

Stewardship Activity Report

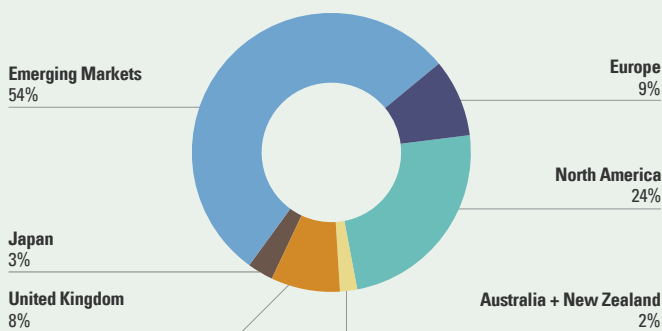
Q3 2016

Figure 1: Vote Summary

No. of Meetings	2,368
No. of Countries	60
Management Proposals	17,540
Votes For	82.8%
Votes Against	17.2% ¹
Shareholder Proposals	468
Votes with Management	94.9%
Votes against Management	5.1% ¹

¹ Against votes are calculated as Against + Abstain votes. All Do Not Vote instructions were removed from total proposal numbers and all calculations.

Figure 2: Breakdown of Voting by Region Q3 2016

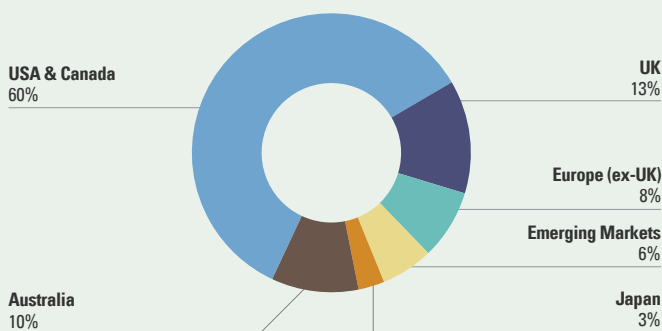


Source: State Street Global Advisors (SSGA). As of September 2016. Data are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Figure 3: Engagement Summary

Q3 Engagement Meetings	99
YTD Engagement Meetings	463

Figure 4: Breakdown of Engagement by Region Q3 2016



Source: SSGA. As of September 2016. Data are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Stewardship Highlights

This report provides a preview of the upcoming Australia proxy season, reviews SSGA's latest thought leadership publication on protecting long-term shareholder interests in activist situations and highlights regulatory issues in the US and UK.

Preview of the Australia Season

Based on our observations from the 2015 Australia proxy season, ahead of the 2016 proxy season, SSGA published an op-ed, "**Focus On Long-Term Strategy, Not Short-Term Solutions**", that warned that companies that fail to keep shareholders informed of long-term strategies for dealing with short-term macroeconomic challenges throughout proxy season could find annual meetings a bigger challenge than they first thought.

Based on early engagements with some Australian companies, SSGA has observed the following themes starting to emerge this proxy season:

Australian Company Boards Are Starting to Focus on Long-Term Strategy

Discussions around long-term strategy drives our engagement with companies as we seek to understand how boards are positioning companies to address the various macroeconomic and competitive pressures, and how strategy drives governance and other environmental, social and governance ('ESG') policies and practices in the long-term.

In 2015, SSGA found that few Australian company boards were discussing or preparing for a possible economic slowdown and its impact on the company's business strategy. This proxy season, while we are finding that some boards have started focusing on strategy, few can articulate the tactical choices facing companies to weather the economic slowdown. On the other extreme, in the face of uncertain macro conditions, we are seeing that some boards seem to have abandoned old strategies or long-term planning and have begun operating businesses on an annual/quarter-to-quarter basis. We are particularly concerned by this trend, as we believe that shifting focus away from the long-term can create even more short-term pressure on management, as investors are deprived of any perspectives on the company's long-term prospects.

Changing Remuneration Practices

Early into Australia proxy season, SSGA has observed several companies that are significantly changing executive compensation plans to accommodate a changing economic reality. Some companies are abandoning short-term bonus plans altogether and are compensating CEOs with above market base salaries and long-term compensation plans

focused on stock price. In contrast, others are shifting their compensation orientation from long-term to short-term priorities and changing pay drivers to significantly reduce or remove long-term performance targets as these become more challenging to achieve. This latter trend is of concern to SSGA as we believe that shifting focus away from the long-term can create even more short-term pressure on management, as investors are deprived of any perspectives on the company's long-term prospects.

Global Competitive Pressures Cited for Increased Quantum

As Australian companies are expanding their footprint globally, companies are citing the competition for global talent as a reason for increasing total pay packages and are significantly altering pay structure to incorporate structures more common in the United States. We have also found that some Australian companies have moved senior management positions to the US and are paying salaries well-above Australian market standards. SSGA is concerned that as Australian companies are increasingly pointing to global peers as direct competitors, the practice of peer group comparison could result in increased remuneration levels in the market.

SSGA Thought Leadership: Protecting Long-Term Shareholder Interests in Activist Engagements

Responding to the rise in settlement agreements between boards and activist shareholders which are entered into without any consideration being given to the interests of long-term shareholders, SSGA published recent thought leadership that calls on boards to protect the interests of long-term shareholders in all activist situations. In particular, we believe that boards need to consider the interests of long-term shareholders as they assess: 1) duration of the settlement agreements; 2) ownership thresholds and holding period requirements for continued board representation; and 3) risk to the company's share price posed by a lack of board oversight on significant pledging activities by activists serving on the board.

To inform our view, we researched the actions of 13 of the largest activist investors in 89 companies over the past 3 years and found that strategies pursued by activist investors differ by activist and from company-to-company. However, SSGA identified certain actions as potential red flags for long-term investors as they raise questions about the motivations behind the actions and potential implications for sustainable value creation.

As near permanent capital, SSGA's main goal is to ensure that activists are helping to promote long-term value creation in whatever way they choose to engage with companies. Therefore, we believe that boards should require settlement

terms that promote the interests of all shareholders and consider safeguards that protect long-term investors. We also believe that long-term owners, boards and activists should debate, and together develop principles that protect the interests of long-term shareholders in settlement agreements.

Our publication can be found at: <https://ssga.com/market-commentary/protecting-long-term-shareholder-interests-in-activist-engagements.pdf>

SSGA's Response to The Securities and Exchange Commissions' (SEC's) Concept Release – Business and Financial Disclosure Required by Regulation S-K

In July 2016, SSGA responded to the SEC's concept release on Regulation S-K provisions applicable to US reporting companies. While the concept release covered a broad range of reporting issues, SSGA focused its response to the need for increased information on companies' ESG practices. In particular, we emphasized the need to have access to relevant, quantifiable and comparable data on key ESG performance indicators (KPIs) if these factors are to be considered in a systematic manner in the investment process. We encourage the SEC to consider developing rules that would help companies:

- Identify appropriate KPIs by industry and sub-sectors
- Establish a common standard to measure the KPI
- Introduce standardized reporting of KPIs on an annual basis

Brexit Vote Bring Calls for Corporate Governance Reforms in the UK

Following the Brexit vote, there has been heightened political focus on existing corporate governance practices in UK-listed company boards. The two initiatives that will significantly influence reforms in corporate governance that SSGA is monitoring include:

Inclusive Economy Unit As part of Theresa May's reform agenda the UK government announced the establishment of a new Inclusive Economy Unit that will work to develop the UK social investment market and public service mutuals as well as to understand the full range of businesses in the social economy, including mission-led business. Details as to how these objectives will be implemented are still forthcoming.

UK Parliamentary Inquiry The Business, Innovation, and Skills (BIS) Committee of the UK Parliament launched a Corporate Governance inquiry focusing on executive pay, directors duties, and the composition of boardrooms, including worker representation and gender balance in executive positions. Written submissions were due to the inquiry by October 26, 2016.

Figure 5: Companies Engaged

Company Name	Market	Company Name	Market
3M Company	USA	Macquarie Group Limited	Australia
Abiomed, Inc.	USA	Magellan Financial Group	Australia
Accenture plc	USA	Marks & Spencer PLC	UK
AGL Energy Ltd.	Australia	McKesson Corporation	USA
Alphabet Inc.	USA	Media General, Inc.	USA
Apache Corporation	USA	Metcash Ltd.	Australia
Aramark Corporation	USA	Mitsubishi Motors Corp.	Japan
ARM Holdings plc	UK	Myers Industries, Inc.	USA
AusNet Services	Australia	National Fuel Gas Company	USA
B/E Aerospace, Inc.	USA	News Corporation	USA
Baker Hughes Incorporated	USA	Nike, Inc.	USA
Barnes & Noble Education, Inc	USA	Orica Ltd.	Australia
Barnes & Noble, Inc.	USA	Origin Energy, Ltd.	Australia
BHP Billiton Plc	UK	Persimmon plc	UK
BlackRock, Inc.	USA	Pinnacle West Capital Corporation	USA
BP Plc	UK	Ralph Lauren Corporation	USA
Brambles Ltd.	Australia	RBC Bearings Incorporated	USA
Bristow Group Inc.	USA	RealNetworks, Inc.	USA
Buffalo Wild Wings, Inc.	USA	Royal Bank of Scotland Group plc	UK
Buffalo Wild Wings, Inc. (Dissident: Marcato)	USA	SABMiller PLC	UK
Cadence Design Systems, Inc.	USA	Shire plc	UK
Cairn Ltd.	EM-India	Sinopec Shanghai Petrochemical Co. Ltd.	EM-China
Chico's FAS, Inc.	USA	Sky plc	UK
Chico's FAS, Inc. (Dissident: Barington Group)	USA	South32 Ltd.	Australia
Cisco Systems, Inc.	USA	Sports Direct International plc (Dissident: Trade Union Share Owners)	UK
Cloud Peak Energy Inc.	USA	Stada Arzneimittel AG	EU-Germany
Compagnie Financiere Richemont SA	Switzerland	Starbucks Corporation	USA
Computer Sciences Corporation	USA	STERIS plc.	USA
Danone	EU-France	Stewart Information Services Corporation	USA
Deere & Company	USA	SUPERVALU INC.	USA
Deutsche Boerse AG	EU-Germany	Suzuki Motor Corp.	Japan
E. I. du Pont de Nemours and Company	USA	TCL Communication Technology Holdings Limited	EM-China
Eagle Materials Inc.	USA	The Coca-Cola Company	USA
EMC Corporation	USA	The Dow Chemical	USA
Endesa America SA	EM-Others	The Female Health Company	USA
Enersis Americas SA	EM-Others	The Finish Line, Inc.	USA
Equifax Inc.	USA	The J. M. Smucker Company	USA
Fairfax Media Ltd.	Australia	The WhiteWave Foods Company	USA
Glencore	UK	Thomas Cook Group plc	UK
H&R Block, Inc.	USA	Total SA	EU-France
Hologic Inc.	USA	Tyson Foods, Inc. (Dissident: The Humane Society of the United States)	USA
Jazz Pharmaceuticals plc	USA	Ubisoft Entertainment	EU-France
Johnson Controls, Inc.	USA	Ultratech, Inc.	USA
Kraton Performance Polymers	USA	Ultratech, Inc. (Dissident: Neuberger Berman Investment Advisors LLC)	USA
Lam Research Corporation	USA	Unilever NV	EU-Others

Source: SSGA's Engagement Database as of September 30, 2016.

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Company Name	Market
Unum Group	USA
Vedanta Ltd.	EM-India
Veeco Instruments Inc.	USA
Volkswagen AG	EU-Germany
WebMD Health Corp.	USA
WP Glimcher Inc. (Formerly Washington Prime Group)	USA
Yamato Holdings Co Ltd	Japan

Source: SSGA's Engagement Database as of September 30, 2016.

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