Stewardship Activity Report

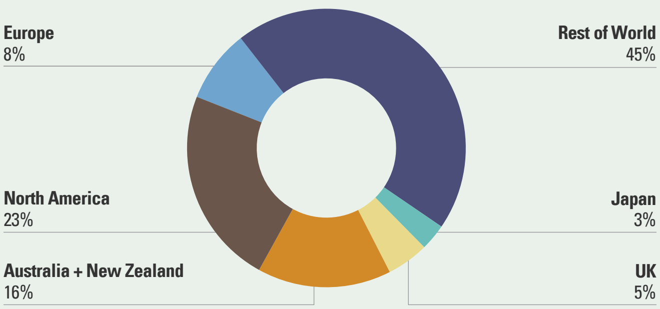
Q4 2016

Figure 1: Vote Summary Q4 2016

No. of Meetings	2,278
No. of Countries	62
Management Proposals	14,193
Votes For	83.6%
Votes Against	16.4%[1]
Shareholder Proposals	398
Votes with Management	96.0%
Votes against Management	4.0%[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 Q4 2016

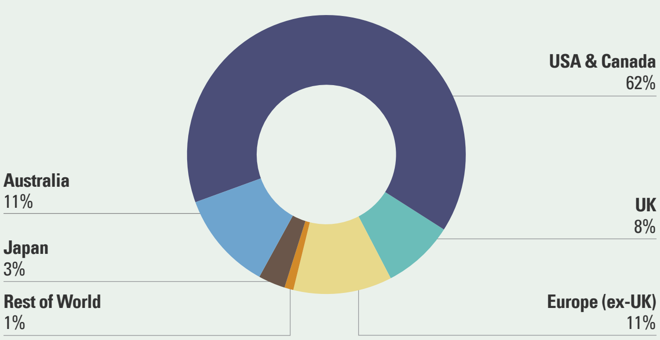


Source: State Street Global Advisors (SSGA). As of December 2016.
Data are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Figure 3: Engagement Summary Q4 2016

Q4 Engagement Meetings	148
YTD Engagement Meetings	611

Figure 4: Breakdown of Engagement by Region Q4 2016



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

Stewardship Highlights

Australia Proxy Season Review

New strategy begets new remuneration plans

In the build up to the Australian Proxy Season, we provided a preview of our focus on strategy and its potential impact on the structure of remuneration packages in Australian companies in our Q3 2016 newsletter. During the course of 2016 SSGA engaged with 30 Australian companies and reviewed 436 shareholder meetings. Companies engaged include: **Origin Energy, Ltd., Macquarie Group Ltd., Fairfax Media Ltd., AGL Energy Ltd., Newcrest Mining Ltd., Commonwealth Bank of Australia, Wesfarmers Ltd., Woolworths, Ltd., Australia and New Zealand Banking Group Ltd.**

Based on our discussions, the takeaways from this season are highlighted below:

- 2016 was a year in which many Australian companies reviewed their long-term strategy in light of changing economic conditions. This focus on strategy, while necessary, resulted in several companies changing their short and long-term goals to adjust to a lower growth environment.
- Consequently, the immediate impacts of these changes were visible in remuneration packages of CEOs as many companies discarded older plans that were no longer aligned to future strategy.
- We think the restructuring of remuneration plans was inevitable and necessary. However, we found that companies had abandoned old remuneration plans without prior discussion and buy in from shareholders on new plans, which have design elements that are concerning to shareholders.
- Going forward, we see companies needing to provide more clarity on their long-term strategy by setting goals and milestones that are clearly communicated to shareholders and incorporated into remuneration plans.
- We also see remuneration plan structures changing significantly in the coming years as companies deviate from the more traditional structure of setting long-term performance targets based on a three year relative Total Shareholder Return (TSR) metric. This one size fits all approach that was common in most Australian remuneration plans, will now likely change as boards are keen on adopting structures that are appropriate for their firm and industry.

STATE STREET GLOBAL ADVISORS

- As companies test new remuneration plans, SSGA is concerned about two groups of companies that have emerged this proxy season:
  - Those companies that have abandoned long-term plans and are embracing short-term plans as a means of incenting management in an unpredictable and challenging economic environment; and
  - Those companies that have abandoned short-term plans in favor of long-term performance plans with the intention of giving managers the opportunity to earn larger payouts once the company has successfully executed the multi-year restructuring plans that are underway.
- As mentioned in our pre-season note, we are particularly concerned when companies abandon long-term plans 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.
- Our concern with companies abandoning short-term plans is that the new structure has the potential of increasing total pay quantum in the long-term as the base salary adjustments are above typical levels. Unless base salaries are adjusted downwards when the company reverts to a more conventional structure that includes short and long-term pay elements, the increase in base pay will result in higher bonus and long-term opportunities as targets are set as a percent of base pay.
- As boards are reconsidering remuneration plans, we are supportive of them including material environmental, social and governance (ESG) metrics such as safety, consumer satisfaction, cultural change etc. as key drivers of pay, especially if they are integral to the strategy and support long-term value creation. However, in such instances, we ask that boards put in place methodologies to capture and measure key ESG performance indicators and explain to shareholders how these metrics are incorporated in strategy and promote long-term value.
- Lastly, we want to reiterate that while we are supportive of boards adopting unique remuneration plans that are aligned to the company's long-term strategy and circumstances, we caution boards from adopting practices that reduce the pay-for-performance aspect of the plan or result in increasing total pay quantum over the long-term.

Emerging Markets

Navigating Conglomerate Governance: Through the Lens of the Korean Chaebol

In October 2016, SSGA published a paper that explores the corporate governance challenges of investing in Korean stock, which in recent years have shown compelling value. We discuss how family-controlled conglomerates that are common in Korea present significant investment challenges and that, often, the more complex a conglomerate's corporate structure, the greater potential for misalignment between controlling family interests and those of other shareholders. We believe that knowing how to identify a subsidiary's rank within the conglomerate hierarchy and its value to the controlling shareholder is key to fundamental value investing in Korea's family-controlled companies.

Discord at Tata & Sons Destroys $10 billion in Shareholder Value

This quarter, corporate governance of family-owned companies and conglomerates was also a main topic of market debate and drove SSGA's engagement efforts in India. In a surprising move, on October 24th 2016, after only four years on the job, Cyrus Mistry was removed as Chairman of Tata&Sons, the trust company that is the controlling shareholder of several portfolio companies that make up the Tata Group conglomerate. The reason given for Mistry's removal was the alleged investor discontent with his management of the portfolio companies that ranged from an information technology company to an automobile manufacturer to a hotel management company. The actions, which were taken by the main shareholder, Tata&Sons, without inputs from other shareholders of the listed portfolio companies has largely been opposed by minority shareholders and has brought focus on the need for more transparency on governance of controlling shareholders in large Indian conglomerates.

Subsequent to his removal, a public dispute broke out between Cyrus Mistry and the former Chairman Ratan Tata, who was reappointed as interim Chair, stemming from Mistry's refusal to step down as chair of the portfolio companies. Minority shareholders in the portfolio companies, who did not have a say in the appointment or removal of Mistry, have begun focusing on the poor governance practices that have resulted in the loss of over $10 billion in total market value from conglomerate companies.

In December, SSGA, representing the interests in all of their portfolio companies, engaged with senior managers of Tata&Sons and called on the group to:

- Enhance transparency and improve governance of the trust company — Tata&Sons
- Strengthen board and committee charters of portfolio companies to explicitly address resignation policies and board/committee composition issues
- Require that the portfolio company boards manage the succession planning process so that minority shareholder interests are not impacted by family disputes among the controlling shareholder and management

- Provide greater disclosure on overall business strategy of each portfolio company in order for minority shareholders to evaluate and provide feedback on the performance of the company

SSGA will continue to monitor developments at Tata&Sons and will engage with the company and provide feedback when deemed appropriate.

2017 Stewardship Priorities

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. 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 to three "deep dive" sectors annually. The following are the broad strategic focus areas for our stewardship activities in 2017 and background for our choices and interest in the specific ESG themes:

Sector Focus

Insurance Companies

Challenged by the low interest rate environment, companies in the insurance sector are undertaking mergers and acquisitions (M&A) to retain market share and expanding into new related businesses such as reinsurance. In addition, insurance companies are also susceptible to impacts of climate change. SSGA will engage with companies to understand how boards are navigating the challenges posed by low interest rates and evaluate governance structures in the context of a company's business strategy. We will also endeavour to understand processes to mitigate risk from climate change to a company's business.

Real-Estate Investment Trusts [REITs]

With REITs becoming the 11th headline sector within the Global Industry Classification Standard (GICS), SSGA will engage with companies within this sector to discuss long-term strategy and ESG issues such as gender diversity and environmental management.

Media

SSGA will engage with companies to discuss the proliferation of media options available to consumers and its impact on existing business and long-term strategy. In addition, we will raise the ownership, board composition, and compensation issues that are endemic in this sector.

Thematic Focus

Board Leadership

SSGA will engage with companies to better understand how their preferred board leadership structure facilitates the board's ability to provide independent oversight of management.

Board Composition and Gender Diversity

SSGA will evaluate board composition in the context of the company's strategy, while promoting increased diversity among board members. Further, we will also engage with companies to understand how management promotes diversity at all levels of management and review company disclosure pertaining to diversity practices and metrics.

Pay Strategies

SSGA 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

SSGA will review quality of board oversight on climate-related risks including board governance structures to oversee risk in high impact sectors. We will also aim to understand company emission management programs and its long-term strategy to transition to a lower-carbon economy.

Water Management

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

Voting Policy Focus

Protecting Interests of Long-Term Shareholders in Activist Engagements

SSGA is concerned with the recent rise in settlement agreements between boards and activist investors as it does not give a voice of long-term shareholders. Further, we are wary of activist models of engagement that favor short-term gains at the expense of long-term investor interests.

We believe boards should protect the interests of long-term shareholders in all activist situations, and carefully evaluate settlement agreements. In particular boards need to consider the interests of long-term shareholders as they assess: 1) duration of the 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.

In 2017, to help inform our voting decisions on the election of directors in activist situations, SSGA will assess settlement agreements according to how they address these issues.

Figure 5: Companies Engaged

Company Name	Market
ABB Group	Switzerland
Actelion Ltd	Switzerland
Air Lease Corporation	USA
Air Liquide S.A.	EU-France
Alcoa Inc.	USA
Alliance Data Systems Corporation	USA
Amcor Ltd.	Australia
Amgen Inc.	USA
Apartment Investment and Management Company (AIMCO)	USA
ArchRock Inc.	USA
Arthur J. Gallagher & Co	USA
AstraZeneca Plc	UK
Australia and New Zealand Banking Group Ltd.	Australia
Avangrid, Inc.	USA
Avery Dennison Corporation	USA
Babcock & Wilcox Enterprises, Inc.	USA
BBVA S.A.	EU-Others
Bendigo & Adelaide Bank	Australia
Boral Ltd.	Australia
BorgWarner Inc.	USA
BP Plc	UK
Bristol-Myers Squibb Company	USA
Celgene Corporation	USA
Chevron Corporation	USA
Chipotle Mexican Grill, Inc.	USA
Cisco Systems, Inc.	USA
Cliffs Natural Resources	USA
Coach, Inc.	USA
Comcast Corporation	USA
Commonwealth Bank of Australia	Australia
Consolidated-Tomoka Land Co.	USA
Copart, Inc.	USA
Corning Incorporated	USA
Costco Wholesale Corporation	USA
CSL Ltd.	Australia
Cummins, Inc.	USA
Cypress Semiconductor Corporation	USA
Daimler AG	EU-Germany
Depomed, Inc.	USA
Dixons Carphone Plc	UK
Domtar Corporation	USA
Dover Corporation	USA
Duke Energy Corporation	USA
Dynavax Technologies Corporation	USA
Ecolab Inc.	USA

Company Name	Market
Edison International	USA
Eli Lilly and Company	USA
Enagas S.A.	EU-Others
EnerNOC, Inc.	USA
Enzo Biochem, Inc.	USA
Ericsson	EU-Sweden
Eversource Energy	USA
EXPRESS SCRIPTS HOLDING COMPANY	USA
Express, Inc.	USA
Extreme Networks, Inc.	USA
Farmer Bros. Co.	USA
Ford Motor Company	USA
Gilead Sciences, Inc.	USA
Goodman Group Ltd.	Australia
Groupe Eurotunnel SE	EU-France
Groupe PSA	EU-France
Hammerson Plc	UK
Hasbro, Inc.	USA
Heineken N.V.	EU-Others
HSBC Holdings Plc	UK
Huntington Bancshares, Inc.	USA
Huntington Ingalls Industries, Inc.	USA
IAC/InterActiveCorp	USA
IHI Corporation	Japan
ImpediMed Ltd.	Australia
ING Group	EU-Others
Interface, Inc.	USA
Intuit Inc.	USA
JX Holdings, Inc.	Japan
K12 Corporation	USA
Kimberly-Clark Corporation	USA
Laboratory Corporation of America Holdings	USA
Marathon Oil Corporation	USA
Marathon Petroleum Corporation	USA
Masco Corporation	USA
Mattel, Inc.	USA
McDonald's Corporation	USA
Mead Johnson Nutrition Company	USA
Medtronic plc	EU-Ireland
Microsoft Corporation	USA
Monster Beverage Corporation	USA
Motorola Solutions, Inc.	USA
Myriad Genetics, Inc.	USA
Newcrest Mining Ltd.	Australia
Newfield Exploration Company	USA

Source: SSGA's Engagement Database as of December 31, 2016.

Company Name	Market
Nine Entertainment Ltd.	Australia
Noble Corporation plc	USA
Novartis International AG	Switzerland
Oracle Corporation	USA
Paddy Power Betfair	UK
Palo Alto Networks, Inc.	USA
PayPal Holdings, Inc.	USA
Pitney Bowes Inc.	USA
Polaris Industries Inc.	USA
QEP Resources, Inc.	USA
Raytheon Company	USA
Regeneron Pharmaceuticals Inc.	USA
Republic Services, Inc.	USA
Roche Holding AG	Switzerland
Rolls Royce Plc	UK
Ryanair plc	EU-Ireland
Samsung Electronics Co. Ltd.	EM- Korea
Seek Ltd.	Australia
Segro Plc	UK
Sojitz Corporation	Japan
SolarCity Corporation	USA
St. Jude Medical Inc.	USA
Standard Chartered Plc	UK
Target Corporation	USA
Tata Chemicals Ltd.	EM-India
Tata Consultancy Services	EM-India
Tata Global Beverages Ltd.	EM-India
Tata Motors Ltd.	EM-India

Company Name	Market
Tata Power Company Ltd.	EM-India
Tata Steel Ltd	EM-India
Taubman Centers, Inc.	USA
Ten Network Holdings, Ltd.	Australia
Tesla Motors, Inc.	USA
The Clorox Company	USA
The Estee Lauder Companies, Inc.	USA
The Goldman Sachs Group, Inc.	USA
The Goodyear Tire & Rubber Company	USA
The Madison Square Garden Company	USA
The Procter & Gamble Company	USA
TonenGeneral Sekiyu K.K.	Japan
Toyota Motors	Japan
Treasury Wine Estates, Ltd.	Australia
Twenty-First Century Fox, Inc.	USA
Twitter, Inc.	USA
U.S. Bancorp	USA
Vicinity Centres	Australia
Visa, Inc.	USA
Vodafone Plc	UK
Wells Fargo & Company	USA
Wesfarmers Ltd.	Australia
Western Digital Corporation	USA
Whole Foods Market, Inc.	USA
Winnebago Industries, Inc.	USA
Woolworths, Ltd.	Australia
Xcerra Corporation	USA
Zurich Insurance Group Ltd	Switzerland

Source: SSGA's Engagement Database as of December 31, 2016.

Stewardship Contacts:

Rakhi Kumar
Managing Director,
Head of Corporate Governance
rakhi_kumar@ssga.com
+1 617 664 5556

Paul Moore
Principal,
Corporate Governance
paul_moore@ssga.com
+1 617 664 4434

Michael Younis
Principal,
Corporate Governance
michael_younis@ssga.com
+1 617 664 4632

Philip Vernardis
Principal,
Corporate Governance
philip_vernardis@ssga.com
+44 20 3395 6447

Caitlin McSherry
Principal,
Corporate Governance
caitlin_mcsherry@ssga.com
+1 617 664 5387

ssga.com

State Street Global Advisors Worldwide Entities

Australia: State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services Licence (AFSL Number 238276). Registered office: Level 17, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240-7600. F: +612 9240-7611.

Belgium: State Street Global Advisors Belgium, Chaussée de La Hulpe 120, 1000 Brussels, Belgium. T: 32 2 663 2036. F: 32 2 672 2077. SSGA Belgium is a branch office of State Street Global Advisors Limited. State Street Global Advisors Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Canada: State Street Global Advisors, Ltd., 770 Sherbrooke Street West, Suite 1200 Montreal, Quebec, H3A 1G1, T: +514 282 2400 and 30 Adelaide Street East Suite 500, Toronto, Ontario M5C 3G6. T: +647 775 5900.

Dubai: State Street Bank and Trust Company (Representative Office), Boulevard Plaza 1, 17th Floor, Office 1703 Near Dubai Mall & Burj Khalifa, P.O Box 26838, Dubai, United Arab Emirates. T: +971 (0)4-4372800. F: +971 (0)4-4372818.

France: State Street Global Advisors France. Authorised and regulated by the Autorité des Marchés Financiers. Registered with the Register of Commerce and Companies of Nanterre under the number 412 052 680. Registered office: Immeuble Défense Plaza, 23-25 rue Delarivière-Lefoullon, 92064 Paris La Défense Cedex, France. T: (+33) 1 44 45 40 00. F: (+33) 1 44 45 41 92.

Germany: State Street Global Advisors GmbH, Brienner Strasse 59, D-80333 Munich. Authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"). Registered with the Register of Commerce Munich HRB 121381. T: +49 (0)89-55878-400. F: +49 (0)89-55878-440.

Hong Kong: State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103-0288. F: +852 2103-0200.

Japan: State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F1-23-1 Toranomon, Minato-ku, Tokyo 105-6325 Japan, T: +81-3-4530-7380 Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345) , Membership: Japan Investment Advisers Association, The Investment Trust Association, Japan, Japan Securities Dealers' Association.

Ireland: State Street Global Advisors Ireland Limited is regulated by the Central Bank of Ireland. Incorporated and registered in Ireland at Two Park Place, Upper Hatch Street, Dublin 2. Registered Number: 145221. Member of the Irish Association of Investment Managers. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300.

Italy: State Street Global Advisors Limited, Milan Branch (Sede Secondaria di Milano) is a branch of State Street Global Advisors Limited, a company registered in the UK, authorised and regulated by the Financial Conduct Authority (FCA), with a capital of GBP 71'650'000.00, and whose registered office is at 20 Churchill Place, London E14 5HJ. State Street Global Advisors Limited, Milan Branch (Sede Secondaria di Milano), is registered in Italy with company number 06353340968 - R.E.A. 1887090 and VAT number 06353340968 and whose office is at Via dei Bossi, 4 - 20121 Milano, Italy. T: 39 02 32066 100. F: 39 02 32066 155.

Netherlands: State Street Global Advisors Netherlands, Apollo Building, 7th floor Herikerbergweg 29 1101 CN Amsterdam, Netherlands. T: 31 20 7181701. SSGA Netherlands is a branch office of State Street Global Advisors Limited. State Street Global Advisors Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Singapore: State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501.

Switzerland: State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16.

United Kingdom: State Street Global Advisors Limited. Authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. T: 020 3395 6000. F: 020 3395 6350.

United States: State Street Global Advisors, One Lincoln Street, Boston, MA 02111-2900.

Investing involves risk including the risk of loss of principal.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

All material has been obtained from sources believed to be reliable. There is no representation or warranty as to the accuracy of the information and State Street shall have no liability for decisions based on such information.

The views expressed in this material are the views of Rakhi Kumar through the period ended December 31, 2016 and are subject to change based on market and other conditions and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

ID8498-INST-7303 0117 Exp. Date: 02/28/2019