dispositions to an unlisted subsidiary or affiliate, we consider voting against the reappointment of statutory auditors of the holding or parent company. If a subsidiary or affiliate is listed, we consider voting against the reappointment of statutory auditors of both the subsidiary or affiliate and the holding or parent company. However, we may decide on a case-by-case basis, depending on the importance of the dispositions to the subsidiary or affiliate, its impact on the holding or parent company's financial performance, and so on.
- With respect to employees' scandals, if the scandal damages or is likely to damage shareholder value, and we judge that the subject company owes management responsibility, we consider voting against the reappointment of statutory auditors.
- We consider voting against the reappointment of statutory auditors if the subject company engages in window-dressing or inadequate accounting practices during their tenures.

5. Composition of Board of Statutory Auditors (Kansayaku)

We decide how to vote on proposals concerning the number of members or change in composition of the board of statutory auditors, taking into account the impact on the subject company and shareholders' economic interests compared to the current situations.

- We consider an increase in statutory auditors favorably. However, in case of a decrease, we consider voting against the reappointment of top executives unless clear and reasonable explanations are given.

6. Appointment of Accounting Auditors

We decide how to vote on proposals concerning the appointment and replacement of accounting auditors, taking into account their competence, audit fee levels, and so on.

- We generally vote against the reappointment of statutory auditors (Kansayaku) or audit committee board members at a company with Audit Committee or three Committees if we judge that a company reappoints an accounting auditor without replacing it despite the following accounting audit problems.
 - It is determined that an accounting auditor provides an unfair opinion on the company's financial conditions.
 - In case there are concerns on financial statements, required disclosures are insufficient.
 - In case an accounting auditor has a service contract other than accounting audit services with the subject company, it is regarded that such a contract creates a conflict of interest between them.
 - Excessive audit fees are paid.



- It is regarded that an accounting auditor makes fraud or negligence.
- If it is regarded that an accounting auditor has issues in other company's audits, in case a company appoints or reappoints the accounting auditor without replacing it, we take the impact on the company's corporate value full consideration into voting decisions.
- We generally vote against proposals concerning accounting auditor replacement if it is regarded that a company changes an incumbent accounting auditor due to a dispute about accounting principles.

7. Compensation for Board Directors, Statutory Auditors (Kansayaku) and Employees

(1) Board directors' salaries and bonuses

- It is desirable to increase the proportion of stock incentive plans in board directors' salaries and bonuses, on condition that a performance-based compensation structure is established, transparency, such as disclosures of a benchmark or formula laying the foundations for calculation, ensures accountability, and the impact on shareholders, such as dilution, are taken into considerations. The Remuneration Committee at a company with three Committees (Nomination, Audit and Remuneration) or the arbitrary Remuneration Committee preferably deployed at a company with the other governance structures should ensure the accountability of compensation schemes. It is desirable that an independent outside director serves as Remuneration Committee Chair.
 - We consider voting against proposals seeking approval for salaries and bonuses in the following cases.
 - Negative correlation between company's financial performance and directors' salaries and bonuses are observed.
 - Inappropriate systems and practices are in place.
 - The total amount of salaries and bonuses is not disclosed.
 - Management failures, such as a significant share price decline or serious earnings deterioration, are apparent.
 - The remuneration proposal includes people determined to be responsible for activities against shareholder interest.
 - We generally vote for shareholder proposals requesting disclosure of individual directors' salaries and bonuses.
 - If a company implements any measures ensuring transparency other than disclosure, we take it into consideration.
 - If there is no proposal seeking approval for directors' salaries and bonuses, and the compensation structure lacks transparency, we consider voting against the appointment of top executives.



- We generally vote against bonuses for statutory auditors at a company with Board of Statutory Auditors and audit committee board members at a company with Audit Committee.
 - We separately consider voting to audit committee board members at a company with three Committees.

(2) Stock incentive plans

- We decide how to vote on proposals concerning stock incentive plans, including stock options and restricted stock units, taking into account the impact on shareholder value and rights, compensation levels, the scope, the rationales, and so on.
 - We generally vote against proposals seeking to lower the strike price of stock options.
 - We generally vote for proposals seeking to change the strike price on condition that shareholders' approval is required every time.
 - We generally vote against stock incentive plans if the terms and conditions for exercising options, including equity dilution, lack transparency. We generally consider voting against proposals potentially causing 10% or more equity dilution.
 - It is desirable that stock incentive plans is a long-term incentive aligned with sustainable growth and corporate value expansion. As such, we generally vote against stock incentive plans allowing recipients to exercise all the rights within two years after vested for the subject fiscal year. However, this shall not apply to recipients who retire during the subject fiscal year. We assess the validity if a vesting period is regarded as too long.
 - We generally vote against stock incentive plans granted to statutory auditors and audit committee board members at a company with Audit Committee.
 - We separately consider stock incentive plans granted to audit committee board members, including both inside and outside directors, at a company with three Committees.
 - We generally vote against stock incentive plans granted to any third parties other than employees.
 - We generally vote against stock incentive plans in case a company is likely to adopt the plans as takeover defense.

(3) Employee stock purchase plan

- We decide how to vote on proposals concerning employee stock purchase plans, taking into account the impact on shareholder value and rights, the scope and the rationales, and so on.

(4) Retirement benefits for board directors



- We decide how to vote on proposals concerning grant of retirement benefits, taking into account the scope and scandals (if any) of recipients and business performance and scandals (if any) of the subject company, and so on.
 - We generally vote for proposals granting retirement benefits if all the following criteria are satisfied.
 - The granted amount is disclosed.
 - Outside directors, statutory auditors and audit committee board members at a company with Audit Committees are excluded.
 - Recipients do not cause any significant scandals during their tenures.
 - The subject company does not make a loss for the three consecutive years, or its business performance is not determined to significantly lag behind the peers in the same industry.
 - The company does not cause scandals that significantly impact society and damage, or are unlikely to damage, shareholder value during their tenures.
 - The company does not engage in window-dressing or inadequate accounting practices during their tenures.

8. Cross shareholdings

If a company holds shares for the sake of business relations (cross shareholdings), the company should explain the medium- to long-term business and financial strategies, including capital costs, and disclose proxy voting guidelines, voting results, and so on. If the company does not give reasonable explanations and engage in constructive dialogues, we consider voting against the appointment of top executives. It is important that the company does not hinder the sales/reduction of cross shareholdings when a policy shareholder intends.

- If a company's cross shareholdings account for 20% or more of its net assets, we generally consider voting against the appointment of top executives. However, this shall not apply if we confirm that the company makes a reduction, does sufficient planning or has industry-specific circumstances that should be taken into consideration in engagement.

9. Capital Policy

As a listed companies' capital policy is likely to significantly impact shareholder value and interests, a company should implement a rational capital policy and explain capital policy guidelines to shareholders. We consider voting against proposals concerning capital policies that we judge damage shareholder value. If a company has a capital policy that is not part of proposals at an AGM but regarded to damage shareholder value, we consider voting against the reappointment of board directors.



- It is undesirable that a company intends to maintain or increase so-called “friendly” stable shareholders and infringes minority shareholders’ rights by the third-party allotment, treasury stocks transfer or company management holdings’ transfer to foundations affiliated with the company.

(1) Change in authorized shares

- We decide how to vote on proposals seeking to increase authorized shares, taking into account the impact on shareholder value and rights, the rationales, the impact on the sustainability of stock market listing and a going concern, and so on.
- We generally vote for proposals seeking to increase authorized shares if we judge that not increasing authorized shares is likely to lead to delisting or have a significant impact on a going concern.
- We generally vote against proposals seeking to increase authorized shares after an acquirer emerges.

(2) New share issue

- We decide how to vote on new share issues, taking into account the rationales, the terms and conditions of issues, the impact of dilution on shareholder value and rights and the impact on the sustainability of stock market listing or a going concern, and so on.

(3) Share repurchase and reissue

- We decide how to vote on proposals concerning share repurchase or reissue, taking into account the rationales, and so on.

(4) Stock split

- We generally vote for proposals seeking a stock split.

(5) Consolidation of shares (reverse stock split)

- We decide how to vote on proposals seeking consolidation of shares, taking into account the rationale, and so on.

(6) Preferred shares

- We generally vote against proposals seeking to issue blank-cheque preferred shares or increase authorized shares without specifying voting rights, dividends, conversion and other rights.
- We generally vote for proposals seeking to issue preferred shares or increase authorized



shares if voting rights, dividends, conversion and other rights are specified, and those rights are regarded as reasonable.

- We generally vote for proposals requiring approvals for preferred shares issues from shareholders.

(7) Convertible bonds

- We decide how to vote on proposals seeking to issue convertible bonds, taking into account the number of new shares, the time to maturity, and so on.

(8) Corporate bonds and credit facilities

- We decide how to vote on proposals concerning a corporate bond issue or a credit facility expansion, taking into account the subject company's financial conditions, and so on.

(9) Debt capitalization

- We decide how to vote on proposals seeking to change the number of authorized shares or issue shares for debt restructuring, taking into account the terms and conditions of the change or the issue, the impact on shareholder value and rights, the rationales, the impact on the sustainability of stock market listing and a going concern, and so on.

(10) Capital reduction

- We decide how to vote on proposals concerning capital reduction, taking into account the impact on shareholder value and rights, the rationales and the impact on the sustainability of stock market listing and a going concern, and so on.
- We generally vote for proposals seeking capital reduction following standard accounting procedures.

(11) Financing plan

- We decide how to vote on proposals concerning a financing plan, taking into account the impact on shareholder value and rights, the rationales and the impact on the sustainability of stock market listing and a going concern, and so on.

(12) Capitalization of reserves

- We decide how to vote on proposals seeking capitalization of reserves, taking into account the rationales, and so on.

10. Amendment to Articles of Incorporation and Other Legal Documents



(1) Change in an accounting period

- We generally vote for proposals seeking to change an accounting period unless it is regarded as an aim to delay an AGM.

(2) Amendment to articles of incorporation

- We decide how to vote on proposals to amend an article of incorporation, taking into account the impact on shareholder value and rights, the necessity, the rationales, and so on.
 - We generally vote for proposals seeking to amend an article of incorporation if it is required by law.
 - We generally vote against proposals seeking to amend an article of incorporation if we judge that it is likely to infringe shareholder rights or damage shareholder value.
 - We generally vote for transition to a company with three Committees.
 - We decide how to vote on proposals seeking to relax or eliminate special resolution requirements, taking into account the rationale.
 - We are concerned about retired directors assuming advisory, consulting, or other similar positions which could negatively impact on transparency and decision making of the Board of Directors. We generally vote against proposals seeking to create such a position.

(3) Change in a quorum for an annual general meeting (AGM)

- We decide how to vote on proposals concerning change in quorum for an AGM, taking into account the impact on shareholder value and rights, and so on.

11. Company Organization Change

(1) Change in a registered company name and address

- We decide how to vote on proposals seeking to change a registered company name, taking into account the impact on shareholder value, and so on.
- We generally vote for proposals seeking to change a registered address.

(2) Company reorganization

- We decide how to vote on proposals concerning the following company reorganization, taking into account their respective impacts on shareholder value and rights, the subject company's financial conditions and business performance, and the sustainability of stock market listing or a going concern, and so on.

Mergers and acquisitions

Business transfers



Company split (spin-off)

Asset sale

Company sale

Liquidation

12. Proxy Fight

(1) Proxy fight

- We decide how to vote on proposals concerning the appointment of directors with opposition candidates, taking into account their independence, competence, anti-social activity records (if any), corporate governance practices and accountability of the candidates and business performance and anti-social activity records (if any) of the subject company, the proxy fight background, and so on.

(2) Proxy context defense

- **Classified board**

- We generally vote against proposals seeking to introduce a classified board.
- We generally vote for proposals seeking to set a director's term of one year.

- **Shareholder rights to remove a director**

- We generally vote against proposals seeking to tighten requirements for shareholders to remove a director.

- **Cumulative voting**

- We decide how to vote on proposals seeking to introduce cumulative voting for director appointments, taking into account the background, and so on.
- We decide how to vote on proposals seeking to terminate cumulative voting for director appointment, taking into account the background, and so on.

13. Takeover Defense

We believe that management and shareholder interest is not always aligned. As such, we generally vote against the creation, amendment and renewal of takeover defense measures that we judge decrease shareholder value or infringes shareholder rights. We generally vote against the reappointment of directors if takeover defense measures are not part of proposals at an AGM but are regarded to decrease shareholder value or infringes shareholder rights.

- **Relaxing requirements to amend articles of incorporation and company policies**

- We decide how to vote on proposals seeking to relax requirements to amend articles of incorporation or company policies, taking into account the impact on shareholder value and rights, and so on.



- **Relaxing of requirements for merger approval**

- We decide how to vote on proposals seeking to relaxing requirements for merger approval, taking into account the impact on shareholder value and rights, and so on.

14. Environment, Social and Governance (ESG)

We support the United Nations Principles for Responsible Investment (UN PRI) and acknowledge that company's ESG practices are an important factor in investment decision making. Thus, we consider voting against the reappointment of top executives and directors in charge if we judge that there is an issue that could significantly damage corporate value. We consider voting for proposals related to ESG materiality, including climate change or diversity, if we judge that such proposals contribute to preventing from damaging or expanding corporate value. If not, we consider voting against such proposals.

15. Disclosure

Disclosure and constructive dialogues based thereon are important in proxy voting and investment decision making. Furthermore, proactive disclosure and effective engagement are desirable as demand for ESG disclosure, including climate change, has been increasing, and the disclosure frameworks have been rapidly progressing.

- We generally vote against proposals that lack sufficient disclosure to make proxy voting decisions.
- We generally vote for proposals seeking to enhance disclosures if such information is beneficial to shareholders.
- If a company's financial and non-financial disclosures is significantly poor, and if the level of investor relations activities by management or people in charge is significantly low, we consider voting against the reappointment of top executives and directors in charge.

16. Conflict of Interest

We abstain from voting proxies of the following companies that are likely to have a conflict of interest. We also abstain from voting proxies with respect to the following investment trusts that are managed by us or Invesco group companies, as a conflict of interest may rise.

- Companies and investment trusts that we abstain from voting proxies:
 - Invesco Ltd.

We have established the Conflict of Interest Management Policy. In the situation that may give rise to a conflict of interest, we aim to control it in the best interests of clients (investors) and beneficiaries. The Compliance department is responsible for governing company-wide control of



a conflict of interest. The Compliance department is independent of the Investment and Sales departments and shall not receive any command or order for the matters compliant with the laws and regulations, including a conflict of interest, from the Investment and Sales departments.

Proxy voting and stewardship activities are reported to the Responsible Investment Committee. The Responsible Investment Committee approves them. Besides, the Compliance department reviews whether conflicts of interest are properly managed in proxy voting and then reports the results to the Conflict of Interest Oversight Committee. Furthermore, the results are reported to the Executive Committee in Tokyo and the Invesco Proxy Advisory Committee.

17. Shareholder Proposals

We vote on a case-by-case basis on shareholder proposals while we follow the Proxy Voting Guidelines in principle.

DISCLAIMER: The English version is a translation of the original in Japanese for information purposes only. In case of a discrepancy, the Japanese original will prevail.

You can download the Japanese version from our website:

<http://www.invesco.co.jp/footer/proxy.html> .