
Policy on Responsible Investment
Invesco Global Quantitative Equity (Frankfurt)



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1. Introduction

Invesco Global Quantitative Equity (IGQE) in Frankfurt, Germany is a division of Invesco Asset Management Deutschland GmbH, and is the investment adviser for a number of funds managed by Invesco Fund Managers Limited. IGQE has adopted a clear and considered policy towards its responsibility as a shareholder on behalf of all investors in portfolios managed by them. As part of this policy, IGQE will take steps to satisfy itself about the extent to which the companies in which it invests look after shareholders' value in their companies and comply with local recommendations and practices, such as the UK Corporate Governance Code issued by the Financial Reporting Council and the U.S. Department of Labour Interpretive Bulletins.

As a core part of the investment process, IGQE's fund managers believe it is important to have access to company management to promote company decision making that is in the best interests of shareholders, and is in accordance with good corporate governance principles.

Given the nature of the IGQE's investment approach, which is largely quantitatively driven and benchmark index constrained, the team do not have any direct contact with company management divisions and therefore do not have a forum for pro-active engagement. Invesco Asset Management Deutschland GmbH has therefore appointed Ethical Investment Research Services Ltd. (EIRIS), to provide engagement services for IGQE. EIRIS was appointed on 24 May 2010 to monitor companies and initiate and assist with engagement practices with these companies on behalf of IGQE.

IGQE considers that shareholder activism is fundamental to good corporate governance. Although this does not entail intervening in daily management decisions, it does involve supporting general standards for corporate activity and, where necessary, taking the initiative to ensure those standards are met, with a view to protecting and enhancing value for investors in the portfolios.

2. Scope

The scope of this policy covers all portfolios that are managed by the IGQE investment team located in Frankfurt, Germany and specifically excludes portfolios that are managed by other investment teams within the wider IGQE group which have their own voting, corporate governance and stewardship policies.

3. Responsible voting

IGQE always attends to the interest of the client, especially for fund-related voting rights and corporate governance issues. IGQE has responsibility for making investment decisions that are in the best interests of its clients. As part of the investment management services it provides to clients, IGQE may be authorised by clients to vote proxies pertaining to the shares of which the clients are beneficial owners. IGQE believes that it has a duty to manage clients' assets in the best economic interests of the clients and that the ability to vote proxies is a client asset. IGQE reserves the right to amend its proxy policies and procedures from time to time without prior notice to its clients.

4. Voting procedures

Voting of proxies

IGQE will, on a fund by fund basis, decide whether it will vote proxies and if so, for which parts of the portfolio it will vote. If IGQE decides to vote proxies, it will do so in accordance with the procedures set forth below. If the client retains in writing the right to vote or, if IGQE determines that any benefit the client might gain from voting a proxy would be outweighed by the costs associated therewith, it will refrain from voting.

Best economic interests of clients

In voting proxies, IGQE will take into consideration those factors that may affect the value of the security and will vote proxies in a manner in which, in its opinion, is in the best economic interests of clients. IGQE endeavours to resolve any conflicts of interest exclusively in the best economic interests of clients.

Certain proxy votes may not be cast

In some cases, IGQE may determine that it is not in the best economic interests of clients to vote proxies. For example, proxy voting in certain countries outside the United States requires share blocking. Shareholders who wish to vote their proxies must deposit their shares 7 to 21 days before the date of the meeting with a designated depository. During the blocked period, shares to be voted at the meeting cannot be sold until the meeting has taken place and the shares have been returned to the custodian/sub-custodian bank. In addition, voting certain international securities may involve unusual costs to clients. In other cases, it may not be possible to vote certain proxies despite good faith efforts to do so, for instance when inadequate notice of the matter is provided. In the instance of securities lending, voting of proxies typically requires termination of the lending arrangement, so it is not usually in the best economic interests of clients to vote proxies on securities within a securities lending programme.

IGQE typically will not, but reserves the right to, vote where share blocking restrictions, unusual costs or other barriers to efficient voting apply. If IGQE does not vote, it would have made the determination that the cost of voting exceeds the expected benefit to the client.

Risk Metrics Group Services

On behalf of IGQE, Invesco Asset Management Deutschland GmbH has contracted with Risk Metrics Group (RMG), previously known as Institutional Shareholder Services, an independent third party service provider, to vote clients' proxies according to RMG's proxy voting recommendations. In addition, RMG will provide proxy analyses, vote recommendations, vote execution and record-keeping services for clients for which IGQE has proxy voting responsibility. On an annual basis, IGQE will review information obtained from RMG to ascertain whether RMG:

- has the capacity and competency to adequately analyse proxy issues, and
- can make such recommendations in an impartial manner and in the best economic interest of IGQE's clients.

This may include a review of RMG's policies, procedures and practices regarding potential conflicts of interest and obtaining information about the work RMG does for corporate issuers and the payments RMG receives from such issuers.

Custodians forward proxy materials for clients who rely on IGQE to vote proxies to RMG. RMG is responsible for exercising the voting rights in accordance with its proxy voting guidelines. If IGQE receives proxy materials in connection with a client's account where the client has, in writing, communicated to IGQE that the client, plan fiduciary or other third party has reserved the right to vote proxies, IGQE will forward to the party appointed by the client, any proxy materials it receives with respect to the account.

5. Non-routine resolutions and other topics

In order to avoid voting proxies in circumstances where IGQE, or any of its affiliates have or may have any conflict of interest, real or perceived, IGQE has engaged RMG to provide the proxy analyses, vote recommendations and voting of proxies.

In the event that:

- RMG recuses itself on a proxy voting matter and makes no recommendation or
- IGQE decides to override the RMG vote recommendation

IGQE team's Proxy Voting Committee (PVC), together with an Invesco Compliance Officer, will review the issue and direct RMG how to vote the proxies as described below.

RMG recusal

When RMG makes no recommendation on a proxy voting issue or is recused due to a conflict of interest, the PVC and the Compliance Officer will review the issue and, if IGQE does not have a conflict of interest, will direct RMG how to vote the proxies. In such cases where IGQE has a conflict of interest, IGQE, in its sole discretion, shall either:

- vote the proxies pursuant to RMG's general proxy voting guidelines
- engage an independent third party to provide a vote recommendation
- contact its client(s) for direction as to how to vote the proxies

Override of RMG recommendation

There may be occasions where IGQE's investment personnel or senior officers seek to override RMG's recommendations if they believe that the RMG's recommendations are not in accordance with the best economic interests of clients. In the event that an individual listed above in this section disagrees with an RMG recommendation on a particular voting issue, the individual shall document in writing the reasons that he/she believes that the RMG recommendation is not in accordance with clients' best economic interests and submit such written documentation to the PVC. Upon review of the documentation and consultation with the individual and others as the PVC deems appropriate, the PVC together with the Compliance Officer may make a determination to override the RMG voting recommendation, if they determine that it is in the best economic interests of clients.

6. Engagement with companies

Engagement enables investors to exert a positive influence on companies to promote strong governance, manage risk, increase accountability and drive improvements in the management of environmental, social and governance issues.

IGQE will endeavour, where practicable in accordance with its investment approach, to engage with companies based on the mutual understanding of objectives. EIRIS facilitates this engagement and provides recommendations about methods of escalation. Engagement is likely to include written letters to company representatives to explore any concerns about corporate governance where these may impact on the best interests of clients. Following on from this initial step and where responses are not satisfactory, conference calls and further dialogue may be required. During these company discussions, IGQE will endeavour to cover any matters of particular relevance to shareholder value.

Those people on the inside of a company, most obviously its executives, know their businesses much more intimately. Therefore, it is usually appropriate to leave strategic matters in their hands.

Inevitably there are times when IGQE's views diverge from those of the company's executives but, where possible, it attempts to work with the company towards a practical solution. However, IGQE believes that its status as part-owner of a company means that it has both the right and the responsibility to make its views known. The option of selling out of that business is always open, but normally IGQE prefers to push for change, even if this can be a slow process.

The engagement service that EIRIS provides may include the following:

- Identify target companies for engagement using the EIRIS Principles for Responsible Investment tool to focus on UN Global Compact issues
- Consultation with IGQE to determine the sub-set of approximately 5 companies - focus on themes or by region
- Writing letters to companies with poorest performance on behalf of IGQE, including a report on the company outlining what the company needs to do
- Analysis of responses, feedback to IGQE and recommendations as to the escalation of engagement
- Support IGQE in conference calls with the company if necessary or required
- Setting up systems to log the companies engaged with, any commitments obtained and any subsequent change in corporate activity, including detailed reports
- Review success of engagement process and recommendations to improve process

7. Evaluation of companies environmental, social and governance arrangements (ESG)

EIRIS' engagement service offers the choice of two distinct engagement approaches, as follows:

- Theme-based engagement
- Controversy-led engagement

Both approaches can be used independently or in conjunction with one another. Following discussions with EIRIS regarding IGQE's requirements, the team have decided to adopt a combination of the two approaches.

The theme-based engagement objective is to drive improvements in corporate responses to ESG themes. This approach focuses on the quality of management response to specific ESG risks, the presence and quality of policies, management systems and reporting levels.

Themes under consideration for engagement include:

- Water
- Climate change
- Bribery & corruption
- Supply chain labour
- Human rights

The controversy-led engagement objective is to encourage companies to fully address allegations of corporate breaches of global norms and conventions, to implement better policies and management systems to prevent further similar occurrences.

8. Disclosure and reporting

Although IGQE does not report specific findings of company engagements for external use, regular illustrations will be provided to demonstrate that active engagement is a part of its investment process. For clients with individual mandates, (i.e. not invested in a fund), IGQE may discuss specific issues where it can share details of a client's portfolio with that specific client.

Clients may obtain information about how IGQE voted proxies on their behalf by contacting their client services representative. Alternatively, clients may make a written request for proxy voting information.

As at 30 June 2012.

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Telephone calls may be recorded.

Where Invesco has expressed views and opinions, these may change.

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