

UniSuper Proxy Voting and Corporate Engagement Report

March Quarter, 2007

How we voted our Australian and international equities

This report covers the 1 January – to 31 March 2007 quarter, during which UniSuper voted on 642 corporate governance resolutions, put forward by companies in the S&P/ASX 200, FTSE 350 (UK), S&P 500 (US) and FTSE Eurofirst 300 Index. UniSuper had a total of 13 Australian and international equity managers who have segregated mandates.

The Fund's Australian and international specialist proxy voting advisors provide 'how to vote' recommendations to UniSuper and UniSuper's fund managers. All UniSuper Australian fund managers must vote 'FOR' or 'AGAINST' and cannot 'ABSTAIN' unless there are conflicts of interest. Votes are lodged in accordance with the Australian Council of Superannuation Investors (ACSI) Corporate Governance Guidelines (www.acsi.org.au), which UniSuper has adopted. UniSuper also takes into account specialist voting advice on corporate governance best practice in ex-Australian markets from Pension Investment Research Consultants (PIRC), who vote on behalf of UniSuper's international fund managers. It is important to note that there are specific differences between Australian and international proxy voting in the US. These include:

- » Votes pertaining to individual Directors cannot be cast as 'AGAINST' votes, but rather are recorded as 'WITHHOLD';
- » UniSuper may use the 'ABSTAIN' vote in accordance with PIRC's advice to UniSuper; and
- » Shareholder resolutions are lodged more frequently in the US.

Summary of Australian Proxy Voting

| 1 January — 31 March, 2007 | Number | % |
|--|--------|-----|
| S&P/ASX 200 (Australia) | | |
| Number of corporate governance related resolutions | 24 | 100 |
| Voted 'FOR' in line with UniSuper recommendation (more than half of the total shares voted) | 18 | 74 |
| Voted 'AGAINST' in line with UniSuper recommendation (more than half of the total shares voted) | 1 | 4 |
| Number of instances where the majority of votes lodged were contrary to UniSuper recommendations | 5 | 21 |
| Total Instances where votes split 'FOR' & 'AGAINST' | 4 | 17 |

Please note that the above table may not sum to 100% because the table rows are not mutually exclusive

Summary of International Proxy Voting

| 1 January — 31 March, 2007 | Number | % |
|--|--------|-----|
| Total number of corporate governance related resolutions | 618 | |
| FTSE 350 (UK) | | |
| Number of corporate governance related resolutions | 102 | 100 |
| Voted For in line with UniSuper | 82 | 80 |
| Voted Against in line with UniSuper | 6 | 6 |
| Voted Abstain in line with UniSuper | 14 | 14 |
| Withdrawn | 0 | 0 |
| S & P 500 (US) | | |
| Number of corporate governance related resolutions | 265 | 100 |
| Voted For in line with UniSuper | 190 | 72 |
| Voted Against in line with UniSuper | 17 | 6 |
| Voted Abstain in line with UniSuper | 21 | 8 |
| Vote Withhold in line with UniSuper | 37 | 14 |

| 1 January — 31 March, 2007 | Number | % |
|--|--------|-----|
| FTSE Eurofirst 300 | | |
| Number of corporate governance related resolutions | 251 | 100 |
| Voted For in line with UniSuper | 170 | 68 |
| Voted Against in line with UniSuper | 45 | 18 |
| Voted Abstain in line with UniSuper | 9 | 4 |
| Non voting | 27 | 11 |

Overview of Australian Voting

Voting in the S&P/ASX 200 (Australia)

UniSuper voted on 24 corporate governance resolutions put forward by companies in the S&P/ASX 200. The highest number of AGAINST votes were in relation to company resolutions at the shareholder meetings of James Hardie Industries, AWB and Lion Nathan Limited.

The most frequent AGAINST votes lodged by UniSuper pertained to:

- » Remuneration reports;
- » The approval of participation in company 'Achievement Rights Plan' regarding incentivised remuneration; and
- » The election of certain directors.

The most frequent FOR votes lodged by UniSuper pertained to the election of directors, and approval of company incentive plans.

Overview of International Voting

Voting in the FTSE 350 (UK)

UniSuper voted on 102 corporate governance resolutions, put forward by companies in the FTSE 350 (UK). The highest number of votes AGAINST were in relation to company resolutions at the shareholder meetings of the Sage Group PLC, Easyjet PLC and First Place Holidays.

The most frequent AGAINST votes lodged by UniSuper pertained to:

- » Remuneration performance hurdles that were not sufficiently challenging;
- » Multiple schemes rewarding the same targets; and
- » The proportion of non-audit fee income paid to auditors.

The most frequent FOR votes lodged by UniSuper pertained to the election of directors.

Voting in the S&P 500 (US)

UniSuper voted on 265 corporate governance resolutions, put forward by companies in the S&P 500 (US). The highest number of votes AGAINST were in relation to company resolutions at the shareholder meetings of American Power Conversion, Applied Materials and Avaya.

The most frequent AGAINST votes lodged by UniSuper pertained to:

- » Disclosure of performance hurdles and targets in Long Term Incentive Plans; and
- » Shareholder resolutions proposing cumulative voting instead of a preferred 'one share one vote' approach.

The highest WITHHOLD votes lodged by UniSuper that pertained to election of certain directors, were in ADC, Costco, Goldman Sachs Group and International Game Technology, as they did not meet ACSI guidelines on independence and composition of the Board.

The most frequent FOR votes lodged on shareholder resolutions pertained to the election of certain directors.

Voting in the FTSE Eurofirst 300 (Europe)

UniSuper voted on 251 corporate governance resolutions, put forward by companies in the FTSE Eurofirst 300. Votes recorded AGAINST were in relation to company resolutions at the shareholder meetings such as Thyssen Krup, ASML Holdings, Banco Bilbao, Capitalia Spa and DSM.

The most frequent AGAINST votes recorded by UniSuper, pertained to:

- » The composition and term of office of Supervisory Board members;
- » Remuneration of Supervisory Boards; and
- » Election of certain directors.

The most frequent FOR votes recorded by UniSuper pertained to:

- » Election of certain directors; and
- » The mergers between companies.

Corporate Governance in Australian companies

UniSuper Investment Governance

In April 2007, the UniSuper Board launched a new Investment Governance Policy, which complements UniSuper's existing commitment to investment research that considers the impact of Environmental, Social and Governance (ESG) themes on the investments made on behalf of the Fund's members.

The new Investment Governance Policy, published on UniSuper's website, (www.unisuper.com.au/funddocuments), outlines UniSuper's governance expectations to investee companies, recognising that there needs to be a balance between the rights of shareholders as owners of the company, and the needs of the board and management who must direct and manage the corporation's affairs.

Submission to the ASX on Corporate Governance

On 9 February 2007, UniSuper contributed to a submission to the Australian Stock Exchange (ASX) regarding the ASX Corporate Governance and Best Practice Principles and Recommendations. The submission was prepared by ACSI and contained the following key recommendations that the ASX should:

- » Encourage companies to voluntarily meet the ASX guidelines by continuing with the already successful 'if not, why not' approach;
- » Prohibit hedging of unvested incentives (a company's share trading policy should reflect this);
- » Promote ethical and responsible decision-making; and
- » Encourage companies to disclose environmental, social and governance (ESG) risks voluntarily with explanation to shareholders and stakeholders of why this may or may not be relevant.

The revised ASX Corporate Governance guidelines will be available from 1 July 2007.
(www.asx.com.au/supevision/governance/index.htm)

Revision of the Australian Council of Superannuation Investor (ACSI) Corporate Governance Guidelines

During the March Quarter UniSuper helped prepare revisions to the ACSI Corporate Governance Guidelines, last reviewed in 2005. The amendments included the addition of:

- » A new section on the importance of management of conflicts of interest in takeover committees during Mergers and Acquisitions, private equity and Management Buy Outs;
- » Refinements to the guidelines related to executive remuneration and performance; and
- » Additions to sections on the importance of the independence of audit.

The ACSI Guidelines are to be launched at the ACSI Conference, 15 June 2007.

International corporate governance

The United Nations Principles of Responsible Investment (PRI)

In April 2007, the UniSuper Board approved becoming a signatory to the PRI, a major international initiative launched by Kofi Anan. The PRI has set an international standard for institutional investors to integrate Environmental, Social and Governance factors into investment practices and decision-making.

UniSuper is already well advanced in satisfying some of the PRI criteria through its existing company engagement activities, participation in various national and international governance networks, and as the first Australian fund to join the Enhanced Analytics Initiative investment research program.

A program to introduce the PRI based on the Board approved Implementation Plan will see Management brief the Fund's managers on the aims of the PRI (www.unpri.org) and encourage managers to integrate ESG issues into their investment analysis and decision-making.

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Voting

| Meeting Date | Type | Company | Resolution | Ballot Issue | Percentage "FOR" | Percentage "AGAINST" | Resolution passed Y/N |
|--------------|------|---------------------------------|------------|---|------------------|----------------------|-----------------------|
| 31/01/07 | AGM | NATIONAL AUSTRALIA BANK LIMITED | 3(a) | Elect Michael Chaney as Director | 100% | 0% | Y |
| | | | 3(b) | Elect Ahmed Fahour as Director | 100% | 0% | Y |
| | | | 3(c) | Elect Paul Rizzo as Director | 100% | 0% | Y |
| | | | 3(d) | Elect Michael Ulmer as Director | 100% | 0% | Y |
| | | | 4 | Approve Remuneration Report for the Year Ended Sept. 30, 2006 | 100% | 0% | Y |
| | | | 5 | Approve Non-Executive Director Share Plan | 100% | 0% | Y |
| | | | 6 | Approve Issuance of 37,260 National Shares at A\$39.52 Each to John Stewart, Group Chief Executive Officer, Under Short Term Incentive Plan | 100% | 0% | Y |
| | | | 7 | Approve Grants of 42,587 Shares, 284,250 Performance Options and 71,063 Performance Rights, Under the Company's Short Term and Long Term Incentive Plans, to Ahmed Fahour, Chief Executive Officer, Australia | 100% | 0% | Y |
| | | | 8(a) | Approve Grants of 19,661 Shares, 152,514 Performance Options, and 38,129 Performance Rights, Under the Company's Short Term and Long Term Incentive Plans, to Michael Ulmer, Group Chief Financial Officer | 100% | 0% | Y |
| | | | 8(b) | Approve Grant of Shares to the Value of A\$1 Million to Michael Ulmer, Group Chief Financial Officer | 100% | 0% | Y |
| 01/02/07 | EGM | JAMES HARDIE INDUSTRIES NV | 1(a) | Approve Agreements related to FFA | 100% | 0% | Y |
| | | | 2(a) | Elect B.P. Anderson to Supervisory Board and Joint Boards | 100% | 0% | Y |
| | | | 2(b) | Elect D. DeFosset to Supervisory Board and Joint Boards | 100% | 0% | Y |
| | | | 2(c) | Elect M.N. Hammes to Supervisory Board and Joint Boards | 100% | 0% | Y |
| | | | 2(d) | Elect R.M.j. van der Meer to Supervisory Board and Joint Boards | 93% | 7% | Y |
| 08/02/07 | AGM | LION NATHAN LIMITED | 2 | Approve Remuneration Report for the Year Ended Sept 30, 2006 | 88% | 12% | Y |
| | | | 3(a) | Elect Geoffrey Thomas Ricketts as Director | 100% | 0% | Y |
| | | | 3(b) | Elect Andrew Maxwell Reeves as Director | 100% | 0% | Y |
| | | | 3(c) | Elect Gavin Ronald Walker as Director | 100% | 0% | Y |
| | | | 4 | Approve Participation in the Company's Achievement Rights Plan by Robert Andrew Murray | 88% | 12% | Y |
| | | | 5 | Approve Participation in the Company's Achievement Rights Plan by Andrew Maxwell Reeves | 88% | 12% | Y |
| 22/02/07 | AGM | AWB LTD | 1.2b | Elect Tony Howarth as Director | 100% | 0% | Y |
| | | | 1.2c | Elect John McElvaney to the Board | 0% | 100% | Y |
| | | | 1.3 | Adoption of the Remuneration Report | 100% | 0% | Y |