

Indexed Australian Equities proxy voting summary





1 July 2016 to 31 December 2016



IFM Investors Pty Ltd (“IFM Investors”) is pleased to report a summary of its Indexed Australian Equities proxy voting for the period 1 July 2016 to 31 December 2016.

For Indexed Australian Equities, we exercise proxy voting in a manner that is consistent with our firm’s overall investment approach. That is, we are a responsible investor that aims to maximise the sustainable, long-term performance outcomes of investee companies for the benefit of our investors.

Highlights of Indexed Australian Equities proxy voting

 Number of company meetings 158	 Number of resolutions 925 <ul style="list-style-type: none">• voted for 844• voted against 74• abstained from 7	 Director elections/ re-elections 410 <ul style="list-style-type: none">• voted for 395• voted against 15	 New female directors voted for election 52 <ul style="list-style-type: none">• from total of 100 new director elections
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“IFM Investors acts as a steward – we own assets on behalf of our investors and embed responsible investment principles without compromising long-term returns.”

IFM Investors Responsible Investment Charter

Indexed equities and responsible investment

IFM Investors believes that incorporating responsible investment factors into investment decision making will lead to favourable, sustainable outcomes. This is consistent with our fiduciary duty to act in the long-term interests of our investors.

To this end, proxy voting is critical to responsible investment in Indexed Australian Equities, as indexed management by its nature does not afford us the ability to take active stock positions in respect of responsible investment (or any other) factors.

For Indexed Australian Equities, proxy voting allows us to influence the responsible investment practices of investee companies, particularly in respect of environmental, social and governance (“ESG”) factors.

- Environmental responsibility includes, but is not limited to, acting on climate change, minimising pollution, and limiting environmental damage.
- Social responsibility includes safeguarding human rights, and providing a healthy and safe work environment for employees.
- Good governance requires boards have a diverse range of skills, experience and competencies. Boards should generally have an independent chair, diverse membership and a majority of independent, non-executive directors.

Indexed Australian Equities and proxy voting

When considering proxy voting decisions, we aim to enhance the responsible investment outcomes of investee companies. We do this on behalf of the long-term investment interest of our investors.

IFM Investors' Proxy Voting Policy is closely aligned with the Australian Council for Superannuation Investors ("ACSI") guidelines. We subscribe to the ACSI Voting Alert Service and we also have relationships with a number of independent research firms and proxy advisors, which provide their views and insights.

In all instances, our Proxy and Engagement Committee ("PEC") makes final proxy voting decisions, and carefully considers responsible investment factors in its deliberations.

From time to time, the PEC will have a contrary view to ACSI, or other proxy advisors, based on our experience of listed markets and our own company engagement.

IFM Investors' PEC has five voting members and one non-voting member, as identified in the adjacent table.

The Committee may also engage independent external advisers. We have a long-standing relationship with Dr. Mark Zirnsak – who provides an external independent view. Mark is the Director, Justice and International Mission, Synod of Victoria and Tasmania, Uniting Church in Australia.

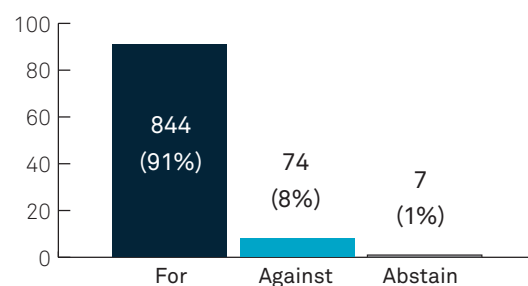
IFM Investors Proxy and Engagement Committee	
Voting members	
Chris Newton	Executive Director, Responsible Investment
Aidan Puddy	Global Head of Indexed & Quantitative Equities
Neil Carter	Head of Active Equities
Lachlan Davis	Head of Large Cap Active Equities
Gavin Petrie	Associate Director, Indexed & Quantitative Equities
Non-voting member	
Samantha Marks	Reporting Manager, Indexed & Quantitative Equities

Indexed Australian Equities proxy voting summary – 1 July 2016 to 31 December 2016

IFM Investor was active in Indexed Australian Equities proxy voting for the six months to 31 December 2016.

In the vast majority of instances (91%), we voted in favour of ASX 200 company resolutions at company meetings.

This indicates that IFM Investors is broadly supportive of resolutions proposed by the companies in which we invest on behalf of our clients.



Resolutions voted for

We supported 844 (out of 925) resolutions at 158 company meetings over the six month period.

The majority (more than 80%) of resolutions we supported related to director elections and remuneration arrangements.

We also broadly supported changes to company constitutions and the issue of new shares/securities, as identified in the adjacent chart.

For resolutions		844
Director elections	47%	395
Executive remuneration	20%	166
Remuneration reports	16%	134
Constitution changes	5%	41
New shares/securities	4%	37
Non-executive remuneration	3%	29
Auditor appointments	2%	19
Other*	1%	8
Takeover/mergers	1%	7
Financial statements	<1%	4
Financial scheme/capital reconstruction	<1%	4

* Other includes board spills and company name changes

Example of executive remuneration we voted for:

IFM Investors voted for the Wesfarmers (ASX: WES) remuneration report despite some external advice to vote against it. We noted reduced bonuses for the WES CEO and CFO of 25% and 50%, respectively, to account for the Target business, which experienced difficulties. The WES CEO and CFO are both members of the Target management board.

Resolutions voted against

Of the 74 resolutions (out of 925) we voted against, the majority were in respect of executive remuneration and remuneration reports.

While we recognise the importance of competitive, well-structured remuneration arrangements for directors and executives, we do not support remuneration arrangements that are not aligned with the long-term interests of our investors.

Against resolutions		74
Executive remuneration	39%	29
Remuneration reports	26%	19
Director election	20%	15
Non-executive remuneration	5%	4
Board spill	7%	5
Financial Statements	1%	1
Constitution change	1%	1

Example of executive remuneration we voted against:

IFM Investors voted against the participation of Brambles' (ASX: BXB) new Chief Executive in the company's Performance Share Plan. Our view was that it was premature to approve long-term incentive allocations in advance of the new Chief Executive commencing in the role.

Example of executive remuneration we voted against:

IFM Investors voted against the remuneration report for the Commonwealth Bank of Australia (ASX: CBA) as large executive bonuses were awarded despite the way CBA's life insurance business, CommInsure, had treated some of its claimants.

Election of directors

We supported the vast majority (>96%) of resolutions in respect of the election/re-election of company directors.

Importantly, we voted for the election of 52 new female directors. This was larger than the number (48) of new male directors we voted for. We are pleased to see some progress here as we believe that gender diversity of company boards is an important component of boards being more reflective and representative of the consumers and communities that companies serve. IFM Investors is an active participant in ACSI's commitment to have 30% female representation on ASX 200 boards.

Director elections / re-elections		410
Elections voted for		395
Elections voted against		15
New director elections	24%	100
– Male	48%	48
– Female	52%	52

Example of election resolutions we voted against:

IFM Investors voted against the re-elections of Kay Page and David Ackery to the board of Harvey Norman Holdings (ASX: HVN). This decision was based on board composition grounds, as only one of the nine directors at HVN was classified as independent.

Summary

IFM Investors takes its proxy voting responsibility very seriously as we recognise that this is our main tool to influence responsible investment practices and improve investment outcomes within the confines of an indexed strategy.

We are active in respect of proxy voting and value the role that such voting has on shaping the investment market and operations at a company level. We aim to hold boards accountable for their strategies, levels of transparency, and the way they reward executives. We believe that being an active owner will lead to long-term value creation for our investors and their members.





One purpose. Shared prosperity.



IFM Investors is a global fund manager with more than \$75 billion in assets under management across infrastructure, debt, equities and private equity. Established over twenty years ago and owned by 28 major pension funds, our interests are deeply aligned with those of our investors and our unwavering focus is on maximising investor returns. We take a farsighted view of the future and can invest unencumbered by shareholder conflict of interest because our ownership model is unlike any other financial institution. We have a strong focus on investor returns, with a genuine commitment to enhancing the productive capacity of companies, communities and countries in a sustainable, long-term manner. IFM Investors has offices in seven locations – Melbourne, New York, London, Sydney, Tokyo, Berlin and Hong Kong.

www.ifminvestors.com

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