

Proxy Voting Activity Report for July to December 2016

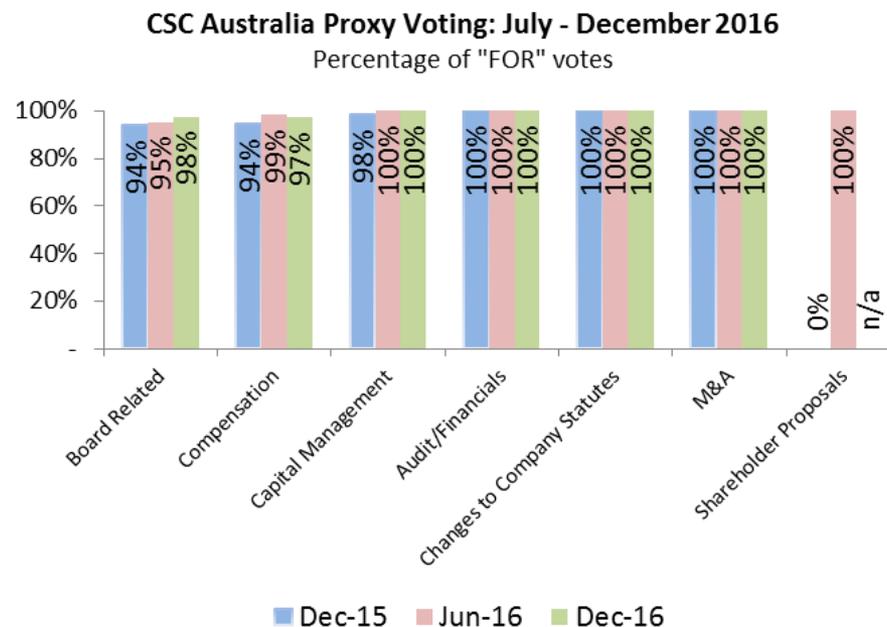
1. Proxy Voting in Australia

In the six-month period to 31st December 2016:

- CSC exercised its vote on 776 proposals in respect of meetings of 136 Australian companies.
- Trending issues include director elections and executive compensation structures, making up of 44% and 43% of the total proposals respectively.
- Within the compensation category, approximately 3% of CSC votes were voted against the proposals.
- There were 7 companies which had board spills resolutions and CSC supported none of them.

	6-month period to		
	Dec-15	Jun-16	Dec-16
Total number of companies	175	45	136
Total number of meetings	180	49	139
Total number of proposals	935	208	776
Board Related	45%	42%	44%
Compensation	41%	37%	43%
Capital Management	7%	12%	6%
Audit/Financials	2%	3%	2%
Changes to Company Statutes			
M&A	0%	4%	1%
Shareholder Proposals	1%	0%	0%
Total number of board spills*	4	2	7

*Most frequently triggered when the company receives a second-strike on its remuneration report.



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Details for Australian Proxy Voting

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 July and December 2016, CSC's votes were exercised in respect of 333 resolutions seeking support for compensation reports. There was an emerging issue concerning the appropriateness of executive compensation structures as evidenced from the host of companies that incurred a "strike" on remuneration reports this annual general meeting season. CSC voted against 9 of those reports on the grounds of failing to meet CSC's 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).

In line with our investment manager recommendations, CSC voted on 7 board spill resolutions during the period, supporting company recommendations against the resolution.

1.2 Director Election

CSC considered 328 proposals for director elections, rejecting 1 proposal. This particular proposal was not supported by CSC due to an inappropriate balance between executive and non-executive directors holding seats on the board. This raises concerns about proper and robust oversight of the executives' decision-making.

1.3 Constitutional Matters

CSC supported proposals for total of 14 constitutional amendments sought by companies.

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2. Proxy Voting outside Australia

CSC contracts CGI Glass Lewis (CGL) to provide voting research and advice for all of its unimpeded International Equities holdings. This relationship has increased CSC's voting transparency in international markets.

In the six-month period to 31st December 2016:

- CSC exercised its vote on 3,481 proposals in respect of meetings of 326 international companies.
- Of these, approximately half relate to Board composition proposals, followed by compensation, audit/financials and capital management matters.

The high proportion of 'Take No Action' in European ballots was mostly from Switzerland, as it has been in the past:

- 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.
- Similarly, all of the 'Take No Action' ballots in the Middle East North Africa (MENA) region came from Egypt, which is another share-blocking market.

	6-month period to		
	Dec-15	Jun-16	Dec-16
Total number of companies	459	1,655	326
Total number of meetings	525	1,787	374
Total number of proposals	4,547	23,330	3,481
Board Related	44%	60%	49%
Compensation	11%	10%	12%
Capital Management	14%	6%	10%
Audit/Financials	15%	13%	12%
Changes to Company Statutes	5%	3%	6%
M&A	3%	1%	3%
Shareholder Proposals	2%	3%	1%
Meeting Administration	5%	3%	5%
Other	2%	0%	2%

