



Australian Government

Commonwealth Superannuation Corporation

Proxy voting report

January–June 2018



Commonwealth
Superannuation
Corporation

This report summarises the execution of CSC's Proxy Voting Policy for the six-month period ending 30 June 2018.

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 30 June 2018:

- CSC exercised its vote on 252 proposals in respect of 52 Australian companies.
- As is common, the majority of proposals related to director elections and executive compensation structures, making up 43% and 33% of the total proposals put to shareholders, respectively.
- Within the board-related and compensation categories, CSC voted against approximately 3% and 6% of proposals, respectively. This represents an increase in the incidence of CSC voting against the recommendations of companies over prior periods.
- No companies received second-strikes in respect of their remuneration reports during the latest 6-month period.

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

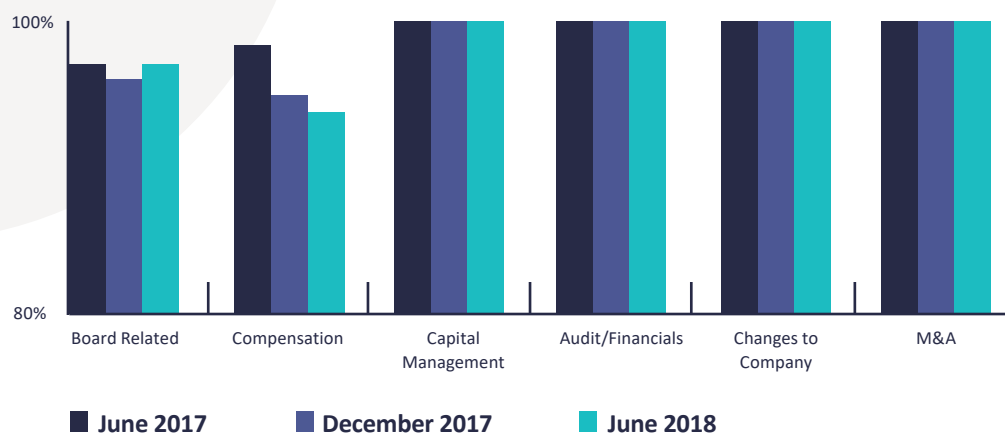
	6-month period to		
	Jun-17	Dec-17	Jun-18
Total number of companies	31	168	52
Total number of meetings	32	173	54
Total number of proposals	172	944	252
Board related	53%	46%	43%
Compensation	32%	42%	33%
Capital Management	2%	6%	9%
Audit/Financials	2%	1%	2%
Changes to Company Statutes	5%	3%	4%
M&A	4%	0%	6%
Shareholder Proposals	1%	1%	2%
Other	1%	0%	0%
Total number of board spills*	2	11	—

*Occurs when the company receives a second-strike in respect of its remuneration report.

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

CSC Australia Proxy Voting: January 2017–June 2018

Percentage of "FOR" votes



1.1 Compensation

- 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 January and June 2018, CSC's votes were exercised in respect of 84 resolutions seeking support for compensation reports. CSC voted against 5 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, 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).

1.2 Director Election

- CSC considered 107 proposals for director elections, rejecting 3 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 30 June 2018:

- CSC exercised its vote on 23,676 proposals in respect of 1,643 international companies.
- Of these, 60% were board-related director elections, followed by audit/financials, compensation 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		
	Jun-17	Dec-17	Jun-18
Total number of companies	1647	298	1643
Total number of meetings	1780	336	1768
Total number of proposals	24218	3354	23676
Board related	58%	50%	60%
Compensation	13%	15%	10%
Capital Management	6%	10%	6%
Audit/Financials	13%	12%	13%
Changes to Company Statutes	3%	4%	3%
M&A	0%	2%	0%
Shareholder Proposals	3%	2%	2%
Meeting Administration	3%	3%	3%
Other	0%	2%	2%



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

International Proxy Voting: January 2017–June 2018

Percentage of "FOR" votes

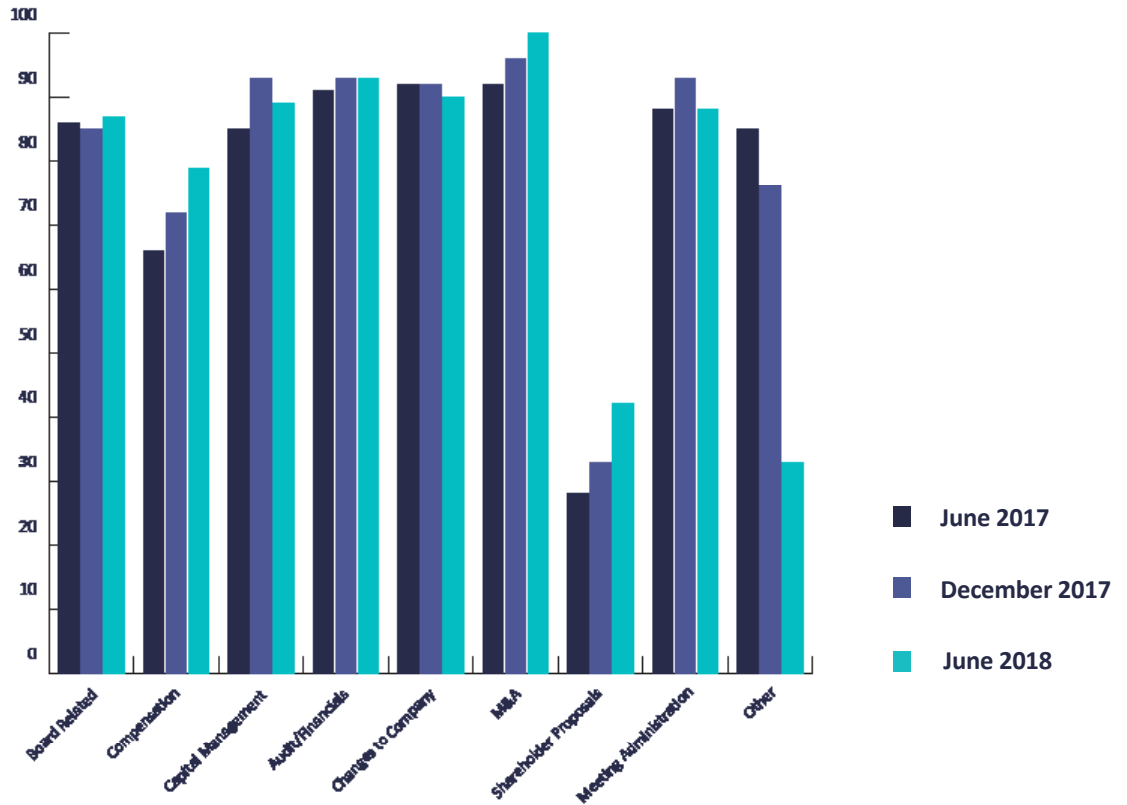


Figure A.5: CSC international voting by region.

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

