April 15, 2016

Annual Stewardship Report 2015 Year End

STATE STREET GLOBAL ADVISORS®

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Richard Lacaille
Global Chief
Investment Officer

To Our Clients

SSGA's asset stewardship program continues to be a strategic priority for us, as we seek to protect and promote the long-term economic value of client investments. Two years ago, we significantly overhauled our program and adopted a systematic, risk-based approach to overseeing environmental, social and governance (ESG) risks within our investment portfolios. As part of this overhaul, we added resources, ESG screening tools, identified annual stewardship priorities and introduced a fixed income stewardship program for corporate debt. In addition, we strengthened oversight of our asset stewardship activities by increasing the frequency and scope of reporting on SSGA's engagement and voting activities to our Investment Committee, which I chair.

Today our program is integral to our investment process, aligned with our long-term investment time horizon and designed to provide active oversight of ESG risks. In 2015, through focused selection, we engaged with over 45% of our AUM in equities. In addition, over 60% of our company engagements were targeted based on screens, sector reviews, and ESG thematic risks identified in our stewardship priorities. We have also been successful in changing ESG practices at several companies through our engagement practices and voting principles.

After a successful campaign regarding board refreshment and director tenure, in 2016, SSGA is taking up the issue of effective board leadership with its global portfolio companies. We believe that unless we make independent long-term thinking and leadership the driving force behind a board's mission, no amount of change to management incentives, investor behavior or the like will be sufficient to ensure a focus on the long term. In addition, this year we will also engage with directors on their oversight of climate-change risk. SSGA believes that boards should regard climate change as they would any other significant risk to the business and ensure that a company's assets and its strategy are resilient to the impacts of climate change.

Finally, I would like to highlight the launch of a U.S. gender-focused fund based on an index we created ourselves, comprised of companies that achieve greater levels of senior leadership gender diversity. This low volatility, fund looks beyond board and C-suite representation and includes the senior leadership level that is believed to have more of an impact on the day-to-day strategy and culture at a company. One of the many attributes we look for in companies focused on sustainable growth is a commitment to building a more inclusive and effective workforce for the future. In addition to its unique index methodology, the fund has a charitable component that will fund programs that help remove gender bias and empower girls to take their place in business leadership.

I look forward to sharing information on this and other programs in the coming year.

Richard Lacaille

2015 The Year in Review

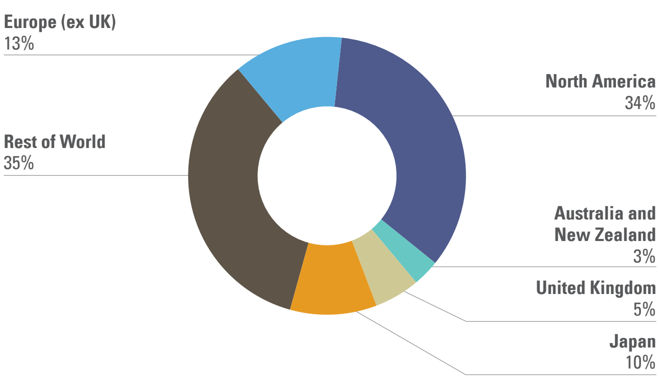
Stewardship at a Glance

2015 Proxy Voting Statistics

SSGA Voting Trends	2014	2015
Number of Meetings Voted	14,284	15,471
Management Proposals	127,621	140,313
Against Management (%)	11.0	12.1
Shareholder Proposals	3,219	3,227
Against Management (%)	11.3	13.6
Number of Countries	68	81

Source: SSGA Voting Statistics.

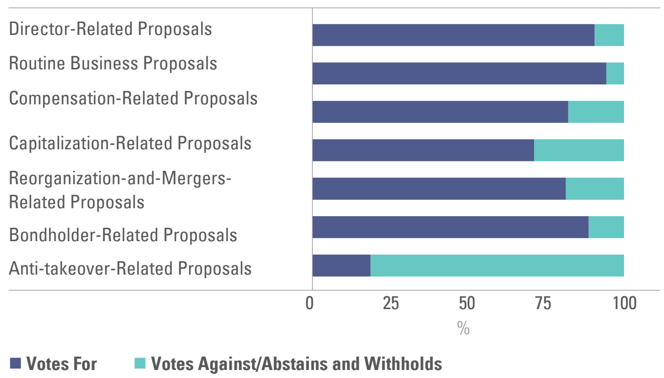
2015 Proxy Voting By Region



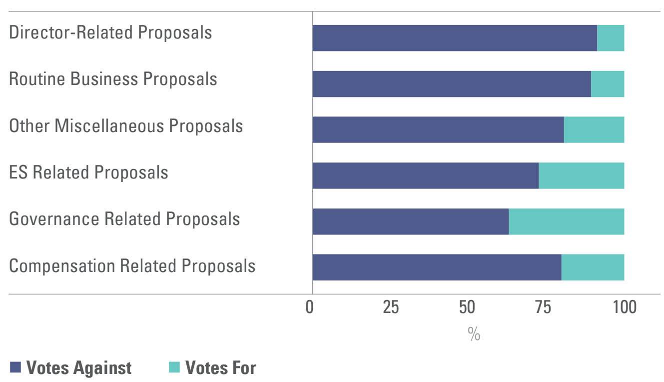
Source: SSGA Voting Statistics.

Proxy Vote Breakdown by Issue

Voting Statistics on Management Proposals 2015



Voting Statistics on Shareholder Proposals 2015

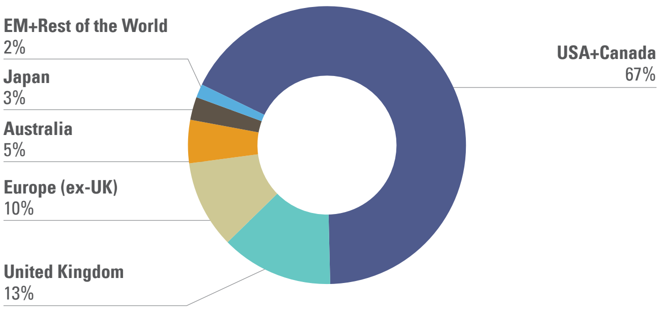


Source: SSGA Voting Statistics.

2015 Engagements Statistics

SSGA held 636 comprehensive engagements with 554 companies in 2015. 65% of these engagements were actively targeted by SSGA. Target companies are identified through multiple methods including proprietary ESG screens, and sector and thematic priorities identified in SSGA's annual stewardship objectives.

2015 Engagements by Region



Source: SSGA Engagement Database.

2015 Stewardship Voting and Engagement Priorities

Focus Area	Description	Action/Progress
Sector Focus	Pharmaceuticals	Engaged with 48 pharmaceutical companies globally.
	Consumer Discretionary (Fast-Moving Consumer Goods)	Engaged with 95 companies that included businesses such as fast food chains, food processers, consumer product companies, retail stores, grocery chains and restaurants.
Thematic Focus	Board Refreshment and Gender Diversity	Engaged with 62 companies on their board refreshment practices. Over 100 companies globally refreshed their board in 2015 as a result of SSGA's prior vote against directors due to the length of their board tenure.
	Climate Change	Engaged with 59 companies on climate change related issues.
	Cybersecurity	Engaged with 49 companies on their risk mitigation practices and policies as they related to cybersecurity.
Proxy Voting Issue Focus	Proxy Access in the US	Engaged with 83 companies on proxy access. SSGA supported 89 of the 93 shareholder proposals and five of the 12 management proposals on proxy access over the course of the year.
Asset Class Focus	Fixed Income	SSGA developed a fixed income stewardship program for corporate bonds.
Project Focus	Targeting Underperforming Companies	Developed methodology for identifying and engaging with underperforming companies. Actively engaged with four companies as part of the program.

Source: SSGA Engagement Database.

Section 1: SSGA's Stewardship Philosophy, Objectives and Approach to Corporate Engagements and Proxy Voting

SSGA's Stewardship Philosophy and Objectives

Given the size of our assets under management, the global scope of our investments, and the nature and time horizons of our investment portfolios, we believe that our stewardship role in global capital markets extends beyond proxy voting and engagement with issuer companies. It also includes promoting investor protection for minority shareholders in global markets through partnerships with local investors and regulators, and working with investee companies to encourage adoption and disclosure of ESG practices. With this in mind, SSGA has developed the following stewardship objectives that are underpinned by our overarching stewardship philosophy of protecting and promoting the long-term economic value of client investments:

Clearly communicating our commitment to responsible investing on behalf of our clients

We aim to achieve this objective through an honest evaluation, continuous enhancement and increased transparency of our stewardship practices.

Developing nuanced proxy voting and engagement guidelines that help enhance and evolve ESG practices in a market

We aim to achieve this objective by applying higher voting standards in markets where governance and sustainability practices are below the expectations of global investors, and by clearly identifying engagement priorities that focus on sector, thematic and/or market-specific issues. We will also collaborate with other investors in markets where we believe collective action is needed and permitted without undue regulatory or legal burden.

Ensuring that companies see us as a long-term partner and guiding companies through the evolution in ESG practices

We aim to achieve this objective by screening our portfolio holdings on performance and ESG factors to prioritize our engagement efforts and constructively engaging with senior management and board of directors to effect change in investee companies. In addition, through our thought leadership publications, we aim to inform and improve ESG practices in our investee companies.

SSGA's Approach To Proxy Voting and Engagement

SSGA's approach towards proxy voting and issuer engagement is premised on the belief that companies that adopt robust and progressive governance and sustainability practices should be better positioned to generate long-term value and manage risk. As near perpetual holders of the constituents of the world's primary indices, the informed exercise of voting rights coupled with targeted and value-driven engagement is the most effective mechanism of creating value for our clients.

All voting and engagement activities are centralized within the Corporate Governance Team (governance team) irrespective of investment strategy or geographic region. By consolidating and harmonizing our voting decisions and engagement, we leverage the full power of our institutional discretionary holdings and exert greater influence with management and boards.

In conducting our voting and engagement activities, SSGA evaluates the various factors that play into the corporate governance framework of a country, including macroeconomic conditions, political environment, and quality of regulatory oversight, enforcement of shareholder rights and the effectiveness of the judiciary. SSGA complements its company specific dialogue with targeted engagement with regulators and government agencies to address systemic market-wide concerns.

SSGA has a dedicated team of governance experts based in Boston and London, who are charged with implementing its proxy voting guidelines and engagement activities on a global basis. The activities of the governance team are directly overseen by SSGA's Investment Committee (IC). The IC is responsible for approving the annual stewardship strategy, engagement priorities and proxy voting guidelines, and monitoring the delivery of objectives. Furthermore, the Proxy Review Committee (PRC), a dedicated sub-committee of the IC, provides day-to-day oversight of the governance team, including approving departures from our voting guidelines and management of conflicts of interest.

The governance team is supported by several specialists within SSGA in executing their stewardship responsibilities. These include members of SSGA's proxy operations team who are responsible for managing fund set up, vote execution, vote reconciliation, share recall and class action lawsuits, and members of SSGA's client reporting and compliance teams.

Company Engagement

The governance team has developed an engagement protocol to increase transparency around SSGA's engagement philosophy, approach and processes. These guidelines are designed to communicate with our investee companies regarding the objectives of our engagement activities and to facilitate a better understanding of our preferred terms of engagement. A copy of the guidelines can be found on our website at (https://www.ssga.com/investment-topics/general-investing/2015/SSGAs-Issuer-Engagement-Protocol.pdf)

SSGA regularly reviews its internal policies and procedures to ensure that its interactions with companies continue to be effective and meaningful. This includes a review of indicators incorporated into the screening models and an assessment of emerging thematic ESG issues and trends.

Engagement Topics

Through its engagement activities, SSGA seeks to encourage the building of transparent, accountable and high-performing boards and companies. We believe that regular and constructive communication with our investee companies allows us to engage in an honest dialogue with boards and management on a spectrum of themes including:

- Corporate strategy
- Board composition and effectiveness
- Board and management succession planning
- Executive compensation
- Risk management
- Capital allocation
- Shareholder rights
- Environmental strategy and management
- Health & safety
- Labor standards and human rights
- Bribery and corruption
- Supply chain management
- Corporate reporting
- Regulatory compliance

Prioritizing Engagements

SSGA holds over 9,000 listed equities across its global portfolios. Therefore, the success of our engagement strategy is built upon our ability to prioritize and allocate resources to focus on companies and issues that potentially will have the greatest impact on shareholder returns. To support this process SSGA has developed proprietary in-house screening tools to help identify companies for active engagement based upon various financial and ESG indicators. Factors considered in developing the target list include:

- Size of absolute and relative holdings
- Companies with poor long-term financial performance within their sector
- Companies identified through the ESG screening tool as lagging market and industry standards
- Outstanding concerns from prior engagement
- Priority themes and sectors based on an assessment of emerging ESG risks

The intensity and nature of our engagement with portfolio companies is determined by SSGA's holdings, engagement culture in a market and an assessment of the materiality of ESG concerns. SSGA will endeavor to build geographic diversity within its engagement activities to reflect our economic exposure to global markets.

Developing Company-Specific Engagement Programs

Based on an evaluation of a company's strategy, long-term performance and/or ESG practices, the governance team develops a company-specific engagement program. SSGA has implemented a comprehensive process to review company engagements and monitor improvements in practices over time. We escalate concerns to the board level should the outcome of the dialogue be deemed unsatisfactory.

Corporate Governance Reforms in Japan*

In January 2015, SSGA submitted a response developed in collaboration between the governance team and Tokyo based investment team to the Financial Services Agency's (FSA) exposure draft on Japan's Corporate Governance Code. In our response, while we supported the overall initiative, we highlighted that the notion of 'comply or explain' was a relatively new concept in the Japanese market. We encouraged the Expert Committee, Tokyo Stock Exchange and the Financial Service Agency to provide clearer guidance on the implementation of this regime to assist companies with their implementation efforts.

In particular, we strongly supported:

- Increased disclosure of a company's basic strategy for capital policy as we believe that it will enable shareholders to have robust discussions with companies on their capital allocation decisions
- The requirement to review and provide detailed rationale for cross-shareholdings
- That the board should provide shareholders the rationale for takeover measures adopted by companies that are designed to protect management and obstruct M&A activities
- An increase in the number of independent directors on Japanese boards
- Encouraging companies to disclose their diversity initiatives and report the gender diversity ratio at each level of management to shareholders
- Recommendations designed to facilitate a constructive dialogue with shareholders

In addition, we also requested that the FSA consider encouraging companies to spread out the dates of general shareholder meetings as the current market practice of clustering general meetings during the month of June makes it difficult for investors to effectively engage with companies on voting issues. We also recommended the further strengthening of the principle that requires companies to disclose material related party transactions in their annual report to shareholders.

Following the publication of the finalized corporate governance code in Japan, SSGA held in-person meetings with representatives from the Tokyo Stock Exchange and highlighted the need for clarification on the criteria for director independence.

Proxy Voting

Voting Guidelines

SSGA has developed voting guidelines which are approved and overseen by SSGA's Investment Committee. The global principles and six market specific guidelines are available for public review on SSGA's website at (http://www.ssga.com/na/us/institutional-investor/en/products-capabilities/capabilities/custom-solutions/corporate-governance-and-voting-policy.html).

The voting guidelines have been designed to encourage better governance and sustainability practices at investee companies based upon SSGA's understanding of global principles of good governance, while taking account of individual market nuances and standards. In some instances, SSGA may hold companies to standards that exceed local market practice.

Prioritizing Voting Issues

SSGA votes at over 15,000 meetings on an annual basis and tiers companies based on factors including the size of our holdings, past engagement, corporate performance, and voting items identified as areas of potential concern. Based on this assessment, SSGA will allocate appropriate time and resources to shareholder meetings and specific ballot items of interest, to maximize value for our clients. All voting decisions are exercised exclusively in accordance with SSGA's in-house policies or specific client instructions. SSGA has established robust controls and auditing procedures to ensure that votes cast through the Institutional Shareholder Services (ISS) platform are executed in accordance with SSGA instructions.

Use of Proxy Voting Services

SSGA has contracted ISS to assist with the management of the voting process and provide inputs into the research of shareholder meetings. SSGA utilizes ISS's services in three ways: (1) as SSGA's proxy voting agent (providing SSGA with vote execution and administration services); (2) for applying SSGA's Proxy Voting Principles; and (3) as providers of research and analysis relating to general corporate governance issues and specific proxy items.

Fixed Income Stewardship

Traditionally equity investors, as owners of companies, have taken the lead on ESG stewardship since they are directly impacted by the failure to manage or mitigate corporate governance and sustainability-related risk inherent to a business. In addition, proxy voting at shareholder meetings provides equity owners the leverage needed to engage with companies on a host of matters that range from long-term strategy to environmental management practices.

Without an annual vote, creditors have limited ability to engage and influence management behavior. Their relationship with issuers is largely contractual. Consequently, debt issuers have typically focused their engagement efforts on matters that directly influence their returns such as strategy, cash flow generation and utilization, and financial leverage. However, ESG risks can also impact returns on fixed income assets.[1] These risks need to be managed and addressed in asset managers' fixed income stewardship programs.

While SSGA has provided active ESG stewardship for our equity holdings for a number of years, in 2015, SSGA formally integrated ESG stewardship in its fixed income investment process. Details of the program can be found on our website at: https://www.ssga.com/investment-topics/environmental-social-governance/2016/SSGAs-Fixed-Income-Stewardship-Program.pdf

Developing SSGA's Fixed Income Stewardship Program

SSGA's Fixed Income Stewardship Program, which was developed during the course of 2015, is a collaborative effort between SSGA's corporate governance and fixed income teams. Together, the teams discussed the nuances of the fixed income securities, investment strategies, and the impact of ESG criteria on bond yields. This led to the development of an FI ESG screen that helps identify corporate bond issuers for engagement. Members from both teams also jointly conducted ESG engagement with companies, based on which, we developed guidelines to resolve any potential conflicts that may arise during the engagement and voting process.

Leveraging SSGA's Global Footprint and Institutional Expertise

Investment Integration

As mentioned above, SSGA's Investment Committee guides our stewardship activities through its oversight of the governance team. For our passive investment strategies, our global and regional CIOs represent our investment teams by participating in company engagements and in meetings with regulators. In addition, the governance team collaborates with other members of investment teams on matters related to market policies and company-specific events. Integration between the teams is of particular importance when considering corporate restructurings and mergers and acquisitions which may have a significant impact on benchmark index composition and rebalancing.

Under our active strategies, SSGA's corporate governance team works closely with our active fundamental investment teams, collaborating on issuer engagements and sharing inputs on company specific fundamentals. This facilitates an integrated approach towards investment research and engagement with company management and boards. The active equity team also provides recommendations on all resolutions tabled for shareholder approval at companies within their investment universe. While, these recommendations are taken into consideration by the governance team when determining voting decisions for our aggregated positions, the governance team has ultimate authority on the final vote decision.

Client Insights

The governance team works closely with SSGA's global client relationship teams to maintain an open and constructive dialogue with clients on the delivery of our stewardship activities. This provides an opportunity for clients to understand our approach, influence our objectives and priorities, and hold us accountable for their delivery. In addition, SSGA's network of global clients provides invaluable inputs into the governance team's understanding and analysis of local market trends and specific company events. The combination of local and global perspectives strengthens the governance team's ability to act in the best interest of SSGA's diverse global client base.

Collaborative Engagement

The size of SSGA's global assets and reputation in the market provides the governance team with access to management and boards of investee companies. Therefore, the majority of corporate engagements are carried out on a one-to-one basis, behind closed doors, as we feel this is critical to building trust and establishing constructive long-term relationships with companies. Nevertheless, SSGA collaborates with like-minded investors under certain circumstances. Factors that are considered when determining the merits of collaborative action include:

- Agreement amongst investors on core areas of concern and potential solutions
- Systemic market-wide concerns and regulatory environment
- Responsiveness of management and boards to prior individual engagements
- Concentrated ownership within the share register
- Market culture and acceptance of shareholder engagement

To facilitate this process SSGA is a member of global investor bodies including the International Corporate Governance Network, Asian Corporate Governance Association, the Council of Institutional Investors and the United Nations Principles for Responsible Investment.

Leveraging The Insights Of Regional Investment Professionals To Enhance Effectiveness Of Voting And Engagement Activities

	North America	Europe	Australia	Japan	Asia Ex-Japan
CG Team	●	●			
Investment Integration	●	●	●	●	●
IC	●	●	●	●	
GPRC	●	●	●		
Client Input	●	●	●		
Japan Stewardship				●	

Source: SSGA Voting Statistics.

Australia: Adopting Voting by Poll at Annual General Meetings

In March 2015, SSGA joined a group of 25 international and domestic investors in Australia and targeted 38 ASX listed companies to adopt voting by poll for all matters at the company's next annual general meeting (AGM). Traditionally, these companies used the 'show of hands' method to count votes at their shareholder meetings. While permitted under Australian Law, a 'show of hands' gives each shareholder present at the AGM a vote irrespective of the number of shares they own in a company. Conversely, the voices of shareholders that are not present at the meeting go unheard. In contrast, voting by poll gives shareholder the right to vote in proportion to the economic stake in a company. It upholds the one-share-one-vote principle that is fundamental to institutional investors, who hold significant shareholding on behalf of their beneficiaries but might not be able to attend AGMs in person.

The group of investors that co-signed letters to the companies believe this voting by a show of hands "infringes on the fair and equal treatment of all shareholders, as well as on sound shareholder democratic principles, both of which are basic elements of a developed capital market."

By the end of 2015, almost two-thirds of the targeted companies had moved to voting by poll on all resolutions, demonstrating the power of global investor collaboration on corporate governance issues.

Section 2: 2016 Stewardship Program

Our Stewardship Program

A significant challenge for passive index managers that are invested in thousands of listed companies globally is to provide active oversight of their holdings. Therefore, on an annual basis SSGA develops a stewardship program based on a series of strategic priorities that are designed to enhance the quality and define the scope of our stewardship activities for the year. Identifying our stewardship priorities allows us to plan and actively focus our engagement efforts on sector specific or thematic ESG issues that are important to our clients. We develop our priorities based on several factors including client feedback received in the past year, emerging ESG trends, and developing macroeconomic conditions and regulation.

In addition to thematic ESG issues, we also identify two or three 'deep dive' sectors a year. This allows SSGA to proactively monitor and engage with companies on matters such as long-term strategy, performance and ESG issues. Moreover, reviewing our global holdings within a sector gives SSGA the ability to identify business and ESG trends impacting all of our holdings, which strengthens our ability to provide inputs to the board and the management when they seek feedback or direction from large institutional investors. The insights we gain from our sector engagements are shared with clients through presentations and are reported in our Annual Stewardship Report.

The following are the broad strategic focus areas for our Stewardship activities in 2016:

Sector Focus

Information Technology (IT) Companies

The IT sector is undergoing significant changes — from semiconductor and chip manufacturers adapting to the challenges of becoming commoditized industries, to technology giants changing long-term strategy in response to shifting demographics and customer preferences disrupting their traditional business models.

Governance concerns in the sector include controlling share structures that disenfranchise minority shareholders and high levels of compensation payments that are not linked to long-term performance. SSGA will engage to understand how boards are navigating the challenges posed by the changing landscape and evaluate governance structures in the context of a company's business strategy.

Automotive

The automotive sector is facing challenges posed by changing technology and IT entrants, environmental regulations, and consumer behavior (sharing economies).

We aim to assess how portfolio companies are responding to these challenges and positioning themselves to address disruptors that are poised to fundamentally change the sector.

Global Systemically Important Financial Institutions (SIFIs)

As a follow up to our engagement with global SIFIs in 2014, SSGA will evaluate progress/revisions being made to the banks' long-term strategic plans. Particular focus will be on the sustainability of the universal banking model and the positioning of investment banking franchises.

Thematic Focus

Board Composition and Board Leadership

SSGA will evaluate board composition in the context of the company's strategy, while promoting increased diversity among board members. We will also engage with companies to better understand how their preferred board leadership structure facilitates the board's ability to provide independent oversight of management.

Supply Chain Management

We aim to understand how companies assess and manage the various risks in their supply chain.

Pay Strategies

We will engage with companies to understand their compensation and wage strategies and how they support and help sustain business operations in the long-term.

Climate Change

We aim to understand company emissions management programs, the potential impact of carbon price on budgets and capital programs, the long-term strategy to position the company within a lower-carbon economy, and the resilience of company strategy to the effects of climate change.

Water Management

We will engage with companies to understand their risk mapping and disclosure practices related to water management.

Proxy Voting Focus

Debt Issuances and Borrowing Limits

In some countries, companies are required to seek shareholder approval to issue debt or increase borrowing limits. Based on our assessment of growing corporate debt levels in a low-interest rate environment, in 2015, SSGA adopted a risk-based approach to reviewing its proxy voting decisions pertaining to debt issuances and borrowing powers. As a result, during the 2015 proxy season, SSGA voted against over 50% of debt issuance requests by companies. In comparison, ISS recommended that investors support 89% of all requests.

In 2016, SSGA will scrutinize debt-related proposals to assess the sustainability of a company's debt levels under changing interest rates and other macroeconomic conditions. Where appropriate, we will engage with companies to better assess their capital utilization and capital management strategies.

Section 3: 2015 Stewardship Program Highlights

In this section we report on our 2015 engagement efforts that were driven by the eight stewardship priorities identified for the year. For each stewardship priority we have provided an overview of the context of the engagement and an illustrative list of the broad range of issues discussed. We have also summarized our in-house views that were developed after extensive engagement, and where applicable, we have identified consistent trends or challenges that emerged from our discussions.

Sector Focus

Pharmaceutical Companies

No. of Companies Engaged: 48

Engagement Context

To understand strategy for navigating the structural changes taking place in the industry, monitor the board's effectiveness in overseeing capital allocation and investment decisions, and discuss standards of business conduct when pursuing growth opportunities in emerging markets.

Engagement Topics:

- Corporate strategy and repositioning
- Board leadership and oversight
- Tax inversions
- Oversight of R&D/drug pipelines
- Sustainable pricing models
- Bribery and corruption
- Evolution of corporate culture

SSGA Views on the Pharmaceutical Sector

In 2015, the pharmaceutical sector underwent significant transition with several companies undertaking large M&As and restructuring their business. This transition played out in four basic ways:

- Strategic repositioning of businesses to build market share in select drug categories
- Rebuilding of drug pipelines though acquisition or R&D investments
- Consolidation of global generics businesses
- Tax inversions requiring corporate relocation

Through its engagement, SSGA found that directors and companies could clearly identify and articulate the financial benefits of tax inversion and the strategic rationale for undertaking M&A activities to shareholders. However, it was harder for companies to address how they are quantifying and incorporating long-term governance, regulatory and balance sheet risks imbedded in the transactions into their decisions and vote recommendations to shareholders. Few companies could effectively demonstrate that they had evaluated transactions under different economic scenarios. As a result, SSGA had some concerns on the long-term impact of ESG factors on the implied value of acquisitions and/or reincorporation. We believe that a company should stress-test its post M&A balance sheets and strategy under various economic and regulatory conditions to adequately incorporate the long-term risks inherent in the transaction.

Companies that chose not to pursue an M&A led growth strategy were looking to grow their business organically. These companies are focused on building their drug pipelines, which is requiring boards and management to enhance their oversight of and improve their ability to assess the efficacy of R&D expenses.

Long-term challenges to the sector and boards identified by SSGA include:

- Sustainability of current pricing models with a move away from 'pay per pill' to a measurement of patient welfare
- Possible disintermediation by information technology companies as health data becomes important for personalized medicine
- Adapting distribution model to facilitate and service growth in personalized medicine

Sector Focus

Consumer Discretionary

No. of Companies Engaged: 95

Engagement Context

SSGA engaged with boards and management of global consumer durable companies to understand how the latest economic challenges are impacting overall business strategy and their ability to deliver long-term shareholder value.

Topics Engaged:

- Global macroeconomic conditions and their impact on long-term strategy
- Changing competitive landscape/consumer behavior
- Activism and need for long-term focus
- Compensation
- Human Rights/Supply Chain Management

SSGA Views on the Consumer Discretionary Sector

Companies in the consumer discretionary sector include fast food companies, food processors, consumer product companies, retail stores, grocery chains and restaurants. During engagement, SSGA found uncertain global macroeconomic conditions impacted the revenue and growth of companies in this sector, which required them to reassess short-to-medium term strategic plans. In addition, we also found that companies were responding to the challenging economic conditions by reducing capital expenditure, rationalizing their global footprint by exiting countries and/or business lines, or embarking on an M&A strategy to capture market share and reduce costs.

From a sustainability perspective, we also found that boards and management at these companies were focused on food safety, human rights, supply chain management risks, and wage strategies. Some of the common long-term sustainability challenges cited by companies in this sector include:

- Changing consumer preference away from sugary/high-fat products to a more healthy option resulting in the need to evaluate product offerings and invest in product innovation
- Evolving distribution channels often requiring omni-channel capabilities and investment in technology/logistics; which impacts existing supply chain management practices
- Growing awareness of link between wage and long-term shareholder returns through impact of wage strategies on quality of customer service and brand/company reputation

Thematic Focus

Board Refreshment and Gender Diversity

No. of Companies Engaged: 62

Engagement Context

Building on its 2014 voting principles designed to encourage board refreshment in investee companies, in 2015, SSGA continued to raise awareness on the need for board refreshment and orderly director succession in its portfolio companies. SSGA's principles were designed to identify companies with a preponderance of long-tenured directors. We engaged with these companies to understand how the boards are ensuring refreshment of skills and expertise among directors to provide oversight needed in a changing economic environment. We also discussed the need for robust board evaluation processes, director succession practices that ensure smooth transition of board members, and director recruitment processes that enhance diversity on the board.

Topics Engaged:

- Independent oversight of board and key committees
- Board effectiveness, skills and experience
- Board refreshment and succession planning
- Gender and skill diversity

SSGA Views on Board Refreshment and Gender Diversity

SSGA director tenure guidelines adopted in 2014 have been extremely effective in encouraging boards of US companies to refresh director skills and expertise and plan for their orderly succession. Over the past two years, SSGA has engaged with over 500 companies through letters or individual engagements on the need for refreshing skills and expertise on boards in a thoughtful and timely manner. In addition, we have lobbied several investors and have discussed our engagement findings with regards to director tenures and the lack of board refreshment practices on US company boards. As a result, SSGA has been successful in making director tenure and board composition two of the key governance issues in the US market. Moreover, we have also helped identify a mechanism that helps create board vacancies to enable gender and skill diversity on boards.

Successes Over the course of the two years, SSGA has seen significant engagement success through the implementation of its principles: In 2014, SSGA took action against 342 companies globally. Of these companies, 105 companies or 31% of the 342 had refreshed their boards by 2015. In 2015, SSGA took action against 380 companies and voted against the re-election of 538 directors due to tenure concerns globally.

Thematic Focus

Climate Change (Across Global Holdings)

No. of Companies Engaged: 59

Engagement Context

To understand company emissions management programs, the potential impact on budgets and capital programs to carbon price, company preparedness in response to climate related challenges, and the long-term impact on strategy.

Topics Engaged:

- Climate-change strategy
- Governance oversight of climate-change related risks
- Scenario testing and portfolio resistance
- Investment in technology (adaption & mitigation)
- Emissions management strategies
- Public policy engagement
- Quality of stakeholder reporting

SSGA Views on Climate Change

SSGA has systematically been engaging with companies on climate change related matters for over two years. In 2014, much of our conversations with companies on climate change centered on identifying and reporting of relevant operational metrics that are important to the business and investors. In 2015, our discussions with companies shifted from operational consideration to the implications of climate change on the long-term strategy of a company. However, few companies could clearly articulate how climate change will influence their capital allocation and corporate behavior on a day-to-day basis.

We also found that companies in sectors that would be directly impacted by possible outcomes of COP21 or the Paris Accord on Climate Change were more focused on the climate change debate. In general, companies viewed the reaction to COP21 commitment of a less than 2 degree goal as ambitious and stretched. Several companies were waiting to see how the agreement will be translated into national policies before committing to changes/investments. SSGA found that national regulation continues to be the strongest driver of changes in corporate behavior and regulatory uncertainty continues to limit necessary investment and strategic changes required to transition to a low-carbon economy. Further, low oil price complicates carbon emission trends and dis-incentivizes investment in alternate technology. While there has been some development of carbon capture and storage (CCS) technology and infrastructure, the costs are still prohibitive.

Finally, SSGA found that companies in sectors, such as insurance, where the impact of climate change is direct and quantifiable, were more likely to take action to mitigate risk or to make necessary investment to enter or expand new lines of businesses.

Given potential regulation from the Paris conference and the increased investor interest in reputational and financial risk arising from this issue, climate change continues to be an important thematic engagement focus for SSGA in 2016.

Thematic Focus

Cybersecurity

No. of Companies Engaged: 49

Engagement Context

To assess company's governance structures, internal resources and policies to minimize the risk and impact of cyber-related threats. This includes risk mitigation and post-attack crisis management.

Topics Engaged:

- Board leadership and oversight
- Management expertise and resources
- Risk assessment and system testing
- Staff training and monitoring
- Evaluation of third party vulnerabilities
- Crisis management policies
- Stakeholder education and reporting

SSGA Views on Cybersecurity

The frequency and financial impact of cybersecurity breaches continued to rise in 2015 with Grant Thornton estimating that global costs now stand at US$315bn per annum.[2] Beyond immediate financial losses, companies also faced erosion of customer trust and in one case postponed public listing.[3] During engagement, a majority of companies identified cybersecurity as one of the key risks reviewed by board and audit committees. However, questions remain over the ability of boards to provide effective oversight.

SSGA found that companies were increasing their investments in personnel and information technology systems, particularly in the most exposed sectors such as financial services. The industry was also beginning to develop best practice standards in resilience testing of systems, particularly through the deployment of dedicated hackers or red teams. However, individual employee behavior was a key vulnerability in corporate defenses which required additional staff training. Further, weak crisis management protocols, particularly rapid diagnostics of impacted systems and effective public communication, compounded costs of cyber-breaches.

SSGA expects that despite the focus on cybersecurity at the board level, cyber-risks are expected to increase with the ongoing trends in digitalization and big data.

Proxy Voting Focus

Proxy Access (US Market)

No. of Companies Engaged: 83

Market Context

Proxy access is a shareholder right and accountability mechanism that gives long-term shareholders the right to nominate directors on a company's proxy card. After the Securities Exchange Commission ("SEC") withdrew its original proxy access rules in 2013, shareholders began filing resolutions seeking access to the proxy on a company-by-company basis. In 2015, a group of pension funds submitted over 100 proxy access shareholder proposals in US companies making it a contentious voting issue in the US proxy season.

SSGA Views on Proxy Access

SSGA adopted a case-by-case approach to arrive at its voting decision on proxy access proposal. As part of the process, SSGA engaged with over 80 companies and review of all the by-laws proposed in management and shareholder resolutions. Over the year, we supported 89 of the 93 or 96% shareholder proposals and five of the 12 or 42% management proposals. SSGA did not support proposals that included certain restrictive underlying by-law provisions, including:

- Restrictions on trading ability
- Required onerous additional filing requirements beyond the standard SEC requirements
- Maintained overly restrictive definitions of "ownership"

SSGA supported proxy access by-law provisions that helped protect against short-term oriented interests such as anti-creeping-control provisions, and the exclusion of derivative holdings being counted towards meeting defined ownership thresholds.

Asset Class Focus

Fixed Income Stewardship

Background

Traditionally, equity investors have taken the lead on environmental, social and governance (ESG) stewardship since they are directly impacted by the failure to manage or mitigate corporate governance and sustainability-related risk inherent to a business. In addition, proxy voting at shareholder meetings provides equity owners the leverage needed to engage with companies on a host of matters that range from long-term strategy to environmental management practices.

Without an annual vote, creditors have limited ability to engage and influence management behavior. Their relationship with issuers is largely contractual. Consequently, debt issuers have typically focused their engagement efforts on matters that directly influence their returns such as strategy, cash flow generation and utilization, and financial leverage. However, ESG risks can also impact returns on fixed income assets.[4] These risks need to be managed and addressed in fixed income stewardship programs of asset managers.

Therefore, in 2015, SSGA expanded the scope of its stewardship activities beyond listed equities to include fixed income assets. In order to develop its fixed income stewardship program, members of SSGA's corporate governance team worked with members of SSGA's fixed income investment teams to conduct joint engagements of ESG issues. Together, the teams explored the value of incorporating ESG considerations within fixed income assets and identified ESG factors that may have a material impact on the credit quality of issuers.

As part of the development process, SSGA's Investment Committee opined on and approved the methodology and final proxy voting and engagement guidelines for fixed income assets.

SSGA Approach to FI Stewardship

Unique characteristics of different fixed income asset classes require different stewardship approaches. Therefore, SSGA will be developing and rolling out its FI stewardship program in a phased manner. Recognizing that there are significant crossovers between ESG stewardship as it relates to equities and corporate bonds,[5] in the first phase, SSGA has developed a FI stewardship program that focuses primarily on corporate debt. This allows SSGA to leverage its expertise from its equity stewardship program and extend it to its fixed income stewardship program. Further, given SSGA's risk-based approach to stewardship, we have chosen to initially focus our stewardship efforts on an asset class that accounts for over 65% of SSGA's FI AUM. Within the corporate debt universe, our program is differentiated by investment grade (IG) and high-yield (HY) corporate debt as it relates to the screening process adopted to identify companies for ESG engagement.

The two elements of SSGA's FI stewardship program are proxy voting and issuer engagement. Further details can be found at: https://www.ssga.com/investment-topics/environmental-social-governance/2016/SSGAs-Fixed-Income-Stewardship-Program.pdf

Project Focus

Underperforming Screen

Purpose of Project

In 2015, SSGA developed active screens to identify a targeted list of companies that have experienced a sustained period of underperformance compared to their sector peers. Working closely with our various investment teams, SSGA's governance team engaged with the boards and executive teams of the targeted companies to understand strategic and operational challenges facing the companies and identify priorities to improve company performance.

Benefits to SSGA's Stewardship Program

Adding a new underperforming screen to our existing suite of ESG screens has given SSGA the ability to proactively identify and engage with companies on strategy and performance matters in a systematic manner. Moreover, as a large passive index investor, the underperforming screen helps SSGA further align its stewardship program with its investment strategy, which enhances the values of our stewardship activities for our clients.

Section 4: Examples of Voting and Engagement Successes in 2015

2015 Voting Proxy Successes

Board Refreshment (US) Over the course of two years, SSGA has seen significant engagement success through the implementation of its director tenure guidelines. In 2014, SSGA took action against 342 companies globally. Of these companies, 105 companies or 31% of the 342 had refreshed their boards by the following year. In 2015, SSGA took action against 380 companies and voted against the re-election of 538 directors due to tenure concerns globally.

Re-testing Feature in Remuneration Plans (Australia) In 2014, SSGA adopted a voting principle designed to address our concerns of the inclusion of a feature know as a 're-test' provision in remuneration structures in several ASX listed companies. By 2015, 27% of the 33 companies had addressed our concerns on the re-test provision.

2015 Engagement Successes

SSGA successfully worked with several of our investee companies to improve governance, compensation and sustainability practices. Below we have provided highlights of some of our engagement successes:

Australia

Australian companies that removed the re-test provision in remuneration plans after engagement with SSGA include CSR Limited, National Australia Bank Limited, NextDC Ltd., Premier Investments Ltd., Sandfire Resources NL, Sundance Resources Ltd., Super Retail Group Ltd., Technology One Ltd., and Thorn Group Limited.

Europe

Arkema Group has been led by a joint chairman and chief executive for a number of years. SSGA met with the company and expressed the importance of adding a lead independent director to strengthen board leadership and oversight of management. The company subsequently introduced a new lead independent director position on the board with a clearly defined role and responsibility.

Japan

Sojitz Corporation sought our feedback on independent director appointment in light of the new corporate governance code in Japan. SSGA outlined its expectations for independent directors and their role in enhancing the quality of decision making of the board, positively influencing strategy and representing minority shareholder interests. Subsequently, the company's corporate governance disclosures included a narrative on how each of its three independent directors contributed to strategic and operational decisions including capital investment and asset disposals designed to support growth and return on equity objectives.

United Kingdom

SSGA successfully engaged with the remuneration committee of **Shire Plc** and expressed our concern with the committee's desire to grant the CEO non-performance bonus awards. In particular, we emphasized the need to maintain the alignment between management and shareholders through performance linked incentive schemes. Consequently, the company decided to withdraw the proposals and committed to adding performance conditions to future awards.

During a remuneration consultation with **Standard Chartered** bank, SSGA suggested that, to mitigate excessive risk-taking, the remuneration committee consider introducing a capital underpin governing executive pay. Subsequently, the company implemented our recommendation.

After coming under public scrutiny for their migrant labor practices SSGA encouraged **Carillion**, to adopt progressive labor standards across its global operations. The company has since disclosed enhanced training, audit and compliance procedures governing its relationships with providers of contract staff operating globally.

United States

SL Green Realty Corp historically did not provide shareholders the ability to call a special meeting. After engaging with SSGA, the company introduced the right at a 25% threshold. In addition to enhancing shareholder rights, the Company also addressed SSGA's concerns with board refreshment and diversity and added a new female director to the board. Similarly, **Tupperware Brands Corporation** and **US Bancorp** also added new directors to the board, addressing SSGA's board refreshment concerns that were raised during multi-year engagements with both companies.

Through multi-year engagement, SSGA worked with several companies including, **JP Morgan Chase & Company** and **The Goldman Sachs Group, Inc.** to implement long-term performance-based equity compensation plans for their executive teams.

Several companies took steps to enhance the link between pay-for-performance in their long-term incentive plans. Companies like **Hasbro, Inc.,** and **Johnson Controls, Inc.** adopted metrics such as return on invested capital to strengthen the long-term pay-for-performance link after engaging with SSGA. **New York Community Bancorp** and **The Hartford Financial Services Group** also all made changes to their long-term incentive compensation metrics to better align with long-term strategy and improve the pay-for-performance link. **Valley National Bancorp** also enhanced its pay-for-performance link by removing problematic true-up provisions and moving its long-term incentive plans to a three-year performance assessment period.

In 2014, SSGA abstained on **Marathon Petroleum Corporation's** (MPC) Report on Lobbying Payments and Policy shareholder proposal and engaged with the company's leadership on the issue. SSGA requested that an itemized list of political contributions by candidate as well as the amount donated be disclosed on the website for federal and state candidates. The proposal received 34% votes in favor, and 48% against management when considering abstentions. In response, MPC developed the Corporate Contribution Map which allows users to identify where political contributions were made, to whom, the quantity, as well as other pertinent information that assists shareholders to assess any risk that may be associated with the political contributions of the company.

In 2014, SSGA felt that **EOG Resources** could enhance disclosure of specific quantitative metrics pertaining to methane emissions as they related to operations. As a result, SSGA abstained on the shareholder proposal to "Report on Methane Emissions Management and Reduction Targets" and undertook a multi-year engagement with the company on the quality of their emissions disclosure. In 2015, EOG agreed to disclose its methane emission rates for the company as well as to address the issue in its 2016 proxy.

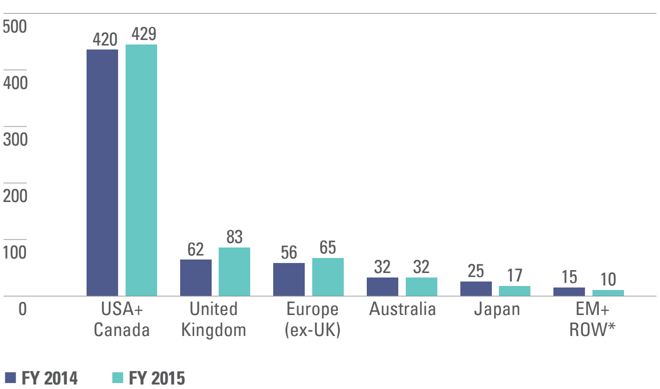
Section 5: 2015 Stewardship in Practice

Engagement Statistics Overview

During 2015, SSGA engaged with 636 companies on various environmental, social or governance (ESG) issues up from 610 engagements in 2014. Approximately 65% of our engagements were active, driven by the stewardship priorities set out in our 2014 Annual Stewardship Report. Details of this report are provided in Section 3 along with companies identified through our ESG screens. The remaining 35% of our engagements were reactive, conducted to discuss proxy voting related issues. In this section we provide an overview of the range of issues that we discussed with companies that go beyond our focused engagement priorities.

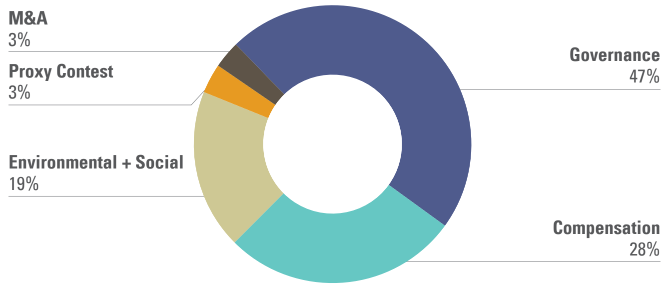
A comparative breakdown of company engagements by region in 2014 and 2015 is provided in Figure 1, which shows that much of SSGA's engagement efforts were focused on companies domiciled in the United States, the United Kingdom, Europe (ex UK) and Australia. Figure 2 provides an analysis of the main issues of focus during the engagement process. During the year, the team engaged on compensation or remuneration related issues in approximately 28% of the cases (36% in 2014), on general governance issues in approximately 47% of the cases (43% in 2014) and on ES issues in approximately 19% of the cases (14% in 2014). These numbers show a concerted shift in our focus away from pay-related issues to broader governance and board issues such as strategy, risk and board refreshment. This is better illustrated in Figure 3, which provides a comparative analysis of specific governance engagement topics in 2014 and 2015.

Figure 1: Engagements By Region By Year



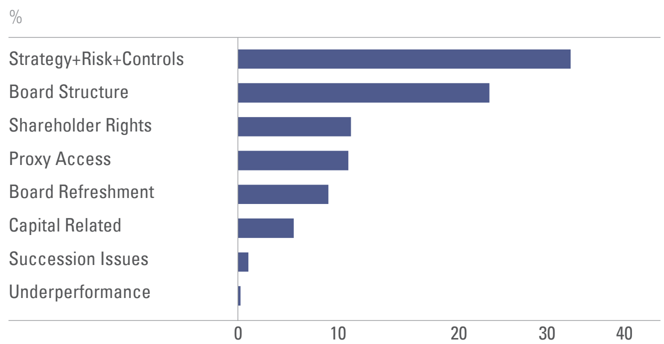
Source: SSGA's 2014–15 Engagement Database.

Figure 2: Topic of Engagement
January 1–December 31, 2015



Source: SSGA's 2015 Engagement Database.

Figure 3: Governance Engagement Topics in 2015



Source: SSGA's 2015 Engagement Database.

Engagement Highlights: General Governance-Related Matters

Focus on Long-term Strategy

Over the course of the past few years, we have made a concerted effort to focus our engagements on understanding the long-term strategy of companies. As a result, in 2015, we discussed long-term company strategy in about 35% of our governance engagements, up from 30% in 2014.

During our engagement, we like to understand how strategy shapes aspects of governance such as board composition and pay drivers at the company. We believe that once a board has developed the long-term strategy, it is important for the company to clearly communicate this strategy to investors. Short-term and long-term performance goals based on key strategic drivers should be established and boards should evaluate senior executive and company performance against these goals. The board should also periodically evaluate the viability of the strategy based on the changing business environment, competitive landscapes, regulatory requirements and other macroeconomic factors. Any change in strategy should also prompt an assessment of director skills and expertise to ensure that the board collectively has the background and knowledge to oversee the implementation of the strategy.

Further, we ask boards to look beyond the traditional measures of corporate success such as the quarterly earnings report and accomplishments since the last board meeting. Short-term performance matters, but at SSGA we assess it in the context of a company's long-term goals. Given a company's stated objectives for the next five, 10 or 20 years, did management execute as well as possible? Did the company meet its milestones and exceed its benchmarks?

In total, we engaged with 250 companies globally on strategy across multiple sectors ranging from retail to mining and pharmaceuticals to information technology. We discussed long-term business strategy with companies such as **Abercrombie & Fitch, Barclays Plc., Deutsche Telecom, McDonalds, Whole Foods Inc., Nintendo** and **Woolworths Ltd.,** to name a few.

Board Composition and Structure

At SSGA we believe that boards should have a mix of independent directors with direct industry experience and with experience relevant to the company's long-term business strategy. We also like to see boards composed of directors with different backgrounds to help enhance diversity of thought in the boardroom. In 2015, SSGA engaged with 189 companies on the composition and structure of their boards including **E.I. du Pont de Nemours and Company, Bank of America, Saint-Gobain S.A., Rio Tinto, Standard Chartered, Home Depot, Total S.A.** and **Mitsubishi Corporation**.

Proxy Voting and Engagement Highlights: Compensation-Related Matters

In 2015, there were 5,228 proposals (down from 5,966 proposals in 2014) on compensation practices or policies across SSGA's global investment portfolios. The decrease in proposals was primarily due to the fall in the number of companies putting forward say-on-pay vote proposals in the US as companies with a triennial say-on-pay votes were off-cycle in 2015.

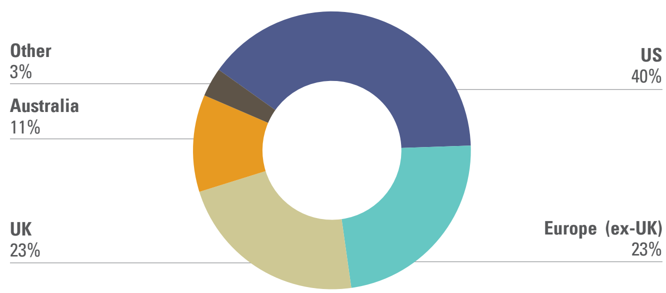
On average, in 2015, SSGA supported approximately 92% of pay-related proposals up slightly from 90% support in 2014. The primary reasons for the increase in support levels include: improved pay-for-performance alignment in compensation structures that were supported by improving long-term performance; and an increase in the number of companies where SSGA "tracked" (supported with reservation) pay at companies making significant incremental changes.

Further, SSGA's compensation screens identified 1,424 companies or 27% of total pay proposals up for vote for further review. Approximately 560 of the companies were domiciled in the US and Canada, 330 companies in Europe (ex-UK), followed by 320 companies in the UK and 160 in Australia (see Figure 4). On average, SSGA supported the compensation practices/policies at the screened companies 48% of the time, voted against their practices 29% of the time and chose to track (support with reservation) 22% of the proposals due to some concerns with pay policies/structure at the company (see Figure 5).

As a practice, companies that we choose to track are analyzed again in the following year and may be targeted for engagement. In 2015, we voted against compensation practices/policies at 20% of the companies that we tracked in 2014. The voting decisions were made due to limited improvements by the company to their compensation policies from the prior year.

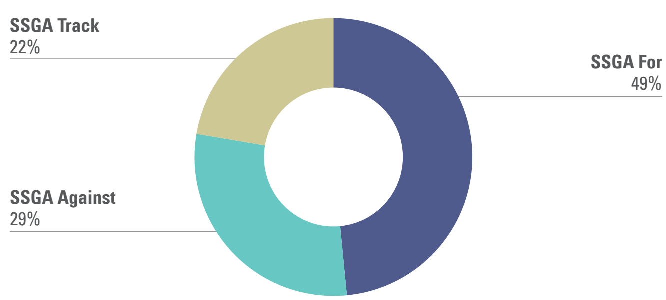
Figure 6 provides a breakdown of SSGA's voting decision rationale on compensation issues which were driven primarily by the structure of the compensation package and by quantum of pay given performance of the company.

Figure 4: Compensation Vote Analysis by Region
January 1–December 31, 2015



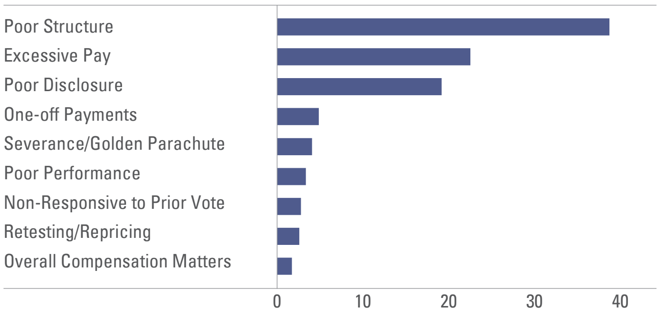
Source: SSGA's 2015 Engagement Database.

Figure 5: SSGA's Voting Decisions on Compensation at Outlier Companies
January 1–December 31, 2015



Source: SSGA 2015 Engagement Database.

Figure 6: Reasons for Voting Decisions on Compensation Ballot Items



Source: SSGA 2015 Engagement Database.

Engagement on Compensation Related Matters

As part of our stewardship program, SSGA prefers to effect change through engagement with companies on concerns we may have with various aspects of pay at the company. SSGA has developed a framework for analyzing pay votes at portfolio companies (see below). During engagement, we clearly communicate our concern with executive pay at the company and track companies on their responsiveness to the concerns we raise during engagement. If companies do not respond to our engagement efforts, SSGA will vote against management say-on-pay (MSOP) or pay votes in the subsequent years.

In Figure 7, we provide an analysis of specific engagement topics related to compensation that were discussed with companies. We discussed compensation matters with about 400 companies in 2015. Of these engagements, we had general compensation discussions with over 175 companies and raised concerns regarding poor executive compensation structures at 83 companies. We also raised concerns with the quantum of pay at 60 companies.

Below are examples of SSGA's engagement with companies in 2015, with a special focus on changing pay structures and practices in US companies.

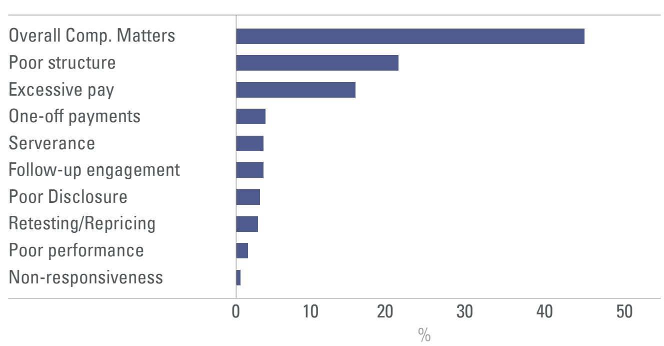
Evolving Compensation Structure and Practices in the US

Since the first say-on-pay vote in the US in 2011, SSGA has been engaging with companies on compensation matters with the objective of strengthening alignment of pay-and-performance in compensation plans. Over the course of the four years, we have seen marked change in incentive structures that drive compensation programs as evidenced by the fact that say-on-pay proposals in the US received the highest levels of support since say-on-pay was first mandated in 2011 — averaging approximately 92% approval from shareholders.[6]

SSGA's Framework for Analyzing Pay Votes

- Assess quantum relative to peer group and long-term performance
- Analyze structure of total compensation — seek balance between short-term and long-term pay components
- Understand link between long-term strategy and pay drivers
- Short-term pay
  - Prefer operational metrics such as revenue, margins, safety etc. that are often highlighted in investor reports and tracked by equity analysts
- Long-term pay
  - Seek balance between performance-vesting shares (PSU) and time-vested stock (RSU)
  - PSU should be based on at least 3-year performance period and linked to drivers such as relative TSR performance, ROE, ROIC or other relevant long-term metrics
  - RSU — provides retention element
- Other factors considered
  - Large one-off payments that are not tied to performance
  - Re-testing of performance metrics or re-pricing of options
  - Hedging and pledging activities of senior management
  - Total Named Executive Officers (NEO) pay and pay disparity between Chair/CEO and other NEOs
  - Significant improvements in structure that will impact future pay

Figure 7: Engagement Topics on Compensation



Source: SSGA 2015 Engagement Database.

There are two key strategies that companies typically adopt to introduce or strengthen the pay-for-performance element in CEO compensation at US companies. While this may not directly impact quantum concerns that still exist, the changes are beginning to address one of the primary concerns investors have with pay in the market. These include:

Changing Mix of Equity Vehicles in Long-term Performance Plans

Prior to the say-on-pay vote, company long-term incentive plans were paid out primarily based on the previous year's performance in time-vested stock (TSU) and/or stock options. Due to investor engagement, companies began changing the equity mix and introduced performance-vested stock (PSUs), the vesting and payment of which was tied to company performance.[7] Long-term investors view PSUs as a better incentive tool over stock options as they allow boards to introduce and identify specific forward-looking performance metrics that can be tied to the company's long-term strategy. In contrast, stock options are seen as incentive tools that reward risk taking behavior that may not be in the best interest of long-term shareholders.

At SSGA, we generally support companies adopting a mix of equity vehicles with preference for a majority of long-term incentive being paid through PSU. We support a small portion of long-term payment in TSUs as a retentive element of the equity plan. At high growth companies, SSGA does support a mix of stock options in the equity plan. However, as a long-term shareholder, we caution companies that rely solely on stock options to provide the pay-for-performance connect in equity plans due to their poor retentive element during a downturn and the inherent risk built in the structure. During engagement, SSGA discussed changes in equity vehicle mix and increasing emphasis on PSU programs with companies such as **R.R. Donnelley & Sons Company, Apartment Investment & Management Company, Polypore International, Inc., American Tower Corporation,** and **ITC Holdings**.

Linking Incentive Plans to Key Performance Metrics

Another positive change is the introduction of performance metrics in incentive plans that are intended to create a link between pay and performance. While this is a step in the right direction, more can be done to strengthen the pay-for-performance link by identifying the right metrics, establishing appropriate thresholds and lengthening the performance assessment period within long-term compensation plan.

As part of our framework for analyzing say-on-pay votes above, SSGA reviews a company's compensation plans to assess its link to the company's operational and long-term strategy and the rigour of the metric for threshold and stretch payments, with an expectation that companies adopt a minimum three year performance assessment period for long-term incentive plans. Strengthening the pay-for-performance link was a significant focus during SSGA's engagement on compensation in 2015. SSGA discussed performance metrics with companies such as **Allegheny Technologies Incorporated, Hasbro, Inc.,** and **Colgate Palmolive**. SSGA also discussed appropriate performance assessment periods at companies such as: **Caterpillar, Inc., Myriad Genetics, Monster Worldwide, Inc. Marvell Technology Group,** and **Albemarle Corporation**.

Pay-For-Performance in the UK

During economic downturns companies are under greater shareholder scrutiny and need to demonstrate that executive remuneration packages are sensitive to financial performance and shareholder returns. While there has been steady progress in the UK on issues such as simplification of share plans and the lengthening of performance periods, there is rising concern among shareholders with certain practices that are creeping into pay plans that undermine the pay-for-performance paradigm sought by shareholders.

One such practice is the introduction of retention and recruitment awards with no associated performance conditions. In 2015, SSGA had extensive discussions with **Shire Plc** and **Intertek Plc** who were looking to introduce such special awards for their respective chief executives. In the case of Shire, the remuneration committee withdrew the proposal following investor feedback. However, at Intertek the board's decision to grant their incoming chief executive a special award was voted down by shareholders at their AGM.

The other practice, which potentially is of greater concern, is the lack of variability in annual bonus in light of company performance. As total long-term share awards reduces in line with measurable performance metrics such as relative TSR, there is some concern that annual bonuses are becoming an extension of base salary. This is evidenced in a study by Deloitte that analyzed median pay-out of annual executive bonuses against maximum potential and found that in the last decade bonuses typically paid out above 70% of maximum potential opportunity.[8] Consequently, the total quantum of annual bonus in a year is not significantly impacted by company performance.

SSGA has engaged with several companies including **Aberdeen Asset Management, Royal Dutch Shell** and **Reckitt Benckiser** on this issue, and has discussed the need to provide greater transparency of annual bonus targets and outcomes. At **WM Morrison Supermarkets,** we engaged with the company on concerns with the quantum of annual bonus despite poor financial performance.

Proxy Voting and Engagement Highlights: Environmental and Social (E&S) — Related Matters

In 2015, as shown in Figure 8, SSGA reviewed and voted on a total of 275 shareholder items (268 in 2014) related to E&S issues across its global holdings. Of the items proposed, 205 were at North American companies, 26 in EU domiciled companies and 41 in Japanese companies. On average, SSGA supported 17% of such proposals (15% in 2014), voted against the proposals 66% of the time (62% in 2014) and abstained on 17% of the proposals (23% in 2014) — see Figure 9.

At non-US companies, SSGA voted against the overwhelming majority of E&S shareholder proposals. Nearly all of these proposals were overly restrictive or not in the best interest of shareholders. The overall support level at US companies was higher as, in general, E&S related items proposed at US companies were non-binding and sought to improve disclosure on management systems surrounding a specific E&S related risk. In contrast, in Japanese companies, E&S related proposals sought to cease operating in a specific industry or shut down nuclear power plants.

Engagement on Environmental and Social Matters

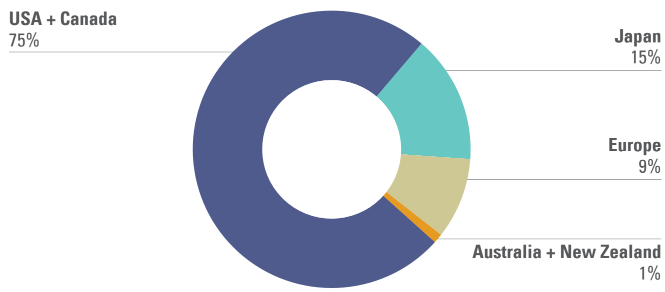
As part of our asset stewardship program, SSGA prefers to effect change through engagement with companies on concerns we may have with various aspects of their E&S policies and practices. SSGA has developed a framework for analyzing ballot proposals related to E&S issues at portfolio (see below).

During engagement, we clearly communicate our expectations related to a company's disclosure pertaining to key ESG risks that impact the company's long-term strategy. Once communicated, SSGA tracks a company's responsiveness to our expectations. If companies do not respond to our engagement efforts, SSGA may abstain against E&S-related shareholder proposals if the company has made some improvements to its E&S policies/practices but are below market standards. We will support shareholder proposals if the company has not been responsive to the feedback provided during engagement. SSGA does not support E&S-related shareholder proposals if the company's policies and practices meet market standards or are considered adequate upon analysis.

In Figure 10 we provide an analysis of specific engagement topics related to E&S that were discussed with companies. During 2015, SSGA engaged with a total of 200 companies (up from 135 companies in 2014) in global markets on various E&S issues. The 48% increase in number of E&S engagements is partly due to active engagement into our thematic areas of climate change and incorporating E&S as an integral part of understanding the long-term strategy of SSGA's holdings and reactive engagements on shareholder proposals related to E&S issues. Of these engagements, we discussed environmental management issues with over 70 companies, climate change with 59 companies and cybersecurity with 49 companies. Details on our engagements related to climate change and cybersecurity are provided under Section 3 of the report.

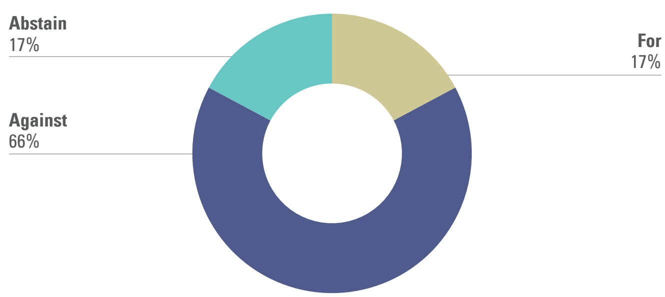
Below are examples of SSGA's engagement with companies on different E&S related issues as an illustration of our engagement activities in 2015:

Figure 8: E&S Vote Analysis by Region
January 1–December 31, 2015



Source: SSGA 2015 Voting Statistics.

Figure 9: SSGA's Voting Decisions on E&S Related Shareholder Items
January 1–December 31, 2015

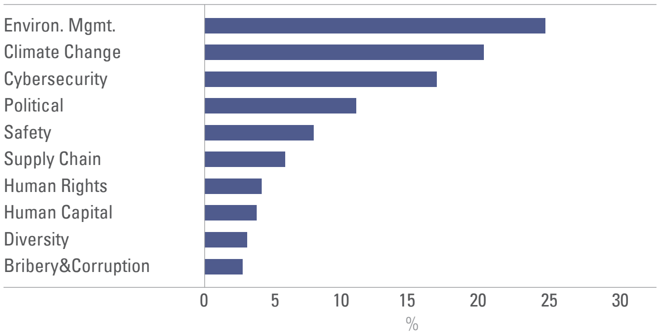


Source: SSGA 2015 Voting Statistics.

SSGA's Framework for Analyzing Environmental and Social Policies and Practices at Portfolio Companies

- The quality of a company's ESG disclosure
- The relative performance of a company's sustainability program compared to that of its peers
- The underlying economics of its sustainability initiatives
- The level of board involvement in oversight on the company's sustainability practices

Figure 10: Environmental and Social Engagement Topics



Source: SSGA 2015 Voting Statistics.

Supply Chain

In 2015, environmental and social supply chain risk played a prominent role in our conversations with companies. For example, with **McCormick & Company** we discussed the importance of maintaining farmers as long-term partners in order to ensure consistent quality of raw materials and agricultural products. Their global sourcing team includes an agronomist who provides technical assistance that allows the company to adhere to its quality standards. **Reynolds American** conducts audits of its supply chain through an independent third party which examines labor, sustainability, and agricultural practices. Given the increased expectation on suppliers to complete audits and provide materials and information, the company is looking to streamline and redesign its data collection process from its suppliers.

Climate Change

Climate change has been a priority engagement issue since 2014. Over the course of the past two years, we have held over 80 climate-related engagements with companies on topics such as disclosure, practices, risk management and the impact of climate change on the company's long-term strategy. Climate change was an active topic in Q4 of 2015, in particular, due to the COP21 climate accord negotiations in Paris. As such, SSGA engaged with numerous energy and utility companies on climate change to better understand how they are positioned to address macro trends as well as the potential regulatory outcomes from Paris. SSGA engaged with 36 energy and utility companies on climate change (out of 55 total climate change engagements in 2015) including: **BP plc, Duke Energy Corporation, NextEra Energy, Inc., Occidental Petroleum, Origin Energy Ltd.,** and **Exxon Mobile Corporation** to name a few.

Stranded Assets

In the 2015 proxy season, there were a number of shareholder proposals that referenced the stranded asset debate. These included requesting companies to:

- Assess and report on the risk that the company will be unable to monetize reserve assets
- Explain how investments in new reserves could be impacted by regulatory changes designed to limit GHG emissions
- Analyze the financial risk associated with high production-cost fossil fuels in low-demand scenarios

As part of our engagement we sought to understand:

- A company's policy and position on the broader stranded assets debate
- Their internal assessment, if any, on the probability and scenarios that would result in their reserves becoming stranded
- Whether the company's due diligence process around acquiring new reserves considers the various risk factors that could impact its ability to monetize the asset
- The level of board discussion on the topic

Based on our initial engagements with companies, we have generally found that European companies are more likely to have developed a position on stranded assets, with some companies agreeing to evaluate their reserve portfolio to address shareholder concerns related to stranded assets. In comparison, US companies in the oil and gas sector do not seem to give any credence to the concept of stranded assets.

Safety

SSGA engaged with 25 companies on their health and safety practices. Nearly half of the engagements focused within the mining, energy and utilities industries on enhancing worker safety and reducing fatality rates. These include **BHP Billiton Limited, Glencore, Newcrest Mining, Origin Energy Ltd., Rio Tinto, Tokyo Electric Power Corporation,** and **Transfield Services Ltd.** A positive trend that we observed during engagement was that some companies, such as **Alcoa Inc.,** have linked executive compensation pay out to safety metrics in the company's short term incentive plans in order to incentivize leadership to focus on employee safety which helps mitigate risk.

Environmental Management

In 2015, we engaged with 73 companies across sectors on general environmental management issues. We found that companies were shifting their focus from environmental data collection to establishing and enhancing practices and programs that would help set/ achieve appropriate goals.

There are two methodologies for identifying material risk areas that are adopted by progressive companies. **Colgate Palmolive** and **Celgene Corporation** use stakeholder engagement, such as dialogues with leaders in the non-profit and academic communities, to better understand what risk areas they should focus on. Other companies, such as **The Goodyear Tire & Rubber Company** and **Zoetis Inc.,** use lifecycle assessments (LCA) to identify and quantify high risk areas within and beyond their supply chain.

Other companies with whom we engaged on environmental management include: **Amazon.com, Inc., Chipotle Mexican Grill, Inc., Kraft Heinz Company, Monsanto Company, Unilever,** and **Volkswagen AG.**

Engagement Highlights: Fixed Income

In 2015, as part of a pilot program, SSGA began undertaking engagements that focused on debt topics at portfolio companies. For example, SSGA engaged with the chairman of a large mining and trading company after the company's share price dropped significantly in a single day on solvency concerns. Governance analysts sought inputs from SSGA's high-yield fixed income team who relayed concerns with the opaque nature of the trading business which proved to be an impediment to valuing the company debt. The governance team suggested that the company enhance transparency of its trading business. Further, we identified the need for the board to challenge management assumptions on profitability through the commodities cycle; reassess the sustainability of the balance sheet; and enhance disclosure of the financing of trading business to benefit debt and equity holders.

[1] Corporate Bonds: Spotlight on ESG Risks, December 2013 and Sovereign Bonds: Spotlight on ESG Risks, September 2013. http://www.unpri.org/areas-of-work/implementation-support/fixed-income/

[2] Cyber attacks cost global business $300bn+, Grant Thornton, September 22, 2015. http://www.grantthornton.global/insights/articles/cyber-attacks-cost-global-business-over-$300bn-a-year/

[3] Ashley Madison kisses its London Stock Exchange IPO goodbye, August 21 2015, http://www.news.com.au/finance/markets/ashley-madison-kisses-its-london-stock-exchange-ipo-goodbye/news-story/0c04b9fbab025ef9942000ff4a98feaf

[4] Corporate Bonds: Spotlight on ESG Risks, December 2013 and Sovereign Bonds: Spotlight on ESG Risks, September 2013. http://www.unpri.org/areas-of-work/implementation-support/fixed-income/

[5] PRI Fixed Income Investor Guide, 2014. http://www.unpri.org/viewer/?file=wp-content/uploads/PRI-fixed-income-investor-guide-2014.pdf

[6] Source: Institutional Shareholder Services (ISS), "2015: United States Proxy Season Review — Compensation."

[7] In 2015, 53% of a CEO's equity mix was based on performance-vesting stock up from 44% in 2013; ISS "2015: United States Proxy Season Review — Compensation."

[8] Your guide Directors' remuneration in FTSE 100 companies (Deloitte) — http://www2.deloitte.com/content/dam/Deloitte/uk/Documents/tax/deloitte-uk-ftse100-executive-remuneration-overview.pdf

Section 6: Appendix — List of Company Engagement By Topic

Appendix — List of Company Engagement By Topic

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
Abbott Laboratories	USA		■			
AbbVie Inc.	USA		■		■	■
Abercrombie & Fitch Co.	USA		■		■	
Aberdeen Asset Management Plc	UK		■		■	
Ace Limited	Switzerland		■		■	■
Actavis plc	USA					■
Actelion Ltd	Switzerland		■			
Activision Blizzard, Inc.	USA				■	
Advanced Micro Devices	USA	■	■		■	
Aegon	EU-Others					■
Aeropostale, Inc.	USA		■		■	
AFG Arbonia-Forster-Holding AG	Switzerland		■			
Aflac Incorporated	USA		■		■	
Agilent Technologies, Inc.	USA				■	
AGL Resources Inc.	USA		■			■
Air Lease Corporation	USA		■		■	
Akamai Technologies, Inc.	USA		■			
Albemarle Corporation	USA				■	
Alcoa Inc.	USA		■			■
Allegheny Technologies Incorporated	USA		■		■	
Alliance Trust	UK		■	■		
Alliance Trust (Dissident Elliot Advisors)	UK		■	■		
Alpha Natural Resources	USA		■		■	
Amazon.com, Inc.	USA	■	■			■
AMC Networks Inc.	USA		■		■	
Amcor Limited	Australia		■		■	■
Ameren Corp.	USA		■		■	■
American Eagle Outfitters	USA		■		■	
American Electric Power	USA		■			
American Express	USA		■			■
American International Group, Inc.	USA		■			
American Tower Corporation	USA				■	
AmerisourceBergen Corporation	USA		■			
Anadarko Petroleum	USA		■		■	■
Anthem, Inc.	USA		■			
Apache Corporation	USA				■	
Apartment Investment and Management Company (AIMCO)	USA		■		■	
Apple Inc.	USA		■		■	
Applied Materials, Inc.	USA		■			
Arch Coal, Inc.	USA		■		■	
Archer-Daniels-Midland Company	USA	■	■		■	■
Arkema	EU-France		■	■	■	
Asahi Group Holdings Ltd.	Japan		■			■
Ascena Retail Group, Inc.	USA		■		■	
Ashford Hospitality Trust (Dissident: UNITE HERE)	USA		■	■		
Associated British Foods (ABF)	UK		■			
AstraZeneca	UK	■	■		■	■
Atlas Air Worldwide Holdings	USA				■	
Aurizon Holdings Ltd.	Australia		■		■	■

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
Australia and New Zealand Banking Group Ltd.	Australia				■	■
AvalonBay Communities (dissident)	USA		■			
AvalonBay Communities, Inc.	USA		■			
Avon Products Inc.	USA		■		■	
Axa	EU-France		■		■	■
B/E Aerospace, Inc.	USA		■		■	
BAE Systems	UK					■
Banco Popular	EU-Others		■		■	
Bank of America Corporation	USA	■	■		■	■
Bank of New York Mellon	USA		■			
Bank of Yokohama Ltd.	Japan			■		
Barclays	UK	■	■			
Barnes Group Inc.	USA		■			
Barratt Developments	UK		■			
BASF SE	EU-Germany		■			■
Baxter International Inc.	USA		■			
Bayer	EU-Germany		■	■		
BB&T Corporation	USA		■		■	
BBVA	EU-Others		■		■	
Beach Energy Ltd.	Australia		■		■	■
Beazer Homes USA, Inc.	USA				■	
Bed Bath & Beyond Inc.	USA	■	■		■	
Beijing North Star Company, Ltd.	EM-China		■			
Bendigo & Adelaide Bank	Australia		■			■
BG Group	UK		■			
BHP Billiton Limited	UK	■	■	■		■
Biglari Holdings Inc.	USA		■	■		
Biglari Holdings Inc. (Dissident: Groveland Capital Management)	USA		■	■	■	
BioMed Realty Trust, Inc.	USA		■		■	
BlackRock, Inc.	USA	■	■		■	
BlueScope Steel	Australia	■	■		■	
BMW	EU-Germany		■			■
BNP Paribus	EU-France		■		■	
Boston Properties	USA		■			
BP plc	UK	■	■			■
Bristol-Myers Squibb Company	USA				■	
British American Tobacco	UK				■	
Brocade Communication Systems, Inc.	USA		■		■	
BT Group Plc	UK					■
Burberry	UK				■	
C. R. Bard, Inc.	USA					■
Cabot Oil & Gas Corporation	USA		■			■
Capgemini	EU-France		■		■	
Capital & Counties Properties	UK		■			
Capital One Financial Corporation	USA	■	■		■	■
Caterpillar Inc.	USA	■	■		■	■
Caterpillar Inc. (Dissident: CtW)	USA				■	
Celanese Corporation	USA		■		■	
Celgene Corporation	USA					■
Centene	USA		■			
Cerner Corporation	USA					■

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
CF Industries	USA		■			■
Checkpoint Systems, Inc.	USA				■	
Cheniere Energy, Inc.	USA	■	■		■	■
Chesapeake Energy Corporation	USA					■
Chesapeake Lodging Trust (Dissident: UNITE HERE)	USA		■	■		
Chevron Corporation	USA		■			■
China Galaxy	EM-Others		■			
Chipotle Mexican Grill, Inc.	USA	■	■		■	■
Cimarex Energy Co.	USA		■			
Cincinnati Financial Corp	USA		■			
Cisco Systems, Inc.	USA		■			
Citigroup, Inc.	USA		■		■	■
Citizens Community Bancorp, Inc.	USA		■			
Clarcor	USA					■
Cloud Peak Energy Inc.	USA		■			
CME Group Inc.	USA		■		■	■
Coach Inc	USA		■			
Colgate Palmolive	USA					■
Comcast Corporation	USA		■		■	■
Community Health Systems, Inc.	USA		■		■	
Commvault Systems, Inc.	USA		■		■	■
Compagnie Financiere Richemont SA	Switzerland		■			
Computershare Limited	Australia		■		■	■
Concho Resources Inc.	USA		■			
ConocoPhillips	USA		■			■
Conway	USA		■			
Copart, Inc.	USA		■		■	
Cowen Group	USA		■		■	
Cracker Barrel Old Country Store, Inc.	USA		■			
Credit Suisse Group AG	Switzerland	■	■			
Crown Resorts Ltd.	Australia		■		■	■
Cullen/Frost Bankers, Inc.	USA		■			
Cummins Inc.	USA		■		■	
CVS Health Corporation	USA		■		■	
CYS Investments, Inc.	USA				■	
Daimler	EU-Germany		■			■
Daiwa Securities	Japan		■			
Danone	EU-France	■	■		■	■
DaVita HealthCare Partners Inc.	USA		■			
DepoMed	USA		■	■		
Deutsche Bank	EU-Germany	■	■			
Deutsche Boerse AG	EU-Germany				■	
Deutsche Telekom AG	EU-Germany		■			
Deutsche Wohnen AG	EU-Germany			■		
Diageo plc	UK		■			
Dolby Laboratories, Inc.	USA		■		■	
Dollar General	USA					■
Dominion Resources	USA					■
Domino's Pizza Enterprises Ltd.	Australia		■		■	
DTE Energy Company	USA	■	■			
Duke Energy Corporation	USA	■	■		■	■
DuPont (E.I. du Pont de Nemours and Company)	USA	■	■	■		

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
Dynavax Technologies Corporation	USA		■		■	
Dynex Capital, Inc.	USA				■	
Eagle Bancorp, Inc.	USA		■		■	
Easyjet	UK				■	
Ebay	USA		■			■
Ebix, Inc.	USA		■		■	
Edison International	USA					■
Edwards Lifesciences Corporation	USA		■		■	■
Electronic Arts Inc.	USA		■			
EMC Corporation	USA		■			
Emerson Electric Co.	USA					■
Enagás	EU-Others	■	■		■	■
Energen Corporation	USA					■
Enterprise Inns	UK				■	
EOG Resources	USA		■			■
Epiq Systems, Inc.	USA		■		■	
Equity Residential	USA		■		■	
Essilor	EU-France		■		■	
Ethan Allen Interiors Inc.	USA		■	■		
Ethan Allen Interiors Inc. (Dissident: Sandell Asset Management)	USA	■	■	■		
Everi Holdings, Inc. (Formerly Global Cash Access Holdings, Inc.)	USA		■		■	■
EXCO Resources, Inc.	USA	■	■			
EXCO Resources, Inc. (Shareholder: Oaktree Capital Management)	USA		■			
EXCO Resources, Inc. (Shareholder: WL Ross)	USA		■			
Exelixis, Inc.	USA		■			
Exelon Corporation	USA	■	■		■	
Expeditors International of Washington, Inc.	USA		■		■	
Express Scripts Holding Company	USA		■			■
Express, Inc.	USA		■		■	
ExxonMobil	USA		■			■
Fairfax Media Ltd.	Australia		■		■	
Fanuc	Japan		■			
Federated National Holding Company	USA		■		■	
Federation Centres Ltd.	Australia		■			■
Fedex Corporation	USA		■			■
Finmeccanica	EU-Italy		■		■	
First Republic Bank	USA		■		■	
FirstEnergy Corp.	USA	■	■			■
FirstMerit Corporation	USA		■			
Flight Centre Ltd.	Australia		■		■	
Fluor Corporation	USA					■
Fortescue Metals Group Ltd.	Australia		■		■	■
Freeport-McMoRan Inc.	USA	■	■		■	■
FTI Consulting, Inc.	USA				■	
Fuji Film	Japan		■			
Furmanite Corporation	USA		■	■		
Furmanite Corporation (Dissident: Mustang Capital)	USA		■	■		
Garanti Bank	EM-Turkey		■			■
General Dynamics Corporation	USA		■			■

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
General Electric Company	USA		■			
General Mills	USA		■		■	■
General Motors	USA					■
Genpact Limited	USA				■	
Genuine Parts Company	USA		■			
Gilead Sciences	USA		■			
Glencore	UK	■	■			■
Goldman Sachs	USA		■			
Gome Electrical Appliances Holdings Ltd	EM-Others		■	■		
Goodman Group	Australia		■		■	■
GrainCorp Ltd.	Australia		■		■	■
GSK plc	UK	■	■			■
Guess?, Inc.	USA		■		■	
H&R Block, Inc.	USA		■			■
Halliburton Company	USA		■		■	■
Hasbro, Inc.	USA		■		■	■
HCP, Inc.	USA		■			
HeartWare International, Inc.	USA				■	
Henderson Global Investors	UK		■			
Hess Corporation	USA		■			■
Hill International, Inc.	USA		■	■	■	
Hills Ltd.	Australia		■		■	
Honda Motor Company	Japan		■			■
Honeywell International Inc.	USA		■		■	■
Horizon Pharma plc	USA				■	
Hormel Foods Corporation	USA					■
Hospitality Properties Trust	USA		■	■		
Hospitality Properties Trust (Dissident: UNITE HERE)	USA		■	■		
HSBC Plc	UK	■	■			■
Humain Society (Dissident: Seaboard and Kraft)	USA					■
Hunting plc	UK		■			
Iberdrola SA	EU-Others		■	■		
Iberiabank Corporation	USA		■			
ICAP Plc	UK				■	
IHI Corporation	Japan		■			
II-VI Incorporated	USA		■		■	
Imperial Tobacco	UK		■		■	■
ING	EU-Others				■	
Insulet Corporation	USA				■	
Intel Corporation	USA	■	■			
InterContinental Hotels Group (IHG)	UK	■			■	■
International Business Machines Corporation	USA				■	
Intertek Group Plc	UK				■	
Invesco Ltd.	USA				■	
ITC Holdings	USA				■	
Itron, Inc.	USA		■		■	
ITT Educational Services, Inc.	USA		■		■	
Jacobs Engineering	USA		■		■	
Jarden Corporation	USA		■		■	
JFE Holdings	Japan		■		■	■
JPMorgan Chase & Co.	USA	■	■		■	
K12 Inc.	USA				■	

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
Kansai Electric Power Group	USA		■			■
Kate Spade	USA				■	
Kellogg Company	USA				■	
KeyCorp	USA		■		■	
Kforce, Inc.	USA		■			
Kimball International Inc.	USA		■			
Kimberly-Clark Corporation	USA		■			
Kinder Morgan, Inc.	USA					■
Kite Realty Group Trust	USA		■		■	
KLX Inc.	USA				■	
Kraft Heinz Company	USA					■
Krispy Kreme Doughnuts, Inc.	USA		■			
Kuroda Electric Co. Ltd	Japan		■	■		
L Brands, Inc.	USA		■			
Legg Mason, Inc.	USA		■			
Leidos Holdings, Inc.	USA		■			
Lennar Corporation	USA		■		■	
Level 3 Communications, Inc.	USA	■	■			
Lexington Realty Trust	USA		■		■	
Life Time Fitness, Inc.	USA		■		■	
Linear Technology	USA	■	■		■	
Lloyds Banking Group	UK	■	■		■	■
Lockheed Martin Corporation	USA	■	■		■	■
Mack-Cali Realty Corporation	USA		■		■	
Macquarie Group Limited	Australia		■		■	
Marathon Oil	USA		■			■
Marathon Petroleum Corporation	USA					■
Marks & Spencer PLC	UK		■			■
Martin Marietta Materials	USA		■			
Marvell Technology Group	USA		■		■	
Masimo Corporation	USA				■	
MasterCard Incorporated	USA				■	■
Mattel, Inc.	USA				■	■
McCormick & Company	USA					■
McDermott International, Inc.	USA		■		■	
McDonald's Corporation	USA		■		■	
Mckesson Corporation	USA					■
Mead Johnson	USA		■		■	■
MedAssets, Inc.	USA		■		■	
Mediobanca SPA	EU-Italy		■		■	
Medtronic, Inc.	USA		■		■	
Melrose Industries	UK				■	
MetLife	USA		■		■	■
MGM Resorts International (Dissident: Land & Buildings Investment Management)	USA		■	■		
Microsoft Corporation	USA	■	■		■	
Millicom International Cellular SA	EU-Sweden				■	
Mitsubishi Corporation	Japan		■			■
Mitsui Fudosan	Japan		■			
Mobile Mini, Inc.	USA		■		■	
Molson	USA		■			■
Mondelez International, Inc.	USA		■			

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
Monolithic Power Systerms, Inc	USA		■		■	
Monsanto Company	USA		■			■
Monster Beverage Corporation	USA		■			■
Monster Worldwide, Inc.	USA				■	
Montage Technology Group Limited	EM-China		■	■		
Morgan Stanley	USA		■		■	■
Munich Re	EU-Germany		■			■
Mylan Inc	EU-Others	■	■	■		
Myriad Genetics	USA				■	
Nabors Industries Ltd.	USA		■		■	
National Bank Holdings Corporation	USA		■		■	
National Express	UK					■
National Express (Teamsters Proponents of SP)	UK					■
National Fuel Gas Company	USA		■	■		
National Oilwell Varco	USA					■
Natus Medical Incorporated	USA		■			
Nestle	Switzerland		■			■
NetFlix, Inc.	USA		■		■	■
Netgear, Inc.	USA				■	
NetSuite Inc.	USA		■		■	
NeuStar, Inc.	USA		■		■	
New York Community Bancorp, Inc.	USA	■	■		■	
Newcrest Mining Ltd.	Australia		■			
Newfield Exploration Company	USA				■	
Next Plc	UK		■			
NextEra Energy, Inc.	USA					■
Nielsen N.V.	EU-Others		■		■	
Nintendo	Japan		■	■		
Noble Corporation plc	USA				■	
Noble Energy, Inc.	USA		■			■
Norfolk Southern Corporation	USA		■		■	
Northern Star Resources	Australia		■		■	■
Northern Trust Corporation	USA		■		■	■
Northrop Grumman Corporation	USA		■			
Novartis	Switzerland		■		■	
NRG Yield	USA		■			
Nuance Communications	USA		■		■	
NVR, Inc.	USA		■		■	
Occidental Petroleum	USA		■			■
Omnicom Group, Inc.	USA		■			■
Optical Cable Corporation	USA		■			
Oracle	USA		■		■	
Orange SA	EU-France	■	■		■	
Origin Energy Ltd.	Australia		■		■	■
OSI Systems, Inc.	USA		■		■	
PACCAR Inc.	USA		■			■
Palo Alto Networks, Inc.	USA		■		■	
Pandora Media, Inc.	USA		■		■	
Paramount Group, Inc.	USA		■		■	
PartnerRe Ltd.	USA		■	■		
PartnerRe Ltd. (Dissident: EXOR)	USA		■	■		
Pearson	UK		■			■

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
PepsiCo	USA		■		■	
Pericom Seminconductor Corporation	USA			■		
Pernod Ricard	EU-France				■	
Perrigo Company Plc	EU-Ireland	■	■	■		
Petrofac Ltd	UK		■			
Pfizer Inc.	USA		■	■		
PG&E Corporation	USA					■
Philip Morris International Inc.	USA				■	■
Phillips 66	USA		■			■
Photronics, Inc	USA		■			
Pinnacle Entertainment, Inc. (Dissident: UNITE HERE)	USA		■	■		
Pinnacle West Capital Corporation	USA	■	■			■
Pioneer Natural Resources Company	USA					■
Pitney Bowes Inc.	USA		■		■	■
Polypore International, Inc.	USA		■		■	
Post Holdings, Inc.	USA		■	■	■	
Power Assets Holdings	EM-China		■	■		
PPG Industries, Inc.	USA		■		■	
PPL Corporation	USA		■			■
Praxair, Inc.	USA		■		■	
Precision Castparts Corp.	USA		■		■	
Principal Financial	USA		■		■	
Prologis, Inc.	USA				■	
QUALCOMM Incorporated	USA	■	■		■	
R.R. Donnelley & Sons Company	USA		■		■	
Randgold Resources (RRS)	UK	■	■		■	■
Raytheon Corporation	USA		■			■
Reckitt Benckiser	UK	■	■	■	■	
Regeneron Pharmaceuticals, Inc.	USA		■		■	
Remy International, Inc.	USA		■		■	
Renault SA	EU-France		■		■	
Republic Services Inc.	USA		■		■	■
Retail Opportunity Investments Corp.	USA				■	
REX American Resources Corporation	USA		■			
Rexam	UK		■	■		
Reynolds American	USA					■
Rio Tinto	UK		■			■
Roche	Switzerland		■	■	■	
Rolls-Royce Holdings plc	UK		■			
Roper Technologies, Inc. (Formerly Roper Industries)	USA		■		■	
Rovi Corporation	USA		■	■		
Rovi Corporation (Dissident: Engaged Capital)	USA		■	■		
Royal Bank of Scotland Plc	UK		■			■
Royal Dutch Shell	UK				■	
Royal Gold, Inc.	USA				■	
RSA Insurance Group plc	UK		■			■
SABMiller plc	UK			■		
Sainsburys	UK		■			■
Saint-Gobain	EU-France		■	■		■
Salesforce.com, Inc.	USA	■	■		■	
Samsung C&T	EM- Korea		■	■		
Samsung Electronics	EM- Korea		■		■	

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
Sanofi	EU-France	■	■			■
SAP SE	EU-Germany		■	■		
Sarepta Therapeutics, Inc.	USA		■			
SBA Communications	USA		■			
Schnitzer Steel Industries	USA				■	■
Scor SE	EU-France	■	■		■	
Seaboard Corporation	USA					■
Sealed Air Corp	USA		■			
Sempra Energy	USA				■	■
Shire Pharma Plc	UK		■			
Shutterfly	USA		■	■	■	
Shutterfly (Dissident: Marathon Partners)	USA		■	■		
Siemens AG	EU-Germany	■	■			■
Simon Property Group, Inc.	USA		■			■
Simpson Manufacturing Co., Inc.	USA		■			
Sky plc	UK		■			
SL Green Realty Corp.	USA	■	■		■	
Smiths Group	UK		■		■	
Sojitz Corporation	Japan		■			■
Sonic Healthcare Limited	Australia		■			■
Sony Corporation	Japan		■			■
South32	Australia	■	■		■	■
Southwestern Energy Company	USA		■		■	
Spectra Energy	USA					■
Spectrum Pharmaceuticals, Inc.	USA				■	
Sports Direct International	UK		■			■
St. Jude Medical	USA					■
Standard Chartered	UK	■	■		■	
Standard Life plc	UK		■			
Staples, Inc.	USA		■		■	
Starbucks Corporation	USA				■	■
Stifel Financial Corp.	USA		■		■	
Stryker Corporation	USA		■			
SunTrust Bank, Inc.	USA		■			
Super Retail Group Ltd.	Australia		■			
Swiss Reinsurance	Switzerland		■		■	■
Syngenta	Switzerland				■	
Synopsys, Inc.	USA		■			
Sysco Corporation	USA		■	■		
Tabcorp Holdings Ltd.	Australia		■		■	■
Tanger Factory Outlets Centers, Inc.	USA		■		■	
Target Corporation	USA					
Tate & Lyle	UK	■	■		■	
Tatts Group Ltd.	Australia		■		■	■
TCF Financial Corporation	USA		■		■	
Technip	EU-France		■			
Telefonica	EU-Others		■			
Telephone and Data Systems	USA		■		■	
Tempur Sealy International, Inc.	USA		■	■		■
Tempur Sealy International, Inc. (Dissident: H Partners)	USA		■	■		
Tenet Corporation	USA		■		■	
Teradata Corporation	USA				■	

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
Tesco plc	UK	■	■			
Tetra Tech, Inc.	USA				■	
Texas Instruments Incorporated	USA		■		■	■
The Advisory Board Company	USA				■	
The AES Corporation	USA	■	■		■	
The Allstate Corporation	USA		■		■	■
The Babcock & Wilcox Company	USA		■		■	
The Bank of East Asia, Limited	EM-China		■			
The Bank of New York Mellon	USA		■			
The Boeing Company	USA		■		■	■
The Children's Place, Inc.	USA	■	■	■	■	■
The Children's Plance (Dissident: Macellum Capital and Barington)	USA		■	■		
The Chubb Corporation	USA				■	■
The Coca-Cola Company	USA	■	■		■	
The Dun & Bradstreet Corporation	USA		■			
The Gap, Inc.	USA					■
The Goodyear Tire & Rubber Company	USA		■			■
The Hain Celestial Corporation	USA		■		■	
The Hartford Financial Services Group, Inc.	USA		■		■	
The Home Depot, Inc.	USA		■			■
The Macerich Company	USA		■	■	■	
The Priceline Group Inc.	USA		■			
The Procter & Gamble Company	USA		■		■	
The Southern Company	USA		■			■
The Walt Disney Company	USA		■		■	■
The Western Union Company	USA		■		■	■
Time Warner Cable	USA				■	
Time Warner Inc.	USA	■	■		■	■
TiVo Inc.	USA		■		■	
Tokyo Electric Power Corporation	Japan		■			■
Toll Brothers, Inc.	USA		■		■	
Torotrak	UK		■			
Toshibia Corporations	Japan		■			
Total SA	UK		■		■	■
Towers Watson	USA		■	■		
Toyota Motor Corporation	Japan		■			■
Transfield Services Ltd.	Australia		■			■
Transpacific Industries Ltd.	Australia		■		■	■
Treasury Wine Estates, Ltd.	Australia		■		■	■
Tri Pointe Homes	USA		■			
Trian Partners	USA		■			
Tupperware Brands Corporation	USA		■			
Tutor Perini Corporation	USA		■		■	
Twitter, Inc.	USA		■		■	
US Bancorp	USA		■			
UBS	Switzerland		■		■	
Umpqua Holdings Corporation	USA				■	
Unilever	UK		■			■
United Bankshares, Inc.	USA		■			
United States Steel Corporation	USA		■		■	
United Technologies Corporation	USA		■		■	

Company Name	Market	Multiple Engagements	Governance	Proxy Contest/M&A	Pay	ES
United Therapeutics Corporation	USA		■		■	
Unum Group	USA		■		■	
USA Mobility, Inc. (SPOK)	USA		■		■	
Valero Energy Corporation	USA					■
Valley National Bancorp	USA		■		■	■
Veolia	EU-France				■	
VeriSign, Inc.	USA		■			
Verizon Communications Inc.	USA					■
Vertex Pharmaceuticals Incorporated	USA		■		■	
Visa Inc.	USA		■			■
Vivendi	EU-France		■	■		
Vivendi (Dissident PSAM)	EU-France		■	■		
Vodafone Plc	UK		■	■		■
Volkswagen AG	EU-Germany		■			■
Vonage Holdings Corp.	USA		■		■	
Vonovia SE	EU-Germany			■		
Vornado	USA		■			
W.R. Berkley Corporation	USA		■		■	
Walgreens Boots Alliance, Inc.	USA	■	■		■	
Walmart (Dissident: CTW)	USA				■	
Walmart Corporation	USA		■		■	
Waste Connections, Inc.	USA		■		■	
Waste Management Inc.	USA		■			■
Weatherford International plc	EU-Ireland		■		■	
WebMD Health Corp.	USA		■		■	
Webster Financial Corporation	USA		■			
Western Digital Corporation	USA		■		■	
Westpac Banking Corporation	Australia		■		■	
Whirlpool	USA		■			■
Whitestone REIT	USA		■		■	
Whole Foods Market, Inc.	USA	■	■		■	
Windstream Corporation	USA		■		■	
Wisconsin Energy Corporation	USA		■		■	■
Wm Morrison Supermarkets plc	UK	■	■		■	
Woolworths Ltd.	Australia		■		■	
WPP Plc	UK		■			
WPX Energy, Inc.	USA					■
WS Atkins plc	UK					
Wumart Stores Inc.	EM-Others		■	■		
Wynn Resorts, Limited	USA		■	■		
Wynn Resorts, Limited (Dissident: Elaine Wynn)	USA		■	■		
YUM! Brands, Inc.	USA	■	■		■	■
Zoetis Inc.	USA					■

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