



Australian Government

Commonwealth Superannuation Corporation

# Proxy voting report

July–December 2019



Commonwealth  
Superannuation  
Corporation

This report summarises the execution of CSC's proxy voting policy for the six-month period ending 31 December 2019.

## 1. Proxy Voting in Australia

Figures A.1 and A.2 below summarise CSC's proxy voting activity over the last three consecutive 6-month periods in Australia. Over the most recent six-month period to 31 December 2019:

- CSC exercised its vote on 1,046 proposals in respect of 185 Australian companies.
- As is common, the majority of proposals related to director elections and executive compensation structures, making up 44% and 42% of the total proposals put to shareholders, respectively.
- Within the board-related and compensation categories, CSC voted against approximately 5% and 5% of proposals, respectively.
- Compared to the prior corresponding period, the number of companies receiving second-strikes or more in respect of their remuneration reports increased from 3 to 14.

**Figure A.1: CSC proxy voting activities in Australia.**

### 1.1 Compensation

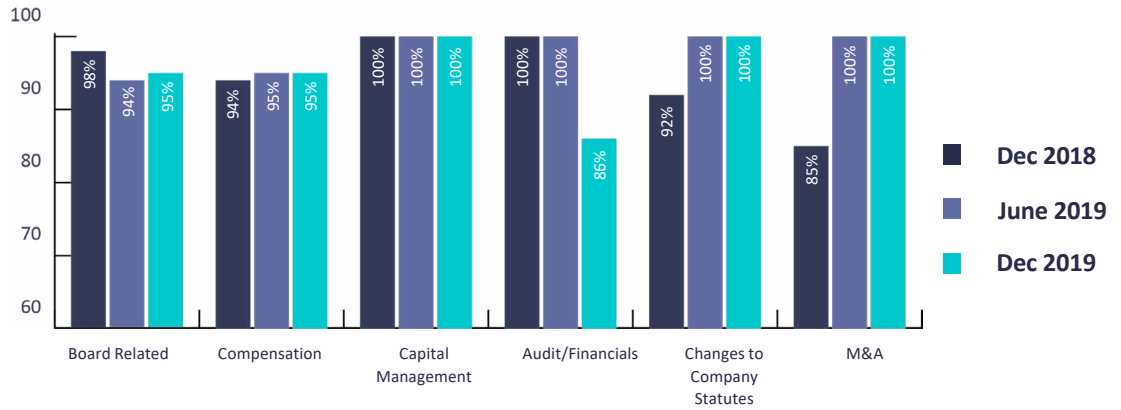
|  | 6-month period to |        |        |
|--|-------------------|--------|--------|
|  | Dec-18            | Jun-19 | Dec-19 |
| <b>Total number of companies</b>                 | 174               | 48     | 185    |
| <b>Total number of meetings</b>                  | 182               | 48     | 191    |
| <b>Total number of proposals</b>                 | 950               | 241    | 1046   |
| Board related                                    | 44%               | 45%    | 44%    |
| Compensation                                     | 42%               | 40%    | 42%    |
| Capital Management                               | 5%                | 5%     | 5%     |
| Audit/Financials                                 | 1%                | 2%     | 1%     |
| Changes to Company Statutes                      | 4%                | 4%     | 4%     |
| M&A  | 3%                | 2%     | 1%     |
| Shareholder Proposals                            | 1%                | 2%     | 3%     |
| Other  | 0%                | 0%     | 0%     |
| <b>Total number of board spills resolutions*</b> | 4                 | 3      | 14     |

\*Occurs when the company receives a second-strike or more on its remuneration report.

**Figure A.2: Summary statistics of CSC’s exercised votes.**

**CSC Australia Proxy Voting: July 2019–December 2019**

Percentage of “FOR” votes



- CSC supports compensation arrangements for management and directors that are reasonable and fit for the purpose of attracting and rewarding talent. In assessing non-binding resolutions to adopt compensation reports, CSC expects to see clear and concise compensation reports that disclose all relevant information, facilitate understanding of the company’s compensation policy and are aligned with shareholder interests.
- Between July and December 2019, CSC’s votes were exercised in respect of 435 resolutions seeking support for compensation reports. CSC voted against 21 of those reports for failure to meet the expectations outlined above.
- Where a company receives more than 25% of votes against its remuneration report in two consecutive years or more, the Corporations Act grants shareholders the right to vote on whether the entire board should be re-elected. These reforms also prohibit key management personnel from voting on: (1) the remuneration report; (2) any two-strike board spill; and (3) from hedging incentive remuneration. It effectively removes the ability for executives to vote and approve their own pay. Shareholder approval is now also required for a declaration of “no vacancy” (previously used by boards to limit board size).
- In line with our investment-manager recommendations, CSC voted on 14 board spill resolutions during the period, supporting company recommendations against the resolution.

**1.2 Director Election**

- CSC considered 428 proposals for director elections, rejecting 9 proposals.

## 2. Proxy Voting in International Markets

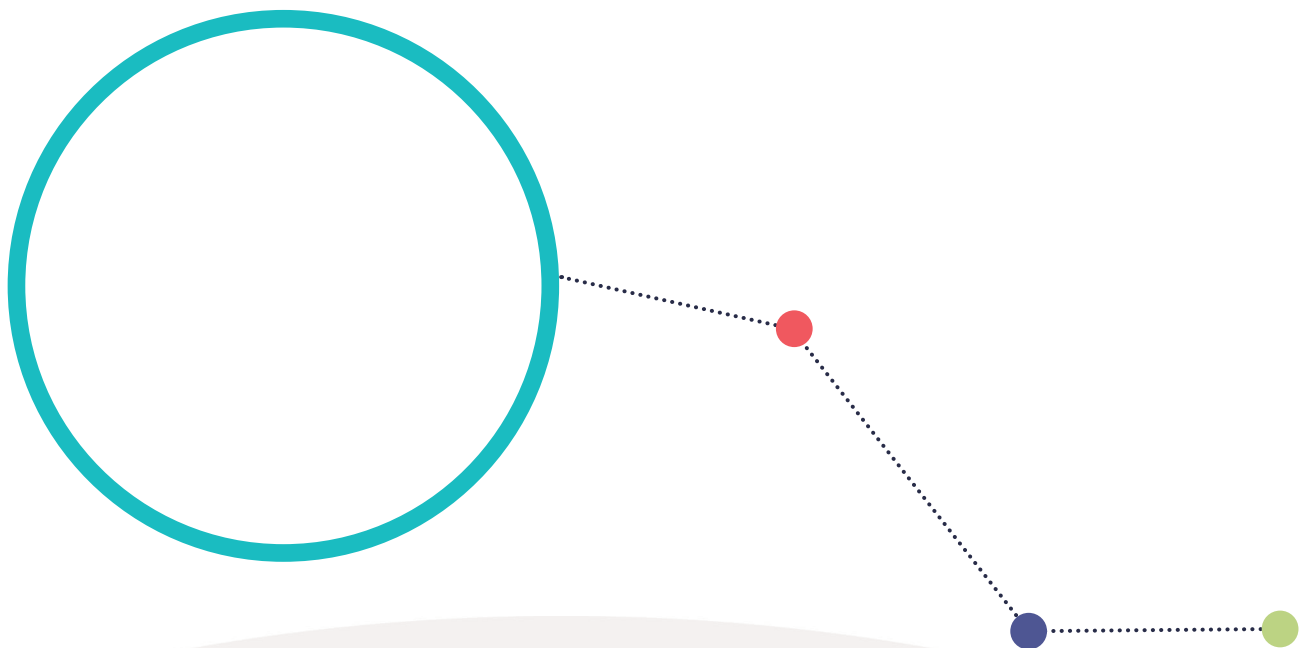
CSC engages CGI Glass Lewis (CGL) to provide research and proxy voting advice for all of its unimpeded International Equities holdings. This relationship has increased CSC's voting transparency in international markets. Over the most recent six-month period to 31 December 2019:

- CSC exercised its vote on 3,323 proposals in respect of 308 international companies.
- Of these, 50% were board-related director elections, followed by compensation, audit/financials and capital management.

Figures A.3 and A.4 below summarise CSC's proxy voting activity over the last three consecutive 6-month periods in international markets.

**Figure A.3: CSC proxy voting activities in international markets.**

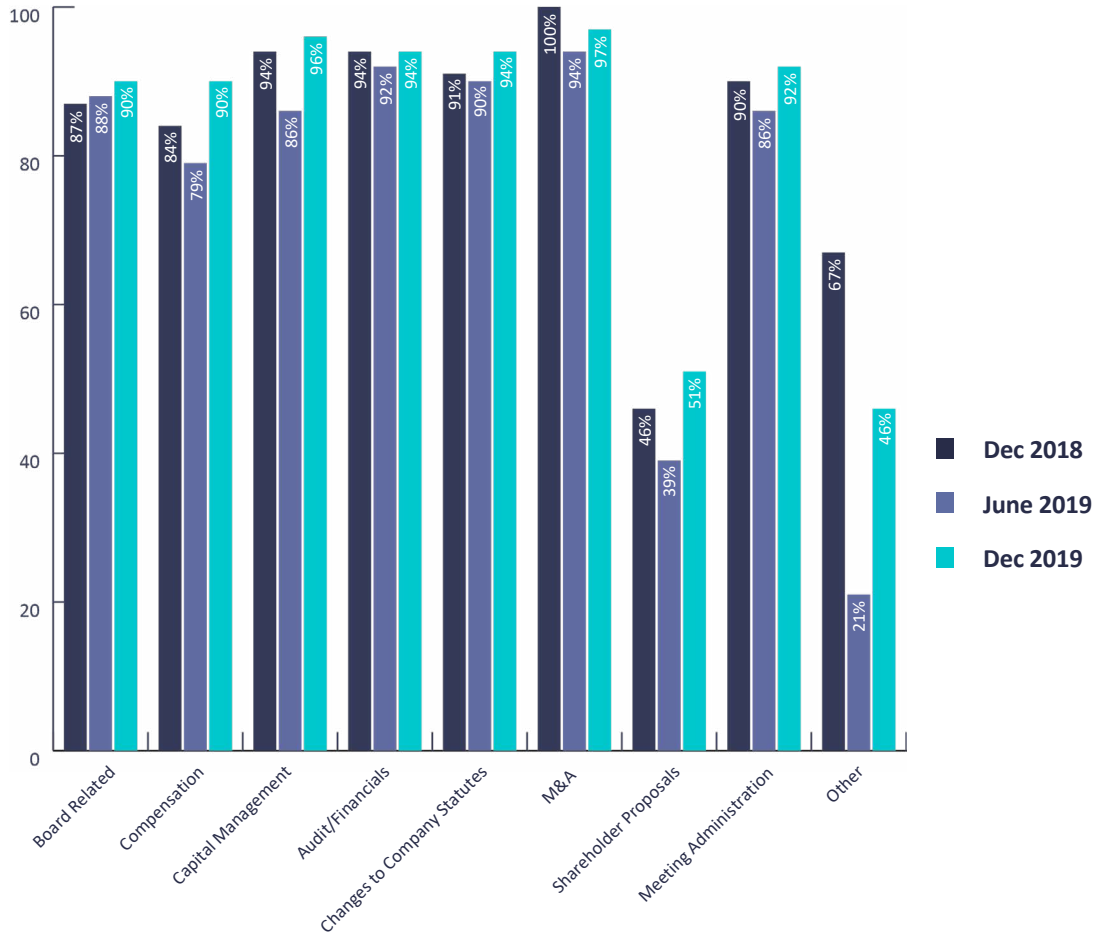
|                                  | 6-month period to |        |        |
|----------------------------------|-------------------|--------|--------|
|                                  | Dec-18            | Jun-19 | Dec-19 |
| <b>Total number of companies</b> | 306               | 1620   | 308    |
| <b>Total number of meetings</b>  | 342               | 1735   | 343    |
| <b>Total number of proposals</b> | 3305              | 23339  | 3323   |
| Board related                    | 50%               | 60%    | 50%    |
| Compensation                     | 14%               | 10%    | 15%    |
| Capital Management               | 9%                | 6%     | 9%     |
| Audit/Financials                 | 13%               | 13%    | 13%    |
| Changes to Company Statutes      | 4%                | 2%     | 4%     |
| M&A                              | 4%                | 0%     | 2%     |
| Shareholder Proposals            | 1%                | 2%     | 2%     |
| Meeting Administration           | 4%                | 3%     | 4%     |
| Other                            | 2%                | 2%     | 2%     |



**Figure A.4: Summary statistics of CSC’s exercised votes.**

**International Proxy Voting: July 2019–Dec 2019**

Percentage of “FOR” votes



### Figure A.5: CSC international voting by region.

Figure A.5 below presents the number of proposals CSC voted in each international region. As is common, the high proportion of “Take No Action” in Europe was concentrated in Switzerland. Switzerland allows share blocking (i.e. blocking shares from trading for a period prior to the shareholder meeting) and CSC’s voting policy is to vote Take No Action in such cases.

#### International Proxy Voting: Proxy Proposals by Region and Vote Status

