

## PROXY VOTING REPORT 2011

The summary for our proxy voting record for the period 1 July 2010 to 30 June 2011 is attached, covering both domestic and international stocks.

Our proxy voting policy is that we are 'committed to voting on company resolutions where we have voting authority and responsibility to do so' consistent with IFSA Standard 13.00 – Proxy Voting.

The summary covers the following trusts:

- Australian Ethical Balanced Trust
- Australian Ethical Smaller Companies Trust
- Australian Ethical Larger Companies Trust
- Australian Ethical International Equities Trust.

No shares are held in the Australian Ethical Income Trust or the Australian Ethical Property Trust. These Trusts do not, therefore, need to be included in the summary.

A total of 728 resolutions were received. It should be noted that:

- holdings in some companies were sold prior to an annual general meeting being held
- annual general meetings were held prior to us having holdings in some companies
- some resolutions were voted on at extraordinary or special general meetings for specific issues.

Of the 728 resolutions voted on across the four trusts, 657 were voted 'for', 16 were voted 'against', we 'abstained' from voting on 16, 15 were 'vote for pay frequency' and 24 were 'non-voting resolutions'.

### Negative votes

The negative votes related to:

- insufficient detail being provided
- appointment of directors (reasons included lack of experience and being responsible for poor performance of a company)
- remuneration issues (including director fees and CEO severance payments)
- resolutions that may not be in the best interest of shareholders (including misuse of shareholder funds).

### Abstained votes

The resolutions we abstained from voting on related to:

- insufficient detail being provided
- being unable to access an English explanation of source documents, for example, explanatory memorandums
- local issues difficult for analysts to vote on.

### Vote for pay frequency resolutions

Many US companies have included a resolution with regard to 'say on pay frequency' this past 12 months (voting for 1, 2 or 3 year frequency).

### Non-voting resolutions

The non-voting resolutions related to financial statements.

Margaret Ross  
Investment Section Co-ordinator  
August 2011

## PROXY VOTING SUMMARY 2010-11

### Australian Ethical Balanced Trust

	Total resolutions	Number voted for	Number voted against	Number abstained	No action (resolution was non-voting)
<b>ASX listed companies</b>	197	170	3	0	24
<b>Unlisted companies</b>	0	0	0	0	0
<b>Property trusts</b>	1	1	0	0	0
<b>International companies</b>	0	0	0	0	0

### Australian Ethical Smaller Companies Trust

	Total resolutions	Number voted for	Number voted against	Number abstained	No action (resolution was non-voting)
<b>ASX listed companies</b>	204	178	2	0	24
<b>Unlisted securities</b>	0	0	0	0	0
<b>Property trusts</b>	0	0	0	0	0
<b>International companies</b>	0	0	0	0	0

### Australian Ethical Larger Companies Trust

	Total resolutions	Number voted for	Number voted against	Number abstained	No action (resolution was non-voting)
<b>ASX listed companies</b>	218	190	3	1	24
<b>Property trusts</b>	0	0	0	0	0
<b>International companies</b>	0	0	0	0	0

### Australian Ethical International Equities Trust

	Total resolutions	Number voted for	Number voted against	Number abstained	No action (resolution was non-voting)
<b>International companies</b>	388	346	12	15	15

### Domestic stocks

	Total resolutions	Number voted for	Number voted against	Number abstained	No action (resolution was non-voting)
<b>ASX listed companies</b>	340	311	4	1	24

### International stocks

	Total resolutions	Number voted for	Number voted against	Number abstained	No action (resolution was non-voting)
	388	346	12	15	15