

# Invesco Stewardship Report 2023/2024



**In our latest report,  
we share key  
achievements from  
the past year and  
highlight our  
continuing  
commitment for our  
stewardship activities**

Message from President and  
CEO of Invesco Japan

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# Message from President and CEO of Invesco Japan

Dear all,

The Government of Japan has published "Policy Plan for Promoting Japan as a Leading Asset Management Center", with the aim to reform Japan's asset management sector and asset ownership and the new NISA system has been introduced in 2024. With a shift from savings to investment underway among a wide range of generations, including the younger generation, the asset management industry has become an industry that is attracting public attention. In this environment, the role of asset managers is expanding and changing, and our responsibilities are becoming increasingly heavy.

As a leading asset manager in the industry, Invesco has been involved in sustainable investments early on, with the goal of becoming the best sustainable investments' partner for our clients.

In addition, in Japan, the principles for "responsible institutional investors" (Japan's Stewardship Code) have been established, clarifying the responsibility (stewardship responsibility) of institutional investors to increase the medium- to long-term returns of their clients (beneficiaries) by promoting the improvement of the corporate value and sustainable growth of investee companies through constructive "purposeful dialogue." At Invesco, we have always placed importance on and practiced stewardship activities, including the exercise of voting rights led by managers.

While many different opinions on responsible investment have been exposed in recent years, there is no doubt that sustainable efforts will become even more important, as we move towards a sustainable future. Resolving Environment, Society, and Governance issues are inseparable from corporates achieving sustainable growth. Executing management

considering diverse stakeholders, such as customers, shareholders, employees, business partners, and local communities, is extremely important for building a sustainable society and for a sustainable expansion of corporate values. At the same time, resolving responsible issues promotes innovation and invention of new solutions. Those are major investment opportunities, and a source of sustainable economic growth and long-term expansion of corporate values. We believe that investors, by exercising responsible investments, focusing on sustainability, will ultimately lead to generating both social well-being and investment returns.

Invesco's global purpose is; "We exist to help people get more out of life by delivering a superior investment experience." It is our utmost pleasure to achieve the above "purpose", by implementing investment as an investment manager and continue to contribute to promoting sustainable future of our society.

This report introduces Invesco's sustainable investments' initiatives and stewardship activities. We hope that this report will help you understand our commitment to responsible investments, our concepts and practices of stewardship activities.

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**Hideki Sato**

President and CEO Invesco Asset Management (Japan) Limited.





# To Strengthen Japan's Investment Culture





# Our Japanese Equity Investment Approach

Commitment to investment stewardship as a long-term active investor

Invesco's Japanese equity investment adopts an approach as an active investor who focuses on corporate value growth potential from a long-term perspective. While the stock markets face drastic changes both domestically and globally every day, we consistently focus on each company's intrinsic value and strive to improve our investment performance. Against this backdrop, as a long-term investor, we undertake stewardship activities emphasising sustained corporate value creation.

As a long-term investor, we believe sustained cash flow generation is the source of corporate value creation. In addition to business models and competitive advantages generating such robust cash flow, it is critical to control the cost of capital used for discounting it to present value. To ensure sustainable corporate value growth, a company must allocate capital optimally towards cash flow generation.

We recognize that corporate value growth is a common goal for both a company and an investor. Stewardship activities are the path to deepening mutual understanding toward this common goal, and we engage in constructive dialogues to increase corporate value as an active investor. In stewardship activities, our dialogues cover a broad range of topics, including business and financial strategies, sustainability, including environment, social and governance (ESG), and proxy voting discussions. These perspectives are indispensable for capturing a company's sustainable cash flow generation and capital cost. Therefore, in Invesco's Japanese equity investment, portfolio managers and research analysts directly engage with investee companies. Besides, with collaboration with Invesco's Sustainable Investing Services team, we enhance our structure to effectively implement optimal stewardship activities to increase investee companies' corporate value.

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**Tadao Minaguchi**

Chief Investment Officer (CIO),  
Managing Director



# Our Investment Stewardship Structure

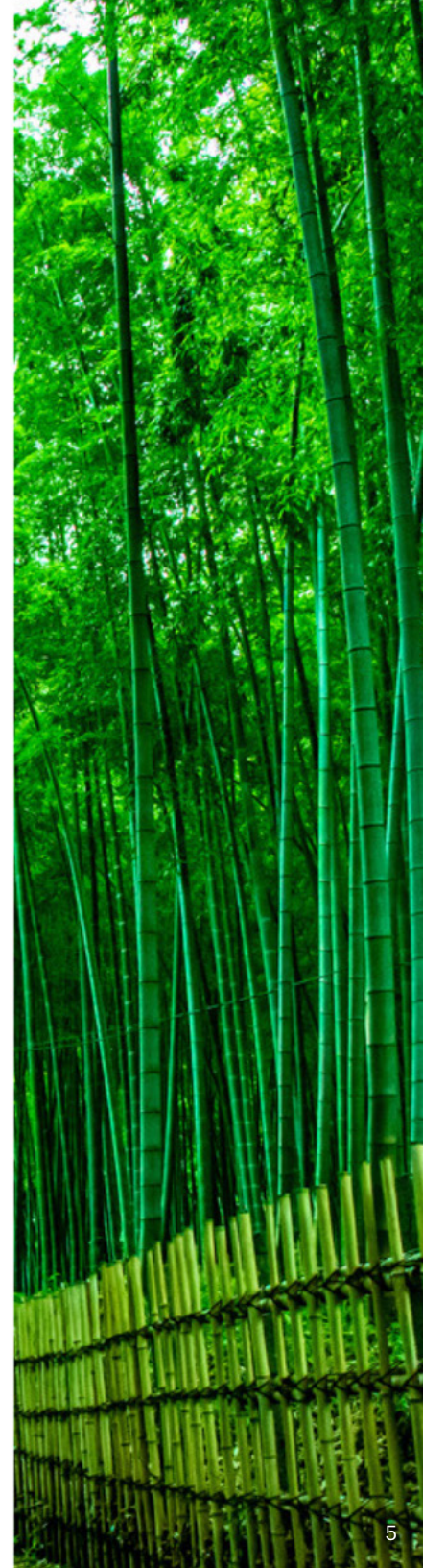
To enable effective investment stewardship, Invesco Japan (hereinafter “we”) has established an investor-driven ESG integration framework. Portfolio managers and research analysts, who make investment decisions for Japanese equity portfolios, take the lead in engagement with companies on a number of issues, including sustainability-related issues, and make proxy voting decisions. At the same time, we have established the structure to govern stewardship activities as laid out below.

The Responsible Investment Committee governs our stewardship activities, and the Conflict of Interest Oversight Committee monitors them from conflict of Interest perspectives.

The Responsible Investment Committee consists of members, including Chief Investment Officer, as the chair, as well as Head of Compliance, Head of ESG Japan, investment professionals nominated by the chair, and other members, including persons in charge at the Client Reporting department. The committee formulates and authorizes the Policy of Stewardship Responsibilities and Invesco Japan Proxy Voting Guideline and oversees these activities. Proxy voting results and stewardship activities are reported to the Responsible Investment Committee. While our proxy voting guideline is principles for the investment team’s voting decisions, depending on a proposal, the team may make an exception if the team concludes that such a decision is in the best interests of clients and beneficiaries after having constructive dialogue with the investee company. In such a case, approval of the Responsible Investment Committee shall be obtained.

Meanwhile, the Compliance department reviews whether a conflict of interest is prevented and managed in stewardship and proxy voting activities, and the Conflict of Interest Oversight Committee monitors them. The Conflict of Interest Oversight Committee reports these monitoring results to the Executive Committee as well as the Invesco Proxy Advisory Committee.

The Conflict of Interest Oversight Committee, chaired by Head of Compliance, consists of Head of Administration, Head of Internal Control Management, Head of Risk Management, Head of Legal with Auditor and Internal Audit participating as observers. The committee monitors and manages a conflict of interest independently from business units, such as Sales and Investment departments. The Compliance department, a pivotal member of the Responsible Investment Committee and the Conflict of Interest Oversight Committee, has a reporting structure independent of the Sales and Investment departments at Invesco. Furthermore, Internal Audit, independent of all departments, including Compliance, evaluates and improves the effectiveness of risk management, control and governance processes, strengthening the management system.





## Holistic ESG integration framework partnered with the Sustainable Investing Services Team aiming to investee companies' sustainable corporate value

### Conflict of Interest Oversight Committee

- Monitor and manage conflicts of interest
- Chaired by Compliance and consists of Legal, Internal Audit and Risk



### Responsible Investment Committee

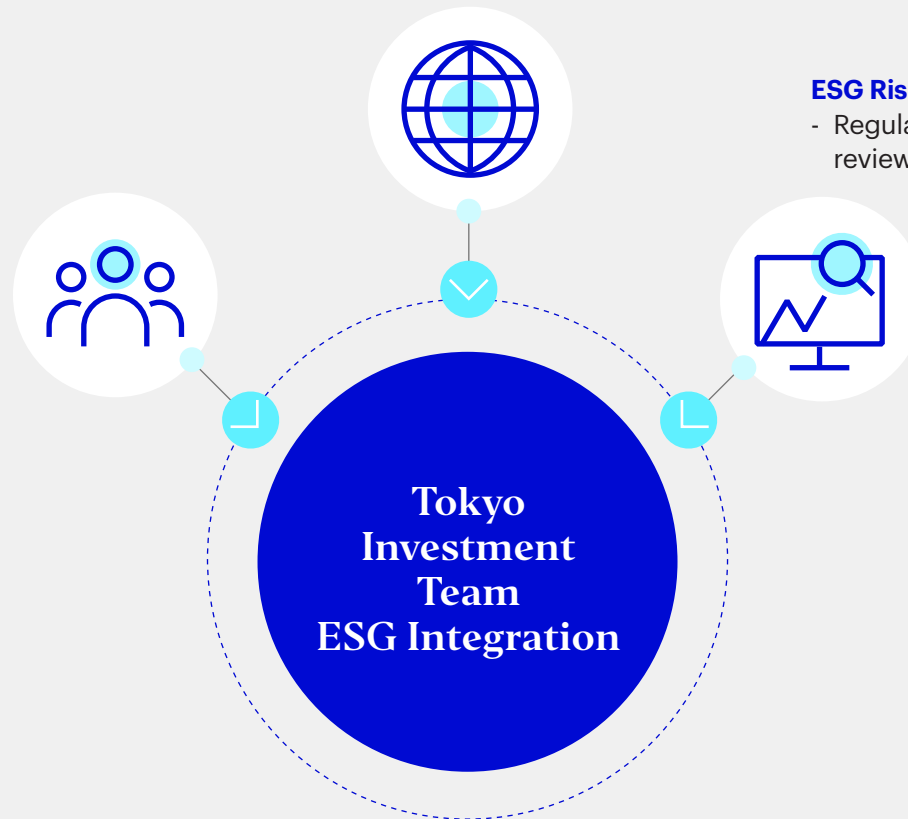
- Govern stewardship activities
- Formulate the policy of stewardship responsibilities and the proxy voting guidelines

### Sustainable Investing Services Team

- Establish and enable sustainable investing policies and practices across Invesco
- Lead UN PRI initiatives
- Publish firm-wide Global Stewardship Report and Global TCFD Report
- Provide centralized support to ESG integration with investment centers
- Develop ESG data and research platforms

### ESG Risk Monitoring

- Regular portfolio ESG risk review



# Integrating stewardship activities into the heart of our investment process

Since the introduction of Japan's Stewardship Code and the Corporate Governance Code, institutional investors' stewardship activities have prevailed in Japan. Meanwhile, we have been engaging in constructive dialogues with investee companies, emphasising corporate value growth as a long-term active investor, for many years. As described in the "Best Corporate Governance Practices" section, we assess a broad range of items to forecast corporate value growth.

In recent years, requirements for stock exchange listing are considered to be increasing. However, listed companies should have improved capital efficiency, engaged with shareholders and aimed for corporate value growth as their duty even before these codes. We will also continue undertaking stewardship activities, contributing to corporate value creation from long-term perspectives.

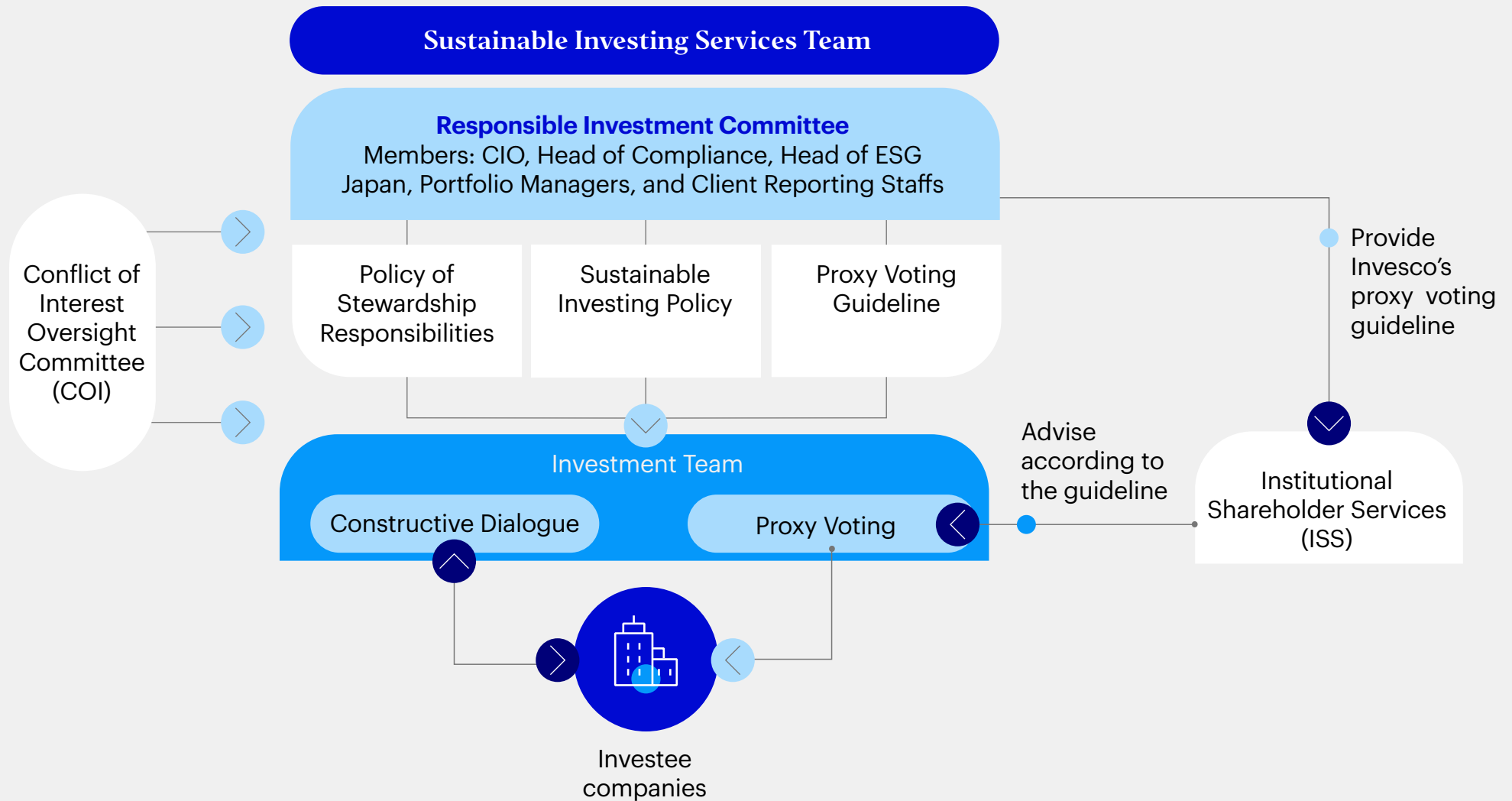
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**Kaoru Kobu**  
Head of ESG Japan





## Invesco Japan's "Active Ownership Structure"



# ESG Integration and Engagement Policies

## ESG integration process

We believe that companies' sustainability strategies and performance affect the sustainability of long-term corporate value growth significantly. In other words, as a long-term investor, we believe that sustainability analysis plays a crucial role in strengthening conviction in investment decisions. Therefore, in making final investment decisions, we place the significance on qualitative analysis, including sustainability strategies assessment, on top of fundamental research based primarily on financial information. We conduct sustainability analysis based on information obtained through constructive dialogue with companies, as well as other sources, including companies' disclosures, third-party data vendors, and so on. In this process, we seek to identify each company's material ESG issues. We do not make investment decisions solely based on ESG information but deem it one of the important factors to determine the sustainability of corporate value creation.

Company meetings, particularly with management, are essential in investment decision-making. As a long-term investor, our approach to company meetings focuses on sustainable corporate value growth from a long-term perspective. In a meeting, we obtain information necessary for investment decisions and have various dialogues as necessary. Such meeting information is shared and pooled within the investment team.

## Fundamental Research

- Assess sustainability as part of investment case for a company
- Evaluate ESG risks and opportunities
- Identify ESG materiality

## Engagement

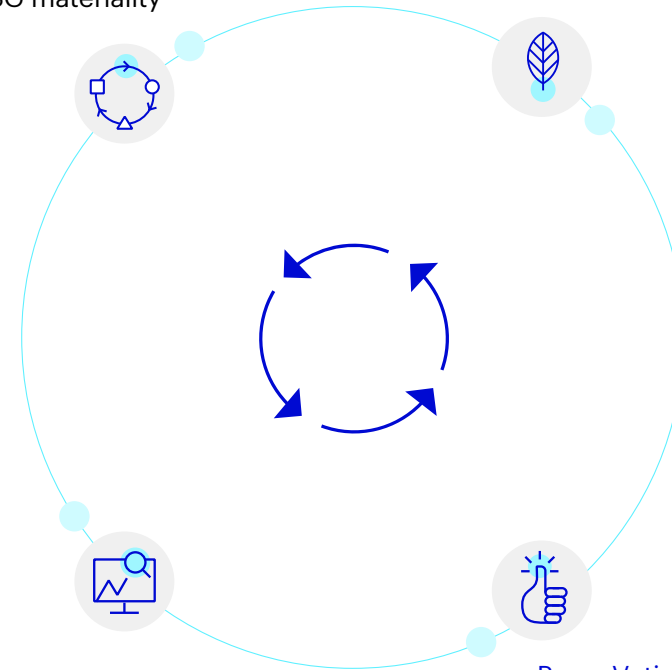
- Engage with all investee companies
- Focused engagement with companies with specific ESG issues

## Monitoring

- Regular portfolio review including ESG risks
- Regularly monitor stewardship activities including engagement and proxy voting on ESG issues
- In-house ESG Score

## Proxy Voting

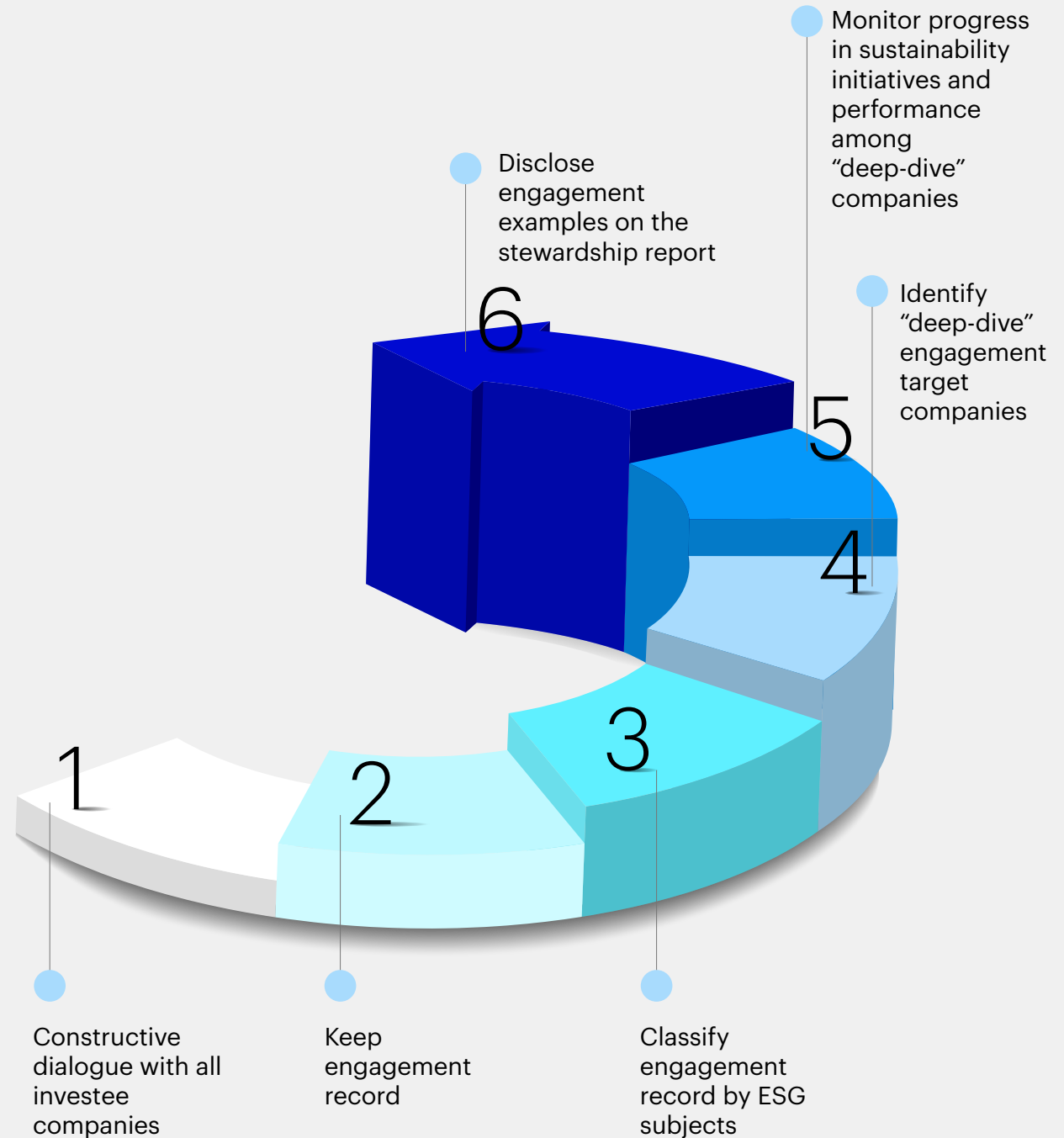
- In-house proxy voting guideline
- Vote decisions aligned with corporate value creation
- Sustainability is taken into consideration for all votes





## Engagement policy

We believe that it is very important for portfolio managers and research analysts, who make investment decisions, to have an opportunity to engage in constructive dialogue with investee companies directly. As a long-term investor, we focus on sustainable corporate value growth, attend a company meeting from a mid to long-term perspective, obtain information necessary for investment decisions, and engage in various dialogues as necessary. Accordingly, we have many opportunities to engage in multiple constructive dialogues, including sustainability strategies and performance, in usual meetings with investee companies, even though a specific agenda is not set in advance.



### Our Sustainability Policy

We believe that the important ESG issues (materiality) of companies and the desired approach to deal with them vary by the business environment, growth stage, and other factors. Taking into account such situations, we determine ESG materiality using in-house research combined with external resources based on information obtained through constructive dialogue with companies.

In sustainability analysis, we grasp investee companies' situations from the perspectives detailed below and engage in dialogue as necessary. These items are under continuous review and updated as needed.

## Key ESG Issues to Assess and Engage

### Environment

- Carbon emission control and reduction
- Sustainable use of resources
- Waste and recycling management to protect a healthy ecosystem

### Society

- Product governance and business ethics to eliminate unintended risk
- Human rights and labor safety/satisfaction policy
- Human capital management and diversity policies to attract and retain talents

### Governance

- Business strategy to sustain corporate value creation
- Board structure to ensure sound corporate governance
- Top management commitment to high or improving capital efficiency
- Adequate and consistent capital structure management
- Business Ethics







## E (Environment)

The global economy faces so many environmental issues, and environmental subjects have become increasingly important for global investors. While environmental issues may not be dealt with by a single company, we believe that individual companies' efforts to recognize those issues and minimize adverse impacts on the environment will lead to the sustainable growth of corporate value together with the sustainability of the entire society.

While each company faces a unique set of environmental challenges, depending on its business portfolios/regions/sizes, it must have set climate policies aligned with its business and enhance disclosure. In particular, continuous and consistent disclosure is essential. Such disclosure items include CO2 emission per revenue and policies on climate change and environmental management.



## S (Society)

For achieving the sustainable growth of corporate value, we believe transparent and effective human capital management strategies, proper labor standards, diversity policies and so on are necessary. Besides, companies must take action against social issues within the broader supply chains.

On top of compliance with laws and schemes and implementation of diversity policies, it is increasingly important to enhance disclosure. Such disclosure items include the percentage of women on the board, human rights policies and employee training programs.



## G (Governance)

Environmental and Social agendas form part of a company's management strategy, where governance plays a critical role in governing Environmental and Social policies. Accordingly, corporate governance is a critical element in achieving sustainable corporate value growth. While each company's governance structure would differ depending on its growth stage, size, and so on, it is crucial to establish the structure that the Board of Directors mandated by shareholders determines long-term business strategies, including capital allocation, to achieve sustainable corporate value growth and oversees its execution. To do so, the board should be independent and have diversified members who are satisfied with a skill matrix. A proper succession plan should also be in place to secure the continuity of management strategies.

Furthermore, the board must lay out business strategies to reach the level of capital productivity exceeding capital cost in the long run. Besides, it is important to stimulate sustainable corporate value growth and, at the same time, deal with Environmental and Social challenges. Key governance criteria include board structure, board independence, long-term business strategies, capital policies, capital productivity targets and business ethics.

### Proprietary ESG scores

For ESG integration, we refer to proprietary ESG scores, both the investment team's local ESG scores and Invesco's global ESG Intel ratings. Global corporate ESG disclosure standards are currently in a development stage by various organizations, and listed companies need to meet such global standards. Meanwhile, the availability of disclosure information could vary depending on a company's size, growth stage, disclosure language and timing. Accordingly, we use both local and global in-house ESG scores.

The ESG scorings are primarily run using multiple third-party data and rating providers, such as Bloomberg, Sustainalytics, MSCI and Toyo Keizai. The investment team assesses both absolute and relative ESG scores. They do not make investment decisions solely based on the level of ESG ratings. Still, they think that ESG scorings help them to identify business opportunities and risks as well as areas to improve disclosure.

While we deploy third-party vendors to collect ESG information efficiently, company disclosure and engagement with investee companies are critical for our investment decision-making.





# Best Corporate Governance Practices



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**Ryochi Higashi**  
Investment CAO Japan

We believe that strengthening corporate governance structures is one of the key drivers of sustainable corporate value growth. While each company's governance structure would differ depending on its growth stage, size, challenges management faces and so on, the core elements that we believe strengthen governance structures are listed in this section.





### Role of the Board of Directors

Under the Companies Act, a company may select the following structures: a company with Board of Statutory Auditors (Kansayaku), a company with Audit Committee, and a company with three Committees (Nomination, Audit and Remuneration). In any case, it is important to perform the role of the Board of Directors effectively. The Board has a duty to formulate management strategies to achieve sustainable corporate value growth from a medium to long-term perspective, allocate capital efficiently, and oversee whether executive functions make appropriate decisions and implement them accordingly. Therefore, we think that the separation of executive and oversight functions is desirable. An optimal governance framework would differ depending on a company's size and growth stage. In any case, to enhance the effectiveness of the Board

of Directors, a decision-making process should be transparent, and the monitoring function should be strengthened. For a mature firm, it is important to delegate management decision-making to executive functions, strengthen the monitoring functions by the Board and ensure the transparency, objectivity, and fairness of management strategies. From this perspective, we believe that a company with three Committees is a superior governance structure. Furthermore, we believe that it is desirable to appoint an independent outside director as a Chair of the Board, separating from a CEO function. Ensuring the independence of the Board of Directors is expected to make the Board's oversight function more effective and accountable.



### Board structure - skills matrix

To perform the Board of Directors effectively as described above, it is necessary to restrain the Board size optimal, stimulate discussions and establish an appropriate decision-making process. Therefore, the skills matrix of the Board of Directors, including knowledge, experience and abilities, should be defined based on the challenges faced by each company, and inside and outside directors should be appointed accordingly.



### Board diversity

For quite a while, it has been said that age, gender, nationality and background diversity create innovation, increasing energy, vigour and productivity, and the Board of Directors is no exception. The Board must have diverse views from independent outside directors to make efficient decisions increasing corporate value in a rapidly changing business environment, oversee business operations, including Plan, Do, Check and Action (PDCA) cycles, and manage various risks a company faces. Diversity must be achieved not only on the Board but also among operating managers and employees. We believe that it is about time that company management demonstrates commitment to diversity and inclusion. At this stage, for Japanese companies, increasing gender diversity should be the priority. We revised our proxy voting guideline in April 2022 and have set the bar that a company must appoint at least one female director. In the coming years, 30% or above females on the Board will be an important indicator. Promoting gender diversity based on a highly transparent human resource strategy must contribute to sustainable corporate value growth and have trickle-down effects on other diversity agendas.



### Board independence

We believe that the Board of Directors must be as independent as possible to perform management oversight functions, ensure accountability in decision-making, and protect minority shareholder rights. In other words, in the long run, the majority of the Board should be independent outsiders. Japan's

Corporate Governance Code, revised in June 2021, requires prime market-listed companies to appoint at least one-third of independent outside directors. In addition, the revision to the Companies Act, which came into effect in March 2021, mandates to designate outside directors. Accordingly, upon the revision to our proxy voting guideline in April 2022, we have set the policy that independent outside directors must account for at least one-third of the Board. We believe that board independence must be retained by appointing more independent outside directors taking the skills matrix and diversity into consideration. In the case of a listed subsidiary, including parent-subsidary listings, independent outside directors' majority is necessary to protect minority shareholder rights. When casting a proxy vote, we require independence from a subject company of an outside director nominee. Our proxy voting guideline defines independence criteria for outside directors.



### Listed subsidiaries

We believe that parent-subsidary listings raise corporate governance concerns. Therefore, it is necessary to ensure sufficient independence at the Board of Directors at a subsidiary, safeguarding minority shareholders' interests and ensuring sound management of a conflict of interest. To this end, independent outside directors must consist of at least the majority of the Board, and these directors should be independent of both the parent company and the subsidiary.







### **Roles and competency of independent outside directors**

The role of the independent outside directors is to oversee whether management makes appropriate business strategy decisions, allocates capital accordingly, safeguards minority shareholders' interests and so on. Another important role is to encourage appropriate risk-taking while also preventing management from abusing its authority and taking excessive risks. From a third party's perspective, independent outsider directors are expected to be involved in and advise on matters difficult to make appropriate judgments and evaluations only among insiders. In order to fulfil such roles, it is desirable that independent outside directors represent the majority or more of the Board of Directors and are appointed based on the skills matrix and diversity on top of independence. Besides, information sharing and training opportunities should be provided to help them make the right decisions. Overboarding is also an important issue. To understand a company fully and supervise it properly, we believe that the number of companies would be limited. Therefore, upon the revision to our proxy voting guidelines in April 2022, we have set four as the maximum number of listed companies or equivalent companies a board director can perform duties.

Furthermore, in the February 2024 revision, we added the upper limit for internal executive directors up to two companies, one more company only on top of the company they serve as an executive officer.

In order to determine independence and suitability, it is crucial for investors to engage with not only company executives but also independent outside directors. Furthermore, sufficient disclosure is critical to cast proxy votes in our clients' best interests. At present, we recognize that there are some cases where the content

and timing of statutory disclosure, such as Notice of Annual General Meeting (AGM) and annual financial reports, is inadequate for making proxy voting decisions.



### **Succession planning**

Succession planning for top executives is one of the major strategic decisions requiring the full engagement of the Board of Directors. The Nomination Committee of a company with three Committees or the arbitrary Nomination Committee under other board structures must be chaired by an independent outside director. In addition, successor development and the appointment and discharge of top executives must secure transparency and accountability. At the same time, human capital management from long-term perspectives is essential for the long-term sustainability of corporate value growth.



### **Remuneration structure**

It is desirable that a remuneration structure is linked with sustainable corporate value growth and motivates company executives to achieve it. The Remuneration Committee of a company with three Committees or the arbitrary Remuneration Committee under other board structures is expected to ensure transparency and objectivity of a remuneration scheme. At a Japanese company, a remuneration structure needs to provide long-term incentives by adopting equity compensation effectively and disclosing the details of the compensation scheme and the amount granted and vested.





### Capital policy and cost of capital

When developing medium to long-term management strategies for sustainable corporate value growth, a company must assess the cost of capital and implement capital allocation and balance sheet optimization, including business portfolio review, to earn returns exceeding its cost of capital over the long term. We understand that there is no single accepted figure for the cost of capital. That said, it would be a valuable guide for companies and investors to exchange their views on business strategies and capital policies and engage in constructive dialogue.



### Cross-shareholdings

Without economic rationality, cross-shareholdings, whereby companies hold minority shares in other companies for the sake of business relations, could impair capital market efficiency, have adverse impacts on corporate governance and prevent sustainable corporate value growth. From a capital cost perspective, they impede optimal capital allocation and increase the impact of stock market volatility on a company's balance sheet on top of economic cycles affecting earnings. Besides, there is the possibility that they lead to an excessive rise in "friendly" stable shareholders and anti-takeover measures. Therefore, we believe that a company must unwind cross-shareholdings unless there are appropriate reasons and must not hinder the sales when their shareholders intend. If it is impossible to unwind cross-shareholdings immediately, disclosures of the reasons and assessment according to Japan's Corporate Governance Code are compulsory. In addition, we believe that the proper exercise and disclosure of proxy votes combined with an ongoing reduction in cross-shareholdings are necessary. Upon the revision to our proxy voting guideline in April 2022, we have set the policy that cross-shareholdings must account for 20% or less of its net assets while we consider the industry-specific circumstances. Meanwhile, cross-shareholdings play different roles in different industries.

For proxy voting decisions, we conduct engagements and take into consideration such industry-specific circumstances where necessary. Besides, the increased number of companies has made progress in their future reduction plans. We think that further improvement in disclosure, including the transparency in proxy voting for cross-shareholdings, is critical. In recent years, we recognize cases in which changes to pure investments from specified equity securities in financial reports make it difficult for outsiders to measure the value of cross-shareholdings. In addition, we believe several issues still must be resolved regarding disclosure, such as a lack of sufficient justification for cross-shareholdings.

We also keep an eye on the companies which make other companies possess their shares. Again, these companies must not hinder the sale when their shareholders intend. Besides, we recommend that such a policy be clearly stated in a corporate governance report. Finally, we believe that business opportunities should not be conditioned by cross-shareholdings.



### Sustainability disclosure

Global corporate Sustainability disclosure standards are currently in a development stage by various organizations, and listed companies need to meet such global standards. We believe that the Board of Directors needs to commit to Sustainability disclosure and allocate sufficient resource to it to achieve sustainable corporate value growth.

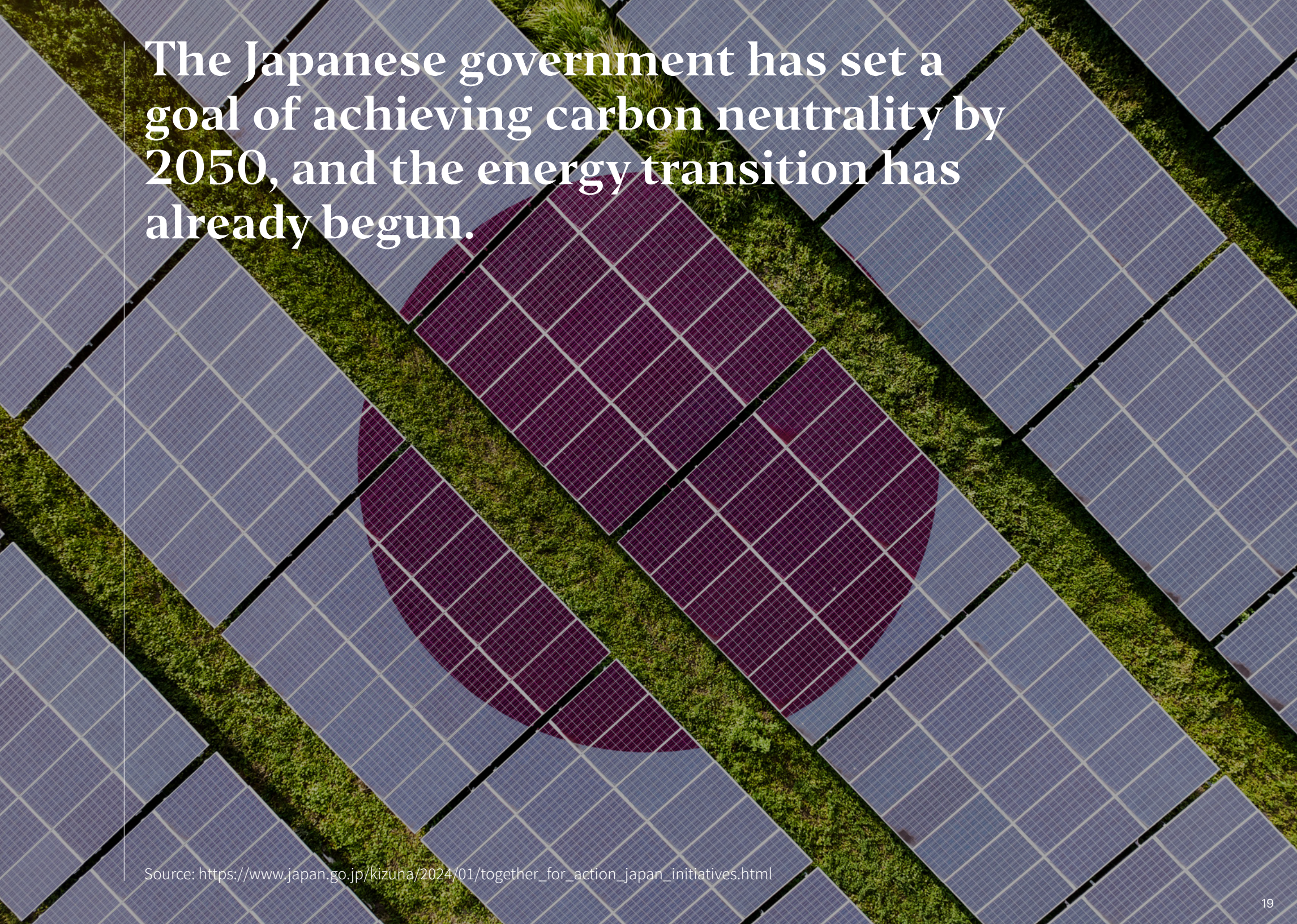


### Initiatives to achieve a sustainable society

A company needs to take the initiative to contribute to achieving a sustainable society. We consider the UN's Sustainable Development Goals (SDGs) as an opportunity to grow business in this space, which shows a direction to increase corporate value sustainably. ESG, on the other hand, is an essential element of a going concern and the sustainability of the company itself. In this sense, while SDGs are a top-down approach, ESG can be considered bottom-up. Therefore, sufficient disclosure of ESG and SDG initiatives is desirable.





An aerial photograph of a large solar farm with rows of blue photovoltaic panels. A Japanese flag, consisting of a white field with a red disc in the center, is superimposed over the panels, centered diagonally. The text is overlaid in the top left corner.

The Japanese government has set a goal of achieving carbon neutrality by 2050, and the energy transition has already begun.

Source: [https://www.japan.go.jp/kizuna/2024/01/together\\_for\\_action\\_japan\\_initiatives.html](https://www.japan.go.jp/kizuna/2024/01/together_for_action_japan_initiatives.html)

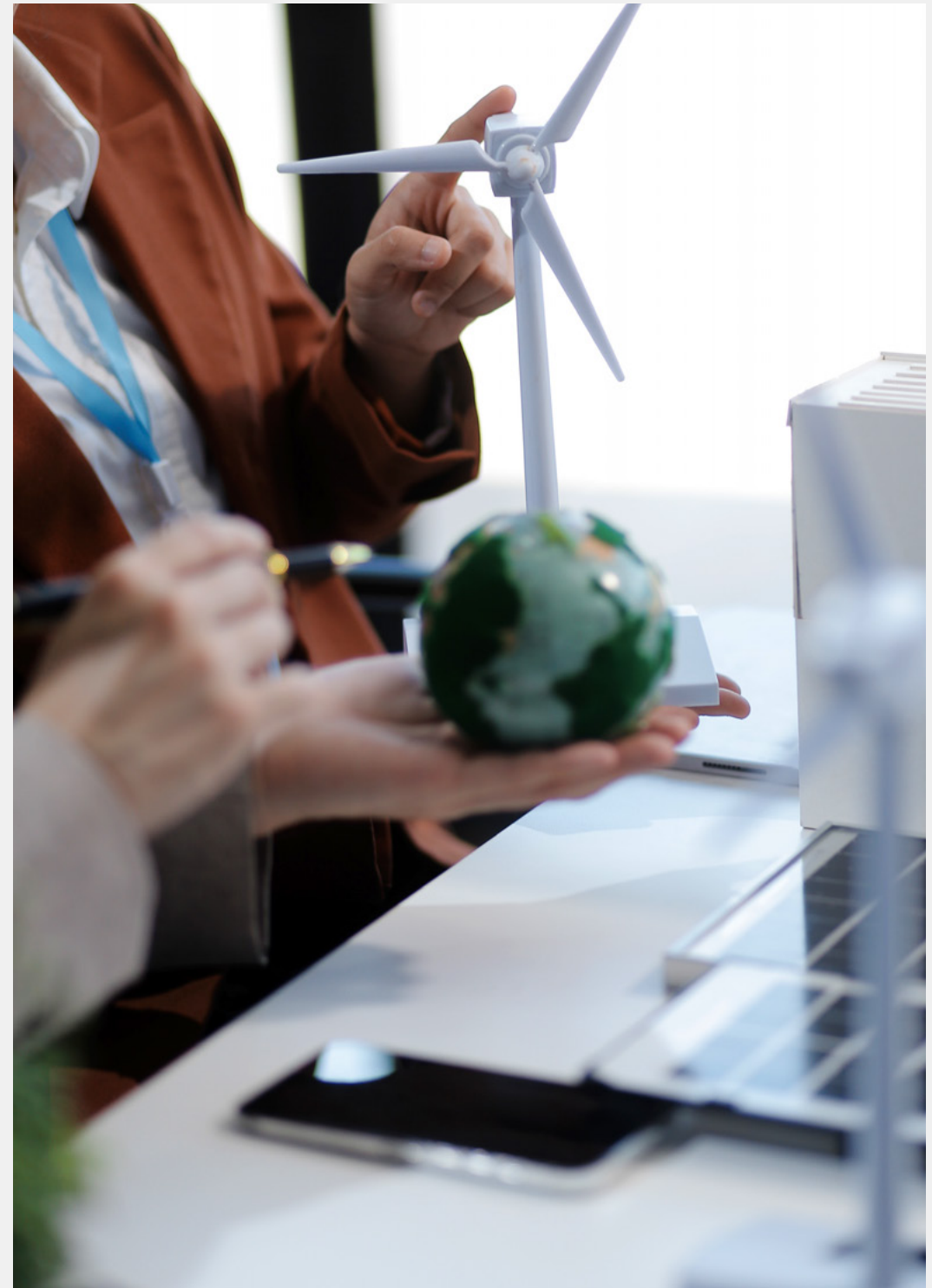


### **Our climate change initiatives**

Invesco has been a supporter of the Task Force for Climate-Related Financial Disclosures (TCFD) and published the global TCFD Report. As an asset management company, we have two responsibilities – our own efforts to curb climate change and constructive engagement with investee companies to encourage their climate-related efforts. Japan's Corporate Governance Code, which was revised in June 2021, explicitly states the importance of the TCFD or equivalent disclosure framework among listed companies. By participating in the TCFD Consortium and Impact Consortium in Japan, we strive to broaden our knowledge to utilize TCFD information in fundamental company analysis and engagement. In constructive dialogue, we voice investors' views about climate-related disclosures among listed companies. We also take part in the ESG Disclosure Study Group and advocate best disclosure practices among Japanese companies.

### **Our human capital and diversity initiatives**

To achieve sustainable corporate value growth, adequate investment in and the effective deployment of human capital is crucial. On the Board of Directors, gender, nationality, career, age, and other backgrounds diversity must improve its effectiveness. Similarly, in a workplace, promoting diversity should make an organization resilient to a rapidly changing business environment as well as attract and retain the right talents. We participate in the 30% Club Japan and Human Capital Management Consortium, which is part of a global initiative aiming to achieve sustained growth in corporate value by promoting gender diversity. At this moment, we believe that increasing the ratio of female directors on the Board is one of the most effective measures to increase diversity at Japanese companies. At the same time, human capital development based on a long-term strategy, combined with the design and implementation of an accountable human resource management system, is also important for the sustained growth of corporate value.



### Revision to Invesco Japan proxy voting policy

Invesco's Policy Statement on Global Corporate Governance and Proxy Voting (Global Proxy Policy) sets forth the framework of the firm's broad philosophy and guiding principles that inform the proxy voting practices of our investors around the world. Meanwhile, we have laid down Invesco Japan Proxy Voting Guideline to satisfy Japan's Corporate Governance Code and other local laws and regulations. In accordance with the second revision to Japan's Corporate Governance Code in June 2021, we updated our proxy voting guideline in April 2022, reflecting our view on best corporate governance practices as follows:

- Independent outside directors must account for at least one-third of the Board of Directors,
- At least one female director must be appointed,
- Cross-shareholdings must account for 20% or less of its net assets,
- The maximum number of listed or equivalent companies board directors can perform duties is four.

In the revision in April 2023, we set out the guideline for a virtual-only AGM that we vote for such proposals if a company establishes a sufficient structure to safeguard shareholder rights.

In February 2024, we made the following enhancements:

- At a company with a parent company or a controlling shareholder, independent outside directors must account for the majority of the Board of Directors,
- The maximum number of listed or equivalent companies internal executive directors can perform board director duties is two,
- If a decrease in independent outside directors and an increase in internal directors significantly reduces the percentage of outside directors at the Board of Directors and poses governance problems, we cast votes against it,
- If the number of Audit Committee board members decreases, we cast votes against it, in the same way as a decline in the number of statutory auditors.

### Shareholder proposals

We make voting decisions on each shareholder proposal based on thorough assessment, including legal perspectives, as to whether such a proposal contributes to the long-term growth of corporate value.

Shareholder proposals concerning ESG have been increasing. Due to the limitation on proposals which can be submitted to an AGM, shareholders often seek to amend articles of incorporation. We acknowledge that articles of incorporation should determine corporate principles without spelling out details. We give progress in companies' ESG practices and disclosure a positive consideration. At the same time, we also need to consider the impact of amendment to articles of incorporation if accepted.





# Principles for Responsible Institutional Investors (Japan's Stewardship Code) Stewardship Activities and Self-Assessment

## **Policy of Stewardship Responsibilities**

We are a signatory of Japan's Stewardship Code. The Code frames our approach to contribute to the sustainable growth of corporate value and maximize the long-term returns for our clients, and at the same time fulfill our stewardship responsibilities as an institutional investor.

(Japanese Only)

<https://www.invesco.com/jp/ja/policies/stewardship-code.html>

According to the revision to Japan's Stewardship Code in March 2020, we amended the Policy of Stewardship Responsibilities in September 2020.



|               | Stewardship Activities   | Self-Assessment   |
|---------------|--|---|
| Principle 1   | Amended the Policy of Stewardship Responsibilities   | We disclose the engagement policy that embraces sustainability and contributes to the sustainable growth of corporate value. We evaluate that our activities comply with the principle.   |
| Principle 2   | <ul style="list-style-type: none"> <li>Continued to publish the Conflict of Interest Management Policy, which illustrates specific cases falling under a conflict of interests</li> <li>Reported stewardship activities, including proxy voting results, to the Conflict of Interest Oversight Committee, ensuring rigorous conflict of interest management</li> <li>Publicly disclosed all proxy voting results and the rationales for voting decisions submitted against resolutions</li> </ul>                                    | We disclose the policies ensuring the transparency of stewardship activities, including the proxy voting records, and Invesco puts in place the control framework as a global company. Therefore, we evaluate that our activities comply with the principle. Besides, Invesco is an independent asset management firm listed on the New York Stock Exchange (NYSE).   |
| Principle 3/4 | <ul style="list-style-type: none"> <li>Examined investee companies' fundamentals from a medium to long-term perspective and conducted a constructive dialogue with them with a focus on sustainable corporate value growth</li> </ul>  | We integrate ESG as part of fundamental research from a medium to long-term perspective and conduct constructive dialogue considering sustainability led by portfolio managers and research analysts. We evaluate that our activities comply with the principles.   |
| Principle 5   | <ul style="list-style-type: none"> <li>Revised Invesco Japan Proxy Voting Guideline in February 2024</li> <li>Emphasized constructive dialogue with investee companies in proxy voting decision-making</li> <li>Disclosed all proxy voting results and the rationales for voting decisions submitted against resolutions and communicated the rationales behind voting decisions and the premises of proxy voting activities to investee companies</li> <li>Engaged in dialogue with a proxy advisory firm as appropriate</li> </ul> | <p>To revise and amend Invesco Japan Proxy Voting Guideline, the investment team debates the subject from the perspective of long-term corporate value increase, taking into account regulatory and legal frameworks, such as Japan's Corporate Governance Code and Companies Act. Then, the Responsible Investment Committee authorises them. We adopt an investor-driven proxy voting approach focusing on the sustainable growth of investee companies' value. We evaluate that our activities comply with the principle.</p> <p><b>Future Considerations</b><br/>We continue to evolve our proxy voting guidelines to contribute to enhancing corporate value and strengthening corporate governance. We have disclosed all proxy voting results and continue to improve our disclosure, such as methodologies, contents, and timing.</p> |
| Principle 6   | <ul style="list-style-type: none"> <li>Published the annual Invesco Japan Stewardship Report</li> <li>Disclosed Invesco Japan Proxy Voting Guideline, the Policy of Stewardship Responsibilities, all proxy voting results, and the rationales for voting decisions submitted against resolutions on the website</li> </ul>  | <p>We have been improving the disclosure of stewardship activities, including this annual report. We evaluate that our activities comply with the principle.</p> <p><b>Future Considerations</b><br/>We strive to enhance disclosure to meet the increasing demand for stewardship activity effectiveness and proxy voting accountability.</p>  |
| Principle 7   | <ul style="list-style-type: none"> <li>Carried out self-assessment of stewardship activities</li> <li>Fulfilled ESG requirements and reporting, liaising with Invesco's Sustainable Investing Services team</li> <li>Undertook external sustainable investing initiatives and activities</li> <li>Established and strengthened internal systems for effective stewardship activities</li> <li>Disclosed the progress and outcomes of constructive dialogue with investee companies</li> </ul>  | <p>We have been deepening our understanding of good stewardship practices and ESG issues in Japan as well as overseas. We also continue our deliberate efforts to strengthen stewardship activities and revitalize the entire investment chain. We evaluate that our activities comply with the principle.</p> <p><b>Future Considerations</b><br/>We acknowledge that the requirements for stewardship activities will continue to evolve. We strive to strengthen our structure, which enables us to conduct effective dialogues contributing to appropriate capital allocation and corporate value growth among investee companies.</p>  |

Principle 8, which is applied to service providers for institutional investors, is excluded.

# Principle 1

**Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.**

## **Our Policy**

Invesco ensures the global structures, allowing investment teams to fulfill their fiduciary duty and stewardship responsibilities. We aim to maximize the returns to our clients through the sustainable growth of investee companies' value and undertake stewardship activities as an active investor. We have formulated and published the Policy of Stewardship Responsibilities. With the senior management's commitment, we have been enhancing global collaboration to step up our stewardship journey.

## **Fiscal Year (FY) 2023 Activities**

- July 2023 Firm-wide "2023 Taskforce for Climate-related Financial Disclosures (TCFD) Report" was published.
- December 2023 Firm-wide "2023 Stewardship Report" was published.
- February 2024 "Invesco Japan Proxy Voting Guideline" was revised.
- May 2024 "UK Stewardship Code" report was published to fulfil the Financial Reporting Council's (FRC) UK Stewardship Code requirements.
- Based on the Policy of Stewardship Responsibilities, we continue strengthening our activities and systems.

## **Self-Assessment**

We evaluate that our activities comply with the principle in accordance with the Policy of Stewardship Responsibilities updated in 2020.

With embracing sustainability, we will continue to review and disclose our stewardship policy.



## Principle 2

# Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

### Our Policy

Integrity, fairness, equality, and the best interests of clients are the most crucial part of our management philosophy and code of ethics. As an asset management firm, we identify, manage, record an actual or apparent conflict of interest between Invesco Japan (including directors, employees and any other persons directly or indirectly involved) and clients or between clients. If any matter falls under a conflict of interest, we shall take necessary actions, including disclosure, following our own conflict of interest management policy.

This policy applies to all business activities, and the Conflict of Interest Management Policy illustrates specific cases falling under a conflict of interest.

(Japanese Only)

<https://www.invesco.com/jp/ja/policies/interest-conflict-policy.html>

The Compliance department is responsible for conflict of interest management, and the Conflict of Interest Oversight Committee ensures good governance.

### FY 2023 Activities

The Conflict of Interest Oversight Committee, established in April 2018, ensured effective and systematic management of conflicts of interest. Stewardship activities, including proxy voting results and engagement with investee companies, are reported to the Conflict of Interest Oversight Committee, and the

committee confirmed that there was no issue identified. Besides, the Compliance department examines whether proxy votes related to our major clients as well as distributors and custodian banks of our beneficiary certificates (fund) caused a conflict of interest.

In May 2024, we publicly disclosed all proxy voting results in FY 2023 (from April 2023 to March 2024). At the same time, we disclosed the rationales for voting decisions submitted against management proposals and shareholder resolutions to increase transparency and accountability in our voting activities.

### Tsuyoshi Mochiyama

Head of Compliance and Conflict of Interest Oversight Committee Chair

"We examined reports on stewardship activities, including proxy voting results during the FY 2023 in light of any situations that gave rise to an actual or apparent conflict of interests and identified no such a case."

### Self-Assessment

We evaluate that our activities complied with the principle.

## Principle 3

**Institutional investors should monitor investee companies so that they can properly fulfill their stewardship responsibilities with an orientation toward the sustainable growth of the companies.**

## Principle 4

**Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.**

### **Our Policy**

As a long-term investor, we emphasize sustainable corporate value growth. We conduct company meetings from a medium to long-term perspective to obtain the information for investment decision-making and engage in various dialogues as necessary. Even if a specific agenda is not established in advance, we have constructive discussions on many perspectives, including ESG strategies, in a regular company meeting.

### **Our View on Engagement Outcomes**

When we have constructive dialogue on their various challenges, including ESG, with investee companies, we convey our opinions as an investor and discuss the path to achieve sustainable corporate value growth. On the other hand, it is difficult to systematically evaluate an engagement outcome, that is to say, to identify which engagement made a company take necessary action. Nonetheless, we can increase the effectiveness of engagement by sharing the engagement dialogues internally and tracking the progress.

We also have multiple occasions where investee companies ask for advice on governance and disclosure. While we believe that there are many cases

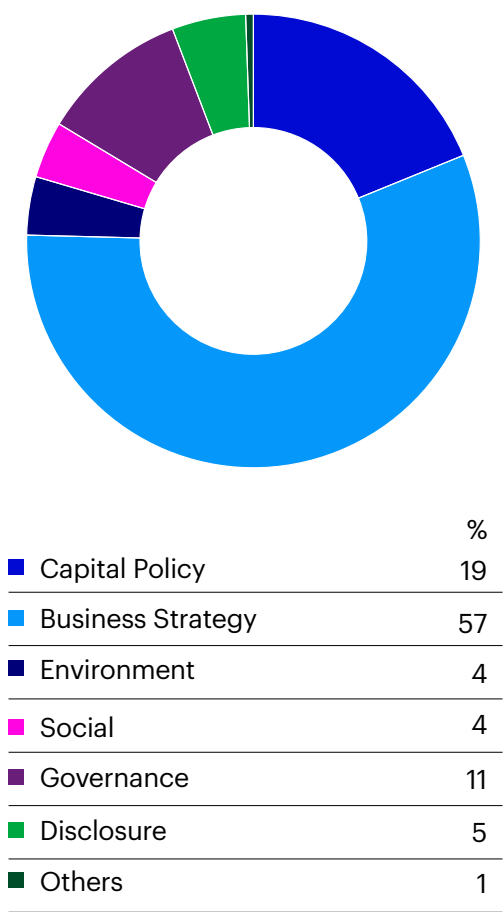
where our communication on best practices for listed companies from a long-term investor's perspective support a move toward betterment, it should be not appropriate to attribute such improvement solely to our engagement. Instead, the efforts of the entire investment chain contribute to the action, and we conduct stewardship activities to play an active role within the chain. In addition, constructive dialogue with a wide range of stakeholders, including regulators and industry parties concerned, is another option. We also do not rule out the possibility of participating in collective engagement as necessary.

### **FY 2023 Activities**

In FY 2023 (from July 2023 to June 2024), we had a one-on-one meeting with 350 companies, including both investee companies and prospects. We conducted 1,053 one-on-one engagements, out of which 336 were engagements with an executive director level or higher positions.

Our constructive dialogues and engagements cover various themes, including ESG. The chart below illustrates the engagement breakdown by theme. If we discussed multiple subjects in a meeting, we counted each subject as one engagement.

We discuss business strategies in almost all meetings. Meanwhile, following capital policy, corporate governance, including but not limited to board composition, board members’ skill sets, independence and diversity, and disclosure are among frequently discussed agendas. Regarding disclosure, the occasions to engage on sustainability disclosures and mid-term business strategies at a company’s request have been increasing.



**Self-Assessment**

In company engagements, we seek to identify ESG issues (materiality) on top of understanding and analyzing the situations of investee companies based on fundamental research. We track the contents and progress of engagements and share them internally.

To improve engagement quality, we leverage insights within Invesco, collect and analyze data utilizing third-party vendors and liaise with outside experts and institutional investors. Thus, we evaluate that our activities comply with the principles.

Invesco takes an investment-led engagement approach. Portfolio managers, who make final investment decisions, engage in constructive dialogue, thereby enhancing effectiveness. In addition, each portfolio manager discusses specific sustainability subjects relevant to their investment strategy.

## Examples of Engagement

The following are examples of constructive dialogue we conducted.

# Case 1: Company A



**Background** Company A lacked female directors on the Board of Directors, and its board independence was insufficient.



**Progress 1** We had multiple dialogues with the company's executive directors to discuss the issues, such as a lack of female directors and its governance scheme as a company with Board of Statutory Auditors (Kansayaku), where a top executive chaired the arbitrary Nomination and Remuneration Committees.



**Progress 2** We had been repeatedly pointing out the importance of board independence to ensure accountability and protect minority shareholder rights and diversity to create innovation and increase productivity aligning with Japan's Corporate Governance Code as well as succession planning by an independent Nomination Committee, but the situation remained unchanged. No female director was appointed at the AGM, and we voted against the reappointment of the top executive following our proxy voting guidelines.



**Progress 3** Although the top executive was reappointed, the approval rating declined. After the AGM, the company set up an organization to strengthen governance. In addition, the company provided an engagement opportunity with a new executive director tasked with improving governance.



**Assessment & Future Plan** Afterwards, quite ahead of the next AGM, the company announced the appointments of new board directors, including a female, and prospects for succeeding the incumbent CEO and CFO. In addition, the number of outside directors is planned to increase, and board independence will be secured. We have appreciated these developments in not only diversity but also multiple governance issues. The company has also mentioned capital efficiency improvement, which we expect to progress in the future.

## Future Prospects for Mid- and Small-Cap Stocks

Corporate governance reforms and the Tokyo Stock Exchange's (TSE) market reforms are a tailwind for Japanese equities nowadays. Progress among large-cap stocks has gained investors' attention so far, but looking ahead, I expect mid and small-cap stocks to take over a leading role. This is favourable, especially for companies with ambition for growth. Many companies in Japan have world-class businesses and the potential to achieve an enormous leap.



**Yukihiro Hattori**  
Portfolio Manager, Japanese Equity  
Small/Mid Growth Strategy

\* The above comment is not related to the case on the left.



## Examples of Engagement

The following are examples of constructive dialogue we conducted.

# Case 2: Company B



**Background** Company B, the provider of fitness services specializing in elder females, had ample room to improve IR disclosures and communication due to its short history as a publicly listed company and its relatively small corporate size.



**Progress 1** In several engagements with the top management, we pointed out that the company needed to actively disclose its business details, which contribute to improving senior females' health and solving the social issues in the ageing population.



**Progress 2** While the COVID-19 pandemic from 2020 significantly impacted the fitness industry, we carried on ongoing dialogues about its strong financial position and customer loyalty among its fitness gym members, which helped the company to cope with the challenge.



**Progress 3** The company asked for advice on IR disclosures. We communicated the areas for improvement, including that the company lacked financial and non-financial disclosures, and that sell-side analyst coverage was limited, even considering its short history of stock exchange listing, once again. The company appreciated our advice and responded that it would like to consider publishing a report with ESG information.



**Assessment & Future Plan** Consequently, the company has not only disclosed ESG information but also published an integrated annual report. While we have highly appreciated the report's content explaining how its business model aims to solve social issues, we have conveyed that the company also needs to set medium- to long-term measurable key performance indicators (KPIs) and introduce measures to increase the percentage of women in management from the perspectives of governance and human capital management as future considerations for the company.

## To Perform Constructive Dialogues with Investee companies

Business strategy alone is insufficient for achieving corporate value growth. It is necessary to take a multitude of approaches, such as a financial strategy with conscious of the cost of capital and a governance system ensuring transparency and accountability, where one size does not necessarily fit all. As investors, we strive to have a deep understanding of each company and thoughtful communication, as well as provoke and facilitate discussions from different perspectives while taking the same direction with investee companies in order to contribute to corporate value enhancement.



**Fumichika Tanemoto**  
Research Analyst

\* The above comment is not related to the case on the left.

## Examples of Engagement

The following are examples of constructive dialogue we conducted.

### Case 3: Company C



**Background** Company C, a regional bank, boasted strong customer loyalty, but its capital policy fell behind its peer group.



**Progress 1** We highly valued the growth potential of the region where Company C was based, as well as the strong customer loyalty for the bank rooted in the region. Meanwhile, the bank announced a new business to establish a digital bank, which diverted from the bank's competitive edge. Therefore, we had multiple conversations about the validity of this new strategy.



**Progress 2** While the bank's existing business was doing well, the new business continued to struggle and delayed turning a profit. Furthermore, the bank had sufficient capital on the balance sheet but had yet to improve its capital policy, including dividend hikes. In the ongoing engagements on the new business and capital policy, we received the responses that independent outside directors were involved in these issues on top of the company management.



**Progress 3** The bank made some progress in capital policy, ROE targets setting and sustainability disclosures while not satisfactory. The bank also considered arranging engagement opportunities between its top management/Boards of Directors and capital market participants.



**Assessment & Future Plan** We have appreciated the bank's stance towards engagement with investors even though it faced business challenges. Capital policy and new business investment are two sides of the same coin. We will continue engagements from the perspective that the bank must make the right capital allocation decisions, even though its existing business performs well.

#### What is necessary for corporate value creation?

There are several paths towards corporate value growth. At Invesco Japan, the investment team discusses a broad range of topics, from effective use of tangible and intangible assets, optimal capital strategies including leverages, corporate governance improvement to sustainability strategy enhancement, on top of growth strategies strengthening competitive edges and a rise in profitability. We aim to identify companies we can pursue the common goal of corporate value creation together in the long run.



**Shusuke Komuro**  
Research Analyst  
Portfolio Manager

\* The above comment is not related to the case on the left.

## Examples of Engagement

The following are examples of constructive dialogue we conducted.

### Case 4: Company D



**Background** Company D was a fintech company listed on the TSE growth market. The company was a listed subsidiary with a parent company, but independent outside directors accounted for less than the majority of the Board of Directors. In addition, the company's disclosures were limited.



**Progress 1** We voted against the appointment of top executives as the company's board independence did not satisfy our proxy voting guideline for a listed subsidiary. We directly communicated our proxy voting decision and rationale to the company. We also pointed out the need to improve disclosures.



**Progress 2** Afterwards, the company identified ESG materialities and published them on the company website. These included fintech talent acquisition, innovations to solve social issues, and the establishment of a governance system. The company formally targeted building a structure in line with Japan's Corporate Governance Code and increasing the number of independent outside directors.



**Progress 3** Next year, the company's structure transitioned from a company with Board of Statutory Auditors (Kansayaku) to a company with Audit Committee. Meanwhile, independent outside directors did not yet reach the majority, and we voted against it again.



**Assessment & Future Plan** The company did not meet the proper standards at the AGM. However, its board independence, summing up statutory auditors and board directors, slightly improved compared to a year ago. The company has committed to improving environment and human capital management disclosures, in addition to strengthening its governance system. With hoping the company's further governance system enhancement, we will continue to engage in dialogue on the importance of independence.

## Our Stewardship Activities

Every day, I discover something new in company research activities. While looking into multiple different industries and regions, I think there can be a common answer. I conduct stewardship activities to make better investment decisions and forecast investee companies' earnings based on research and dialogues, even in significant market moves, with an aim to contribute to portfolio performance.



**Huan Cheng**  
Research Analyst

\* The above comment is not related to the case on the left.



# Principle5

## Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklists; it should be designed to contribute to the sustainable growth of investee companies.

### Our Policy

Casting a proxy vote is one of the important elements of stewardship activities. In general, we make voting decisions following our internally developed Invesco Japan Proxy Voting Guideline. Meanwhile, if, for example, a separately managed account has a client-directed voting policy, the client policy may prevail over our guideline. The full text of our proxy voting guideline is available on our website. We also widely share our proxy voting approach with investee companies and engage with them as necessary.

Please also refer to our Policy of Stewardship Responsibilities.

### Link:

<https://www.invesco.com/content/dam/invesco/corporate/en/pdfs/regulatory/IAML-Japan-PolicyOfStewardshipResponsibilities-2019.pdf>

We strive to vote proxies on all investee companies. We make voting decisions based on whether these decisions contribute to the sustainable growth of investee companies' value, taking into account ESG perspectives, each company's situation and engagements.

We review our proxy voting guideline as appropriate to ensure that our voting policies and procedures contribute to the sustainable growth of investee companies' value. Depending on a proposal, we may make an

exception after having constructive dialogue with the investee company. In such a case, approval of the Responsible Investment Committee shall be obtained.

### FY 2023 Activities

We made revisions to our proxy voting guideline in February 2024. The key enhancements are summarized below.

- At a company with a parent company or controlling shareholders, independent outside directors must account for the majority of the Board of Directors,
- The maximum number of listed or equivalent companies internal executive directors can perform board director duties is two,
- If a decrease in independent outside directors and an increase in internal directors significantly reduces the percentage of outside directors at the Board of Directors and poses governance problems, we cast a vote against it,
- If the number of Audit Committee board members decreases, we cast a vote against it, in the same way as a decline in the number of statutory auditors.

While Invesco has established its firm-wide global proxy policy, we have locally laid down Invesco Japan Proxy Voting Guideline. By confirming that these policies share the same principles, we emphasize the right direction in corporate governance among Japanese companies considering local laws and regulations in Japan's context.

Since May 2019, we have disclosed all proxy voting results and the rationales for voting decisions against resolutions. We continued to disclose them to enhance accountability and transparency. We also communicate our voting decisions directly to investee companies and work towards deepening investee companies' understanding of our approach to proxy voting.

We reported proxy voting results and stewardship activities, including company engagements, to the Conflict of Interest Oversight Committee. The committee affirmed that there were no issues falling under a conflict of interest.

The next page showcases examples of the significant decisions which we believe enhance transparency in our proxy voting practices and contribute to constructive dialogue with investee companies.

## Case 1

### Agenda: Tenure as Independent Outside Directors

Our proxy vote guidelines view outside directors with a significantly long tenure as non-independent and consider voting against the reappointment of such outside directors. Following the guidelines, we consider voting against the reappointment of an outsider director whose tenures exceeded ten years, in principle. Accordingly, we reviewed the reappointment of an outside director with a more than ten-year tenure from the independence as well as suitability perspectives. The candidate had chaired the Board for two years. Meanwhile, the company adopted a company with three committees (Nomination, Audit, and Remuneration), and independent outside directors accounted for the majority of the Board of Directors. As the candidate served as a board member for the period when the company pushed through important structural reforms, and the company's structure secured sufficient supervision over the Board, we voted for the outside director's reappointment.

#### Self-Assessment

We commit stewardship activities, including investor-driven proxy voting.

Our investment professionals lead proxy voting guideline development and proxy voting decisions. Then, we communicate our proxy voting guideline and voting decisions to the investee companies, which is not limited to the period of AGM.

We use the services of a third-party proxy advisory firm, Institutional Shareholder Services (ISS). Meanwhile, we do make proxy voting decisions in light of whether or not these decisions contribute to the sustainable growth of the investee company's value based on the in-house proxy voting guideline. We also engage with a proxy advisory firm as needed and perform due diligence on its service and operation policies.

We share proxy voting results among the investment team, the Responsible Investment Committee and the Conflict of Interest Oversight Committee to avoid mechanical proxy voting and lead to sensible decisions, contributing to the sustainable corporate value growth.

Thus, we evaluate that our activities complied with the principle.

#### Future Considerations

We continue to evolve our proxy voting guidelines to contribute to enhancing corporate value and strengthening corporate governance. We have disclosed all proxy voting results and continue to improve our disclosures, such as methodologies, contents, and timing.

## Case 2

### Agenda: Listed Subsidiary with a Parent Company or a Controlling Shareholder

For a listed subsidiary with a parent company or a controlling shareholder, our proxy vote guidelines consider voting against the appointment of top executives and the Nomination Committee chair of a company with three Committees unless independent outside directors account for the majority of the Board of Directors. Although the company maintained outside directors majority before the AGM, top management succession led to an increase in internal executive directors, reducing the percentage of outside directors to just 50% of the Board. Through constructive dialogues, we confirmed the top executive had the skills to increase corporate value and the company understood the importance of board independence. Accordingly, we cast votes for it.

Meanwhile, we have cases where, after multiple-year dialogues, listed subsidiaries eventually achieved board independence, with the number of independent outside directors reaching the Board majority. Against the backdrop of constant messages from the capital market on board independence at a listed subsidiary, we see the green shoots of the changes.

#### Stewardship Activities Required of Fiduciaries

Ten years have passed since Japan introduced corporate governance reforms, and I realize rising standards for effective stewardship activities through communication with both Japanese and overseas clients every day. I strive to comprehensively explain our constructive engagements and proxy vote cases, which aim to enhance corporate value in the long run, as my contribution to increasing the effectiveness of our stewardship activities.



**Yasuko Sato**  
Head of Client Portfolio  
Management

\* The above comment is not related to the case on the left.

# Proxy Voting Results in Japan

FY 2023 (During the period from July 2023 to June 2024)

## 1. Voting statistics for management proposals

| Agenda                              |   | For<br>(A) | Against<br>(B) | Abstain<br>(C) | Discretion<br>(D) | Total<br>(E) | % of<br>Against or<br>Abstain<br>(B+C)/E |
|-------------------------------------|---|------------|----------------|----------------|-------------------|--------------|--|
| Directors and Auditors Related      | Appointment of Directors                      | 1,820      | 277            | 0              | 0                 | 2,097        | 13.2%                                    |
|                                     | Appointment of Statutory Auditors (Kansayaku) | 115        | 51             | 0              | 0                 | 166          | 30.7%                                    |
|                                     | Appointment of Accounting Auditor             | 4          | 0              | 0              | 0                 | 4            | 0.0%                                     |
| Compensation                        | Director/Auditor Remuneration <sup>1</sup>    | 103        | 6              | 0              | 0                 | 109          | 5.5%                                     |
|                                     | Director/Auditor Retirement Benefits          | 1          | 1              | 0              | 0                 | 2            | 50.0%                                    |
| Capital Policy                      | Appropriations of Retained Earnings           | 144        | 2              | 0              | 0                 | 146          | 1.4%                                     |
|                                     | Reorganization and Mergers <sup>2</sup>       | 1          | 0              | 0              | 0                 | 1            | 0.0%                                     |
|                                     | Anti-takeover Measures                        | 0          | 1              | 0              | 0                 | 1            | 100.0%                                   |
|                                     | Others <sup>3</sup>                           | 2          | 0              | 0              | 0                 | 2            | 0.0%                                     |
| Articles of Incorporation Amendment |   | 39         | 5              | 0              | 0                 | 44           | 11.4%                                    |
| Others                              |   | 0          | 1              | 0              | 0                 | 1            | 100.0%                                   |
| Total                               |   | 2,229      | 344            | 0              | 0                 | 2,573        | 13.4%                                    |

1.Revision of director remuneration amounts, stock options issuance, introduction and revision of performance-linked compensation, and director bonus, etc.

2.Merger, business transfer/acquisition, share exchange, share transfer, company split, etc.

3.Stock repurchase program, reduction in legal reserve, third-party allotment, capital reduction, reverse stock split, class share issuance, etc.

If the same stock is held in multiple accounts, votes on the same resolution are counted as one.

If we have “for” and “against” votes on the same resolutions, we count both as two.

## 2. Voting statistics for shareholder resolutions

| Agenda |  | For<br>(A) | Against<br>(B) | Abstain<br>(C) | Discretion<br>(D) | Total<br>(E) | % of<br>Against or<br>Abstain<br>(B+C)/E |
|--------|--|------------|----------------|----------------|-------------------|--------------|--|
| Total  |  | 4          | 17             | 0              | 0                 | 21           | 81.0%                                    |

If the same stock is held in multiple accounts, votes on the same resolution are counted as one.

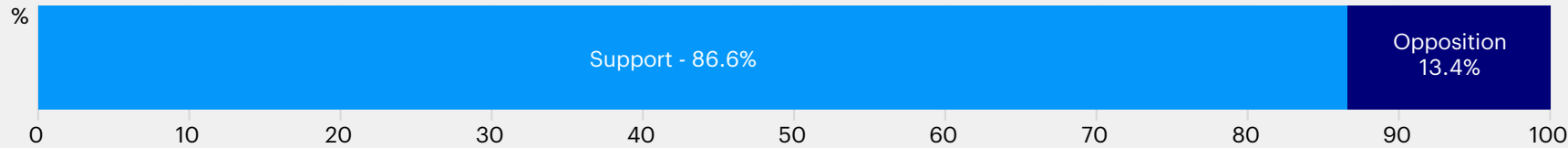
If we have “for” and “against” votes on the same resolution, we count both as two.



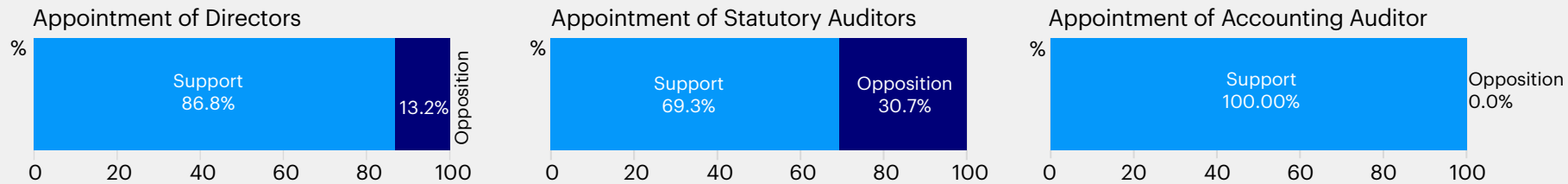
# Voting Rights Exercise

(During the period from July 2023 to June 2024: 221 Companies, 2,573 Company's proposals and 21 shareholder's proposals)

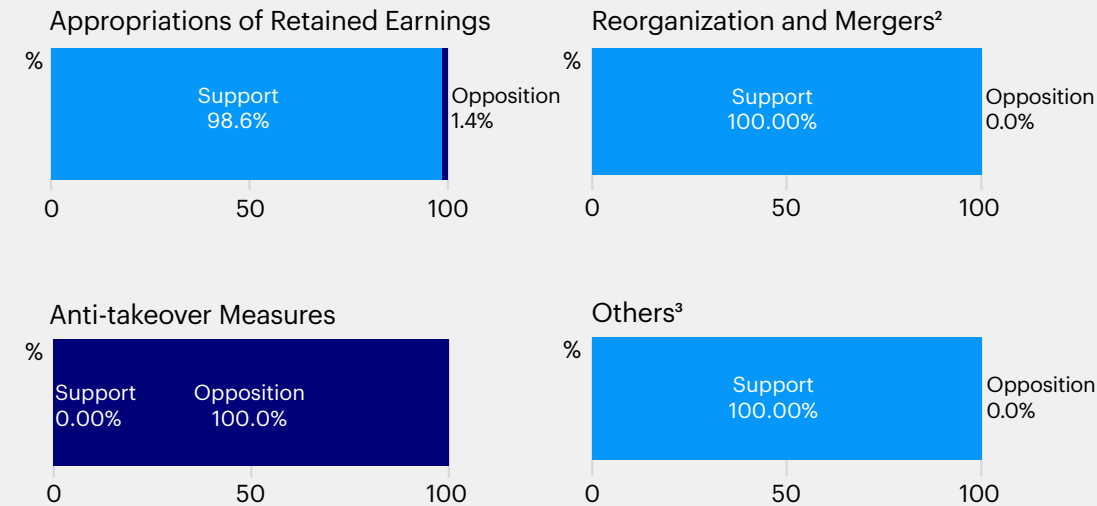
## Company's proposal



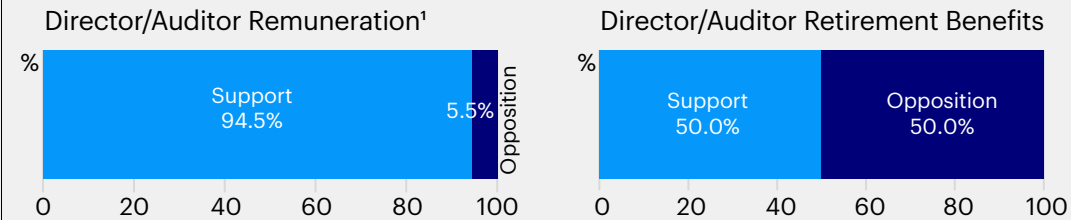
## Directors and Auditors Related



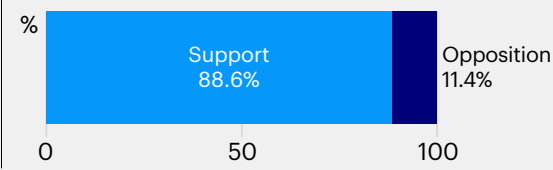
## Capital Policy (Excluding Articles of Incorporation Amendment)



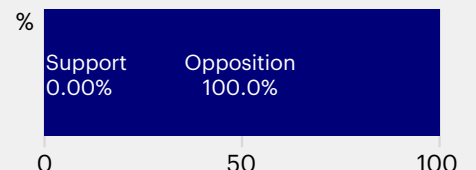
## Compensation



## Articles of Incorporation Amendment



## Others



1. Revision of director remuneration amounts, stock options issuance, introduction and revision of performance-linked compensation, and director bonus, etc.

2. Merger, business transfer/acquisition, share exchange, share transfer, company split, etc.

3. Stock repurchase program, reduction in legal reserve, third-party allotment, capital reduction, reverse stock split, class share issuance, etc.

If the same stock is held in multiple accounts, votes on the same resolution are counted as one.

If we have "for" and "against" votes on the same resolutions, we count both as two.

## **Principle 6**

### **Institutional investors in principle should report periodically on how they fulfill stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.**

#### **Our Policy**

Active engagement to ensure investee companies' sustainable value creation and growth in the long term is one of our important responsibilities as an investment manager. We disclose our stewardship activities to our clients as appropriate. We may publicly disclose information replacing individual reporting if practicable.

We strive to enhance the quality of stewardship activity disclosure. Accordingly, we publish Invesco Japan Proxy Voting Guideline, all proxy voting results and the rationales for voting decisions against resolutions on our website.

#### **FY 2023 Activities**

Since November 2019, we have published the Invesco Japan Stewardship Report annually, and this is the fifth issue. The Report demonstrates how we fulfil investment stewardship responsibilities, including our ESG integration approach and our view on sustainability and best practices in corporate governance, on top of engagement examples. Invesco also published the firm-level Stewardship Report and TCFD Report.

#### **Self-Assessment**

We have been making efforts to enhance the transparency and accountability of our stewardship activities by publishing this report and disclosing these activities on our website. Thus, we evaluate that our activities complied with the principle.

#### **Future Considerations**

We strive to enhance disclosures to meet the increasing demand for stewardship activity effectiveness and proxy voting accountability.

## Principle 7

**To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.**

### Continued Initiatives

Research analysts and portfolio managers strive to deepen their understanding of investee companies. Our remuneration structure is designed to incentivize investment professionals to acquire expertise as a long-term investor.

### FY 2023 Activities

Our stewardship activities, including proxy voting and constructive dialogue with investee companies, are governed and overseen by the Responsible Investment Committee, and conflicts of interest are monitored by the Conflict of Interest Oversight Committee. These monitoring results are also reported to the Executive Committee and the Invesco Proxy Advisory Committee. Regular activity reviews enable us to enhance the effectiveness of our stewardship activities and contribute to revitalizing the entire investment chain.

We strive to improve the knowledge and understanding of the financial industry as a whole by carrying on constructive dialogue with a multitude of stakeholders within the investment chain, including clients, domestic and overseas institutional investors and investee companies.

This stewardship report is the sixth issue since November 2019, when we started to publish it. These reports describe our engagements and significant voting decisions, which we believe contribute to constructive dialogue. This report is a tool addressing our views on best corporate governance practices and our environmental (E) and social (S) efforts and initiatives. Based on the engagement progress, we have set forth future plans to contribute to sustainable corporate value growth in the long term.

### Self-Assessment

Research analysts and portfolio managers diligently conduct bottom-up fundamental research every day with a focus on scrutinizing the sustainable corporate value growth of investee companies from a long-term perspective. To this end, Invesco Japan and Invesco have been enhancing the support systems and resources globally. We will continue to strive to contribute to the investee companies' sustainable corporate value growth through constructive dialogue in light of sustainability aligned to our investment strategies. With these firm-wide efforts strengthening in Japan as well as globally, we evaluate that our activities complied with the principle.

### Future Considerations

We acknowledge that the requirements for stewardship activities will continue to evolve. We will strive to strengthen our structure, which enables us to conduct effective dialogues that contribute to appropriate capital allocation and corporate value growth among investee companies.



You can find the “Policy of Stewardship Responsibility” and “Conflict of Interest Management Policy ” from below links.

Policy of Stewardship Responsibilities (in Japanese):  
<https://www.invesco.com/jp/ja/policies/stewardship-code.html>

Conflict of Interest Management Policy (in Japanese):  
<https://www.invesco.com/jp/ja/policies/interest-conflict-policy.html>

\*The above is the URL as of November 2024 and is subject to change in the future.

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## Find out more

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ESG information for institutional (in Japanese):  
<https://www.invesco.com/jp/ja/institutional/capabilities/esg.html>



ESG information for individual investor (in Japanese):  
<https://www.invesco.com/jp/ja/about-us/esg.html>



### Important Information

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